Canada Deposit
Insurance Corporation

Your daycare money.
We protect your deposits.

Quarterly Financial Report
First Quarter

JUNE 30, 2020
Unaudited

Canada

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Narrative discussion

First quarter – fiscal 2020/2021

This narrative discussion was prepared in accordance with the *Treasury Board Standard on Quarterly Financial Reports for Crown Corporations* (the "Treasury Board Standard"). It is not intended to be a full "Management's Discussion and Analysis". Disclosures and information in the Canada Deposit Insurance Corporation's 2020 Annual Report are assumed to apply to the current quarter unless otherwise updated.

The condensed consolidated financial statements are unaudited and have been prepared in accordance with the Treasury Board Standard.

This narrative discussion and the accompanying financial statements were reviewed and approved by CDIC's Audit Committee.

Financial highlights

For the first quarter ended June 30, 2020, the Canada Deposit Insurance Corporation ("CDIC" or "the Corporation") recognized a net loss of $103 million, arising principally from the increase in the provision for insurance losses ("the provision") of $300 million. Other items of significance were premium revenue of $185 million, investment and other income of $23 million, net operating expenses of $14 million and an income tax recovery of $3 million. For the same period in the prior year, CDIC recognized net income of $222 million based on premium revenue of $167 million, a decrease to the provision for insurance losses of $50 million, investment income of $19 million, net operating expenses of $12 million and incomes taxes of $2 million.

The Corporation's $185 million in premium revenue for the three-month period ended June 30, 2020 represents an increase of $18 million over the same period in the prior year. The increase was mainly due to growth in insured deposits, partially offset by changes in the premium categorization of certain member institutions.

The Corporation's $23 million in investment and other income for the three-month period ended June 30, 2020 was $4 million higher than in the same period in the prior year. The increase was due to the growth in the investment portfolio ($5,731 million and $5,038 million as at June 30, 2020 and 2019, respectively) and a marginal increase in the effective yield on investments (1.58% and 1.56%, as at June 30, 2020 and 2019, respectively).

The Corporation's net operating expenses for the three-month period ended June 30, 2020 were $14 million, $2 million higher than for the same period in the prior year, mainly due to an increase in professional fees to support various new projects undertaken by the Corporation and an increased focus on public awareness.

The Corporation recognized an income tax recovery of $3 million for the three-month period ended June 30, 2020, compared to an expense of $2 million for the same period in the prior year. This is mainly due to losses resulting from the increase in the provision for insurance losses as the Corporation uses an effective tax rate to compute its tax liability or asset.

The provision for insurance losses as at June 30, 2020 is $2,550 million, $300 million higher than the balance as at March 31, 2020, primarily due to an increase in the exposure to losses, changes in the risk profile of certain member institutions, fluctuations in the calculated probability of defaults of certain member institutions and a decrease in the discount rate (0.36% as at June 30, 2020, compared to 0.60% as at March 31, 2020). This is partially offset by a variance in the projected assumptions for the estimated growth in insured deposits.

CDIC's total assets as at June 30, 2020 were $5,946 million, an increase of $191 million from March 31, 2020. The increase is largely the result of premiums receivable for the first quarter of $185 million. Premiums from CDIC's member institutions are received in July and December for the fiscal year.

As at June 30, 2020, CDIC's *ex ante* funding ($5,926 million) represented 61 basis points of insured deposits ($968 billion), as compared to the minimum target level of 100 basis points which is expected to be achieved by the fiscal year 2026/2027, one year later than the 2020/2021 Corporate Plan target of fiscal year 2025/2026 primarily due to the increase in deposit insurance coverage as a result of Deposit Insurance Review (DIR) changes from Phase I implementation and a significant year over year growth in insured deposits.

