QUARTERLY FINANCIAL REPORT
THIRD QUARTER

cdic
Canada Deposit
Insurance Corporation

DECEMBER 31, 2022

Unaudited

Canada

Table of contents

Narrative discussion **2**

Financial highlights 3

Risk analysis 4

Changes in operations, personnel and programs 5

Financial results 6

Ex ante funding 10

Available liquid funds 11

Management representation 12

Condensed consolidated financial statements and notes **13**

Condensed consolidated statement of financial position 13

Condensed consolidated statement of comprehensive income 14

Condensed consolidated statement of changes in equity 15

Condensed consolidated statement of cash flows 16

Notes to the condensed consolidated financial statements 17

1 – General information 17

2 - Significant accounting policies 18

3 - Financial instruments 18

4 - Right-of-use assets and lease liabilities 19

5 - Provision for insurance losses 20

6 - Operating expenses 21

7 - Related party transactions 21

Narrative discussion

Third 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 third quarter ended December 31, 2022, the Canada Deposit Insurance Corporation ("CDIC" or "the Corporation") recognized a net income of $113 million, based on premium revenue of $204 million, investment and other income of $33 million, an increase to the provision for insurance losses of $100 million, operating expenses of $21 million and an income tax expense of $3 million. For the same period in the prior year, CDIC recognized a net income of $346 million, based on premium revenue of $193 million, investment and other income of $24 million, a decrease to the provision for insurance losses of $150 million, operating expenses of $19 million and an income tax expense of $2 million.

For the nine-month period ended December 31, 2022, CDIC recognized a net income of $436 million, based on premium revenue of $611 million, investment and other income of $89 million, an increase to the provision for insurance losses of $200 million, operating expenses of $56 million and an income tax expense of $7 million. For the same period in the prior year, CDIC recognized a net income of $695 million, based on premium revenue of $579 million, investment and other income of $69 million, a decrease to the provision for insurance losses of $100 million, operating expenses of $49 million and an income tax expense of $4 million.

The Corporation's $611 million in premium revenue for the nine-month period ended December 31, 2022, represents an increase of $32 million over the same period in the prior year. The increase was mainly due to growth in insured deposits.

The Corporation's $89 million in investment income for the nine-month period ended December 31, 2022, was $20 million higher than in the same period in the prior year. The increase was mainly due to the growth in the investment portfolio ($8,098 million and $7,264 million as at December 31, 2022, and 2021, respectively) and an increase in the weighted average effective yield on investments (1.85% and 1.33%, as at December 31, 2022, and 2021, respectively).

The Corporation's operating expenses for the nine-month period ended December 31, 2022, were $56 million, $7 million higher than for the same period in the prior year primarily due to the advancement of the payout modernization project which accounted for $5 million of the increase.

The provision for insurance losses as at December 31, 2022, is $2,100 million, $200 million higher than the balance as at March 31, 2022, primarily due to an increase in exposure to losses along with increased probabilities of default of certain member institutions.

CDIC's total assets as at December 31, 2022, were $8,167 million, an increase of $863 million from March 31, 2022, mainly driven by the growth in CDIC's investment portfolio.

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 December 31, 2022, CDIC's *ex ante* funding ($7,919 million) represented 73 basis points of insured deposits ($1,082 billion). The near term *ex ante* fund target remains on track to exceed 85 basis points of insured deposits by the 2026/2027 fiscal year.

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 December 31, 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	Officers There were no significant changes during this quarter. Board of Directors 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 Budget 2022. The Fall Economic Statement Implementation Act, 2022 received Royal Assent on December 15, 2022, and enacts the legislative amendments necessary to introduce the FHSA, including amendments to the CDIC Act. Effective April 1, 2023, CDIC's deposit insurance coverage will expand 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 December 31, 2022, compared to three-month period ended December 31, 2021

The following table sets out CDIC's comparative results for the three-month period ended December 31, 2022, and 2021.

