



SUMMARY OF THE CORPORATE PLAN | 2006/2007 TO 2010/2011



CDIC
Canada Deposit
Insurance Corporation

(Including a Summary of the 2006/2007
Operating and Capital Budgets, and Borrowing Plan)
April 2006



CANADA DEPOSIT INSURANCE CORPORATION

Mandate

CDIC's objects, revised in 2005, continue to be in keeping with international best practices: to *provide insurance against the loss of part or all deposits*; and to *promote and otherwise contribute to the stability of the financial system* in Canada. Our work in these areas is *for the benefit of those with deposits* in CDIC member institutions, and we must conduct our work in such a way as to *minimize the Corporation's exposure to loss*.

Mission

CDIC's mission is 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.

For More Information about CDIC

CDIC is committed to promoting awareness and providing information about deposit insurance and the services offered by the Corporation. You can reach us by phone, e-mail, fax or letter:

Head Office

50 O'Connor St., 17th Floor
P.O. Box 2340, Station D
Ottawa, Ontario K1P 5W5

Toronto Office

1200-79 Wellington St. W.
P.O. Box 156
Toronto, Ontario M5K 1H1

Toll-free telephone service:

1-800-461-CDIC (2342)

Website: www.cdic.ca

E-mail: info@cdic.ca

Fax: (613) 996-6095

SNAPSHOT OF PLANS AND ACTIVITIES 2006/2007 TO 2010/2011

CDIC's work for the next five years reflects our mandate and our operating environment. This Summary of our Corporate Plan describes our ongoing work as well as new initiatives.

Strategies

Strengthening Core
Expertise and Readiness

Promoting Depositor
Awareness

Solidifying Stakeholder
Relationships

Pursuing Sound
Governance

Our Work

Highlights of our planned activities include:

- Developing our *ability and capacity to apply various methods of resolving failures*—payout and other forms of resolution.
- *Promoting depositor awareness*—of the increase in deposit coverage limit to \$100,000, and of the broader benefits and limitations of deposit insurance.
- *Solidifying stakeholder relationships*—to share information, knowledge and best practices.
- Addressing measures to *enhance governance*—including those identified for Crown corporations by Treasury Board in 2005, as well as other governance best practices.

Our five-year Plan is based on . . .

- *Key legislative changes made in 2005.* The deposit insurance coverage limit for insurable deposits was increased from \$60,000 to \$100,000; CDIC is no longer required to promote standards of sound business and financial practices for member institutions; and federal financial institutions authorized to take retail deposits are now automatically members of CDIC.
- *The same planning assumptions as in recent years.* We do not expect major changes in the number of CDIC member institutions—nor do we assume there will be any failures of members over the next five years.
- *All-time low premium rates.* Maintaining low premium rates represents a major effort to continue to minimize the regulatory cost burden on member institutions.
- *Annual premium revenue is forecast to range from \$67 million to \$75 million.*
- CDIC does not receive government appropriations and *currently has no debt.* The Corporation does not anticipate the need to borrow funds over the planning period.



Financial Highlights

For 2006/2007, CDIC forecasts total revenues of \$120 million—\$67 million in premium revenue and interest income of \$53 million. Net operating expenses are expected to be \$23 million, a decrease of 4% over last year's Plan levels. Other highlights are included in the following table.

Forecast Financial Highlights

(\$ millions)

	2006 Plan ^a	2007 Plan	2008 Plan	2009 Plan	2010 Plan	2011 Plan
Balance Sheet—as at March 31						
Cash and investments	1,444	1,558	1,650	1,745	1,845	1,949
Provision for insurance losses ^b	650	650	650	650	650	650
Retained earnings	784	894	984	1,078	1,176	1,279
Revenue and Expenses— for the Year Ending March 31						
Total revenue	105	120	125	130	136	142
Net operating expenses	24	23	23	24	24	25
Other adjustments and recoveries	77 ^d	(16)	–	–	–	–
Net income before income taxes	4	113	102	106	112	117
Reduction in future income tax asset	4	–	1	–	1	–
Income tax expense	5	10	11	12	13	14
Net Income/(Loss)	(5)	103	90	94	98	103
Ex Ante Funding^c						
Level—\$ millions	1,434	1,544	1,634	1,728	1,826	1,929
Level—basis points of insured deposits	33	34	35	36	37	38

^a The 2005/2006 Plan was amended in October 2005 to reflect the impact of the 2005 Federal Budget legislation.

^b For financial statement reporting purposes, the provision for insurance losses is calculated each fiscal year.

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

^d \$100 million adjustment to the provision for insurance losses forecast resulting from the increase in deposit insurance coverage to \$100,000, net of \$23 million recovery of amounts previously written off.



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The maximum basic protection for eligible deposits is \$100,000 per depositor (principal and interest combined) in each member institution.



I CDIC AT A GLANCE

Who We Are

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

What We Do

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

Provide deposit insurance protection: Under the *CDIC Act*, the maximum basic protection for eligible deposits is \$100,000 per depositor (principal and interest combined) in each member

Managing risk is a vital and ongoing function that supports our work.

institution. We provide separate protection for joint deposits, deposits held in trust and deposits held in registered retire-

ment savings plans and in registered retirement income funds in accordance with the *CDIC Act*. We work with the Autorité des marchés financiers to protect deposits made in Québec with provincially-incorporated members, including those made outside the province in such institutions. In the event of a failure, we reimburse insured depositors, and make claims and recover assets from the estates of failed member institutions.

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

- Conduct regular risk assessments of our members and monitor their performance and results—using a variety of information, such as documents provided by regulatory authorities, financial information from members, as well as market data and broader indicators of the economy and overall environment.
- We rely on the Office of the Superintendent of Financial Institutions (OSFI) and provincial regulators to conduct annual examinations of member institutions on our behalf.
- Under certain circumstances, CDIC carries out examinations of problem member institutions and works closely with the regulator to deal with them.

Set and collect premiums: CDIC is funded by premiums that are assessed on the insured deposits of member institutions each year. We use a differential premiums structure, and assign each member to one of four premium categories based on defined criteria. In 2005/2006, the rate for each category ranged from 1.389 to 11.111 basis points of insured deposits. In the same year, member institutions paid \$64 million in premiums. Premium rates are currently at their lowest levels ever.

Who Our Members Are

CDIC membership 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. At the end of 2005, CDIC had 80 members, including domestic banks and subsidiaries, domestic trust and loan companies and foreign bank subsidiaries. The last time a member institution failed was in 1996; in total, 43 members have failed since 1967.

CDIC's Board of Directors and Officers

The CDIC Board of Directors consists of the Chairperson, five private sector directors, and five *ex officio* directors: the Governor of the Bank of Canada, the Deputy Minister of Finance, the Commissioner of the Financial Consumer Agency of Canada, the Superintendent of Financial Institutions, and a Deputy Superintendent or an officer of OSFI. The Governor in Council appoints the Chairperson, the five private sector directors, and the President and CEO.

Board of Directors

as at December 31, 2005

Ronald N. Robertson

Chairman of the Board
Canada Deposit Insurance Corporation

Tracey Bakkeli

Strategic Consultant
T. Bakkeli Consultants Inc.
(Regina)

Ian E. Bennett

Deputy Minister of Finance
(ex officio)

David A. Dodge

Governor of the Bank of Canada
(ex officio)

John Doran

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

H. Garfield Emerson

National Chairman and Senior Partner
Fasken Martineau DuMoulin LLP
(Toronto)

Claude Huot

Consultant in economic development
Le Groupe Stragesult
(Montréal)

Bill Knight

Commissioner
Financial Consumer Agency of Canada
(ex officio)

Nicholas Le Pan

Superintendent of Financial Institutions
(ex officio)

Grant Morash

Financial Advisor
(Halifax)

Darryl J. Raymaker

Counsel
McNally Cuming Raymaker
(Calgary)

Alternates

Julie Dickson

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

Pierre Duguay

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

Frank Swedlove

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

CDIC Officers

as at December 31, 2005

Guy L. Saint-Pierre
President and
Chief Executive Officer

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

Michèle Bourque
Vice-President
Insurance and Risk
Assessment

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

CDIC's Operating Environment

The nature of CDIC's work calls for constant monitoring of our broad operating environment—including economic and financial trends, ongoing and emerging issues in the legislative and regulatory environment, and developments in the technology field. This in turn enables us to keep aware of issues and factors that may have an impact on depositors, member institutions and on CDIC as an organization.

