



Canada Deposit
Insurance Corporation

QUARTERLY FINANCIAL REPORT FIRST QUARTER

JUNE 30, 2021

Unaudited



*We protect
your deposits*

Canada

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Narrative discussion

First quarter – fiscal 2021/2022

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 2021 Annual Report are assumed to apply to the current quarter unless otherwise updated.

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

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

Financial highlights

For the first quarter ended June 30, 2021, the Canada Deposit Insurance Corporation (“CDIC” or “the Corporation”) recognized a net income of \$148 million, based on premium revenue of \$193 million, investment income of \$22 million, an increase to the provision for insurance losses (“the provision”) of \$50 million, net operating expenses of \$16 million and incomes taxes of \$844 thousand. For the same period in the prior year, CDIC recognized a net loss of \$103 million arising principally from the increase in the provision for insurance losses of \$300 million. Other items of significance were premium revenue of \$185 million, investment and other income of \$23 million, net operating expenses of \$14 million and an income tax recovery of \$3 million.

The Corporation’s \$193 million in premium revenue for the three-month period ended June 30, 2021, represents an increase of \$8 million over the same period in the prior year. The increase was mainly due to growth in insured deposits.

The Corporation’s \$22 million in investment income for the three-month period ended June 30, 2021, was \$806 thousand lower than in the same period in the prior year. In spite of growth in the investment portfolio, the decrease in investment income was mainly due to a decrease in the effective yield on investments (1.37% and 1.58%, as at June 30, 2021, and 2020, respectively.)

The Corporation’s net operating expenses for the three-month period ended June 30, 2021, were \$16 million, \$2 million higher than for the same period in the prior year, mainly due to an increase in personnel costs and professional fees to support the Corporation’s key initiatives, offset by lower public awareness spend compared to last year due to increased media presence during the COVID 19 pandemic.

The provision for insurance losses as at June 30, 2021, is \$2,700 million, \$50 million higher than the balance as at March 31, 2021, primarily due to an increase in the probability of defaults and changes in the risk profile of certain member institutions partly offset by a decrease in exposure to losses.

CDIC’s total assets as at June 30, 2021, were \$6,708 million, an increase of \$196 million from March 31, 2021. The increase is largely the result of premiums receivable for the first quarter of \$193 million. Premiums from CDIC’s member institutions are received in July and December for the fiscal year.

As at June 30, 2021, CDIC’s *ex ante* funding (\$6,689 million) represented 65 basis points of insured deposits (\$1,025 billion), as compared to the minimum target level of 100 basis points which is expected to be achieved by the 2028/2029 fiscal year, one year later than the 2021/2022 Corporate Plan target of fiscal year 2027/2028. The forecasted additional year to reach the target is primarily due to higher than estimated growth in insured deposits and upcoming coverage changes as a result of the Deposit Insurance Review (DIR) Phase 2 which comes into effect April 2022.

Risk analysis

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

As of June 30, 2021, CDIC has appropriate risk mitigation strategies in place for significant risks facing the Corporation identified through this process. These risks are being assessed and monitored continuously by Management.

