QUARTERLY FINANCIAL REPORT
SECOND QUARTER

Canada Deposit Insurance Corporation

SEPTEMBER 30, 2022

Unaudited

Canada

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Narrative discussion

Second quarter – fiscal 2022/2023

This narrative discussion has been prepared in accordance with Treasury Board of Canada's Standard on Quarterly Financial Reports. 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 condensed consolidated financial statements were reviewed and approved by CDIC's Audit Committee.

Financial highlights

For the second quarter ended September 30, 2022, the Canada Deposit Insurance Corporation ("CDIC" or "the Corporation") recognized a net income of $212 million, based on premium revenue of $204 million, investment and other income of $30 million, operating expenses of $19 million and an income tax expense of $4 million. For the same period in the prior year, CDIC recognized a net income of $201 million, based on premium revenue of $193 million, investment and other income of $23 million, operating expenses of $14 million and an income tax expense of $1 million.

For the six-month period ended September 30, 2022, CDIC recognized a net income of $323 million, based on premium revenue of $407 million, investment and other income of $56 million, an increase to the provision for insurance losses of $100 million, operating expenses of $35 million and an income tax expense of $4 million. For the same period in the prior year, CDIC recognized a net income of $349 million, based on premium revenue of $386 million, investment and other income of $45 million, an increase to the provision for insurance losses of $50 million, operating expenses of $30 million and an income tax expense of $2 million.

The Corporation's $407 million in premium revenue for the six-month period ended September 30, 2022, represents an increase of $21 million over the same period in the prior year. The increase was mainly due to growth in insured deposits.

The Corporation's $55 million in investment income for the six-month period ended September 30, 2022, was $10 million higher than in the same period in the prior year. The increase was mainly due to the growth in the investment portfolio ($7,681 million and $6,862 million as at September 30, 2022, and 2021, respectively) and an increase in the weighted average effective yield on investments (1.65% and 1.35%, as at September 30, 2022, and 2021, respectively).

The Corporation's operating expenses for the six-month period ended September 30, 2022, were $35 million, $5 million higher than for the same period in the prior year, mainly due to an increase in personnel costs, professional fees and data processing costs to support the Corporation's key initiatives.

The provision for insurance losses as at September 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.

CDIC's total assets as at September 30, 2022, were $7,728 million, an increase of $424 million from March 31, 2022, mainly driven by the growth in CDIC's investment portfolio.

During the quarter, CDIC established a near-term *ex ante* fund target to exceed 85 basis points of insured deposits by the 2026/2027 fiscal year. As at September 30, 2022, CDIC's *ex ante* funding ($7,706 million) represented 71 basis points of insured deposits ($1,082 billion).

This near-term target will guide CDIC's annual premium rate setting and related communication to member institutions on forward premium levels. 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 basis points 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 key risks which is updated quarterly.

As of September 30, 2022, CDIC has appropriate risk mitigation strategies in place for significant key 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	There were no significant changes during this quarter.
Board of Directors, Officers and Personnel	<u>Officers</u> Ms. Camille Ringrose, Chief Financial Officer & Head, Business Integration, resigned from CDIC effective September 9, 2022. On September 28, 2022 Mr. Jordan Rosenbaum was appointed Chief Financial Officer & Head, Business Integration. <u>Board of Directors</u> Mr. David Dominy and Mr. Andrew Kriegler completed their terms as members of CDIC Board of Directors on June 21, 2022, and September 7, 2022, respectively. They continue to sit as directors until reappointed or replaced. Ms. Carolyn Rogers replaced Ms. Sharon Kozicki as the Alternate Director for the Governor of the Bank of Canada to the CDIC Board of Directors effective June 23, 2022, to attend in the absence of the Governor of the Bank of Canada. Mr. Ben Gully, Deputy Superintendent – Supervision Sector for the Office of the Superintendent of Financial Institutions, was appointed as a member of the CDIC Board of Directors effective October 15, 2022, pursuant to s.5(1)(b.1) of the Canada Deposit Insurance Corporation Act (the "CDIC Act"). Mr. Ben Gully replaced Mr. Jamey Hubbs whose retirement became effective October 14, 2022.
Programs and Initiatives	The federal government announced its intention to create the First Home Savings Account (FHSA) in the 2022 federal budget, with a targeted implementation date of January 1, 2023. Consultations are ongoing with respect to the legislative amendments necessary to introduce the FHSA, including amendments to the CDIC Act. Should these proposed amendments receive Royal Assent, CDIC's deposit insurance coverage would be expanded to include separate coverage for eligible deposits held under the new FHSA category, with a separate coverage limit of $100,000 as with other categories.

