

**QUARTERLY
FINANCIAL REPORT**
FIRST QUARTER



Canada Deposit
Insurance Corporation

JUNE 30, 2022

Unaudited



Canada 

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Narrative discussion

First quarter – fiscal 2022/2023

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 2022 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, 2022, the Canada Deposit Insurance Corporation (“CDIC” or “the Corporation”) recognized a net income of \$112 million, based on premium revenue of \$204 million, investment income of \$25 million, an increase to the provision for insurance losses (“the provision”) of \$100 million, net operating expenses of \$16 million and an income tax expense of \$1 million. For the same period in the prior year, CDIC recognized a net income of \$148 million, based on premium revenue of \$193 million, investment income of \$22 million, an increase to the provision of \$50 million, net operating expenses of \$16 million and an income tax expense of \$1 million.

The Corporation’s \$204 million in premium revenue for the three-month period ended June 30, 2022, represents an increase of \$11 million over the same period in the prior year. The increase was mainly due to growth in insured deposits.

The Corporation’s \$25 million in investment income for the three-month period ended June 30, 2022, was \$3 million higher than in the same period in the prior year. The increase was mainly due to the growth in the investment portfolio (\$7,272 million and \$6,476 million as at June 30, 2022, and 2021, respectively) and an increase in the weighted average effective yield on investments (1.47% and 1.37%, as at June 30, 2022, and 2021, respectively).

The Corporation’s net operating expenses for the three-month period ended June 30, 2022, were \$16 million, consistent with the same period in the prior year.

The provision for insurance losses as at June 30, 2022, is \$2,000 million, \$100 million higher than the balance as at March 31, 2022, primarily due to an increase in exposure to losses and increased probabilities of default for certain member institutions.

CDIC’s total assets as at June 30, 2022, were \$7,512 million, an increase of \$208 million from March 31, 2022. The increase is primarily driven by premiums receivable for the first quarter of \$204 million. Premiums from CDIC’s member institutions are received in July and December each fiscal year.

As at June 30, 2022, CDIC’s *ex ante* funding (\$7,494 million) represented 69 basis points (bps) of insured deposits (\$1,082 billion). In 2011, CDIC established a long-range target fund size of 100 bps of insured deposits and corresponding premium rate increases aimed at hitting that target within a 10 to 15 year horizon. In 2021/2022, CDIC undertook a strategic review of its *ex ante* funding and deposit insurance premium frameworks and subsequent to the first quarter, on July 25, 2022 announced the following:

- CDIC will establish a near-term *ex ante* fund target to exceed 85 bps of insured deposits by fiscal year 2026/2027;
- The near-term target will guide CDIC’s annual premium rate setting and related communication to member institutions on forward premium levels; and
- CDIC will review the prudence of the near-term target in the context of prevailing risk factors at the earliest of either when the 85 bps target is exceeded or within five years.

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 guides the development of our corporate strategies, decision making and the allocation of resources, and includes an assessment of risks which is updated quarterly.

As of June 30, 2022, 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	<p>Member institutions filed their annual Return of Insured Deposits by July 15, 2022, which established premium revenue for the year. Based on the filings, insured deposits as at April 30, 2022, held at member institutions totaled \$1,082 billion (April 30, 2021 - \$1,025 billion).</p> <p>Premium revenue for fiscal 2022/2023 is estimated to be \$815 million (2021/2022 - \$772 million).</p>
Board of Directors, Officers and Personnel	<p>Mr. Robert O. Sanderson was re-appointed Chair of CDIC's Board of Directors on June 20, 2022, for a three-year term, effective July 1, 2022.</p> <p>The Budget Implementation Act received Royal Assent on June 23, 2022, confirming CDIC's Chief Executive Officer as a full member of the Corporation's Board of Directors.</p> <p>The Act also added a private sector director position to the Board, bringing the total membership to twelve directors (six ex-officio directors and six private sector directors) and the Chairperson. The Privy Council Office has signaled that recruitment for the additional position, as well as for the ongoing vacancy of private sector directors, will begin at the end of second calendar quarter of 2022.</p> <p>Ms. Chantal Richer, Chief Operating Officer, retired from CDIC effective June 30, 2022.</p> <p>Effective June 30, 2022, Senior Leadership titles and responsibilities were aligned with the key corporate strategies to support internal and external clarity. The changes made are as follows:</p> <ul style="list-style-type: none">• Ms. Gina Byrne, Vice President, Risk and Resolution (previously Chief, Member Risk and Resolution);• Mr. Michael Mercer, Vice President, Depositor Solutions (previously Chief, Data and Insurance);• Ms. Angela Roberge, Vice President, Corporate Affairs & Chief of Staff (previously Chief Human Resources Officer and Chief of Staff);• Ms. Camille Ringrose, Chief Financial Officer & Head, Business Integration (previously Head Finance, Operations, and Chief Financial Officer); and• Ms. Christa Walker, Corporate Secretary, Chief Legal Officer and Head, Policy Integration (previously General Counsel, Corporate Secretary and Chief Legal Officer).

