CDICSADC

Canada Deposit Insurance Corporation
"A Leader in Deposit Insurance"

Summary of the Corporate Plan 2003/2004 to 2007/2008

(Including a Summary of the 2003/2004 Operating and Capital Budgets, and Borrowing Plan)

February 2003

Canada Deposit Insurance Corporation | Société d'assurance-dépôts du Canada

Canada

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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Part 1: Introduction

It is the mandate of the Canada Deposit Insurance Corporation (CDIC) to provide insurance against the loss of deposits; to promote standards of sound business and financial practices for member institutions; and to promote and otherwise contribute to the stability of Canada's financial system.

Each year, CDIC develops a Corporate Plan to assist the organization in fulfilling its mandate over a five-year planning period. This document provides a summary of the Plan.

At present, the Canadian economy is showing signs of solid economic growth. During the five-year planning period encompassed by our Corporate Plan, we anticipate the economy will continue to perform well. However, questions concerning the performance of the U.S. economy, financial market volatility, and political and global economic uncertainty represent certain risks to our membership. At CDIC, our approach in this environment is to continue to focus attention on our readiness through the enhancement of systems and processes, well-defined contingency plans, and by ensuring that our employees maintain the skills they require to fulfill the Corporation's mandate. In addition, CDIC will continue to contribute to global advances in the field of deposit insurance. The Corporation is widely regarded as a leader in deposit insurance within the financial services industry in Canada and worldwide. It is a founding member of the recently established International Association of Deposit Insurers. Such recognition and international involvement, in conjunction with our culture of continuous improvement, supports our vision to be "a leader in deposit insurance."

CDIC's Values

» Excellence and professionalism
» Integrity and trustworthiness
» Communication and teamwork
» Respect and fairness

CDIC will continue to focus on four business strategies to achieve its objectives during the planning period. These are:

» Proactive Readiness

» Investing in Technology to Leverage Information

» Following Sound Business and Financial Practices

» Public Awareness

Given the current risk profile and positive financial position of CDIC member institutions, for financial planning purposes we do not project a failure during the planning period. Furthermore, given the Corporation's solid financial position, CDIC is maintaining annual premiums at their lowest historical levels. Accordingly, the premium rate categories for the 2003 premium year will remain as follows:

- Category 1: 1/48 of 1 per cent of insured deposits;
- Category 2: 1/24 of 1 per cent of insured deposits;
- Category 3: 1/12 of 1 per cent of insured deposits; and
- Category 4: 1/6 of 1 per cent of insured deposits.

Annual premium revenue throughout the planning period is forecast to range between $78 and $87 million. Premium rates are fixed annually with consideration given to the risk profile of member institutions and the Corporation's own financial condition. Accordingly, the premium revenue projections for the years ending 2005 to 2008 may be subject to change.

For 2003/2004, we anticipate total revenues of $117 million, consisting of $78 million in premiums and interest revenue of $39 million. Operating expenses are expected to be $25 million, while our capital budget will be $700,000. CDIC does not receive government appropriations and currently has no debt. We do not anticipate the need to borrow funds over the planning period.

The significant information omitted between the full version of our Corporate Plan and this Summary is sensitive information concerning CDIC member institutions.

R.N. Robertson
Chairman

J.P. Sabourin
President and CEO

Part 2: Operational Environment

External Environment

The external environment has a significant influence on CDIC member financial institutions as well as on the Corporation itself.

During the five-year planning cycle ahead, we expect the Canadian economy to continue to perform well and to experience healthy economic growth. Job creation has been particularly vigorous and well ahead of that in the United States and many other industrialized countries. Moreover, Canada is expected to lead all other G-7 countries in economic growth during the next few years. These factors should provide for a generally supportive economic and financial environment for CDIC and its member institutions. Insured deposits are forecast to continue to grow at a moderate pace.

Nevertheless, at present there remain areas of uncertainty that could affect this outlook. These include: the performance of the U.S. economy; stock market volatility; the impact on investor confidence of recent U.S. corporate bankruptcies, scandals and failures in corporate governance; and concerns about the vulnerability of consumers in the face of rising debt burdens. In addition, conflict emanating from ongoing geopolitical uncertainties, as well as economic turbulence in emerging markets and other nations, could affect the outlook.

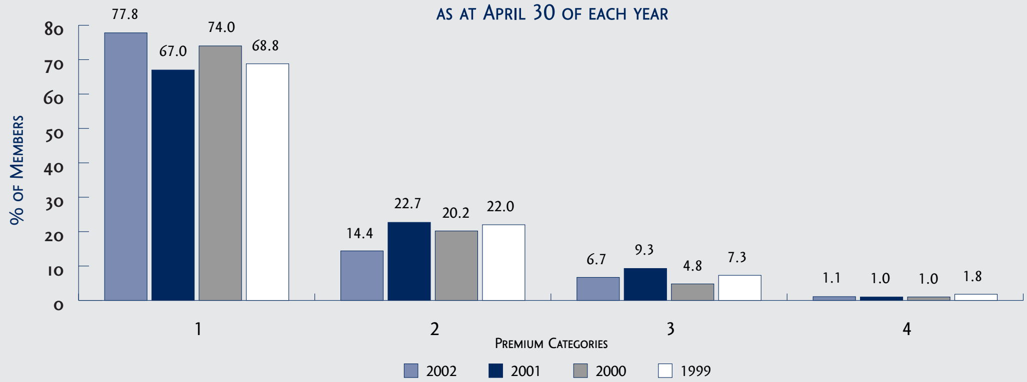
Given this external environment, CDIC's strategy is to continue to focus on contributing to the stability of Canada's financial system while solidifying its preparedness in the event of unforeseen circumstances.

Member Institutions – Environment: Trends and Issues

Generally speaking, member institutions have done well in the current financial environment. Those with a focus on retail business have performed especially well. Exposure to the telecommunications, media and technology sectors has affected the profitability of some members, while the same is true for those with exposure in foreign economies currently experiencing difficulty (for example, Argentina).

Nevertheless, total profits at member institutions reached $10.4 billion for fiscal 2001 and remained positive after three quarters of 2002 at $8.1 billion on an annualized basis. In assessing differential premiums in 2002, close to 80 per cent of all member institutions were classified in category 1, or the best category. There is no indication at this time of a sharp increase in the risk posed by member institutions.

Membership by Differential Premium Categories
as at April 30 of each year



The example of Enron and other large corporate failures will likely lead to changes in accounting, auditing procedures and financial disclosure, as well as enhanced elements of corporate governance. In July 2002, a public oversight body was established for the auditing profession in Canada. Proposals for changes to audit standards have been circulated and accounting changes are under consideration. Over the long term, modifications to the corporate environment should strengthen the risk profile of CDIC's membership.

CDIC's modernized Standards of Sound Business and Financial Practices came into force in 2001, while a streamlined reporting process began in 2002. The Standards address CDIC's expectations related to a member institution's enterprise-wide corporate governance and risk management. They stress that responsibility for the quality of processes, policies, procedures and controls belongs to senior management on a day-to-day basis and rests ultimately with an institution's board of directors. CDIC expects that some member institutions will eventually adopt the structure of a holding company regime. However, CDIC is confident that requirements under CDIC's Standards of Sound Business and Financial Practices and the supervisory framework in place will ensure that all significant activities and risks (regulated and unregulated) of such member institutions will be appropriately reviewed and managed.

CDIC's Internal Environment

In order to fulfill the elements of its mandate, CDIC must continually optimize its internal strengths. It must be prepared to intervene effectively in the event of financial institution failure. Being fully prepared requires ongoing attention to a range of matters.

For example, maintaining quality of leadership and retention of expertise are crucial issues affecting CDIC's future. Accordingly, succession management and the development of appropriate strategies for the retention of core competencies and the orderly transfer of knowledge and expertise have become important priorities for the Corporation.

Throughout the 1990s it was a priority for CDIC to pay down its debt and eliminate its deficit. Once this was accomplished, the Corporation's financial resources began to increase. One of the immediate consequences of this development was a substantial reduction in premiums payable by member institutions, a reduction that continues in 2002/2003. CDIC has also made significant strides in managing its risks. From a financial perspective, the Corporation has enhanced its methodology to estimate its provision for insurance losses, and it continues to assess the issues surrounding the size of its surplus and establishment of a deposit insurance fund.

As well as modernizing its Standards of Sound Business and Financial Practices, CDIC has made considerable progress in other areas towards strengthening its risk assessment methodology, implementing a system of differential premiums and establishing closer collaboration with the Office of the Superintendent of Financial Institutions (OSFI). CDIC is also reviewing its organizational structure as part of a control environment review. All of these initiatives have contributed to strengthening the Corporation in fulfilling its role as a deposit insurer.

Part 3: Business Objectives, Strategies, Plans And Performance Measures

Performance Against Past Objectives

Last year's Corporate Plan identified four corporate business strategies for CDIC. These were developed in support of the Corporation's business objectives (its statutory mandate) and were based on its assessment of the financial and economic environment at the time.

These strategies, in order of priority, were as follows:

» Proactive Readiness

» Investing in Technology to Leverage Information

» Following Sound Business and Financial Practices

» Public Awareness and Education

CDIC's performance to date compared with these business strategies is summarized in the following Performance Management Scorecard, updated to December 31, 2002.

The scorecard shows that initiatives and targets in support of all four corporate business strategies are substantially being met. In fact, after nine months of the current (2002/2003) fiscal year, all major projects are proceeding on schedule and within budget. CDIC is forecasting that it will achieve over 91 per cent of the targets established to determine its performance against key performance indicators, or measures. In addition, 92 per cent of the key supporting initiatives are proceeding on schedule and within budget.