Risk analysis

In addition to monitoring the risks faced by CDIC's membership that drive changes in the provision for insurance losses, Management utilizes an Enterprise Risk Management (ERM) program to identify and manage its key corporate risks. The ERM program, which is currently undergoing a transformation to improve alignment of our corporate strategies, decision making, priorities and allocation of resources with our key risks, includes an assessment of risks which is updated quarterly.

As of June 30, 2020, CDIC has appropriate risk mitigation strategies in place for significant risks facing the Corporation identified through this process. These risks are being assessed and monitored continuously by Management.

Changes in operations, personnel and programs

The following describes any significant changes in operations, personnel and programs that have occurred during the current quarter.

Operations	Member institutions filed their annual Return of Insured Deposits by July 15, 2020, with expanded coverage from DIR changes that came into force on April 30, 2020, which established premium revenue for the year. Based on the filings, insured deposits as at April 30, 2020 held at member institutions totaled $968 billion (April 30, 2019 - $852 billion). Pursuant to the CDIC Act, at least one half of a member institution's annual deposit insurance premium payable should be received by July 15 of each year, while the remainder of the premium payable should be received, without interest, by no later than December 15 of each year. For the 2020 premium year only, CDIC will not charge interest on premiums that are received after July 15, 2020 for as long as these are received no later than December 15, 2020 to allow its member institutions to focus resources on directly supporting the needs of their customers in this challenging economic and financial environment brought on by the COVID-19 pandemic.
Board of Directors, Officers and Personnel	Mr. Richard Tiffany Macklem replaced Mr. Stephen S. Poloz as Governor of the Bank of Canada and was appointed as a member of the CDIC Board of Directors effective June 3rd, 2020, pursuant to s.5(1)(b) of the Canada Deposit Insurance Corporation Act (the "CDIC Act").
Programs and Initiatives	On April 30, 2020, CDIC's deposit insurance was extended to eligible deposits held in foreign currencies and eligible deposits with terms greater than five years, and coverage for travellers' cheques was eliminated. These amendments constituted the first phase of the DIR. The government deferred the second phase of the DIR amendments by one year to April 30, 2022 to provide CDIC's membership with an operational reprieve so they could focus on client service delivery during the COVID-19 pandemic. These amendments are now set to come into force on April 30, 2022.

Financial results

Three-month period ended June 30, 2020 compared to three-month period ended June 30, 2019

The following table sets out CDIC's comparative results for the three-month period ended June 30, 2020 and 2019.

	For the three-month period ended		Variance	
	June 30,	**June 30,**	Increase (Decrease)	
(C$ thousands)	**2020**	**2019**	($)	(%)
Premium revenue	184,769	167,045	17,724	11%
Investment and other income	22,916	19,325	3,591	19%
Change in provision for insurance losses	300,000	(50,000)	350,000	*
Net operating expenses	14,437	11,554	2,883	25%
Income tax (recovery) expense	(3,278)	2,468	(5,746)	(233%)
Net (loss) income	**(103,474)**	**222,348**	**(325,822)**	*

*Not meaningful

Premium revenue

Premiums charged to member institutions are based on the total amount of insured deposits held by member institutions as at April 30 each year, and are calculated annually in accordance with the *CDIC Act* and CDIC's *Differential Premiums By-law*. Premium rates are a key determinant of the length of time it will take to reach the Corporation's minimum target level of *ex ante* funding of 100 basis points. Each year, CDIC considers various premium rate options. For 2020/2021, the approved Category 1 rate (the base rate) is 7.5 basis points of insured deposits, unchanged from the 2019/2020 base rate. CDIC's premium revenue for fiscal 2020/2021, established from the Return of Insured Deposits filed as at April 30, 2020, is expected to be $739 million, approximately 7.6 basis points of insured deposits. The amount recognized as premium revenue in each quarter represents one-fourth of the annual assessed amount.

Premium revenue of $185 million was recorded during the three-month period ended June 30, 2020 compared to $167 million for the same period in the prior year, an 11% increase. Growth in insured deposits and changes in the categorization of certain member institutions contributed to the net variance in premium revenue. Insured deposits grew to $968 billion as at April 30, 2020, from $852 billion as at April 30, 2019, an increase of 14%.