Legislative changes: Three key amendments to the *CDIC Act* in 2005, while not affecting our core roles and responsibilities, will have an impact on our work for the planning period:

- The deposit insurance coverage limit for insurable deposits was increased from \$60,000 to \$100,000.
- CDIC is no longer required to promote standards of sound business and financial practices for member institutions.
- A federal institution authorized to take retail deposits is now automatically a member of CDIC.

Economic outlook: The Canadian economy and financial sector are expected to continue to be strong. Risks on the horizon include volatile energy prices, the possibility of rising inflationary pressures and interest rates, the potential impact of more severe natural disasters or an influenza pandemic, and the potential for disorderly adjustments to global trade imbalances. The likelihood that these risks will be realized in such a way that there will be a significant impact on the Canadian financial system is seen as low at present. Nonetheless, it is important that we continue to monitor these and other emerging issues.

Member performance: The strong financial performance in recent years of CDIC member institutions is expected to continue. Profits for the majority of members peaked in 2004 and will be strong for 2005. Some members are seeing a significant source of profits from improved credit quality and from the increases in capital market activity. Investors continue to signal some nervousness about both accounting issues (including the potential migration to global accounting standards) and corporate governance

The strong financial performance in recent years of CDIC member institutions is expected to continue.

issues. Moreover, a variety of potential fraud issues—debit and credit card fraud, money laundering—are all increasing risks to

member institutions, as are potential technology-related problems that can have a significant impact on the reputation of affected institutions. At the same time, there has been improvement in member institutions' internal risk management structures and business continuity planning initiatives. Looking ahead, member institutions may face an environment of rising interest rates. They will also need to be prepared for the adoption of the *Basel II Accord*.



Each year, we review our statutory objects and corporate strategies for achieving them.



II FIVE-YEAR PLAN—OBJECTS, ASSUMPTIONS AND STRATEGIES

In support of our mandate, CDIC establishes and maintains a five-year plan of activity. Each year, we review our statutory objects and corporate strategies for achieving them—taking into account the operating environment of CDIC and our member institutions. Current plans for the five-year period 2006/2007 to 2010/2011 are described below.

CDIC's Mandate

CDIC's mandate has been reviewed by the Corporation over the course of the past two years, and was amended by Parliament over the summer of 2005. It is both relevant for the five-year planning period and consistent with international best practices for deposit insurers. The corporate strategies and the supporting activities and initiatives we plan to undertake are described below, and are summarized in our Corporate Scorecard.

Key Planning Assumptions

A number of important planning assumptions underlie our Corporate Plan. Specifically, CDIC assumes that:

1. Our statutory objects will not change.
2. There will be no changes to the regulatory and supervisory system in Canada that will have a significant impact on CDIC.
3. There will be no significant changes to the elements of deposit insurance (e.g., the level and extent of coverage).
4. There will be no failures of CDIC member institutions. (In spite of this assumption, based on our sensitivity analyses, we will increase our provision for insurance losses at March 31, 2006, to reflect the impact of the 2005 increase in deposit insurance coverage from \$60,000 to \$100,000. The Corporation can currently handle the payment of insured deposits of \$1.4 billion with no requirement for additional funding. Payouts over that amount would require CDIC to borrow funds.)
5. The total number of CDIC member institutions will not change significantly.

6. Insured deposits are forecast to grow at approximately 3% annually.¹
7. The target range for the amount of *ex ante* funding will be maintained at between 40 and 50 basis points of insured deposits. This translates into a range of approximately \$1.7 to \$2.2 billion based on levels of insured deposits as at April 30, 2005.
8. Differential premium rates will not change from those assessed in 2005/2006; however, since rates are based on a number of factors, including the Corporation's financial condition, a current assessment of the financial and economic environment, the risk profile of its membership, and the actual and projected level of *ex ante* funding relative to the target range (see number 7 above), premium revenue for the planning period is subject to change.
9. CDIC will not receive government appropriations, nor does it plan to borrow funds.
10. Our investment revenue will continue to be governed by CDIC's Financial Risk Policies approved by the Board of Directors—and are based on the following key investment principles: credit and market risk will be limited; the investment portfolio will be the initial funding source for any intervention activity; 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 will be adhered to at all times.
11. CDIC's average yield on cash and investments will be 3.5%—which is forecast based on CDIC's Financial Risk Policies, actual portfolio maturities and the yield curve as at December 14, 2005.
12. Federal income tax rates will be consistent with those in effect at the time this Plan was developed.

¹ 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 among a variety of financial instruments. This forecast is based on CDIC's actual insured deposits in 2005, combined with the underlying trend in growth based on the consensus of economic forecasters with respect to growth in the money supply and interest rate forecasts—as provided by the September 2005 Department of Finance "Survey of Canadian Private Sector Forecasters." It is important, however, to be aware that insured deposit growth tends to be volatile.

Strategies for Achieving Our Mandate

Our work over the next five years will be guided by our overall strategy statement and four comprehensive supporting strategies:

- Strengthening Core Expertise and Readiness
- Promoting Depositor Awareness
- Solidifying Stakeholder Relationships
- Pursuing Sound Governance

This Plan reflects our examination of the risks associated with carrying out our mandate, as well as ongoing review of our operating environment. The strategies are designed to continue to help us mitigate our risks, with particular focus on our significant risks.

CDIC's Strategy Statement

In providing deposit insurance, CDIC undertakes initiatives to proactively assess and manage the risks of insuring deposits, to be ready to react to any events arising within its membership, to keep abreast of issues impacting CDIC and its members, to promote awareness and understanding of deposit insurance, to solidify relationships with stakeholders, and to minimize the Corporation's operations supporting a regime of sound governance.

Strengthening Core Expertise and Readiness

CDIC must be alert to events that affect the Corporation and our members, and have the ability to anticipate and react to events and to manage risk. We will focus on solidifying expertise in our core operation of risk monitoring, intervention and payout.

Over the past several years, CDIC has devoted major effort to building a solid base of “readiness.” We plan to continue with and build on our accomplishments in this area, by:

- Broadening and strengthening our ability and capacity to apply a variety of methods to resolve failures of member institutions. We will consider appropriate approaches for each of our member peer groups, identifying the best resolution methods and contingencies for each group.

- Our work on this front will also include continuing with enhancements to intervention tools, updating our special examination methodology and preparatory examination processes and documentation, and upgrading our e-filing systems.
- Adjusting the framework for assessing risk by building on current strengths, reflecting lessons learned over the past few years, and making better links between assessment and intervention preparedness.

Overall, the initiatives that will support our efforts to strengthen core expertise and readiness are aimed at constantly monitoring the environment and examining issues that affect the membership, ongoing risk assessment (especially of higher risk members), updating tools for intervening in a troubled member institution, and thorough testing of our readiness plans and procedures. We will also continue to train our employees to ensure that they remain knowledgeable and current with emerging intervention tools and approaches.

This work will contribute to CDIC's ability to manage its risk as a deposit insurer and ensure it is ready to deal effectively with significant membership problems that could affect CDIC.

Promoting Depositor Awareness

CDIC plans to increase depositor awareness of deposit insurance by explaining its benefits and limitations, through a targeted, long-term approach to public awareness activities. We will make use of the need to inform depositors about the increase in deposit insurance coverage to \$100,000 to tell them more generally about the federal deposit insurance program.

Our long-term public awareness plan includes providing factual information about deposit insurance and maximum coverage, as well as information about which financial products are eligible for deposit insurance. Activities will include:

- Continuing our public awareness program, which has consisted of advertising through various media, a 1-800 enquiries service, a corporate website, a publications program and other public, media and member institution relations.
- Focusing on target audiences who may be particularly in need of this information—for example, seniors, Canadian adults without completed secondary education and ethnocultural communities.