Performance Management Scorecard

Scorecard Progress Symbols Legend

To assist in interpreting the progress presented on the scorecards that follow, CDIC has used the following quick reference symbols:

▲ Planned progress completed and within budget as per original plans.

▼ Experiencing some slippage in terms of time to completion and/or budget overruns.

● Cancelled.

⦸ Deferred to a future year.

Performance Management Scorecard — December 31, 2002

Proactive Readiness - Key Supporting Initiatives

- Maintain close liaison, cooperation and information sharing with stakeholders; ▲
- Maintain the CDIC/OSFI Strategic Alliance Agreement; ▲
- Maintain professional advisory/supplier network; ▲
- Identify and assess capabilities of service providers; ▲
- Prepare and execute standby arrangements for critical service providers; ●
- Enhance relationships with member institutions/expand member obligations with respect to Standards compliance; ▲
- Further develop asset recovery initiatives/principles; ▲
- Maintain technology required to make deposit insurance payments; ▲
- Develop operational payout communication plan; ▲
- Update plans for multiple/simultaneous, large/complex, new forms of institution failures; ▲
- Review failure resolution methodologies; ▲
- Maintain capacity to assess the risk to CDIC posed by member institutions; ▲
- Develop the Member Institution Data Analysis System (MIDAS) II data warehouse of member information; ▲
- Research the Financial Institutions Restructuring Program (FIRP) and other intervention-related issues; ▲
- Establish processes/opportunities for the continuous exchange of information internally and with external parties critical to CDIC's success; ▲
- Provide assistance to other countries and support the creation of an international association of deposit insurers. ▲

Level of preparedness to deal with the failure of any size of member institution.	Plans in place and validated by safety net participants and other stakeholders.	Plans are in place, but are to be validated. ▲
Implementation of ongoing risk assessment of all members and the membership as a whole.	Full implementation by March 31, 2003.	Process in place. ▲
Percentage of member institutions for which risk is being assessed.	100% of membership.	All members assessed at least once a year. ▲
Conduct of successful payout simulations involving key service providers.	Staged payout simulations achieve effective, coordinated actions to produce intended results.	A payout system refresh will be completed by March 31, 2003. Ongoing work in this area is being reassessed — it is now part of the Contingency Planning Project. ▲
An adequate provision for insurance losses.	Provision supported by appropriate current methodology — validated by external experts.	Enhanced methodology introduced in fiscal 2001/2002. Work surrounding qualitative adjustment incorporated in Risk Management Unit work plan. ▲
Ability to retain employees with appropriate skills, qualifications and experience to match current job requirements.	Maintain the level of resources applied to training and development at 1.5% to 2% of operating budget (net of Public Awareness costs).	The target level of training and development resources is expected to be met this year. ▲
Retention being managed through effective recruiting, compensation, succession planning and training.	Employee retention factor of 95% annually.	The target retention factor is expected to be met this year. ▲

INVESTING IN TECHNOLOGY TO LEVERAGE INFORMATION — KEY SUPPORTING INITIATIVES

- Enhance network infrastructure in accordance with Information Systems (IS) Strategic Plan; ▲
- Develop/Expand electronic filing for member institutions; ▲
- Implement secure web component development and web-based technologies; ▲
- Implement Electronic Document Management System (EDMS); ▲
- Implement Library Information Management System; ▲
- Redevelop or enhance Integrated Financial Information System; ▲
- Redevelop or enhance model used in estimations of costs of resolution (Valuation Model); ⦸
- Redevelop or upgrade Payout System; ▲
- Implement new technologies (Extranet technology, video/audio conferencing, and wireless technology); ▲
- Develop MIDAS II Data Warehouse of member information; ▲
- Develop automated risk assessment and management tools; ⦸
- Integrate 1-800 call management system with PC Payout system; ●
- Further the Corporate Knowledge Management project; ▲
- Provide training programs covering individual and corporate IT training. ▲

Annual review of I.S. Strategic Plan.	All I.S. infrastructure initiatives to be directly related to I.S. strategic directional statements.	Annual review of strategic plan completed December 2002. ▲
Knowledge Communication – ability to present, as appropriate, experience and lessons learned.	CDIC explicit knowledge and information is current and accessible through EDMS.	EDMS functionality limited to existing iRIMS system, which is currently under review. ▲
Solid technology infrastructure in place that is flexible and secure.	All initiatives identified in the annual operational plans are linked to one or more of the six directional statements in the IS strategy.	All initiatives are linked to the IS strategy. ▲
Ability to share information on the web with member institutions.	CDIC has flexible and secure technology to provide and receive information to and from member institutions.	Ability to receive secure information exists. (A fully interactive system to allow such exchange will evolve as industry security standards are established.) ▲
Modify the data structure to integrate all related financial information.	Completion of data structure modification by March 31, 2003.	On schedule per plan. ▲
Ability to publish reports that can be accessed by CDIC executive management in a web-based environment.	Capacity to publish reports in a web-based environment by December 31, 2002.	Completed. ▲
Use of sophisticated graphing software to aid in risk assessment, presentation and reporting.	Implementation of graphing software by December 31, 2002.	Deferred until 2003/2004. ⦸
Ability to access multiple information sources, apply analytical tools and automatically generate Risk Assessment Profiles using a secure electronic portal.	Implementation of electronic portal by March 31, 2003.	Portal project being implemented on a phased approach – Phase I on schedule for completion by March 31, 2003. ▲
Ability to communicate on a confidential basis with OSFI and other supervisors using secure technology.	100% usage of PKI technology for secure communication of all information classified up to Protected B.	Secure technology for Protected B Information is in place. Plans and work are progressing for the integration of secure technology. ▲

Follow Sound Business And Financial Practices — Key Supporting Initiatives

- Implement and administer a program respecting CDIC's adherence to standards; ▲
- Research current best practices in all areas; ▲
- Implement a regular self-assessment process; ▲
- Capture and report on progress re: following sound business and financial practices — incorporate reporting into performance management scorecard; ▲
- Apply effective performance measurement and management in all areas; ▲
- Provide effective, efficient and economical facilities management; ▲
- Continue the Corporate Risk Management Project; ▲
- Maintain processes to ensure currency and relevancy of key Corporate by-laws and policies; ▲
- Conduct innovative policy analysis, research, financial and economic forecasting, and policy development to advance the views and interests of CDIC; ▲
- Further the Corporate Knowledge Management project. ▲

Measures	Targets	Performance Against Targets
Overall performance against planned initiatives.	All projects on schedule and within budget as per original plans.	All major projects are proceeding on schedule and within budget. Some projects are experiencing minor slippage or have been deferred. ▼
Process for self-assessment in respect of sound business and financial practices.	Process to be defined and implemented by March 31, 2003.	Steps required to develop and implement a self-assessment process are under way. ▲
Knowledge Management and Transfer and Learning and Growth — sufficient time, financial resources and encouragement committed to staff to develop skills required to improve performance.*	Maintain the level of resources applied to training and development at 1.5% to 2% of operating budget (net of Public Awareness costs).	The target level of training and development resources is expected to be met this year. ▲
Performance against the operating budget.	Within ± 5% of operating expenditure budget.	Current positive variance due to timing issues exceeds 16%, however forecast indicates results within target range. ▲

* This measure had originally been included under the "Investing in Technology to Leverage Information" strategy.

Enhancing Public Awareness And Education — Key Supporting Initiatives

- Foster public awareness and understanding of deposit insurance, and CDIC's role; ▲
- Maintain the CDIC *Deposit Insurance Information By-law* and administer the related insured deposit register clearance process; ▲
- Maintain close liaison and cooperation 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 and work with other deposit insurers, the Financial Stability Forum and international organizations, as well as provide assistance to other governments and deposit insurers, including regular participation in conferences and seminars to share information globally on deposit insurance issues; ▲
- Familiarize interested international deposit insurers with operation of ROADMAP—software designed to facilitate the payout process; ▲
- Conduct International Claims and Recoveries courses and presentations; ▲
- Implement efficiently, professionally and in a timely fashion the Corporation's overall communications objectives; ▲
- Enhance internal communications - implement communications activities to support teamwork and open communications. ▲

Measures	Targets	Performance Against Targets
Uniform information on deposit insurance is developed and disseminated to member institutions and the public.	Information developed and disseminated to all members and the public.	Information being developed and will be distributed in Q3 and Q4. ▲
Level of awareness of deposit insurance and CDIC.	Increases in awareness levels as set yearly. Move from current level of 54% to 59%.	Public survey to be held in Q4. Progress expected as per original plans. ▲
Level of awareness of $60,000 limit.	Increase in awareness levels as set yearly. Increase from current level of 27% to 30%.	Public survey to be held in Q4. Progress expected as per original plans. ▲

Strategic Direction: Business Objectives for the Planning Period

CDIC's Statutory Objects

» Section 7 of the *Canada Deposit Insurance Corporation Act* (CDIC Act) states:
The objects of the Corporation are:
(a) to provide insurance against the loss of part or all of deposits;
(b) 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; and
(c) to pursue the objects set out in paragraphs (a) and (b) for the benefit of persons having deposits with member institutions and in such manner as will minimize the exposure of the Corporation to loss.

CDIC's statutory objects have remained largely unchanged during the past decade. They were reviewed and validated by the Board of Directors in 2002.

These statutory objects are the basis upon which all strategic planning must take place. For this reason, and consistent with CDIC's Strategic Management Process Model, CDIC's statutory objects constitute the Corporation's business objectives for the planning period.

Business Strategies

The Corporation has retained the four long-term business strategies identified in last year's Corporate Plan to achieve the above-mentioned business objectives.

