Third Quarter (Q3) Fiscal Year 2020-21 Financial Report

Unaudited

Canada Infrastructure Bank is a Crown Corporation wholly owned by the Government of Canada

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Message to Reader

These quarterly condensed interim financial statements were prepared on the basis of International Accounting Standard (IAS) 34, Interim Financial Reporting, and must be read in conjunction with the March 31, 2020, annual audited financial statements and with the narrative discussion included in this quarterly financial report.

The same accounting policies and methods of computation have been followed in these condensed interim quarterly financial statements as compared with the most recent annual audited financial statements.

These condensed interim quarterly statements follow the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations. There is no requirement for an audit or review of the financial statements included in the quarterly financial report and therefore these statements have not been audited or reviewed by an external auditor.

From time to time, we make written or oral forward-looking statements. We may make forward-looking statements in this quarterly financial report. These forward-looking statements include, but are not limited to, statements about objectives and strategies for achieving objectives, as well as statements about outlooks, plans, expectations, anticipations, estimates and intentions. By their very nature, forward-looking statements involve numerous factors and assumptions, and they are subject to inherent risks and uncertainties, both general and specific. These uncertainties give rise to the possibility that predictions, forecasts, projections and other elements of forward-looking statements will not be achieved. A number of important factors could cause actual results to differ materially from the expectations expressed.

Management Discussion & Analysis (MD&A)

This MD&A presents readers with management's view of corporate strategy and performance and should be read in conjunction with the unaudited financial statements for the quarter ending December 31, 2020. Figures are expressed in Canadian dollars unless stated otherwise.

Overview

The Canada Infrastructure Bank (CIB) is part of the long-term solution to create substantial, positive impacts on the structure and success of Canada's economy. By leveraging private sector and institutional investment in revenue-generating infrastructure projects, the CIB enhances Canada's ability to achieve sustainable and equitable economic growth and the transition to the low-carbon economy.

The CIB is a tool for federal, provincial, territorial, municipal and Indigenous community (FPTMI) project sponsors to combine public funding and private and institutional investment for their infrastructure priorities. A critical part of the CIB mandate is to take high-impact projects that would not happen—because they cannot be readily financed—and to make them happen.

The CIB works closely with FPTMI partners and private and institutional investors to advise on, invest in, and develop knowledge and research about infrastructure investment in Canada. These three central responsibilities define the CIB's development as a centre of expertise.

In cooperation with public and private partners, the CIB will invest $35 billion in order to substantially increase investment in new infrastructure in Canada. The CIB focuses on priority sectors for investment including public transit, green infrastructure, clean power, trade and transportation, and broadband.

Strategy and Business Results

The COVID-19 pandemic continues to challenge all facets of the Canadian economy and society. The CIB, under the leadership of its Board of Directors, is resolved in contributing to pandemic response. Its two main objectives in this context are to execute on the recently announced Growth Plan and to continue to deliver its overall investment plan for priority sectors.

Implementing the Growth Plan

The CIB has accelerated its multi-year infrastructure investment plan to play a constructive role in supporting Canada's economic recovery. Our intent is to make investments in areas that provide immediate economic impact and produce long-term positive outcomes.

Our $10B Growth Plan was launched on October 1, 2020. It includes initiatives in six areas: transit for cleaner commutes including zero-emission buses, clean power such as interties, green infrastructure with focus on energy efficiency building retrofits, broadband connectivity, and agriculture-related infrastructure starting with irrigation that is linked to trade and transportation, as well as infrastructure project acceleration across all CIB initiatives.

Since the launch of the Growth Plan, the CIB has increased its engagement with public sponsors of infrastructure to share details of CIB plans and explore opportunities for investments. Twenty-two external speaking opportunities and partner engagements have been held since October 1st to share information about the Growth Plan.

The first project under the Growth Plan was announced on October 9, 2020, with a $407 million investment made by the CIB towards Alberta's $815-million investment to modernize irrigation district infrastructure and increase water storage capacity. Financial close on the transaction was announced on December 21st.

