Annual Report **1999/2000**

CDIC

CANADA DEPOSIT INSURANCE CORPORATION

Managing Knowledge,
Building the Future

Canada

Mission Statement

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 wherein employees are treated fairly and given opportunities and encouragement to develop their maximum potential.

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

Ronald N. Robertson

Chairman of the Board | Président du conseil d'administration

June 30, 2000

The Honourable Paul Martin, P.C., M.P.
Minister of Finance
140 O'Connor Street
L'Esplanade Laurier
East Tower, 21st Floor
Ottawa, Ontario
K1A 0G5

Dear Minister:

I have the honour to submit to you and the Secretary of State (International Financial Institutions) the Annual Report of the Canada Deposit Insurance Corporation for the year ended March 31, 2000.

Yours sincerely,

50 O'Connor Street
17th Floor
P.O. Box 2340, Station D
Ottawa, Ontario
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Canada

Table of Contents

Message from the Chairman

With the start of the new millennium, the Canada Deposit Insurance Corporation (CDIC) finds itself at a turning point in its relatively young history. With no debt and the deficit eliminated, and with the strong performance of its member institutions, CDIC is now positioned to address the issues borne of rapid financial sector change.

The accelerating pace of diversification and consolidation makes insuring the deposits of large-scale financial services organizations more demanding. Furthermore, intense competition for market share fueled by technological developments, is leading to the creation of increasingly complex financial products and services. CDIC must keep abreast of all these developments, both domestically and internationally, bearing in mind the risks they can generate for depositors and the Corporation. CDIC must ensure that its risk assessment methodology and analysis keep pace with these and other emerging issues. CDIC has commenced work on enhancing its risk assessment and management processes, work that will continue through to 2001.

This past year, the Corporation also began to address the federal government's policy paper, *Reforming Canada's Financial Services Sector: A Framework for the Future*. The paper contains a number of proposals affecting CDIC. One of these is that CDIC streamline its *Standards of Sound Business and Financial Practices* (CDIC Standards). The CDIC Standards were originally developed to respond to financial institution failures that occurred in the late 1980s. It was clear that some of these failures could be attributed principally to the management of those institutions failing to adequately identify and manage the institution's risks. Recognizing the need to modernize the CDIC Standards in order to adapt to a changing financial environment, CDIC had already commenced a review of this fundamentally important risk assessment tool. CDIC has conducted an extensive review of the practices followed in various jurisdictions and by the industry. Currently, CDIC is consulting with members, regulators and others regarding the development of the CDIC Standards. It is expected that the modernized CDIC Standards will be in place early in 2001.

The proposed legislation for the financial services sector contains a number of new measures such as proposed changes in ownership rules, organizational structure and the competitive environment. CDIC is reviewing their possible long-term impact on the Corporation.

Nineteen ninety-nine also marked the first year of the implementation of the differential premiums system. With this new classification system in place, our members saw a significant reduction in their premiums, in many cases by as much as 75 per cent. We believe that the aim of this system, which is to ensure that members exhibiting a lower risk profile be rewarded with a lower premium, is being achieved.

Although it is difficult to know when an economic downturn or other important external event may occur, CDIC must nevertheless be prepared for any eventuality. This past year, CDIC continued to assure its readiness through preparatory work and contingency planning with regulators, supervisors and member institutions for the century rollover date. As we now know, the century slipped away without difficulty but we were able to confirm that our ongoing readiness plans are appropriate.

The CDIC membership declined from 113 on March 31, 1999 to 109 on March 31, 2000. This was due to a variety of factors that include consolidation within the financial services sector as well as institutions with no retail deposits now being permitted to opt out of deposit insurance. One of the objectives of the proposed legislation is to encourage new entrants in the sector. This initiative may result in an increase in membership.

CDIC's member institutions will continue to face increased pressure on asset growth and income margins from a number of sources. Competition for deposit and lending business in Canada extends beyond the banks and trust and loan companies. Credit Unions and Caisses Populaires (which are not members of CDIC) are a significant force, especially with regard to the taking of deposits. Moreover, niche players and other institutions such as independent security dealers, life insurance companies and money market funds, are providing growing competition to CDIC members. Increasingly, global financial conglomerates are emerging to provide a full range of services to customers across international borders. These trends and issues, and a rapidly changing financial environment, will continue to keep the Corporation's work challenging yet unfailingly interesting.

My association with CDIC has been a long one. As a Board member between 1988 and 1994, I was impressed by the performance of the Corporation and its employees and now, in my short time as Chairman, I see that the level of commitment and professionalism continues undiminished. CDIC employees have embraced the new economic and financial environment and have enhanced their skills to adapt to it. It is particularly satisfying that CDIC is receiving increasing recognition internationally as a leader in the deposit insurance field. In this regard, I congratulate Jean Pierre Sabourin, President and Chief Executive Officer of CDIC, for having been appointed the chairman of the Financial Stability Forum's international Working Group on Deposit Insurance.

In acknowledgement of the employees' contribution to the Corporation during the past fiscal year, the Board of Directors passed a resolution expressing its appreciation for their excellent and conscientious work. I extend my personal thanks to the senior management team for their assistance in making my transition as Chairman as seamless as possible. CDIC's success would not have been possible without the members of the Board of Directors. The Corporation is the beneficiary of their constant dedication. Finally, I commend the work of my predecessor, Grant L. Reuber, who was instrumental in guiding CDIC through a crucial period in its evolution. It was while Mr. Reuber was Chairman that CDIC's debt and deficit were eliminated and its premiums so significantly reduced.

I am honoured as the new Chairman of CDIC to be given the opportunity to lead the Corporation in the fulfilment of its mandate. I look forward to working with the Board of Directors and employees as the Corporation moves forward in a dramatically changing financial environment.

R. N. Robertson, Q.C.

Message from the President and CEO

The past twelve months have been satisfying ones for CDIC. The effects of a strong Canadian economy together with the Corporation's achievements have placed CDIC in a sound financial condition and poised it to undertake a number of new challenges.

Throughout 1999/2000 and for the first time since 1983, CDIC had neither a debt nor a deficit and had a modest year-end surplus of $184 million. This was due in large measure to the fact that again this year there were no member institution failures. This factor, combined with a decrease in the premiums assessed on member institutions resulted in a $409 million reduction in the Corporation's net income. Furthermore, the Corporation's provision for insurance losses remained at $400 million, the same level as for the past three years.

The Corporation's operating expenses were on budget for 1999/2000. The actual expenditures of $17.5 million were less than seven per cent over the previous year's expenditures notwithstanding that significant resources were allocated to the modernization of the CDIC *Standards of Sound Business and Financial Practices* and preparations for the year 2000 rollover.

1999/2000 Objectives

The 1999/2000 year marked the beginning of new initiatives at CDIC and significant progress on work already underway. The Corporation established four objectives for the year and was successful in their pursuit.

A first objective of the Corporation was to maintain a strong core capacity to minimize the cost of deposit insurance. Although our members have enjoyed record profits, unpredictable capital market volatility, movement in interest rates and other variables could wreak havoc at any time. Further, certain areas of the international financial services sector are still marked by some instability, which is expected to continue at least in the near term. Uncertainty creates inherent risks for CDIC members and indirectly for CDIC as the major insurer of deposits held at financial institutions in Canada.

To face these challenges and pursue this objective, CDIC engaged in several new initiatives. Among them was the risk assessment methodology project. This project was commenced in 1999/2000 with a view to integrating emerging, economic, market and third-party issues into the risk assessment process. It is intended that the new risk assessment methodology provide a more focused approach to the assessment of both individual members and the CDIC membership as a whole.

CDIC also undertook work on the review and modernization of the CDIC Standards. The proposed CDIC Standards will emphasize corporate governance and risk management processes. They will also reduce the reporting burden of members and mesh with the new examination process introduced by regulators, in particular, the Office of the Superintendent of Financial Institutions (OSFI). A consultation paper on the new CDIC Standards approach was distributed to the membership, their associations and other interested stakeholders; the feedback received to date has been very positive.

In 1999 the Corporation worked with member institutions and others to ensure readiness for the year 2000 transition and in connection with this developed appropriate contingency plans. The transition proved to be uneventful.

A second objective of the Corporation was to maintain efficient, cost-effective operations. Within this objective were subsumed a number of activities, such as keeping up-to-date with and applying advances in technology. The Corporation also began developing a three-year internal information technology strategic plan. This, combined with the risk assessment methodology project, will assist the Corporation in assessing the impact of emerging issues and developments in technology on CDIC and its members.

During the year, CDIC's performance received close scrutiny from the Office of the Auditor General (OAG). Under the *Financial Administration Act*, the OAG is required to conduct a special examination of the Corporation every five years. Following its third special examination of CDIC, the OAG concluded in its report of December 1, 1999 that overall, CDIC is well managed and that there are no significant deficiencies in its operations. This is a very positive report. The OAG noted three areas for improvement: updating of CDIC Standards and related reporting process; improving the effectiveness of the exchange of information between CDIC and OSFI; and improving the effectiveness of communication with the public. The OAG report commented favourably on the action plans the Corporation had already undertaken to address these areas.

With a view to implementing a new and more balanced approach in reporting its measurement of progress against objectives, CDIC created a performance management scorecard. For the first time the Annual Report sets out the Corporation's scorecard and its assessment against objectives. Overall the ratings are good, indicating that projects are on schedule and within budget.

The other two objectives for 1999/2000 consisted of keeping abreast of emerging issues and improving consumer information and liaison with stakeholders. The Corporation was involved in a number of initiatives to address these two important objectives. One was the development of a formalized business risk management system intended to identify risks to the Corporation. To address consumer information as well as the issues raised by the special examination report, the Corporation began the preparation of a public awareness plan, which will be implemented in the fall of 2000.

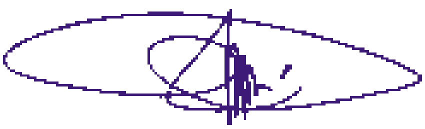
CDIC continued last year to work closely with OSFI and the Bank of Canada, and to liaise with other organizations to stay abreast of national and international issues. The Corporation has earned increasing recognition on the world stage as an expert in deposit insurance. CDIC's knowledge and experience were again called on this year. Both directly and through the International Monetary Fund, the World Bank, and Canadian International Development Agency, among others, CDIC was approached to advise several countries on how they might establish or refine their deposit insurance systems. Additionally, CDIC received delegations from numerous countries interested in learning more about the Canadian deposit insurance model.

The Government of Canada has come to place a high priority on expanding international co-operation in addressing financial stability. Last year, the Financial Stability Forum (FSF) based in Basel, Switzerland, a forum convened by the G-7 finance ministers to promote international financial stability in the wake of the financial crisis that began in mid-1997, created a study group on deposit insurance. I was asked to chair the study group whose work led to the creation of a working group. I was asked by the FSF as well to chair the working group which will develop international guidance for deposit insurance. It is an honour for CDIC to participate in this important initiative since international collaboration is essential given today's global economy. As Canada has one of the best financial systems in the world, CDIC can make a contribution to the enhancement of international financial stability with regard to deposit insurance issues.

Looking Ahead

Overall, 1999 was a very good year for CDIC member institutions. Their results for the first fiscal quarter of 2000 suggest that this year's financial performance will also be strong. However, uncertainties remain. Can member institutions continue to enjoy this exceptionally long period of economic expansion? Will financial markets continue to be bullish? It is vitally important that the Corporation keep abreast of these matters as their impact could affect every aspect of its operations.

The employees of CDIC have the talent and experience to keep the Corporation at the forefront of these issues and, when required, to bring creative solutions forward. I would like to express my appreciation to each of them for ensuring the success of the Corporation this past year, for their professionalism, and for their continued support and dedication. I would also like to thank the former Chairman, Grant L. Reuber, for his role in ensuring that the Corporation achieved its goals. I look forward to working with Ronald N. Robertson, Q.C., our new Chairman, whose previous association with CDIC will help us, together with the Board, accomplish our mandate in the future. The year ahead presents excellent opportunities for our organization to demonstrate its expertise and leadership at home and abroad as we address the deposit insurance issues arising within the financial services sector.



J.P. Sabourin

Performance Against Objectives

To enhance organizational capacity to achieve our goals efficiently and effectively, we developed a new business model and planning and accountability framework.

The business model identifies and maps the relationships between the various functional components that comprise CDIC, and presents in a new format, risks that it faces as a deposit insurer. It is not an organizational chart: all the Corporation's departments and employees participate in most of the functions shown.

The planning and accountability framework shows how CDIC works to achieve its statutory requirements, and how those efforts are tracked, measured and reported.

BUSINESS MODEL

CDIC Act, Public Policy Mandate, and Other Statutory Requirements

For the Benefit of Depositors:

Provide Deposit Insurance

Promote Standards of Sound Business and Financial Practices

Contribute to the Stability of the Financial System

...While Minimizing Exposure to Loss.