These strategies, in order of priority, are as follows:

- Proactive Readiness
- Investing in Technology to Leverage Information
- Following Sound Business and Financial Practices
- Public Awareness

Details pertaining to each of these strategies are summarized in the following section. Related business plans and supporting initiatives describing in detail how operations are to be conducted in implementing each business strategy have been developed on a corporate-wide basis. The initiatives supporting these plans reside in the work plans of internal departments. Also supporting the business strategies and the implementation of business plans are comprehensive strategic plans. For example, the Corporation has in place human resources, information systems and communications plans. Components of these plans, including key initiatives and corporate level performance measures and targets, are reflected in the performance management scorecards appearing throughout this section.

Proactive Readiness

CDIC's mandate as Canada's federal deposit insurer requires it to continually monitor the environment and its membership and to maintain a state of readiness at all times. Proactive readiness continues to be the Corporation's key strategy.

CDIC last dealt with the failure of a member institution in 1996. Since that time, significant changes have occurred in the financial services sector. These include significant advances in the application of technology, new products and structures, rising levels of securitized assets, increased cross-border activity and the evolution of depositor expectations and awareness.

To continue to meet its statutory mandate, CDIC will adhere to its strategy of proactive preparation for dealing with potential failures. The Corporation has established a Contingency Planning Committee that reviews and keeps CDIC's readiness plans up-to-date.

The foundation of CDIC's proactive readiness strategy lies in a series of integrated activities, many of which are well under way and ongoing:

1. Enhanced risk assessment:
    - ongoing assessment of all members and the membership as a whole
    - close monitoring and management of risks posed by high-risk member institutions
    - integration of emerging issues into the risk assessment system
    - strengthening our risk assessment processes to provide better consistency in approach across member institutions and to link risk assessment to risk management action plans
2. Maintaining operational readiness:
    - contingency planning and the development of action plans for high-risk member institutions
    - testing CDIC's readiness through simulations and other initiatives
    - maintaining core competencies and current expertise through sound human resource management strategies
    - continually assessing potential service and professional providers
    - preserving and enhancing methodologies for dealing with asset management, disposition and claims issues
    - ongoing review of deposit insurance funding issues
    - ongoing assessment of the CDIC Act and By-laws to ensure relevance and currency
    - continually strengthening relationships with supervisors and other safety net players
3. Upgrading tools and enhancing capacity:
    - perform gap analysis to determine if existing policies, processes and tools are adequate to address the Corporation's overall risks
    - update payout strategies to ensure the currency and relevancy of the processes for making insurance payments
    - update the valuation model and evaluate other possible intervention models

CDIC will also continue its involvement in international activities throughout the planning period. Specific initiatives will be undertaken to allow CDIC to expand and share knowledge of deposit insurance matters through international cooperation. These initiatives include providing advice to other countries and participating in international forums such as the International Association of Deposit Insurers. The level of resources applied to such work is not significant in relation to CDIC's total budgets.

Proactive Readiness - Key Supporting Initiatives

- Review and update the processes supporting ongoing risk assessment of all member institutions with a focus on integrating environmental factors;
- Conduct close monitoring of high-risk member institutions and undertake the appropriate risk management and intervention activities with respect to high-risk members;
- Work within the context of the CDIC/OSFI Strategic Alliance Agreement;
- Strengthen working relationships and cooperation with examiners;
- Continue development of contingency plans that document approaches to intervention, insolvency and failure resolution – to enable CDIC to respond effectively to a failure or failures of member institutions of varying size, complexity and structure;
- Ensure that adequate funding is available for the payout of insured deposits should the need arise;
- Ongoing research and development of a Deposit Insurance Fund;
- Maintain and administer a process to assess the deposit insurance eligibility of member deposit products;
- Assess deposit insurance differential premiums including completion of an independent confirmation to ensure the criteria and factors used to classify member institutions into different categories for premium purposes are appropriate;
- Maintain current and monitor compliance by member institutions with the Policy of Deposit Insurance, the insurance related requirements of the CDIC Act and relevant By-laws (the *Standards of Sound Business and Financial Practices By-law, Joint and Trust Account Disclosure By-law, Application for Deposit Insurance By-law, Differential Premiums By-law, Opting-out By-law, and the Deposit Insurance Information By-law*); and
- Develop processes to facilitate knowledge transfer between senior management and risk managers to enhance risk assessment and reporting.

» Ability to assess CDIC's exposure to member risk.	» All member institutions are assessed at least annually and all high-risk members identified early.
» Ability to manage high-risk members. » Capacity to intervene - contingency plans are in place that document approaches to intervention, insolvency and failure resolution - to enable CDIC to respond effectively to a failure or failures of member institutions of varying size, complexity and structure.	» A sound contingency plan and supporting systems are in place. » Prepare, test and implement contingency plans for failure of a member type by March 31, 2004.
» Ability to retain employees with appropriate skills, qualifications and experience to match current job requirements.	» Maintain level of resources applied to training and development at 2.5% to 3% of salary budget.

Investing in Technology to Leverage Information

Technology is a major component of each of our business strategies. CDIC requires a technology infrastructure to facilitate the delivery, receipt and assessment of information internally and externally.

The investment in technology will assist CDIC in fulfilling its mandate by:

- » providing CDIC employees with work tools to increase their productivity
- » providing relevant, timely and authoritative information to depositors to allow them to make informed choices
- » facilitating receipt and assessment of information to permit enhanced risk assessment and to minimize CDIC's exposure to loss
- » helping CDIC employees to stay current with key technological developments in the financial industry
- » facilitating the secure delivery and receipt of information under CDIC's By-laws (e.g., Differential Premiums, Standards, Return of Insured Deposits, Deposit Insurance Information)

The strategic implementation plan in support of this business strategy comprises the following:

1. Expanding the technology infrastructure in accordance with CDIC's IS Strategic Plan
2. Improving information to depositors by re-designing CDIC's web page and researching other products and information for inclusion on the web page
3. Developing the ability to communicate electronically with OSFI and other supervisors and stakeholders on a confidential basis using secure technology
4. Facilitating the flow of information to and from members
5. Better supporting the risk assessment function by:
    - » augmenting CDIC's data warehouse to facilitate access to multiple sources of information
    - » implementing and maintaining electronic risk assessment and risk management tools
    - » producing periodic aggregate member information, peer group information, and producing information relative to individual member institutions

Investing In Technology To Leverage Information — Key Supporting Initiatives

- Further develop automated risk assessment and management tools;
- Further develop portal software to provide integrated view of and access to multiple data sources and analytical tools including the implementation of graphic software to facilitate trend analysis;
- Implement the second phase of the Integrated Financial Information System (IFIS II) project;
- Further develop secure web component modules and web-based technologies to facilitate the electronic filing systems for Differential Premiums and Return of Insured Deposits;
- Migrate the MIDAS II data warehouse to a web environment to facilitate internal reporting and web page production;
- Review and enhance the Valuation Model and evaluate other possible intervention models; and
- Review and upgrade as appropriate the infrastructure to ensure the secure exchange of information with supervisors.

Key Performance Indicators	Targets
» Appropriate technology in place to facilitate secure exchange of information with member institutions.	» Implement next phase of electronic exchange of information with member institutions (aggregate membership information on the CDIC web site; final phase of e-filing of Return of Insured Deposits) by March 31, 2004.
» Availability of effective channels of delivery to provide access to current and relevant information to depositors and other stake-holders.	» Create a web site designed to provide vital information to depositors in the event of a member institution failure. » CDIC main web site is kept current at all times.
» Access to adequate systems by employees to support internal operations of CDIC.	» Expand the technology infrastructure in accordance with CDIC's IS Strategic Plan.

Following Sound Business and Financial Practices

CDIC's statutory mandate includes the promotion of Standards of Sound Business and Financial Practices among its member institutions. It follows that the Corporation itself should assess its own adherence to these Standards where applicable.

In implementing this strategy CDIC is adopting an enterprise-based approach to risk management as follows:

1. Corporate risk review:
   - identification of CDIC's risks and assessment of the acceptability of residual risk in light of existing processes, policies, procedures and controls
   - conducting a gap analysis to identify where processes, policies, procedures and controls may need enhancement
   - establishing appropriate links to CDIC's internal audit function with respect to validation of risk management activities
2. Ongoing review of corporate governance practices

3. Control environment review:
    - establish a risk management function within CDIC with senior accountability
    - education and training - developing and implementing programs to assist staff in determining whether their areas of responsibility are "in control"
    - organizational resource allocation review
4. Implementation and reporting:
    - using the results of the foregoing activities, establish ongoing proactive processes to ensure prudent and effective risk management within CDIC, with appropriate reporting thereon to both senior management and to the Board
    - establishing appropriate accountability throughout the organization for following sound business and financial practices

During 2002, CDIC completed a business impact analysis that identified a range of recovery solutions based on a preliminary assessment of mission critical systems. CDIC has had a business recovery plan in place for some time. However, given the current increased emphasis on readiness, it is planning a comprehensive review of its business processes to make certain that its business resumption plan is effective.

Follow Sound Business And Financial Practices — Key Supporting Initiatives

- Implement an enterprise risk management system;
- Provide professional development and emphasize knowledge management through:
    - Preparation of competency profiles for key positions;
    - Provision of appropriate professional development training;
    - Implementation of a knowledge management culture and processes;
- Conduct employee surveys to continue to monitor employee satisfaction to make certain that there are no impediments to a productive and motivated work force;
- Implement phase II of EDMS, including the implementation of an integrated Web-enabled portal and related business system applications, such as database of contacts and the repository of documents;
- A comprehensive review of all business processes to ensure that CDIC's business contingency plans are effective; and
- Maintaining close contact with other government organizations to share business continuity information and look for joint efficiencies.