On January 12, 2021, the CIB announced it had signed a Memorandum of Understanding (MOU) with Oneida Energy Storage LP for the Oneida Energy Storage project in Ontario, a joint venture between NRStor Incorporated and Six Nations of the Grand River Development Corporation. The agreement details the parameters around a CIB investment in the project, which will be confirmed by further due diligence and a final investment decision in spring 2021.

The CIB expects to make additional project announcements in Q4 and throughout the next fiscal year.

Ongoing Execution of Project Development and Investment Opportunities

The CIB continues work within all priority sectors and on previously announced projects.

CIB participation ranges in format and structure from MOUs to provide advisory services to joint ventures and direct project participation. All further the goal of promoting new options for project investment along with private and institutional investors.

For the fiscal year to date, the CIB has now assessed 87 potential projects. The project opportunities are a direct result of active outreach and engagement with FPTMI partners.

In December, the CIB released its Unsolicited Proposals Framework, which sets out the processes for receiving, considering and advancing unsolicited proposals in collaboration with the private sector and public sponsors.

Building Knowledge and Research

As a centre of expertise, the CIB seeks to partner with leading experts from across Canada to develop and distribute knowledge and research that will support CIB objectives and be relevant to public sponsors of infrastructure, to private sector and institutional investors and to the broader public policy community.

In the Fall of 2020, the CIB supported Sustainable Finance II, a series of roundtable discussions hosted by the Public Policy Forum on the need for industry sectors, the investment community and policy-makers to advance key recommendations from the Expert Panel's 2019 report Mobilizing Finance for Sustainable Growth.

Continuing good governance

On November 9th, Ehren Cory was appointed as the Chief Executive Officer of the CIB. On December 7th, the Chair of the CIB, Michael Sabia, resigned his position to take on a new role of Deputy Minister at the federal Department of Finance. On January 28th the Honourable Catherine McKenna, Minister of Infrastructure and Communities, announced the appointment of Tamara Vrooman as the new Chairperson of the Canada Infrastructure Bank.

The CIB's 2020-21 to 2024-25 Corporate Plan Summary was tabled in the House of Commons on November 19, 2020.

Statement of Priorities and Accountabilities

On February 3, 2021, the Chairperson of the Board received a new "Statement of Priorities and Accountabilities" (SPA) from the Minister of Infrastructure and Communities. The letter sets out priorities for the CIB and outlines its accountabilities to the Government and the public.

The letter calls on the CIB to play a leading role in this time of crisis, and to ensure that its functions create jobs, grow the economy and increase competitiveness while creating a cleaner and more inclusive future.

The letter reaffirms the priority areas of focus for the CIB: public transit, green infrastructure, trade and transport, broadband and clean power. It also indicates the CIB should establish a new investment target of $1 billion for Indigenous infrastructure projects across the aforementioned priority sectors.

Status of Operations

Revenues year-to-date are $16.4 million, reflecting accrued interest on the Réseau express métropolitain (REM) loan.

We continue to calibrate our resources to ensure efficient execution of our mandate. Total expenses for the nine-month period are $39.4 million and include $21.8 million for advisory services of which $21.0 million relate to due diligence activities of the Joint Project Office (JPO) for the VIA High Frequency Rail project. Operating expenses before JPO costs are less than planned due to lower headcount and related compensation costs, in addition to lower than planned consulting and legal expenses. Although JPO costs are tracking below plan, we anticipate consulting expenses will increase throughout the year as due diligence activities for the project intensify.

The CIB is committed to diversity and inclusion. 5 of its 10 Directors, or 50%, are women. As of December 31, 2020, 38% or 24 of our 64 employees, are women.

The CIB also continues to uphold and extend its commitment to bilingualism, providing services to the public in both official languages, ensuring a sizable contingent of senior leaders are fully bilingual and supporting employees engaged in language training to improve their bilingualism.

Throughout the quarter we continued to build operations capacity through the development of core systems and operational and investment risk management processes.

The CIB continues to operate in the context of its Business Continuity Plan, and largely through a remote work environment. Planning remains underway for a return to the office environment informed by guidance from health and government authorities.