Changes in operations, personnel and programs

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

Operations	<p>Member institutions filed their annual Return of Insured Deposits by July 15, 2021, which established premium revenue for the year. Based on the filings, insured deposits as at April 30, 2021, held at member institutions totaled \$1,025 billion (April 30, 2020 - \$968 billion).</p> <p>Premium revenue for fiscal 2021/2022 is estimated to be \$772 million (2020/2021 - \$739 million).</p>
Board of Directors, Officers and Personnel	<p>Mr. Peter Routledge tendered his resignation as President and CEO of CDIC to accept an appointment as Superintendent of Financial Institutions. Privy Council will commence the selection process for a new CDIC President and CEO.</p> <p>With Mr. Routledge's departure, CDIC's Board of Directors delegated the President and CEO's administrative authority to Ms. Chantal Richer, CDIC's Chief Operating Officer, until the appointment of an interim CEO.</p> <p>On August 4th, 2021, Ms. Leah Anderson was appointed interim President and CEO of CDIC. Ms. Anderson will serve as interim President and CEO for up to two years or until a new President and CEO is appointed, whichever comes first, beginning on August 16th.</p> <p>As mentioned above, Mr. Routledge replaced Mr. Jeremy Rudin as Superintendent of Financial Institutions effective June 29th, 2021, and as a result became a member of the CDIC Board of Directors pursuant to s.5(1)(b) of the Canada Deposit Insurance Corporation Act.</p> <p>Ms. Wendy Millar resigned her position as private sector director effective June 18th, 2021.</p>
Programs and Initiatives	<p>Changes to the CDIC Act resulting from the Budget Implementation Act 2021, No.1, received Royal Assent in June 2021. These new measures promote financial stability by strengthening Canada's deposit protection and bank resolution regime. Key changes to the CDIC Act include:</p> <ul style="list-style-type: none">• Strengthening the cross-border enforceability of the stay provisions that apply to eligible financial contracts, which will improve CDIC's ability to resolve a member institution with cross-border operations;• Providing legislative clarity to ensure beneficiaries of trust deposits continue to be protected once the new requirements related to trust deposits come into force; and• Extending the time limit for retaining control of a failing bank to 18 months from six months to allow CDIC time to complete its sale or restructuring.

Financial results

Three-month period ended June 30, 2021, compared to three-month period ended June 30, 2020

The following table sets out CDIC's comparative results for the three-month period ended June 30, 2021, and 2020.

(C\$ thousands)	For the three-month period ended		Variance	
	June 30, 2021	June 30, 2020	Increase (Decrease) (\$)	(%)
Premium revenue	193,015	184,769	8,246	4%
Investment and other income	22,164	22,916	(752)	(3%)
Change in provision for insurance losses	50,000	300,000	(250,000)	(83%)
Net operating expenses	16,444	14,437	2,007	14%
Income tax expense (recovery)	844	(3,278)	4,122	126%
Net income (loss)	147,891	(103,474)	251,365	243%

Premium revenue

Premiums charged to member institutions are based on the total amount of insured deposits held by member institutions as at April 30 each year, and are calculated annually in accordance with the *CDIC Act* and CDIC's *Differential Premiums By-law*. Premium rates are a key determinant of the length of time it will take to reach the Corporation's minimum target level of *ex ante* funding of 100 basis points of insured deposits. Each year, CDIC considers various premium rate options. For 2021/2022, the approved Category 1 rate (the base rate) is 7.5 basis points of insured deposits, unchanged from the 2020/2021 base rate. CDIC's premium revenue for fiscal 2021/2022, established from the Insured Deposits as at April 30, 2021, was \$772 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 revenue of \$193 million was recorded during the three-month period ended June 30, 2021 compared to \$185 million for the same period in the prior year, a 4% increase. Growth in insured deposits contributed to the net variance in premium revenue. Insured deposits grew to \$1,025 billion as at April 30, 2021, from \$968 billion as at April 30, 2020, an increase of 5.9%.

Investment and other income

The Corporation's \$22 million in investment and other income for the three-month period ended June 30, 2021, was \$752 thousand lower than in the same period in the prior year. In spite of growth in the investment portfolio, the decrease in investment income was mainly due to a decrease in the effective yield on investments (1.37% and 1.58%, as at June 30, 2021, and 2020, respectively.)