» A sound corporate-wide risk management system is in place and is being managed in accordance with ongoing, appropriate and effective management processes.	» Corporate-wide risk management system to identify deficiencies is in place encompassing all areas of the Corporation. » Any required enhancements identified are addressed in an appropriate and timely manner.
» Performance against the operating budget.	» Actual operating results within ± 5% of operating expenditure budget.

PUBLIC AWARENESS

CDIC continues to make progress in ensuring that Canadians understand the benefits and limitations of the federal deposit insurance system. Public awareness activities provide target audiences with basic facts about deposit insurance, including maximum coverage and eligibility criteria, and emphasize which financial products are covered and which are not.

CDIC's public awareness program is multifaceted, comprising television and print advertising, a corporate web site, a 1-800 inquiries service, a print and electronic publications program, as well as public, media and member relations. Although television advertising is the key activity, the strategy for the program ensures that all activities complement one another. For instance, while CDIC's advertisements inform audiences about deposit insurance, they also refer to the 1-800 inquiries and web site services.

One of the program's objectives is to encourage people to find out more about deposit insurance. Television advertisements tell depositors about coverage limitations, products not eligible for insurance and encourage viewers to find out more. Advances have been made in this regard, with a 50 per cent increase from year one to year two of the program in visits to the CDIC web site, with a 20 per cent increase in telephone inquiries and a 60 per cent increase (to more than 1.2 million annually) in requests for the Corporation's information brochure on deposit insurance.

Among the long-term measures and targets for the program, the Corporation aims to realize 70 per cent awareness of CDIC and deposit insurance by the end of year five of the current program, in 2005/2006. According to 2001/2002 survey findings, 60 per cent of respondents said they were aware of CDIC, up 6 per cent following the first year of the program. Another key target is to increase awareness of the $60,000 insurance limit to 50 per cent by 2005/2006. Awareness of the limit was at 29 per cent in 2001/2002. These, along with the findings of a 2002 public opinion survey, indicate that the program is on the right track to achieving these goals.

The more significant aspects of the public awareness strategy are to:

- » tailor the annual media purchase of television advertising to achieve optimum reach of primary target audiences
- » work with member institutions to ensure compliance with the *Deposit Insurance Information By-law*, and to identify additional methods of working together to reach financial consumers with useful information
- » identify and act on opportunities for CDIC representatives to speak at and otherwise participate in relevant conferences, seminars and other events
- » add more interactive services to the web site to enable more immediate, open exchanges with users

- » strengthen partnerships with consumer groups and associations to leverage CDIC's public awareness efforts
- » initiate public and media relations as well as marketing activities to increase awareness of CDIC and deposit insurance
- » research new channels and mediums to reach segments of primary audiences with information about deposit insurance
- » continue work on a review of the existing *Deposit Insurance Information By-law*, re-designing and updating the CDIC Internet site and developing a consistent corporate design standard

Consideration is also being given to a wider dissemination to institutional members and the general public of information and data routinely generated by the Corporation. CDIC will provide information and advice to regulators, member institutions and their associations and other interested parties about deposit insurance and CDIC membership.

PUBLIC AWARENESS - KEY SUPPORTING INITIATIVES

- » Provide advice and information to regulators, member institutions and their associations and other interested parties about CDIC deposit insurance and CDIC membership;
- » Conduct economic and policy research and develop proposals to assist CDIC, the finance services sector and the international community in the provision of deposit insurance;
- » Implement the remaining years of the current five-year Public Awareness and Education Program;
- » Work with member institutions to ensure compliance with the *Deposit Insurance Information By-law* and identify additional methods to provide financial consumers with useful information;
- » CDIC representative speaking/participating at relevant conferences, seminars, and other events;
- » Add interactive services to CDIC web site; and
- » Strengthen partnerships with consumer groups and associations.

» Level of awareness of deposit insurance and CDIC.	» Attain an awareness level of deposit insurance and CDIC of 70% by 2005/2006.
» Level of awareness of $60,000 limit.	» Attain an awareness level of $60,000 limit of 50% by 2005/2006.

Part 4: Financial and Resource Plans

The five-year financial Plan is based on the economic assumptions and planning premises found in Appendix C.

Financial Performance – 2001/2002 and 2002/2003

This subsection provides an overview of CDIC's performance against its Plan for the fiscal years ending March 31, 2002 and 2003.

Performance Against Plan – Financial Highlights

Our five-year pro forma financial statements are included in Appendix D. The following table highlights CDIC's performance in selected key areas for 2001/2002 and 2002/2003.

Key Financial Highlights
For the years ending March 31
($ millions)

	2002 Approved Budget and Plan	2002 Actual	2003 Approved Budget and Plan	2003 Forecast
Premium revenue	143	155	80	75
Interest on cash and investments	45	36	24	32
Operating expenses	22**	23	24	24
Net operating income*	23	13	0	8
Loans receivable	8	0	0	0
Claims receivable	9	20	0	16
Allowance for loss	13	6	0	6
Provision for guarantees	20	19	0	4
Provision for insurance losses	400	500	400	500
Surplus	532	486	654	586
Capital expenditures	0.6	0.6	0.9	0.9

* Interest income less operating expenses.

** The amount approved in the Corporate Plan 2001/2002 to 2005/2006 was $21 million. An additional $0.5 million in expenditures was approved by the Board for reassessment of the provisioning methodology for insurance losses.

2001/2002 Actual to Plan

Premium revenue was $12 million higher than Plan. This variance resulted from a higher than forecast insured deposit base and the movement of some members between premium categories.

Interest on cash and investments was $9 million lower than Plan. This negative variance reflects lower than anticipated yields on investments during the year due to a decline in interest rates.

Operating expenses were $1 million higher than Plan. This variance was primarily the result of: higher consulting fees relating to the provisioning study, electronic filing and the payout project; higher than planned legal fees associated with the release of the revised Standards By-law; an increase in term labour costs to fill temporary vacancies; and postage, printing and stationery costs arising from the release of the revised Standards.

As at March 31, 2002, loans receivable were lower than Plan by $8 million. The variance was due to a loan balance write-off that resulted in an $8 million decrease in the opening balance. As at March 31, 2002, the Corporation had no loans outstanding.

The balance of claims receivable was $11 million higher than Plan. This variance resulted from delays in recoveries from several estates partially offset by recoveries from several other estates being received earlier than anticipated.

The allowance for loss on loans and claims receivable was $7 million lower than Plan. This reduction was mainly the result of a write-off of a loan receivable.

The provision for guarantees was $1 million lower than Plan due to timing differences on payments under the Toronto-Dominion Bank deficiency coverage agreements, combined with a reduction in the related allowance.

The provision for insurance losses was $100 million higher than Plan as a result of the enhanced provisioning methodology adopted effective March 31, 2002.

The accumulated surplus was $46 million lower than Plan.

Actual capital expenditures were virtually the same as those budgeted.

2002/2003 Forecast to Approved Plan

Premium revenue is forecast to be $5 million lower than Plan, resulting primarily from the movement of members between premium categories and lower than anticipated growth in insured deposits.

Interest on cash and investments is projected to be $8 million higher than Plan due to higher cash balances and higher than forecast yields on investments.

Operating expenses are projected to be on budget.

Claims receivable are projected to be $16 million higher than Plan. This is due to expected recoveries from various estates being delayed to future periods.

The allowance for losses on claims receivable is projected to be $6 million higher than Plan. This is due to delays in expected recoveries that also delay the write-off of the balance of the claim against the allowance.

The provision for guarantees is forecast to be $4 million higher than Plan due to timing differences on payments required under the Toronto-Dominion Bank deficiency coverage agreements.

The provision for insurance losses is forecast to be $100 million higher than Plan due to the enhanced provisioning methodology adopted effective March 31, 2002.

The accumulated surplus is projected to be $68 million lower than Plan.

Capital expenditures for 2002/2003 are expected to be $850,000 as budgeted.

Five-Year Financial Plan

The Corporation forecasts premium revenue of $78 million for its fiscal year ending March 31, 2004.

The premium revenue for the fiscal years 2003/2004 to 2007/2008 is based on the same premium rates used in 2002/2003 for all four premium categories. For planning purposes, the distribution of member institution ratings across premium categories is assumed to be the same as in the year ending March 31, 2003, and the growth of insured deposits is in accordance with the economic assumptions in Appendix C 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 risk profile of its membership. Accordingly, the actual premium revenue for the years ending March 31, 2004 to March 31, 2008 may vary from the figures included in this Plan.

Over the five-year planning period, premium revenue is forecast to total $411 million and interest income on investments is forecast to total $232 million. Operating expenses are budgeted at $131 million. The Corporation is subject to federal income tax and is required to pay income taxes on its taxable income. CDIC has tax losses that can be carried forward to reduce future years' earnings for tax purposes. These tax losses expire in the Corporation's 2004/2005 fiscal year, and as such taxable income earned in subsequent years will be subject to corporate income tax.

CDIC has sufficient funds available to meet payments under guarantee obligations due in fiscal year 2003/2004.

The adequacy of provisions for losses is assessed on an annual basis, and if necessary, adjustments are recorded. As mentioned earlier, for financial planning purposes, no failures are projected during the planning period. In the event of a failure, CDIC's provisions and surplus may be negatively affected.

The budgets reflect the fact that the net realizable value of all outstanding claims receivable, which was $14 million at March 31, 2002, will be eliminated within the planning period. It is forecast that $4 million will be recovered against outstanding claims during the fiscal year ending March 31, 2003. An additional $8 million of claims receivable is forecast to be recovered during the planning period. It is forecast that the remaining balance of $2 million will be written off during the planning period.

The guarantee liability for the Toronto-Dominion Bank under the deficiency coverage agreements, forecast to be $4 million as at March 31, 2003, is expected to be retired by the year ending March 31, 2004.

An accumulated surplus of $690 million is forecast as at March 31, 2004, and is expected to grow to $1,080 million as at March 31, 2008, consistent with the planning assumptions in Appendix C.