Outlook

Infrastructure spending is part of a safe restart and economic recovery. The CIB will be actively executing on the Growth Plan and continuing to ambitiously pursue its mandate to increase investment in new infrastructure.

Infrastructure will continue to be a favourable asset class for investors and there is sufficient capital and interest in the market to finance projects. With the execution of the Growth Plan, we anticipate increasing private sector interest and institutional investment into new, revenue-generating infrastructure projects that will benefit Canadians.

Financial Statements

Management’s Responsibility for Financial Information

Management is responsible for the preparation and fair presentation of these condensed interim 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 is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in quarterly financial report is consistent, where appropriate, with the quarterly condensed interim financial statements.

These statements have been prepared on the basis of IAS 34, Interim Financial Reporting. They have not been audited or reviewed by an external auditor. Based on our knowledge, these quarterly condensed interim 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 the quarterly financial statements.

Ehren Cory

Chief Executive Officer

Annie Ropar

Chief Financial Officer & Chief Administrative Officer

February 2, 2021

Financial Statements of Canada Infrastructure Bank

Condensed Interim Statement of Financial Position (unaudited)

(in thousands of Canadian dollars)

As at,	Note	December 31, 2020	March 31, 2020
Assets			
Current assets:			
Cash		**$ 879**	$ 221,768
Government funding receivable related to operating expenditures		**6,859**	8,612
HST receivable		**2,305**	416
Prepaid expenses and advances		**142**	105
		10,185	230,901
Non-current assets:			
Loan receivable	7	**1,225,001**	1,075,131
Right-of-use asset	8	**3,245**	3,441
Property and equipment	9	**1,783**	1,423
Deferred transaction costs	3	**1,067**	
		$ 1,241,281	$ 1,310,896
Liabilities and Shareholder's Equity			
Current liabilities:			
Deferred government funding related to investments		**$ -**	$ 221,000
Accounts payable and accrued liabilities	10	**9,337**	8,506
Lease liabilities	8	**225**	221
		9,562	229,727
Non-current liabilities:			
Deferred liabilities		**981**	512
Lease liabilities	8	**3,623**	3,793
Deferred government funding related to capital expenditures		**1,783**	1,423
		6,387	5,728
Shareholder equity		**1,225,332**	1,075,441
		$ 1,241,281	$ 1,310,896

The accompanying notes are an integral part of these financial statements.

Condensed Interim Statement of Income and Comprehensive Income (unaudited)

(in thousands of Canadian dollars)

	Note	Three months ended December 31, 2020	Three months ended December 31, 2019	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Revenue:					
Interest income		**$ 5,490**	$ 3,754	**$ 16,353**	$ 9,719
Provision for losses		**(726)**	-	**(87,462)**	-
		4,764	3,754	**(71,109)**	9,719
Expenses					
General and administrative					
Compensation		**4,131**	4,923	**11,255**	12,252
Professional fees		**998**	674	**4,213**	2,257
Administration		**190**	126	**800**	387
Premises and equipment		**160**	93	**461**	271
Information technology		**100**	152	**313**	334
Travel and communications		**147**	204	**247**	588
Depreciation		**75**	134	**213**	397
Interest expense		**22**	23	**66**	67
Advisory services	13	**7,302**	-	**21,818**	-
Total Expenses		**13,125**	6,329	**39,386**	16,553
Net loss before government funding		**(8,361)**	(2,575)	**(110,495)**	(6,834)
Government funding:					
Investment appropriations		**-**	283,000	**221,000**	513,000
Operating appropriations		**13,050**	6,261	**39,173**	16,352
Capital appropriations		**75**	68	**213**	201
		13,125	289,329	**260,386**	529,553
Net income and comprehensive income		**$ 4,764**	$ 286,754	**$ 149,891**	$ 522,719

The accompanying notes are an integral part of these financial statements.