Programs and
Initiatives

On April 30, 2022, CDIC's deposit insurance was extended to provide separate coverage for deposits held in Registered Education Savings Plan (RESPs) and Registered Disability Savings Plan (RDSPs) and new rules were implemented to strengthen the protection of eligible deposits held in trust and placed through brokers. These amendments concluded the second phase of implementation of the Deposit Insurance Review Framework.

Financial results

Three-month period ended June 30, 2022, compared to three-month period ended June 30, 2021

The following table sets out CDIC's comparative results for the three-month period ended June 30, 2022, and 2021.

(C\$ thousands)	For the three-month period ended		Variance	
	June 30, 2022	June 30, 2021	Increase (Decrease) (\$)	(%)
Premium revenue	203,680	193,015	10,665	6%
Investment and other income	25,190	22,164	3,026	14%
Change in provision for insurance losses	100,000	50,000	50,000	100%
Net operating expenses	16,360	16,444	(84)	(1%)
Income tax expense	861	844	17	2%
Net income	111,649	147,891	(36,242)	(25%)

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*. For 2022/2023, the approved Category I rate (the base rate) is 7.5 basis points of insured deposits, unchanged from the 2021/2022 base rate. CDIC's premium revenue for fiscal 2022/2023, established from the Insured Deposits as at April 30, 2022, is estimated to be \$815 million, approximately 7.5 basis points of insured deposits. The amount recognized as premium revenue in each quarter represents one-fourth of the annual assessed amount.

Premium rates are a key determinant of the length of time it will take to reach the Corporation's *ex ante* fund target. As outlined in the Financial Highlights section, on July 25, 2022, CDIC announced it will establish a near-term *ex ante* fund target to exceed 85 bps of insured deposits by fiscal year 2026/2027. The near-term target will guide CDIC's annual premium rate setting and related communication to member institutions on forward premium levels.

In addition, CDIC launched a public consultation to seek input on proposed changes to modernize and improve the effectiveness of the Differential Premium System (DPS). The objective of the review is to modernize and improve the effectiveness of the system and process which determines the risk-based premiums payable by members to CDIC on an annual basis.

Premium revenue of \$204 million was recorded during the three-month period ended June 30, 2022, compared to \$193 million for the same period in the prior year, an increase of 6%. The increase was mainly due to growth in insured deposits. Insured deposits grew to \$1,082 billion as at April 30, 2022, from \$1,025 billion as at April 30, 2021, an increase of 6%.

Investment and other income

The Corporation's \$25 million in investment and other income for the three-month period ended June 30, 2022, was \$3 million higher than in the same period in the prior year. The increase was mainly due to the growth in the investment portfolio (\$7,272 million and \$6,476 million as at June 30, 2022, and 2021, respectively) and an increase in the weighted average effective yield on investments (1.47% and 1.37%, as at June 30, 2022, and 2021, respectively).