- Ongoing placement of advertisements aimed at informing both the general population and specific target audiences.
- Continuing to work collaboratively with a range of partners on public awareness initiatives.

We will assess the success of these activities by monitoring awareness of the federal deposit insurance program and of the new deposit insurance coverage limit, among the general public and our identified target audiences.

Solidifying Stakeholder Relationships

CDIC will work actively with all stakeholders to better achieve our mandate—our stakeholders are member institutions, the depositing public, employees, parliamentarians, regulators, supervisors, and other deposit insurers in Canada and around the world.

CDIC strives to build and maintain strong relationships with our various stakeholders—relationships that are essential to our work. Highlights of our plans include a variety of activities.

- A review of financial legislation in Canada is set to be carried out in 2006. CDIC will work with the Department of Finance and other federal agencies to implement any changes to the *CDIC Act* that result from the review.
- We will continue our work in several key areas:
 - Continuing our consultation with member institutions on various compliance and by-law matters, while at the same time seeking to identify opportunities to reduce regulatory burden and maximize the benefits of deposit insurance for member institutions.
 - Ongoing exchange of information and collaboration with our main partner, OSFI, regarding risk assessment issues and other issues covered by the *CDIC/OSFI Strategic Alliance Agreement*.
 - Participating as a member of the Financial Information Committee (FIC), in completing the task of reviewing and rationalizing financial data collected from federal deposit-taking institutions.
 - Participating in international conferences and seminars on deposit insurance and related issues, and providing assistance to other countries in the development of deposit insurance systems—through one-on-one information sharing with interested countries, and involvement in the International Association of Deposit Insurers.

- Revisions to CDIC's *Deposit Insurance Information By-law* are currently under consideration—we expect to implement them early in the planning period. Our goal is to improve the delivery of relevant information to depositors—while at the same time remaining mindful of the associated costs and burden for member institutions. We will work closely with member institutions throughout this process.

Other work that will continue includes: coordinating and collaborating with the Financial Consumer Agency of Canada (FCAC); and participation in the Canadian Financial Services Insolvency Protection Forum. We will also continue to provide call centre services for both FCAC and OSFI on a cost recovery basis; to look for outsourcing and co-sourcing opportunities that will reduce costs; and to upgrade CDIC e-filing systems for member institutions. We will continue to strive for comprehensive and clear reporting through our Annual Report and Summary of the Corporate Plan.

Our success in maintaining and building strong relationships will contribute to our ability to manage our risks and to fulfill our responsibilities as a deposit insurer as efficiently as possible.

Pursuing Sound Governance

To continue to earn public trust, our operations must be supported by comprehensive policies—enabling us to demonstrate that CDIC is well managed, has taken account of its significant risks, can fulfill its mandate in an effective and efficient manner, and demonstrates leadership in governance.

Treasury Board of Canada Secretariat set out a number of measures for Crown corporations in its February 2005 report *Review of the Governance Framework for Canada's Crown Corporations—Meeting the Expectations of Canadians*. Implementing these measures will be an important aspect of our governance work over the next several years. We will devote particular attention to the measures concerning CEO/CFO certification, disclosure and transparency in annual reporting, reporting to the public and other stakeholders, and on holding annual public meetings for stakeholders.

Other governance activities and initiatives we will carry out over the next five years include:

- Continuing our Enterprise Risk Management (ERM) work, building on earlier accomplishments to continue to integrate our ERM activities with strategic management processes. Our overall goal is for CDIC to be able to clearly demonstrate that it is well managed through sound ERM and strategic management systems and reporting, which are validated through our internal audit function.
- Improving business continuity—ensuring that we continue to operate in the event of a business disruption—regardless of its nature. We will learn from and participate in joint initiatives with sister organizations—continuing to strive for lower costs and reduced time to implement plans. Our plans call for testing partial, and then complete, mock simulations of business disruptions.

Our Employees . . .

CDIC's employees are paramount to the success of the organization. We are in the process of implementing a revised Human Resources (HR) Strategy and Plan, designed to reinforce the importance of employees to CDIC, assure the future of the organization by creating a sustainable and adaptable work force, and maintain CDIC's excellence as a workplace. We will continue to focus on succession planning by addressing any gaps for key positions within the organization.

The importance of maintaining a high-calibre work force and a positive work environment—as well as retaining employees who conduct business with the highest ethical standards and who are committed to the mandate, strategy and operations of CDIC—is a fundamental principle. It is reflected in our governance and management practices, and is explicitly addressed in the Corporate Mission Statement, the Board Charter, the Corporate Plan, the ERM process and human resource management policies. Moreover, CDIC recognizes that the high calibre of its employees sets the Corporation apart in a competitive business environment.

- Implementing a corporate-wide process to identify and assess CDIC's compliance with applicable statutes, regulations, guidelines and other requirements to which we are subject. As well, CDIC will focus on improving its overall project and contract management and monitoring.
- Enhancing and streamlining our information technology management practices by identifying best practice benchmarks and adhering to a current and relevant Information Systems (IS) Strategic Plan.

Our work in this area will support CDIC's effective management of its risk as a deposit insurer, and will demonstrate CDIC's leadership in governance, and that it is a well-managed organization with sound policies and procedures in place, complemented by a rigorous validation and reporting regime.

Code of Business Conduct and Ethical Behaviour for Employees

CDIC's *Code of Business Conduct and Ethical Behaviour* is designed to help employees understand the standard of conduct that is expected of them. It aims to support a positive work environment, while also maintaining and enhancing the Corporation's tradition of professionalism and excellence. The Code outlines CDIC's expectations for employee conduct which align with the corporate values, among other issues.

Adherence to the Code is a condition of employment at CDIC and every employee must confirm their commitment to it. An assessment of each employee is conducted each year as part of an employee's performance appraisal.

Corporate Scorecard—2006/2007 to 2010/2011

The Scorecard on the following page illustrates the key performance indicators for each of the Corporation's four strategies and supporting activities and initiatives. CDIC will measure its performance against these indicators throughout the planning period and report its results against these measures in its Annual Report.

The resource budgets that support the activities and initiatives are included in the following section.

CDIC Values

Excellence and Professionalism

Integrity and Trustworthiness

Communication and Teamwork

Respect and Fairness

CDIC's corporate values are promoted across all employee and management groups, as well as to partners and members, and reflected in the everyday work of the Corporation.