Board of Directors

Governance — **Policy Direction** — **Strategic Decision Making** — **Stewardship**

Corporate Management and Direction

Communications
Finance
Claims and Recoveries

Insurance and Risk Assessment
Information Systems
Human Resources Management
Audit and Consulting Services

Administration
Legal
Estate Obligations

Policy	Planning and Performance Assessment	Organization Management, Control, and Audit
• Policy Development (Research and Analysis) • By-law Review and Development • Amendments to Legislation	• Performance Measurement, Management, and Reporting	• Internal Control and Audit

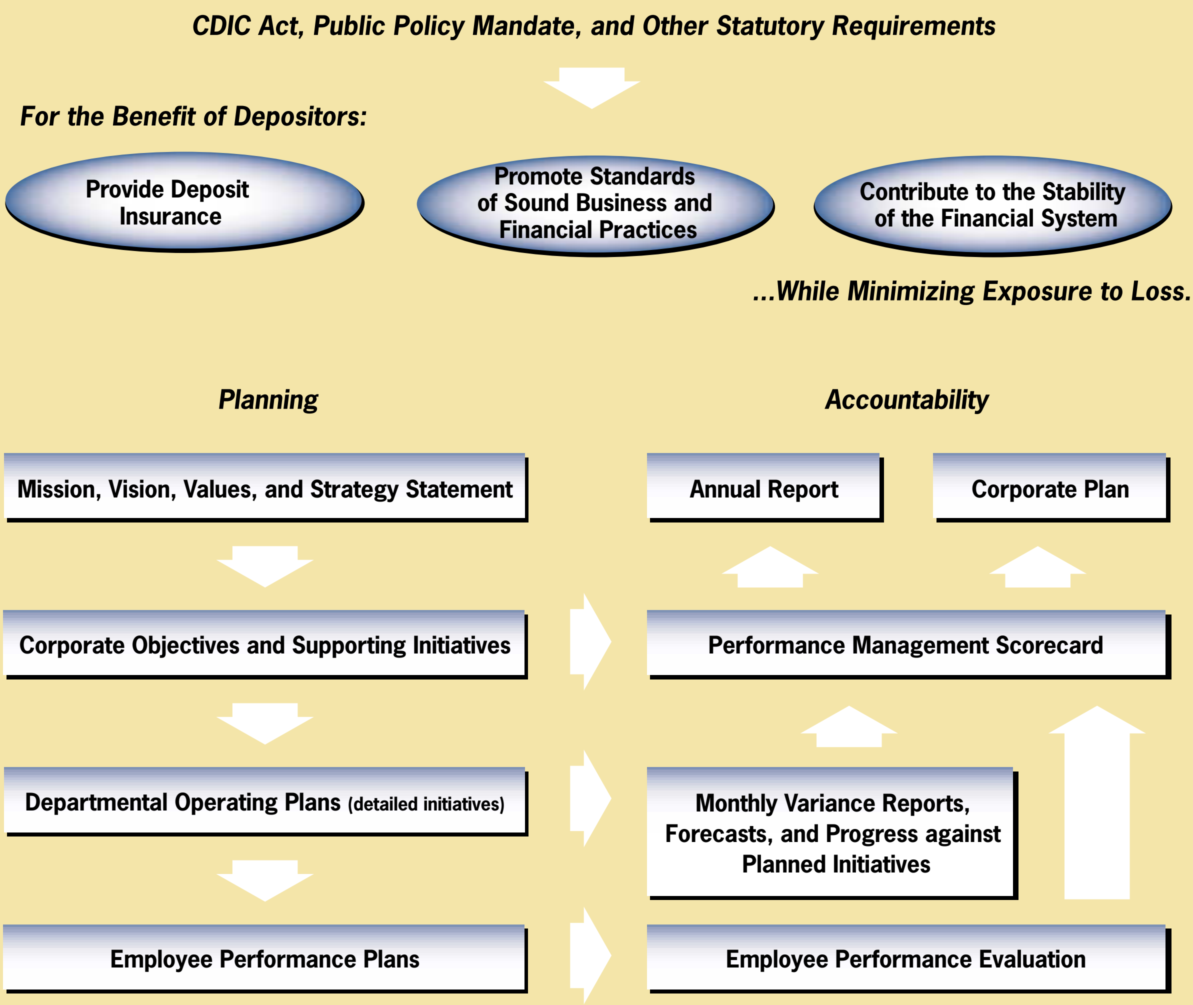
Major Functions

- Failure Resolution (Intervention)
- Asset and Liability Management
- Payout Management
- Treasury
- Liaison with Stakeholders
- Risk Assessment
- Risk Management
- Member Compliance with Legislation and By-laws
- Liquidator and Agent Performance Measurement and Management
- Depositor Education and Communications — Public Awareness
- Return of Insured Deposits and Differential Premiums System
- Asset, Claims, and Litigation Management Activities

Identified Environmental Risks

- Depositor Protection Risk
- Internal Competencies Risk
- Financial/Economic Risk
- Regulatory/Policy Risk
- Technology Risk
- Market Risk
- Reputational Risk

PLANNING AND ACCOUNTABILITY FRAMEWORK



Performance Management Scorecard 1999/2000

The performance management scorecard is a key element of CDIC's new planning and accountability framework. The scorecard was adopted to illustrate, at a glance, how CDIC's initiatives measured up in the pursuit of its objectives. The scorecard will evolve as we refine our measures and targets in the years to come. The following is our scorecard for 1999/2000.

Performance Management Scorecard 1999/2000

For the Benefit of Depositors:

Provide Deposit Insurance | **Promote Standards** | **Contribute to the Stability of the Financial System**

...While Minimizing Exposure to Loss.

Objective: Maintain a strong core capacity to minimize the cost of deposit insurance.

Overall Rating: ▲

Measures	Targets	Performance Against Targets	Initiatives to Achieve Targets
1. Develop ability to present key and current information to assess the risk of a member institution.	1. Member profile project fully implemented by March 31, 2000. E-filing project (for differential premiums) fully implemented by April 2000.	1. Profiles of all member institutions were available by March 31, 2000. ▲ E-filing project in progress at March 31, 2000. ▼	Assess the risk of losses from insuring deposits at member institutions. ▲
2. CDIC's *Standards of Sound Business and Financial Practices* will be current and relevant.	2. Complete review of all CDIC Standards and SARP. Develop new CDIC Standards and reporting process as required by March 31, 2000 (assessment phase).	2. Consultations are underway. A second paper, with results of the initial consultation and draft CDIC Standards, is being developed. Development of a new filing process is underway. ▲	Reduce risk of losses through effective risk management, prompt corrective action, early and effective intervention, and improved incentives. ▲
3. CDIC will be ready for the year 2000.	3. Full year 2000 testing (internal systems) and contingency plans (for membership issues) by September 30, 1999.	3. Year 2000 rollover proceeded with no problems. All systems were tested and upgraded as required ▲	
4. Ensure measures are in place to motivate liquidators and receivers to maximize net recoveries in current liquidations.	4. Projected net recoveries as outlined in the business plan for each completed estate.	4. Appropriate measures and strategies were in place to maximize recoveries and to ensure liquidators, receivers and counsel are accountable to CDIC and the courts. ▲	Maximize net recoveries from failed institutions. ▲
5. *Keep CDIC borrowing costs and investment yields within established benchmarks.*	5. *Borrowing rates within the range of CDIC's peers.* *Investment income greater than or equal to benchmark reflecting CDIC's investment strategy.*	5. *No borrowing was undertaken.* *Investment income fell short of target by 3 per cent due to delays in recoveries. The shortfall was offset by higher-than-expected yields.* ▼	Maintain a strong Treasury function. ▲
6. Establish relevant or up-date policies and procedures for all areas.	6. Complete, current policies available for all areas of the Corporation, and updated annually.	6. A policy manual was completed in 1999. Individual policies were reviewed by the Policy Committee and Audit and Consulting Services. ▲	Preserve "best practices" and "corporate memory" through effective information systems and documented policies and practices. ▲

▲ On schedule for completion and within budget as per original plans. ▼ Experiencing some slippage in terms of time to completion and/or budget overruns.
(key financial information in blue italics)

For the Benefit of Depositors:

Provide Deposit Insurance | **Promote Standards** | **Contribute to the Stability of the Financial System**

...While Minimizing Exposure to Loss.

Objective: Maintain efficient, cost-effective operations.
Overall Rating: ▲

Measures	Targets	Performance Against Targets	Initiatives to Achieve Targets
7. *CDIC will perform within its annual budget.*	7. *On or under target in operating, intervention and capital budgets.*	7. *Operating and intervention expenses were 0.9 per cent over budget.* ▼ *Capital expenditures exceeded budget by 8 per cent.* ▼	Deploy resources cost-effectively for priorities. ▲ Keep pace with and apply advances in technology. ▼
8. Skills and qualifications of employees will match job requirements.	8. Satisfactory (or higher) ratings for all employees on annual performance appraisals. Address training needs (identified through appraisals) in the upcoming year.	8. Appraisal and training targets met, and reported to the Employee Relations Committee. ▲	Explore cost-sharing arrangements with Crown corporations and government agencies and pursue contracting-out arrangements. ▼
9. Provide accurate, relevant and timely performance information to management and the Board.	9. High level of satisfaction on the part of senior management and the Board.	9. Fully satisfactory feedback received to date. ▲	Maintain core competencies and recruit and retain high quality staff. ▲
10. CDIC will satisfy all statutory reporting requirements.	10. Full compliance with all statutory reporting requirements.	10. All reports met statutory content requirements and were filed on time. ▲	Apply effective performance measurement and management. ▲ Ongoing reporting. ▲ Support and follow up special examination by the Office of the Auditor General. ▼

▲ On schedule for completion and within budget as per original plans. ▼ Experiencing some slippage in terms of time to completion and/or budget overruns.
(key financial information in blue italics)

For the Benefit of Depositors:

Provide Deposit Insurance | **Promote Standards** | **Contribute to the Stability of the Financial System**

...While Minimizing Exposure to Loss.

Objective: Keep abreast of emerging issues.
Overall Rating: ▲

Measures	Targets	Performance Against Targets	Initiatives to Achieve Targets
11. Ability to perform high quality research on economic, policy and emerging issues to obtain a better understanding of the issues that may affect CDIC in the future and to have a greater influence on these factors.	11. Level of satisfaction on the part of Asset/Liability Management Committee and the Board, based on feedback or survey.	11. All information requests were satisfactorily addressed in a timely manner – evidenced by Board and Committee minutes. ▲ CDIC participation in FSF study group resulted in a forward-looking report and an opportunity to research emerging deposit insurance issues. ▲	Monitor emerging trends in Canada and internationally. ▲ Economic and policy research in Canada and internationally. ▲ Liaise with other key parties in Canada and internationally. ▼

Objective: Improve consumer information
Overall Rating: ▼

Measures	Targets	Performance Against Targets	Initiatives to Achieve Targets
12. Increase public awareness and understanding of CDIC and deposit insurance issues.	12. Set awareness targets based on recent survey results and plan communications activities.	12. New survey conducted and awareness targets set by March 31, 2000. ▲ Public awareness strategic plan for 2000/2001 and beyond in development by March 31, 2000. ▼	Increase public awareness activities. ▼ Work with other compensatory agencies on joint projects. ▲

▲ On schedule for completion and within budget as per original plans. ▼ Experiencing some slippage in terms of time to completion and/or budget overruns.
(key financial information in blue italics)

Corporate Management

BUILDING FOR THE FUTURE

The past fiscal year was a pivotal one for CDIC. The federal government issued a policy paper proposing significant changes to Canada's financial sector – changes that will encourage economic vitality and reshape the environment in which CDIC functions.

The Office of the Auditor General (OAG) also completed its third special examination of the Corporation. Its report noted that CDIC was well managed, and validated the direction we have taken to address new and emerging issues.

Recommendations and Responses

A consensus emerged with respect to CDIC in the government's policy paper – *Reforming Canada's Financial Services Sector: A Framework for the Future* – and the OAG's special examination of CDIC. CDIC responded immediately to both, by commencing important initiatives to:

- modernize CDIC's *Standards of Sound Business and Financial Practices*; and
- improve collaboration and information sharing between CDIC and the Office of the Superintendent of Financial Institutions (OSFI).

Consultations with member institutions and industry authorities on how to best update the CDIC Standards began in late summer. A full account of the steps taken is presented in the chapter on Insurance and Risk Assessment in this report.

As well, CDIC engaged OSFI in renewed discussions on how to improve communication between the two organizations. Specific measures were agreed upon, and legislative amendments were proposed to put them in place.

The government's policy paper also called for measures to encourage competition within

Canada's financial services sector, a development with longer-term implications for CDIC. The steps proposed included the establishment of holding companies for banks, the reduction in minimum capital required to start a deposit-taking institution, and a broadening of ownership criteria for banks. CDIC began to actively explore the potential consequences last year; much of this research is ongoing.

Addressing Risks

Last year, CDIC began to develop strategic plans to address its statutory mandate and maintain the Corporation's long-term strength and vitality. We focussed on the risks we face as an organization — from the potential financial exposure that could result from member failures in a period of economic decline to the possibility of depositors not having the coverage they anticipated as a result of inadequate knowledge of deposit insurance.

CDIC also began to study the issue of creating a deposit insurance fund as part of the review of its financial risks. The questions under consideration are: what is the most cost-effective method of providing deposit insurance within CDIC's mandate — to establish a deposit insurance fund or to continue with a provision and post-funding approach to cover future costs of member failures? Research in this area will continue throughout the year.

Improving Communications

The need to better inform the public about deposit insurance has long been acknowledged by CDIC, and was supported last year by the findings of the OAG's special examination.

The results of a consumer-awareness survey conducted in March 2000 further support the need to better inform consumers. Among its findings, the survey discovered that 62 per cent of respondents were unable to name a single insured financial product without prompting. Fewer than one in five could say decisively that mutual funds are not insured by CDIC. Despite the lack of understanding among Canadians about deposit insurance, a large majority of those surveyed felt that such protection is important and valuable.

In preparing its plan to address the situation, CDIC has identified a variety of strategic approaches to increasing public awareness of deposit insurance and will rely on periodic surveys to measure their effectiveness. A comprehensive program will be brought to the Board for its approval at the end of May, 2000.

During the 1999/2000 fiscal year, CDIC's toll-free information service received over 14,000 calls, fielding inquiries about specific financial institutions, the impact of the year 2000 transition on deposits, raising the limit on insurable deposits, as well as requests to clarify specific issues. Over 95 per cent of the people who responded to a mail-out survey conducted by CDIC rated the telephone service they received as very good or excellent. Traffic to our Web site increased to a total of 104,000 unique visitors, with many coming from CDIC member sites. The CDIC Web site was tested with users in March 2000: most found it a good source of information that was easy to use — particularly the CDIC Challenge, an interactive quiz about deposit insurance. Some recommendations for improvement were made, and they will be implemented in tandem with the public awareness program.

Harnessing Systems

Information technology was a particular focus in 1999, given the impending calendar change to the year 2000. CDIC's extensive efforts to prepare were entirely successful, and the date change had no impact on any of the Corporation's information systems.

Additionally last year, CDIC completed a major upgrade to its network, migrating its systems to an NT platform, which offers greater security and performance than the system previously in place. We also finished defining the requirements for an electronic document-management system and initiated the process towards implementing such a system.

Work on a long-term strategic plan for Information Technology began last year with the objectives of 1) ensuring that CDIC's technology environment remains up-to-date; and 2) supporting the Corporation's short- and long-term business requirements. Intended to cover a three-year period, the plan will be updated annually to keep up with the rapid pace of technological change.

Focussing on our Strengths

Because the strength of CDIC as an organization rests to a large degree with the expertise and experience of its employees, human resources issues are paramount. In 1999/2000, we began the development of a long-term strategic plan to identify the skills, knowledge and talents that will be required to pursue our objectives. The human resources strategy will be linked tightly to our focus on knowledge management, ensuring that our organizational expertise remains on the leading edge. CDIC also began to review its corporate compensation strategy to ensure that it maintains a competitive position in the current labour market.

Participating in the Community

CDIC employees once again demonstrated their commitment to the community by participating generously in the annual United Way Campaign. Our Toronto office won a coveted Public Spirit Award, which is bestowed upon the public sector organization that contributes the highest per capita amount to the United Way Campaign. Throughout the year, many of our employees took an active role in their community, either donating their time or participating in fund-raising events for charitable causes with CDIC support, including breast cancer research and help for underprivileged children.

Insurance and Risk Assessment

MANAGING RISKS

With the strong performance of member institutions throughout 1999 – and in the absence of failures – we focussed our expertise on fulfilling our corporate initiatives.

We continued to monitor the progress of higher-risk institutions, and assessed and monitored new areas of risk. As of March 31, 2000, the insured deposits of higher-risk members represented less than half of one per cent of total insured deposits.