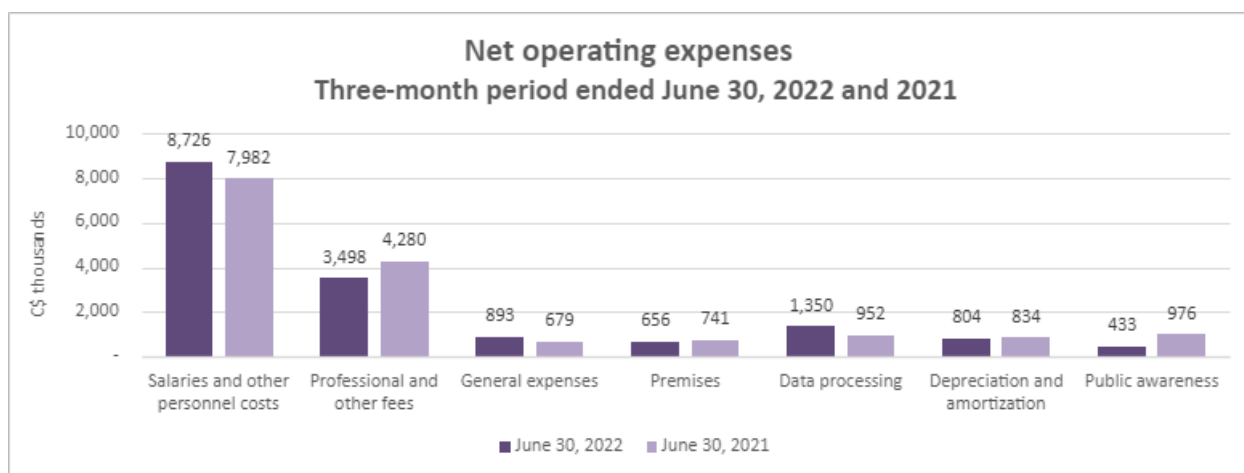
Provision for insurance losses

The provision represents Management's best estimate of the losses it expects to incur as a result of insuring deposits and in its role as resolution authority. 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 \$100 million to \$2,000 million as at June 30, 2022 primarily due to an increase in exposure to losses and increased probabilities of default for certain member institutions.

Net operating expense



The Corporation's net operating expenses for the three-month period ended June 30, 2022, were \$16 million, consistent with the same period in the prior year.

Income taxes

The Corporation is subject to federal income tax. The Corporation's primary source of taxable income is its interest income from its investment portfolio. 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 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, 2022, the Corporation recognized an income tax expense of \$1 million, consistent with the same period in the prior year.

Forecast results for fiscal 2022/2023, 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.

(C\$ millions)	2022/2023		Variance	
	Forecast	Planned	Increase (Decrease) (\$)	(%)
Premium revenue	815	822	(7)	(1%)
Investment and other income	109	89	20	22%
Change in provision for insurance losses	150	100	50	50%
Net operating expenses	88	88	-	-
Income tax expense	5	-	5	100%
Net income	681	723	(42)	(6%)

Premium revenue

CDIC's 2022/2023 to 2026/2027 Corporate Plan (the "Corporate Plan") sets out planned premium revenue of \$822 million for fiscal 2022/2023, compared with Management's current forecasted revenue of \$815 million for the year, which is consistent with the planned amount. 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 forecasted amounts.

Investment and other income

The forecasted investment and other income are \$109 million, compared to the planned amount of \$89 million, a variance of \$20 million. This increase 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, 2023, is \$2,050 million, compared to the planned amount of \$2,600 million. This decrease is mainly due to changes in the risk profile of certain member institutions since the Plan amounts were developed in December 2021.

Net operating expenses

Net operating expenses for fiscal 2022/2023 are forecasted at \$88 million, 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.

Premium rates are a key determinant of the length of time it will take to reach the Corporation's *ex ante* fund target. As outlined in the Financial Highlights section, on July 25 2022 CDIC announced it will establish a near-term *ex ante* fund target to exceed 85 bps of insured deposits by fiscal year 2026/2027. The near-term target will guide CDIC's annual premium rate setting and related communication to member institutions on forward premium levels. This near-term target level considers the size and complexity of CDIC's member institutions, as well as international best practices.

CDIC's *ex ante* funding level was \$7,494 million as at June 30, 2022, or 69 basis points of insured deposits.

Available liquid funds

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

<i>(C\$ millions)</i>	June 30, 2022	March 31, 2022
<i>Available liquid funds:</i>		
Cash	16	23
Fair value of high-quality, liquid investment securities	6,963	7,058
<i>Availability of borrowings:</i>		
Borrowings authorized under the CDIC Act, either from market sources or from the Consolidated Revenue Fund	30,000	30,000
Total available funds	36,979	37,081
Insured deposits (as at April 30, 2022 and 2021 respectively)	1,081,986	1,025,235
Total basis points of insured deposits	342	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 June 30, 2022, the Corporation can borrow up to \$30 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.

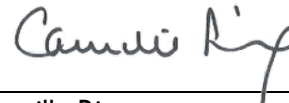
The financial statements have not been audited or reviewed by an external auditor.

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.



