May 2001

MISSION STATEMENT

To provide deposit insurance and to contribute to the stability of the financial system in Canada in a professional and innovative manner, meeting the highest standards of excellence, integrity, and achievement, for the benefit of depositors of member institutions while minimizing the Corporation's exposure to loss. CDIC will provide an environment where employees are treated fairly and given opportunities and encouragement to develop their full potential.

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CHAPTER 1—INTRODUCTION

The Canada Deposit Insurance Corporation does more than provide deposit insurance[1]. While we exist to protect depositors, we also strengthen Canada's financial system by promoting standards of sound business and financial practices and by actively working to reduce risk among our member institutions.

Although Canada's financial system remains sound, and we do not foresee substantial change in the risk profile of our members during the planning period ahead, we must be proactive in assessing potential risk owing to an ever-changing economic environment and the evolution of Canada's financial system itself.

"Enhancing Risk Management Systems and Practices" – the theme of this year's Corporate Plan – reflects the importance we assign to risk management in responding to the challenges of the current financial and economic environment, and those that lie ahead.

These challenges include the effects of sweeping global forces such as the advance of information and communications technologies, mergers and acquisitions on an international scale, diminished growth in certain sectors of a global economy, as well as globalization itself.

Changes are also occurring more directly within Canada's financial sector. New participants on the scene include Internet banks and specialized niche players. Branches of foreign banks are also making inroads into Canada's financial marketplace. Recent legislation permits the opting out of deposit insurance by institutions focused on wholesale deposit taking, while mergers and acquisitions continue in the retail deposit-taking sector. We must be vigilant in assessing changes to risk that may flow from these and other developments.

In order to enhance our risk management capacity, we are introducing a corporate risk management methodology that includes, inter alia:

- Identifying any gaps in our systems, controls and practices that represent risks;
- Determining appropriate steps to mitigate and manage these risks;
- Reviewing our provisioning methodology and examining fund options;
- Focusing on in-depth contingency planning and preparedness; and
- Pursuing a corporate knowledge management initiative.

In addition to these internal measures, our ability to assess risk among member institutions will be enhanced by improving our risk assessment methodology, by developing contingency plans in conjunction with other agencies, and by undertaking a number of specific initiatives designed to augment our risk assessment capacity. These initiatives include the Member Institutions Data Analysis System (MIDAS) II – Data Warehouse project, the modernization of our *Standards of Sound Business and Financial Practices* and reporting processes, and the expansion of electronic filing and electronic document management among member institutions.

As well, our active involvement in international initiatives will assist us in enhancing CDIC's systems and risk assessment practices. These activities include participation in international-level committee work, responding to requests for assistance from other countries, and participation in global networks of specialists. These endeavours strengthen our ability to remain abreast of emerging trends and developments worldwide, while sharing our experience and expertise.

Premium rates for 2001/2002 will remain essentially the same as in the previous two years. The one exception is Category 4, which increases to the maximum authorized in accordance with the two-year transition established under our *Differential Premiums By-law*.

The premium rate categories are:

- Category 1: 0.0417 per cent, or 1/24 of one per cent of insured deposits;
- Category 2: 0.0833 per cent, or 1/12 of one per cent of insured deposits;
- Category 3: 0.1667 per cent, or 1/6 of one per cent of insured deposits; and
- Category 4: 0.3333 per cent, or 1/3 of one per cent of insured deposits.

Premium revenue throughout the planning period is based on the following assumptions:

- Premium rates remain the same as those in 2001/2002;
- The distribution of member institutions across premium categories is the same as for the year ended March 31, 2001; and
- The growth of insured deposits is in accordance with the economic assumptions as discussed in Section 2 of this Summary.

As in the past, premium rates are fixed annually with consideration given to the economic environment, the risk profile of member institutions and the Corporation's own financial condition. During the coming year, we will continue to review our approach for establishing appropriate loss provisions, and will consider the merits of establishing a deposit insurance fund and its implications for future premium revenue. Accordingly, the premium revenue projections for the years ending 2003 to 2006 may be subject to material change.

In Section 3 of this Summary, we report on our performance compared against previous plans and objectives using for this purpose a performance management scorecard. Future objectives, performance measures, targets and supporting initiatives have also been included. We will continue to refine our use of this scorecard displaying the interrelation with our corporate risk management methodology and our corporate planning and reporting processes.

Section 4 discusses our financial plan for 2001/2002. We expect total revenues of $188 million, consisting of $143 million in premiums with interest and other revenue of $45 million. Operating expenses are expected to be $21 million, with net operating income (that is, interest income and other revenue, net of operating expenses) of $24 million. This represents an increase in net operating income of 85 per cent over 2000/2001. The capital budget will be $575,000. Section 4 also reports on our performance against our budgets for the past two years and presents the Corporation's borrowing plan.

Appendices to this Summary provide general information concerning CDIC. Appendix A offers an overview of the Corporation while Appendix B contains our pro forma financial statements.

The only significant information omitted between the full version of the Corporate Plan and the present Summary is detailed information concerning high-risk member institutions.

To reiterate, Canada's financial system remains sound. However, as the following section on our "Planning Environment" illustrates, continuous change is now the rule within a global financial industry, and these changes have a direct bearing on the environment in which our own financial institutions operate.

By strengthening risk management systems and practices, we seek to advance our mission within this larger context. By doing so, we contribute to the stability of Canada's financial system while providing insurance for the depositors of our member institutions.

R.N. Robertson
Chairman

J.P. Sabourin
President & CEO

1 Under the CDIC Act, the maximum basic protection for eligible deposits is $60,000 per person at each member institution. CDIC provides separate protection for eligible deposits held jointly, in trust, in registered retirement savings plans, and in registered retirement income funds, also to a maximum of $60,000 in each category.

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CHAPTER 2—PLANNING ENVIRONMENT

2.1 Issues Affecting CDIC

This section outlines the principal strategic and environmental issues and their associated risks that we face during the planning period. It includes a summary of legislative and regulatory issues as well as selected data on our members. An overview of the processes we have put in place to monitor and manage risk is also provided.

2.1.1 Economic and Financial Environment

The global financial industry is experiencing continuous change. This is the result of many forces, including:

- Changes in technology;
- The demands of competition;
- Consolidation, as institutions look for improved margins and new sources of income, thereby creating new sources of risk; and
- The introduction of new financial products.

Internationally, mergers among banks and insurance companies have led to a more integrated financial marketplace. Some of this activity has occurred within the Canadian financial sector, such as with the recent acquisition of Canada Trust by the Toronto-Dominion Bank.

Competition has increased in Canada with the appearance of foreign bank branches and specialized non-bank niche players. This has boosted the incentive for our members to find ever more efficient ways to conduct business and seek opportunities for greater returns. All of this is occurring at a time of downward pressure on operating margins, diminished returns on fixed-income investments, increased reliance on other sources of income that are sensitive to capital market performance, and greater reliance on the sale of investment products.

It is apparent that many institutions are unlikely to reach the size of major global players. Consequently, they are differentiating themselves through specialization. The search continues for new sources of income in more volatile areas such as securitization and derivatives. These activities require enhanced risk management practices and controls on the part of financial institutions to ensure that increased risks are managed appropriately.

In addition, the complexity and speed of transactions continue to escalate. Market reaction to perceived changes in risk or value can be instantaneous and decisive. The markets themselves are becoming more volatile, reacting strongly to both success and failure in meeting projections, to whether there are appropriate levels of loss provisions and reserves, and to transparency of disclosure.

Canada’s domestic economic environment remains favourable with continued growth and relatively low inflation. However, recent market instability and a weakening dollar raise questions about how long financial markets will continue to advance. Although concerns about rising interest rates in the United States have ebbed as the economy slows, new concerns are arising with respect to potential loan losses and the mounting level of household debt. Recent volatility in world oil prices has led some to expect inflation to return and to increase pressure on interest rates. Nevertheless, positive economic growth in Canada is still predicted for the period of this plan.

The market for financial assets is directly affected by changes in interest rates and other market prices. Our member institutions are affected by market risk to the extent they are exposed to such changes. Our Standards of Sound Business and Financial Practices are designed to help focus the attention of members on mitigating the negative effects of such risks.

While some of these risks are of an ongoing nature – such as those associated with currency fluctuations – others are of more recent vintage, such as investment concentrations in the high-tech sector. In the fall of 2000, some Canadian banks disclosed their investment exposure within the information and communications sector in an effort to provide greater transparency and to alleviate investor concern.

Similarly, CDIC is affected by market risk caused by changes in the value of its assets and liabilities (e.g. its investment portfolio, estate assets and any borrowings). Pursuant to the *Financial Risk Management Guidelines for Crown Corporations* issued by Canada’s Minister of Finance, our internal financial management policies have been developed to mitigate such risks.

2.1.2 Globalization

As the effects of globalization continue to be felt within Canada’s financial sector, we must have a thorough understanding of the international forces that are affecting our members. Financial institutions do not exist in isolation. Indeed, they are becoming larger and more complex, forming conglomerates that straddle international boundaries within an ever-expanding global economy. Since these changes have implications for the safety net that Canada has devised for its depositors, keeping abreast of international developments has become all the more essential.

We continue to receive requests for assistance in establishing or improving deposit insurance systems in other countries. There has been a commensurate increase in invitations to participate in international conferences and seminars. Responding to these requests is consistent with the Government’s policy of advancing international cooperation in the development of financial regulation. Further, any effort towards improvements at a global level can only benefit our domestic financial institutions. Participating in these initiatives provides opportunities to remain current with emerging global trends and issues of importance to deposit insurance. These issues include matters such as the effects of internationalization in the financial services sector; dealing with multiple regulators in various countries; the application of different laws within diverse jurisdictions; developments in e-commerce and e-money; and the potential for international clearing arrangements.

In addition to providing direct assistance to deposit insurers in other countries, we are also participating in the development of practical guidance for deposit insurance schemes worldwide through the Financial Stability Forum (FSF) – a forum convened by the G7 Finance Ministers and Central Bank Governors to promote international financial stability. Our President and Chief Executive Officer chairs an FSF Working Group on Deposit Insurance assigned with the development of guidance principles by September 2001.

2.1.3 Technology

Technology continues to advance at an ever-accelerating pace. It has transformed investment banking, making possible the widespread use of derivatives to assume and manage risks. Institutions are unbundling the traditional components of financial intermediation and restructuring them in a variety of new products and services. Securitizations, swaps and repurchase agreements are permitting the movement of risk to other institutions. While these developments may have positive consequences for the financial institutions involved, another consequence is that it can be more difficult to identify and assess related risks in terms of deposit insurance.

Advances in technology are permitting a proliferation of new, cheaper and more tailored financial products. Banking by personal computer and even by wireless connection to the Internet are steadily increasing. These changes are facilitating the advancement of virtual banking, in which financial products are sold without geographical constraint to consumers around the world. There are also daily developments in the advancement of e-money and e-commerce, with emerging products such as stored-value cards and network money. These developments raise questions about security and consumer protection. They are also leading to radically altered definitions of traditional concepts such as point of transaction, deposit location and security of transfer. These changes pose ongoing challenges for regulators and deposit insurers alike.

2.1.4 Internal Environment

Developments internal to CDIC itself also affect the parameters of this plan. For example, succession planning will become increasingly important as members of our management team become eligible for retirement. As with other organizations, there is a need to retain highly skilled employees through a combination of incentives that include training and crossover employment opportunities. Furthermore, our knowledge management initiatives, the implementation of an electronic document management system, and ensuring our general preparedness to satisfy our mandate are important in making certain that critical knowledge is not lost as turnover occurs.

As part of our ongoing efforts to meet the highest organizational standards, we are conducting a self-evaluation utilizing CDIC's own *Standards of Sound Business and Financial Practices*. Continuing efforts will be made in conjunction with this review to assess and manage internal corporate risk.

2.1.5 Summary

In light of these challenges, we must continue to strengthen our insurance and risk assessment function and increase our policy and research capacities to keep abreast of developments and to assess their effect on deposit insurance. Because we are a comparatively small organization with a crucial role to play if member institutions face difficulty, we must be on the lookout internally for any operational risk of financial loss or a diminished ability to meet our statutory obligations.

Moreover, while we have little expectation that a failure will occur among our member institutions during the planning period, we must always be prepared for such a development, whether of a single, large institution or involving a series of smaller failures. Previous experience has suggested that failures can come in waves. We must always be ready for this possibility or the failure of a single, large institution, no matter how remote these events may appear at present.

Furthermore, the increasing complexity and size of financial transactions, products and processes, coupled with advances in technology require us to be constantly reviewing and updating our preparedness. We must be immediately ready to intervene if a member institution encounters serious problems.