Condensed Interim Statement of Changes in Shareholder’s Equity (unaudited)

For the three-month period ended December 31
(in thousands of Canadian dollars)

For the three months ended December 31, 2020	Share Capital (note 1)	Retained Earnings	Total Equity
Balance as at September 30, 2020	$ -	$ 1,220,568	$ 1,220,568
Net income and comprehensive income	-	4,764	4,764
Balance as at December 31, 2020	$ -	$ 1,225,332	$ 1,225,332

For three month period ended December 31, 2019	Share Capital (note 1)	Retained Earnings	Total Equity
Balance as at September 30, 2019	$ -	$ 787,036	$ 787,036
Net income and comprehensive income	-	286,754	286,754
Balance as at December 31, 2019	$ -	$ 1,073,790	$ 1,073,790

The accompanying notes are an integral part of these financial statements.

Condensed Interim Statement of Changes in Shareholder’s Equity (unaudited)

For the nine-month period ended December 31
(in thousands of Canadian dollars)

For nine months ended December 31, 2020	Share Capital (note 1)	Retained Earnings	Total Equity
Balance as at April 1, 2020	$ -	$ 1,075,441	$ 1,075,441
Net income and comprehensive income	-	149,891	149,891
Balance as at December 31, 2020	$ -	$ 1,225,332	$ 1,225,332

For nine months ended December 31, 2019	Share Capital (note 1)	Retained Earnings	Total Equity
Balance as at April 1, 2019	$ -	$ 551,071	$ 551,071
Net income and comprehensive income	-	522,719	522,719
Balance as at December 31, 2019	$ -	$ 1,073,790	$ 1,073,790

The accompanying notes are an integral part of these financial statements.

Condensed Interim Statement of Cash Flows (unaudited)

(in thousands of Canadian dollars)

		Three months ended December 31		Nine months ended December 31	
	Note	**2020**	2019	**2020**	2019
Cash provided by (used in):					
Operating activities:					
Net income		**$ 4,764**	$ 286,754	**$ 149,891**	$ 522,719
Items not involving cash:					
Interest income accrued on loan receivable		**(5,487)**	(3,696)	**(16,332)**	(9,593)
Provision for losses		**726**	-	**87,462**	-
Interest expense on office lease		**22**	23	**66**	67
Depreciation - Right-of-use asset		**65**	65	**196**	195
Depreciation - Capital		**75**	68	**213**	202
Depreciation of deferred capital funding related to capital expenditures		**(75)**	(68)	**(213)**	(202)
Change in deferred liabilities		**253**	62	**469**	505
Changes in non-cash working capital:					
Government funding receivable related to operating expenditures		**(444)**	(2,069)	**(380)**	(3,239)
Government funding receivable related to investments		**-**	-	**(221,000)**	
Deferred transaction costs		**1,067**	-	**1,067**	-
HST receivable		**(673)**	468	**(1,889)**	189
Prepaid expenses and advances		**4**	7	**(38)**	(57)
Right of use asset due to deferred rent adjustment		**-**	-	**-**	129
Accounts payable and accrued liabilities		**2**	2,192	**830**	2,951
Deferred government funding related to capital expenditures used		**63**	8	**573**	87
Loan disbursements		**-**	(283,000)	**(221,000)**	(513,000)
Total cash provided by (used in) operating activities		**$ 362**	$ 814	**$ (220,085)**	$ 953
Financing activities:					
Payment of lease liabilities		**(77)**	323	**(231)**	169
Total cash used in financing activities		**$ (77)**	$ 323	**$ (231)**	$ 169
Investing activities:					
Acquisition of property and equipment		**(63)**	(8)	**(573)**	(87)
Total cash used in investing activities		**$ (63)**	$ (8)	**$ (573)**	$ (87)
Net increase/(decrease) in cash during the period		**222**	1,129	**(220,889)**	1,035
Cash, beginning of the period		**657**	862	**221,768**	956
Cash, end of the period		**$ 879**	$ 1,991	**$ 879**	$ 1,991

The accompanying notes are an integral part of these financial statements.