Financial results

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

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

(C$ thousands)	For the three-month period ended September 30		Variance Increase (Decrease)	
	2022	**2021**	($)	(%)
Premium revenue	203,680	193,016	10,664	6%
Investment and other income	30,386	23,030	7,356	32%
Operating expenses	18,708	13,727	4,981	36%
Income tax expense	3,633	1,061	2,572	242%
Net income	**211,725**	**201,258**	**10,467**	**5%**

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 1 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, CDIC established a near-term *ex ante* fund target to exceed 85 basis points 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. The DPS review is ongoing; revisions to the DPS may result in changes to the quantum and composition of premium rates in the future.

Premium revenue of $204 million was recorded during the three-month period ended September 30, 2022, compared to $193 million for the same period in the prior year, a 6% increase. Growth in insured deposits contributed to the increase in premium revenue.

Investment and other income

The Corporation's $30 million in investment and other income for the three-month period ended September 30, 2022, was $7 million higher than in the same period in the prior year. The increase was mainly due to growth in the investment portfolio and an increase in the weighted average effective yield on investments.

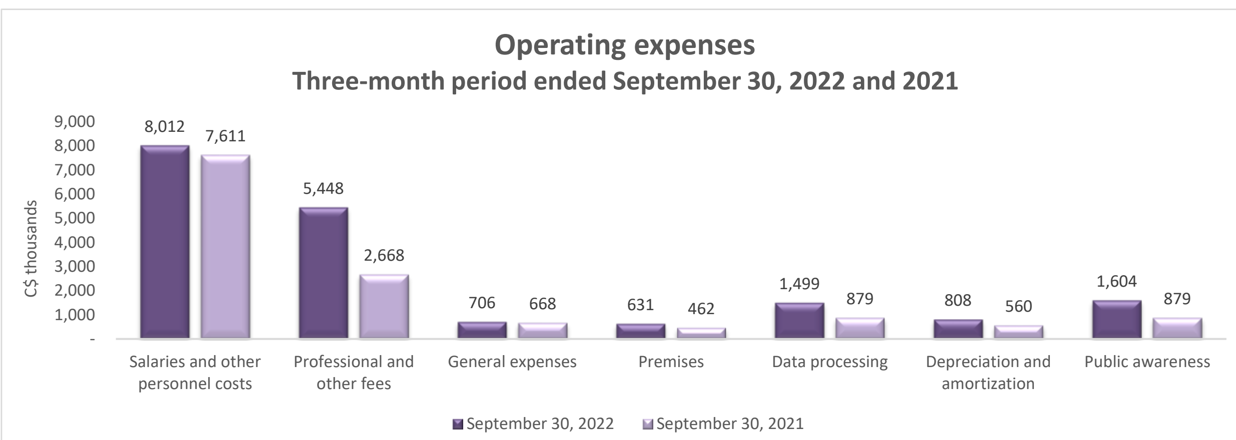
Provision for insurance losses

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.

For the second quarter ended September 30, 2022, CDIC's provision for insurance losses remained unchanged from the previous quarter at $2,000 million.

Operating expenses



The Corporation's operating expenses for the three-month period ended September 30, 2022, were $19 million, $5 million higher than for the same period in the prior year mainly due to the advancement of the payout modernization project. Costs for the project accounted for $4 million of the increase and are reflected in the professional and other fees and data processing line items.

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 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 September 30, 2022, the Corporation recognized an income tax expense of $4 million, $3 million higher than in the same period in the prior year.

Six-month period ended September 30, 2022, compared to six-month period ended September 30, 2021

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

	For the six-month period ended September 30		Variance Increase (Decrease)	
(C$ thousands)	**2022**	**2021**	($)	(%)
Premium revenue	407,360	386,031	21,329	6%
Investment and other income	55,576	45,193	10,383	23%
Change in provision for insurance losses	100,000	50,000	50,000	100%
Operating expenses	35,068	30,170	4,898	16%
Income tax expense	4,494	1,905	2,589	136%
Net income	**323,374**	**349,149**	**(25,775)**	**(7%)**

Premium revenue

Premium revenue of $407 million was recorded during the six-month period ended September 30, 2022, compared to $386 million for the same period in the prior year, a 6% increase. Growth in insured deposits contributed to the increase in premium revenue year over year.