Intervention scenarios are immensely complicated by the intricate security surrounding electronic banking and clearance systems and the continued proliferation of more sophisticated deposit and investment products. If a member institution fails, we must be able to quickly and accurately access information concerning its depositors in order to reimburse them in a timely manner. Consequently, we must ensure that CDIC has the appropriate technological resources to maintain its own systems at optimal level, to be able to assess risk quickly and accurately, and to be ready to intervene effectively within a complex technological environment should the need arise.

2.2 Legislative Changes

The Government of Canada released its long-awaited policy paper on the financial services sector in June 1999. Entitled *Reforming Canada's Financial Services Sector: A Framework for the Future*, the paper proposed changes under four general categories:

1. Measures to encourage efficiency and growth in the sector;
2. 2. Measures to encourage domestic competition;
3. Initiatives to protect and empower consumers and small businesses; and
4. Changes to the regulatory and supervisory system.

These and a number of other policy changes were incorporated in Bill C-38, which was tabled in Parliament but which died with the election of 2000. The Government has indicated that it will reintroduce its legislation again shortly.

This proposed legislation would bring about significant changes within Canada's financial services sector. There would be, for example:

- A new holding company structure and corporate governance provisions;
- A new ownership regime for banks and bank holding companies;
- New investment powers for financial institutions;
- Changes to the payments system; and
- Measures to encourage new entrants to the sector, new services and greater competition.

The proposed legislation would also provide for a Financial Consumer Agency of Canada to ensure compliance by financial institutions with consumer protection provisions. The Agency would promote policies and procedures serving the interests of consumers and would play a central role in public education. It should be noted that we are also addressing our obligations in providing information to depositors through CDIC's public awareness campaign and other initiatives.

These legislative changes could substantially alter our institutional membership over time, thereby increasing the challenge of accurately assessing risk to the deposit insurance system. We have been discussing the potential effects of the proposed legislation with the Department of Finance, and will hold additional discussions once the new legislation is re-introduced.

One crucial element to managing the risk of financial failure is having sufficient access to information held by the Office of the Superintendent of Financial Institutions (OSFI) and other sources. Approaches to enhance the exchange of information between OSFI and CDIC are being proposed in the draft legislation.

Changes in legislation that affect our ability to fulfill CDIC's mandate may constitute a legal or regulatory risk to the Corporation. For this reason, we must at all times be proactive in providing effective advice in policy discussions concerning changes to the design of the regulatory/supervisory system. In order to do so, we must be fully aware of current and emerging issues in the financial industry, particularly as they affect deposit insurance.

We are also in the process of modernizing our *Standards of Sound Business and Financial Practices* and working to streamline our reporting processes while ensuring that members and their Boards of Directors remain accountable.

Further, pursuant to recent legislative amendments, we have granted eight member institutions authorization to opt out of membership in CDIC under the *Canada Deposit Insurance Corporation Exemption from Deposit Insurance By-laws*. Opted-out institutions are primarily those taking wholesale deposits (in excess of $150,000) that are not insured by CDIC. We expect to receive additional requests to opt out during the planning period.

As legislation changes, affecting CDIC and its membership, we must continue to collaborate with supervisors to reduce the risk of member institution failure. Since CDIC does not examine member institutions directly, it must rely extensively on the information provided by supervisors.

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2.3 Economic Assumptions

We have relied on the most recent Department of Finance "Survey of Canadian Private Sector Forecasters" (September 2000) and M2+ forecasts from the Bank of Canada in establishing the economic assumptions on which this document is based.

The average private sector forecast points to a relatively moderate slowing in economic growth and consumer price inflation over the forecast period. Short-term interest rates are expected to increase slightly in 2001 and then gradually decrease. More specific details include the following:

- Real Gross Domestic Product (GDP) is expected to grow at a 3.1 per cent average annual rate during the five-year period beginning in 2001/2002, down from an estimated 4.7 per cent for 2000/2001;
- The increase in the Consumer Price Index (CPI) is forecast to average 2.0 per cent annually during the five-year period beginning in 2001/2002, down from the 2.7 per cent for 2000/2001; and
- The rate of interest on Government of Canada three-month treasury bills is expected to average approximately 5.5 per cent during the forecast period.

Given the kinds of risks present in the planning environment (e.g. potential inflationary pressures, market volatility), the principal qualifications to this economic outlook appear to be lower than previously anticipated interest rates and slower economic growth.

Insured deposit growth is affected by a variety of factors such as interest rates, income growth and the way individuals allocate their income and savings to financial instruments.

INSURED DEPOSITS, M2+, CPI, AND GDP (percent change, fiscal year; forecast begins in 2001/2002)

	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006
Insured Deposits	3.3	3.1	3.0	2.8	2.7	2.6
M2+	6.6	4.5	4.3	3.9	3.7	3.6
CPI	2.7	2.4	2.0	1.8	1.9	1.9
Real GDP	4.7	3.5	3.0	3.0	3.1	3.1

THREE-MONTH TREASURY BILLS (%)

	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006
3-M T-Bills	5.5	5.8	5.5	5.4	5.4	5.3

Between May 1, 1999 and April 30, 2000, total insured deposits increased 3.3 per cent. This increase was slightly more than the 2.5 per cent growth forecasted previously. Deposit growth has been strengthening during the past two years, driven by such factors as improved incomes, more attractive deposit rates and continued stock market volatility, which may have reduced demand for deposit substitutes. We project that insured deposit growth will average 2.8 per cent during the planning period.

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2.4 Planning Premises

The following premises have been used in preparing this five-year plan.

2.4.1 Mandate

No significant changes to our mandate are anticipated during the planning period.

2.4.2 Member Institutions

Previous experience suggests that, on occasion, member institutions will face solvency or viability crises requiring CDIC intervention. These crises may result in liquidation or assisted resolution. Of course the timing, numbers and circumstances of such failures are extremely difficult to predict.

For most of the past decade, member institutions have benefited from a favourable economic environment and have reported healthy financial results. This has facilitated a strengthening of capital and other provisions. During this period, considerable effort has also been expended by member institutions in enhancing their risk management methodologies and the soundness of their business and financial practices. Accordingly, member institutions are better equipped to face the effects of a possible economic slowdown or downturn in specific sectors.

Although indicators show a Canadian economy that is fundamentally robust, caution has been expressed recently that trouble may be lurking. Sales in some sectors are lagging; earnings of technology-related companies are not as vigorous as in the past; inventories are creeping up, and non-performing loans at member institutions have increased.

The financial performances of member institutions for the year 2000, albeit strong, are showing signs of cooling off. Earnings for the second half of 2000 were affected to some extent by volatility in capital markets and an increase in the charge for impairment. However, total impaired assets at member institutions still represent less than one per cent of assets, and allowances for losses continue to exceed total impairments.

Given the above, for the purposes of our pro forma financial statements, no failures of member institutions are currently projected. Nevertheless, we will maintain a state of preparedness. The rapidly changing nature of the financial industry may require us to alter our methods of dealing with failing member institutions, and the pace and extent of such changes could affect our future resource requirements.

The distribution of insured deposits across all types of CDIC's member institutions in 2000 reflected the acquisition of Canada Trust by the Toronto-Dominion Bank. This purchase led to a sharp increase in the concentration of insured deposits with domestic banks and their subsidiaries – for the first time in excess of 95 per cent of insured deposits.

In 2000, CDIC members again reported strong profits and asset growth. Investment spreads continued to decline while income from non-intermediary sources grew rapidly, reflecting a continued trend away from intermediation. Non-interest income in 2000 represented more than half of total income at member institutions.

MEMBERSHIP PROFILE

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In 2000, CDIC members again reported strong profits and asset growth. Investment spreads continued to decline while income from non-intermediary sources grew rapidly, reflecting a continued trend away from intermediation. Non-interest income in 2000 represented more than half of total income at member institutions.

2.4.3 Corporate Risk Assessment

We will undertake to identify corporate risks and develop appropriate initiatives, goals, measures and targets to manage them.

2.4.4 Premium Revenue

The differential premiums program introduced in 1999/2000 is used to determine our premium revenue. Each member institution is classified in one of four premium categories. In projecting premium revenue over the planning period, no substantial movement of member institutions among premium categories is assumed.

We forecast premium revenue of approximately $143 million for 2001/2002, based on the following rates: 0.0417 per cent, or 1/24 of one per cent; 0.0833 per cent, or 1/12 of one per cent; 0.1667 per cent, or 1/6 of one per cent; and 0.3333 per cent, or 1/3 of one per cent for categories 1 to 4 respectively. These rates are the same as in the past two years (with the exception of Category 4-rated institutions), which were the first years under the differential premiums system.

Pro forma premium revenue is based on the following assumptions: premium rates remain the same as those in 2001/2002; the distribution of member institutions across premium categories is the same as for the year ended March 31, 2001; and, the growth of insured deposits is in accordance with the economic assumptions in Section 2.3 of this document.

In accordance with past practice, premium rates are fixed annually with consideration given to the economic environment and membership risk profile, as well as CDIC's financial position. In addition, during the coming year, we will continue to review our provisioning methodology for insurance losses (see section 2.4.8), and consider the merits of establishing a deposit insurance fund and its implications for future premium revenue. Accordingly, the premium revenue for the years ending 2003 to 2006, reflected in the pro forma financial statement in Appendix B, may be subject to material change.

2.4.5 Borrowings

CDIC does not receive any appropriation from Government. Nor do we plan to borrow funds during the planning period. Premium revenues, recoveries from loans and claims receivable, and interest income are projected to provide sufficient funding to meet outstanding obligations and operating costs.

2.4.6 Investment Revenue

Our investment income is forecast to be in excess of our operating costs during the planning period. Projected revenue is shown in the pro forma financial statements in Appendix B.

We have developed our investment strategy on the basis of two principles:

- Credit and market risk will be limited; and
- Our investment portfolio will be the initial funding source for any intervention.

We will minimize credit risk by investing in only high quality securities, in accordance with Department of Finance guidelines, and by limiting the amount invested in each qualifying institution. In addition, we will limit our investment in member institutions to those with a Category 1 rating under our differential premiums system.

Further, we will invest in highly liquid securities and limit our interest rate exposure by aiming for a weighted average-term-to-maturity of less than one year.

2.4.7 Provision for Guarantees

We have provided guarantees in the past to help resolve the financial difficulties of certain member institutions. A provision for similar purposes is determined annually by estimating the future cash payments required under these previous guarantees, which expire in 2002/2003. Total payments during the planning period are estimated to be a potential $40 million. This amount is reflected in the pro forma financial statements in Appendix B.

2.4.8 Provision for Insurance Losses

The provision for insurance losses represents our best estimate of losses resulting from insuring deposits of member institutions.

This provision is established by (i) assessing the aggregate risk of member institutions based on specific knowledge of our members; (ii) providing for the risk of loss by using a market-based, composite risk-weighting system; and (iii), applying the percentage of loss we have experienced with member failures during the preceding ten years. The results are stated on a present-value basis.

The market based, composite risk-weighting system is affected by two factors: the credit ratings of member institutions and, for comparison purposes, the market spreads between corporate bond issues and benchmark bond issues of the Government of Canada. The provision for insurance losses stood at $400 million on March 31, 2000. A reassessment of the provision (including its supporting methodology) will continue during 2001/2002. Accordingly, for the five-year pro forma financial statements, the provision remains at $400 million throughout the planning period.

2.4.9 Allowance for Loss on Loans and Claims Receivable

This allowance reflects our best estimate of losses from outstanding loans and claims receivable. The allowance is established annually by assessing the asset disposition strategies of liquidators, receivers and managers, and is based on forecasted payments to CDIC and other creditors.

Loans and claims receivable are written off against the allowance, in full or in part, when there is no reasonable expectation of realization. Any payments received subsequent to a write-off of the receivable is recorded first to recover amounts previously written off, while any additional amounts are recognized as other revenue.

2.4.10 Human Resources

We will maintain a core capacity in human resources during the planning period to achieve our objectives and strategies. The overall person-year count has increased somewhat during the past year in response to an increased focus on risk assessment and the launch of a long-term public awareness campaign. Our level of human resources may be affected from time to time by strategic shifts in addressing emerging issues or by changes in the risk profile of member institutions. Details of our Human Resources Complement can be found at section 3.7.

2.4.11 Leases

A 10-year lease (to 2010) has been negotiated for the head office in Ottawa. Renewal negotiations are nearing completion in Toronto where the office lease expires in 2001. Based on current market conditions in Toronto, no significant change in total lease costs is expected. This financial plan reflects current Ottawa lease costs and a projection of costs for a new lease in Toronto.

2.4.12 Use of Estimates

Our pro forma financial statements include both estimates and assumptions. The more significant areas requiring estimates are the provision for guarantees and the provision for insurance losses described in section 2.4.8.