Corporate Scorecard—2006/2007 to 2010/2011

Corporate Strategy	Current/Ongoing Activities (in support of Corporate Strategies)
<p>Strengthening Core Expertise and Readiness—<i>being alert to events affecting the Corporation and its members and having the ability to anticipate and react to events and manage risk. This will be achieved through solidifying CDIC's expertise in its core operations of risk monitoring, intervention and payout.</i></p>	<ul style="list-style-type: none"> ■ Risk assessment of members and membership ■ Ongoing research of issues and trends affecting member institutions and CDIC activities ■ Close monitoring of higher risk members ■ Contingency Planning for intervention <ul style="list-style-type: none"> - Ongoing simulations of payout process/related training and mini-simulations of pre-failure intervention activities - Research of alternative failure resolutions - Documentation - E-training - Maintaining key supplier relationships ■ Maintaining funding plans ■ Administering the differential premiums system
<p>Promoting Depositor Awareness—<i>increasing depositor awareness by explaining the benefits and limitations of deposit insurance through a targeted long-term approach to public awareness activities. CDIC can make use of the need to inform depositors about the increase in the deposit insurance coverage limit to \$100,000, to inform them more generally about the federal deposit insurance program.</i></p>	<ul style="list-style-type: none"> ■ Public awareness activities continuing focus on new \$100,000 deposit insurance coverage level: <ul style="list-style-type: none"> - Advertising in selected newspapers, magazines and publications, as well as public relations - 1-800 lines - CDIC website - Updating and disseminating CDIC information through other stakeholders - Annual public awareness surveys ■ Distribution of information to associations of deposit brokers, financial advisors, consumer groups and community leaders to inform their membership about deposit insurance to assist them in responding to inquiries on deposit insurance ■ Target audience advertising in newspapers, other print media, web advertising (seniors, Canadian adults without completed secondary education, ethnocultural communities) ■ Presentations for target groups at trades shows and other appropriate venues
<p>Solidifying Stakeholder Relationships—<i>actively working with all stakeholders to better achieve the Corporation's mandate. CDIC defines its stakeholders as: member institutions, the depositing public, employees, parliamentarians, regulators, supervisors, and other deposit insurers in Canada and around the world.</i></p>	<ul style="list-style-type: none"> ■ Work with CDIC members to identify opportunities to reduce regulatory burden and maximize the benefits of deposit insurance for member institutions ■ Maintaining existing relationships (OSFI, Bank of Canada, FCAC, Autorité des marchés financiers, Communications Canada) ■ Improve communications tools with OSFI and other strategic partners and increase efficiency of information flow ■ Complying with the <i>CDIC/OSFI Strategic Alliance Agreement</i> ■ Continue to work closely with OSFI on risk assessment issues (problem members, sharing of information) ■ Administration of the <i>Deposit Insurance Information By-law</i> ■ Participation in joint external committees (Senior Advisory Committee (SAC), sub-SAC, Financial Institutions Supervisory Committee (FISC), sub-FISC) ■ International participation (e.g., International Association of Deposit Insurers and various other international organizations) ■ Continue call-centre facility sharing arrangements with OSFI and FCAC ■ Continue participation in the Canadian Financial Services Insolvency Protection Forum ■ Continue to examine outsourcing and co-sourcing opportunities and to strengthen partnership relationships with key external resources ■ Annual reporting of CDIC plans and progress to parliamentarians and all interested stakeholders
<p>Pursuing Sound Governance—<i>in order for CDIC to continue to earn public trust, its operations must be supported by comprehensive policies, such that the Corporation can demonstrate that it is well managed, has taken account of its significant risks, can fulfill its mandate in an effective and efficient manner, and is demonstrating leadership in governance.</i></p>	<ul style="list-style-type: none"> ■ Board of Directors and Standing Committees meetings ■ Strategic Management ■ Enterprise Risk Management (ERM) ■ Corporate Project Management ■ Internal Audit ■ Regular review of CDIC By-laws ■ Examining opportunities for increasing CDIC's efficiency and effectiveness ■ Ensuring compliance with best practices for boards and committees ■ Continue to enhance corporate governance practices through benchmarking and self-assessments ■ Enhance information technology (IT) management practices by identifying IT best practice benchmarks against which IT activities can be assessed ■ Implementation of enterprise information portal system throughout CDIC ■ Transition from existing records management application to an upgraded system that can manage all formats of information and fully integrate into the enterprise information portal ■ Business Continuity Management

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

Planned Key Initiatives 2006/2007 to 2010/2011 (in support of Corporate Strategies)	Key Performance Indicators (Measure/Target)
<ul style="list-style-type: none"> ■ Ongoing enhancements to intervention tools: ROADMAP II (payout application); updating special examination methodology and preparatory examination processes and documentation ■ Upgrade of e-filing systems ■ Upgrading of enterprise business intelligence application supporting CDIC's risk analysis and monitoring of its member institutions ■ Preparation and documentation of CDIC readiness to intervene by peer group of member institutions 	<ul style="list-style-type: none"> ■ ROADMAP II data load enhancement and integration with intervention website completed by Y/E March 2007 ■ Documentation of special examination processes validated by Y/E March 2007 ■ Upgraded premium e-filing systems in place for 2007 premium year ■ Upgraded application in place and tested by Y/E March 2007 ■ Readiness by peer group documented by Y/E March 2008
<ul style="list-style-type: none"> ■ Implementation of years two and three of the current three-year communications and public awareness strategy and plan ■ Development of financial awareness tools 	<ul style="list-style-type: none"> ■ Years two and three of current strategy successfully implemented by Y/E March 2007 and Y/E March 2008, respectively ■ Tools available on CDIC website and through other channels commencing in 2006 and fully in place by Y/E March 2007
<ul style="list-style-type: none"> ■ Participate in final stages of Financial Information Committee (FIC) data rationalization project ■ Hold annual public meetings for all stakeholders ■ Revisions to the <i>Deposit Insurance Information By-law</i> ■ Work with Department of Finance and other Ottawa agencies to implement necessary changes to the <i>CDIC Act</i> ■ Development of a CDIC Corporate Communications Policy 	<ul style="list-style-type: none"> ■ CDIC requirements re: data collection and sharing reflected in final FIC filing requirements by Y/E March 2008 ■ Begin holding CDIC annual public meetings in fiscal 2006/2007 ■ Revisions to the <i>Deposit Insurance Information By-law</i> completed by March 2007 ■ Amendments to the <i>CDIC Act</i> arising from the 2006 review reflected in CDIC plans and operations ■ Corporate Communications Policy approved by CDIC's Board of Directors by Y/E March 2007
<ul style="list-style-type: none"> ■ Implement Treasury Board Secretariat (TBS) governance measures for Crown corporations as applicable, including assessing the implications of Treasury Board "certification" initiatives—Annual CEO/CFO attestations/certifications ■ Implementation of revised Human Resources (HR) Strategy and Plan ■ Annual ERM representation supported by a corporate-wide self-assessment and risk management program ■ Implementation of Information Systems (IS) Strategic Plan ■ Implementation of a corporate-wide process to identify and assess CDIC's compliance with applicable statutes, regulations, guidelines and other requirements to which CDIC is subject ■ Business continuity management activities—conduct testing and implement necessary enhancements to CDIC's systems at the recovery site 	<ul style="list-style-type: none"> ■ Timely implementation of 31 TBS governance measures for Crown corporations—as applicable to CDIC ■ Annual CEO/CFO attestation/certification in place by Y/E March 2008 ■ Initiatives specified in the HR Strategy and Plan successfully implemented in accordance with timelines set out in that Plan ■ Annual ERM representation in place by Y/E March 2007 ■ Initiatives specified in the IS Strategic Plan successfully implemented in accordance with timelines set out in that Plan ■ Corporate-wide compliance process in place by Y/E March 2008 ■ Initial testing of business continuity plans and appropriate enhancements in place by Y/E March 2007



For 2006/2007, CDIC forecasts total revenues of \$120 million—\$67 million in premium revenue and interest income of \$53 million.



III FINANCIAL AND RESOURCE PLANS

Past Financial Performance—2004/2005 and 2005/2006 Highlights

The following tables—Figures 1, 2 and 3—and the accompanying commentary provide an overview of CDIC’s financial performance over the past two years, providing context for our five-year financial plan for 2006/2007 to 2010/2011.

Figure 1: Key Financial Highlights for the Years Ending March 31
(\$ millions unless otherwise noted)

	2005 Approved Budget and Plan	2005 Actual	2006 Approved Plan ^a	2006 Forecast
Premium revenue	112	93	64	65
Interest on cash and investments	41	34	41	41
Recoveries of amounts previously written off	14	10	23	21
Net operating expenses	24	21	24	24
Net income	132	108	(5)	2
Cash and investments	1,342	1,323	1,444	1,447
Provision for insurance losses	550	550	650	650
Retained earnings	793	789	784	791
<i>Ex ante</i> funding level (in basis points of insured deposits) ^b	36	36	33	33

^a The 2005/2006 Plan was amended in October 2005 to reflect the impact of the 2005 Federal Budget legislation.

^b The *ex ante* funding level is represented by the aggregate of the Corporation’s retained earnings and its provision for insurance losses as reported in its financial statements. The target range for the fund was established in January 2004 and is set at between 40 and 50 basis points of insured deposits.

The Balance Sheet and Statement of Income and Retained Earnings providing the progression of the 2004/2005 and 2005/2006 Plans are presented as Figures 2 and 3. These financial statements include the Corporation's financial results for 2004/2005 against its approved Plan for the same year, as well as the 2005/2006 forecast against the amended Plan.