Notes to the Condensed Interim Financial Statements (unaudited)

For the nine-month period ended December 31, 2020

1. Act of Incorporation, Objective and Operations of the Corporation:

Canada Infrastructure Bank ("CIB" or the "Corporation") is a Crown corporation established by an Act of Parliament (the *Canada Infrastructure Bank Act* (the "CIB Act")) on June 22, 2017. CIB is incorporated in Canada and wholly owned by the Government of Canada. CIB was nominally capitalized with 10 shares issued at a par value of $10 per share (actual dollars), or total share capital of $100 (actual dollars).

CIB's head office is located at 150 King Street West, Suite 2309, Toronto, Ontario M5H 1J9, Canada.

CIB's purpose is to invest and seek to attract investment from private sector investors and institutional investors, in infrastructure projects in Canada or partly in Canada that will generate revenue and that will be in the public interest by, for example, supporting conditions that foster economic growth or by contributing to the sustainability of infrastructure in Canada.

CIB develops projects in partnership with federal, provincial, territorial, municipal and Indigenous sponsors and the private sector. CIB's investments align with the Government of Canada's economic priorities. CIB also has a mandate to provide advisory services to project sponsors from the early stages of project development in order to maximize its potential.

CIB currently receives appropriations from the Government of Canada. Parliament has authorized up to $35 billion over 11 years (to fiscal year-end 2027-28), and the requisite authorities to participate in infrastructure transactions. Of the $35 billion, the Government of Canada anticipates allocating $15 billion against the fiscal framework. In delivering this $15 billion in federal support, CIB will deliver a wide breadth of financial instruments, including, but not limited to loans, equity investments, and where appropriate, loan guarantees to projects that will mobilize private investment where otherwise no investment would occur. The decision on the use of different types of financial instruments will depend on a transaction's unique characteristics. CIB model is aimed at mobilizing and leveraging private sector and institutional investment and attaching the financial returns to the usage and revenue risk of infrastructure projects. To crowd-in private sector and institutional investment, support may be provided at below market rates, more flexible terms or on a subordinated basis. Separately, over the 11 years, CIB is expected to make at least $5 billion in investments in projects that are in the public interest in the priority areas of public transit; trade and transportation, green infrastructure, and clean energy. In addition, the CIB will seek to invest $1 billion over the next 10 years in broadband infrastructure. This in part, is expected to be delivered through CIB's $10 billion Growth Plan. It can also invest in other areas of infrastructure if they are supported by government policy and pursue investments in projects across the country.

CIB is not an agent of Her Majesty, the Queen in Right of Canada, except when, (i) giving advice about investments in infrastructure projects to ministers of Her Majesty in right of

Canada, to departments, boards, commissions and agencies of the Government of Canada and to Crown corporations as defined in subsection 83(1) of the *Financial Administration Act* (Canada) (the “FAA”); (ii) collecting and disseminating data in accordance with the CIB Act; (iii) acting on behalf of the Government of Canada in the provision of services or programs, and the delivery of financial assistance, as provided under the CIB Act; and (iv) carrying out any activity conducive to the carrying out of its purpose that the Governor in Council may, by order, specify. CIB is also named in Part I of Schedule III to the FAA.

CIB is exempt from Federal Income Tax under Section 149(1)(d) of the *Income Tax Act*.

CIB is accountable for its affairs to Parliament through the Minister of Infrastructure and Communities.

2. Basis of preparation:

These unaudited Condensed Interim Quarterly Financial Statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34), as issued by the International Accounting Standards Board (IASB). As permitted under this standard, these interim condensed financial statements do not include all of the disclosures required for annual financial statements and should be read in conjunction with the Corporation’s audited financial statements for its fiscal year ended March 31, 2020.

The Financial Statements have been prepared on a historical cost basis except when a specific International Financial Reporting Standards (“IFRS”) requires fair value measurement, as explained in the accounting policies below.

The Financial Statements and notes are presented in thousands of Canadian dollars, which is CIB’s functional currency, unless otherwise stated.

3. Significant accounting policies:

The accounting policies in these Interim Financial Statements are consistent with those disclosed in Note 3 to the Corporation’s annual audited Financial Statements for the year ended March 31, 2020. The Interim Financial Statements should be read in conjunction with the annual audited Financial Statements.