Provision for insurance losses

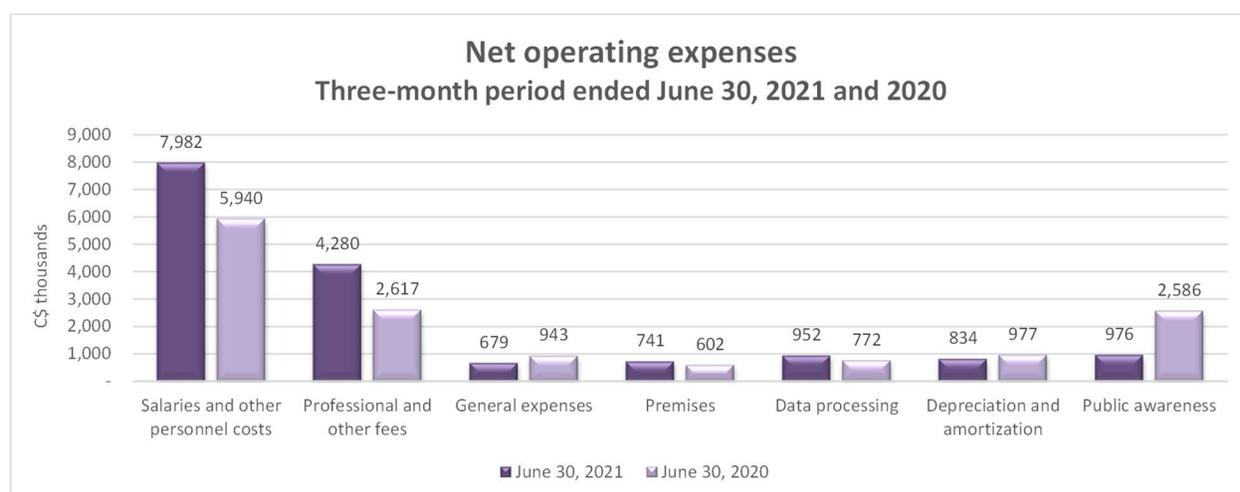
The provision represents Management’s best estimate of the losses it expects to incur as a result of insuring deposits. The adequacy of the provision is assessed on a quarterly basis and, if necessary, adjustments are recorded.

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

CDIC’s provision for insurance losses increased from the previous quarter by \$50 million to \$2,700 million as at the period ended June 30, 2021. Several factors contributed to the net change in the provision for insurance losses, including:

- an increase in probability of defaults of certain member institutions;
- changes in the risk profile of certain member institutions; and
- a decrease in exposure to losses.

Net operating expenses



The Corporation’s net operating expenses for the three-month period ended June 30, 2021, were \$16 million, \$2 million higher than for the same period in the prior year, mainly due to an increase in personnel costs and professional fees to support the Corporation’s key initiatives offset by lower public awareness spend compared to last year due to increased media presence during the COVID 19 pandemic.

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 June 30, 2021, the Corporation recognized an income tax expense of \$844 thousand, as against a recovery of \$3 million for the same period in the prior year.

Forecast results for fiscal 2021/2022, 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)	2021/2022		Variance	
	Forecast	Planned	Increase (Decrease) (\$)	(%)
Premium revenue	772	765	7	1%
Investment and other income	87	76	11	14%
Change in provision for insurance losses	100	100	-	-
Net operating expenses	76	68	8	12%
Income tax expense	3	2	1	50%
Net income	680	671	9	1%

Premium revenue

CDIC's 2021/2022 to 2025/2026 Corporate Plan (the "Corporate Plan") sets out planned premium revenue of \$765 million for fiscal 2021/2022, compared with Management's current forecasted revenue of \$772 million for the year. The Corporate Plan was based on certain assumptions regarding increases in the level of insured deposits and the classification of members under the Differential Premiums system. Results to date have differed from the assumptions, resulting in a variance between the planned and forecast amounts.

Investment and other income

The forecasted investment and other income are \$87 million, compared to the planned amount of \$76 million, a variance of \$11 million. This increase is due to variations in certain assumptions used in developing the Corporate Plan regarding the yield on investment portfolio and premium receipts.

Provision for insurance losses

The forecasted provision for insurance losses as at March 31, 2022, is \$2,750 million, compared to the planned amount of \$2,700 million. This increase is mainly due to increased probability of defaults and changes in the risk profile of certain member institutions partly offset by a decrease in exposure to losses since the Plan amounts were developed.

Net operating expenses

Net operating expenses for fiscal 2021/2022 are forecasted at \$76 million, \$8 million higher than the planned amount. The increase is principally due to the accounting treatment for CDIC's payout modernization initiative. Costs that were budgeted as capital expenditures in fiscal 2021/2022 will be accounted for as operating expenses to ensure compliance with IFRS.