Figure 2: Balance Sheet

Progression of 2004/2005 and 2005/2006 Plans
as at March 31
(\$ millions)

	2005 Plan	2005 Forecast	2005 Actual	2006 Plan ^a	2006 Forecast
ASSETS					
Cash and investments	1,342	1,321	1,323	1,444	1,447
Accounts receivable	5	5	5	–	–
	<u>1,347</u>	<u>1,326</u>	<u>1,328</u>	<u>1,444</u>	<u>1,447</u>
Capital assets	2	2	2	2	2
Claims receivable	–	19	23	–	6
Allowance for loss on claims receivable	–	(10)	(10)	–	(2)
	<u>2</u>	<u>11</u>	<u>15</u>	<u>2</u>	<u>6</u>
Future income tax asset	4	5	5	1	2
	<u>1,353</u>	<u>1,342</u>	<u>1,348</u>	<u>1,447</u>	<u>1,455</u>
LIABILITIES					
Accounts payable and accrued liabilities	7	6	8	8	8
Income tax payable	–	–	–	5	6
Provision for guarantees	3	1	1	–	–
Provision for insurance losses	550	550	550	650	650
	<u>560</u>	<u>557</u>	<u>559</u>	<u>663</u>	<u>664</u>
Retained earnings	793	785	789	784	791
	<u>1,353</u>	<u>1,342</u>	<u>1,348</u>	<u>1,447</u>	<u>1,455</u>

^a The 2005/2006 Plan was amended in October 2005 to reflect the impact of the 2005 Federal Budget legislation.

Figure 3: Statement of Income and Retained Earnings

Progression of 2004/2005 and 2005/2006 Plans

for the Year Ending March 31

(\$ millions)

	2005 Plan	2005 Forecast	2005 Actual	2006 Plan ^a	2006 Forecast
REVENUE					
Premiums	112	93	93	64	65
Interest on cash and investments	41	31	34	41	41
Other revenue	2	–	–	–	–
	155	124	127	105	106
EXPENSES					
Increase in provision for insurance losses	–	–	–	100	100
Adjustment to allowance for losses on claims	3	–	1	–	(8)
Recovery of amounts previously written off	(14)	(10)	(10)	(23)	(21)
Net operating expenses	24	23	21	24	24
	13	13	12	101	95
Net income before income tax benefit/expense	142	111	115	4	11
Reduction in future income tax asset	10	7	7	4	3
Income tax expense	–	–	–	5	6
	10	7	7	9	9
Net income/(loss)	132	104	108	(5)	2
Retained earnings, beginning of year	661	681	681	789	789
Retained earnings, end of year	793	785	789	784	791

^a The 2005/2006 Plan was amended in October 2005 to reflect the impact of the 2005 Federal Budget legislation.

Commentary: 2004/2005 Actual to Approved Plan

As presented in Figure 3, **premium revenue** was \$19 million lower than planned, resulting primarily from the movement of members between premium categories, partially offset by higher than anticipated growth in insured deposits.

Interest on cash and investments was \$7 million lower than planned—due to lower than planned yields on investments.

Recoveries of amounts previously written off were \$4 million lower than planned—due to delays in anticipated recoveries from certain estates.

Operating expenses were lower than planned—due to lower than planned spending in areas such as personnel costs, general expenses, public awareness and data processing.

Net income was \$108 million, or \$24 million lower than planned—due primarily to lower than planned premium revenue and lower than planned interest on cash and investments, offset by lower than planned operating expenses.

Net claims receivable were \$13 million higher than planned. This variance is due to timing differences between the planned and actual receipts from the estates of failed member institutions, as well as new claims receivable being recorded in 2003/2004.

Cash and investments were \$1.323 billion as at March 31, 2005. The \$19 million negative variance from Plan is primarily the result of lower than planned premium revenue, lower than planned interest earned on cash and investments, and lower than planned recoveries of amounts previously written off, offset by higher than planned recoveries on claims receivable and lower than planned operating expenses.

The **provision for insurance losses** remained at \$550 million, consistent with the Plan.

Retained earnings were \$4 million lower than planned.

Commentary: 2005/2006 Forecast to Approved Amended² Plan

As set out in Figure 3, **premium revenue** exceeds the amended Plan by \$1 million. The actual increase in insured deposits was slightly higher than anticipated in the amended Plan.

Operating expenses are forecast to equal the amended budget for the 2005/2006 fiscal year.

² The 2005/2006 Plan was amended in October 2005 to reflect the impact of the 2005 Federal Budget legislation.

Recoveries of amounts previously written off are forecast to be \$2 million lower than planned due to higher than expected recoveries from Central Guaranty Trust (\$14 million) and Saskatchewan Trust (\$2 million), offset by lower than expected recoveries from Adelaide Capital Corporation (\$6 million), Northland Bank (\$1 million) and Standard Trust (\$11 million).

The **increase to provision for insurance losses** is forecast to be equal to the \$100 million increase in the provision for insurance losses as displayed in the amended Plan.

Adjustment to allowance for losses on claims is forecast to exceed the amended Plan by \$8 million. At the beginning of the year, the total allowance for losses on claims was \$10 million. The forecasted additional recoveries from Saskatchewan Trust (\$2 million) and Shoppers Trust (\$6 million) reduce this allowance by \$8 million.

Net income is forecast to be \$2 million, or \$7 million higher than planned, due to the adjustment to the allowance for losses on claims and the \$1 million positive variance in premium revenue, offset by the decrease in recoveries of amounts previously written off.

Cash and investments are forecast to end the year at \$1.447 billion. The \$3 million positive variance from Plan is due primarily to the higher than expected recoveries on claims and the additional \$1 million in premium revenue.

The **provision for insurance losses** is expected to remain at \$650 million, consistent with the amended Plan.

Retained earnings are forecast to be \$7 million higher than the amended Plan.

Five-Year Financial Plan—2006/2007 to 2010/2011

The following five-year financial plan is based on the planning assumptions (see Part II) of this Plan, and reflects the strategies and related initiatives planned for the period (see also Part II). CDIC will maintain a stable financial position throughout the planning period. The Corporation will manage its operations and costs effectively by regularly reviewing activities and initiatives within the broader context of its changing environment. Similarly, CDIC will revise its business plans as appropriate to focus resources on the most important initiatives.

CDIC operating budgets do not allow for other significant contingencies. Costs for unplanned activities are, whenever possible, absorbed within the existing operating budget. Consequently, if the Corporation is required to intervene in the affairs of a member institution, or if new initiatives need to be undertaken during the planning period that cannot be absorbed by revising priorities within the existing budget, Board approval will be requested for additional resources.

CDIC's *Pro Forma* Balance Sheet, Statement of Income and Retained Earnings, and Statement of Cash Flows are presented as Figures 4, 5 and 6.

Figure 4: *Pro Forma* Balance Sheet

as at March 31

(\$ millions)

	2005 Actual	2006 Plan ^a	2006 Forecast	2007 Plan	2008 Plan	2009 Plan	2010 Plan	2011 Plan
ASSETS								
Cash and investments	1,323	1,444	1,447	1,558	1,650	1,745	1,845	1,949
Accounts receivable	5	–	–	–	–	–	–	–
	1,328	1,444	1,447	1,558	1,650	1,745	1,845	1,949
Capital assets	2	2	2	2	2	2	2	2
Net claims receivable	13	–	4	–	–	–	–	–
	15	2	6	2	2	2	2	2
Future income tax asset	5	1	2	2	1	1	–	–
	1,348	1,447	1,455	1,562	1,653	1,748	1,847	1,951
LIABILITIES								
Accounts payable and accrued liabilities	8	8	8	8	8	8	8	8
Income tax payable	–	5	6	10	11	12	13	14
Provision for guarantees	1	–	–	–	–	–	–	–
Provision for insurance losses	550	650	650	650	650	650	650	650
	559	663	664	668	669	670	671	672
Retained earnings	789	784	791	894	984	1,078	1,176	1,279
	1,348	1,447	1,455	1,562	1,653	1,748	1,847	1,951

^a The 2005/2006 Plan was amended in October 2005 to reflect the impact of the 2005 Federal Budget legislation.