2.4.13 Operating Expenditures Budget

We project operating expenditures of $21 million for 2001/2002. We will continue to review our objectives and initiatives in relation to our financial resources, reassigning priorities, if appropriate, to utilize our resources as effectively as possible. If intervention in the affairs of a member institution becomes necessary, or new initiatives are required during the year, approval of the Board of Directors will be sought for additional resources.

2.4.14 Capital Expenditures Budget

Our capital expenditures are mainly for computer hardware and office equipment. All capital assets, with the exception of computer hardware (amortized over three years), are amortized over their useful lives in accordance with the rates prescribed for tax purposes by the Canada Customs and Revenue Agency. Our capital budget for 2001/2002 is $575,000.

2.4.15 International Presence

We will continue to participate in international efforts to develop guidelines for deposit insurance in conjunction with other members of the international deposit insurance and financial communities. Exchanging knowledge and information with other countries, receiving delegations, providing assistance and advice and participating in international educational activities will remain priorities for our organization. We will continue to explore links with other deposit insurers and related organizations to enhance our capabilities and provide opportunities for training and development for our employees.

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2.5 CDIC Membership

The chart and graph following present an overview of principal CDIC membership statistics and the percentage of insured deposits to total deposits for the most recent years.

NUMBER OF MEMBERS

	2000	1999	1998	1997	1996
Domestic Banks and Subsidiaries	41	37	35	37	34
Foreign Bank Subsidiaries	35	45	46	49	49
Domestic Trust and Loan Companies	25	29	32	27	32
Total	**101**	**111**	**113**	**113**	**115**

TOTAL DEPOSITS ($ millions)

	2000	1999	1998	1997	1996
Domestic Banks and Subsidiaries	864,559	770,727	750,107	690,615	602,232
Foreign Bank Subsidiaries	60,197	59,585	63,114	56,494	54,921
Domestic Trust and Loan Companies	6,274	49,076	48,918	47,536	61,151
Total	**931,030**	**879,388**	**862,139**	**794,645**	**718,304**

INSURED DEPOSITS ($ millions)

	2000	1999	1998	1997	1996
Domestic Banks and Subsidiaries	312,760	272,749	264,971	272,652	268,756
Foreign Bank Subsidiaries	8,753	8,354	7,455	7,328	7,841
Domestic Trust and Loan Companies	5,526	35,475	35,988	37,060	51,770
Total	**327,039**	**316,578**	**308,414**	**317,040**	**328,367**

PERCENTAGE OF TOTAL INSURED DEPOSITS

	2000	1999	1998	1997	1996
Domestic Banks and Subsidiaries	95.6	86.2	85.9	86.0	81.8
Foreign Bank Subsidiaries	2.7	2.6	2.4	2.3	2.4
Domestic Trust and Loan Companies	1.7	11.2	11.7	11.7	15.8
Total	**100**	**100**	**100**	**100**	**100**

INSURED DEPOSITS/TOTAL DEPOSITS (%)

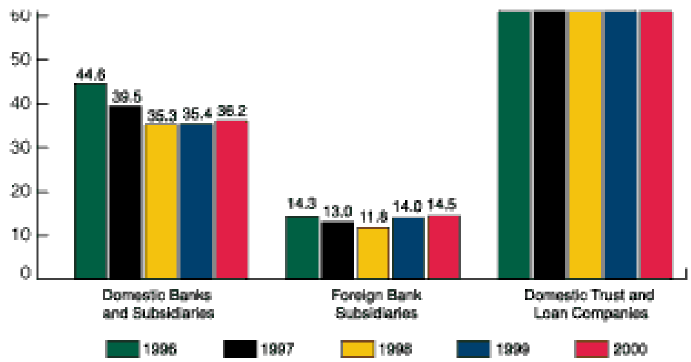
	2000	1999	1998	1997	1996
Domestic Banks and Subsidiaries	36.2	35.4	35.3	39.5	44.6
Foreign Bank Subsidiaries	14.5	14.0	11.8	13.0	14.3
Domestic Trust and Loan Companies	88.1	72.3	73.6	78.0	84.7
Total	**35.1**	**36.0**	**35.8**	**39.9**	**45.7**

INSURED DEPOSITS/TOTAL DEPOSITS (%)

	2000	1999	1998	1997	1996
Domestic Banks and Subsidiaries	36.2	35.4	35.3	39.5	44.6
Foreign Bank Subsidiaries	14.5	14.0	11.8	13.0	14.3
Domestic Trust and Loan Companies	88.1	72.3	73.6	78.0	84.7
Total	**35.1**	**36.0**	**35.8**	**39.9**	**45.7**

Differences in the totals from previous years' Corporate Plans are due to Return of Insured Deposits amendments filed by some institutions. Insured and total deposits as at April 30 of each year. Membership as at October 15 for 1996, and as at December 31 for 1997 and subsequent years.

Percentage of Insured Deposits to Total Deposits



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SUMMARY OF THE Corporate Plan

CHAPTER 3—BUSINESS PLANS

3.1 Planning and Accountability Framework

Our planning and accountability framework (see next page) forms an integral part of our corporate governance processes and daily management procedures. The framework integrates the principles of risk management with our performance management scorecard.

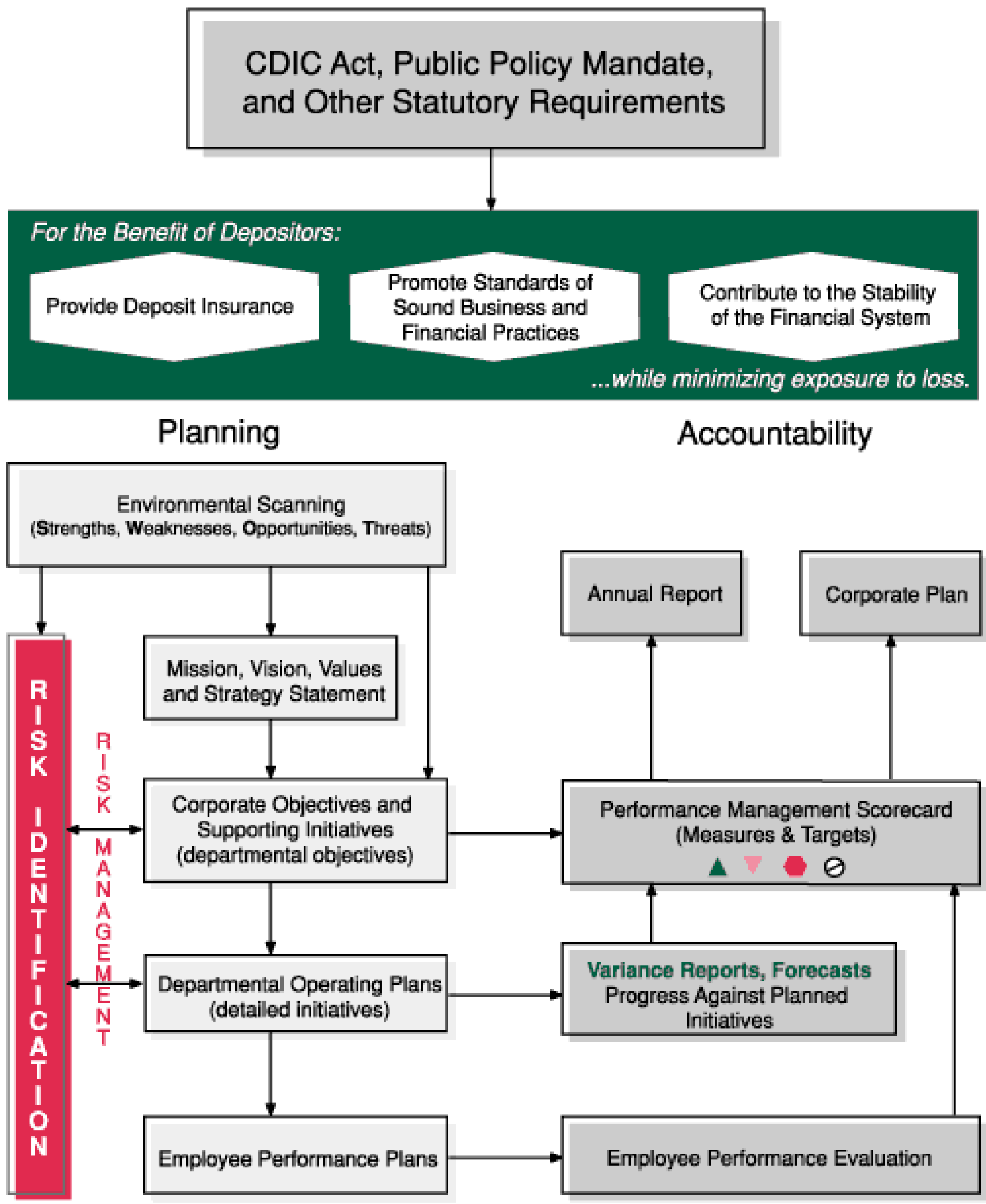
Our mandate, enshrined in the CDIC Act, constitutes the legislative expression of our institutional purpose and objectives. It provides the foundation for our mission statement, which is the origin of our corporate philosophy and working culture. Our mission determines our corporate objectives, business initiatives and general strategies. Related initiatives and objectives are developed in the context of ongoing environmental scanning and risk evaluation.

Performance at the corporate, departmental and employee level is reported to senior management and to the Board of Directors by means of the performance management scorecard. Our overall performance compared to objectives is reported to the public by means of this document and our annual report.

MANDATE

- To provide insurance against the loss of part or all of deposits.
- To be instrumental in the promotion of standards of sound business and financial practices for member institutions and to promote and otherwise contribute to the stability of the financial system in Canada.
- To pursue these objects 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 PLANNING AND ACCOUNTABILITY FRAMEWORK