	For the three-month period ended December 31		Variance Increase (Decrease)	
(C$ thousands)	**2022**	**2021**	($)	(%)
Premium revenue	203,681	193,208	10,473	5%
Investment and other income	33,184	23,622	9,562	40%
Increase (decrease) in provision for insurance losses	100,000	(150,000)	250,000	167%
Operating expenses	21,085	19,254	1,831	10%
Income tax expense	2,781	1,815	966	53%
Net income	**112,999**	**345,761**	**(232,762)**	**(67%)**

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. CDIC established a near-term *ex ante* fund target to exceed 85 basis points of insured deposits by the 2026/2027 fiscal year. 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 December 31, 2022, compared to $193 million for the same period in the prior year, a 5% increase. Growth in insured deposits contributed to the increase in premium revenue.

Investment and other income

The Corporation's $33 million in investment and other income for the three-month period ended December 31, 2022, was $9 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.

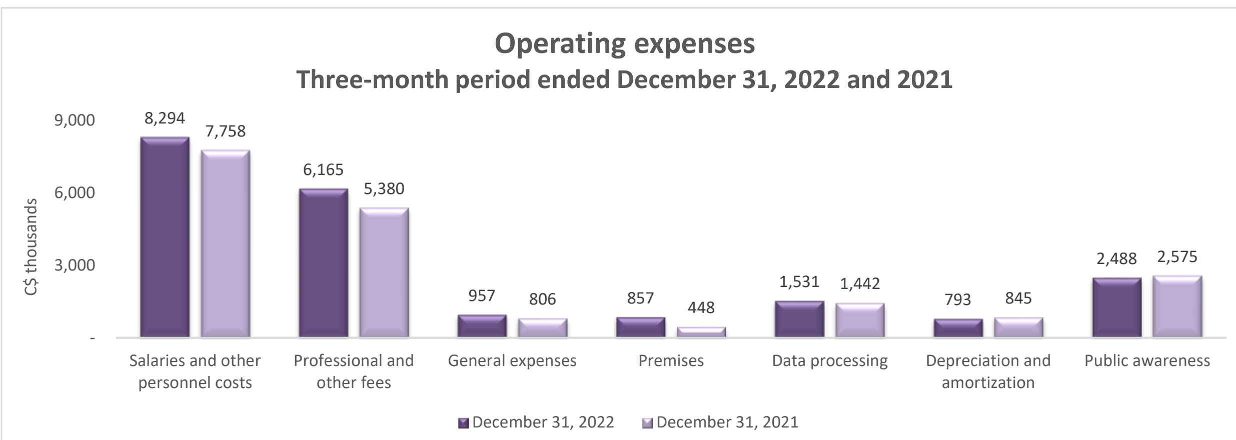
Provision for insurance losses

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 third quarter ended December 31, 2022, CDIC's provision for insurance losses increased by $100 million to $2,100 million, primarily due to an increase in exposure to losses and increased probability of default of certain member institutions.

Operating expenses



The Corporation's operating expenses for the three-month period ended December 31, 2022, were $21 million, $2 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 $1.2 million of the increase.

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 December

31, 2022, the Corporation recognized an income tax expense of $3 million, $1 million higher than in the same period in the prior year.

Nine-month period ended December 31, 2022, compared to nine-month period ended December 31, 2021

The following table sets out CDIC's comparative results for the nine-month period ended December 31, 2022, and 2021.

	For the nine-month period ended December 31		Variance Increase (Decrease)	
(C$ thousands)	**2022**	**2021**	($)	(%)
Premium revenue	611,041	579,239	31,802	5%
Investment and other income	88,760	68,814	19,946	29%
Increase (decrease) in provision for insurance losses	200,000	(100,000)	300,000	300%
Operating expenses	56,153	49,423	6,730	14%
Income tax expense	7,275	3,720	3,555	96%
Net income	**436,373**	**694,910**	**(258,537)**	**(37%)**

Premium revenue

Premium revenue of $611 million was recorded during the nine-month period ended December 31, 2022, compared to $579 million for the same period in the prior year, a 5% increase. Growth in insured deposits contributed to the increase in premium revenue year over year.