Leah Anderson
President & Chief Executive
Officer

Ottawa, Canada
August 10, 2022



Camille Ringrose
Chief Financial Officer & Head,
Business Integration

Ottawa, Canada
August 10, 2022

Condensed consolidated financial statements and notes

Condensed consolidated statement of financial position

As at June 30, 2022, and March 31, 2022 (C\$ thousands)

	Notes	June 30, 2022	March 31, 2022
ASSETS			
Cash		15,870	22,726
Investment securities	3	7,271,830	7,261,749
Premiums receivable		203,627	-
Trade and other receivables		686	742
Current tax asset		1,921	1,215
Prepayments		1,373	1,074
Right-of-use assets	4	8,392	8,660
Property, plant & equipment		3,485	3,606
Intangible assets		4,903	4,460
TOTAL ASSETS		7,512,087	7,304,232
LIABILITIES			
Trade and other payables		6,139	9,764
Lease liabilities	4	9,814	10,176
Deferred premium revenue		160	-
Employee benefits		1,494	1,461
Provision for insurance losses	5	2,000,000	1,900,000
Deferred tax liability		289	289
Total liabilities		2,017,896	1,921,690
EQUITY			
Retained earnings		5,494,191	5,382,542
TOTAL LIABILITIES AND EQUITY		7,512,087	7,304,232

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, 2022, and 2021 (C\$ thousands)

	Notes	June 30, 2022	June 30, 2021
REVENUE			
Premium		203,680	193,015
Investment income		25,138	22,106
Other income		52	58
		228,870	215,179
EXPENSES			
Net operating expenses	6	16,360	16,444
Increase in the provision for insurance losses	5	100,000	50,000
		116,360	66,444
Net income before income taxes		112,510	148,735
Income tax expense		861	844
		111,649	147,891

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, 2022, and 2021 (C\$ thousands)

	Retained earnings and total equity
Balance, March 31, 2022	5,382,542
Total comprehensive income	111,649
Balance, June 30, 2022	5,494,191
Balance, March 31, 2021	3,841,505
Total comprehensive income	147,891
Balance, June 30, 2021	3,989,396

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, 2022, and 2021 (C\$ thousands)

	June 30, 2022	June 30, 2021
OPERATING ACTIVITIES		
Total comprehensive income	111,649	147,891
Add (deduct) items not involving cash		
Depreciation and amortization	804	834
Loss on disposal of property, plant and equipment	27	-
Investment income	(25,138)	(22,106)
Interest expense on lease liabilities	43	43
Income tax expense	861	844
Employee benefit expense	33	34
Change in working capital:		
Increase in premiums receivable	(203,627)	(192,868)
Decrease (increase) in trade and other receivables	56	(40)
Increase in prepayments	(299)	(317)
Decrease in trade and other payables	(3,625)	(1,755)
Increase in deferred premium revenue	160	147
Increase in the provision for insurance losses	100,000	50,000
Interest received	41,585	40,734
Interest paid on lease liabilities	(43)	(43)
Income tax paid	(1,567)	(1,872)
Net cash generated by operating activities	20,919	21,526
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	(798)	(260)
Purchase of investment securities	(490,993)	(435,593)
Proceeds from sale or maturity of investment securities	464,465	431,300
Net cash used in investing activities	(27,326)	(4,553)
FINANCING ACTIVITIES		
Principal payment of lease liabilities	(449)	(383)
Net cash used in financing activities	(449)	(383)
Net increase in cash	(6,856)	16,590
Cash, beginning of period	22,726	2,480
Cash, end of period	15,870	19,070

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

Notes to the condensed consolidated financial statements

I - 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 and investment income. 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.

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.

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. Changes to expand and strengthen deposit protection were made in two phases and came into force on April 30, 2020 and April 30, 2022.

These condensed consolidated quarterly financial statements were approved and authorized for issue by the Corporation's Audit Committee on August 10, 2022.

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, 2022.

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, 2022.

