

The background of the cover is an aerial photograph of a coastal town. In the upper right, a white lighthouse with a red top stands on a rocky outcrop overlooking the ocean. Below it, a winding road leads to a cluster of buildings, including a large white house and a smaller yellow building. In the foreground, a red wooden building sits on stilts over a rocky shoreline. A large, semi-transparent purple maple leaf is overlaid in the center, framing the text.

**Quarterly Financial Report  
Second Quarter**

September 30, 2023  
*Unaudited*

**Canada**

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## Narrative discussion

### **Second quarter – fiscal 2023/2024**

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 2023 Annual Report are assumed to apply to the current quarter unless otherwise updated.

The condensed 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 second quarter ended September 30, 2023, the Canada Deposit Insurance Corporation (“CDIC” or “the Corporation”) recognized a net income of \$192 million, based on premium revenue of \$223 million, investment and other income of \$46 million, an increase to the provision for insurance losses of \$50 million, operating expenses of \$20 million and an income tax expense of \$7 million. For the same period in the prior year, CDIC 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 six-month period ended September 30, 2023, CDIC recognized a net income of \$232 million, based on premium revenue of \$445 million, investment and other income of \$85 million, an increase to the provision for insurance losses of \$250 million, operating expenses of \$39 million and an income tax expense of \$9 million. For the same period in the prior year, 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.

The Corporation’s \$445 million in premium revenue for the six-month period ended September 30, 2023, represents an increase of \$38 million over the same period in the prior year. The increase was mainly due to growth in insured deposits.

The Corporation’s \$85 million in investment income for the six-month period ended September 30, 2023, was \$29 million higher than in the same period in the prior year. The increase was mainly due to the growth in the investment portfolio (\$8,591 million and \$7,681 million as at September 30, 2023, and 2022, respectively) and an increase in the weighted average effective yield on investments (2.22% and 1.65%, as at September 30, 2023, and 2022, respectively).

The Corporation’s operating expenses for the six-month period ended September 30, 2023, were \$39 million, \$4 million higher than for the same period in the prior year. The increase is primarily due to the advancement of the payout modernization project and an increase in personnel costs to support the Corporation’s key initiatives.

The provision for insurance losses as at September 30, 2023, is \$2,350 million, \$250 million higher than the balance as at March 31, 2023, primarily due to an increase in exposure to losses and increased probabilities of default for certain member institutions.

CDIC’s total assets as at September 30, 2023, were \$8,637 million, an increase of \$478 million from March 31, 2023, 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 September 30, 2023, CDIC’s *ex ante* funding (\$8,613 million) represented 73 basis points of insured deposits (\$1,182 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 September 30, 2023, 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            There were no significant changes during this quarter.

Board of            Board of Directors  
Directors,

Officers and  
Personnel

On September 5, 2023, Chris Forbes was appointed as Deputy Minister of Finance, effective September 11, 2023.

## Financial results

### Three-month period ended September 30, 2023, compared to three-month period ended September 30, 2022

The following table sets out CDIC's comparative results for the three-month period ended September 30, 2023, and 2022.

(C\$ thousands)	For the three-month period ended September 30		Variance Increase (Decrease)	
	2023	2022	(\$)	(%)
Premium revenue	222,895	203,680	19,215	9%
Investment and other income	45,936	30,386	15,550	51%
Increase in provision for insurance losses	50,000	-	50,000	100%
Operating expenses	19,909	18,708	1,201	6%
Income tax expense	6,988	3,633	3,355	92%
<b>Net income</b>	<b>191,934</b>	<b>211,725</b>	<b>(19,791)</b>	<b>(9%)</b>

#### 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 2023/2024, the approved Category I rate (the base rate) is 7.5 basis points of insured deposits, unchanged from the 2022/2023 base rate. CDIC's premium revenue for fiscal 2023/2024, established from the Insured Deposits as at April 30, 2023, is estimated to be \$891 million. 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.

CDIC concluded its review of the Differential Premiums System (DPS) with the publication of final framework changes on July 31st, 2023. The changes will 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. Revisions to the DPS are expected to come into force for the premium year ended April 30th, 2025, and may result in changes to the quantum and composition of premium rates in the future.