Investment and other income

The Corporation's $23 million in investment and other income for the three-month period ended June 30, 2020 was $4 million higher than for the same period in the prior year. This was due to the growth in the investment portfolio ($5,731 million and $5,038 million as at June 30, 2020 and 2019, respectively) and a marginal increase in the effective yield on investments (1.58% and 1.56%, as at June 30, 2020 and 2019, respectively).

Provision for insurance losses

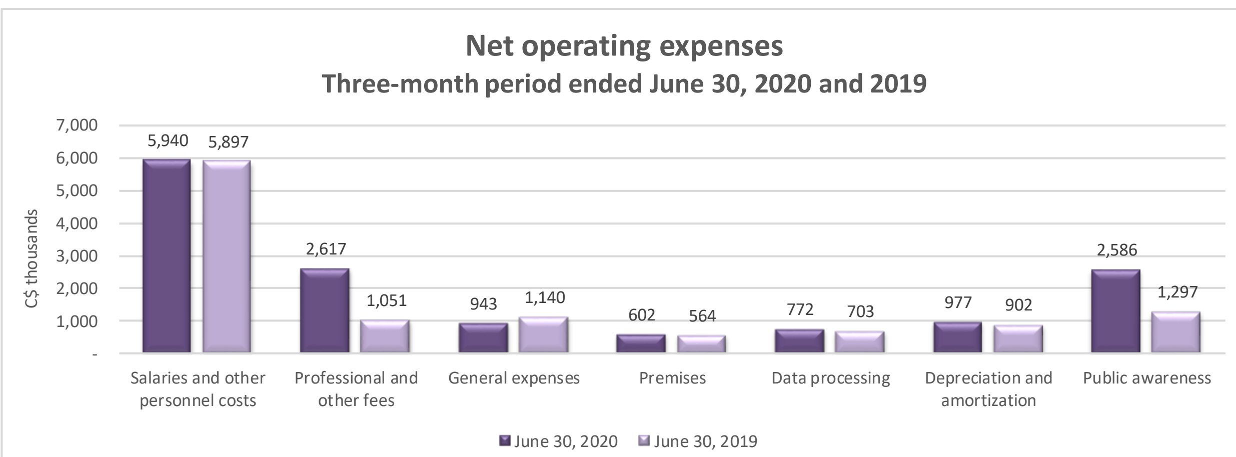
The provision represents Management's best estimate of the losses it expects to incur as a result of insuring deposits. The adequacy of the provision is assessed on a quarterly basis and, if necessary, adjustments are recorded.

In arriving at its estimate, Management considers the key inputs of its provisioning methodology: the exposure to losses, the probability of default derived from actual default statistics, expected loss given default, supervisory information, economic indicators, and CDIC's specific knowledge of the risk profile of its members.

CDIC's provision for insurance losses increased from the previous quarter by $300 million to $2,550 million as at the period ended June 30, 2020. Several factors contributed to the net change in the provision for insurance losses, including:

- an increase in the exposure to losses as a result of increase in total assets of DSIBs;
- changes in the risk profile of certain member institutions;
- the discount rate used to present value the provision (0.36% at June 30, 2020, compared to 0.60% at March 31, 2020); and
- variances between the estimated and actual level of insured deposits.

Net operating expenses



Net operating expenses[1] for the three-month period ended June 30, 2020 totaled approximately $14 million, $2 million higher than for the same period in the prior year mainly due to an increase in professional fees to support various new projects undertaken by the Corporation and an increased focus on public awareness.