Membership Performance

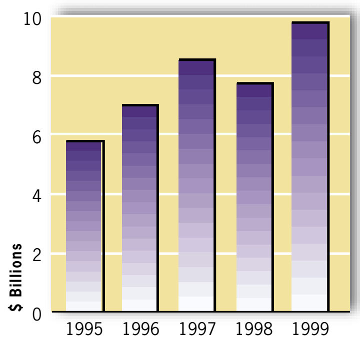
The Canadian and U.S. economies enjoyed a strong year in 1999, fuelled by relatively low interest rates, healthy economic growth and buoyant financial markets. In this favourable environment, CDIC member institutions, and the Canadian financial sector generally, performed extremely well. As expected, CDIC member institutions made the transition to the year 2000 without major disruptions.

Record Profits for Member Institutions

The profits of CDIC member institutions approached $10 billion in 1999, as shown in Figure 1. This record figure represents a 28 per cent increase over 1998's level that was an anomaly in the string of record profits posted since 1995. The net income of our members was positively affected in 1999 by the level of activity in global capital markets.

Profits for all peer groups improved in 1999. Close to 90 per cent of CDIC members posted increases. Only 12 member institutions reported losses compared to 14 members with losses in 1998.

FIGURE 1:
NET INCOME OF CDIC MEMBERS*



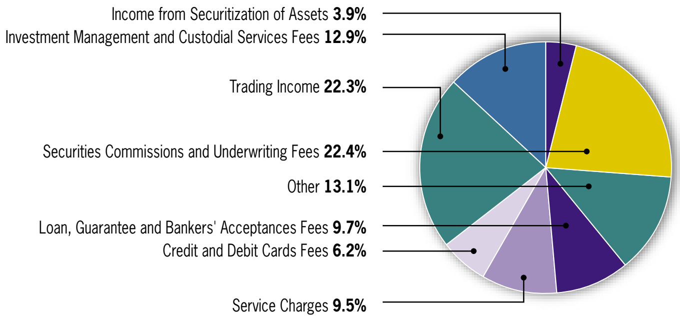
*For members' fiscal year end

Strong Contribution from Other Income

Last year, for the first time, other income earned by member institutions surpassed net interest income. This contributed strongly to the record profits achieved and reflects the continued trend toward disintermediation.

Other income rose by 24 per cent over the previous year, primarily due to a 125 per cent jump in trading income. Trading income, as shown in Figure 2, was the second largest source of other income last year, after commissions on securities and underwriting fees on new issues,

FIGURE 2:
COMPONENTS OF OTHER INCOME (1999)*



*For members' fiscal year end

all of which are closely related to the performance of capital markets.

Income from asset securitization exceeded $1 billion in 1999, the product of member institutions' increasing involvement in secondary markets.

Another factor that boosted profits last year was the continued improvement of efficiency ratios. The growth in total income of member institutions outpaced the increase in operating expenses, despite significant year 2000 related expenditures and restructuring costs incurred by a number of large member institutions.

Interest margins continued to decline in 1999. This was a sign of increasing competition in the deposit-taking and lending business and of a shift in favour of lower-yielding but often less risky assets. Gross interest spreads for fiscal 1999 amounted to 182 basis points of average assets, compared to 242 basis points in fiscal 1995.

Stabilization of Total Assets

The total assets of member institutions appeared to level off at $1.4 trillion last year after five years of annual growth at rates exceeding 10 per cent. There was a noticeable shift towards securities as member institutions took advantage of strong financial markets. Members securitized close to $64 billion in assets, which represents an increase of 88 per cent over the previous year's level of asset securitization.

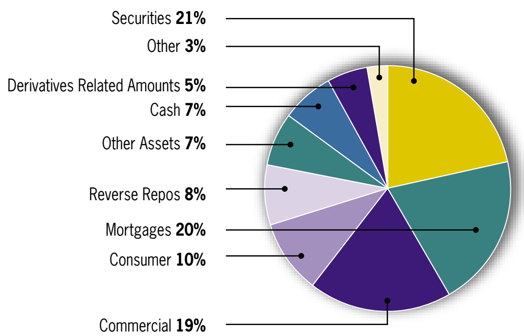
The assets securitized in 1999 mostly consisted of conventional and insured residential mortgages, commercial loans and credit-card loans. These securitizations reduced the overall growth of risk-weighted assets, thereby contributing positively to increasing institutions' risk-based capital ratios.

Totalling $840 billion, loans continue to be the largest asset category on the balance sheets of member institutions. Commercial loans, which include loans to individuals and corporations for business purposes, retreated slightly from 1998's high level while mortgage loans continued to advance. For a breakdown of loan types, see Figure 3. Reverse repurchase agreements (reverse repos)[1] represented approximately eight per cent of the total assets of member institutions at the end of fiscal 1999.

Low Levels of Impaired Loans

The vitality of the financial environment has kept the level of impaired loans very low. At the end of fiscal 1999, gross impaired loans represented approximately 1.1 per cent of all loans, as shown in Figure 4.

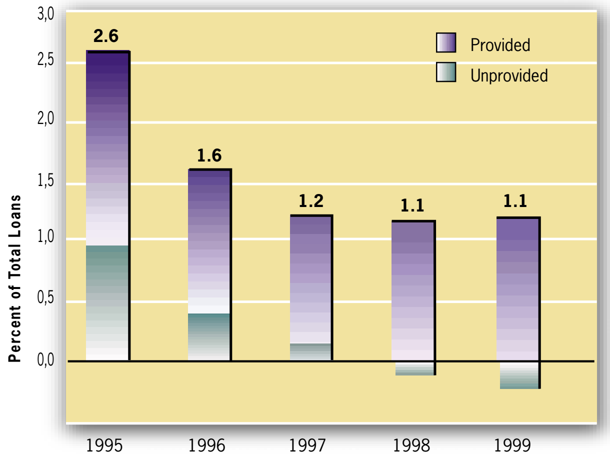
FIGURE 3:
ASSET MIX (1999)*



*As at members' fiscal year end

[1] *A repurchase agreement, or repo, is an agreement whereby an institution agrees to sell securities at a specified price and repurchase them on a specified date and at a specified price. The transaction is regarded as a liability for accounting purposes. A reverse repo is the opposite of a repo and involves the purchase and subsequent sale of a security. Reverse repos are treated as collateralized loans.*

FIGURE 4:
IMPAIRED LOANS TO TOTAL LOANS*



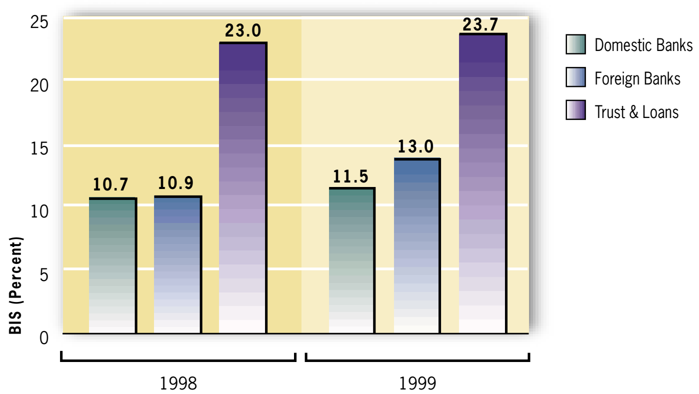
*As at members' fiscal year end

Allowances for loan losses, including general allowances, were sufficient to cover all impaired loans at year end. This was largely the result of significant increases in general allowances.

By the close of fiscal 1999, the general allowances of member institutions totalled $6.5 billion, representing 46 basis points of total assets. Since 1997, a portion of the general allowances of federally incorporated member institutions has been allowed for inclusion as Tier 2 capital (to a maximum of 0.75 per cent of risk-weighted assets).

Capitalization — as measured by the BIS risk-based capital ratio — continued to improve for every peer group during 1999, as shown in Figure 5. To a large degree, this was the result of strong profitability, capital increases and the reduced growth of assets on a risk-weighted basis. Average asset-to-capital leverage ratios also declined in 1999.

FIGURE 5:
COMPARATIVE CAPITALIZATION*



*As at members' fiscal year end

CDIC's Standards of Sound Business and Financial Practices

The Government of Canada's policy paper, *Reforming Canada's Financial Services Sector: A Framework for the Future*, called for a modernization of CDIC's *Standards of Sound Business and Financial Practices*, which were established in 1993.

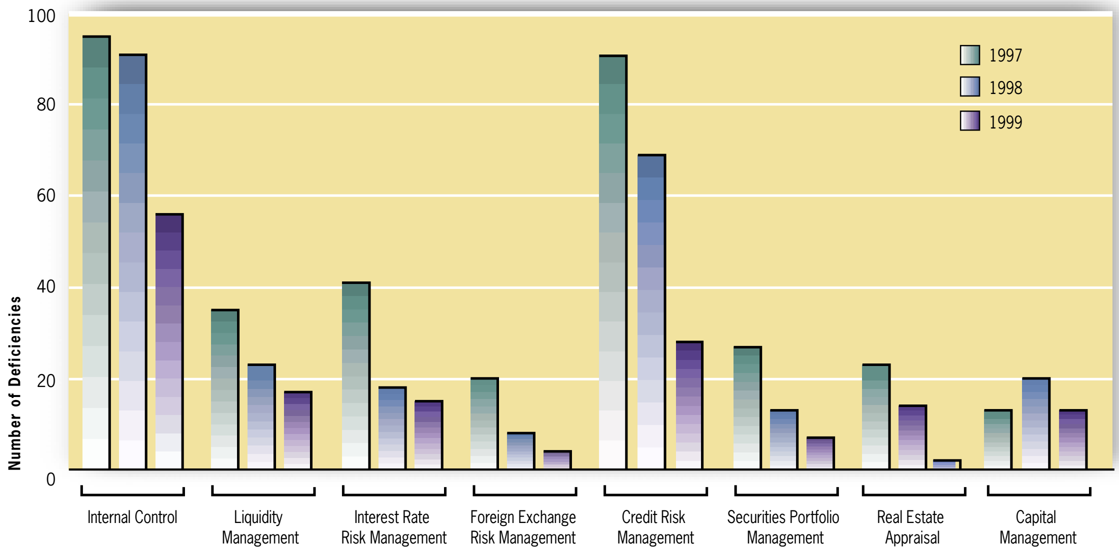
Through consultations with many member institutions, their associations, regulators and others during the summer and fall of 1999, the Corporation drafted a modernized framework for the CDIC Standards.

This was followed by the issuance of a consultation paper in January 2000. A framework for the updated CDIC Standards was proposed along with specific elements. A reporting program was also put forward. This program would:

- eliminate the existing Self-Assessment and Reporting Program (SARP);
- require annual representations and board resolutions about members' adherence to CDIC Standards;
- provide for detailed reports on a one-to-five-year frequency (determined by each member's categorization under CDIC's *Differential Premiums By-law*); and
- streamline the examiner/regulator review.

Information sessions were held with member institutions and will be an ongoing component of the modernization process. Extensive consultation on the draft CDIC Standards will continue throughout 2000.

FIGURE 6:
NUMBER OF TOTAL DEFICIENCIES BY STANDARD



For each of the last five years, member institutions have reported their adherence to the CDIC Standards through SARP. As shown in Figure 6, total deficiencies reported by the member institutions and identified by examiners and CDIC declined substantially in 1999 compared to previous years. Further, last year, member-identified deficiencies in meeting the CDIC Standards decreased by 53 per cent, from 186 to 87. Of those, 12 per cent were carried over from 1998. Overall, 61 per cent of the reported deficiencies related to two specific CDIC Standards: Internal Control and Credit Risk Management.

The Corporation continued throughout 1999/2000 to monitor adherence to the CDIC Standards, ensuring that outstanding deficiencies were addressed. Deficiencies identified by the examiners and CDIC accounted for 40 per cent of the total in 1999, 27 per cent in 1998 and 33 per cent in 1997. In general, member institutions have addressed their deficiencies in a timely manner.

Differential Premiums By-law: The First Year

Following extensive consultations with member institutions and their associations, and with financial regulators in Canada and abroad, CDIC developed the *Differential Premiums By-law*, which came into force on March 31, 1999.

The *Differential Premiums By-law* scores member institutions according to a variety of quantitative and qualitative criteria. Quantitative factors include capital adequacy, profitability, income volatility and asset concentration. As shown in Table 1, qualitative factors include the examiner's rating and adherence to the CDIC Standards.

Depending on their total score, member institutions are placed in one of four premium categories: category 1 is the highest-rated (best); category 4 is the lowest rated (worst).

In 1999, for the first time, member institutions were required to file quantitative results by April 30. Recognizing that this was a transition period, CDIC increased the quantitative scores of all member institutions by 20 per cent. For 2000, the quantitative scores will be adjusted upward by 10 per cent, with no adjustment thereafter.

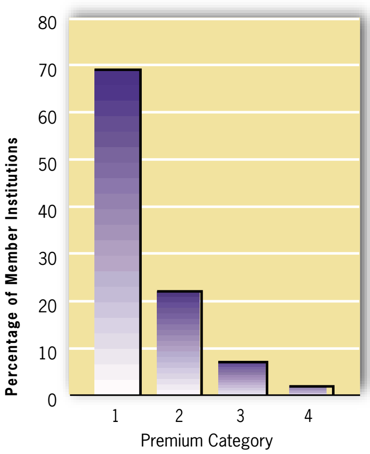
The rate for category 4 was set at 50 per cent of the maximum premium rate of 1/3 of one per cent of insured deposits, or the same as category 3 for the first two years of implementation. Thereafter, the rate for category 4 will be 100 per cent of the maximum allowed under the CDIC Act.

For the 1999 premium year, as shown in Figure 7, 70 per cent of member institutions ranked in the highest premium category. Over 90 per cent were placed in categories 1 and 2. Consequently, most member institutions saw significant reductions in their premium rates in 1999 – by 75 per cent for those in category 1 and by 50 per cent for those in category 2. Member institutions in categories 3 and 4 continued

TABLE 1
SUMMARY OF CRITERIA OR FACTORS, MEASURES AND SCORES

Criteria or Factors • Measures	*Maximum Score*
Capital Quantitative:	
Capital Adequacy	20
• Assets to Capital Multiple	
• Tier 1 Risk-Based Capital Ratio	
• Total Risk-Based Capital Ratio	
Other Quantitative:	
Profitability	
• Return on Risk-Weighted Assets	5
• Mean Adjusted Net Income Volatility	5
• Volatility Adjusted Net Income	5
Efficiency	
• Efficiency Ratio	5
Asset Quality	
• Net Impaired Assets (Plus Net Unrealized Losses on Securities) To Total Regulatory Capital	5
Asset Concentration	
• Aggregate Counterparty Asset Concentration Ratio	5
• Real Estate Asset Concentration Ratio	5
• Aggregate Industry Sector Asset Concentration Ratio	5
Sub-total: Quantitative Score	**60**
Qualitative:	
Examiner's Rating	25
Standards Adherence	10
Other Information	5
Sub-total: Qualitative Score	**40**
Total Score	**100**

FIGURE 7:
MEMBER INSTITUTION DISTRIBUTION BY PREMIUM CATEGORY*



*For Premium Year 1999

to pay 1/6 of one per cent of insured deposits (50 per cent of maximum rate).