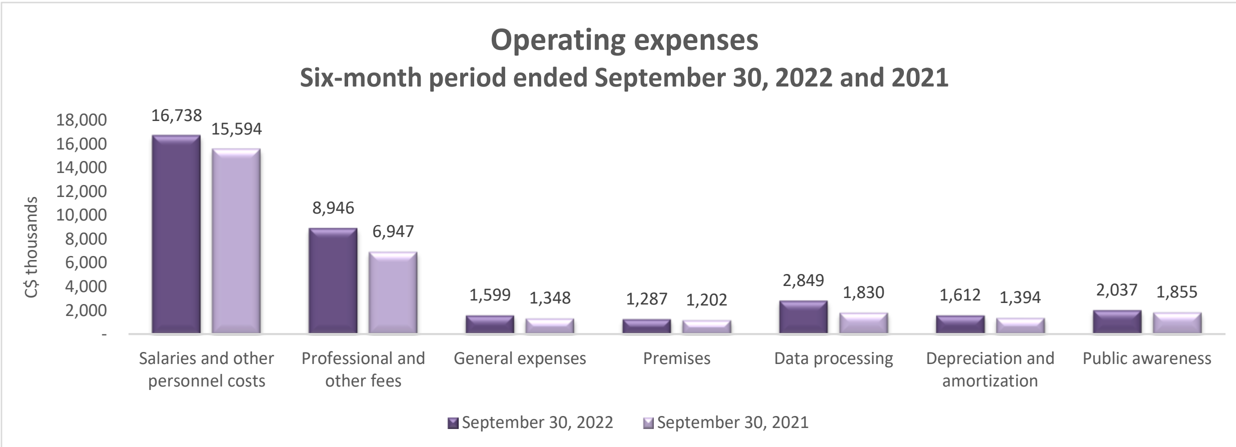
Investment and other income

The Corporation's $56 million in investment and other income for the six-month period ended September 30, 2022, was $10 million higher than in the same period in the prior year. The increase was mainly due to the growth in the investment portfolio and an increase in the weighted average effective yield on investments.

Provision for insurance losses

CDIC's provision for insurance losses increased by $100 million to $2,000 million during the six-month period ended September 30, 2022, primarily due to an increase in exposure to losses.

Operating expenses



The Corporation's operating expenses for the six-month period ended September 30, 2022, were $35 million, $5 million higher than for the same period in the prior year mainly due to the advancement of the payout modernization project.

Income taxes

As described previously, CDIC uses an effective tax rate for quarterly reporting to compute its tax liability or tax asset in accordance with *IAS 34 – Interim Financial Reporting*. During the six-month period ended September 30, 2022, the Corporation recognized an income tax expense of $4 million, $2 million higher than in the same period.

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.

	2022/2023		**Variance Increase (Decrease)**	
(C$ millions)	**Forecast**	**Planned**	**($)**	**(%)**
Premium revenue	815	822	(7)	(1%)
Investment and other income	125	89	36	40%
Change in provision for insurance losses	150	100	50	50%
Operating expenses	86	88	(2)	(2%)
Income tax expense	10	-	10	100%
Net income	**694**	**723**	**(29)**	**(4%)**

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 fairly 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 slightly differed from the assumptions, resulting in a variance between the planned and forecasted amounts.

Investment and other income

Forecasted investment and other income are $125 million, compared to the planned amount of $89 million, a variance of $36 million. This increase is mainly driven by higher investment yields compared to those assumed when developing the Corporate Plan.

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.

Operating expenses

Operating expenses for fiscal 2022/2023 are forecasted at $86 million, consistent with the planned amount of $88 million.

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, CDIC established a near-term *ex ante* fund target to exceed 85 basis points of insured deposits by fiscal year 2026/2027. The near-term target will guide CDIC's annual premium rate setting and related communication to the member institutions on forward premium levels.

CDIC's ex ante funding level was $7,706 million as at September 30, 2022, or 71 basis points of insured deposits.

Available liquid funds

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

(C$ millions)	**September 30, 2022**	**March 31, 2022**
Available liquid funds:		
Cash	28	23
Fair value of high-quality, liquid investment securities	7,326	7,058
Availability of borrowings:		
Borrowings authorized under the CDIC Act, either from market sources or from the Consolidated Revenue Fund	30,000	30,000
Total available funds	**37,354**	**37,081**
Insured deposits (as at April 30, 2022 and 2021 respectively)	1,081,986	1,025,235
Total basis points of insured deposits	**345**	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. Additional funds are available through CDIC's authority to borrow under the CDIC Act. As of September 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's *Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports,* and for such internal controls as Management determines is 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.