Premium revenue of \$223 million was recorded during the three-month period ended September 30, 2023, compared to \$204 million for the same period in the prior year, a 9% increase. Growth in insured deposits contributed to the increase in premium revenue.

## Investment and other income

The Corporation's \$46 million in investment and other income for the three-month period ended September 30, 2023, was \$16 million higher than in the same period in the prior year. The increase was mainly due to growth in the investment portfolio (\$8,591 million and \$7,681 million as at September 30, 2023, and 2022, respectively) and an increase in the weighted average effective yield on investments (2.22% and 1.65%, as at September 30, 2023, and 2022, respectively).

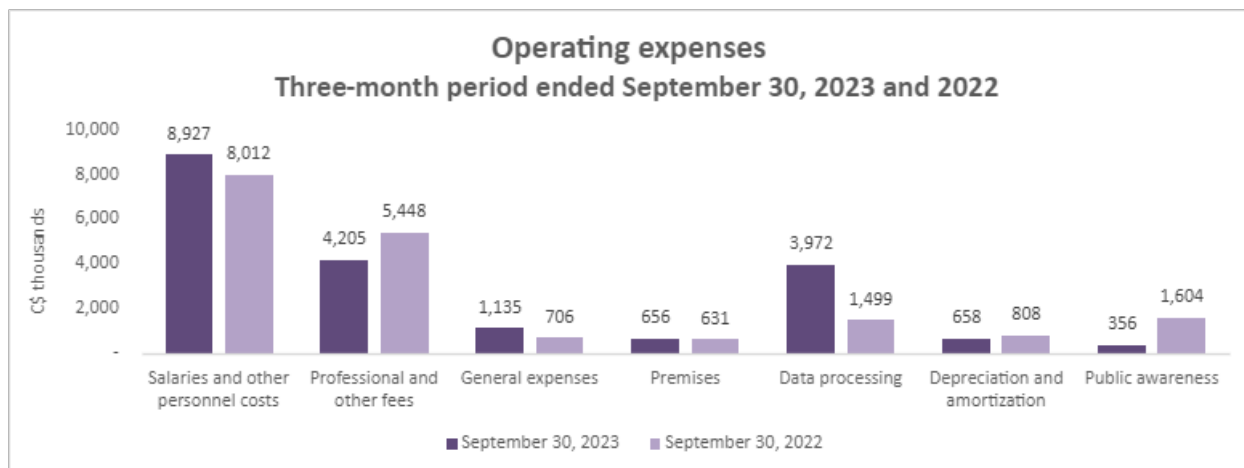
## Provision for insurance losses

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 \$50 million to \$2,350 million as at September 30, 2023 primarily due to an increase in exposure to losses.

## Operating expenses



The Corporation's operating expenses for the three-month period ended September 30, 2023, were \$20 million, \$1 million higher than for the same period in the prior year due to an increase in personnel and data processing costs, offset by decreases in professional fees and public awareness spend. The increase in data processing costs is primarily due to the advancement of the payout modernization project.

## 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 September 30, 2023, the Corporation recognized an income tax expense of \$7 million, \$3 million higher than in the same period in the prior year.

### **Six-month period ended September 30, 2023, compared to six-month period ended September 30, 2022**

The following table sets out CDIC's comparative results for the six-month period ended September 30, 2023, and 2022.

(C\$ thousands)	For the six-month period ended		Variance	
	September 30 2023	September 30 2022	Increase (Decrease) (\$)	(%)
Premium revenue	445,133	407,360	37,773	9%
Investment and other income	84,869	55,576	29,293	53%
Increase in provision for insurance losses	250,000	100,000	150,000	150%
Operating expenses	39,201	35,068	4,133	12%
Income tax expense	8,590	4,494	4,096	91%
<b>Net income</b>	<b>232,211</b>	<b>323,374</b>	<b>(91,163)</b>	<b>(28%)</b>

#### **Premium revenue**

Premium revenue of \$445 million was recorded during the six-month period ended September 30, 2023, compared to \$407 million for the same period in the prior year, a 9% increase. Growth in insured deposits contributed to the increase in premium revenue year over year.