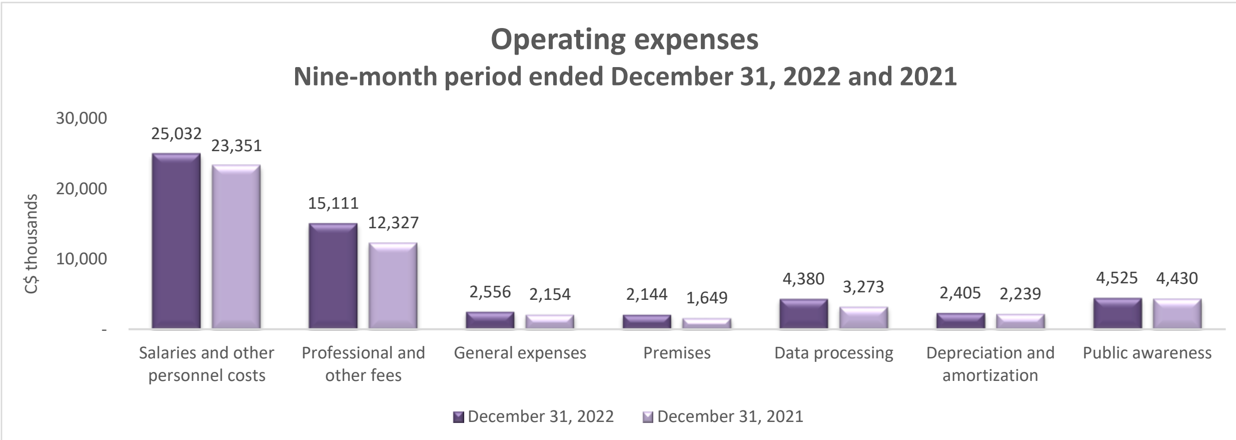
Investment and other income

The Corporation's $89 million in investment and other income for the nine-month period ended December 31, 2022, was $20 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

CDIC's provision for insurance losses increased by $200 million to $2,100 million during the nine-month period ended December 31, 2022, primarily due to an increase in exposure to losses along with increased probability of default of certain member institutions.

Operating expenses



The Corporation's operating expenses for the nine-month period ended December 31, 2022, were $56 million, $7 million higher than for the same period in the prior year primarily due to the advancement of the payout modernization project and other costs to support the Corporation's key initiatives. Costs for the payout modernization project accounted for $5 million of the increase and are reflected in the professional and other fees and data processing line items.

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 nine-month period ended December 31, 2022, the Corporation recognized an income tax expense of $7 million, $4 million higher than in 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.

	2022/2023		Variance Increase (Decrease)	
(C$ millions)	**Forecast**	**Planned**	**($)**	**(%)**
Premium revenue	815	822	(7)	(1%)
Investment and other income	125	89	36	40%
Increase in provision for insurance losses	200	100	100	100%
Operating expenses	83	88	(5)	(6%)
Income tax expense	11	0	11	100%
Net income	**646**	**723**	**(77)**	**(11%)**

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 $2,100 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 $83 million, $5 million lower than the planned amount. The decrease is mainly due to lower than planned costs and timing of spend for the payout modernization project and lower than planned professional fee spend.

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. CDIC established a near-term *ex ante* fund target to exceed 85 basis points of insured deposits by 2026/2027 fiscal year. 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 $7,919 million as at December 31, 2022, or 73 basis points of insured deposits.

Available liquid funds

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

(C$ millions)	**December 31, 2022**	**March 31, 2022**
Available liquid funds:		
Cash	50	23
Fair value of high-quality, liquid investment securities	7,747	7,058
Availability of borrowings:		
Borrowings authorized under the CDIC Act, either from market sources or from the Consolidated Revenue Fund	32,000	30,000
Total available funds	**39,797**	**37,081**
Insured deposits (as at April 30, 2022 and 2021 respectively)	1,081,986	1,025,235
Total basis points of insured deposits	**368**	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 December 31, 2022, the Corporation can borrow up to $32 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