Income taxes

The Corporation is subject to federal income tax. The Corporation's primary source of taxable income is its interest income. From this amount, allowable expenditures are deducted in order to arrive at its net income for tax purposes. Under the provisions of the *Income Tax Act*, the Corporation's premium

[1] Net operating expenses include cost recoveries, which are adjusted against general expenses.

revenue is not taxable and the change in the provision for insurance losses is not deductible for tax purposes. In addition, recoveries of amounts previously written off are not taxable because the Corporation did not previously claim a deduction for tax purposes.

For quarterly reporting, CDIC uses an effective tax rate to compute its tax liability or tax asset in accordance with *IAS 34 – Interim Financial Reporting*. During the three-month period ended June 30, 2020, the Corporation recognized an income tax recovery of $3 million, as against an expense of $2 million for the same period in the prior year. This is mainly due to losses resulting from the increase in provision for insurance losses.

Forecast results for fiscal 2020/2021, compared to Corporate Plan

This section includes future-oriented financial information that is based on certain assumptions. Actual results may differ from the forecasted information presented and such differences may be material.

	2020/2021		**Variance Increase (Decrease)**	
(C$ millions)	**Forecast**	**Planned**	**($)**	**(%)**
Premium revenue	739	728	11	2%
Investment and other income	89	100	(11)	(11%)
Change in provision for insurance losses	550	-	550	*
Net operating expenses	63	62	1	1%
Income tax expense	7	10	(3)	(26%)
Net income	**209**	**757**	**(548)**	**(72%)**

*Not meaningful

Premium revenue

CDIC's 2020/2021 to 2024/2025 Corporate Plan (the "Corporate Plan") sets out planned premium revenue of $728 million for fiscal 2020/2021, compared with Management's current forecasted revenue of $739 million for the year. The Corporate Plan was based on certain assumptions regarding increases in the level of insured deposits and the classification of members under the Differential Premiums system. Results to date have differed from the assumptions, resulting in a variance between the planned and forecast amounts.

Investment and other income

The forecasted investment and other income is $89 million, compared to the planned amount of $100 million, a variance of $11 million. This decline is due to variations in certain assumptions used in developing the Corporate Plan regarding the yield on investment portfolio and premium receipts.

Provision for insurance losses

The forecasted provision for insurance losses as at March 31, 2021 is $2,800 million, compared to the planned amount of $2,000 million. This increase is due to increased exposure to losses, changes in the risk profile of certain member institutions and a significant decline in the discount rate since the Plan amounts were developed.

Net operating expenses

Net operating expenses for fiscal 2020/2021 are forecasted at $63 million, relatively consistent with the planned amount.

Ex ante funding

Sound funding arrangements are critical to the effectiveness of a deposit insurance system and the maintenance of public confidence. CDIC maintains *ex ante* funding to cover possible deposit insurance losses. The amount of such funding is represented by the aggregate of the Corporation's retained earnings and the provision for insurance losses. The minimum target level of the Corporation's *ex ante* funding is 100 basis points of insured deposits, which considers the size and complexity of CDIC's member institutions, as well as international best practices. The Corporation reviews this target funding level regularly to ensure it remains appropriate.

CDIC's *ex ante* funding level was $5,926 million as at June 30, 2020, or 61 basis points of insured deposits. CDIC's Corporate Plan assumes that premium rates will remain stable. It is currently forecasted that CDIC will reach the minimum *ex ante* funding target level in fiscal 2026/2027, one year later than the Plan target of fiscal 2025/2026 primarily due to the increase in deposit insurance coverage as a result of Phase I DIR changes and a significant year over year growth in insured deposits.

Available liquid funds

The following table sets out the liquid funds available to CDIC.