Reviewing the results of this first year of the by-law, CDIC also considered certain amendments put forward by member institutions, the Canadian Bankers Association and the Trust Companies Association of Canada. Although these proposed amendments pertained to both quantitative and qualitative components of the system, the more significant amendments related to the computation of certain quantitative measures. The amendments have been approved by CDIC's Board of Directors and the Minister of Finance and were implemented for the 2000 premium year. We expect, for the 2000 premium year, that the large majority of CDIC member institutions will be classified in categories 1 and 2 for differential premium purposes.

CDIC Developments

Opting-out By-laws

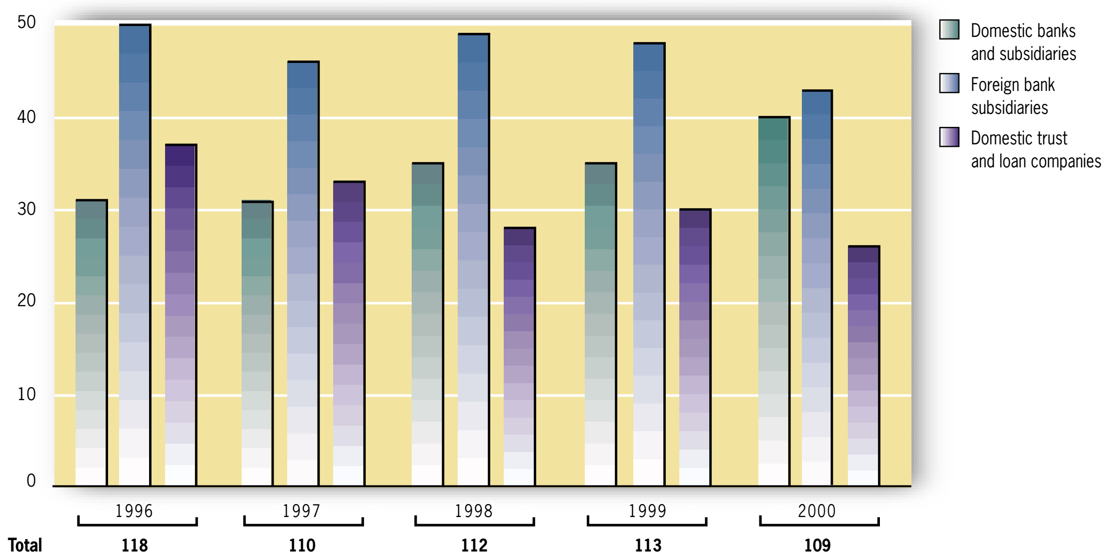
During the year, CDIC finalized and implemented the *Opting-out By-laws*. This legislation permits banks to accept deposits without being members of CDIC. It came into force on October 15, 1999 and allows banks that primarily accept wholesale deposits (defined as $150,000 or more) to operate without deposit insurance.

As of March 31, 2000, we have authorized two banks to opt out of CDIC membership: J.P. Morgan Canada and Rabobank Canada. The authorization automatically triggered the cancellation of both banks' policies of deposit insurance, bringing the total membership down to 109, as shown in Figure 8. By the end of 1999/2000, six other member institutions had applied to opt out and were in the process of completing the requirements.

Other By-law Developments

The Deposit Insurance Information By-law was amended in 1999 to increase the number of locations where deposit registers must be displayed and available to depositors. In 1999/2000, over 160 new products were approved for inclusion on deposit registers and over 200 changes to existing products were processed. As of January 31, 2000,

FIGURE 8:
MEMBER INSTITUTIONS



2,232 deposit products were approved for inclusion on deposit registers.

Through a 1999 amendment to the CDIC Act, the Corporation can now make a by-law prescribing the amount and type of fee that must accompany applications for deposit insurance. CDIC is proposing a by-law that will require a non-refundable fee of $20,000 for each application.

Policy Development

CDIC worked with the Department of Finance, the Office of the Superintendent of Financial Institutions (OSFI) and the Bank of Canada during the year on policy developments pertaining to financial sector legislative reforms. These reforms include broadening the rules of ownership, introducing a holding-company model for banks, revising entry requirements for new financial institutions, drafting consumer-protection legislation, and developing a new foreign bank regime for Canada.

CDIC also participated in a joint working group of the Canadian Bankers Association and the federal government to develop a framework for regulations regarding the establishment of bank holding companies.

CDIC co-operated with the International Monetary Fund (IMF) in its review of Canada under the Financial Sector Assessment Program. It also worked closely with the Organization for Economic Cooperation and Development (OECD) country review of Canada.

International Assistance

Given the key role of our President and CEO in the Financial Stability Forum's Study Group on Deposit Insurance, CDIC conducted research and provided analytical support through various background papers.

CDIC, through the World Bank and the IMF, advised countries such as Ukraine and Kuwait on the implementation of deposit insurance schemes.

In addition, CDIC provided training assistance to the South East Asian Central Bank Research Centre, the Asian Development Bank Institute and the Central Bank of Malaysia with respect to improving deposit insurance, financial system safety nets and supervisory practices.

Claims and Recoveries

PUTTING KNOWLEDGE AT THE SERVICE OF DEPOSITORS

When a member financial institution fails, CDIC protects insured depositors, maximizes recoveries in achieving an appropriate resolution, and provides information and leadership to ensure that effective and efficient practices are employed in the liquidation.

Research and Review

During 1999, CDIC investigated emerging issues and risks that are likely to affect future payouts and liquidations in Canada. These include e-commerce, internet banking, new products and derivatives contracts. We also reviewed the processes for deposit insurance payments and claims-recovery processes used in jurisdictions outside Canada. Through these reviews, comparative performance measures were developed along with preparations for challenges that Canada may face in the future. Additionally, we helped other deposit insurers evaluate their readiness to deal with failures and manage interventions.

Incentive Plans

In May 1999, CDIC implemented incentive plans in the liquidation of eight failed member institutions to align the interests of the liquidator and CDIC in maximizing recovery yields and reducing costs and risks. These plans make the remuneration of the liquidator dependent on agreed upon benchmarks, such as the amount and timing of realizations or distributions. In this way, they distribute the risks and rewards, subject to windfall limits, of realizing on the assets and completing the liquidation of estates.

Strengthening the Virtual Organization

We have continued to emphasize the concept of CDIC as a “virtual organization” utilizing experienced external asset managers, lawyers, accountants and other professionals. This network of professionals provides asset-recovery, estate-administration, and consulting services. During the year, standby arrangements with various suppliers supported contingency planning related to year 2000 issues and contributed to maintaining our core competencies and readiness for future interventions.

Knowledge Management

CDIC is working continually to enhance processes for the benefit of depositors and achieve efficient resolutions of failed financial institutions by:

- establishing and documenting practices for reporting and benchmarking liquidation planning and performance;
- commencing development of standards for the management of estate-related legal and litigation activities;
- updating our documentation of deposit payout systems and processes; and
- introducing new methods of storing, accessing and transferring information.

Recoveries in 1999/2000

As shown in Figure 9, over the course of the year CDIC recovered $117 million from failed member institutions, reducing outstanding claims and loans to $157 million. The major components of the recoveries were:

- $72 million from asset realizations in Adelaide Capital Corporation (ACC). (ACC is a workout company that was created to liquidate the assets of Central Guaranty Trust not purchased by The Toronto-Dominion Bank in 1992. The success of ACC's recoveries is due in part to an incentive plan, and also to strong real estate markets in certain parts of Canada.);
- $24 million from the liquidation of Principal Savings and Trust Co. (This sum represents funds that were distributed as a result of a surplus available to creditors.); and
- $8 million from the receivership of CCB Mortgage Investment Corporation (CCB-MIC), which represents the final cash dividend following the successful disposition of the estate's last asset.

Cumulative Recoveries and Losses

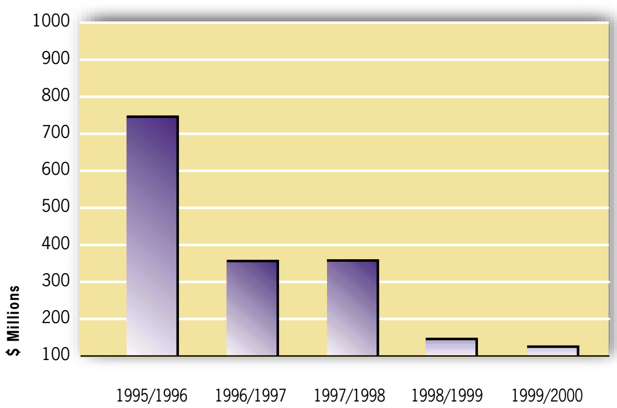
In many cases, CDIC and other creditors of failed financial institutions have suffered significant losses and have not received distributions on the full amount of principal, or compensation for the time value of money. This is because total recoveries over the life of a liquidation depend significantly on the degree of capital impairment at the time of winding-up, the market for assets at the time of disposition, and the costs of the liquidation.

More specifically, each liquidation has unique attributes that directly affect its ability to dispose of assets and manage costs. These include asset quality and portfolio composition by product and geographical dispersion, market cycles in general and those specific to a product or region, the quality of the staff, management and systems in place at the failed financial institution at the time of failure, and the stewardship of the liquidation. Table 2 presents CDIC's cumulative recoveries and projected losses in estates under administration.

Future Recoveries

CDIC projects further recoveries of approximately $210 million from the remaining $300 million in assets under administration. These will be achieved mainly over the next two years, with approximately 40 per cent expected to be recovered in the 2000 calendar year. Approximately $25 million is expected to be recovered in 2002 or later. These projected cash flows exclude any recoveries from third parties arising from litigation or inter-creditor disputes, and are prone to wide variations, as the remaining non-cash assets are largely sub-performing and non-performing, and often the subject of complex litigation and claims.

FIGURE 9:
RECOVERIES ON CLAIMS AND LOANS



Assets Under Administration in Estates and Workout Companies

CDIC does not, in practice, act as a receiver or liquidator of failed financial institutions (although it has the power to do so under its legislation, if so appointed by the Court). CDIC's role in a liquidation is distinct from that of a liquidator and different from that of an ordinary creditor. In common with a Court-appointed liquidator and all estate creditors, CDIC strives to maximize recovery.

A task of the liquidator is to convert assets into cash and to distribute it to the creditors. More than 95 per cent of the

TABLE 2
CDIC'S CLAIMS, RECOVERIES, AND LOSSES ON FAILED MEMBER INSTITUTIONS

Non-Cash Assets Liquidated as a Percentage of Total Non-Cash Assets (Method of Failure Resolution – Year of Failure)	CDIC's Total Claims and Loans	CDIC's Recoveries to March 31, 2000		CDIC's Projected Loss and (Gains) as % of	
	($ millions)	($ millions)	As % of Total Expected	Claims and Loans	Claims and and Loans – NPV[1] Basis
Completed between April 1, 1999 and March 31, 2000					
CCB Mortgage Investment Corp. (Agency[2]/Receivership – 1985)	123	117	100%	5%	25%
Dominion Trust Co. (Formal Liquidation – 1993)	431	360	100%	16%	20%
Monarch Trust Co. (Formal Liquidation – 1994)	65	63	100%	4%	12%
More than 99% of Non-Cash Assets Liquidated					
Bank of Credit and Commerce Canada (Formal Liquidation – 1991)	22	20	99%	10%	25%
Crown Trust Co. (Agency[2]/Formal Liquidation – 1983)	930	935	99%	(1%)	2%
Fidelity Trust Company (Agency[2]/Formal Liquidation – 1983)	792	438	99%	45%	51%
Greymac Mortgage Corp./Greymac Trust Co. (Agency[2]/Formal Liquidation – 1983)	414	208	99%	50%	63%
Northland Bank (Formal Liquidation – 1985)	321	203	91%	30%	66%
Principal Savings and Trust Co. (Formal Liquidation – 1987)	116	150	97%	(33%)	17%
Saskatchewan Trust Co. (Formal Liquidation – 1991)	64	56	98%	10%	19%
Seaway Trust Co./Mortgage Corp. (Agency[2]/Formal Liquidation – 1983)	420	366	99%	13%	47%
Between 95%-99% of Non-Cash Assets Liquidated					
Confederation Trust Co. (Formal Liquidation – 1994)	680	647	95%	0%	6%
Income Trust Co. (Formal Liquidation – 1995)	193	174	98%	8%	19%
Settlers Savings & Mortgage Corp. (Formal Liquidation – 1990)	84	66	99%	21%	26%
Shoppers Trust Co. (Formal Liquidation – 1992)	492	454	96%	4%	16%
Standard Loan Co./Standard Trust Co. (Formal Liquidation – 1991)	1,321	1,102	98%	15%	31%
Between 80%-95% of Non-Cash Assets Liquidated					
Adelaide Capital Corp.[3] (CGT/TD) (Management Agreement – 1992)	1,758	1,396	94%	7%	14%
Less Than 80% of Non-Cash Assets Liquidated					
Security Home Mortgage Corp. (Formal Liquidation – 1996)	42	25	60%	2%	20%

[1] *All cash flows are discounted on an annual basis using CDIC's weighted average costs of funds.*

[2] *The estate was under an agency agreement prior to liquidation. The deposit amount (at the date of failure) represents the insured deposits and outstanding loans by CDIC.*

[3] *In Adelaide Capital Corp., the recovery amount excludes proceeds from a $500 million distress preferred share issue.*

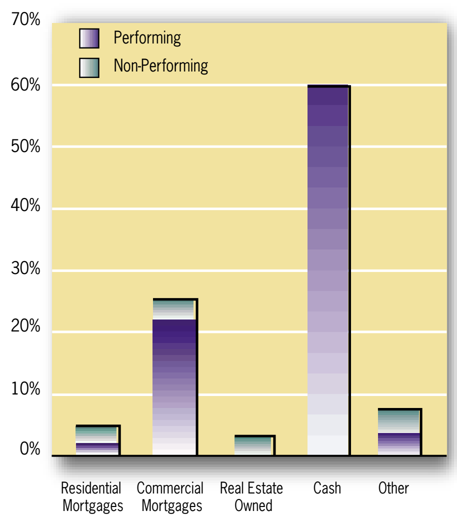
non-cash assets have been liquidated from all but two of the estates and workout companies under CDIC administration as shown in Table 2. Approximately 60 per cent of the remaining assets are cash and liquid investments being held in reserve for claims and litigation against the estates. These funds will be distributed to creditors once the claims and litigation issues have been resolved. The balance of assets, as shown in Figure 10, is primarily mortgages, unsecured notes, and assets that are difficult to liquidate.