Leah Anderson
President & Chief Executive Officer

Ottawa, Canada
February 9, 2023

J. Rosenbaum

Jordan Rosenbaum
Chief Financial Officer & Head, Business Integration

Ottawa, Canada
February 9, 2023

Condensed consolidated financial statements and notes

Condensed consolidated statement of financial position

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

	Notes	December 31, 2022	March 31, 2022
ASSETS			
Cash		50,135	22,726
Investment securities	*3*	8,097,511	7,261,749
Current tax asset		-	1,215
Trade and other receivables		206	742
Prepayments		1,514	1,074
Right-of-use assets	*4*	7,722	8,660
Property, plant & equipment		3,155	3,606
Intangible assets		6,369	4,460
TOTAL ASSETS		**8,166,612**	**7,304,232**
LIABILITIES			
Trade and other payables		30,596	9,764
Current tax liability		2,564	-
Lease liabilities	*4*	9,126	10,176
Deferred premium revenue		203,682	-
Employee benefits		1,453	1,461
Provision for insurance losses	*5*	2,100,000	1,900,000
Deferred tax liability		276	289
Total liabilities		**2,347,697**	**1,921,690**
EQUITY			
Retained earnings		5,818,915	5,382,542
TOTAL LIABILITIES AND EQUITY		**8,166,612**	**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 nine-month periods ended December 31, 2022, and 2021 (C$ thousands)

	Notes	For the three-month period ended December 31 2022	For the three-month period ended December 31 2021	For the nine-month period ended December 31 2022	For the nine-month period ended December 31 2021
REVENUE					
Premium		203,681	193,208	611,041	579,239
Investment income		33,151	23,584	88,617	68,659
Other income		33	38	143	155
		236,865	216,830	699,801	648,053
EXPENSES					
Operating expenses	*6*	21,085	19,254	56,153	49,423
Increase (decrease) in the provision for insurance losses	*5*	100,000	(150,000)	200,000	(100,000)
		121,085	(130,746)	256,153	(50,577)
Net income before income taxes		115,780	347,576	443,648	698,630
Income tax expense		2,781	1,815	7,275	3,720
TOTAL COMPREHENSIVE INCOME		**112,999**	**345,761**	**436,373**	**694,910**

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

Condensed consolidated statement of changes in equity

For the three and nine-month periods ended December 31, 2022, and 2021 (C$ thousands)

FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31

	Retained earnings and total equity
Balance, September 30, 2022	**5,705,916**
Total comprehensive income	112,999
Balance, December 31, 2022	**5,818,915**
Balance, September 30, 2021	**4,190,654**
Total comprehensive income	345,761
Balance, December 31, 2021	**4,536,415**

FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31

Balance, March 31, 2022	**5,382,542**
Total comprehensive income	436,373
Balance, December 31, 2022	**5,818,915**
Balance, March 31, 2021	**3,841,505**
Total comprehensive income	694,910
Balance, December 31, 2021	**4,536,415**

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

Condensed consolidated statement of cash flows

For the three and nine-month periods ended December 31, 2022, and 2021 (C$ thousands)

	For the three-month period ended December 31		For the nine-month period ended December 31	
	2022	**2021**	**2022**	**2021**
OPERATING ACTIVITIES				
Total Comprehensive Income	112,999	345,761	436,373	694,910
Add (deduct) items not involving cash				
Depreciation and amortization	793	845	2,405	2,239
Loss on disposal of property, plant and equipment	-	-	114	-
Gain on lease modification	(7)	-	(10)	-
Investment income	(33,151)	(23,584)	(88,617)	(68,659)
Interest expense on lease liabilities	42	44	125	72
Income tax expense	2,781	1,815	7,275	3,720
Employee benefit expense	33	34	100	100
Defined benefit payment	-	(33)	(108)	(61)
Change in working capital:				
Decrease (increase) in trade and other receivables	411	48	536	(88)
(Increase) decrease in prepayments	(267)	337	(440)	204
Increase in trade and other payables	23,878	24,811	20,832	22,782
Increase in deferred premium revenue	200,157	189,604	203,682	193,079
Increase (decrease) in the provision for insurance losses	100,000	(150,000)	200,000	(100,000)
Interest received	44,143	41,212	114,208	106,359
Interest paid on lease liabilities	(42)	(44)	(125)	(129)
Income tax paid	(374)	(1,363)	(3,508)	(4,483)
Net cash generated by operating activities	451,396	429,487	892,842	850,045
INVESTING ACTIVITIES				
Purchase of property, plant and equipment and intangible assets	(1,289)	(1,132)	(2,916)	(1,559)
Purchase of investment securities	(755,370)	(740,920)	(1,970,791)	(1,918,619)
Proceeds from sale or maturity of investment securities	327,752	321,260	1,109,437	1,107,320
Net cash used in investing activities	(428,907)	(420,792)	(864,270)	(812,858)
FINANCING ACTIVITIES				
Principal payment of lease liabilities	(435)	(468)	(1,163)	(1,233)
Leasehold improvement allowance	-	1,305	-	1,305
Net cash (used in) generated by financing activities	(435)	837	(1,163)	72
Net increase in cash	22,054	9,532	27,409	37,259
Cash, beginning of period	28,081	30,207	22,726	2,480
Cash, end of period	**50,135**	**39,739**	**50,135**	**39,739**