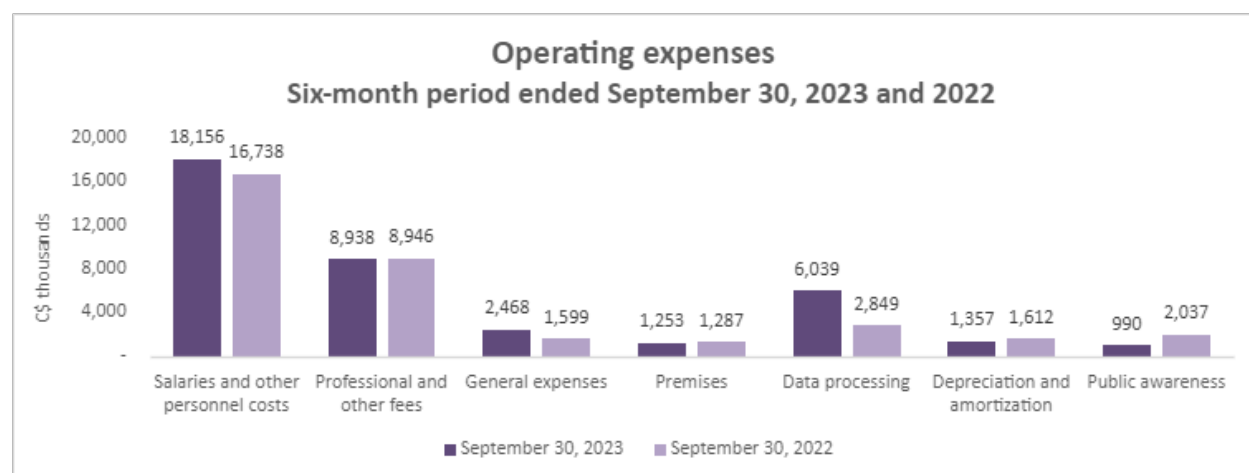
#### **Investment and other income**

The Corporation's \$85 million in investment and other income for the six-month period ended September 30, 2023, was \$29 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 \$250 million to \$2,350 million during the six-month period ended September 30, 2023, due to an increase in exposure to losses and increased probabilities of default for certain member institutions.

## Operating expenses



The Corporation's operating expenses for the six-month period ended September 30, 2023, were \$39 million, \$4 million higher than for the same period in the prior year mainly due to the advancement of the payout modernization project and an increase in personnel costs to support the Corporation's key initiatives.

## 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, 2023, the Corporation recognized an income tax expense of \$9 million, \$4 million higher than for the same period in the prior year mainly due to the increase in investment income.

## Forecast results for fiscal 2023/2024, 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)	2023/2024		Variance	
	Forecast	Planned	Increase (Decrease) (\$)	(%)
Premium revenue	891	861	30	3%
Investment and other income	189	174	15	9%
Increase in provision for insurance losses	300	150	150	100%
Operating expenses	90	89	1	1%
Income tax expense	25	21	4	19%
<b>Net income</b>	<b>665</b>	<b>775</b>	<b>(110)</b>	<b>(14%)</b>

## Premium revenue

CDIC's 2023/2024 to 2027/2028 Corporate Plan (the "Corporate Plan") sets out planned premium revenue of \$861 million for fiscal 2023/2024, compared with Management's current forecasted revenue

of \$891 million for the year, which is \$30 million higher than the Corporate Plan. 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 at the time the plan was developed. Results to date have differed from the assumptions, resulting in a variance between the planned and forecasted amounts.

### **Investment and other income**

Forecasted investment and other income are \$189 million, compared to the planned amount of \$174 million, a variance of \$15 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, 2024, is \$2,400 million, compared to the planned amount of \$2,250 million. This increase is mainly due to changes in assumptions since the Plan amounts were developed in December 2022.

### **Operating expenses**

Operating expenses for fiscal 2023/2024 are currently forecasted to be \$90 million, consistent with the planned amount of \$89 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. 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 the member institutions on forward premium levels.

CDIC's *ex ante* funding level was \$8,613 million as at September 30, 2023, or 73 basis points of insured deposits.