(C$ millions)	**June 30, 2020**	**March 31, 2020**
Available liquid funds:		
Cash	4	4
Fair value of high-quality, liquid investment securities	5,905	5,864
Availability of borrowings:		
Borrowings authorized under the CDIC Act, either from market sources or from the Consolidated Revenue Fund	25,000	25,000
Total available funds	**30,909**	**30,868**
Insured deposits (as at April 30, 2020 and 2019 respectively)	967,991	851,903
Total basis points of insured deposits	**319**	362

CDIC's portfolio of investment securities is limited to high-quality, liquid securities: obligations of the Government of Canada and its agent Crowns, and obligations of Provincial Governments / Municipal Financing Authorities. Additional funds are available through CDIC's authority to borrow under the *CDIC Act*. As of December 31, 2019, the Corporation can borrow up to $25 billion. The borrowing limit is adjusted annually on December 31 to reflect the growth of insured deposits. Supplemental borrowing, if required, could be authorized either by Parliament through an appropriation act, or by the Minister of Finance out of the Consolidated Revenue Fund.

Management representation

Management is responsible for the preparation and fair presentation of these condensed consolidated quarterly financial statements in accordance with the *Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations* and for such internal controls as Management determines are necessary to enable the preparation of condensed consolidated quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the condensed consolidated quarterly financial statements.

The financial statements have not been audited or reviewed by an external auditor.

Based on our knowledge, these unaudited condensed consolidated quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation, as at the date of and for the periods presented in these condensed consolidated quarterly financial statements.

Peter Routledge
President and Chief Executive Officer

Ottawa, Canada
August 12, 2020

Camille Ringrose
Head, Finance and Operations & Chief Financial Officer

Ottawa, Canada
August 12, 2020

Condensed consolidated financial statements and notes

Condensed consolidated statement of financial position

As at June 30, 2020 and March 31, 2020 (C$ thousands)

	Notes	June 30, 2020	March 31, 2020
ASSETS			
Cash		4,449	3,568
Investment securities	*3*	5,731,298	5,730,984
Premiums receivable		184,768	-
Trade and other receivables		239	260
Current tax asset		5,435	-
Amounts recoverable from estates		6	6
Prepayments		1,505	1,106
Right-of-use assets	*4*	11,626	11,920
Property, plant & equipment		3,495	3,621
Intangible assets		3,274	3,482
TOTAL ASSETS		**5,946,095**	**5,754,947**
LIABILITIES			
Trade and other payables		5,622	7,812
Current tax liability		-	2,941
Lease liabilities	*4*	12,323	12,611
Deferred premium revenue		4	-
Employee benefits		1,481	1,444
Provision for insurance losses	*5*	2,550,000	2,250,000
Deferred tax liability		448	448
Total liabilities		**2,569,878**	**2,275,256**
EQUITY			
Retained earnings		3,376,217	3,479,691
TOTAL LIABILITIES AND EQUITY		**5,946,095**	**5,754,947**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

For the three-month period ended June 30, 2020 and 2019 (C$ thousands)

	Notes	June 30, 2020	June 30, 2019
REVENUE			
Premium		184,769	167,045
Investment income		22,912	19,325
Other income		4	-
		207,685	186,370
EXPENSES			
Net operating expenses	*6*	14,437	11,554
Increase (decrease) in the provision for insurance losses	*5*	300,000	(50,000)
		314,437	(38,446)
Net (loss) income before income taxes		(106,752)	224,816
Income tax (recovery) expense		(3,278)	2,468
TOTAL COMPREHENSIVE (LOSS) INCOME		**(103,474)**	**222,348**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

For the three-month period ended June 30, 2020 and 2019 (C$ thousands)

	Retained earnings and total equity
Balance, March 31, 2020	**3,479,691**
Total comprehensive loss	(103,474)
Balance, June 30, 2020	**3,376,217**
Balance, March 31, 2019	**2,985,326**
Total comprehensive income	222,348
Balance, June 30, 2019	**3,207,674**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows

For the three-month period ended June 30, 2020 and 2019 (C$ thousands)