CDIC does not receive government appropriations to fund its operations. All of its funding needs are covered by premiums assessed against member institutions and interest earned on cash and investments. No borrowings or borrowing costs are projected over the planning period.

Operating Budget 2003/2004

The 2003/2004 operating budget (Pro Forma Statement of Income and Surplus in Appendix D) reflects $39 million in interest on cash and investments and $25 million in operating expenses.

Operating expenses for 2003/2004 are budgeted to be approximately $1 million higher than those budgeted for 2002/2003. This increase results from increases in salaries and other personnel costs for existing employees, and a variety of small increases associated with the timely implementation of the business plans in support of the strategies described in Part Three.

Capital Budget 2003/2004

The budget for capital expenditures in 2003/2004 is $700,000.

The capital budget is summarized as follows:

Analysis of Capital Plans
For the years ending March 31
($ thousands)

	2002 Actual	2003 Plan	2003 Forecast	2004 Plan
Furniture and equipment	52	150	150	100
Computer hardware	510	700	700	600
Total	562	850	850	700

Upgrades to CDIC's information systems will continue in 2003/2004 in accordance with a life-cycle plan as outlined in CDIC's Information Systems Strategic Plan. Additional equipment will be purchased in support of the business strategies of proactive readiness and leveraging information through investment in technology as described in Part 3.

Borrowing Plan

Debt Management

At September 30, 2002, CDIC had no debt outstanding and does not anticipate any new borrowing activity over the planning period. CDIC's remaining obligations are in respect of ongoing guarantees under deficiency coverage arrangements, which expire in 2003/2004 and for which CDIC has adequate cash resources.

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

Borrowing Plan

Pursuant to section 10.1(1) of the CDIC Act, at the Corporation's request, the Minister can make loans to CDIC from the Consolidated Revenue Fund (CRF) on such terms and conditions that the Minister may establish. The CDIC Act also provides that CDIC can borrow by means other than the CRF. Total principal indebtedness from all sources is not to exceed $6 billion. The Act also allows the Minister to charge CDIC a credit enhancement fee in respect of any borrowings.

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

CDIC has approved a general treasury policy as well as specific treasury-related policies in respect of investments, debt management and risk management. As required under the policies, they are subject to regular review (at least annually) by management and any changes require authorization by the Board of Directors.

Historically, CDIC has adopted a strategy that its investment portfolio is to be used as a first call on liquidity in the event of an intervention. This strategy implies that the investment portfolio would be positioned toward low-risk and highly liquid instruments. However, as CDIC is expecting to continue to generate premium revenues and investment income, a review of CDIC's strategy was undertaken to ensure that it is aligned with CDIC's environment and overall strategies. This review focused on potential changes that would retain the objectives of preservation of funds and liquidity, while taking advantage of yield improving opportunities. Revisions to the Investment Policy are being made as a result of the review and a revised Investment Policy and Liquidity Policy will be presented to the Board of Directors for approval in 2003.

CDIC has in place credit facilities with its banker for up to $10 million for cash management purposes. The credit facility is specifically exempt from the credit enhancement fee that applies to other borrowings. CDIC does not anticipate drawing on its credit facility over the planning period.

Supporting Human Resource Requirements

Below is a summary of the human resource requirements for the planning period.

Human Resources: Complement of Permanent Positions 2001/2002 to 2007/2008

	2001/2002 Corporate Plan	2002/2003 Corporate Plan		2003/2004 Plan	2005/2008 Plan
Division/Department		Actual*	Approved		
Finance and Administration	39	40	41	41	41
Insurance and Risk Assessment	26	26	26	25	25
Field Operations	14	12	14	14	14
Corporate:					
» Executive Office	5	5	5	6	6
» Audit and Consulting Services	2	2	2	2	2
» Legal	5	5	5	5	5
» Human Resources	6	6	6	6	6
	18	18	18	19	19
Total	97	96	99	99	99

*As at December 31, 2002.

Appendix A: Corporate Overview

Overview of CDIC

The Canada Deposit Insurance Corporation (CDIC) was established in 1967 by the *Canada Deposit Insurance Corporation Act* (CDIC 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 is comprised of the Chairperson, the Governor of the Bank of Canada, the Deputy Minister of Finance, the Commissioner of the Financial Consumer Agency of Canada, the Superintendent and a Deputy Superintendent, or an officer of the Office of the Superintendent of Financial Institutions. In addition, there are five private-sector directors. The Governor in Council appoints the Chairperson, the five 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 in assessing and managing its deposit insurance risk, CDIC has the power to set conditions of membership (by way of its Policy of Deposit Insurance and its Standards of Sound Business and Financial Practices for member institutions), control the entry of new members, assess deposit insurance premiums and take insurance action, when required (for example, closing weak members, reimbursing insured depositors and making claims and recovering assets from the estates of failed members).

Except in certain circumstances (i.e., the conduct of special and preparatory examinations to clarify the Corporation's risk), CDIC has no supervisory role. Under the CDIC Act, the Corporation relies on the Office of the Superintendent of Financial Institutions and provincial regulators to conduct annual examinations of member institutions on behalf of CDIC. However, CDIC works closely with these regulators in determining the scope of the annual examination work performed and the nature of the reporting related thereto and, in particular, in determining actions to be taken against member institutions, where circumstances warrant.

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, provincially incorporated trust or loan companies, and associations to which the *Cooperative Credit Associations Act* applies. 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, in registered retirement income funds, and in mortgage tax accounts, 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 categories, the rate for each category ranged in 2002/2003 from 1/6 of 1 per cent to 1/48 of 1 per cent of insured deposits. In 2002/2003, member institutions paid $75 million in premiums.

Deposits in Quebec

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, 2002

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

Viateur Bergeron
Partner
Bergeron, Gaudreau, Laporte
Gatineau

John Doran
Assistant Superintendent, Supervision
Office of the Superintendent of Financial Institutions
(*ex officio*)

Bill Knight
Commissioner, Financial Consumer Agency of Canada
(ex officio)

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

Darryl J. Raymaker
Partner
Raymaker, Bontorin
Calgary

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

Tracey Bakkeli
T. Bakkeli Consultants Inc.
Regina

David A. Dodge
Governor of the Bank of Canada
(*ex officio*)

H. Garfield Emerson
National Chairman and Senior Partner
Fasken Martineau DuMoulin LLP
Toronto

Nicholas Le Pan
Superintendent of Financial Institutions
(*ex officio*)

Grant Morash
Financial Advisor
Halifax

Julie Dickson
Assistant Superintendent, Regulation Sector
Office of the Superintendent of Financial Institutions
(*alternate for the Superintendent of Financial Institutions*)

Michael Horgan
Senior Associate Deputy Minister
Department of Finance
(*alternate for the Deputy Minister of Finance*)

CDIC Officers

Jean Pierre Sabourin
President and Chief Executive Officer

Wayne Acton
Senior Vice-President
Field Operations

Michèle Bourque
Acting Senior Vice-President
Insurance and Risk Assessment

Gillian Strong
General Counsel

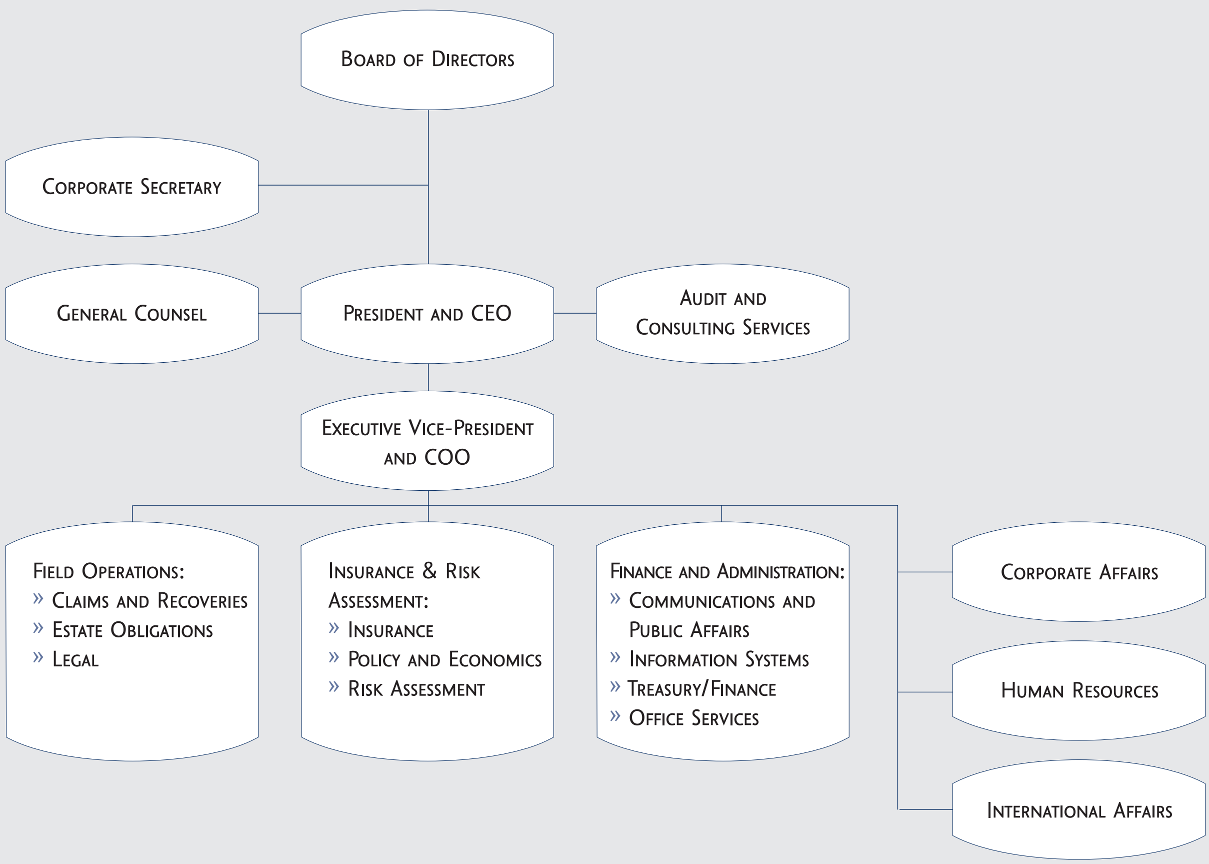
Guy L. Saint-Pierre
Executive Vice-President and
Chief Operating Officer