Figure 5: Pro Forma Statement of Income and Retained Earnings
for the Year Ending March 31
(\$ millions)

	2005 Actual	2006 Plan ^a	2006 Forecast	2007 Plan	2008 Plan	2009 Plan	2010 Plan	2011 Plan
REVENUE								
Premiums	93	64	65	67	68	70	73	75
Interest on cash and investments	34	41	41	53	57	60	63	67
	127	105	106	120	125	130	136	142
EXPENSES								
Operating expenses								
Salaries and other personnel costs	11	11	12	12	12	13	13	14
Professional fees	3	2	2	2	2	2	2	2
Premises	2	3	3	3	3	3	3	3
Public awareness	2	3	3	3	3	3	3	3
General expenses	2	3	3	3	3	3	3	3
Data processing costs	1	2	2	1	1	1	1	1
Total operating expenses	21	24	25	24	24	25	25	26
Less cost recovery (FCAC, OSFI and AMF) ^b	–	–	(1)	(1)	(1)	(1)	(1)	(1)
Net operating expenses ^c	21	24	24	23	23	24	24	25
Increase in provision for insurance losses	–	100	100	–	–	–	–	–
Adjustment to allowance for losses on claims	1	–	(8)	–	–	–	–	–
Recovery of amounts previously written off	(10)	(23)	(21)	(16)	–	–	–	–
	12	101	95	7	23	24	24	25
Net income before income tax benefit/expense	115	4	11	113	102	106	112	117
Reduction in future income tax asset	7	4	3	–	1	–	1	–
Income tax expense	–	5	6	10	11	12	13	14
	7	9	9	10	12	12	14	14
Net income/(loss)	108	(5)	2	103	90	94	98	103
Retained earnings, beginning of year	681	789	789	791	894	984	1,078	1,176
Retained earnings, end of year	789	784	791	894	984	1,078	1,176	1,279

^a The 2005/2006 Plan was amended in October 2005 to reflect the impact of the 2005 Federal Budget legislation.

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

^c Expense estimates are based on the planning assumptions for the 2006/2007 fiscal year. Expense estimates for fiscal years 2007/2008 through to 2010/2011 are subject to further development and will be dependent on specific plans developed for those years.

Figure 6: *Pro Forma* Statement of Cash Flows

for the Year Ending March 31

(\$ millions)

	2005 Actual	2006 Plan ^a	2006 Forecast	2007 Plan	2008 Plan	2009 Plan	2010 Plan	2011 Plan
OPERATING ACTIVITIES								
Premium revenue received	93	64	65	67	68	70	73	75
Claims recovered	14	13	17	4	–	–	–	–
Interest revenue received	34	41	41	53	57	60	63	67
Recovery of amounts previously written off	10	23	21	16	–	–	–	–
Other amounts received	–	5	5	–	–	–	–	–
Payment of guarantees	–	(1)	(1)	–	–	–	–	–
Payment of income taxes	–	–	–	(6)	(10)	(11)	(12)	(13)
Payments to suppliers and employees	(22)	(23)	(23)	(22)	(22)	(23)	(23)	(24)
Capital assets purchased	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Cash flows from operating activities	128	121	124	111	92	95	100	104
INVESTING ACTIVITIES								
Cash flows from/(used) in investing activities	–	–	–	–	–	–	–	–
CASH AND INVESTMENTS								
Increase during the year	128	121	124	111	92	95	100	104
Balance, beginning of year	1,195	1,323	1,323	1,447	1,558	1,650	1,745	1,845
Balance, end of year	1,323	1,444	1,447	1,558	1,650	1,745	1,845	1,949

^a The 2006 Plan reflects the 2005/2006 to 2009/2010 Corporate Plan as amended in October 2005 to reflect the impact of the 2005 Federal Budget legislation.

Commentary: The Five-Year Plan

The premium revenue for the fiscal years 2006/2007 to 2010/2011 presented in these *pro forma* financial statements is based on the following assumptions:

- Premium rates are unchanged from those in effect during 2005/2006.
- The distribution of member institution ratings across premium categories is assumed to be the same as in the year ending March 31, 2006.
- Insured deposits grow annually by 3%.

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

Over the five-year planning period, premium revenue is forecast to total \$353 million and interest income on investments is forecast to total \$300 million.

Over the five-year planning period, **premium revenue** is forecast to total \$353 million and **interest income on investments** is forecast to total \$300 million.

Net operating expenses

are budgeted at \$119 million. The Corporation is subject to federal income tax and is required to pay income taxes on its taxable income.³ Commencing in its 2005/2006 fiscal year, CDIC no longer has tax losses from prior years that could be carried forward to reduce earnings for tax purposes—for this reason, income earned in 2005/2006 and subsequent years is subject to corporate income tax.

The adequacy of **provisions for losses** is assessed on an annual basis and, if necessary, adjustments are recorded. For the purposes of this Plan, the provision for insurance losses is forecast to remain at \$650 million throughout the planning period.

Cash and investments are planned to be \$1.558 billion as at March 31, 2007, and are expected to increase to \$1.949 billion by the end of the planning period at March 31, 2011.

³ Under the provisions of the *Income Tax Act*, the Corporation's premium revenue is not taxable. As such, the Corporation's primary source of taxable income is its interest revenue on cash and investments. From this amount, allowable expenditures are deducted in order to arrive at its net income for tax purposes.

The financial plan reflects the fact that the net realizable value of all outstanding **net claims receivable**, which was \$13 million at March 31, 2005, will be recovered during the planning period.

The **guarantee liability** for the Toronto-Dominion Bank under the deficiency coverage agreements, which was \$1 million as at March 31, 2005, is expected to be almost completely retired in the year ending March 31, 2006.

Retained earnings of \$894 million are planned as at March 31, 2007, and are expected to grow to \$1.279 billion as at March 31, 2011 (consistent with the planning assumptions set out in Part II of this Plan).

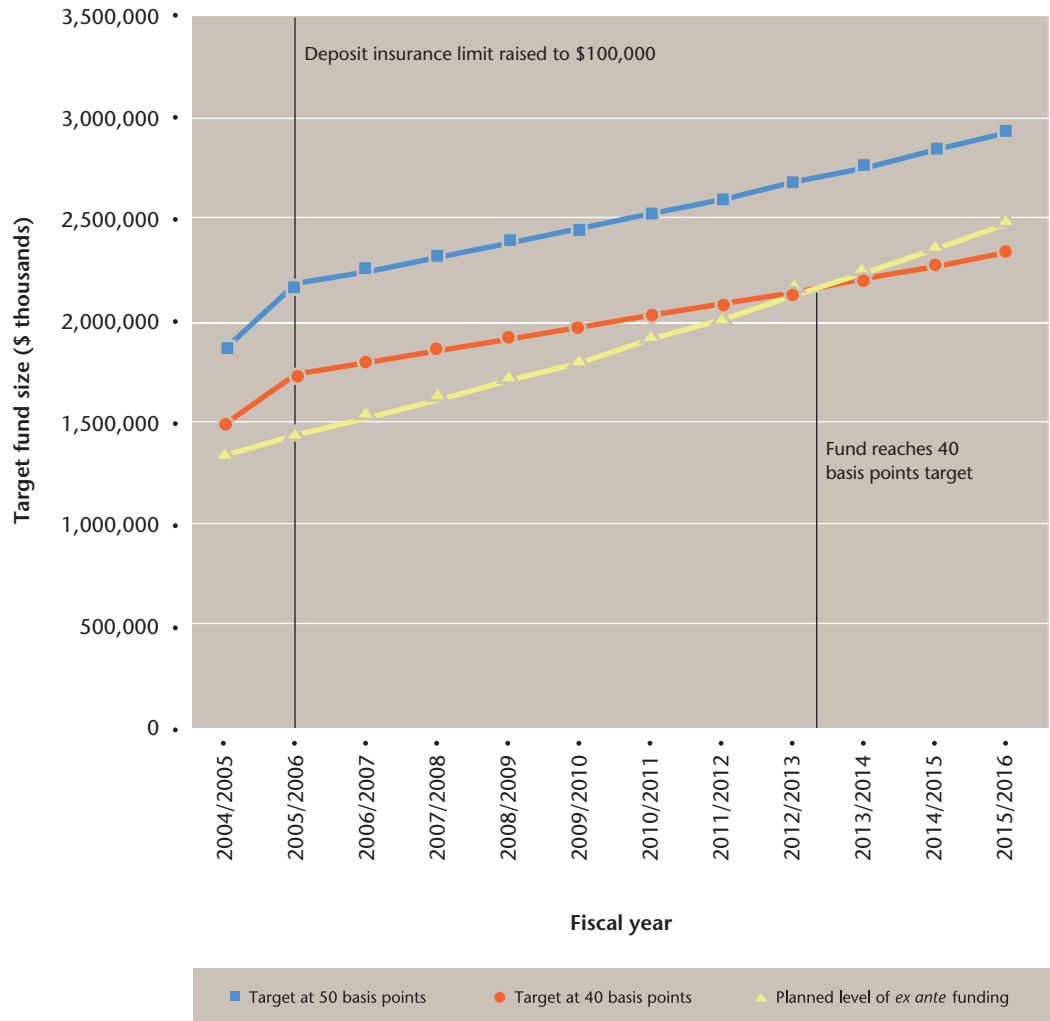
CDIC recognizes the importance of appropriate financial resources for the proper functioning of a sound deposit insurance system.