	June 30, 2020	June 30, 2019
OPERATING ACTIVITIES		
Net (loss) income before income taxes	(103,474)	222,348
Add (deduct) items not involving cash		
Depreciation and amortization	977	902
Investment income	(22,912)	(19,325)
Interest expense on lease liabilities	55	61
Income tax expense	(3,278)	2,468
Employee benefit expense	37	41
Defined benefit payment	-	(8)
Change in working capital:		
Increase in premiums receivable	(184,768)	(166,905)
Decrease in trade and other receivables	21	429
Increase in prepayments	(399)	(216)
Decrease in trade and other payables	(2,190)	(1,315)
Increase in deferred premium revenue	4	422
Decrease in deferred lease inducement	-	(734)
Increase (decrease) in the provision for insurance losses	300,000	(50,000)
Interest received	37,283	31,999
Interest paid on lease liabilities	(55)	(61)
Income tax paid	(5,098)	(1,939)
Net cash generated by operating activities	16,204	18,167
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	(296)	(315)
Purchase of investment securities	(520,378)	(334,234)
Proceeds from sale or maturity of investment securities	505,693	317,554
Net cash used in investing activities	(14,982)	(16,995)
FINANCING ACTIVITIES		
Principal payment of lease liabilities	(341)	(333)
Incentive in connection with the recognition of finance lease under IFRS 16	-	734
Net cash (used in) generated by financing activities	(341)	401
Net increase in cash	881	1,573
Cash, beginning of period	3,568	2,190
Cash, end of period	**4,449**	**3,763**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

1 - General information

The Canada Deposit Insurance Corporation (CDIC, or the Corporation) was established in 1967 by the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*). It is a Crown corporation without share capital named in Part I of Schedule III to the *Financial Administration Act* and is funded by premiums assessed against its member institutions. The Corporation is subject to federal income tax pursuant to the provisions of the *Income Tax Act*. The address of the registered office is 50 O'Connor Street, 17th Floor, in Ottawa, Ontario.

The objects of the Corporation are: to provide insurance against the loss of part or all of deposits in member institutions; to promote and otherwise contribute to the stability of the financial system in Canada; to pursue these objects for the benefit of depositors of member institutions and in such manner as will minimize the exposure of the Corporation to loss; and to act as the resolution authority for its member institutions.

The Corporation has the power to do all things necessary or incidental to the furtherance of its objects, including, but not limited to: acquiring assets from and providing guarantees or loans to member institutions and others; making or causing to be made inspections of member institutions; acting as liquidator, receiver or inspector of a member institution or a subsidiary thereof; establishing a bridge institution and acquiring shares and/or assets and assuming liabilities of member institutions; and converting some of the debt of a failing domestic systemically important bank (D-SIB) into common shares in order to recapitalize the bank and allow it to remain open and operating.

The Corporation is an agent of Her Majesty in right of Canada for all purposes of the *CDIC Act*. As a result, all obligations incurred by the Corporation in the course of carrying out its mandate are obligations of Canada.

The Deposit Insurance Review that was announced in the 2014 Budget to modernize and enhance Canada's deposit insurance framework, received Royal Assent on June 21, 2018. Certain changes relating to deposit insurance coverage came into force on April 30, 2020, while the second phase of changes are set to come into force on April 30, 2022. The changes have required and will continue to require amendments to certain CDIC by-laws and administrative processes.

In July 2015, the Corporation was issued a directive (P.C. 2015-1107) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures, in a manner that is consistent with its legal obligations. The Corporation is in compliance with the directive.

As a part of the *COVID-19 Emergency Response Act*, which received royal assent on March 25, 2020, the *CDIC Act* was amended to allow the Minister of Finance to increase the deposit insurance coverage limit until September 30, 2020.

These condensed consolidated quarterly financial statements were approved and authorized for issue by the Corporation's Audit Committee on August 12, 2020.

Basis of preparation

These condensed consolidated quarterly financial statements, presented in Canadian dollars, have been prepared in accordance with the *Treasury Board Standard on Quarterly Financial Reports for Crown Corporations* and do not include all the information required for full annual financial statements. These condensed consolidated quarterly financial statements should be read in conjunction with the audited consolidated financial statements as at and for the year ended March 31, 2020, in the Corporation's 2020 Annual Report.