4. Significant accounting judgments, estimates and assumptions:

In preparing the Condensed Interim Financial Statements, management is required to make subjective estimates and assumptions that affect the carrying amounts of certain assets and liabilities, and the reported amounts of revenues and expenses recorded during the period.

Management based their assumptions and estimates on information that was available when these financial statements were prepared. Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, management reviews these assumptions regularly. Revisions to accounting estimates are recognized prospectively – i.e.in the period in which the estimates are revised and in any future period affected.

Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the Financial Statements is included in the following notes.

- Note 7 – Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Loss (ECL) and selection and approval of models used to measure ECL.
- Notes 5 and 7 – In establishing the appropriate accounting for financial assets, management is required to use judgment, including but not limited to its determination of fair value of assets, whether the asset meets the definition of being held solely for the collection of principal and interest.

Assumptions and estimation uncertainties

Information about significant assumptions and estimates is included in the following notes:

- Note 7 – Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information and associated probabilities.
- Notes 5 and 7 – Determination of the fair value of financial instruments with significant unobservable inputs.

5. Fair value of financial instruments:

Financial asset and financial liabilities measured at fair value are categorized into one of three hierarchy levels, described below. Each level reflects the significance of the inputs used to measure the fair values of assets and liabilities:

Level 1 – inputs are based on unadjusted quoted prices in active markets for identical instruments.

Level 2 – inputs, other than quoted prices in Level 1, that are observable for the instruments, either directly or indirectly. This category may include instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3 – inputs that are unobservable. This category includes instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation.

As of the reporting date, there were no financial instruments measured at fair value.

Loan receivable and loan commitment

CIB disclosed, but did not measure, its loan receivable and loan commitment at fair value. Although the loan commitment is initially recognized at fair value, the difference between the fair value at initial recognition and the transaction price is not recognized in profit or loss immediately, but is deferred as part of the carrying amount of the loan commitment and loan receivable.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

In determining the fair value of the loan receivable and loan commitment, CIB used net present value and discounted cash flow techniques and included a comparison of yields of similar project finance instruments for which observable market data existed. Management applied judgment and estimation for the selection of the valuation model, determination of expected future cash flows on the instruments, determination of the probability of counterparty default and prepayments, determination of expected volatilities and correlations, and selection of appropriate discount rates.

Model inputs and values were calibrated for any historical data and published forecasts and, where appropriate and possible, against similar recently observed transactions. This calibration process is inherently subjective, and it yields ranges of possible inputs and estimates of fair value, therefore management used judgment to select the most appropriate point in the range.

CIB used observable yields on similar large-scale infrastructure project finance loans in fair valuing the instruments. Although the availability of observable market prices and model inputs partially reduced the need for management judgment and estimation, there were significant unobservable inputs that could have a material impact on the financial statements. These inputs include, but are not limited to, determination of a borrower-specific credit spread and an assessment of risk factors used for comparable, but not necessarily equivalent, instruments which are then applied in determining an estimate for credit and liquidity spreads in the fair value calculation.

Fair value estimates obtained from models were then adjusted for any other factors, such as project specific risks, to the extent that CIB believed that a third-party market participant would take them into account in pricing a transaction.

Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyzes them by the level in the fair value hierarchy into which each is categorized.

As at,			December 31, 2020		March 31, 2020	
	Note	Level	Fair value	Carrying amount	Fair value	Carrying amount
Loan receivable	7	3	**850,339**	**1,225,001**	975,142	1,075,131
Loan commitment	7	3	**(149,197)**	**-**	(221,000)	-

There were no transfers of amounts between levels during the reporting period.

The fair value of all other financial instruments, not measured at fair value, is equal to their carrying value.