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

M. Claudia Morrow
Corporate Secretary

Thomas J. Vice
Senior Director Finance and Treasurer

Organizational Structure



Summary of Key Historical Facts

Fact	Most Recent Data (as at March 31, 2002, unless otherwise stated)
Year of incorporation	1967
Incorporation	Crown corporation - Part I, Schedule III of the *Financial Administration Act*
Operating expenses – 2001/2002	$22.8 million
Capital expenses – 2001/2002	$0.6 million
Net income – 2001/2002	$31.5 million
Surplus	$486 million
Provision for insurance losses	$500 million
Approved permanent employee positions - 2002/2003	99
Number of member institutions – December 31, 2002	Domestic banks and subsidiaries: 39 Domestic trust and loan companies: 23 Foreign bank subsidiaries: 27 *Total*: *89* Federal institutions – banks: 35 Federal institutions – trust and loan companies: 47 Provincial institutions: 7 *Total:* *89*
Total insured deposits – April 30, 2002	Domestic banks and subsidiaries: $327.56 billion Foreign bank subsidiaries: $12.6 billion Domestic trust and loan companies: $6.7 billion *Total:* *$346.8 billion* Federal institutions: $345.9 billion Provincial institutions: $0.9 billion *Total:* *$346.8 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
2002/2003 premiums assessed	$75.4 million

Summary of Key Historical Facts (Continued)

Fact	Most Recent Data (as at March 31, 2002, unless otherwise stated)
Total premiums assessed since 1967	$5.6 billion
Total premium rebates reimbursed to member institutions since 1967	$9 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	9
Number of failures where 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	$200 million
Total income taxes paid by CDIC since 1967	$28 million
Total dividends paid to the Government since 1967	$5 million
Web site visits during 2002 (January-December)	263,000
Toll-free calls received during 2002 (January-December)	16,300

Appendix B: CDIC Membership

Overall member institutions have done very well in the current financial environment. Member institutions with a focus on retail business are performing particularly well. These members are benefiting from Canada's low interest rate environment, supporting growth in mortgage loans and consumer lending. Large corporate defaults and disappointing performance in certain areas have shifted member institutions efforts towards retail lending, leading to increased competition in this market. These competitive forces have progressively prompted some small-and medium-size members to increase exposure to real estate lending, including commercial mortgages, interim construction lending and sub-prime mortgage lending. However, loan delinquencies remain low and profits are growing steadily for these member institutions.

Profitability of members with large U.S. corporate portfolios and exposure to the telecommunications, media and technology sectors has been affected. The same is true for members with exposure in foreign economies experiencing difficulty (for example, Argentina). Nevertheless, profits at CDIC's largest member institutions, which have significant international and corporate businesses, remain healthy overall ($7.3 billion for the first three quarters of 2002 on an annualized basis) albeit lower than the prior year level.

Although there has been some deterioration in asset quality of the membership, the level of impaired assets is still historically low (0.87 per cent of total assets at Q3 2002 compared to 4.08 per cent at the end of 1992). In addition, there has been a general improvement in risk management practices, with relatively high capital levels and general allowances serving as powerful risk mitigants. Total risk-based capital ratio for CDIC membership at the end of the third quarter of 2002 was 12.3 per cent and general allowances represented 0.95 per cent of total risk-weighted assets. Further, member institutions have allocated significant financial and human resources to the development of risk management systems to identify, monitor and mitigate risks associated with their activities. New products are also available to mitigate risk – for example, portfolio insurance, credit derivatives and options. We expect further development of risk management practices, in part, with the future implementation of the revised Basel Accord.

Unsettled capital and equity markets have curtailed earnings of some member institutions. Member institutions with a significant reliance on financial market activities to sustain their earnings have been particularly affected by downward market valuation and faltering investor confidence. Investors have also shown some nervousness about the integrity of reported earnings and the quality of governance in corporations. Despite a recent and significant focus on the importance of good corporate governance in the United States, and the fact that publicly traded companies are independently audited, accounting scandals and examples of corporate impropriety over the past year have left many financial investors hesitant. The erosion in confidence has led to substantial common stock and mutual fund redemptions, thus eroding opportunities for investment banking and wealth management revenues.

Other changes and risks will surface over the next five years. Technology will continue to be a driving force for change in the structure of the financial services industry (for example, the increasing use of the Internet for financial transactions), as well as placing demands on existing payment systems. Technology facilitates the introduction of non-regulated institutions into the market, thus increasing competition. It also facilitates globalization, which highlights the need for increasingly efficient and secure payments systems around the world.

While member institutions' expansions into new markets can pose new risks and present new regulatory challenges, such activity allows for increased allocation of geographical risks, the opportunity for new activities, as well as cost synergies and profitability.

The main areas of risk foreseen for member institutions during the planning period pertain to: the sustainability of consumer spending and corporate earnings; the long-term performance of investment markets; whether the boom in current real estate markets is sustainable; the level of future interest rates; whether confidence in corporate reporting will continue to erode; the impact of new regulatory capital requirements (Basel II); and the increased complexity of member institutions in their business, their organizational structures, as well as in new technologies and products.

Overall, CDIC member institutions have been on a sound footing and appear likely to continue to perform well.

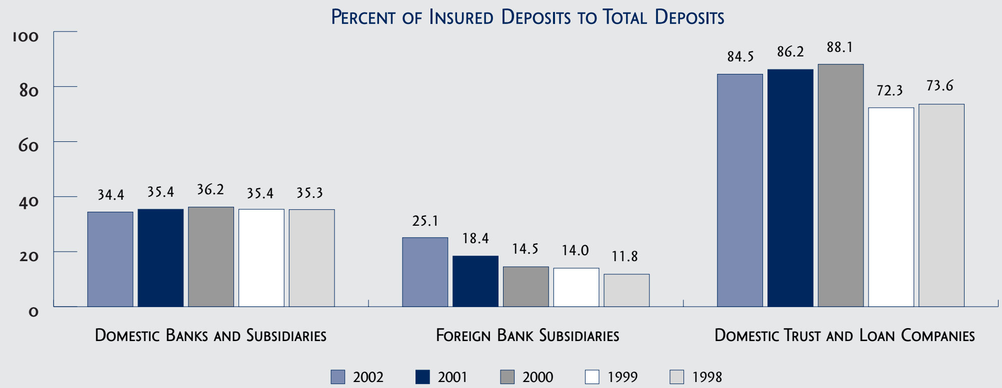
CDIC MEMBERSHIP

	Number of Members				
	2002	2001	2000	1999	1998
Domestic Banks and Subsidiaries	39	39	41	37	35
Foreign Bank Subsidiaries	27	29	35	45	46
Domestic Trust and Loan Companies	23	26	25	29	32
Total	89	94	101	111	113

	Total Deposits ($ Millions)					Insured Deposits ($ Millions)				
	2002	2001	2000	1999	1998	2002	2001	2000	1999	1998
Domestic Banks and Subsidiaries	951,665	910,341	864,559	770,727	750,107	327,517	322,475	312,760	272,749	264,971
Foreign Bank Subsidiaries	50,395	56,938	60,197	59,585	63,440	12,634	10,468	8,753	8,354	7,455
Domestic Trust and Loan Companies	7,913	7,586	6,273	49,076	48,918	6,685	6,541	5,529	35,475	35,988
Total	1,009,973	974,865	931,029	879,388	862,465	346,836	339,484	327,042	316,578	308,414

	Percent of Total Insured Deposits					Insured Deposits /Total Deposits (%)				
	2002	2001	2000	1999	1998	2002	2001	2000	1999	1998
Domestic Banks and Subsidiaries	94.5	95.0	95.6	86.2	85.9	34.4	35.4	36.2	35.4	35.3
Foreign Bank Subsidiaries	3.6	3.1	2.7	2.6	2.4	25.1	18.4	14.5	14.0	11.8
Domestic Trust and Loan Companies	1.9	1.9	1.7	11.2	11.7	84.5	86.2	88.1	72.3	73.6
Total	100	100	100	100	100	34.3	34.8	35.1	36.0	35.8

Differences in the totals from previous year's Corporate Plan are due to Return of Insured Deposits amendments filed by some institutions. Differential Premiums data, Insured and total deposits as at April 30 of each year. Membership as at December 31 of each year.