These condensed consolidated quarterly financial statements have been prepared on the historical cost basis, except for the lease liability, provision for insurance losses and certain employee benefits which are measured at their present value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the amount of cash expected to be paid to satisfy a liability.

2 - Significant accounting policies

The accounting policies applied by the Corporation in these condensed consolidated quarterly financial statements are the same as those applied by the Corporation in its audited consolidated financial statements as at and for the year ended March 31, 2020.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of quarterly financial statements in accordance with IFRS requires Management to make judgments and estimations that affect the application of accounting policies and the reported amounts of assets and liabilities. Actual results may differ from these estimates.

In preparing these condensed consolidated quarterly financial statements, the significant judgments made by Management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended March 31, 2020

3 - Financial instruments

Information on the maturity and composition of the Corporation's investment securities is included in the tables below.

As at June 30, 2020 (C$ thousands)	Remaining term to maturity 90 days or less	91 days to 1 year	1 to 5 years	Total
Treasury bills	43,057	-	-	43,057
Weighted average effective yield (%)	0.15	-	-	0.15
Bonds	340,055	842,079	4,506,107	5,688,241
Weighted average effective yield (%)	1.04	1.26	1.70	1.60
Total investment securities	**383,112**	**842,079**	**4,506,107**	**5,731,298**
Weighted average effective yield (%)	**0.94**	**1.26**	**1.70**	**1.58**

As at March 31, 2020 (C$ thousands)	Remaining term to maturity 90 days or less	91 days to 1 year	1 to 5 years	Total
Treasury bills	25,639	-	-	25,639
Weighted average effective yield (%)	1.03	-	-	1.03
Bonds	311,138	837,602	4,556,605	5,705,345
Weighted average effective yield (%)	1.29	1.17	1.75	1.64
Total investment securities	**336,777**	**837,602**	**4,556,605**	**5,730,984**
Weighted average effective yield (%)	**1.27**	**1.17**	**1.75**	**1.64**

The following table includes the fair value measurement of the Corporation's investment securities.

As at June 30, 2020 (C$ thousands)	Amortized cost	Unrealized gain	Fair values Level 1	Level 2	Level 3	Total
Treasury bills	43,057	-	43,057	-	-	43,057
Bonds	5,688,241	173,432	4,316,365	1,545,308	-	5,861,673
Total investment securities	**5,731,298**	**173,432**	**4,359,422**	**1,545,308**	-	**5,904,730**

As at March 31, 2020 (C$ thousands)	Amortized cost	Unrealized gain	Fair values Level 1	Level 2	Level 3	Total
Treasury bills	25,639	-	25,639	-	-	25,639
Bonds	5,705,345	132,994	4,249,362	1,588,977	-	5,838,339
Total investment securities	**5,730,984**	**132,994**	**4,275,001**	**1,588,977**	**-**	**5,863,978**

The following table summarizes the credit quality of the Corporation's investment securities by credit rating.

(C$ thousands)	**June 30, 2020**	**March 31, 2020**
AAA	4,582,512	4,520,283
AA	46,575	46,741
AA-	565,946	565,412
A+	536,265	598,548
Total investment securities	**5,731,298**	**5,730,984**

The carrying amounts in the above tables include accrued interest.

The Corporation did not record any loss allowances on its investment securities as at June 30, 2020 (March 31, 2020: nil).

4 - Right-of-use assets and lease liabilities

The Corporation leases office space in Ottawa and Toronto. The Ottawa lease ends in September 2030, with an option to renew for an additional five years. The Toronto lease ends in October 2021, with an option to renew for an additional five years. The extension option for both Ottawa and Toronto office is exercisable solely at the discretion of the Corporation. Upon implementation of *IFRS 16 - Leases*, the Corporation assessed that it was not reasonably certain to exercise any extension options. As at June 30, 2020, the Corporation is looking into the option to renew the existing Toronto lease, as well as a new lease for adjacent office space in Toronto for two years, the contracts for which have not yet been executed. The Corporation also leases equipment under a five-year term ending in May 2025.