## Available liquid funds

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

<i>(C\$ millions)</i>	<b>September 30, 2023</b>	<b>March 31, 2023</b>
<i>Available liquid funds:</i>		
Cash	27	16
Fair value of high-quality, liquid investment securities	8,182	7,862
<i>Availability of borrowings:</i>		
Borrowings authorized under the CDIC Act, either from market sources or from the Consolidated Revenue Fund	32,000	32,000
<b>Total available funds</b>	<b>40,209</b>	<b>39,878</b>
Insured deposits (as at April 30, 2023 and 2022 respectively)	1,182,127	1,081,987
<b>Total basis points of insured deposits</b>	<b>340</b>	<b>369</b>

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, 2023, 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 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 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 quarterly financial statements.

These condensed quarterly financial statements have not been audited or reviewed by an external auditor.

Based on our knowledge, these unaudited condensed 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 quarterly financial statements.



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Leah Anderson  
President & Chief Executive  
Officer

Ottawa, Canada  
November 16, 2023



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Jordan Rosenbaum  
Chief Financial Officer & Head,  
Business Integration

Ottawa, Canada  
November 16, 2023



## Condensed financial statements and notes

### Condensed statement of financial position

As at September 30, 2023, and March 31, 2023 (C\$ thousands)

	Notes	September 30, 2023	March 31, 2023
<b>ASSETS</b>			
Cash		27,126	15,712
Investment securities	3	8,590,618	8,123,679
Trade and other receivables		204	472
Prepayments		1,669	1,636
Right-of-use assets	4	6,894	7,416
Property, plant & equipment		3,426	3,452
Intangible assets		7,463	6,934
<b>TOTAL ASSETS</b>		<b>8,637,400</b>	<b>8,159,301</b>
<b>LIABILITIES</b>			
Trade and other payables		8,817	13,579
Current tax liability		2,951	4,954
Lease liabilities	4	8,282	8,816
Deferred premium revenue		3,183	-
Employee benefits		1,314	1,291
Provision for insurance losses	5	2,350,000	2,100,000
Deferred tax liability		129	148
<b>Total liabilities</b>		<b>2,374,676</b>	<b>2,128,788</b>
<b>EQUITY</b>			
Retained earnings		6,262,724	6,030,513
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,637,400</b>	<b>8,159,301</b>

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

## Condensed statement of comprehensive income

For the three and six-month periods ended September 30, 2023, and 2022 (C\$ thousands)

	Notes	For the three-month period ended September 30		For the six-month period ended September 30	
		2023	2022	2023	2022
<b>REVENUE</b>					
Premium		222,895	203,680	445,133	407,360
Investment income		45,934	30,328	84,867	55,466
Other income		2	58	2	110
		268,831	234,066	530,002	462,936
<b>EXPENSES</b>					
Operating expenses	6	19,909	18,708	39,201	35,068
Increase in the provision for insurance losses	5	50,000	-	250,000	100,000
		69,909	18,708	289,201	135,068
Net income before income taxes		198,922	215,358	240,801	327,868
Income tax expense		6,988	3,633	8,590	4,494
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>191,934</b>	<b>211,725</b>	<b>232,211</b>	<b>323,374</b>

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

## Condensed statement of changes in equity

For the three and six-month periods ended September 30, 2023, and 2022 (C\$ thousands)

### FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30

	Retained earnings and total equity
<b>Balance, June 30, 2023</b>	<b>6,070,790</b>
Total comprehensive income	191,934
<b>Balance, September 30, 2023</b>	<b>6,262,724</b>

<b>Balance, June 30, 2022</b>	<b>5,494,191</b>
Total comprehensive income	211,725
<b>Balance, September 30, 2022</b>	<b>5,705,916</b>

### FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30

<b>Balance, March 31, 2023</b>	<b>6,030,513</b>
Total comprehensive income	232,211
<b>Balance, September 30, 2023</b>	<b>6,262,724</b>

<b>Balance, March 31, 2022</b>	<b>5,382,542</b>
Total comprehensive income	323,374
<b>Balance, September 30, 2022</b>	<b>5,705,916</b>

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

## Condensed statement of cash flows

For the three and six-month periods ended September 30, 2023, and 2022 (C\$ thousands)