CDIC recognizes the importance of appropriate financial resources for the proper functioning of a sound deposit insurance system. In its

2003/2004 fiscal year, CDIC's Board of Directors determined it would be appropriate to maintain an amount of advance or *ex ante* funding available for possible deposit insurance losses. It was further decided that the amount of *ex ante* funding would be represented by the aggregate of both the retained earnings and the provision for insurance losses as reported in CDIC's financial statements. The target range for the amount of *ex ante* funding is currently between 40 and 50 basis points of insured deposits—which translates into a range of approximately \$1.7 billion to \$2.2 billion based on levels of insured deposits as at April 30, 2005. The increase in insured deposits associated with the 2005 increase in the deposit insurance coverage limit to \$100,000 caused the level of *ex ante* funding relative to the level of insured deposits to decrease and, in turn, extended the period of time it will take for CDIC to reach the bottom of the target funding range.

Insured deposits as at April 2005 grew by 16.3% over insured deposits at April 30, 2004. The forecast calls thereafter for a 3% annual increase in insured deposits. It is projected that, as at March 31, 2006, the level of *ex ante* funding will be 33 basis points of insured deposits. Given these assumptions, under current forecasts it is anticipated that the bottom level of the range (40 basis points) will be attained in CDIC's 2013/2014 fiscal year, as illustrated in Figure 7.

Figure 7: Ex Ante Funding Progression
Fund Growth towards Target



The actual growth in insured deposits will have an impact on the estimated time it takes for the level of *ex ante* funding to reach the bottom of the target range. CDIC will monitor the impact of the change in the deposit insurance limit from \$60,000 to \$100,000 on the rate of growth in insured deposits and reflect any changes required to its assumptions with respect to the growth of its level of *ex ante* funding in future Corporate Plans.

Operating Budget—2006/2007

A summary of the operating budget is set out in Figure 8.

Figure 8: Operating Budget
(\$ millions)

	2005 Actual	2006 Plan ^a	2006 Forecast	2007 Plan
REVENUE				
Premiums ^b	93	64	65	67
Interest income	34	41	41	53
	127	105	106	120
OPERATING EXPENSES				
Salaries and other personnel costs	11	11	12	12
Inspection, legal and other fees	3	2	2	2
Premises	2	3	3	3
Public awareness	2	3	3	3
General expenses	2	3	3	3
Data processing	1	2	2	1
Total operating expenses	21	24	25	24
Less cost recovery (FCAC, OSFI and AMF) ^c	–	–	(1)	(1)
Net operating expenses	21	24	24	23
Increase in provision for insurance losses	–	100	100	–
Adjustment to allowance for losses on claims	1	–	(8)	–
Recovery of amounts previously written off	(10)	(23)	(21)	(16)
	12	101	95	7
Net income before income tax benefit/expense	115	4	11	113
Reduction in future income tax asset	7	4	3	–
Income tax expense	–	5	6	10
	7	9	9	10
Net income/(loss)	108	(5)	2	103

^a The 2005/2006 Plan was amended in October 2005 to reflect the impact of the 2005 Federal Budget legislation.

^b The premium revenue is based on the following assumptions: premium rates are the same as those in effect in 2005/2006; the distribution of member institution ratings across premium categories is assumed to be the same as in the year ending March 31, 2006; and an annual growth of insured deposits of 3%.

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

Capital Budget—2006/2007

The budget for capital expenditures in 2006/2007 is \$700,000. The capital budget is summarized below in Figure 9.

Figure 9: Analysis of Capital Plans for Years Ending March 31
(\$ thousands)

	2005 Actual	2006 Plan	2006 Forecast	2007 Plan
Furniture and equipment	30	100	100	100
Computer hardware	599	600	600	600
Total	629	700	700	700

Accounting Issues

No significant accounting issues have been identified with the exception of the potential implications of two new sections of the Canadian Institute of Chartered Accountants (CICA) Handbook. **Section 3855** (setting out criteria for the recognition, derecognition, measurement and classification of financial instruments): CDIC will be required to categorize its financial assets as “held for trading,” “held to maturity,” “available for sale,” or as “loans and receivables.” The related accounting treatment will be dependent on the classification. **Section 1530** (requiring certain gains and losses that would otherwise be recorded as part of net income to be presented in a separate financial statement until such time as it is considered appropriate for them to be recognized in net income): CDIC may be required to present a new financial statement entitled “Comprehensive Income” as part of its financial statements. Unrealized gains and losses on those assets categorized as available for sale will be temporarily recorded in “Other Comprehensive Income” until they are realized.

These standards are to be adopted simultaneously and will come into effect for the Corporation’s 2007/2008 fiscal year; however, early adoption provisions exist. Management is currently assessing the impact of these new standards on its financial reporting, including the timing of adoption.

Borrowing Plan

At December 31, 2005, CDIC had no debt outstanding and does not anticipate any new borrowing activity over the planning period.

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

At December 31, 2005, CDIC had no debt outstanding and does not anticipate any new borrowing activity over the planning period.

The *CDIC Act* allows for the Minister of Finance (at CDIC's request) to make loans to CDIC from the Consolidated Revenue Fund (CRF) and for CDIC to borrow

by means other than the CRF. Total principal indebtedness from all sources is not to exceed \$6 billion or such greater amount as may be authorized by Parliament under an appropriation act.

CDIC has approved financial risk policies that include policies related to liquidity, credit and market risk. 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 is positioned toward low-risk and highly liquid instruments.

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

Human Resources

In the spring of 2003, CDIC underwent a significant reorganization in order to address evolving workloads in various areas, to control operating costs, and to invoke appropriate succession planning while providing a strong organizational base for the future. The Corporation further reduced its overall person-year count during 2005/2006 to reflect changes to its operations arising from the 2005 Budget legislation (reductions that stemmed largely from the repeal of CDIC's Standards and the removal of entry responsibilities for federal institutions). The associated savings from these reductions will be realized during the planning period.



The Corporate Scorecard shows that progress against the majority of key performance indicators is proceeding as planned.



IV A LOOK BACK—PERFORMANCE AGAINST PAST PLAN

Highlights of Past Performance—2005/2006 to 2009/2010

CDIC's Corporate Plan 2005/2006 to 2009/2010, as originally submitted in December 2004, identified four corporate business strategies for CDIC. These were developed in support of the Corporation's objects and were based on its assessment of its operational environment at the time. The strategies were: Readiness, Sound Governance, Strong Partnerships and Deposit Insurance Awareness.