Carrying value of right-of-use-assets

(C$ thousands)	**Leased office space**	**Equipment**	**Total**
Cost			
Balance, April 1, 2020	**13,282**	**24**	**13,306**
Additions	-	53	53
Balance, June 30, 2020	**13,282**	**77**	**13,359**
Accumulated depreciation			
Balance, April 1, 2020	**1,367**	**19**	**1,386**
Depreciation	342	5	347
Balance, June 30, 2020	**1,709**	**24**	**1,733**
Carrying amounts			
Balance, April 1, 2020	11,915	5	11,920
Balance, June 30, 2020	**11,573**	**53**	**11,626**

Carrying value of lease liabilities

(C$ thousands)	Leased office space	Equipment	Total
Balance, April 1, 2020	**12,606**	**5**	**12,611**
Additions	-	53	53
Finance charges	55	-	55
Lease payments	(391)	(5)	(396)
Balance, June 30, 2020	**12,270**	**53**	**12,323**

Interest expense on lease liabilities amounting to $55 thousand was recorded in the statement of comprehensive income during the three months ended June 30, 2020. The Corporation recognized no expenses related to short-term leases and the amount recognized for low-value assets during the first quarter ended June 30, 2020, was insignificant. Cash payments for the interest portion of $55 thousand and the principal portion of $341 thousand of the lease liability were recognized in the statement of cash flows under operating activities and financing activities, respectively.

Maturity analysis for lease liabilities (undiscounted)

(C$ thousands)	Leased office space	Equipment	Total
Not later than one year	1,482	11	1,493
Later than one year and not later than five years	5,184	43	5,227
Later than five years	6,728	-	6,728
Total	**13,394**	**54**	**13,448**

5 - Provision for insurance losses

The provision for insurance losses represents the Corporation's best estimate of the future outflow of economic benefits resulting from the Corporation's object to insure deposits held by member institutions in the event of failure. The estimate is based on an expected loss calculation and is subject to uncertainty surrounding amount and timing of losses. As such, actual losses may differ significantly from estimates.

Changes in the provision for insurance losses are summarized as follows:

(C$ thousands)	Provision for insurance losses
Balance, March 31, 2020	**2,250,000**
Change in the provision	300,000
Balance, June 30, 2020	**2,550,000**

The Corporation is implementing the Deposit Insurance Framework Review that was announced in the 2014 Budget to modernize and enhance Canada's deposit insurance framework. Certain changes relating to deposit insurance coverage came into force on April 30, 2020, while the second phase of changes are set to come into force on April 30, 2022. These changes have required and will continue to require amendments to certain CDIC by-laws and administrative processes.

The impact of changes in deposit insurance coverage, that came into force on April 30, 2020 have been accounted for in the calculation of the provision for insurance losses. Future coverage changes, coming into effect on April 30, 2022, due to legislative changes have not been reflected in the provision calculation as their impacts are currently not known to CDIC.

6 - Operating expenses

The following table provides details of total net operating expenses of the Corporation for the three-month period ended June 30, 2020.

For the three months ended (C$ thousands)	**June 30, 2020**	**June 30, 2019**
Salaries and other personnel costs	5,940	5,897
Professional and other fees	2,617	1,051
General expenses	914	1,115
Premises	602	564
Data processing	772	703
Depreciation and amortization	630	556
Depreciation on right-of-use assets	347	346
Interest expense on lease liabilities	55	61
Public awareness	2,586	1,297
	14,463	11,590
Expense recoveries	(26)	(36)
Total operating expenses	**14,437**	**11,554**

7 - Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation has transacted with related parties through both the provision and receipt of various services. Such transactions were conducted in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.