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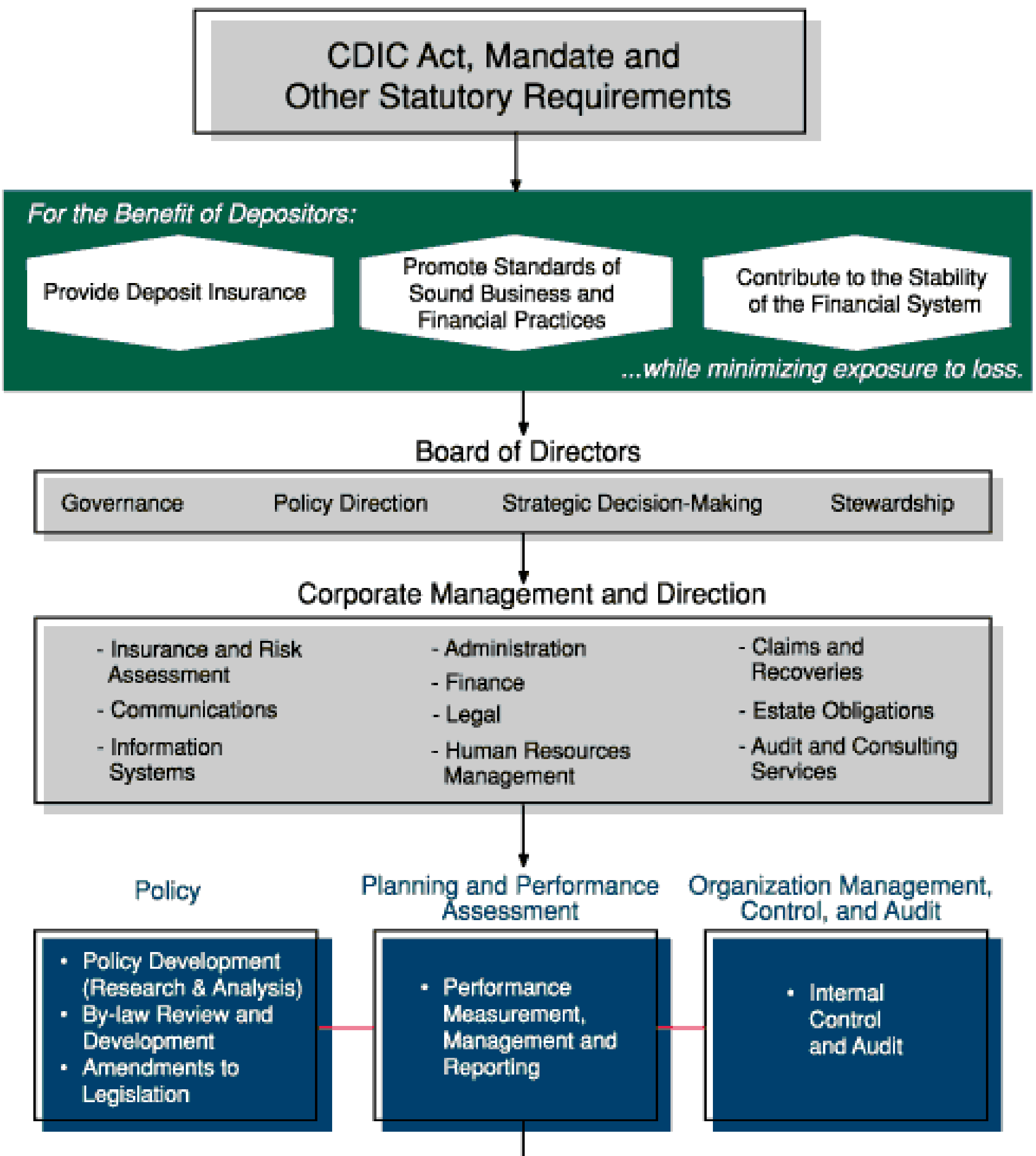
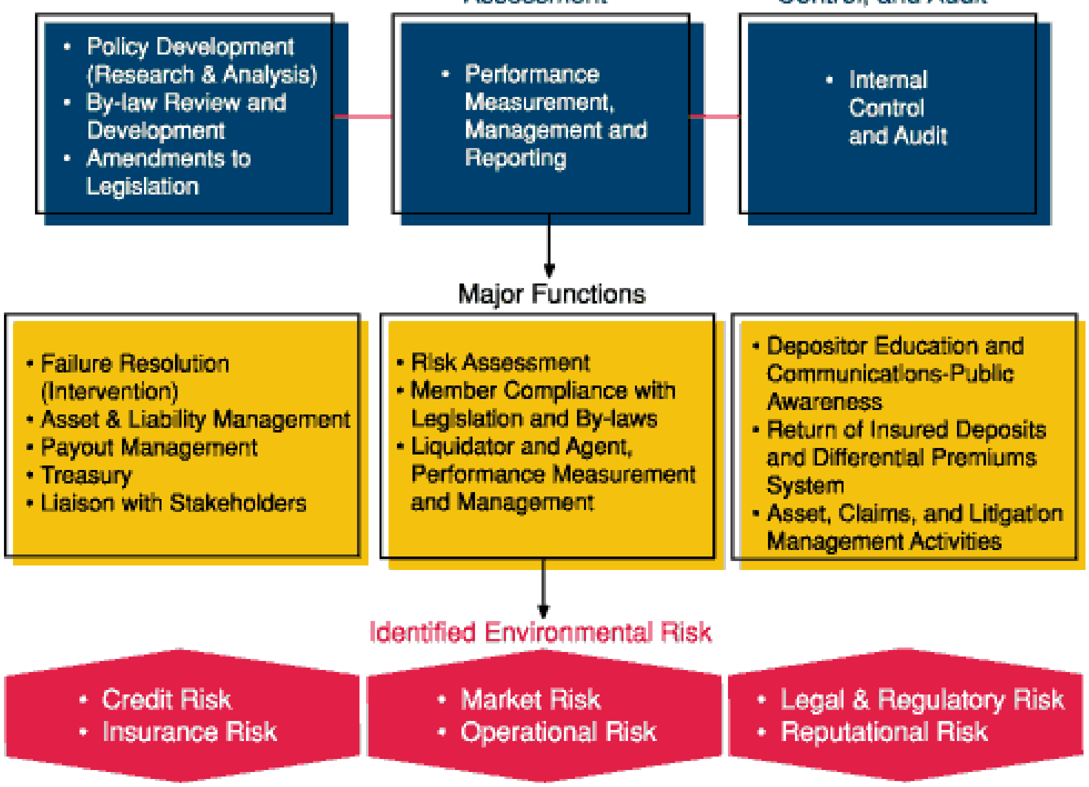
CDIC ACT, MANDATE, AND OTHER STATUTORY REQUIREMENTS

3.2 Business Model





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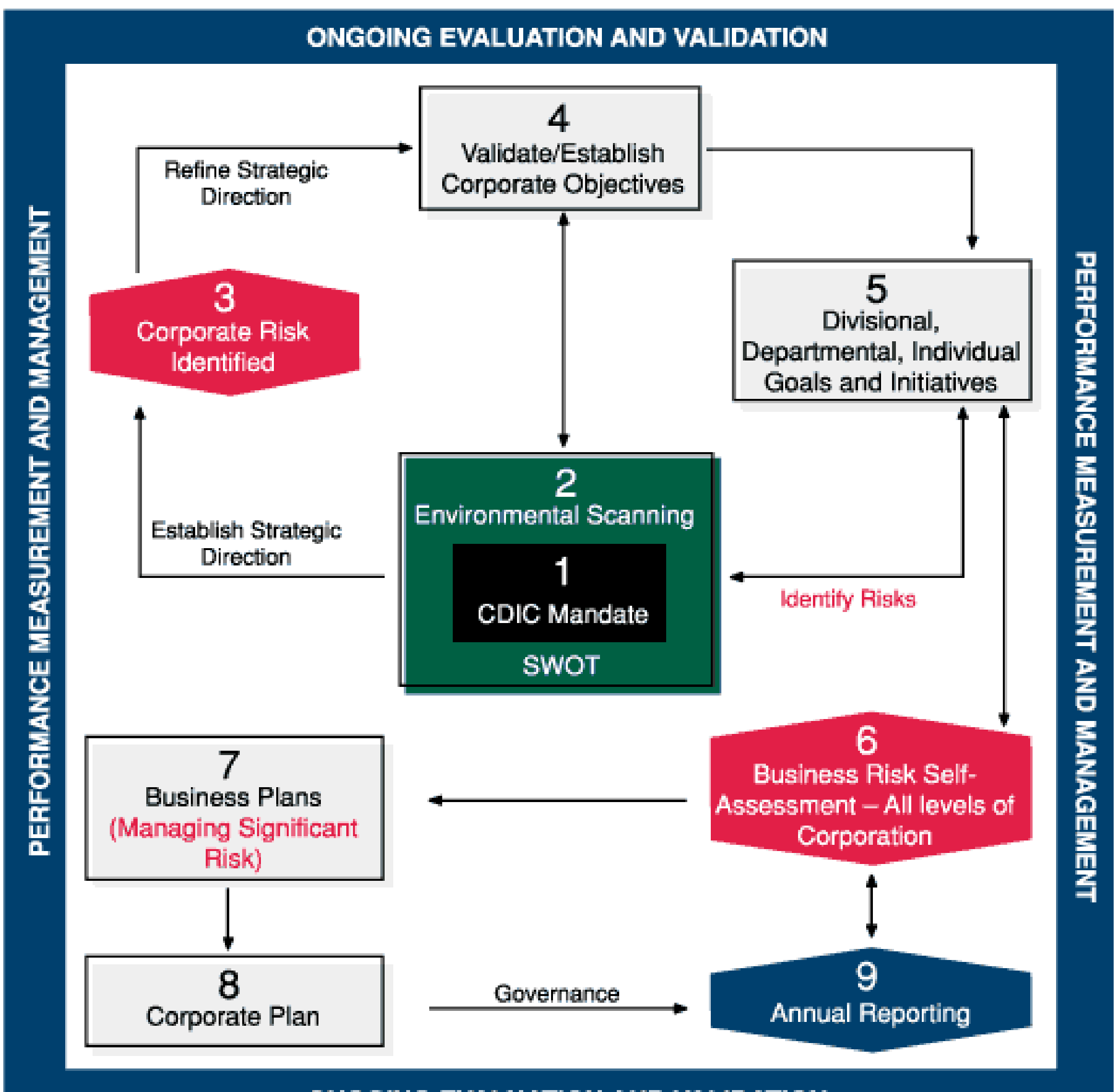
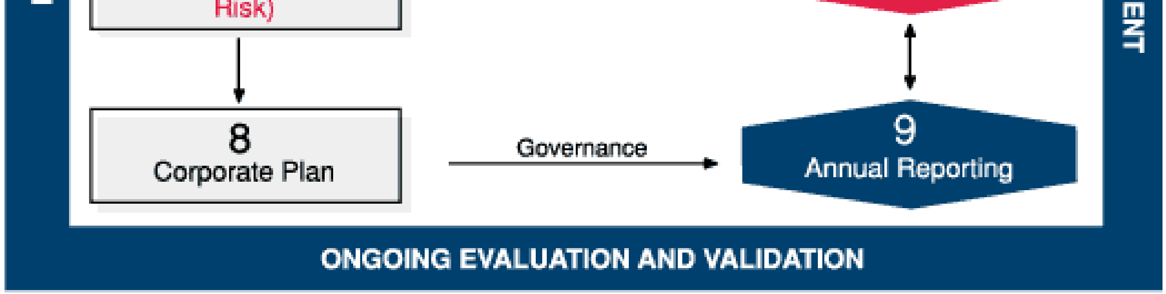
3.3 Risk Framework

CDIC formally incorporates the process of risk identification and management in its planning and management processes. To this end, we have developed the conceptual framework below. Special initiatives related to our theme of "Enhancing Risk Management Systems and Practices" are discussed in Section 3.5.




Risk)
8
Corporate Plan
Governance
9
Annual Reporting
ENT
ONGOING EVALUATION AND VALIDATION

SUMMARY OF THE Corporate Plan

2001/02 to 2005/06

3.4 Performance Against Past Objectives

The objectives described in last year's corporate plan (see right) were based on our mandate and our assessment of the financial and economic environment at that time. These objectives have permitted us to develop specific goals, initiatives and operating plans in support of our overall corporate strategy.

Our actual performance measured against these objectives is reflected in the following performance management scorecard. It has been updated to December 31, 2000.

OBJECTIVES 2000/2001 TO 2004/2005

CDIC's objectives for 2000/2001 to 2004/2005, as outlined in last year's Corporate Plan, were as follows:

1. To proactively manage the risks of providing deposit insurance.
2. To ensure CDIC's financial stability and efficient operations.
3. To sustain a strong people and knowledge base encompassing human resources and technology.
4. To continually assess and enhance relationships with stakeholders.

For the Benefit of Depositors:

Provide Deposit Insurance

Promote Standards of Sound Business and Financial Practices

Contribute to the Stability of the Financial System

...while minimizing exposure to loss.

Corporate Objective:
To continually assess and enhance relationships with stakeholders

Overall Rating: ▲

Key Supporting Initiatives:

- Develop and implement a communications strategy. ▲
- Ensure timely, effective responses to member problems. ▲
- Produce quality corporate plans and annual reports. ▲
- Conduct internal audits. ▲
- Continue international work. ▲
- Research emerging issues and tie into the knowledge management process. ▲
- Enhance collaborative efforts with OSFI and provincial regulators. ▲

Measures	Targets	Performance Against Targets
Level of depositor awareness.	Year-over-year increases in awareness levels leading to a level of at least 70% after five years.	Measure of awareness survey to be completed in Q4.
Number of members in compliance with CDIC by-laws.	100% compliance by members.	Determination of compliance rates not available until Q4.
Percentage change in Standards deficiencies reported.	Year-over-year reduction in deficiencies.	Based on information received to date, the trend is toward a reduction in deficiencies. A final report will be developed and delivered to the Board based on complete information during Q4. ▲
Movement of members between premium categories.	Year-over-year improvement in distribution among premium categories.	Number of institutions in Category 1 has increased, despite the reduction in the transition allowance. ▲
CDIC compliance with authorities (including appropriately addressing all audit and Special Examination recommendations).	100% compliance by the Corporation.	100% compliance re: all statutory reporting and filing requirements up to Q3. All audit and special examination recommendations being addressed via consolidated corporate action matrix. ▲

▲ On schedule for completion and within budget as per original plans.
▼ Experiencing some slippage in terms of time to completion and/or budget overruns.
● Stopped and/or has fallen significantly behind schedule and/or is significantly over budget.
⊘ Cancelled.
Note: Key financial information reported in blue italics.

PERFORMANCE MANAGEMENT SCORECARD December 31, 2000

For the Benefit of Depositors:

Provide Deposit Insurance

Promote Standards of Sound Business and Financial Practices

Contribute to the Stability of the Financial System

...while minimizing exposure to loss.

Corporate Objective:
To ensure CDIC's financial stability and efficient operations

Overall Rating: ▲

Key Supporting Initiatives:

- Apply effective performance measurement and management in all areas. ▲
- Identify benchmarks for comparison with other deposit insurers (best practices). ▼
- Knowledge management: preserve best practices, research emerging issues, develop and maintain policies and procedures. ▲
- Maintain an effective corporate planning process. ▲
- Maintain an efficient payout process. ▲
- Maintain efficient and effective liquidation strategies. ▲
- Continue international work and information exchange with other agencies and countries. ▲
- Maintain an effective treasury function; continually assess premium levels, surplus, and the provision methodology. ▲
- Apply technology effectively, as per Information Technology Strategic Plan. ▼

Measures	Targets	Performance Against Targets
Performance against budget.	*Actual and forecasted costs within budget.*	*Q3 forecasts indicate total operating expenses will be within 2-3% of the budget.* ▲
Level of surplus/provisions.	*Surplus position and fully funded provision.*	*Current Provision for Insurance Losses of $400 million fully funded and CDIC in surplus position.* (Note: CDIC's overall provisioning and surplus/fund situation under examination – Board information sessions and deliberations ongoing. ▲

▲ On schedule for completion and within budget as per original plans.
▼ Experiencing some slippage in terms of time to completion and/or budget overruns.
● Stopped and/or has fallen significantly behind schedule and/or is significantly over budget.
⊘ Cancelled.