Approximately 65 per cent of the remaining non-cash assets are held by ACC. Since the beginning of 1993, ACC has generated $1,505 million, or approximately 94 per cent of its expected cash flows. Over the same period, CDIC has received $1,396 million from the liquidation of assets and a further $500 million as a result of ACC's partial refinancing through distress preferred shares. This refinancing, which matured in 1999, saved CDIC an estimated $70 million in interest costs. Pursuant to existing agreements, CDIC funded the $500 million redemption of the shares when they matured.

Winding up of Liquidations and Workout Companies

As forecast, we concluded our involvement in three estates over the past year: CCB-MIC, Dominion Trust Co. and Monarch Trust Co. An additional four estates are expected to be completed during the next fiscal year. We actively review liquidators' close-out plans to ensure that estates are discharged in a timely manner. When appropriate, we enter into agreements with liquidators to facilitate final distributions and estate completions earlier than would otherwise be possible.

FIGURE 10:
ASSETS UNDER ADMINISTRATION*



*Fiscal 1999/2000

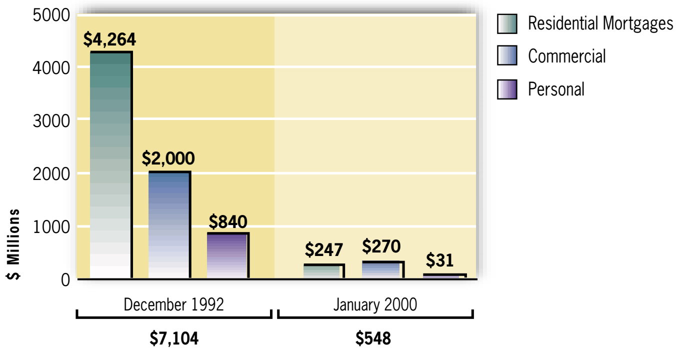
Assets Subject to Deficiency Coverage Agreements

Last year, CDIC paid $15 million in capital and income claims to The Toronto-Dominion Bank (TD) for assets guaranteed through Deficiency Coverage Agreements (DCAs). Since 1992, CDIC has paid $142 million in such claims to TD. Representing two per cent of the assets originally covered under the DCAs, these payments fall within our provision for losses. All claims made under the DCAs are audited by an independent public accounting firm. Close monitoring of the agreements will continue in order to minimize our exposure.

The DCAs were established in 1992, when TD acquired approximately $9.8 billion in assets from the ailing Central Guaranty Trust. The acquisition avoided the costs associated with a $10 billion payout of insured deposits and the challenge of liquidating assets in a depressed real estate market. CDIC agreed to provide certain income and capital loss guarantees for the acquisition. Coverage is limited to $2.49 billion and TD will not call on the full amount. The DCAs expire on December 31, 2002.

Initially, $7.1 billion in loans ($2 billion commercial, $4.26 billion residential, and $0.84 billion personal) was covered. This balance has been reduced by $6.55 billion through normal paydown, TD's renewal of loans at its own risk, the

FIGURE 11:
ASSETS UNDER TD DEFICIENCY COVERAGE AGREEMENTS



re-financing of loans by other institutions, and TD's disposal of some of the underlying assets. As shown in Figure 11, the $548 million balance in January 2000 comprises $270 million in commercial loans, $247 million in residential mortgages and $31 million in personal loans. All of the remaining $548 million is eligible for DCA coverage.

Claims and Litigation Issues

In over half of the estates remaining under administration, the duration and complexity of litigation and claims issues are the major cause of delay in completing liquidations. Liquidators maintain substantial cash reserves because of the uncertainty about how these matters will be resolved. CDIC works with the liquidator to ensure that these issues are well-managed and resolved expeditiously.

CDIC's interests in these matters stem from its exposure as a creditor and from its statutory objects, particularly the minimization of exposure to loss. Working with its business professionals and managers, CDIC in-house counsel, deals with these issues and manages the work and costs of law firms and other professionals engaged to advise the Corporation.

In addition, CDIC continues to enhance its oversight of liquidators and outside legal counsel, engaged by them to:

- promote effective and efficient management of estate legal activities;
- assess, quickly and at minimum cost, the merits of continuing or terminating investigations and proceedings; and
- provide appropriate early warning of circumstances that require CDIC intervention.

Liquidators and their counsel are encouraged to provide progress reports on business and project plans, including budgets, milestones, and cost-benefit assessments – and to apply lessons learned from past insolvencies. As well, liquidators obtain CDIC's concurrence prior to undertaking material transactions, compromising claims, commencing proceedings and seeking Court approval of professional fees and expenditures. This information is updated regularly to provide an effective framework for strategic management, estate governance, accountability and performance assessment.

Membership Profile

The following profile provides comparative information on CDIC's membership for the last five years. The profile is not intended, in any way, to reflect or otherwise comment on risk to CDIC.

The profile has been prepared from financial information supplied by the members through the Bank of Canada, the Office of the Superintendent of Financial Institutions and the Financial Services Commission of Ontario, and from financial information received directly by CDIC from provincial members. Every effort has been made to ensure the correctness of the compilation; however, because the financial information comes from varied sources, CDIC does not guarantee its accuracy.

In providing such information, CDIC is limited by the availability of the financial information in a readily accessible format and by confidentiality requirements. It should be noted that the financial information presents aggregates and averages. Within such aggregates and averages the financial information for individual members can vary significantly. In addition, off-balance sheet activities, including estate, trust and agency business, are not included.

Based on the March 31, 2000 CDIC membership, the financial information has been classified into three major peer groups: domestic banks and their subsidiaries, foreign bank subsidiaries and domestic trust and loan companies. These peer groups reflect different characteristics established by governing legislation and regulatory frameworks.

The information compiled is presented as follows:

1.0 Membership Information

2.0 Summary Financial Information – Total CDIC membership

3.0 Asset Size and Quality Measures

4.0 Deposit Liabilities

5.0 Capitalization Measures

6.0 Income and Profitability Measures

Note: In its five-year tables, CDIC re-states the peer group results of prior years to reflect the current year's membership. Accordingly, the following tables exclude the financial information of institutions that were no longer members as at March 31, 2000.

1.0 Membership Information

1.1 CDIC Members as at March 31, 2000[1]

Domestic Banks and Subsidiaries

Bank of Montreal
Bank of Montreal Mortgage Corporation
Trust Company of Bank of Montreal (The)
Bank of Nova Scotia (The)
Bank of Nova Scotia Trust Company (The)
Montreal Trust Company
Montreal Trust Company of Canada
National Trust Company
Scotia Loan Company
Scotia Mortgage Corporation
Victoria and Grey Mortgage Corporation
Canadian Imperial Bank of Commerce
CIBC Mortgage Corporation
CIBC Mortgages Inc.
CIBC Trust Corporation
Services Hypothécaires CIBC Inc.
Canadian Western Bank
Canadian Western Trust Company
Citizens Bank of Canada
Citizens Trust Company
Laurentian Bank of Canada
Laurentian Trust of Canada Inc.
LBC Trust
Sun Life Trust Company
Manulife Bank of Canada
National Bank of Canada
General Trust of Canada
Natcan Trust Company
Royal Bank of Canada
Connor Clark Private Trust Company
Royal Bank Mortgage Corporation
Royal Trust Company (The)
Royal Trust Corporation of Canada
Toronto-Dominion Bank (The)
Canada Trust Company (The)
Canada Trustco Mortgage Company
First Nations Bank of Canada
TD Mortgage Corporation
TD Pacific Mortgage Corporation
TD Trust Company

Total: 40

Domestic Trust and Loan Companies

AGF Trust Company
Civil Service Loan Corporation
Clarica Trust Company
Co-operative Trust Company of Canada
Community Trust Company Ltd.
Desjardins Trust Inc.
Effort Trust Company (The)
Equisure Trust Company
Equitable Trust Company (The)
Fortis Trust Corporation
Home Trust Company
Household Trust Company
Investors Group Trust Co. Ltd.
Trust Company of London Life (The)
League Savings & Mortgage Company
Maple Trust Company
MCAP Inc.
MD Private Trust Company
M.R.S. Trust Company
Pacific & Western Trust Corporation
Peace Hills Trust Company
Peoples Trust Company
President's Choice Financial Trust Company
Standard Life Trust Company
Sun Life Financial Trust Inc.
Trimark Trust

Total: 26

Foreign Bank Subsidiaries

ABN AMRO Bank Canada
Amex Bank of Canada
Banca Commerciale Italiana of Canada
Bank of America Canada
Bank of China (Canada)
Bank of East Asia (Canada) (The)
Bank of Tokyo-Mitsubishi (Canada)
Bank One Canada
Banque Nationale de Paris (Canada)
Chase Manhattan Bank of Canada (The)
Citibank Canada
Comerica Bank — Canada
Crédit Lyonnais Canada
Credit Suisse First Boston Canada
CTC Bank of Canada
Dai-Ichi Kangyo Bank (Canada)
Deutsche Bank Canada
Dresdner Bank Canada
Hanvit Bank Canada
HSBC Bank Canada
HSBC Mortgage Corporation (Canada)
HSBC Trust Company (Canada)
Industrial Bank of Japan (Canada) (The)
ING Bank of Canada
International Commercial Bank of Cathay (Canada)
Korea Exchange Bank of Canada
MBNA Canada Bank
Mellon Bank Canada
National Bank of Greece (Canada)
Northern Trust Company, Canada (The)
Paribas Bank of Canada
Republic National Bank of New York (Canada)
Sakura Bank (Canada)
Sanwa Bank Canada
Société Générale (Canada)
State Bank of India (Canada)
State Street Trust Company Canada
Sumitomo Bank of Canada (The)
Tokai Bank Canada
Totta & Sottomayor Bank Canada
UBS Bank (Canada)
UBS Trust (Canada)
United Overseas Bank (Canada)

Total: 43

TOTAL: 109 members

[1] *Member institutions with common affiliation have been grouped together, starting with the member having the largest assets within the group, and then in alphabetical order.*

1.2 Membership Changes: April 1, 1995 — March 31, 2000

New Members

May 2, 1995:	State Street Trust Company Canada
December 13, 1995:	Trust Company of London Life (The)
May 22, 1996:	Swiss Bank Corporation Trust
December 4, 1996:	ING Trust Company of Canada
December 4, 1996:	First Nations Bank of Canada
January 22, 1997:	Citizens Trust Company
September 10, 1997:	MBNA Canada Bank
September 10, 1997:	Rabobank Canada
October 24, 1997:	Services Hypothécaires CIBC Inc.
May 21, 1998:	Comerica Bank – Canada
December 2, 1998:	CTC Bank of Canada
December 2, 1998:	MD Private Trust Company
December 2, 1998:	President's Choice Financial Trust Company

Other Membership Changes

April 6, 1995:	U.S. Bank (Canada) ceased to accept deposits — policy cancelled.
June 13, 1995:	Morgan Bank of Canada changed its name to J.P. Morgan Canada.
July 24, 1995:	Bank of Boston Canada ceased to accept deposits — policy cancelled.
October 25, 1995:	Banca Nazionale del Lavoro of Canada amalgamated with First Canadian Loan Corporation and continued as First Canadian Loan Corporation. The assets of the continuing company were transferred to, and its liabilities were assumed by Bank of Montreal.
October 27, 1995:	Metropolitan Trust Company of Canada changed its name to Hongkong Bank Trust Company.
November 1, 1995:	Standard Chartered Bank of Canada amalgamated with TD Loan Corporation that in turn amalgamated with The Toronto-Dominion Bank — continuing as The Toronto-Dominion Bank.
February 13, 1996:	Settlers Savings and Mortgage Corporation ceased to accept deposits — policy cancelled.
March 28, 1996:	NBD Bank, Canada changed its name to First Chicago NBD Bank, Canada.
April 1, 1996:	Mitsubishi Bank of Canada amalgamated with The Bank of Tokyo Canada — continuing as Bank of Tokyo-Mitsubishi (Canada).
April 23, 1996:	Aetna Trust Company changed its name to Canadian Western Trust Company.
May 22, 1996:	North American Trust Company ceased to accept deposits — policy cancelled.
June 4, 1996:	Security Home Mortgage Corporation's policy was terminated. A winding-up order was issued by the Alberta Court of Queen's Bench on December 4, 1996.
August 31, 1996:	Barclays Bank of Canada amalgamated with Hongkong Bank of Canada — continuing as Hongkong Bank of Canada.
October 30, 1996:	Canadian Western Trust Company was continued as a federal trust company.
October 31, 1996:	Family Trust Corporation ceased to accept deposits — policy cancelled.
November 1, 1996:	Chemical Bank of Canada amalgamated with The Chase Manhattan Bank of Canada — continuing as The Chase Manhattan Bank of Canada.
November 1, 1996:	BLC Mortgage Corporation ceased to accept deposits — policy cancelled.
December 30, 1996:	Savings and Investment Trust amalgamated with Laurentian Trust of Canada Inc. — continuing as Laurentian Trust of Canada Inc.
December 31, 1996:	The Municipal Trust Company and The Municipal Savings & Loan Corporation ceased to accept deposits — policy cancelled.