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, 2022

3 - Financial instruments

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

	Remaining term to maturity			
	90 days or less	91 days to 1 year	1 to 5 years	Total
<i>As at June 30, 2022 (C\$ thousands)</i>				
Bonds	311,297	1,062,626	5,897,907	7,271,830
Weighted average effective yield (%)	1.39	1.80	1.42	1.47
Total investment securities	311,297	1,062,626	5,897,907	7,271,830
Weighted average effective yield (%)	1.39	1.80	1.42	1.47

<i>As at March 31, 2022 (C\$ thousands)</i>	Remaining term to maturity			
	90 days or less	91 days to 1 year	1 to 5 years	Total
Bonds	422,714	915,117	5,923,918	7,261,749
Weighted average effective yield (%)	1.28	1.68	1.32	1.36
Total investment securities	422,714	915,117	5,923,918	7,261,749
Weighted average effective yield (%)	1.28	1.68	1.32	1.36

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

<i>As at June 30, 2022 (C\$ thousands)</i>	Amortized cost	Unrealized loss	Fair values			Total
			Level 1	Level 2	Level 3	
Bonds	7,271,830	(309,000)	4,977,972	1,984,858	-	6,962,830
Total investment securities	7,271,830	(309,000)	4,977,972	1,984,858	-	6,962,830

<i>As at March 31, 2022 (C\$ thousands)</i>	Amortized cost	Unrealized loss	Fair values			Total
			Level 1	Level 2	Level 3	
Bonds	7,261,749	(203,291)	5,089,383	1,969,075	-	7,058,458
Total investment securities	7,261,749	(203,291)	5,089,383	1,969,075	-	7,058,458

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

<i>(C\$ thousands)</i>	June 30, 2022	March 31, 2022
AAA	5,207,151	5,242,549
AA+	388,899	365,419
AA	226,879	178,844
AA-	656,546	635,729
A+	792,355	839,208
Total investment securities	7,271,830	7,261,749

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, 2022 (March 31, 2022: nil).

4 - Right-of-use assets and lease liabilities

The Corporation leases office space in Ottawa, the term of which ends in September 2030, with an option to renew for an additional five years. It also leases two separate office spaces in Toronto, one of which expires in October 2026 with an option to renew for an additional five years, whereas the second expires in November 2022 with an option to renew for an additional year. The extension option for Ottawa and Toronto offices is exercisable solely at the discretion of the Corporation. The Corporation also leases equipment under a five-year term ending in May 2025.

Carrying value of right-of-use-assets

<i>(C\$ thousands)</i>	Leased office		
	space	Equipment	Total
Cost			
Balance, March 31, 2022	12,624	78	12,702
Additions	87	-	87
Balance, June 30, 2022	12,711	78	12,789
Accumulated depreciation			
Balance, March 31, 2022	3,999	43	4,042
Depreciation	351	4	355
Balance, June 30, 2022	4,350	47	4,397
Carrying amounts			
Balance, March 31, 2022	8,625	35	8,660
Balance, June 30, 2022	8,361	31	8,392

Carrying value of lease liabilities

<i>(C\$ thousands)</i>	Leased office		
	space	Equipment	Total
Balance, March 31, 2022	10,142	34	10,176
Additions	87	-	87
Finance charges	43	-	43
Lease payments	(489)	(3)	(492)
Balance, June 30, 2022	9,783	31	9,814

Interest expense on lease liabilities amounting to \$43 thousand was recorded in the statement of comprehensive income during the three months ended June 30, 2022. 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, 2022, was insignificant. Cash payments for the interest portion of \$43 thousand and the principal portion of \$449 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)

<i>(C\$ thousands)</i>	Leased		
	office space	Equipment	Total
Not later than one year	1,473	11	1,484
Later than one year and not later than five years	5,364	21	5,385
Later than five years	3,620	-	3,620
Total	10,457	32	10,489

5 - Provision for insurance losses

The provision for insurance losses represents the Corporation's best estimate of the losses it expects to incur as a result of insuring deposits and in its role as resolution authority. The estimate is based on an expected loss calculation and is subject to uncertainty surrounding the 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:

<i>(C\$ thousands)</i>	Provision for insurance losses
Balance, March 31, 2022	1,900,000
Change in the provision	100,000
Balance, June 30, 2022	2,000,000

The Corporation has implemented the changes to its deposit insurance coverage resulting from phase one and phase two of the Deposit Insurance Framework Review. These changes have been incorporated in calculating the provision for insurance losses.

6 - Operating expenses

The table on the following page provides details of total net operating expenses of the Corporation for the three-month period ended June 30, 2022.

<i>(C\$ thousands)</i>	June 30, 2022	June 30, 2021
Salaries and other personnel costs	8,726	7,982
Professional and other fees	3,498	4,280
General expenses	850	636
Premises	656	741
Data processing	1,350	952
Depreciation and amortization	449	465
Depreciation on right-of-use assets	355	369
Interest expense on lease liabilities	43	43
Public awareness	433	976
Total operating expenses	16,360	16,444

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.