These condensed consolidated quarterly 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	Jordan Rosenbaum
President & Chief Executive Officer	Chief Financial Officer & Head, Business Integration
Ottawa, Canada	Ottawa, Canada
November 17, 2022	November 17, 2022

Condensed consolidated financial statements and notes

Condensed consolidated statement of financial position

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

	Notes	September 30, 2022	March 31, 2022
ASSETS			
Cash		28,081	22,726
Investment securities	*3*	7,680,886	7,261,749
Current tax asset		-	1,215
Trade and other receivables		617	742
Prepayments		1,247	1,074
Right-of-use assets	*4*	8,001	8,660
Property, plant & equipment		3,225	3,606
Intangible assets		5,454	4,460
TOTAL ASSETS		**7,727,511**	**7,304,232**
LIABILITIES			
Trade and other payables		6,718	9,764
Current tax liability		144	-
Lease liabilities	*4*	9,499	10,176
Deferred premium revenue		3,525	-
Employee benefits		1,420	1,461
Provision for insurance losses	*5*	2,000,000	1,900,000
Deferred tax liability		289	289
Total liabilities		**2,021,595**	**1,921,690**
EQUITY			
Retained earnings		5,705,916	5,382,542
TOTAL LIABILITIES AND EQUITY		**7,727,511**	**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 and six-month periods ended September 30, 2022, and 2021 (C$ thousands)

		For the three-month period ended September 30		For the six-month period ended September 30	
	Notes	**2022**	**2021**	**2022**	**2021**
REVENUE					
Premium		203,680	193,016	407,360	386,031
Investment income		30,328	22,970	55,466	45,075
Other income		58	60	110	118
		234,066	216,046	462,936	431,224
EXPENSES					
Operating expenses	6	18,708	13,727	35,068	30,170
Increase in the provision for insurance losses	5	-	-	100,000	50,000
		18,708	13,727	135,068	80,170
Net income before income taxes		215,358	202,319	327,868	351,054
Income tax expense		3,633	1,061	4,494	1,905
TOTAL COMPREHENSIVE INCOME		**211,725**	**201,258**	**323,374**	**349,149**

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

Condensed consolidated statement of changes in equity

For the three and six-month periods ended September 30, 2022, and 2021 (C$ thousands)

FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30

	Retained earnings and total equity
Balance, June 30, 2022	**5,494,191**
Total comprehensive income	211,725
Balance, September 30, 2022	**5,705,916**
Balance, June 30, 2021	**3,989,396**
Total comprehensive income	201,258
Balance, September 30, 2021	**4,190,654**

FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30

Balance, March 31, 2022	**5,382,542**
Total comprehensive income	323,374
Balance, September 30, 2022	**5,705,916**
Balance, March 31, 2021	**3,841,505**
Total comprehensive income	349,149
Balance, September 30, 2021	**4,190,654**

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

Condensed consolidated statement of cash flows

For the three and six-month periods ended September 30, 2022, and 2021 (C$ thousands)

	For the three-month period ended September 30		For the six-month period ended September 30	
	2022	2021	2022	2021
OPERATING ACTIVITIES				
Total Comprehensive Income	211,725	201,258	323,374	349,149
Add (deduct) items not involving cash				
Depreciation and amortization	808	560	1,612	1,394
Loss on disposal of property, plant and equipment	87	-	114	-
Gain on lease modification	(3)	-	(3)	-
Investment income	(30,328)	(22,970)	(55,466)	(45,075)
Interest expense/(recovery) on lease liabilities	40	(15)	83	28
Income tax expense	3,633	1,061	4,494	1,905
Employee benefit expense	34	33	67	67
Defined benefit payment	(108)	(29)	(108)	(29)
Change in working capital:				
Decrease in premiums receivable	203,627	192,868	-	-
Decrease (increase) in trade and other receivables	69	(95)	125	(135)
Decrease (increase) in prepayments	126	185	(173)	(133)
Increase (decrease) in trade and other payables	579	(274)	(3,046)	(2,029)
Increase in deferred premium revenue	3,365	3,328	3,525	3,475
Increase in the provision for insurance losses	-	-	100,000	50,000
Interest received	28,480	24,413	70,065	65,146
Interest paid on lease liabilities	(40)	(42)	(83)	(85)
Income tax paid	(1,568)	(1,248)	(3,135)	(3,120)
Net cash generated by operating activities	420,526	399,033	441,445	420,558
INVESTING ACTIVITIES				
Purchase of property, plant and equipment and intangible assets	(829)	(166)	(1,627)	(427)
Purchase of investment securities	(724,428)	(742,107)	(1,215,421)	(1,177,699)
Proceeds from sale or maturity of investment securities	317,220	354,760	781,685	786,060
Net cash used in investing activities	(408,037)	(387,513)	(435,363)	(392,066)
FINANCING ACTIVITIES				
Principal payment of lease liabilities	(278)	(383)	(727)	(765)
Net cash used in financing activities	(278)	(383)	(727)	(765)
Net increase in cash	12,211	11,137	5,355	27,727
Cash, beginning of period	15,870	19,070	22,726	2,480
Cash, end of period	**28,081**	**30,207**	**28,081**	**30,207**

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 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 His 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 November 17, 2022.