Ex ante funding

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

CDIC's *ex ante* funding level was \$6,689 million as at June 30, 2021, or 65 basis points of insured deposits. CDIC's Corporate Plan assumes that premium rates will remain stable. It is currently forecasted that CDIC will reach the minimum *ex ante* funding target level in fiscal 2028/2029.

Available liquid funds

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

<i>(C\$ millions)</i>	June 30, 2021	March 31, 2021
<i>Available liquid funds:</i>		
Cash	19	2
Fair value of high-quality, liquid investment securities	6,550	6,586
<i>Availability of borrowings:</i>		
Borrowings authorized under the CDIC Act, either from market sources or from the Consolidated Revenue Fund	28,000	28,000
Total available funds	34,569	34,588
Insured deposits (as at April 30, 2021 and 2020 respectively)	1,024,892	967,981
Total basis points of insured deposits	337	357

CDIC's portfolio of investment securities is limited to high-quality, liquid securities: obligations of the Government of Canada and its agent Crowns, and obligations of Provincial Governments / Municipal Financing Authorities. Additional funds are available through CDIC's authority to borrow under the *CDIC Act*. As of December 31, 2020, the Corporation can borrow up to \$28 billion. The borrowing limit is adjusted annually on December 31 to reflect the growth of insured deposits. Supplemental borrowing, if required, could be authorized either by Parliament through an appropriation act, or by the Minister of Finance out of the Consolidated Revenue Fund.

Management representation

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

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

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



Chantal M Richer
Administrative Head & Chief
Operating Officer

Ottawa, Canada
August 12, 2021



Camille Ringrose
Head, Finance and Operations & Chief
Financial Officer

Ottawa, Canada
August 12, 2021

Condensed consolidated financial statements and notes

Condensed consolidated statement of financial position

As at June 30, 2021, and March 31, 2021 (C\$ thousands)

	Notes	June 30, 2021	March 31, 2021
ASSETS			
Cash		19,070	2,480
Investment securities	3	6,475,890	6,490,225
Premiums receivable		192,868	-
Trade and other receivables		206	166
Current tax asset		2,158	1,130
Amounts recoverable from estates		6	6
Prepayments		1,619	1,302
Right-of-use assets	4	9,331	9,700
Property, plant & equipment		3,945	4,163
Intangible assets		3,012	2,999
TOTAL ASSETS		6,708,105	6,512,171
LIABILITIES			
Trade and other payables		6,710	8,465
Lease liabilities	4	10,007	10,390
Deferred premium revenue		147	-
Employee benefits		1,542	1,508
Provision for insurance losses	5	2,700,000	2,650,000
Deferred tax liability		303	303
Total liabilities		2,718,709	2,670,666
EQUITY			
Retained earnings		3,989,396	3,841,505
TOTAL LIABILITIES AND EQUITY		6,708,105	6,512,171

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

Condensed consolidated statement of comprehensive income

For the three-month period ended June 30, 2021 and 2020 (C\$ thousands)

	Notes	For the three-month period ended	
		June 30, 2021	June 30, 2020
REVENUE			
Premium		193,015	184,769
Investment income		22,106	22,912
Other income		58	4
		215,179	207,685
EXPENSES			
Net operating expenses	6	16,444	14,437
Increase in the provision for insurance losses	5	50,000	300,000
		66,444	314,437
Net income (loss) before income taxes		148,735	(106,752)
Income tax expense (recovery)		844	(3,278)
TOTAL COMPREHENSIVE INCOME (LOSS)		147,891	(103,474)

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

Condensed consolidated statement of changes in equity

For the three-month period ended June 30, 2021 and 2020 (C\$ thousands)

	Retained earnings and total equity
Balance, March 31, 2021	3,841,505
Total comprehensive income	147,891
Balance, June 30, 2021	3,989,396
Balance, March 31, 2020	3,479,691
Total comprehensive loss	(103,474)
Balance, June 30, 2020	3,376,217