	For the three-month period ended		For the six-month period ended	
	September 30		September 30	
	2023	2022	2023	2022
<b>OPERATING ACTIVITIES</b>				
Total Comprehensive Income	191,934	211,725	232,211	323,374
Add (deduct) items not involving cash				
Depreciation and amortization	658	808	1,357	1,612
Loss on disposal of property, plant and equipment	-	87	-	114
Gain on lease modification	-	(3)	-	(3)
Investment income	(45,934)	(30,328)	(84,867)	(55,466)
Interest expense on lease liabilities	36	40	74	83
Income tax expense	6,988	3,633	8,590	4,494
Employee benefit expense	32	34	64	67
Defined benefit payment	(40)	(108)	(40)	(108)
Change in working capital:				
Decrease in premiums receivable	221,584	203,627	-	-
Decrease in trade and other receivables	232	69	268	125
Decrease (increase) in prepayments	831	126	(33)	(173)
(Decrease) increase in trade and other payables	(775)	579	(4,762)	(3,046)
Increase in deferred premium revenue	2,353	3,365	3,183	3,525
Increase in the provision for insurance losses	50,000	-	250,000	100,000
Interest received	41,614	28,480	88,338	70,065
Interest paid on lease liabilities	(36)	(40)	(74)	(83)
Income tax paid	(2,849)	(1,568)	(10,613)	(3,135)
Net cash generated by operating activities	466,628	420,526	483,696	441,445
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment and intangible assets	(710)	(829)	(1,250)	(1,627)
Purchase of investment securities	(861,701)	(724,428)	(1,649,654)	(1,215,421)
Proceeds from sale or maturity of investment securities	402,725	317,220	1,179,245	781,685
Net cash used in investing activities	(459,686)	(408,037)	(471,659)	(435,363)
<b>FINANCING ACTIVITIES</b>				
Principal payment of lease liabilities	(313)	(278)	(623)	(727)
Net cash used in financing activities	(313)	(278)	(623)	(727)
Net increase in cash	6,629	12,211	11,414	5,355
Cash, beginning of period	20,497	15,870	15,712	22,726
Cash, end of period	27,126	28,081	27,126	28,081

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

## Notes to the condensed 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 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. The changes have required and will continue to require changes to the Corporation's processes.

*Budget Implementation Act 1 (BIA 1) 2023, An Act to implement certain provisions of the budget (Bill C-47)* received Royal Assent on June 22, 2023.

The BIA 1 introduces certain legislative measures announced by the Government in Budget 2023, including changes to the *Canada Deposit Insurance Corporation Act*. Legislative amendments include:



- An authority for the Minister to increase temporarily the deposit insurance limit where, in the Minister's opinion, it is necessary to promote the stability and maintain the efficiency of the financial system in Canada will expire on April 29, 2024; and
- An authority for CDIC to administer any contract related to deposit insurance that the Minister enters into with any entity under section 60.2 of the *Financial Administration Act*.

These condensed quarterly financial statements were approved and authorized for issue by the Corporation's Audit Committee on November 16, 2023.

### **Basis of preparation**

These condensed 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 quarterly financial statements should be read in conjunction with the audited financial statements as at and for the year ended March 31, 2023.

These condensed 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**

On July 6<sup>th</sup>, 2023, a bankruptcy order for Adelaide Capital Corporation (ACC) was issued and CDIC ceased its control of ACC. As of this date, CDIC no longer consolidates ACC in the Corporation's financial statements; the impact of deconsolidation is not material.

Notwithstanding the above, the accounting policies applied by the Corporation in these condensed quarterly financial statements are the same as those applied by the Corporation in its audited financial statements as at and for the year ended March 31, 2023.

### **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 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 financial statements as at and for the year ended March 31, 2023

### 3 - Investment Securities

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

<i>As at September 30, 2023 (C\$ thousands)</i>	<b>Amortized cost</b>	<b>Unrealized loss</b>	<b>Fair values</b>			
			<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Bonds	8,590,618	(408,578)	5,917,425	2,264,615	-	8,182,040
<b>Total investment securities</b>	<b>8,590,618</b>	<b>(408,578)</b>	<b>5,917,425</b>	<b>2,264,615</b>	<b>-</b>	<b>8,182,040</b>