Note: Key financial information reported in blue italics.

For the Benefit of Depositors:

Provide Deposit Insurance

Promote Standards of Sound Business and Financial Practices

Contribute to the Stability of the Financial System

...while minimizing exposure to loss.

Corporate Objective:
To proactively manage the risks of providing deposit insurance

Overall Rating: ▲

Key Supporting Initiatives:

- Perform proactive risk assessment, monitoring, problem identification, effective intervention solutions, and payout. ▲
- Maintain efficient risk management tools (upgrade valuation model). ▲
- Manage litigation proactively. ▲
- Ensure processes are in place for compliance verification and management. ▲
- Maintain a process for by-law review, updates, and development. ▲
- Manage knowledge: preserving best practices, researching emerging issues, developing and maintaining policies and procedures. ▲
- Upgrade the Standards and the related compliance and reporting processes. ▲
- Identify issues and maintain contingency plans for the failure of any size and type of institution. ▲
- Prepare papers on policy issues. ▲
- Maximize net claims and recoveries. ▲

Measures	Targets	Performance Against Targets
Level of preparedness to deal with potential failures.	Fully prepared to deal with potential failures (e.g., access to human and technical resources, funding).	Study of provisioning and fund issues underway – action plans in place for all audit recommendations. HR Strategy now in place, IT Strategic Plan nearing completion. Contingency planning and preparedness directed work on-going. ▼
Number of watch list members that have been CDIC members for less than five years.	Zero.	Zero. ▲
Actual NPV recoveries against plan.	Actual NPV forecasts for the five-year planning period – zero unexplained variance.	Recoveries year to date on track with projections. ▲
Identification, awareness, and assessment of emerging issues affecting CDIC and the financial industry.	Awareness of all emerging issues affecting CDIC and the financial services industry.	Emerging issues analyst hired. Emerging issues work is ongoing in FSF context. ▲
Capability and capacity to assess risk.	Develop a risk rating system.	Risk rating system development in progress. Completion anticipated in Q4. ▲

▲ On schedule for completion and within budget as per original plans.
▼ Experiencing some slippage in terms of time to completion and/or budget overruns.
● Stopped and/or has fallen significantly behind schedule and/or is significantly over budget.
⊘ Cancelled.
Note: Key financial information reported in blue italics.

▲ On schedule for completion and within budget as per original plans.
▼ Experiencing some slippage in terms of time to completion and/or budget overruns.
● Stopped and/or has fallen significantly behind schedule and/or is significantly over budget.
⊘ Cancelled.
Note: Key financial information reported in blue italics.

PERFORMANCE MANAGEMENT SCORECARD December 31, 2000

For the Benefit of Depositors:

Provide Deposit Insurance | Promote Standards of Sound Business and Financial Practices | Contribute to the Stability of the Financial System

...while minimizing exposure to loss.

Corporate Objective:
To sustain a strong people and knowledge base

Overall Rating: ▲

Key Supporting Initiatives:

- Formalize a knowledge management strategy and framework. ▲
- Continue international work with other deposit insurers. ▲
- Develop a human resources strategy linked to the corporate strategic direction to maintain core competencies and high-quality staff. ▲
- Develop and administer employee surveys. ▲
- Conduct ongoing compensation/reward surveys. ▲
- Using performance appraisals, perform analysis to identify any skills gaps in succession planning. ▲
- Identify, implement, and support appropriate support systems and tools (e.g., technology, records management system). ▲
- Develop an internal communications strategy. ▼
- Develop an information technology strategic plan. ▼

Measures	Targets	Performance Against Targets
Level of performance vs. objectives set out in the performance management plan and the human resources and technology strategy.	Completion of the performance management plan and the human resources strategy by September 2000.	The HR strategy and the HR plan were tabled with the Employee Relations Committee of the Board of Directors in late November. The strategy and plan will be translated and published. ▲
Compensation and reward system competitive with industry to attract and retain skilled staff.	95% employee retention rate.	Target not met for 2000/2001. Employee retention rate is 93% at the end of Q3. ▼
Skills and qualifications of all staff will match current job requirements.	100% of critical training identified through performance appraisals will be undertaken within two years.	Progress will be measured by the end of Q4.
Employee satisfaction.	Improved survey results against benchmarks.	Progress will be measured by the end of Q4.
Core competencies.	100% of identified current core competencies reflected in position description.	Ongoing process of review and update of job descriptions. During Q3 the job evaluation committee reviewed one position, bringing the total to 9 for the year to date. ▲
Technology – appropriateness of technology as an enabler.	Technology benchmark to be established.	Not completed. Benchmarking work deferred to an uncertain future date as a result of resource reprioritization. ⊘

▲ On schedule for completion and within budget as per original plans.
▼ Experiencing some slippage in terms of time to completion and/or budget overruns.
● Stopped and/or has fallen significantly behind schedule and/or is significantly over budget.
⊘ Cancelled.
Note: Key financial information reported in blue italics.

		as a result of resource reprioritization. ⊘

▲ On schedule for completion and within budget as per original plans.
▼ Experiencing some slippage in terms of time to completion and/or budget overruns.
⬣ Stopped and/or has fallen significantly behind schedule and/or is significantly over budget.
⊘ Cancelled.

Note: Key financial information reported in blue italics.

3.5 Strategic Direction: Objectives for the Planning Period

We have established four corporate objectives for the planning period to support the achievement of our mandate. These objectives are essentially unchanged from last year (see section 3.4).

OBJECTIVES — 2001/2002 TO 2005/2006

- To be financially stable and operate efficiently.
- To proactively manage the risks of providing deposit insurance.
- To continually assess and enhance relationships with stakeholders.
- To sustain a strong people and knowledge base.

"Enhancing Risk Management Systems and Practices" – the theme of this year's Corporate Plan – relates specifically to the second of these objectives and reflects the importance we assign to risk management in responding to the challenges of the current financial and economic environment and those that lie ahead.

In order to enhance our risk management capacity, we are introducing a corporate risk management methodology that includes, inter alia:

- identifying any gaps in our systems, controls and practices that represent risks;
- determining appropriate steps to mitigate and manage these risks;
- reviewing our provisioning methodology and examining fund options;
- focusing on in-depth contingency planning and preparedness; and
- pursuing a corporate knowledge management initiative.

In addition to these internal measures, our ability to assess risk among member institutions will be enhanced by revamping our risk assessment methodology, by ensuring our ongoing preparedness in conjunction with other agencies, and by undertaking a number of specific initiatives designed to augment our risk assessment capacity. These initiatives include the Member Institutions Data Analysis System (MIDAS) II – Data Warehouse project, the modernization of our Standards and reporting processes, and the expansion of electronic filing and electronic document management among member institutions.

As well, our active involvement in international initiatives will assist us in enhancing CDIC's systems and risk assessment practices. These international activities, which include participation in global networks of specialists, strengthen our ability to remain abreast of emerging developments through the exchange of information among deposit insurance professionals worldwide.

In establishing our four corporate objectives for the planning period, we assessed risk in the current environment through our annual environmental scanning and SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis. The main categories of risk are summarized below.

We recognize that the allocation of our resources must be reviewed continuously, and reallocated, if appropriate, to address new developments and altered priorities as the financial sector evolves and our risks change. We also recognize that in pursuing our corporate objectives, flexibility is essential in responding effectively to the challenges of managing change.

IDENTIFIED RISKS

Credit Risk: The risk of loss associated with the failure of a counterparty to honour its obligations to CDIC.

Insurance Risk: The risk of loss associated with insuring deposits.

Market Risk: The risk of loss occurring as a result of adverse changes in the value of a CDIC asset or financial instrument (both on- and off-balance sheet) due to changes in market rate or price.

Operational Risk: The risk of financial loss resulting from operational disruption caused by inadequacies or failures in or by processes, systems or people or by external events, namely people risk, technology risk, process risk and outsourcing risk.

Legal and Regulatory Risk: The risk that changes in legislation, regulations or regulatory requirements affecting CDIC and/or its member institutions may adversely impact CDIC's business strategy or its ability to meet its mandate.

Reputational Risk: The risk resulting from impairment of CDIC's image in the marketplace. (Generally, damage to reputation is a consequence of failure to manage other risks rather than being a risk in and of itself.)

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3.6 Key Initiatives and Strategic Plans

3.6.1 Standards of Sound Business and Financial Practices

Recognizing the importance of strong corporate governance and risk management systems within our member institutions, we have been modernizing our *Standards of Sound Business and Financial Practices* and streamlining related administrative processes. We have issued two consultation papers in this regard: the first outlining a modernized approach to implementing the Standards and related processes; the second proposing a set of draft Standards and a streamlined reporting program (both are available on our Web site). Comments have been solicited from member institutions and their associations, regulators and other interested parties. We will continue to seek this input as the revised Standards by-laws are finalized.

This consultation process will be completed by the end of 2000/2001. A Standards by-law will be pre-published in early 2001 and submitted to our Board of Directors for approval shortly thereafter. Implementation of the reporting program will take place over the following 18 months. This timetable is tentative owing to a proposed amendment to Section 29 of the CDIC Act, the timing of which is at present unknown.

3.6.2 Provisioning Methodology – Deposit Insurance Fund

We are currently re-examining our provisioning methodology for insurance losses and considering the merits of creating a deposit insurance fund. Key considerations in this regard are the relative advantages and disadvantages of a deposit insurance fund compared with the option of continuing with a provision and/or post-funding approach to cover the costs of future member failures.

We have maintained a provision for insurance losses since 1993. With the retirement of our debt and the elimination of our deficit in 1998/1999, we have reduced premiums by almost 75 per cent: from $515 million in 1998/1999 to $134 million the following year. This reduced premium level remains in effect for 2000/2001, resulting in revenue of $140 million.

Final decisions concerning our provisioning methodology may affect future premium levels. Consequently, the premium revenues presented in the pro forma financial statements for the years 2002/2003 to 2005/2006 may be subject to material change.

3.6.3 International Activities

We continue to be involved in a variety of international activities. Participation allows us to contribute to enhancing international financial stability in deposit insurance matters. It keeps us abreast of evolving issues thereby strengthening our systems and practices.

There has been a significant increase in foreign requests for our assistance owing to CDIC's expertise in deposit insurance. We will continue to accommodate these requests, primarily by receiving delegations from other countries and by providing seminars and professional training. In some cases, our employees will travel to countries that have specific needs on-site. While we work on a fee-for-service basis in these cases, it is not always possible to do so.

Our President and Chief Executive Officer is the chairperson of the Working Group on Deposit Insurance of the international Financial Stability Forum (FSF), a group established by the G7 finance ministers and central bank governors. The Working Group's principal task is to develop international guidance for deposit insurance. Its final report will be submitted to the FSF in September 2001.

3.6.4 Background to Strategic Plans

We have developed long-term strategic plans in the areas of communications, information technology and human resources, and have embarked on a knowledge management initiative. These efforts, described below, are supported by the findings of the Auditor General's 1999 special examination of CDIC and by our own internal audit recommendations.

3.6.4.1 Communications Strategic Plan

The Office of the Auditor General's 1999 special examination reinforced our decision to implement an external communications strategy to promote greater public awareness of deposit insurance. We conducted a research program and put in place a long-term communications strategic plan with supporting resources ($2.5 million for 2000/2001).

Our research indicated that many Canadians have been uncertain about aspects of deposit insurance. A significant number have believed mistakenly that any product purchased at a member institution is automatically insured. The proliferation of mutual funds and hybrid investment/deposit instruments offered by member institutions has added to this uncertainty.

Our communications strategic plan, approved by the Board of Directors in May 2000, has adopted a number of approaches to increase public awareness. The main thrust of the plan is a television advertising campaign targeting Canadians in the 25 to 69 age group. The campaign provides basic information on what deposit insurance is, what it does or does not cover, and explains how viewers may obtain more information.

We have also conducted research on the availability of deposit insurance brochures and Deposit Registers at branches of member institutions. We have discovered that while CDIC brochures are widely available, Deposit Registers are often not readily accessible.

Future research surveys will measure the effectiveness of our communications initiatives compared to rigorous targets. Revisions to our communications strategic plan and supporting resource requirements, based on annual research results, will be presented to our Board of Directors in May of each year.