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 February 9, 2023.

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

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

			Fair values			
As at December 31, 2022 (C$ thousands)	**Amortized cost**	**Unrealized loss**	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills	234,571	(36)	234,535	-	-	234,535
Bonds	7,862,940	(350,336)	5,381,469	2,131,135	-	7,512,604
Total investment securities	**8,097,511**	**(350,372)**	**5,616,004**	**2,131,135**	**-**	**7,747,139**

			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)	**December 31, 2022**	**March 31, 2022**
AAA	5,874,346	5,242,549
AA+	337,424	365,419
AA	284,194	178,844
AA-	665,046	635,729
A+	936,501	839,208
Total investment securities	**8,097,511**	**7,261,749**
Weighted average effective yield (%)	**1.85%**	**1.36%**

The carrying amounts in the above tables include accrued interest.

The Corporation did not record any loss allowances on its investment securities as at December 31, 2022 (March 31, 2022: nil).

4 - Right-of-use assets and lease liabilities

The Corporation leases office space in Ottawa and Toronto, the term of which ends in September 2030 and October 2026, respectively, each with an option to renew for an additional five years. The extension options for the Ottawa and Toronto offices are 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	36	-	36
Balance, December 31, 2022	**12,747**	**78**	**12,825**
Accumulated depreciation			
Balance, March 31, 2022	**3,999**	**43**	**4,042**
Depreciation	1,052	9	1,061
Balance, December 31, 2022	**5,051**	**52**	**5,103**
Carrying amounts			
Balance, March 31, 2022	8,625	35	8,660
Balance, December 31, 2022	**7,696**	**26**	**7,722**

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	26	-	26
Finance charges	125	-	125
Lease payments	(1,280)	(8)	(1,288)
Balance, December 31, 2022	**9,100**	**26**	**9,126**

Interest expense on lease liabilities amounting to $125 thousand was recorded in the statement of comprehensive income during the nine months ended December 31, 2022. The amount recognized for short-term leases and low-value assets during the nine-month period ended December 31, 2022, was insignificant. Cash payments for the interest portion of $125 thousand and the principal portion of $1,163 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	1,386	11	1,397
Later than one year and not later than five years	5,245	15	5,260
Later than five years	3,061	-	3,061
Total	**9,692**	**26**	**9,718**

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**
Change in the provision	100,000
Balance, December 31, 2022	**2,100,000**

6 - Operating expenses

The following table provides details of total operating expenses of the Corporation for the three and nine-month periods ended December 31, 2022.

	For the three-month period ended **December 31**		For the nine-month period ended **December 31**	
(C$ thousands)	**2022**	**2021**	**2022**	**2021**
Salaries and other personnel costs	8,294	7,758	25,032	23,351
Professional and other fees	6,165	5,380	15,111	12,327
General expenses	915	762	2,431	2,082
Premises	857	448	2,144	1,649
Data processing	1,531	1,442	4,380	3,273
Depreciation and amortization	444	491	1,344	1,417
Depreciation on right-of-use assets	349	354	1,061	822
Interest expense on lease liabilities	42	44	125	72
Public awareness	2,488	2,575	4,525	4,430
Total operating expenses	**21,085**	**19,254**	**56,153**	**49,423**

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.