List of Failed Member Institutions

Date	Company	Date	Company
1968	Security Trust	1987	Northwest Trust Company Principal Savings & Trust Company
1970	Commonwealth Trust	1988	Financial Trust Company
1980	Astra Trust Company	1990	Settlers Savings & Mortgage Corporation
1982	District Trust Company	1991	Bank of Credit & Commerce Canada Saskatchewan Trust Company Standard Loan Company Standard Trust Company
1983	Amic Mortgage Investment Corporation Crown Trust Company Fidelity Trust Company Greymac Mortgage Corporation Greymac Trust Company Seaway Mortgage Company Seaway Trust Company	1992	Central Guaranty Mortgage Corporation Central Guaranty Trust Company First City Mortgage Corporation First City Trust Company Shoppers Trust Company
1984	Northguard Mortgage Company	1993	Dominion Trust Company Prenor Trust Company of Canada
1985	Canadian Commercial Bank CCB Mortgage Investment Corporation Continental Trust Company London Loan Limited Northland Bank Pioneer Trust Company Western Capital Trust	1994	Monarch Trust Company Confederation Trust Company
1986	Bank of British Columbia Bank of British Columbia Mortgage Corporation Columbia Trust Company	1995	Income Trust Company North American Trust Company NAL Mortgage Corporation
		1996	Security Home Mortgage Corporation

Appendix C: Planning Assumptions

Economic Assumptions for the Planning Period

CDIC's premium income is a function of the level of insured deposits of member institutions, as well as each member's differential premiums category and assigned premium rate. Insured deposit growth is affected by a variety of factors including overall economic growth, interest rates, income growth and the manner in which income and financial savings are allocated into a variety of financial instruments. These factors influence changes in the components of M2+ (i.e., currency, personal and non-personal notice and fixed-term deposits at chartered banks, trust and loan companies) and through M2+ movements in insured deposits. CDIC's insured deposit forecast is based primarily upon assumptions provided by the latest Department of Finance "Survey of Canadian Private Sector Forecasters" and the Bank of Canada's supplied projections of M2+ growth derived from a consensus survey. This information points to the following environment unfolding during the next five years:

- Real Gross Domestic Product (GDP) is expected to grow at a 3.1 per cent average annual rate during the 2003/2004 to 2007/2008 period.
- Increases in consumer prices, as measured by the Consumer Price Index (CPI), are expected to average 2.1 per cent annually during the 2003/2004 to 2007/2008 interval.
- The rate of interest on Government of Canada three-month treasury bills will likely average around 4.6 per cent during the forecast period.

Between May 1, 2001 and April 30, 2002, total insured deposits increased 2.2 per cent. This increase was lower than the 2.9 per cent growth forecast in CDIC's prior Corporate Plan. The difference was attributable to a number of factors. Although overall deposit growth remained strong during the year, much of the growth was concentrated in wholesale deposits rather than personal deposits. In addition, the prevalence of very low deposit rates may have contributed to greater inflows into money market funds, which are important deposit substitutes.

Taking into account the assumptions supplied in the September 2002 consensus survey and M2+ projections, the outlook calls for average annual growth in insured deposits of 2.9 per cent during the 2003/2004 to 2007/2008 forecast period. It is important, however, to be aware that insured deposit growth tends to be volatile. Unexpected changes in consumer and market sentiment and in factors such as institutional restructuring could lead to substantial variations in year-to-year growth from the averages predicted in these planning assumptions.

Planning Premises for the Period

Planning premises are the core assumptions upon which our Corporate Plan and all supporting business plans and resource budgets are based. They represent the Corporation's best estimation of what could realistically occur during the planning period.

The following premises have been used in preparing our five-year plan:

Statutory Objects

No significant changes to CDIC's statutory objects are anticipated during the planning period.

Regulatory and Supervisory System

The regulatory and supervisory system in Canada will continue to be based on close coordination and cooperation among the public sector authorities responsible for the country's financial stability and comprising Canada's safety net, focused on ever strengthening the quality of this system.

Elements of Deposit Insurance

No significant change to the elements of deposit insurance, such as the approach to funding, the limits of insurance coverage, and insurable products is anticipated during the planning period.

Member Institution Failures

While CDIC seeks to minimize the risk of failure of member institutions, and associated costs, both as an insurer and as a component of the financial safety net, it has to anticipate that losses may occur nevertheless. Previous experience suggests that, from time to time, individual member institutions will face viability or solvency problems requiring intervention. The timing and circumstances of such events are difficult to predict with any certainty.

Member institutions have benefited in recent years from a positive economic environment and have reported healthy financial results. This has facilitated the strengthening of capital. Member institutions have also enhanced their risk management methodologies and the soundness of their business and financial practices. As a result, member institutions are, on balance, well equipped to deal with the effects of economic slowdowns in specific sectors.

The Corporation's continuing strategy is to be proactive and prepared. This means having access to funding and having plans in place to address potential intervention or failure resolution situations. The rapidly changing nature of the financial services industry requires CDIC to constantly reassess its contingency plans to ensure that it can deal with the complexity and the scope (both geographic and in terms of products) of financial institutions and find alternate resolution methods of handling troubled member institutions.

In the event that the risk profile of a member institution increases to a level that places CDIC at risk, the Corporation would work closely with other members of the safety net to determine the intervention and failure resolution options best suited for the situation. A separate intervention budget would be developed for Board approval to cover the associated costs and a revised business plan would be presented to the Board of Directors, along with a revised Corporate Plan if the overall impact were material.

Number of Member Institutions

CDIC does not anticipate the number of member institutions to change significantly during the course of the planning period. At December 31, 2002, CDIC had 89 member institutions, 5 fewer than the previous year. The decrease is attributable to amalgamations, branching and opting out (allowing foreign banks that accept only wholesale deposits (defined as $150,000 or more)) to take such deposits without being members of CDIC. Over the planning period, it is expected that a number of new financial institutions will be established as a result of government policy to increase competition in the financial sector. These additions to CDIC's membership will likely be offset by cancellations and consolidations of the current membership that may occur.

Human Resources

In keeping with its Human Resources Strategic Plan, CDIC will maintain strong core competencies in support of its business strategies and plans through ongoing succession management, training and development.

CDIC's challenge is to attract and retain a highly motivated and skilled work force. The Corporation will do this by providing a highly desirable workplace based on competitive salary and benefits, a positive work environment, effective work tools and training, as well as an accommodation of lifestyle and flexibility to suit individual needs.

CDIC operates on the principle of maintaining a core capacity of expert employees with the mechanisms in place to mobilize, if necessary, a larger workforce engaged directly by CDIC, or indirectly by liquidators, receivers, or through workout or wind-down arrangements. These may include additional employees, contract personnel, consultants, insolvency and legal professionals, and other service providers, should the need arise. The overall person-year count comprising this core capacity is therefore expected to remain relatively constant throughout the planning period. However, the level and deployment of human resources may be affected by shifts in initiatives and strategies to address the changing environment or by changes in the level of risk posed by member institutions as a whole.

Financial Position

CDIC manages its operations in a manner to maintain a stable financial position. To appropriately manage its business and affairs, managers regularly review initiatives in relation to the changing environment and circumstances. Activities are reprioritized as appropriate in order to focus resources on the most important initiatives. Expenditures for unplanned activities are, whenever possible, absorbed within the operating budget. Operating budgets are developed in a manner to make certain the corporation has appropriate resources to fulfill its identified initiatives and mandate. Since such budgets do not contain room for contingencies, management must seek the approval of the Board of Directors before undertaking activities requiring significant additional resources.

Premium Revenue

Premium revenues are projected to total approximately $78 million for 2003/2004, based on the following rates: 1/48 of 1 per cent, 1/24 of 1 per cent, 1/12 of 1 per cent, and 1/6 of 1 per cent for categories 1 to 4, respectively. These rates are the same as in 2002/2003.

Pro forma premium revenue is projected based on the following assumptions: premium rates will remain the same throughout the five-year planning period; the distribution of member institutions across premium categories will not change significantly; and the growth of insured deposits is in accordance with the economic assumptions in Appendix C of this document. Premium rates are fixed annually considering the Corporation's financial position, and the risk profile of member institutions. Accordingly, the premium revenue for future years may be subject to change*.

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* At the time of preparation of this Corporate Plan, the Corporation is reviewing the merits of establishing a deposit insurance fund. The decisions arising from these deliberations may impact future surplus levels and premium rates. The current $500 million provision for insurance losses is projected to remain unchanged throughout the planning period.

Appropriations and Borrowings

CDIC does not receive government appropriations, nor does it plan to borrow funds during the planning period.

Investment Revenue

CDIC has developed its investment strategy based on the following principles:

1. The investment portfolio will be liquidated to fund any intervention activity
2. Adherence to the *Financial Risk Management Guidelines* and the *Credit Policy Guidelines for Crown Corporations* (issued by the Minister of Finance), and CDIC's internal risk and investment policies, whereby limited credit and market risk will be taken
3. Interest revenue is projected to meet or exceed operating expenses throughout the planning period. Yields on investments are projected based on economic data available at the time of development of this Plan

Leases

CDIC's head office lease expires in 2010 and its Toronto office lease expires in 2011. Financial plans in this document reflect lease costs for both offices.

Operating Budget

CDIC projects total revenue of $117 million (composed of premium revenue of $78 million and interest income of $39 million) and operating expenses of $25 million for 2003/2004, resulting in a net income of $104 million after adjustments for recoveries of amounts previously written off and future income tax assets.

Capital Budget

Capital expenditures for the planning period are related largely to information systems development and physical infrastructure maintenance. The budget for capital expenditures in 2003/2004 is $700,000. With the exception of computer hardware (amortized over three years), all capital assets are amortized over their useful lives in accordance with the rates prescribed by the Canada Customs and Revenue Agency for tax purposes.