3.6.4.2 Information Systems Strategic Plan

Information and communications technologies continue to streamline work processes and to maximize productivity. An information-systems strategic plan, currently under development and on track for completion before the end of the current fiscal year, aims to ensure that our information technology remains up-to-date and supports our short and long-term business requirements. A number of initiatives have been planned to improve our access to information. Network security is being enhanced to permit greater utilization of the Internet, while our data warehouse will be expanded. Although the plan spans a three year horizon, it will be reassessed annually to incorporate advances in technology and systems as they arise.

3.6.4.3 Human Resources Strategic Plan

Our human resources strategic plan has been devised to capitalize on CDIC's reputation, and the specialized nature of the work we do, to attract the most talented employees available. We aim to keep these employees by providing challenging opportunities in a positive work environment.

While our work requires employees who have already gained certain skills and knowledge through education and work experience, we are committed to providing enhanced training for their current positions and for future opportunities within the organization. This includes specialized training in deposit insurance, professional accounting qualifications and language training among others. In accordance with succession planning and career progression initiatives, employees identified as potential successors in key positions are being offered assignments, training courses or professional development as required.

We continue to ensure that our compensation package is competitive and that our workplace and its equipment are current. Above all, we insist on a work environment that is safe, free of discrimination and harassment, and that values diversity.

VALUES

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

3.6.4.4 Knowledge Management

We are a knowledge-based organization that creates and adds value through the application of knowledge. In the past, CDIC has implemented policies, documented key processes, regularly re-assessed our approach to payouts, and generally exchanged knowledge through regular meetings and by adhering to a teamwork approach. In the fall of 2000, however, we launched an initiative to enhance our management of corporate knowledge by means of a strategy that reflects how knowledge is best created, captured and levered.

We will coordinate the elements of the knowledge management initiative with our human resources strategic plan and initiatives in other areas, such as the development of our electronic documents and records management systems, contingency planning work and our performance management scorecard.

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3.7 Supporting Human Resource Requirements

A summary of our human resource requirements for the planning period is provided below.

HUMAN RESOURCES: COMPLEMENT OF PERMANENT POSITIONS 1999/2000 TO 2005/2006

Division/Department	1999/2000 Corporate Plan Approved	2000/2001 Corporate Plan			2001/2002 Plan	2003/2006 Plan
		Actual[1]	Approved	Amended[2]		
Finance and Administration	43	43	43	45	45	46
Insurance and Risk Assessment	20	22	20	25	26	26
Field Operations	13	11	13	13	14	14
Corporate:						
Executive Office	4	5	5	5	5	5
Legal	4	4	4	4	5	5
Audit and Consulting Services	2	2	2	2	2	2
	10	11	11	11	12	12
Total	86	87	87	94	97	98

1. At December 31, 2000 – includes employment offers accepted.
2. Approved by Board of Directors – May 31, 2000.

The 1999 report of the Auditor GeneralÕs special examination made a number of specific recommendations in support of our management initiatives. These included updating the *Standards of Sound Business and Financial Practices* and related reporting processes, revising and enhancing our risk assessment activity in support of information exchange with the Office of the Superintendent of Financial Institutions, and initiatives to increase public awareness.

In order to address these areas effectively, we have increased resources in certain key areas, most notably, Insurance and Risk Assessment. In addition, it is essential for CDIC to be current with technological changes occurring in the financial sector, which also requires an investment of resources. All of this has had an impact on our knowledge management, risk assessment and intervention strategies. The human resource implications of these initiatives are illustrated in the table above, while their budget implications are reflected in the Financial Plan in

Section 4.

3.8 Performance Management Scorecard – New Objectives

Our objectives, associated initiatives, measures and targets for the planning period are reflected in the following performance management scorecard for the 2001/2002 to 2005/2006 period.

PERFORMANCE MANAGEMENT SCORECARD 2001/2003

For the Benefit of Depositors:

Provide Deposit Insurance | Promote Standards of Sound Business and Financial Practices | Contribute to the Stability of the Financial System

...while minimizing exposure to loss.

Corporate Objective:
To ensure CDIC's financial stability and efficient operations

Key Supporting Initiatives:
- Apply effective performance measurement and management in all areas.
- Develop innovative economic and financial forecasts to proactively enhance the management of the Corporation's affairs.
- Conduct Review of Provision for Insurance Losses and Deposit Insurance Fund.
- Effectively manage the Corporation's treasury activities.
- Provide effective, efficient and economical facilities management.
- Develop MIDAS II Data Warehouse.
- Develop/Expand electronic filing.
- Redevelop or enhance existing systems (valuation model, payout system, Integrated Financial Information System).
- Implement new technologies (Extranet technology, video/audio conferencing, and wireless technology).
- Improve CDIC's Official Language performance.
- Implement efficiently, professionally and in a timely fashion the Corporation's overall communications objectives.

Measures	Targets
Performance against budget.	*Within ± 5% of operating and capital budgets.*
Status of provision/reserve and a surplus position.	*Appropriate provision/reserve and a surplus position.*
Weaknesses arising from any audit and/or examinations are identified, resolved on or before the estimat-	Number of open audit conditions (target a number or percentage or time to complete).

Measures	Targets
Performance against budget.	*Within ± 5% of operating and capital budgets.*
Status of provision/reserve and a surplus position.	*Appropriate provision/reserve and a surplus position.*
Weaknesses arising from any audit and/or examinations are identified, resolved on or before the estimated completion date, and are not repeated.	Number of open audit conditions (target a number or percentage or time to complete).

PERFORMANCE MANAGEMENT SCORECARD 2001/2003

Corporate Objective:
To proactively manage the risks of providing deposit insurance

Key Supporting Initiatives:
- Finalize the revision of CDIC *Standards of Sound Business and Financial Practices* to align more closely with current concepts of risk management.
- Implement and administer a program respecting standards adherence.
- Implement amendments to the policy of deposit insurance.
- Maintain the CDIC application for deposit insurance and the CDIC exemption from deposit insurance by-laws and administer the related processes.
- Maintain the CDIC deposit information by-law and administer the related insured deposit register clearance process.
- Develop capacity to assess on a timely basis the risk to CDIC posed by member institutions.
- Develop, implement and maintain leading edge and user-friendly risk assessment and risk management tools.
- Manage the risk posed by problem member institutions.
- Conduct innovative policy analyses, research and policy development to advance the views and interests of CDIC.
- Integrate CDIC intervention approach with corporate financial processes.
- Foster public awareness and understanding of deposit insurance, and CDIC's role.
- Develop payout communication plan.
- Assist interested international deposit insurers with installation of ROADMAP—software designed to facilitate the payout process.

Measures	Targets
CDIC's Standards of Sound Business and Financial Practices will be current and relevant.	Complete modernization of the Standards and administrative processes, and establish a sound system to keep them current and relevant.
Uniform guidance is developed and disseminated to member institutions and the public regarding deposit register, CDIC information to the public, recent CDIC developments, legislative changes, etc.	Guidance developed and disseminated to all members and the public.
Capability and capacity to assess risk in the membership.	Development and implementation of a risk rating system.
Level of preparedness to deal with the failure of any size member.	Plans in place to deal with any size and type of member institution failure.

For the Benefit of Depositors:

Provide Deposit Insurance

Promote Standards of Sound Business and Financial Practices

Contribute to the Stability of the Financial System

...while minimizing exposure to loss.

Corporate Objective:
To continually assess and enhance relationships with stakeholders

Key Supporting Initiatives:

- Maintain, in co-operation with the Office of the Superintendent of Financial Institutions the CDIC/OSFI Strategic Alliance Agreement.
- Develop and maintain close liaison and co-operation with member institutions, the Bank of Canada, Department of Finance, OSFI, provincial regulators, industry associations and international organizations.
- Continue to expand CDIC's international contacts to share information globally on deposit insurance issues.
- Enhance the credibility of the Corporation via speaking engagements and participation at external functions.
- Continue work with the Financial Stability Forum as well as providing assistance to other governments, deposit insurers and international organizations, including regular participation in conferences and seminars.

Measures	Targets
Level of depositor awareness.	Year-over-year increases in awareness levels leading to a level of at least 70% after five years.
CDIC compliance with authorities (including appropriately addressing all audit and Special Examination recommendations).	100% compliance by the Corporation.

For the Benefit of Depositors:

Provide Deposit Insurance	Promote Standards of Sound Business and Financial Practices	Contribute to the Stability of the Financial System

...while minimizing exposure to loss.

Corporate Objective:
To sustain a strong people and knowledge base

Key Supporting Initiatives:

- Provide training programs covering individual training, corporate training and statutory official languages training.
- Continue international work with other deposit insurers to exchange knowledge.
- Implement Library Information Management System.
- Implement communications activities to support teamwork and open communications.
- Implement next generation of PC Payout system.
- Maintain technology required to make deposit insurance payments (ROADMAP— software designed to facilitate the payout process).
- Conduct International Claims and Recoveries course and presentations.
- Implement Electronic Document Management.
- Corporate Knowledge Management project.
- Contingency Planning initiative.

Measures	Targets
Ability to retain employees with appropriate skills, qualifications and experience through effective recruiting, compensation, succession planning, training and offer of challenging workplace.	Levels of resources applied to training and development initiatives on an annual basis - $300,000 or 1.4% of total operating expenses.
Knowledge Management and Transfer, and Learning and Growth – time, financial resources and encouragement should be committed to staff to develop skills required to improve their performance, both on-the-job and through formal training. Knowledge Communication – ability to present, as appropriate, experience and lessons learned to interested stakeholders.	CDIC explicit knowledge and information is current and readily available for access through an Electronic Document Management System.

CHAPTER 4—FINANCIAL PLAN

Our five-year Financial Plan is based on the economic assumptions and planning premises set forth in Sections 2.3 and 2.4 respectively.

4.1 Financial Performance – 1999/2000 and 2000/2001

The following subsection provides an overview of CDIC's performance, compared with our Financial Plan for 1999/2000 to 2000/2001, and the budgets supporting our objectives for the fiscal year ending March 31, 2002.

4.1.1 Performance Against Plan – Financial Highlights

Our five-year pro forma financial statements are found in Appendix B. The following table highlights our performance in selected areas for 1999/2000 and 2000/2001.

KEY FINANCIAL HIGHLIGHTS for the years ending March 31 ($ millions)

	2000 Approved Budget and Plan	2000 Actual	2001 Approved Budget and Plan	2001 Forecast
Premium revenue	125	134	135	140
Interest on Cash and Investments	33	32	27	34
Operating Expenses	17**	18	20	21
Loans Receivable	126	70	41	28
Claims Receivable	36	99	56	46
Allowance for Loss	26	13	26	13
Provision for Guarantees	65	60	35	40
Provision for Insurance Losses	400	400	400	400
Net Operating Income*	70	17	9	13
Surplus	190	183	326	347

* Interest income and other revenue less operating expenses.

** The amount approved in the Corporate Plan 1999/2000 to 2003/2004 was $16 million. An additional $1 million in expenditures was approved by the Board for Standards modernization work.

1999/2000 Actual to Plan

Premium revenue was $9 million higher than projected in the Financial Plan. For the most part, this was the result of an increase in the insured deposit base from a forecast level of $308 billion to an actual assessed level of $317 billion.

Net operating income was $53 million lower than Plan. Some $24 million of post-liquidation interest, forecast to be received during 1999/2000 from Principal Savings and Trust, was accrued in the previous year. The remaining $29 million of post-liquidation interest, originally forecast to be received from the estate of Confederation Trust Corporation, has been delayed pending the resolution of claims and litigation.

As of March 31, 2000, loans receivable were lower than Plan by $56 million, primarily as a result of accelerated payments received from Adelaide Capital Corporation, Settlers Savings & Mortgage Corporation and the Canadian Commercial Bank – Mortgage Investment Corporation.

Claims receivable were $63 million higher than Plan. This variance was the result of delayed recoveries of $61 million from several estates and write-offs totalling $2 million.

The allowance for loss on loans and claims receivable is $13 million lower than Plan due to a reduction in losses from various failed institutions.

The provision for guarantees is $5 million lower than Plan primarily because of timing differences on payments under the Toronto-Dominion Bank deficiency coverage agreements.

2000/2001 Forecast to Approved Plan

Premium revenue is projected at $5 million higher than Plan, resulting from a 0.8 per cent increase in the insured deposit base (with the forecast being $325 billion, and actual becoming $327 billion).

Loans receivable are projected to be $13 million lower than the approved Plan. Recoveries received during 2000/2001 from Adelaide Capital Corporation were accelerated as a result of improved economic market conditions that allowed for the assets to be realized sooner than anticipated.

Claims receivable are projected to be $10 million lower than Plan. This is mainly due to earlier than expected recoveries from various estates.

The allowance for losses on loans and claims receivable are projected to be $13 million lower than Plan. This is due to reductions in losses from various failed institutions.