January 1, 1997:	Israel Discount Bank of Canada amalgamated with Republic National Bank of New York (Canada) — continuing as Republic National Bank of New York (Canada).
January 1, 1997:	Credit Suisse Canada changed its name to Credit Suisse First Boston Canada.
January 1, 1997:	First Line Trust Company changed its name to CIBC Mortgages Inc.
January 13, 1997:	Bayshore Trust Company changed its name to Trimark Trust.
January 20, 1997:	Citizens Trust Company was continued as a Schedule II bank under the name Citizens Bank of Canada.
February 28, 1997:	Daiwa Bank Canada ceased to accept deposits — policy cancelled.
August 18, 1997:	ING Trust Company of Canada was continued as a Schedule II bank under the name ING Bank of Canada.
August 18, 1997:	Merchant Private Trust Company changed its name to Connor Clark Private Trust Company.
October 28, 1997:	Bonaventure Trust Inc. was continued as a federal trust company under the name Bonaventure Trust Company of Canada.
November 14, 1997:	Laurentian Bank of Canada was continued as a Schedule I bank.
February 27, 1998:	Granville Savings and Mortgage Corporation ceased to accept deposits — policy cancelled.
February 27, 1998:	Bonaventure Trust Company of Canada changed its name to Standard Life Trust Company.
March 12, 1998:	National Trust Company was continued as a federal trust company.
May 1, 1998:	National Westminster Bank of Canada amalgamated with HongkongBank Loan Corporation that in turn amalgamated with Hongkong Bank of Canada – continuing as Hongkong Bank of Canada.
June 29, 1998:	Swiss Bank Corporation (Canada) amalgamated with Union Bank of Switzerland (Canada) – continuing as UBS Bank (Canada).
June 29, 1998:	Swiss Bank Corporation Trust changed its name to UBS Trust (Canada).
September 22, 1998:	Laurentian Bank Savings and Mortgage Corporation changed its name to LBC Trust.
October 19, 1998:	Banco Central Hispano-Canada ceased to accept deposits – policy cancelled.
January 4, 1999:	Hanil Bank Canada changed its name to Hanvit Bank Canada.
March 25, 1999:	London Trust & Savings Corporation was continued as a federal trust company under the name Maple Trust Company.
April 19, 1999:	Cho Hung Bank of Canada ceased to accept deposits – policy cancelled.
June 16, 1999:	Sottomayor Bank Canada changed its name to Totta & Sottomayor Bank Canada.
June 21, 1999:	Hongkong Bank of Canada changed its name to HSBC Bank Canada.
June 21, 1999:	HongkongBank Mortgage Corporation changed its name to HSBC Mortgage Corporation (Canada).
June 21, 1999:	Hongkong Bank Trust Company changed its name to HSBC Trust Company (Canada).
July 1, 1999:	Evangeline Trust Company changed its name to Equisure Trust Company.
July 21, 1999:	The Mutual Trust Company changed its name to Clarica Trust Company.
August 1, 1999:	Deutsche Bank Canada amalgamated with BT Bank of Canada – continuing as Deutsche Bank Canada.
September 13, 1999:	First Chicago NBD Bank, Canada changed its name to Bank One Canada.
December 1, 1999:	Fuji Bank Canada was continued as a federal trust company under the name ScotiaLoan Company.
December 22, 1999:	Sun Life Savings and Mortgage Corporation was authorized to carry on the activities of a trust company under the name Sun Life Financial Trust Inc.
January 1, 2000:	MTC Mortgage Investment Corporation changed its name to MCAP Inc.
January 25, 2000:	J.P. Morgan Canada's application for authorization to accept deposits payable in Canada without being a CDIC member institution was approved – policy cancelled.
March 2, 2000:	Rabobank Canada's application for authorization to accept deposits payable in Canada without being a CDIC member institution was approved – policy cancelled.
March 9, 2000:	Home Savings & Loan Corporation was continued as a federal trust company under the name Home Trust Company.

*1.3 Regional Location of CDIC Members**

As at March 31, 2000	Western Canada	Ontario	Quebec	Eastern Canada	Total
Domestic banks and subsidiaries	5	27	8	-	40
Foreign bank subsidiaries	5	33	5	-	43
Domestic trust and loan companies	4	17	2	3	26
Total	**14**	**77**	**15**	**3**	**109**

* *Based upon the location of the Chief Executive Officer*

2.0 Summary Financial Information — Total CDIC Membership

2.1 Balance Sheet (*$ billions and percentage*)

As at members' fiscal year end	1999 $	1999 %	1998 $	1998 %	1997 $	1997 %	1996 $	1996 %	1995 $	1995 %
Assets										
Cash resources	97.2	7	88.7	6	100.9	8	87.6	8	87.6	9
Securities	304.7	22	268.6	19	220.6	17	202.9	19	180.1	19
Loans	840.6	59	846.8	59	793.4	63	707.6	66	624.0	65
Other assets	174.8	12	222.9	16	154.4	12	80.1	7	72.1	7
Total assets	**1,417.3**	**100**	**1,427.0**	**100**	**1,269.3**	**100**	**1,078.2**	**100**	**963.8**	**100**
Liabilities										
Deposits	971.2	69	941.7	66	866.0	68	779.4	72	738.9	77
Other liabilities	375.0	26	420.6	29	346.4	27	248.3	23	177.0	18
Total liabilities	**1,346.2**	**95**	**1,362.3**	**95**	**1,212.4**	**95**	**1,027.7**	**95**	**915.9**	**95**
Shareholders' equity	71.1	5	64.7	5	56.9	5	50.5	5	47.9	5
Total liabilities and shareholders' equity	***1,417.3***	***100***	***1,427.0***	***100***	***1,269.3***	***100***	***1,078.2***	***100***	***963.8***	***100***

2.2 Income Statement (*$ millions*)

For the members' fiscal year ending in	1999	1998	1997	1996	1995
Interest income	79,974	80,797	67,884	68,113	65,925
Interest expense	54,089	55,665	43,575	44,032	43,768
Net interest income	**25,885**	**25,132**	**24,309**	**24,081**	**22,157**
Provision for impairment	3,338	2,965	2,258	2,337	2,975
Net interest income after provision for Impairment	**22,547**	**22,167**	**22,051**	**21,744**	**19,182**
Other income	27,947	22,569	20,285	14,101	11,827
Net interest income and other income	**50,494**	**44,736**	**42,336**	**35,845**	**31,009**
Non-interest expenses	35,696	32,445	28,599	24,459	21,853
Net income before provision for income taxes	**14,798**	**12,291**	**13,737**	**11,386**	**9,156**
Provision for income taxes	4,751	4,380	5,044	4,284	3,307
Net income before non-controlling interest	**10,047**	**7,911**	**8,693**	**7,102**	**5,849**
Non-controlling interest in net income of subsidiaries	150	191	179	124	78
Net income	**9,897**	**7,720**	**8,514**	**6,978**	**5,771**

3.0 Asset Size And Quality Measures

3.1 *Total Assets* ($ billions and percentage)

As at members' fiscal year end	1999 $	1999 %	1998 $	1998 %	1997 $	1997 %	1996 $	1996 %	1995 $	1995 %
Domestic banks and subsidiaries	1,326.3	93.6	1,330.4	93.2	1,180.4	93.0	1,001.4	92.9	896.0	93.0
Foreign bank subsidiaries	82.8	5.8	88.6	6.2	81.1	6.4	68.3	6.3	58.9	6.1
Domestic trust and loan companies	8.2	0.6	8.0	0.6	7.8	0.6	8.5	0.8	8.9	0.9
Total	**1,417.3**	**100.0**	**1,427.0**	**100.0**	**1,269.3**	**100.0**	**1,078.2**	**100.0**	**963.8**	**100.0**

3.2 *Impaired Loans to Total Assets* (percentage)

As at members' fiscal year end	1999	1998	1997	1996	1995
Domestic banks and subsidiaries	0.6	0.6	0.7	1.0	1.6
Foreign bank subsidiaries	1.1	1.3	1.2	1.9	2.9
Domestic trust and loan companies	0.5	0.6	0.8	1.0	1.8

Impaired loans (gross) / total assets (gross)

3.3 *Impaired Loans to Total Loans* (percentage)

As at members' fiscal year end	1999	1998	1997	1996	1995
Domestic banks and subsidiaries	1.1	1.1	1.1	1.5	2.4
Foreign bank subsidiaries	1.8	2.1	2.0	3.0	4.6
Domestic trust and loan companies	0.7	0.9	1.1	1.6	2.5

Impaired loans (gross) / total loans (gross)

3.4 *Impaired Loans Unprovided For* (percentage)

As at members' fiscal year end	1999	1998	1997	1996	1995
Domestic banks and subsidiaries	-17.7	-8.1	4.5	25.4	42.6
Foreign bank subsidiaries	-2.0	18.9	11.3	29.1	35.7
Domestic trust and loan companies	-28.4	1.9	13.8	40.4	40.4

1 - (Allowance for loan impairment / Impaired loans (gross))

3.5 *Impaired Loans to Total Shareholders' Equity* (percentage)

As at members' fiscal year end	1999	1998	1997	1996	1995
Domestic banks and subsidiaries	-2.4	-1.2	0.8	5.7	14.4
Foreign bank subsidiaries	-0.3	4.4	2.7	10.9	20.3
Domestic trust and loan companies	-1.7	0.1	1.3	5.7	10.0

Impaired loans (net) / average shareholders' equity

4.0 Deposit Liabilities

4.1 *Total Deposits* *($ billions and percentage)*

As at April 30	1999 $	1999 %	1998 $	1998 %	1997 $	1997 %	1996 $	1996 %	1995 $	1995 %
Domestic banks and subsidiaries	814.2	92.7	793.7	92.6	733.3	92.8	656.7	92.3	620.8	92.5
Foreign bank subsidiaries	58.4	6.7	58.5	6.8	51.4	6.5	48.4	6.8	42.7	6.4
Domestic trust and loan companies	5.6	0.6	5.4	0.6	5.8	0.7	6.0	0.9	7.6	1.1
Total	**878.2**	**100.0**	**857.6**	**100.0**	**790.5**	**100.0**	**711.1**	**100.0**	**671.1**	**100.0**

4.2 *Insured Deposits* *($ billions and percentage of total deposits)*

As at April 30	1999 $	1999 %	1998 $	1998 %	1997 $	1997 %	1996 $	1996 %	1995 $	1995 %
Domestic banks and subsidiaries	303.4	37.3	296.2	37.3	304.5	41.5	313.6	47.8	305.1	49.1
Foreign bank subsidiaries	8.4	14.3	7.5	12.8	7.3	14.2	7.8	16.1	7.6	17.8
Domestic trust and loan companies	4.8	85.7	4.7	87.0	5.1	87.9	5.4	90.0	6.8	89.5
Total	**316.6**	**36.0**	**308.4**	**36.0**	**316.9**	**40.1**	**326.8**	**46.0**	**319.5**	**47.6**

5.0 Capitalization Measures

5.1 *Capitalization* *(percentage)*

As at members' fiscal year end	1999	1998	1997	1996	1995
Domestic banks and subsidiaries	4.6	4.4	4.5	4.8	5.0
Foreign bank subsidiaries	6.9	5.8	5.5	5.5	5.7
Domestic trust and loan companies	8.7	8.5	7.9	7.3	6.7

Average shareholders' equity / average assets

5.2 *BIS Risk-Based Capital* *(percentage)**

As at members' fiscal year end	1999	1998	1997	1996	1995
Domestic banks and subsidiaries	11.5	10.7	10.1	9.2	9.8
Foreign bank subsidiaries	13.0	10.9	10.6	10.6	10.2
Federal trust and loan companies	23.7	23.0	24.7	33.3	21.6

* *BIS (Bank for International Settlements): The minimum requirement is 8.0%. Provincial trust and loan companies have to meet capital adequacy requirements that are calculated under a different basis.*

6.0 Income and Profitability Measures

6.1 Net Income ($ millions)

For the members' fiscal year ending in	1999	1998	1997	1996	1995
Domestic banks and subsidiaries	9,510	7,421	8,084	6,600	5,462
Foreign bank subsidiaries	305	218	355	310	259
Domestic trust and loan companies	82	81	75	68	50
Total	**9,897**	**7,720**	**8,514**	**6,978**	**5,771**

6.2 Interest Spread (percentage)

For the members' fiscal year ending in	1999	1998	1997	1996	1995
Domestic banks and subsidiaries	1.8	1.9	2.1	2.4	2.4
Foreign bank subsidiaries	1.7	1.7	1.7	2.1	2.1
Domestic trust and loan companies	2.1	2.2	2.0	1.9	1.8

Interest spread: (interest income - interest expense) / average assets

6.3 Other Income (percentage)

For the members' fiscal year ending in	1999	1998	1997	1996	1995
Domestic banks and subsidiaries	2.0	1.7	1.7	1.4	1.3
Foreign bank subsidiaries	1.9	1.6	1.6	1.3	1.3
Domestic trust and loan companies	2.4	2.5	2.5	2.1	2.0

Other income: other income / average assets

6.4 Non-Interest Expenses (percentage)

For the members' fiscal year ending in	1999	1998	1997	1996	1995
Domestic banks and subsidiaries	3.1	3.0	3.1	3.1	3.1
Foreign bank subsidiaries	3.2	3.0	2.8	2.9	2.9
Domestic trust and loan companies	3.5	3.7	3.6	3.2	3.3

Non-interest expenses: (non-interest expenses + provision for income taxes + minority interest in subsidiaries + provision for impairment) / average assets

6.5 Return on Average Assets (percentage)

For the members' fiscal year ending in	1999	1998	1997	1996	1995
Domestic banks and subsidiaries	0.7	0.6	0.7	0.7	0.6
Foreign bank subsidiaries	0.4	0.3	0.5	0.5	0.5
Domestic trust and loan companies	1.0	1.0	0.9	0.8	0.5

Return on Average Assets: net income / average assets

6.6 Return on Average Equity (percentage)

For the members' fiscal year ending in	1999	1998	1997	1996	1995
Domestic banks and subsidiaries	15.5	13.4	16.5	14.6	12.9
Foreign bank subsidiaries	5.1	4.5	8.6	8.9	8.4
Domestic trust and loan companies	11.8	12.1	11.6	10.7	7.8

Return on Average Equity: net income / average shareholders' equity

6.7 Efficiency (percentage)

For the members' fiscal year ending in	1999	1998	1997	1996	1995
Domestic banks and subsidiaries	65.8	67.6	63.8	63.9	64.3
Foreign bank subsidiaries	74.4	74.4	70.5	68.4	67.0
Domestic trust and loan companies	63.6	66.3	63.2	62.8	61.2

Efficiency: non-interest expenses / (net interest income + non-interest income)

Financial Overview 1999/2000

HIGHLIGHTS

The Corporation ended 1999/2000 with a modest surplus of $184 million.

Net recoveries of loans and claims receivable in 1999/2000 totalled $117 million. No new loans were made or new claims asserted during the year.

The provision for guarantees decreased by $515 million to $60 million at March 31, 2000. This decrease resulted primarily from the Corporation honouring its various guarantee obligations.

Premium revenue decreased to $134 million as a result of the reduction of the premiums assessed during the year. Interest revenue from cash and investments increased to $32 million in 1999/2000.

A five-year financial and statistical summary can be found on page 37 of this report.

Cash and Short-Term Investments

The balance of cash and short-term investments decreased by $691.9 million since March 31, 1999. During the year, the Corporation changed its investing strategy to longer-term investments. The sources and uses of cash are described fully in the Statement of Cash Flows.

Investments

Total investments as at March 31, 2000 stood at $445.6 million, reflecting the change in the investment strategy to longer-term investments. The Corporation maintains sufficient liquidity to honour its obligations (see Provision for Guarantees).

Loans and Claims Receivable

The balance of loans and claims receivable decreased $111.5 million since March 31, 1999. During the year, the Corporation had net recoveries of $117.4 million from failed member institutions. The allowance for loss on loans and claims receivable was reduced to $13 million compared to $26 million in 1998/1999.

Provision for Guarantees

The provision for guarantees as at March 31, 2000 was $60 million, down $515 million from $575 million as at March 31, 1999. During 1999/2000, the Corporation was called upon to honour its $500 million in guarantees to the investors of distress preferred shares issued by Adelaide Capital Corporation. In addition, the Corporation paid some $15 million to the Toronto Dominion Bank under a deficiency coverage agreement. As mentioned in note 6 to the financial statements, outstanding guarantees will expire, on a diminishing basis, by 2002.