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

Condensed consolidated statement of cash flows

For the three-month period ended June 30, 2021 and 2020 (C\$ thousands)

	For the three-month period ended	
	June 30, 2021	June 30, 2020
OPERATING ACTIVITIES		
Net income (loss) before income taxes	147,891	(103,474)
Add (deduct) items not involving cash		
Depreciation and amortization	834	977
Investment income	(22,106)	(22,912)
Interest expense on lease liabilities	43	55
Income tax expense (recovery)	844	(3,278)
Employee benefit expense	34	37
Change in working capital:		
Increase in premiums receivable	(192,868)	(184,768)
(Increase) decrease in trade and other receivables	(40)	21
Increase in prepayments	(317)	(399)
Decrease in trade and other payables	(1,755)	(2,190)
Increase in deferred premium revenue	147	4
Increase in the provision for insurance losses	50,000	300,000
Interest received	40,734	37,283
Interest paid on lease liabilities	(43)	(55)
Income tax paid	(1,872)	(5,098)
Net cash generated by operating activities	21,526	16,204
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	(260)	(296)
Purchase of investment securities	(435,593)	(520,378)
Proceeds from sale or maturity of investment securities	431,300	505,693
Net cash used in investing activities	(4,553)	(14,982)
FINANCING ACTIVITIES		
Principal payment of lease liabilities	(383)	(341)
Net cash used in financing activities	(383)	(341)
Net increase in cash	16,590	881
Cash, beginning of period	2,480	3,568
Cash, end of period	19,070	4,449

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

Notes to the condensed consolidated financial statements

I - General information

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

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

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

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

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

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

Changes to the CDIC Act resulting from the Budget Implementation Act 2021, No.1, received Royal Assent in June 2021. These new measures promote financial stability by strengthening Canada's deposit protection and bank resolution regime. Key changes to the CDIC Act include:

- Strengthening the cross-border enforceability of the stay provisions that apply to eligible financial contracts, which will improve CDIC's ability to resolve a member institution with cross-border operations;
- Providing legislative clarity to ensure beneficiaries of trust deposits continue to be protected once the new requirements related to trust deposits come into force; and
- Extending the time limit for retaining control of a failing bank to 18 months from six months to allow CDIC time to complete its sale or restructuring.

These condensed consolidated quarterly financial statements were approved and authorized for issue by the Corporation's Audit Committee on August 12, 2021.

Basis of preparation

These condensed consolidated quarterly financial statements, presented in Canadian dollars, have been prepared in accordance with the *Treasury Board Standard on Quarterly Financial Reports for Crown Corporations* and do not include all the information required for full annual financial statements. These condensed consolidated quarterly financial statements should be read in conjunction with the audited consolidated financial statements as at and for the year ended March 31, 2021.

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, 2021.

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, 2021.

3 - Financial instruments

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

	Remaining term to maturity			
	90 days or less	91 days to 1 year	1 to 5 years	Total
<i>As at June 30, 2021 (C\$ thousands)</i>				
Treasury bills	-	-	-	-
Weighted average effective yield (%)	-	-	-	-
Bonds	310,383	950,104	5,215,403	6,475,890
Weighted average effective yield (%)	0.82	1.38	1.40	1.37
Total investment securities	310,383	950,104	5,215,403	6,475,890
Weighted average effective yield (%)	0.82	1.38	1.40	1.37

	Remaining term to maturity			
	90 days or less	91 days to 1 year	1 to 5 years	Total
<i>As at March 31, 2021 (C\$ thousands)</i>				
Treasury bills	36,395	-	-	36,395
Weighted average effective yield (%)	0.11	-	-	0.11
Bonds	384,014	890,986	5,178,830	6,453,830
Weighted average effective yield (%)	1.15	1.16	1.43	1.38
Total investment securities	420,409	890,986	5,178,830	6,490,225
Weighted average effective yield (%)	1.06	1.16	1.43	1.37