The provision for guarantees is projected to be $5 million higher than Plan due to the timing differences on payments under the Toronto-Dominion Bank Deficiency Coverage Agreements.

The provision for insurance losses of some $400 million is forecast to remain unchanged.

Net operating income (defined as interest and other revenue less operating expenses) is projected to be $13 million, against a Plan amount of $9 million. This variance is primarily the result of higher than forecast interest revenue on cash and investments (due to higher than anticipated cash balances) offset by $2 million of post-liquidation interest from Principal Savings & Trust Company accrued in the previous year.

The accumulated surplus is projected to be $21 million higher than Plan.

4.1.2 Performance Against Plan – Operating and Capital Budgets

The following table provides an overview of the budgets for 1999/2000 and 2000/2001. An explanation of the major variances follows.

ANALYSIS OF OPERATING AND CAPITAL BUDGETS For the years ending March 31 ($ millions)

	2000 Approved Plan	2000 Actual	2001 Approved Plan*	2001 Forecast
Interest income and other revenue	87	35	29	34
Operating expenses	(17)	(18)	(20)	(21)
Net operating income	70	17	9	13
Capital expenditures	.3	.3	.6	.6

*These figures refer to the 2000/2001 Plan as approved by the Board on January 26, 2000 and increases subsequently approved for enhancing CDIC's risk assessment methodology.

1999/2000 Actual to Plan

Interest income and other revenue
Interest income and other revenue were $52 million lower than Plan. Post-liquidation interest forecast to be received during 1999/2000 from Principal Savings & Trust Company was accrued in the previous year. Post-liquidation interest forecast to be received from the estate of Confederation Trust Corporation has been delayed pending the resolution of claims and litigation.

Operating expenses
Actual operating expenses totalled $17.5 million compared with a budget of $17.3 million.

Capital expenditures
Upgrades to our information systems, including those ensuring Y2K compliance, were made in accordance with our life-cycle plan for maintaining CDIC's equipment and information technology requirements.

2000/2001 Forecast Against Plan

Interest income and other revenue
Interest income and other revenue are projected to be $5 million greater than Plan owing to a combination of higher

cash balances and higher than anticipated interest yields.

Operating expenses

Operating expenses are projected to total $20.6 million compared with the approved budget of $20.3 million. The variance is mainly the result of increased salary costs due to the implementation of a new compensation system.

Given our emphasis on managing within operating budgets, costs that arise due to unplanned activities are, whenever possible, absorbed within the existing Financial Plan. Before undertaking new activities requiring additional funds, management seeks the approval of the Board of Directors. During the current year, the Board authorized an additional expenditure to enhance our risk assessment methodology.

Capital expenditures

Upgrades to our information systems are planned for the current fiscal year. Our annual upgrading or replacement of personal computers and network equipment will continue according to a life-cycle plan aimed at maintaining a stable and current technological environment.

Capital expenditures for 2000/2001 are expected to be $550,000, as budgeted.

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4.2 Five-Year Financial Plan (Appendix B)

We will collect approximately $140 million in premiums from member institutions during the year ended March 31, 2001. Premiums of $143 million are budgeted for fiscal year 2001/2002.

The premium revenue for the years ending 2003 to 2006 is based on the following assumptions:

- Premium rates remain the same as those used in 2001/2002;
- The distribution of member institutions across premium categories is the same as for the year ended March 31, 2001; and
- The growth of insured deposits is in accordance with the economic assumptions in Section 2.3 of this document.

In accordance with past practice, premium rates are fixed annually based on our membership risk profile, the economic environment and CDIC's financial condition. In addition, we will continue this year to review our provisioning methodology for insurance losses, consider the merits of establishing a deposit insurance fund and consider the implications for future premium revenue. Accordingly, the premium revenue for the years ending 2003 to 2006 may be subject to material change.

Over the five-year planning period, interest income on investments is expected to total $336 million while operating expenses are budgeted at $105 million. This provides a net operating income of $231 million.

We have sufficient funds available to meet all payments under guarantee obligations due in fiscal 2001/2002.

The adequacy of provisions for losses is assessed on an annual basis, and, if necessary, adjustments are recorded. No failures are projected for the planning period. If a failure were to occur, our surplus could be adversely affected. An analysis of factors that might influence our surplus position can be found in Section 4.3.

The net realizable value of all outstanding claims and loans receivable, which was $156 million on March 31, 2000, will be fully realized within the planning period.

The 2000/2001 forecast indicates $96 million will be recovered against outstanding claims and loans. We estimate that $38 million of claims receivable will be recovered during the planning period, while loan collections will generate an additional $20 million. The remaining $2 million will be written off during the planning period.

The guarantee liabilities for the Toronto-Dominion Bank under the Deficiency Coverage Agreement, forecast at $40 million as of March 31, 2001, are expected to be retired by the year ended March 31, 2003.

An accumulated surplus of $533 million is expected as of March 31, 2002, and is expected to grow to approximately $1.4 billion as of March 31, 2006, consistent with the planning premises in Section 2.4.

No borrowings or borrowing costs are projected over the planning period.

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4.3 Sensitivity Analysis

The financial projections of this Summary are susceptible to a number of external factors. It is important to understand the implications of changes in the value of these factors. The various scenarios provided in the following sensitivity analysis do not reflect CDIC's view of the economy, but merely provide an indication of its sensitivity to fluctuating external variables.

4.3.1 Sensitivity of the Financial Plan

The sensitivity analysis in Table 4-1 shows how our accumulated surplus (deficit) and the provision for guarantees could change based upon fluctuations in six key variables underlying a base scenario. Changes in these variables could materially affect our financial position.

The six variables are:

1. **Interest rate fluctuations:** This assumes a parallel shift over the entire 5-year yield curve. The base-case yield curve is the Government of Canada curve as of October 31, 2000.
2. **Premium growth rate:** This reflects the effect on premium revenue of the estimated annual increases in insured deposits and the levels at which premium rates are approved.
3. **Realizations on asset recoveries:** The base case represents recoveries from claims and loans receivable as forecast in liquidator and manager business plans. The best and worst-case scenarios are expressed as a percentage of the base case.
4. **Payments under the guarantees:** These reflect anticipated payments under various guarantees we provide to member institutions.
5. **Additional Failures:** The failure of a member institution in the worst-case scenario is assumed to occur in December 2001. An immediate principal loss of 11 per cent is assumed. The repayment of the remaining claim is assumed to occur in equal amounts over a five-year period.
6. **Provision for insurance losses:** This assumes different levels for the provision.

ECONOMIC SCENARIOS FOR THE SENSITIVITY ANALYSIS

The economic scenarios for the sensitivity analysis are as follows:

Variables	Base Case	Best Case	Worst Case
Interest rate fluctuations	0.00%	- 0.50%	2.00%
Premium growth rate	*	*	*
Realizations on asset recoveries	100%	110%	85%
Payments under guarantees ($ millions)	60	0	300
Additional failures ($ millions)	0	0	500
Provision for insurance losses ($ millions)	400	300	600

*The premium level is projected at $143 million for 2001/2002. The Corporation is currently reviewing its funding requirements, provisioning methodology and the merits of establishing a deposit insurance fund. Accordingly, forecasted premium revenues beyond 2001/2002 are subject to material change.

TABLE 4-1

This table illustrates the impact of each economic scenario in relation to our accumulated surplus (deficit) as of March 31st of each year.

	Accumulated Surplus (Deficit) as at March 31				
	2002	2003	2004	2005	2006
Base	533	735	931	1,147	1,373
Best	634	835	1,026	1,236	1,455
Worst	(13)	170	360	579	820

The analysis indicates that under the base-case scenario, an accumulated surplus of $533 million is anticipated at the end of 2001/2002. The current forecast surplus for March 31, 2001 is $347 million. Any changes outlined in the best-case scenario would lead to an increased surplus during the planning period.

Under the worst-case scenario, CDIC would have sufficient cash to fund the assumed failure and would not need to borrow funds to meet its guarantee obligations. Under this scenario, the deficit would be eliminated during the year 2002/2003.

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4.4 Operating Plan – 2001/2002

Our 2001/2002 operating budget (Pro Forma Statement of Net Income on page 47) reflects \$45 million in interest and other revenue and \$21 million in expenditures resulting in a net operating income of \$24 million.

4.5 Capital Plan – 2001/2002

The budget for capital expenditures in 2001/2002 is $575,000. Our capital expenditures are for computer hardware, furniture and equipment.

4.6 Borrowing Plan

4.6.1 Debt Management

On December 31, 2000 we had no debt outstanding. We do not anticipate any new borrowing activity over the planning period. Our remaining obligations are in respect of on-going guarantees under deficiency coverage arrangements, which expire in 2002, and for which we have adequate cash resources.

Under our treasury policies, our financings are to be matched within certain parameters to cash and maturing short-term investments, anticipated premium revenues and recoveries of loans and claims. The Risk Management Unit is responsible for identifying, measuring, monitoring and reporting financial risk exposure to the Chief Financial Officer in a manner consistent with Board-approved treasury policies. The Risk Management Unit meets throughout the year to ensure that its responsibilities are carried out.

4.6.2 Borrowing Plan

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 on such terms and conditions that the Minister may establish. The CDIC Act also provides that the Corporation can borrow by means other than the Consolidated Revenue Fund. Total principal indebtedness from all sources is not to exceed $6 billion. The Act also allows the Minister to charge CDIC a credit enhancement fee in respect of any borrowings.

We have the ability to borrow funds, if required, by issuing commercial paper and/or medium-term notes in domestic and other markets. Any debt issuance will require specific approval of the Board of Directors and the Minister.

We have approved a general treasury policy as well as treasury-related policies in respect of investments, debt management and risk management. These policies are subject to regular review (at least annually) by management, and any changes proposed to them require authorization by the Board of Directors.

CDIC has adopted a strategy in the past that its investment portfolio would be used as a first call on liquidity in the event of an intervention. This strategy has implied that our investment portfolio would be positioned toward low-risk and highly liquid instruments. However, since we expect to generate additional premium revenues and investment income, a review of this strategy will be undertaken to ensure that it remains in keeping with our long-term goals.

CDIC has credit facilities in place with its banker in the amount of up to $10 million for cash management purposes. These credit facilities are specifically exempt from the credit enhancement fee that applies to other borrowings. We do not expect to draw on these credit facilities during the planning period.

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APPENDIX A

Overview of CDIC

The Canada Deposit Insurance Corporation was established in 1967 by the Canada Deposit Insurance Corporation Act. The Corporation is for all purposes 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, who has delegated certain responsibilities for CDIC matters to the Secretary of State (International Financial Institutions). CDIC's Board of Directors comprises the Chairperson, the Governor of the Bank of Canada, the Deputy Minister of Finance, and the Superintendent and Deputy Superintendent of Financial Institutions. As well, there are four private-sector directors. The Governor in Council appoints the Chairperson, the four independent private sector directors, and the President and CEO.

The Corporation's objects, as set out in its legislation, are to provide insurance against the loss of part or all of deposits, to be instrumental in the promotion of standards of sound business and financial practices for member institutions, and to promote and otherwise contribute to the stability of the financial system in Canada. These objects are to be pursued for the benefit of persons having deposits with member institutions and in such a manner as will minimize the exposure of the Corporation to loss.

To carry out its work, CDIC relies on the work of the Office of the Superintendent of Financial Institutions and provincial regulators. They are responsible for regulatory supervision and for ensuring that member institutions follow the rules and regulations and remain financially viable. CDIC has no regulatory role. It receives and closely follows the regulators' reports. Only when an institution becomes a cause for concern does CDIC become more active, working in close collaboration with the regulators. If an institution poses a significant risk of loss to the Corporation, CDIC usually undertakes an intensive special examination of the company's operations and the value of its assets to clarify CDIC's risk and to establish an information base upon which the Corporation can act promptly toward failure resolution.

CDIC has also received ancillary powers beyond those found in its own governing legislation. Part X of the Financial Administration Act, for example, sets out provisions applicable to Crown corporations. Under the Cooperative Credit Associations Act, the Corporation may make short-term loans to an association or to a deposit protection agency, defined in the legislation, to enable them to meet their requirements for liquid funds. In such cases, CDIC does not insure the deposits or debt instruments of associations and deposit protection agencies. CDIC, in effect, acts as a conduit whereby funding from the federal government flows to these institutions. CDIC incurs no financial liability or risk. To date, no requests have been made under this Act.

Membership

Membership with CDIC is limited to banks, federally incorporated trust or loan companies, and provincially incorporated trust or loan companies. To obtain membership, an application must be submitted to CDIC and approved by its Board of Directors. Provincially incorporated institutions must be authorized by the province of incorporation to apply for deposit insurance.