Basis of preparation

These condensed consolidated quarterly financial statements, presented in Canadian dollars, have been prepared in accordance with the Treasury Board of Canada's 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			
As at September 30, 2022 (C$ thousands)	**90 days or less**	**91 days to 1 year**	**1 to 5 years**	**Total**
Bonds	318,652	1,298,258	6,063,976	7,680,886
Weighted average effective yield (%)	1.79	2.13	1.55	1.65
Total investment securities	**318,652**	**1,298,258**	**6,063,976**	**7,680,886**
Weighted average effective yield (%)	**1.79**	**2.13**	**1.55**	**1.65**

As at March 31, 2022 (C$ thousands)	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.

			Fair values			
As at September 30, 2022 (C$ thousands)	Amortized cost	Unrealized loss	Level 1	Level 2	Level 3	Total
Bonds	7,680,886	(355,355)	5,140,097	2,185,434	-	7,325,531
Total investment securities	**7,680,886**	**(355,355)**	**5,140,097**	**2,185,434**	-	**7,325,531**

			Fair values			
As at March 31, 2022 (C$ thousands)	Amortized cost	Unrealized loss	Level 1	Level 2	Level 3	Total
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.

(C$ thousands)	September 30, 2022	March 31, 2022
AAA	5,402,412	5,242,549
AA+	441,337	365,419
AA	285,864	178,844
AA-	699,467	635,729
A+	851,806	839,208
Total investment securities	**7,680,886**	**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 September 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. 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

(C$ thousands)	**Leased office space**	**Equipment**	**Total**
Cost			
Balance, March 31, 2022	**12,624**	**78**	**12,702**
Additions	87	-	87
Adjustments	(34)	-	(34)
Balance, September 30, 2022	**12,677**	**78**	**12,755**
Accumulated depreciation			
Balance, March 31, 2022	**3,999**	**43**	**4,042**
Depreciation	707	5	712
Balance, September 30, 2022	**4,706**	**48**	**4,754**
Carrying amounts			
Balance, March 31, 2022	8,625	35	8,660
Balance, September 30, 2022	**7,971**	**30**	**8,001**

Carrying value of lease liabilities

(C$ thousands)	**Leased office space**	**Equipment**	**Total**
Balance, March 31, 2022	**10,142**	**34**	**10,176**
Additions	87	-	87
Adjustments	(37)	-	(37)
Finance charges	83	-	83
Lease payments	(805)	(5)	(810)
Balance, September 30, 2022	**9,470**	**29**	**9,499**

Interest expense on lease liabilities amounting to $83 thousand was recorded in the statement of comprehensive income during the six months ended September 30, 2022. The amount recognized for short-term leases and low-value assets during the six-month period ended September 30, 2022, was insignificant. Cash payments for the interest portion of $83 thousand and the principal portion of $727 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	1,503	11	1,514
Later than one year and not later than five years	5,281	18	5,299
Later than five years	3,314	-	3,314
Total	**10,098**	**29**	**10,127**

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 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:

(C$ thousands)	Provision for insurance losses
Balance, March 31, 2022	**1,900,000**
Change in the provision	100,000
Balance, June 30, 2022	**2,000,000**
Change in the provision	-
Balance, September 30, 2022	**2,000,000**

6 - Operating expenses

The table on the following page provides details of total operating expenses of the Corporation for the three and six-month periods ended September 30, 2022.

	For the three-month period ended September 30		For the six-month period ended September 30	
(C$ thousands)	**2022**	**2021**	**2022**	**2021**
Salaries and other personnel costs	8,012	7,611	16,738	15,594
Professional and other fees	5,448	2,668	8,946	6,947
General expenses	666	683	1,516	1,320
Premises	631	462	1,287	1,202
Data processing	1,499	879	2,849	1,830
Depreciation and amortization	451	461	900	926
Depreciation on right-of-use assets	357	99	712	468
Interest expense/(recovery) on lease liabilities	40	(15)	83	28
Public awareness	1,604	879	2,037	1,855
Total operating expenses	**18,708**	**13,727**	**35,068**	**30,170**

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.