<i>As at March 31, 2023 (C\$ thousands)</i>	<b>Amortized cost</b>	<b>Unrealized loss</b>	<b>Fair values</b>			
			<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Bond	8,083,737	(261,324)	5,629,815	2,192,598	-	7,822,413
T-Bill	39,942	-	39,942	-	-	39,942
<b>Total investment securities</b>	<b>8,123,679</b>	<b>(261,324)</b>	<b>5,669,757</b>	<b>2,192,598</b>	<b>-</b>	<b>7,862,355</b>

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

<i>(C\$ thousands)</i>	<b>September 30, 2023</b>	<b>March 31, 2023</b>
AAA	6,220,889	5,863,319
AA+	-	339,098
AA	663,022	285,483
AA-	587,538	669,871
A+	1,119,169	965,908
<b>Total investment securities</b>	<b>8,590,618</b>	<b>8,123,679</b>
<b>Weighted average effective yield (%)</b>	<b>2.22</b>	<b>1.90</b>

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, 2023 (March 31, 2023: 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**

<i>(C\$ thousands)</i>	<b>Leased office space</b>	<b>Equipment</b>	<b>Total</b>
<b>Cost</b>			
<b>Balance, March 31, 2023</b>	<b>12,747</b>	<b>78</b>	<b>12,825</b>
Additions	89	-	89
<b>Balance, September 30, 2023</b>	<b>12,836</b>	<b>78</b>	<b>12,914</b>
<b>Accumulated depreciation</b>			
<b>Balance, March 31, 2023</b>	<b>5,355</b>	<b>54</b>	<b>5,409</b>
Depreciation	606	5	611
<b>Balance, September 30, 2023</b>	<b>5,961</b>	<b>59</b>	<b>6,020</b>
<b>Carrying amounts</b>			
Balance, March 31, 2023	7,392	24	7,416
<b>Balance, September 30, 2023</b>	<b>6,875</b>	<b>19</b>	<b>6,894</b>

**Carrying value of lease liabilities**

<i>(C\$ thousands)</i>	<b>Leased office space</b>	<b>Equipment</b>	<b>Total</b>
<b>Balance, March 31, 2023</b>	<b>8,792</b>	<b>24</b>	<b>8,816</b>
Additions	89	-	89
Finance charges	74	-	74
Lease payments	(692)	(5)	(697)
<b>Balance, September 30, 2023</b>	<b>8,263</b>	<b>19</b>	<b>8,282</b>

Interest expense on lease liabilities amounting to \$74 thousand was recorded in the statement of comprehensive income during the six months ended September 30, 2023. The amount recognized for short-term leases and low-value assets during the six-month period ended September 30, 2023, was insignificant. Cash payments for the interest portion of \$74 thousand and the principal portion of \$623 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>	<b>Leased office</b>		
	<b>space</b>	<b>Equipment</b>	<b>Total</b>
Not later than one year	1,396	11	1,407
Later than one year and not later than five years	5,032	7	5,039
Later than five years	2,226	-	2,226
<b>Total</b>	<b>8,654</b>	<b>18</b>	<b>8,672</b>

## 5 - Provision for insurance losses

The provision for insurance losses represents the Corporation's best estimate of the future outflow of economic benefits 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>	<b>Provision for insurance losses</b>
<b>Balance, March 31, 2023</b>	<b>2,100,000</b>
Increase in the provision	200,000
<b>Balance, June 30, 2023</b>	<b>2,300,000</b>
Increase in the provision	50,000
<b>Balance, September 30, 2023</b>	<b>2,350,000</b>

## 6 - Operating expenses

The following table provides details of total operating expenses of the Corporation for the three and six-month periods ended September 30, 2023.

<i>(C\$ thousands)</i>	For the three-month period ended September 30		For the six-month period ended September 30	
	2023	2022	2023	2022
Salaries and other personnel costs	8,927	8,012	18,156	16,738
Professional and other fees	4,205	5,448	8,938	8,946
General expenses	1,099	666	2,394	1,516
Premises	656	631	1,253	1,287
Data processing	3,972	1,499	6,039	2,849
Depreciation and amortization	352	451	745	900
Depreciation on right-of-use assets	306	357	612	712
Interest expense/(recovery) on lease liabilities	36	40	74	83
Public awareness	356	1,604	990	2,037
<b>Total operating expenses</b>	<b>19,909</b>	<b>18,708</b>	<b>39,201</b>	<b>35,068</b>

## 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.