Deposit Insurance Protection

Under the CDIC Act, the maximum basic protection for eligible deposits is $60,000 per person at each member institution. CDIC provides separate protection for eligible deposits held jointly, in trust, in registered retirement savings plans, and in registered retirement income funds, also to a maximum of $60,000 in each category.Premiums

The Corporation is funded by premiums that are assessed on the insured deposits of member institutions as at April 30 of each year. Until 1999, the premium rate was the same for all member institutions. In 1999, CDIC adopted a differential premiums structure having four premium rates, now ranging from one-third of one percent to one-twenty-fourth of one percent of insured deposits. In 2000/2001, member institutions paid $140 million in premiums.

Deposits in Quebec

Deposit insurance protection is the same for all member institutions with the exception of deposits accepted in the province of Quebec by provincially incorporated members. The province of Quebec has a deposit insurance plan of its own under the administration of the Quebec Deposit Insurance Board (QDIB). Under the terms of an agreement between CDIC and QDIB, deposits made in Quebec with provincially incorporated members are insured by QDIB, and deposits made outside Quebec with such members are insured by CDIC. The maximum aggregate repayment from both agencies would not exceed $60,000. Deposits made with federally incorporated members are insured by CDIC regardless of the province in which the deposit was made.

BOARD OF DIRECTORS December 31, 2000

Ronald N. Robertson
Chairman of the Board
Canada Deposit Insurance Corporation

H. Garfield Emerson
President and CEO
N M Rothschild & Sons Canada Limited
Toronto

Kevin G. Lynch
Deputy Minister of Finance
(ex officio)

Vacant[1]

Gordon G. Thiessen
Governor of the Bank of Canada
(ex officio)

John Doran
Assistant Superintendent, Supervision
Office of the Superintendent of Financial Institutions
(alternate for the Superintendent of Financial Institutions)

Viateur Bergeron
Partner
Bergeron, Gaudreau, Laporte
Hull

Nicholas Le Pan
Deputy Superintendent, Financial Institutions
Office of the Superintendent of Financial Institutions
(ex officio)

Colin P. MacDonald
Partner
Borden Ladner Gervais LLP
Calgary

John R. V. Palmer
Superintendent of Financial Institutions
(ex officio)

Ian Bennett
Associate Deputy Minister
Department of Finance
(alternate for the Deputy Minister of Finance)

Serge Vachon
Adviser
Bank of Canada
(alternate for the Governor of the Bank of Canada)

[1] Mr. Shawn A. Murphy, Partner Stewart McKelvey Stirling Scales, Charlottetown resigned from the Board of Directors in December 2000.

CDIC OFFICERS

Jean Pierre Sabourin
President and Chief Executive Officer

M. Claudia Morrow
Corporate Secretary

Bert C. Scheepers
Senior Vice-President
Finance and Administration
and Chief Financial Officer

Tom Vice
Treasurer

Wayne Acton
Senior Vice-President
Field Operations

Guy L. Saint-Pierre
Senior Vice-President
Insurance and Risk Assessment

Gillian Strong
General Counsel

SUMMARY OF KEY HISTORICAL FACTS

Fact	Most Recent Data
	(All figures are as at March 31, 2000, unless otherwise stated.)
Year of incorporation	1967
Incorporation	Crown corporation – Part I, Schedule III of the *Financial Administration Act*
Operating expenses – 1999/2000	$17 million
Capital expenses – 1999/2000	$0.3 million
Net income – 1999/2000	$156 million
Surplus	$183 million
Approved permanent employee positions – 2000/2001	87
Number of member institutions – December 31, 2000	Domestic banks and subsidiaries: 41 Domestic trust and loan companies: 25 Foreign bank subsidiaries: 35 Total: 101 Federal institutions – banks: 42 Federal institutions – trust and loan companies: 50 Provincial institutions: 9 Total: 101
Total insured deposits – April 30, 2000	Federal institutions: $325.4 billion Provincial institutions: $1.6 billion Total: $327 billion
History of premium rate changes	1967: 1/30 of 1% 1986: 1/10 of 1% 1993: 1/8 of 1% 1994: 1/6 of 1% 1999: differential premiums
Total premiums assessed since 1967	$5.3 billion
Total premium rebates since 1967	$9 million
2000/2001 premiums assessed	$140 million
Number of member failures since 1967	43
Total insured deposits of failed member institutions protected since 1967	$23.4 billion ($25.9 billion in deposits less $2.5 billion uninsured)
Failures by resolution method:	
■ formal liquidation	24
■ management/agency agreement	10
■ CDIC-assisted commercial transaction	9
Number of estates under administration	18
Number of failures where the insured deposits were made available to depositors by payment from CDIC or a third party, or by transfer to another member institution.	25
Total interest paid on CRF loans since 1967	$1.74 billion
Recoveries to date of litigation against directors, officers, and auditors	$175 million
Total income taxes paid by CDIC since 1967	$28 million
Total dividends paid to the Government since 1967	$5 million
Web site	http://www.cdic.ca
Web site visits during 2000	104,000
Toll-free telephone number	1-800-461-CDIC
Toll-free calls received during 2000	14,000

Web site visits during 2000	164,000
Toll-free telephone number	1-800-461-CDIC
Toll-free calls received during 2000	14,000

APPENDIX B

PRO FORMA BALANCE SHEET as at March 31 ($ millions)

	2000 Actual	2001 Plan	2001 Forecast	2002 Plan	2003 Plan	2004 Plan	2005 Plan	2006 Plan
ASSETS								
Cash & short term investments	491	685	730	953	1,139	1,335	1,551	1,777
Premiums and other accounts receivable	1	8	-	-	-	-	-	-
Capital assets	1	2	2	2	2	2	2	2
	493	695	732	955	1,141	1,337	1,553	1,779
Loans receivable	70	41	28	8	-	-	-	-
Claims receivable	99	56	46	9	-	-	-	-
	169	97	74	17	-	-	-	-
Allowance for loss on claims and loans receivable	(13)	(26)	(13)	(13)	-	-	-	-
	156	71	61	4	-	-	-	-
	649	766	793	959	1,141	1,337	1,553	1,779
LIABILITIES								
Accounts Payable	6	5	6	6	6	6	6	6
Provision for guarantees	60	35	40	20	-	-	-	-
Provision for insurance losses	400	400	400	400	400	400	400	400
	466	440	446	426	406	406	406	406
Surplus	183	326	347	533	735	931	1,147	1,373
	649	766	793	959	1,141	1,337	1,553	1,779

	466	440	446	426	406	406	406	406
Surplus	183	326	347	533	735	931	1,147	1,373
	649	766	793	959	1,141	1,337	1,553	1,779

The projected amounts in this *pro forma* Balance Sheet reflect premium revenue for the years ending 2003 to 2006 that is based on the following assumptions: premium rates remain the same as those used in 2001/2002; the distribution of member institutions across premium categories is the same as for the year ended March 31, 2001; and, the growth of insured deposits is in accordance with the economic assumptions in section 2.3 of this document. In accordance with past CDIC practice, premium rates are fixed annually considering the Corporation's financial condition, the economic environment and the membership risk profile. In addition, during the coming year, CDIC will continue to review its provisioning methodology for insurance losses, consider the merits of establishing a deposit insurance fund and the implications for future premium revenue. Accordingly, the premium revenue for the years ending 2003 to 2006 may be subject to material change.

PRO FORMA STATEMENT OF INCOME AND SURPLUS For Year Ending March 31 ($ millions)

	2000 Actual	2001 Plan	2001 Forecast	2002 Plan	2003 Plan	2004 Plan	2005 Plan	2006 Plan
REVENUE								
Premiums*	134	135	140	143	147	150	154	157
Interest on cash and investments	32	27	34	45	56	67	78	90
Other revenue	3	2	-	-	-	-	-	-
	169	164	174	188	203	217	232	247
EXPENSES								
Adjustment to allowance and provisions for loss	(3)	-	-	-	2	-	-	-
Recovery of amounts previously written off	(2)	(7)	(11)	(19)	(22)	-	(5)	-
Operating expenses	18	20	21	21	21	21	21	21
	13	13	10	2	1	21	16	21
NET INCOME	156	151	164	186	202	196	216	226
Surpus, beginning of year	27	175	183	347	533	735	931	1,147
Surplus, end of year	183	326	347	533	735	931	1,147	1,373

*The premium revenue for the years ending 2003 to 2006 is based on the following assumptions: premium rates remain the same as those used in 2001/2002; the distribution of member institutions across premium categories is the same as for the year ended March 31, 2001; and, the growth of insured deposits is in accordance with the economic assumptions in section 2.3 of this document. In accordance with past CDIC practice, premium rates are fixed annually considering the Corporation's financial condition, the economic environment and the membership risk profile. In addition, during the coming year, CDIC will continue to review its provisioning methodology for insurance losses, consider the merits of establishing a deposit insurance fund and the implications for future premium revenue. Accordingly, the premium revenue for the years ending 2003 to 2006 may be subject to material change.

PRO FORMA STATEMENT OF CASH FLOWS For Year Ending March 31 ($ millions)

	2000 Actual	2001 Plan	2001 Forecast	2002 Plan	2003 Plan	2004 Plan	2005 Plan	2006 Plan
OPERATING ACTIVITIES								
Net income	156	151	164	186	202	196	216	226
Non-cash items included in net income								
Adjsutment to allowance and provisions for loss	(3)	-	-	-	2	-	-	-
Accrued post liquidation interest	(2)	-	-	-	-	-	-	-
Loans recovered	82	39	42	20	-	-	-	-
Claims paid	-	-	-	-	-	-	-	-
Claims recovered	35	44	54	37	1	-	-	-
Payment of guarantees	(516)	(20)	(20)	(20)	(20)	-	-	-
Changes in working capital	2	-	(1)	-	1	-	-	-
CASH FLOWS FROM OPERATING ACTIVITIES	(246)	214	239	223	186	196	216	226
FINANCING ACTIVITIES								
Loans from the Consolidated Revenue Fund								
Net advances/(repayments)	-	-	-	-	-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	-	-	-	-	-	-		-
CASH AND SHORT-TERM INVESTMENTS								
(Decrease)/Increase during the year	(246)	214	239	223	186	196	216	226
Balance, beginning of year	737	471	491	730	953	1,139	1,335	1,551
Balance, end of year	491	685	730	953	1,139	1,335	1,551	1,777

The projected amounts in this *pro forma* Statement of Cash Flows reflect premium revenue for the years ending 2003 to 2006 that is based on the following assumptions: premium rates remain the same as those used in 2001/2002; the distribution of member institutions across premium categories is the same as for the year ended March 31, 2001; and, the growth of insured deposits is in accordance with the economic assumptions in section 2.3 of this document. In accordance with past CDIC practice, premium rates are fixed annually considering the CorporationÕs financial condition, the economic environment and the membership risk profile. In addition, during the coming year, CDIC will continue to review its provisioning methodology for insurance losses, consider the merits of establishing a deposit insurance fund and the implications for future premium revenue. Accordingly, the premium revenue for the years ending 2003 to 2006 may be subject to material change.

PRO FORMA STATEMENT OF NET INCOME For Year Ending March 31 ($ millions)

	2000 Actual	2001 Plan	2001 Forecast	2002 Plan	2003 Plan	2004 Plan	2005 Plan	2006 Plan
REVENUE								
Premiums*	134	135	140	143	147	150	154	157
Other adjustments and recoveries**	5	7	11	19	20	-	5	-
	139	142	151	162	167	150	159	157
OPERATIONS								
Income								
Interest income and other revenue	35	29	34	45	56	67	78	90
EXPENSES								
Salaries and other personnel costs	9	9	10	11				
General expenses	2	3	3	3				
Inspection, legal and other fees	2	3	3	2		(see note below)		
Premises	3	2	2	2				
Public Awareness	-	2	2	2				
Data processing	1	1	1	1				
Standards review	1	-	-	-				
	18	20	21	21	21	21	21	21
Net Operating Income	17	9	13	24	35	46	57	69
Net Income	156	151	164	186	202	196	216	226

*The premium revenue for the years ending 2003 to 2006 is based on the following assumptions: premium rates remain the same as those used in 2001/2002; the distribution of member institutions across premium categories is the same as for the year ended March 31, 2001; and, the growth of insured deposits is in accordance with the economic assumptions in section 2.3 of this document. In accordance with past CDIC practice, premium rates are fixed annually considering the Corporation's financial condition, the economic environment and the membership risk profile. In addition, during the coming year, CDIC will continue to review its provisioning methodology for insurance losses, consider the merits of establishing a deposit insurance fund and the implications for future premium revenue. Accordingly, the premium revenue for the years ending 2003 to 2006 may be subject to material change.

**Recoveries of amounts due from estates that were previously written off.

Note: Although total operating expenses have been estimated for the entire planning period, detailed breakdowns by category are not developed beyond 2001/2002.

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