Provision for Insurance Losses

No adjustments were made this year to the provision for insurance losses. It remained at $400 million as at March 31, 2000. The methodology used in determining the provision for insurance losses is consistent with last year.

Operating Expenses

Operating and intervention expenses for 1999/2000 were on budget. The actual expenditures of $17.5 million were less than 7 per cent over 1998/1999's actual expenditures even though significant resources were applied to the review of the *Standards of Sound Business and Financial Practices.*

Five-Year Financial and Statistical Summary *($ millions unless otherwise indicated)*

For the years ending March 31	2000	1999	1998	1997	1996
Insurance Program					
Surplus (deficit)	184	27	(539)	(1,176)	(1,301)
Total insured deposits ($ billions)	317	308	317	328	323
Premiums	134	515	531	546	538
Assets and Liabilities					
Claims paid	–	–	–	42	–
Claims recovered	35	58	156	181	644
Loans disbursed	–	–	–	73	49
Loans recovered	82	73	208	181	104
Repayments of loans from the CRF	–	395	460	772	533
Payment of guarantees	515	29	32	67	342
Operations					
Operating expenses (1)	18	17	20	17	18
Interest on loans from the CRF	–	8	46	85	122
Adjustment to allowance and provisions for loss	(3)	(11)	(144)	334	(30)
Member Institutions					
Number of federal institutions – banks	49	54	55	52	55
Number of federal institutions – trust and loan companies	50	47	45	44	43
Number of provincial institutions	10	12	12	14	20
Total number of institutions	109	113	112	110	118
Number of insolvencies	–	–	–	1	–
Employees					
Number of permanent employees (2)	86	83	80	77	86
Other					
Average cost of funds	–	7.0%	7.0%	6.5%	6.5%
Average yield of cash and investments	5.7%	5.1%	–	–	–
Growth rate of insured deposits	2.7%	(2.8%)	(3.4%)	1.5%	5.1%
Insured deposits as a percentage of total deposit liabilities	36.0%	35.9%	39.9%	45.7%	47.2%

(1) Includes both operating and intervention expenses.

(2) Represents the number of full-time, permanent employees at year-end. Vacant approved positions have not been included.

Management Responsibility for Financial Statements

May 31, 2000

The accompanying financial statements of the Canada Deposit Insurance Corporation and the information related to the financial statements in this *Annual Report* are the responsibility of management. The financial statements have been prepared in accordance with generally accepted accounting principles. The financial statements include some amounts, the most significant ones being the loans and claims receivable, the provision for guarantees and the provision for insurance losses, that are necessarily based on management's best estimates and judgement.

The financial statements have been approved by the Board of Directors. Financial information presented elsewhere in the *Annual Report* is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are duly authorized, assets are safeguarded and proper records are maintained in accordance with the *Financial Administration Act* and regulations as well as the *Canada Deposit Insurance Corporation Act* and by-laws of the Corporation. The system of internal control is augmented by internal audit, which conducts periodic reviews of different areas of the Corporation's operations. In addition, the internal and external auditors have free access to the audit committee of the Board, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting and which recommends the financial statements to the Board of Directors.

These financial statements have been audited by the Corporation's auditor, the Auditor General of Canada, and his report is included herein.

Jean Pierre Sabourin
President and Chief Executive Officer

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

AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of the Canada Deposit Insurance Corporation as at March 31, 2000 and the statements of income and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Deposit Insurance Corporation Act* and the by-laws of the Corporation.

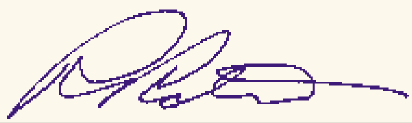
John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 4, 2000

Balance Sheet as at March 31 *(in thousands of dollars)*

	Note	2000	1999
ASSETS			
Cash and short-term investments	3	$45,691	$737,566
Investments	4	445,619	–
Premiums and other accounts receivable		931	1,004
Capital assets		630	898
		492,871	739,468
Loans and claims receivable	5, 7	156,597	268,141
		$649,468	$1,007,609
LIABILITIES			
Accounts payable		$5,885	$5,694
Provision for guarantees	6, 7	60,000	575,000
Provision for insurance losses	7	400,000	400,000
		465,885	980,694
SURPLUS		**183,583**	**26,915**
		$649,468	$1,007,609

Approved by the Board:



Director

Director

See accompanying notes.

Statement of Income and Surplus for the year ended March 31 *(in thousands of dollars)*

	Note	2000	1999
REVENUE			
Premiums	10	$134,463	$515,040
Interest on cash and investments		31,579	27,639
Other revenue		3,166	35,825
		169,208	578,504
EXPENSES			
Operating expenses		17,500	16,414
Adjustment to allowance and provisions for loss	7	(2,927)	(10,701)
Recovery of amounts previously written off		(2,033)	(1,322)
Interest on loans from the Consolidated Revenue Fund		–	8,271
		12,540	12,662
Net Income		156,668	565,842
Surplus (deficit), beginning of year		26,915	(538,927)
Surplus, end of year		$183,583	$26,915

See accompanying notes.

Statement of Cash Flows for the year ended March 31 *(in thousands of dollars)*

	2000	1999
OPERATING ACTIVITIES		
Net income	$156,668	$565,842
Non-cash items included in net income		
Accrued post-liquidation interest	(2,100)	(26,000)
Adjustment to allowance and provisions for loss	(2,927)	(10,701)
Other	577	336
Payment of guarantees	(515,821)	(28,526)
Loans recovered	82,458	72,950
Claims paid	–	(130)
Claims recovered	34,934	57,882
Decrease in working capital	(3,049)	(594)
Cash flows from operating activities	(249,260)	631,059
INVESTING ACTIVITIES		
Purchase of securities and term deposits (net)	(442,615)	–
Cash flows from investing activities	(442,615)	–
FINANCING ACTIVITIES		
Repayments on loans from the Consolidated Revenue Fund	–	(395,000)
Cash flows from financing activities	–	(395,000)
CASH AND SHORT-TERM INVESTMENTS		
(Decrease) Increase during the year	(691,875)	236,059
Balance, beginning of year	737,566	501,507
Balance, end of year	$45,691	$737,566

See accompanying notes.

Notes to Financial Statements

March 31, 2000

1. Authority and Objective

The Corporation was established in 1967 by the *Canada Deposit Insurance Corporation Act* (the CDIC Act). It is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act* and is funded by premiums assessed against its member institutions.

The objects of the Corporation are to provide insurance against the loss of part or all of deposits in member institutions, 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 depositors of member institutions and in such manner as will minimize the exposure of the Corporation to loss.

The Corporation has the power to do all things necessary or incidental to the furtherance of its objects, including acquiring assets from, and providing guarantees or loans to member institutions and others. Among other things, it may make or cause to be made inspections of member institutions, make standards of sound business and financial practices, and act as liquidator, receiver or inspector of a member institution or a subsidiary thereof.

2. Significant Accounting Policies

Basis of Preparation – These financial statements have been prepared in accordance with generally accepted accounting principles. These financial statements do not reflect the assets, liabilities or operations of failed member institutions in which the Corporation has intervened.

Use of Estimates – Financial statements prepared in accordance with generally accepted accounting principles necessarily include estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The more significant areas requiring the use of estimates are: (i) the allowance for loss on loans and claims receivable, (ii) the provision for guarantees, and (iii) the provision for insurance losses.

The Corporation reviews these estimates annually. Actual losses, in the near term, could differ significantly from those estimates depending upon certain events and uncertainties including:

- The ability of the Corporation to recover its loans and claims receivable based on prevailing economic trends and expectations as to future developments.
- The Corporation's ability to recover its loans and claims receivable either by maximizing net recoveries from the sale of assets held by liquidators and agents, or through successful lawsuits as appropriate against relevant parties of failed member institutions.
- The extent to which the Corporation will be called upon to honour guarantees provided to member institutions and others.
- The timing and extent of losses the Corporation will incur as a result of future failures of member institutions. The provision for insurance losses is based upon an assessment of a wide variety of possible factors. These factors include historical experience, market perceptions, legal and regulatory developments, prevailing economic trends and forecasts, and accordingly involve considerable judgement.

The risk of deviation from the Corporation's estimates varies in proportion to the length of the estimation period and the potential volatility of the underlying assumptions. In the event that ultimate losses vary from the current estimates, the Corporation can recommend to the Governor in Council that the annual premium charged to member institutions be increased or decreased, depending on the situation. Also, the Corporation has authority to borrow funds from the capital markets or from the Consolidated Revenue Fund, subject to ministerial approval. CDIC can borrow up to $6 billion or such greater amount as may be authorized by Parliament under an appropriation act.

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.

Loans Receivable – The Corporation may make loans to member institutions and others. The main purpose of providing these loans is to facilitate a resolution of the financial difficulties of member institutions. The terms and conditions attached to these loans provide for repayment of principal and interest. To the extent interest revenue is recorded in the accounts, it is included in other revenue.

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.

In certain situations, the Corporation may be entitled to a proportional share in amounts in excess of its claim (referred to as post-liquidation interest). Such situation arises when there are assets remaining in an estate after all claims have been paid.

To the extent post-liquidation interest is recorded, it is included in other revenue.

Allowance and Provisions for Loss – In its financial statements, the Corporation records the following allowance and provisions for loss:

> *Allowance for Loss on Loans and Claims Receivable* – The allowance for loss on loans and claims receivable reflects the Corporation's best estimate of losses in respect of loans and 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.
>
> Loans and claims receivable are written off against the allowance, in full or in part, when there is no reasonable expectation of realization. Any payments received on a loan or claim receivable are recorded first to recover amounts previously written-off before recognizing additional amounts as other revenue.
>
> *Provision for Guarantees* – In order to facilitate the resolution of financial difficulties of member institutions, the Corporation may provide guarantees. The provision for guarantees is determined by estimating the future cash payments required under these guarantees.
>
> *Provision for Insurance Losses* – The provision for insurance losses represents the Corporation's best estimate of losses resulting from insuring deposits of member institutions.
>
> The provision is established by: (i) assessing the aggregate risk of member institutions based on the Corporation's specific knowledge of its members, (ii) providing for the risk of loss relating to insured deposits by using a market-based composite risk-weighting system, and (iii) applying the percentage of loss experienced by the Corporation, stated on a present-value basis, resulting from member institution failures during the preceding ten years.
>
> The market-based composite risk-weighting system is affected by two factors: (i) the credit ratings of member institutions; and (ii) the market spreads between corporate bond issues and benchmark bond issues of the Government of Canada for comparable terms.

Changes in the allowance and provisions for loss that result from annual estimations for financial reporting purposes are recognized as an adjustment to the allowance and provisions for loss in the period in which the changes occur.

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.

Other Revenue – The Corporation charges interest on loans made to member institutions and others. Interest continues to accrue on loans but is not recorded in the accounts when, in the Corporation's opinion, there is reasonable doubt as to collectability of the interest. In such cases, payments received are recognized as a reduction of the loan balance until such time as the loans are retired. Subsequent payments are recognized as other revenue on a cash basis.

In certain situations, amounts recovered from the estates of member institutions (claims receivable) exceed the amounts claimed. Such amounts (referred to as post-liquidation interest) are recorded as other revenue when they are reasonably determinable and reasonable certainty of receipt exists.

Pension Plan – All eligible employees participate in the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan, required from both the employees and the Corporation, are expensed during the year in which the services are rendered and represent the total pension obligations of the Corporation.

Employee Future Benefits – Upon termination of employment, employees are entitled to certain benefits provided for under their conditions of employment. The cost of these benefits is expensed in the year in which benefits are earned by the employee.

3. Cash and Short-Term Investments

The short-term investments have a weighted-average term to maturity of less than 90 days. All of these investments are highly liquid fixed rate contracts.

(in thousands of dollars)	March 31, 2000			March 31, 1999		
	Amount	Weighted Average Effective Yield	Weighted Average Days to Maturity	Amount	Weighted Average Effective Yield	Weighted Average Days to Maturity
Short-Term Investments	$45,583	5.28%	50	$737,502	5.06%	84
Cash	108			64		
Total	**$45,691**			**$737,566**		

4. Investments

Investments have a term to maturity greater than 90 days but less than one year. They have a weighted-average effective yield of 5.74% (1999: nil) and a weighted-average term to maturity of 274 days (1999: nil). All investments are highly liquid fixed rate contracts.

(in thousands of dollars)	March 31, 2000	March 31, 1999
Treasury Bills	$329,894	–
Bankers' Acceptances	56,629	–
Bearer Deposit Notes	49,378	–
Commercial Paper	6,714	–
Sub Total	**442,615**	–
Accrued Interest	3,004	–
Total	**$445,619**	–

5. Loans and Claims Receivable

(in thousands of dollars)	March 31, 2000	March 31, 1999
Loans receivable	$70,025	$152,483
Allowance for loss	(8,200)	(9,200)
Net loans receivable	61,825	143,283
Claims receivable	99,572	141,658
Allowance for loss	(4,800)	(16,800)
Net claims receivable	94,772	124,858
Total	**$156,597**	**$268,141**

The loans receivable are repayable on demand and bear interest at floating rates varying with either prime rate or the 90-day Treasury Bill rate. No interest revenue was recognized on existing loans receivable, as the criteria for interest revenue recognition on the loans were not met (1999: nil). No new loans were made during the year.

During the year, the Corporation recorded $2.9 million (1999: $35.6 million) of post-liquidation interest.

6. Provision for Guarantees

In the course of business, the Corporation may provide various guarantees to member institutions and others.

In order to facilitate the resolution of member institutions in financial difficulty, the Corporation provided deficiency coverage guarantees. These guarantees provide for payment of a portion of the principal and income losses incurred on eligible assets acquired by third parties. The guarantees will remain in force, on a diminishing basis, until the year 2002.

The Corporation had provided collateralized guarantees to the investors of distress preferred shares issued by Adelaide Capital Corporation, an entity mandated to dispose of assets of former member institutions. These shares were redeemed in equal amounts of $250 million in September and November 1999, at which time the Corporation was called upon to honour its guarantees.

The nominal amount of outstanding guarantees provided by the Corporation is $548 million as at March 31, 2000 (1999: $1.3 billion) and the provision for guarantees as at March 31, 2000 is $60 million (1999: $575 million). The nominal amount represents the maximum exposure of the Corporation with respect to the guarantees provided. The nominal amount is not necessarily representative of the amount the Corporation expects to pay to third parties to meet its obligations under these guarantees.

7. Allowance and Provisions for Loss

The following table is a continuity schedule of the allowance for loss on loans and claims receivable, the provision for guarantees and the provision for insurance losses as at March 31, 2000 with corresponding totals as at March 31, 1999.