The underlying descriptions and explanations for these objects, strategies and the supporting initiatives were reworded slightly in the amended version of the 2005/2006 to 2009/2010 Plan, dated October 2005. The amended Plan was developed to show the impact of the 2005 Budget legislation on the Corporation's plans and resource budgets for the 2005/2006 fiscal year, as well as the implications for the subsequent four years.

CDIC's performance to date against these business strategies (as amended) is summarized in the following Corporate Scorecard (see next page), updated to December 31, 2005.

Past Corporate Scorecard Results—2005/2006

The Corporate Scorecard shows that progress against the majority of key performance indicators is proceeding as planned, with the following exceptions:

- Work on some projects detailed in the Information Systems (IS) Strategic Plan was delayed due to effort required to complete a study on streamlining of CDIC and OSFI activities. We are striving to ensure that these initiatives will be completed by year end March 31, 2006.
- The Financial Information Committee (FIC) Data Rationalization Project has been put on hold until 2007/2008 at the request of the Canadian Bankers' Association. Although the review and rationalization of the financial data collected from the federal deposit-taking institutions has been completed, member institutions are currently concentrating their efforts on new requirements arising from the *Basel II Accord*.
- Further work on the E-Business Shared Information Services (ESIS) joint project with OSFI has been deferred as the current focus is on upgrading the common FIC database.

Corporate Scorecard—2005/2006

Progress as at December 31, 2005

Mandate	Business Strategy	Current/Ongoing Activities (in support of Business Strategies)	
<p>For the Benefit of Depositors:</p> <ul style="list-style-type: none"> ■ Provide Deposit Insurance ■ Contribute to the Stability of the Financial System <p>... while minimizing exposure to loss.</p>	<p>Readiness <i>Be prepared to fulfill CDIC's role of deposit insurer by being alert to events affecting CDIC members and having the ability to anticipate, react to and manage risk.</i></p>	<ul style="list-style-type: none"> ■ Business Continuity Planning ■ Risk assessment of members and membership ■ Close monitoring of higher risk members ■ Contingency Planning for intervention <ul style="list-style-type: none"> - Payout simulation exercises - Research of alternative mechanisms (e.g., ATMs) - Documentation - E-training - Maintaining key supplier relationships ■ Maintaining funding plans ■ Administering the differential premiums system ■ Maintaining the technological infrastructure ■ Emerging issues research and analysis 	
	<p>Sound Governance <i>Ensure that policies, procedures and reporting are in place such that the Corporation can fulfill its mandate in an effective and efficient manner.</i></p>	<ul style="list-style-type: none"> ■ Board of Directors and Standing Committees meetings ■ Strategic Management ■ Enterprise Risk Management (ERM) ■ Internal Audit ■ Regular review of CDIC By-laws ■ Examining opportunities for increasing CDIC's efficiency and effectiveness ■ Business Continuity/Resumption Planning ■ Implementation of Information Systems (IS) Strategic Plan ■ Administration of Human Resources (HR) Strategy, succession planning, training and compensation scheme 	
	<p>Strong Partnerships <i>Enhance relationships with our partners (members, regulators, supervisors and suppliers) to better achieve CDIC's mandate. This will include continuing to work with members to identify opportunities to reduce costs, and to maximize the benefits of deposit insurance for depositors and member institutions.</i></p>	<ul style="list-style-type: none"> ■ Consultation with membership ■ Maintaining existing partnership arrangements (OSFI, Bank of Canada, FCAC, AMF, Communications Canada) ■ Complying with the <i>CDIC/OSFI Strategic Alliance Agreement</i> ■ Participation in joint external committees (Senior Advisory Committee (SAC), sub-SAC, Financial Institutions Supervisory Committee (FISC), sub-FISC) ■ International participation (e.g., International Association of Deposit Insurers and various other international organizations) ■ Examining opportunities for improving efficiency and effectiveness of CDIC's operations (e.g., through outsourcing and co-sourcing opportunities) 	
	<p>Deposit Insurance Awareness <i>Increase depositor awareness and explain the benefits and limitations of deposit insurance.</i></p>	<ul style="list-style-type: none"> ■ Public awareness activities (including focus on new \$100,000 deposit insurance coverage level): <ul style="list-style-type: none"> - Advertising and public relations - 1-800 lines - CDIC website - Updating and disseminating CDIC information through partnership arrangements - Annual public awareness surveys ■ Administration of the <i>Deposit Insurance Information By-law</i> 	
<p>Scorecard Legend</p>			
<p>▲ Planned progress on schedule and within budget. ▼ Slippage in terms of time to completion, and/or budget variances. ● Cancelled or deferred.</p>			

Planned Key Initiatives 2005/2006 to 2009/2010 (in support of Business Strategies)	Key Performance Indicators (Measure/Target)
<ul style="list-style-type: none"> ▪ Update <i>Special Examination of Member Institution/Asset Review Guidelines Manual</i> ▪ Investments in technology (upgrades to intervention tools, continued development of early warning system (“EWS”), quantitative monitoring tools, portal applications) ▪ Plan and conduct a full payout intervention simulation ▪ Follow up on the comprehensive review of the <i>Differential Premiums By-law</i> 	<ul style="list-style-type: none"> ▪ <i>Special Examination Manual</i> update completed by Y/E March 2006 ▲ ▪ Successful implementation of projects detailed in IS Strategic Plan—hardware refresh and portal technology deployments implemented on schedule ▼ ▪ Successful completion of a full payout intervention simulation by March 2006▲ ▪ Any amendments required as a result of the follow-up review of the <i>Differential Premiums By-law</i> to be implemented for the 2006 Premium Year ▲
<ul style="list-style-type: none"> ▪ Integrate Internal Audit as an ERM tool ▪ Implement ERM policies in all areas of significant risk ▪ Address opportunities arising from the 2004 OAG Special Examination of CDIC 	<ul style="list-style-type: none"> ▪ Initial Internal Audit review of ERM conducted by Y/E March 2006 ▲ ▪ ERM policies governing CDIC’s significant risks in place by Y/E March 2006 ▲ ▪ All opportunities addressed and/or appropriate business plans in place by Y/E March 2006 ▲
<ul style="list-style-type: none"> ▪ Work with Financial Information Committee (FIC) in a review and rationalization of financial data collected from federal deposit-taking institutions ▪ Improve communications tools with OSFI and other strategic partners and increase efficiency of information flow ▪ Continued analysis of regulatory burden issues including a focused review of the overall cost of providing deposit insurance ▪ Undertake research of specific deposit insurance issues in support of potential amendments to the <i>CDIC Act</i> and other related financial systems legislation towards the 2006 review of the <i>Bank Act</i> 	<ul style="list-style-type: none"> ▪ Although progress has been made in regard to the FIC Data Rationalization Project, implementation has been deferred to 2007/2008 at the request of the Canadian Bankers Association ● ▪ Improvements to data communications infrastructure with strategic partners ▲ ▪ Progress made in regard to E-Business Shared Information Services (ESIS) project ● ▪ Timely implementation of any changes arising from the March 2004 and February 2005 Federal Budget announcements focused on reducing regulatory burden on CDIC members by seeking opportunities to address any overlap and duplication in prudential, administrative and corporate services functions between CDIC and OSFI ▲ ▪ Research pertaining to financial sector legislative and relevant international issues completed and supporting additional issues papers finalized by Y/E March 2006 ▲
<ul style="list-style-type: none"> ▪ Implement and report on effectiveness of new communications and deposit insurance awareness strategy and plan commencing 2005/2006 ▪ Revisions to the <i>Deposit Insurance Information By-law</i> ▪ Development of financial awareness tools 	<ul style="list-style-type: none"> ▪ Annual reporting to the Board re: effectiveness of awareness strategy via measurement by survey and stakeholder feedback ▲ ▪ Consultations completed by Y/E March 2006 in support of revisions to the <i>Deposit Insurance Information By-law</i> ▲ ▪ Tools available on CDIC website and through other channels commencing in 2006 and fully in place by Y/E March 2007 ▲