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

	Amortized cost	Unrealized gain	Fair values			Total
			Level 1	Level 2	Level 3	
<i>As at June 30, 2021 (C\$ thousands)</i>						
Treasury bills	-	-	-	-	-	-
Bonds	6,475,890	73,763	4,729,282	1,820,371	-	6,549,653
Total investment securities	6,475,890	73,763	4,729,282	1,820,371	-	6,549,653

<i>As at March 31, 2021 (C\$ thousands)</i>	Amortized Unrealized		Fair values			
	cost	gain	Level 1	Level 2	Level 3	Total
Treasury bills	36,395	-	36,395	-	-	36,395
Bonds	6,453,830	95,691	4,778,286	1,771,235	-	6,549,521
Total investment securities	6,490,225	95,691	4,814,681	1,771,235	-	6,585,916

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

<i>(C\$ thousands)</i>	June 30, June 30, 2021	March 31, March 31, 2021
AAA	5,022,222	5,126,190
AA	125,410	72,325
AA-	588,632	628,456
A+	739,626	663,254
Total investment securities	6,475,890	6,490,225

The carrying amounts in the above tables include accrued interest.

The Corporation did not record any loss allowances on its investment securities as at June 30, 2021 (March 31, 2021: 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 2021, whereas the second expires in November 2022 with an option to renew for an additional year. The extension option for Ottawa and Toronto offices is exercisable solely at the discretion of the Corporation. The Corporation also leases equipment under a five-year term ending in May 2025.

Carrying value of right-of-use-assets

<i>(C\$ thousands)</i>	Leased office space	Equipment	Total
Cost			
Balance, March 31, 2021	12,487	78	12,565
Additions	-	-	-
Balance, June 30, 2021	12,487	78	12,565
Accumulated depreciation			
Balance, March 31, 2021	2,832	33	2,865
Depreciation	367	2	369
Balance, June 30, 2021	3,199	35	3,234
Carrying amounts			
Balance, March 31, 2021	9,655	45	9,700
Balance, June 30, 2021	9,288	43	9,331

Carrying value of lease liabilities

<i>(C\$ thousands)</i>	Leased office space	Equipment	Total
Balance, March 31, 2021	10,345	45	10,390
Additions	-	-	0
Finance charges	43	-	43
Lease payments	(423)	(3)	(426)
Balance, June 30, 2021	9,965	42	10,007

Interest expense on lease liabilities amounting to \$43 thousand was recorded in the statement of comprehensive income during the three months ended June 30, 2021. The Corporation recognized no expenses related to short-term leases and the amount recognized for low-value assets during the first quarter ended June 30, 2021, was insignificant. Cash payments for the interest portion of \$43 thousand and the principal portion of \$426 thousand of the lease liability were recognized in the statement of cash flows under operating activities and financing activities, respectively.

Maturity analysis for lease liabilities (undiscounted)

<i>(C\$ thousands)</i>	Leased office		
	space	Equipment	Total
Not later than one year	1,477	11	1,488
Later than one year and not later than five years	4,553	31	4,584
Later than five years	4,734	-	4,734
Total	10,764	42	10,806

5 - Provision for insurance losses

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

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

<i>(C\$ thousands)</i>	Provision for insurance losses
Balance, March 31, 2021	2,650,000
Change in the provision	50,000
Balance, June 30, 2021	2,700,000

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

The impact of changes in deposit insurance coverage, that came into force on April 30, 2020 and future coverage changes, coming into effect on April 30, 2022 have been accounted for in the calculation of the provision for insurance losses

6 - Operating expenses

The following table provides details of total net operating expenses of the Corporation for the three-month period ended June 30, 2021.

<i>(C\$ thousands)</i>	For the three-month period ended	
	June 30, 2021	June 30, 2020
Salaries and other personnel costs	7,982	5,940
Professional and other fees	4,280	2,617
General expenses	670	914
Premises	741	602
Data processing	952	772
Depreciation and amortization	465	630
Depreciation on right-of-use assets	369	347
Interest expense on lease liabilities	43	55
Public awareness	976	2,586
	16,478	14,463
Expense recoveries	(34)	(26)
Total operating expenses	16,444	14,437

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.