(in thousands of dollars)	March 31, 2000					March 31, 1999
	Loans Receivable	Claims Receivable	Guarantees	Insurance Losses	Total	Total
Beginning of period	$9,200	$16,800	$575,000	$400,000	$1,001,000	$1,040,227
Payments			(515,821)		(515,821)	(28,526)
Write-offs		(9,252)			(9,252)	
Adjustment to allowance and provisions for loss	(1,000)	(2,748)	821		(2,927)	(10,701)
End of period	$8,200	$4,800	$60,000	$400,000	$473,000	$1,001,000

The allowance and provisions for loss are subject to measurement uncertainty. As such, actual losses may differ significantly from these estimates.

8. Financial Instruments

Credit Risk – The Corporation is subject to credit risk from its holdings of short-term investments and investments. The Corporation minimizes its credit risk by adhering to the *Minister of Finance Financial Risk Management Guidelines for Crown Corporations*, by investing in high quality financial instruments and by limiting the amount invested in any one counterparty.

Loans and claims receivable relate to failed member institutions. Loans receivable is directly impacted by the ability of these entities to generate sufficient cash to meet their obligations to the Corporation as they become due. Realization of claims receivable is largely dependent on the credit quality or value of assets held within the estates of failed member institutions.

Fair Value – Other than cash and short-term investments, and investments, no active or liquid market exists in which the Corporation's financial assets and liabilities could be traded. Where no market exists for financial instruments, fair value estimates are based on judgements regarding current and future economic conditions and events, the risk characteristics of the instruments, and other factors. The estimates of fair value discussed below are made as at March 31, 2000 and involve uncertainties and matters of significant judgement. Changes in assumptions could materially affect the estimates.

The book value of cash and short-term investments, investments, premiums and other accounts receivable and accounts payable approximate fair value because of their short term to maturity.

The book value of loans and claims receivable approximates fair value as it represents the Corporation's best estimate of the amounts to be realized based on asset disposition strategies and forecasted repayments on account of loans and claims receivable. The Corporation bases its estimates on information received from the liquidators of failed member institutions and from other parties acting on behalf of the Corporation.

The book value of the provisions for guarantees and for insurance losses approximates fair value as it represents the Corporation's best estimate of future payments to be made under the guarantees, and losses on future claims.

9. Income Taxes

The Corporation is subject to federal income tax and has losses that can be carried forward to reduce future years' earnings for tax purposes. The Corporation is discussing a number of issues with the Canada Customs and Revenue Agency that may impact the amount of these losses. No future tax benefit has been recorded in the financial statements with respect to these losses since it is not virtually certain any significant future tax benefit will be realized.

Such losses total $554 million and expire as follows:

Year	Amount (in millions of dollars)
2001	$96
2002	202
2003	126
2004	90
2005	40
Total	**$554**

10. Insured Deposits and Premiums

Deposits insured by the Corporation, on the basis of returns received from member institutions as described in Note 2, Premium Revenue, as at April 30, 1999 and 1998, were as follows:

(in billions of dollars)	1999	1998
Federal institutions	$315	$306
Provincial institutions	2	2
Total	**$317**	**$308**

CDIC's differential premium by-law came into force on March 31, 1999. From that date, members have been classified into four different categories based on a system that scores them according to a number of criteria or factors. The premium rates in effect for 1999 are 1/24 of 1% of insured deposits for members in category 1, 1/12 of 1% for category 2 and 1/6 of 1% for members in categories 3 and 4. By way of comparison, the premium rate was 1/6 of 1% of insured deposits for all institutions as at April 30, 1998.

11. Contingent Liabilities

The Corporation is involved in a number of judicial actions that have arisen in the normal course of operations. In the opinion of the Corporation, none of these, individually or in the aggregate, would result in liabilities that would have a significant adverse effect on the financial position of the Corporation. However, the final outcome with respect to claims and legal proceedings pending at March 31, 2000 cannot be predicted with certainty. Accordingly, the impact of any matter will be reflected in the period in which the matter becomes determinable.

12. Operating Leases

The aggregate minimum rent payments (exclusive of other occupancy costs) for the Corporation's operating leases in effect as at March 31, 2000 are as follows:

Year	Amount (in thousands of dollars)
2001	$637
2002	571
2003	571
2004	571
2005	571
2006-2011	3,561
Total	**$6,482**

13. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Corporation, including those related to member institutions, suppliers, or other third parties, have been fully resolved.

14. Comparative Figures

Certain of the 1999 figures have been reclassified to conform to the presentation adopted for 2000.

Corporate Governance

The Canada Deposit Insurance Corporation was established in 1967 under the *Canada Deposit Insurance Corporation Act*. The Act sets out CDIC's constitution, objects, powers and duties, as well as general terms for deposit insurance and other governing parameters. CDIC functions within the legal framework established by the CDIC Act, the *Financial Administration Act* and section 18 of the *Office of the Superintendent of Financial Institutions Act* – and by the amendments made to these Acts over the years. The Corporation is ultimately accountable to Parliament through the Minister of Finance for the conduct of its affairs.

Board of Directors

The CDIC Act states that the Board of Directors "shall administer the affairs of the Corporation in all things...." The Board is made up of the Chairperson, appointed by the Governor in Council during good behaviour for a five-year term, four *ex officio* directors – the Governor of the Bank of Canada, the Deputy Minister of Finance, the Superintendent of Financial Institutions, and a Deputy Superintendent of Financial Institutions – and four private-sector members, also appointed by the Governor in Council during pleasure for a term not exceeding three years.

In 1999, the Board commenced a review of its governance practices, which is scheduled for completion during the 2000/2001 fiscal year. The results will be reported in next year's annual report.

On March 31, 2000, the composition of the Board was as follows:

Ronald N. Robertson
Chairman of the Board
Canada Deposit Insurance Corporation
(1999)*

Viateur Bergeron
Partner
Bergeron, Gaudreau
Hull
(2000)*

H. Garfield Emerson
President and Chief Executive Officer
N M Rothschild & Sons Canada Limited
Toronto
(1997)*

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

Kevin Lynch
Deputy Minister of Finance
(ex officio)

Colin P. MacDonald
Partner
Borden Ladner Gervais LLP
Calgary
(1997)*

Shawn A. Murphy
Partner
Stewart McKelvey Stirling Scales
Charlottetown
(1999)*

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

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

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

Carol Shevlin
Senior Director, Quality Assurance and Performance Standards Division
Office of the Superintendent of Financial Institutions
(alternate for the Superintendent of Financial Institutions)

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

* *Date of Governor-in-Council appointment*

Board Committees

The **Executive Committee** deals mainly with emergencies, highly sensitive matters and other issues delegated to it by the Board of Directors. It is chaired by the Chairperson of CDIC. As of March 31, its other members were H. Garfield Emerson and John R.V. Palmer.

The **Audit Committee** has primary responsibility for overseeing internal controls, the reliability of financial information, the annual audit, and the special examination conducted every five years by the Auditor General of Canada. The committee is also responsible for recommendations to the Board on Directors on the approval of annual financial statements. As of March 31, the chairperson of this committee was H. Garfield Emerson. The other members were Viateur Bergeron, Shawn A. Murphy and John R. V. Palmer.

The **Employee Relations Committee** reviews and makes recommendations to the Board regarding personnel policies, training, succession planning, compensation, compliance with employee-related legal requirements, complaints and the general state of employee relations. The chairperson of the committee as of March 31 was Colin P. MacDonald. The other members were Nicholas Le Pan and Ronald N. Robertson.

Officers and Operations

Officers of CDIC include the Chairperson, the President and Chief Executive Officer, and officers appointed by the Board of Directors under the Corporate By-law made under the Act. Both the Chairperson and the President and CEO are appointed to five-year terms by the Governor-in-Council.

CDIC officers are individually and collectively responsible for the stewardship and management of the Corporation. On March 31, 2000, the officers of the Corporation were as follows:

Ronald N. Robertson
Chairman of the Board

Jean Pierre Sabourin
President and Chief Executive Officer
(1996)*

Wayne Acton
Senior Vice-president
Field Operations

M. Claudia Morrow
Corporate Secretary

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

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

Gillian Strong
General Counsel

Tom Vice
Treasurer

* *Date of Governor-in-Council appointment*

Meetings and Attendance

(April 1, 1999 to March 31, 2000)

		BOARD COMMITTEES		
	Board of Directors	Executive Committee	Audit Committee	Employee Relations Committee
Number of Meetings	**7**	**1**	**4**	**2**
Attendance:				
G. L. Reuber — Chairman[a]	2	1	1	1
R. N. Robertson — Chairman[b]	5		3	1
V. Bergeron	7		4	
H. G. Emerson	5	1	4	
C. P. MacDonald	7			2
S. A. Murphy	7		4	
Ex officio members (alternates)				
G. G. Thiessen (S. Vachon)	7			
J. R. V. Palmer (C. Shevlin)[c]	7	1	3	
C. S. Clark[d] / K. Lynch[e] (I. Bennett)	1[f]			
N. Le Pan	7			2

a G. L. Reuber retired July 8, 1999
b R. N. Robertson's appointment commenced September 15, 1999
c C. Shevlin was designated as alternate to the Superintendent of Financial Institutions on April 12, 1999
d C. S. Clark resigned as Deputy Minister, Finance on March 3, 2000
e K. Lynch was appointed Deputy Minister, Finance on March 23, 2000
f R. Hamilton attended five meetings of the Board as an observer from the Department of Finance

Inter-Agency Committees

The Chairperson of CDIC is a statutory member of the **Financial Institutions Supervisory Committee** (FISC) and a member of the **Senior Advisory Committee** (SAC) of the Department of Finance. The other members of these committees are the Governor of the Bank of Canada, the Deputy Minister of Finance (the Chair of SAC) and the Superintendent of Financial Institutions, (the Chair of FISC).

FISC facilitates consultation and the exchange of information among its members on all matters relating directly to the supervision of financial institutions. The role of SAC is to provide a forum for policy discussion on financial sector issues.

The **OSFI/CDIC Liaison Committee** is chaired jointly by the Superintendent of Financial Institutions and the Chairperson of CDIC. This committee's purpose is to co-ordinate closely the activities of OSFI and CDIC, to avoid unwarranted duplication and cost, and generally to foster close and effective working relationships between the two agencies. On March 31, 2000 the members of the Liaison Committee were as follows:

Co-chairs

John R.V. Palmer
Superintendent of Financial Institutions
OSFI

Ronald N. Robertson
Chairman of the Board
CDIC

Members

Jean Pierre Sabourin
President and Chief Executive Officer
CDIC

Nicholas Le Pan
Deputy Superintendent, Supervision
OSFI

Ken Mylrea
Director General, Insurance
CDIC

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

Carol Shevlin
Senior Director
Quality Assurance and Performance Standards Division
OSFI

The **CBA/CDIC/OSFI Liaison Task Force** was established in 1999 to review and resolve, as fully as possible, the supervisory, regulatory and insurance issues raised by the industry, and to foster co-operation and constructive relationships between the industry — represented by the Canadian Bankers Association (CBA) — and the two agencies. On March 31, 2000, the members of the task force were as follows:

Chair

Raymond Protti
President and CEO
Canadian Bankers Association

Secretary

Kelly Shaughnessy
Vice-president, Banking Operations
Canadian Bankers Association

Members

Theo Bark
President and CEO
ABN AMBRO Bank

Robert Chisholm
Vice-chairman
Bank of Nova Scotia

Nicholas Le Pan
Deputy Superintendent, Supervision
OSFI

Jean Pierre Sabourin
President and Chief Executive Officer
CDIC

CDIC Committees

The **Real Estate Advisory Panel (REAP)** reviews, evaluates and makes recommendations on proposals brought forward by CDIC management with respect to the realization of major real estate assets in which the Corporation has an interest. The Corporation acknowledges the contribution of Marcel J. Casavant who retired as a member of REAP.

Chair

Daniel F. Sullivan
Deputy Chairman
Scotia Capital Inc.

Secretary

Christopher J. Porter
Director, Claims and Recoveries
CDIC

Members

J. Lorne Braithwaite
President and CEO
Cambridge Shopping Centres Ltd.

H. Roger Garland
Vice-Chairman
Four Seasons Hotels and Resorts

Randy M. Grimes
Director
IBI Group

Stephen E. Johnson
President and CEO
Canadian Real Estate Investment Trust

E. John Latimer
President
Monarch Development Corporation

Alvin G. Poettcker
President and CEO
UBC Properties Trust

Kenneth Rotenberg
President
Kenair Apartments Limited

Deposit Insurance Information

Toll-free telephone service:	**1-800-461-CDIC** (1-800-461-2342)
World Wide Web site:	**www.cdic.ca**
E-mail address:	**info@cdic.ca**
Facsimile:	(613) 996-6095

Head Office

Canada Deposit Insurance Corporation
50 O'Connor Street, 17th Floor
P.O. Box 2340, Station D
Ottawa, Ontario
K1P 5W5

Toronto Office

Canada Deposit Insurance Corporation
Toronto-Dominion Centre Aetna Tower
1200-79 Wellington Street W., P.O. Box 156
Toronto, Ontario
M5K 1H1

Publications

Consumer Information

Brochure – Protecting Your Deposits

Brochure – CDIC Membership

Fact Sheet – CDIC Coverage for Deposits in Trust

Fact Sheet – CDIC Coverage for Joint Deposits

Fact Sheet – CDIC Coverage of Deposits when Member Institutions Amalgamate

Fact Sheet – CDIC Coverage for Deposits Held in Registered Plans

Corporate

Annual Report

Summary of the Corporate Plan

General

Standards of Sound Business and Financial Practices (1993)

Standards Assessment and Reporting Program – Standards of Sound Business and Financial Practices (1995)

Guidelines for Third-party References to CDIC or Deposit Insurance (1999-09)

Application for Deposit Insurance (2000-01)

Consultation Paper on Standards of Sound Business and Financial Practices (2000-01)

Act and By-laws

CDIC Act

Application for Deposit Insurance By-law

Deposit Insurance Information By-law

Deposit Insurance Policy By-law

Differential Premiums By-law

Discretionary Interest By-law

Exemption from Deposit Insurance By-laws (Opting-out By-laws)

Interest Payable on Certain Deposits By-law

Joint and Trust Account Disclosure By-law

Premium Surcharge By-law

Standards of Sound Business and Financial Practices By-laws

Member Institutions Information Bulletins

Joint and Trust Account Disclosure By-law (1996)

Deposit Insurance Information By-law (1996)

Joint and Trust Account Disclosure By-law – Information Disclosure (1997-01)

Deposit Insurance Information By-law – Phase I (1997-02)

Return of Insured Deposits (1997-03)

Deposit Insurance Information By-law – Phase II (1997-04)

Deposit Insurance Information By-law – Final (1998-01)

Deposit Insurance Information By-law – Post-Implementation Issues (1998-02)

Joint and Trust Account Disclosure By-law – Information Disclosure Clarification (1998-03)

Return of Insured Deposits (1999-01)

Links to Deposit Registers (1999-02)

Standards of Sound Business and Financial Practices (1999-03)