Appendix D: Pro Forma Financial Statements and Key Supporting Accounting Policies

Pro Forma Balance Sheet as at March 31 ($ millions)

	2002 Actual	2003 Plan	2003 Forecast	2004 Plan	2005 Plan	2006 Plan	2007 Plan	2008 Plan
ASSETS								
Cash & investments	985	1,044	1,065	1,180	1,279	1,386	1,487	1,594
Premiums and other accounts receivable	5	5	5	5	5	-	-	-
	990	1,049	1,070	1,185	1,284	1,386	1,487	1,594
Capital assets	1	1	1	1	1	1	1	1
Claims receivable	20	-	16	-	-	-	-	-
Allowance for loss on claims receivable	(6)	-	(6)	-	-	-	-	-
	15	1	11	1	1	1	1	1
Future income tax asset	7	10	16	11	4	3	2	1
	1,012	1,060	1,097	1,197	1,289	1,390	1,490	1,596
LIABILITIES								
Accounts payable	7	6	7	7	7	7	7	7
Income tax payable	-	-	-	-	-	6	7	9
Provision for guarantees	19	-	4	-	-	-	-	-
Provision for insurance losses	500	400	500	500	500	500	500	500
	526	406	511	507	507	513	514	516
Surplus	486	654	586	690	782	877	976	1,080
	1,012	1,060	1,097	1,197	1,289	1,390	1,490	1,596

The projected amounts in this pro forma Balance Sheet reflect premium revenue for the years ending March 31, 2004 to March 31, 2008 that is based on the following assumptions: premium rates are the same as those in 2002/2003 for all four premium categories; the distribution of member institution ratings across premium categories is assumed to be the same as in the year ending March 31, 2003, and the growth of insured deposits is in accordance with the economic assumptions in Appendix C 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 risk profile of its membership. In addition, the Corporation is continuing to review the merits of establishing a deposit insurance fund. Accordingly, surplus levels and premium revenue for the years ending March 31, 2004 to 2008 may vary from the figures included in this Plan.

Pro Forma Statement of Income and Surplus
For year ending March 31
($ millions)

	2002 Actual	2003 Plan	2003 Forecast	2004 Plan	2005 Plan	2006 Plan	2007 Plan	2008 Plan
REVENUE								
Premiums*	155	80	75	78	80	82	84	87
Interest on cash and investments	36	24	32	39	43	46	50	54
	191	104	107	117	123	128	134	141
EXPENSES								
Adjustment to allowance and provisions for loss	87	2	-	2	-	-	-	-
Recovery of amounts previously written off	(26)	(6)	(8)	(19)	(2)	-	-	-
Operating expenses	23	24	24	25	26	26	27	27
	84	20	16	8	24	26	27	27
Net income before income tax benefit/expense	107	84	91	109	99	102	107	114
(Increase) / reduction in future income tax asset	76	13	(9)	5	7	1	1	1
Income tax expense	-	-	-	-	-	6	7	9
	76	13	(9)	5	7	7	8	10
Net Income	31	71	100	104	92	95	99	104
Surplus, beginning of year	455	583	486	586	690	782	877	976
Surplus, end of year	486	654	586	690	782	877	976	1,080

* The premium revenue for the fiscal years 2003/2004 to 2007/2008 is based on the following assumptions: premium rates are the same as those in 2002/2003 for all four premium categories; the distribution of member institution ratings across premium categories is assumed to be the same as in the year ending March 31, 2003, and the growth of insured deposits is in accordance with the economic assumptions in Appendix C 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 risk profile of its membership. In addition, the Corporation is continuing to review the merits of establishing a deposit insurance fund. Accordingly, surplus levels and premium revenue for the years ending March 31, 2004 to March 31, 2008 may vary from the figures included in this Plan.

Pro Forma Statement of Cash Flows
For year ending March 31
($ millions)

	2002 Actual	2003 Plan	2003 Forecast	2004 Plan	2005 Plan	2006 Plan	2007 Plan	2008 Plan
OPERATING ACTIVITIES								
Premium revenue received	155	80	75	78	80	82	84	87
Claims recovered	18	13	4	8	-	-	-	-
Loans recovered	22	-	-	-	-	-	-	-
Interest revenue received	38	24	32	39	43	46	50	54
Recovery of amounts previously written off	21	6	8	19	2	-	-	-
Other amounts received	-	-	-	-	-	5	-	-
Payments of guarantees	(10)	(23)	(15)	(4)	-	-	-	-
Payment of income taxes	-	-	-	-	-	-	(6)	(7)
Payments to suppliers and employees	(22)	(23)	(23)	(24)	(25)	(25)	(26)	(26)
Other amounts paid	(1)	-	-	-	-	-	-	-
Cash flows from operating activities	221	77	81	116	100	108	102	108
INVESTING ACTIVITIES								
Cash flows used in investing activities	(2)	-	(1)	(1)	(1)	(1)	(1)	(1)
CASH AND INVESTMENTS								
Increase during the year	219	77	80	115	99	107	101	107
Balance, beginning of year	766	967	985	1,065	1,180	1,279	1,386	1,487
Balance, end of year	985	1,044	1,065	1,180	1,279	1,386	1,487	1,594

The projected amounts in this pro forma Statement of Cash Flows reflect premium revenue for the years ending March 31, 2004 to March 31, 2008 that is based on the following assumptions: premium rates are the same as those in 2002/2003 for all four premium categories; the distribution of member institution ratings across premium categories is assumed to be the same as in the year ending March 31, 2003, and the growth of insured deposits is in accordance with the economic assumptions in Appendix C 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 risk profile of its membership. In addition, the Corporation is continuing to review the merits of establishing a deposit insurance fund. Accordingly, surplus levels and premium revenue for the years ending March 31, 2004 to March 31, 2008 may vary from the figures included in this Plan.

Pro Forma Statement of Net Income
For year ending March 31
($ millions)

	2002 Actual	2003 Plan	2003 Forecast	2004 Plan	2005 Plan	2006 Plan	2007 Plan	2008 Plan
REVENUE								
Premiums*	155	80	75	78	80	82	84	87
Other adjustments and recoveries**	(61)	4	8	17	2	-	-	-
	94	84	83	95	82	82	84	87
OPERATIONS								
Income								
Interest income and other revenue	36	24	32	39	43	46	50	54
Expenses								
Salaries and other personnel costs	11	12	12	13	(Note: Although total operating expenses have been estimated for the entire planning period, detailed breakdowns by category are not developed beyond 2003/2004.)			
Inspection, legal and other fees	4	3	3	2				
Premises	2	3	3	3				
Public awareness	2	2	2	2				
General expenses	3	3	3	3				
Data processing	1	1	1	2				
	23	24	24	25	26	26	27	27
Net Operating Income	13	-	8	14	17	20	23	27
Net Income Before Income Tax Benefit/Expense	107	84	91	109	99	102	107	114

* The premium revenue for the fiscal years 2003/2004 to 2007/2008 is based on the following assumptions: premium rates are the same as those in 2002/2003 for all four premium categories; the distribution of member institution ratings across premium categories is assumed to be the same as in the year ending March 31, 2003, and the growth of insured deposits is in accordance with the economic assumptions in Appendix C 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 risk profile of its membership. In addition, the Corporation is continuing to review the merits of establishing a deposit insurance fund. Accordingly, surplus levels and premium revenue for the years ending March 31, 2004 to March 31, 2008 may vary from the figures included in this Plan.

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

Supporting Accounting Policies

Basis of Preparation

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

Cash and Short-Term Investments and Investments

Short-term investments and investments, consisting of marketable securities and term deposits, are carried at cost as they are intended to be held to maturity.

Claims Receivable

Claims against member institutions arise from the subrogation of the rights and interests of depositors to the extent of the amount of the payment made by the Corporation to insured depositors. In addition, the Corporation asserts claims in respect of loans made to member institutions in liquidation.

Use of Estimates

The Corporation's pro forma financial statements include estimates and assumptions. The more significant areas requiring estimates are: (i) the provision for insurance losses; (ii) future income tax asset; (iii) the allowance for loss on claims receivable; and (iv) the provision for guarantees.

Provision for Insurance Losses

The provision for insurance losses represents the Corporation's best estimate of losses it is likely to incur as a result of insuring deposits of member institutions.

The provision for insurance losses is estimated by assessing the aggregate risk of the Corporation's members based on: (i) the level of insured deposits; (ii) the expectation of default derived from probability statistics and the Corporation's specific knowledge of its members; and (iii) an expected loss given default. The Corporation calculates its losses as a result of member institution failures on a present value basis. The loss given default is expressed as a percentage and reflects the cumulative straight average of losses sustained since the CDIC Act was amended in 1987 to require that CDIC pursue its objects in a manner so as to minimize its exposure to loss.

Future Income Tax Asset

The Corporation has adopted the recommendations of the Canadian Institute of Chartered Accountants concerning accounting for income taxes. Under this method, future income tax liabilities and future income tax assets are recorded based on temporary timing differences between the carrying amount of balance sheet items and their corresponding tax basis. In addition, the future benefit of income tax assets including unused tax losses carried forward are recognized, subject to a valuation allowance as appropriate, to the extent that it is more likely than not that such losses will ultimately be utilized. The future income taxes are measured using the corporate income tax rates in effect as at the balance sheet date. For planning purposes the corporate income tax rates in effect at the date of this Plan are assumed to remain unchanged over the planning period.

Allowance for Loss on Claims Receivable

This allowance reflects the Corporation's best estimate of losses in respect of claims receivable. The allowance is established by assessing the anticipated results of the asset disposition strategies and forecasted payments to creditors based on information received from the liquidators of failed member institutions and from other parties acting on behalf of the Corporation.

Claims receivable are written off against the allowance, in full or in part, when there is no reasonable expectation of realization. Any payment received on a claim receivable is recorded first to recover amounts previously written off before recognizing additional amounts as other revenue.

Provision for Guarantees

The Corporation has provided guarantees to help resolve the financial difficulties of certain member institutions. The provision for guarantees is determined annually by estimating the future cash payments required under these guarantees.

Premium Revenue

Premium revenue is calculated on the amount of insured deposits held by member institutions as at April 30 of each year. Premiums are recorded annually based on the Return of Insured Deposits submitted by member institutions, which is due July 15 of each year. Premiums are payable in two equal instalments on July 15 and December 15.