6. Classification and measurement of financial instruments:

The following table summarizes the classification of CIB's financial instruments:

As at	Note	Measurement basis	December 31, 2020	March 31, 2020
Cash	-	Amortized Cost	**879**	221,768
Government funding receivable related to operating expenditures	-	Amortized Cost	**6,859**	8,612
Loan receivable	7	Amortized Cost	**1,225,001**	1,075,131
Accounts payable and accrued liabilities	10	Amortized Cost	**9,337**	8,506

Refer to Note 3 for measurement of the loan commitment in the Corporation's annual audited Financial Statements for the year ended March 31, 2020.

7. Loan receivable and loan commitment:

On December 18, 2020, CIB entered into a credit agreement with Irrigating Alberta Inc. As per the agreement, CIB has committed to provide debt of $407.5 million representing 50% of total capital cost to finance the expansion of irrigation infrastructure in Southern Alberta. The project includes construction of four off stream storage reservoirs and modernization of water conveyance infrastructure which will increase agricultural irrigation in Southern Alberta. The interest on the loan is concessionary in nature. The 1% annual rate is accrued daily and compounded monthly. There is a separate funding agreement for each of the eight irrigation districts and debt is structured to be drawn down between fiscal 2022 and fiscal 2028. Repayment profiles are unique to each irrigation district and repayable by the end of the 35-year term. As at December 31, 2020, there has been no funding.

On September 28, 2018, CIB entered into a credit agreement with REM. As per the agreement, CIB agreed to provide debt of $1.283 billion as part of the financing of a fully automated, electric light rail transit system connecting downtown Montreal, the South Shore, the West Island, the North Shore and Pierre-Elliott Trudeau Airport. The debt is to be drawn down between fiscal 2019 and fiscal 2021 and is repayable 15 years from the first drawdown date. The interest on the loan is concessionary in nature. The 1% annual rate is accrued and compounded quarterly for the first 10 years and is added to the principal amount outstanding. For years 11 to 15, the annual interest rate will be 3% and paid quarterly. The debt was drawn down in 5 installments and will be repayable in 15 years from the first drawdown date. As at December 31, 2020, the full amount of the $1.283 billion loan was funded.

Valuation differences on initial recognition

Given CIB's mandate to support and invest in large infrastructure projects in Canada, that cannot be fully financed privately, CIB extends loans at a below market rate. Consequently, the loan commitment and loan receivable have a fair value that is lower than would otherwise be the result if CIB transacted at market rates in the infrastructure project financing market, which is CIB's principal market.

On initial recognition, CIB estimated the fair value of the loan commitment issued through the REM and Alberta Irrigation agreements using valuation techniques. While certain inputs were from similar recently observed transactions in the principal market, not all the significant inputs into the valuation techniques were wholly observable. The difference between the fair value at initial recognition and the transaction price is not recognized in profit or loss immediately but is deferred as part of the carrying amount of the loan commitment and loan receivable. As loan receivable balances drawn under the commitment are viewed as a continuation of the commitments issued, the unamortized deferred balance resulting from individual loan commitment tranches form part of the loan receivable as the amounts are drawn. The deferred amounts are amortized on an effective interest basis over the combined life of the loan commitment and resulting loan receivable.

The following table sets out the aggregate difference yet to be recognized in profit or loss at the beginning and end of the reporting period and a reconciliation of the changes of the balance during the period.

Valuation difference

	Nine months ended December 31, 2020	Year ended March 31, 2020
Opening balance,	**$ 481,404**	$ 493,880
Increase due to Alberta Irrigation agreement	**148,988**	
Reduction of valuation difference due to passage of time	**(15,722)**	(12,476)
Closing balance,	**$ 614,670**	$ 481,404

	Nine months ended December 31, 2020		Year ended March 31, 2020
Comprised of :			
Unrecognized valuation difference relating to loan commitment	**148,988**	$	85,460
Unrecognized valuation difference relating to loan receivable	**465,682**		395,944
Closing balance	**$ 614,670**	$	481,404

Loan receivable – amortized cost:

The following table presents the changes in the loans:

	Nine months ended December 31, 2020		Year ended March 31, 2020
Opening balance	**$ 1,075,131**	$	550,914
Drawdowns	**221,000**		513,000
Interest accrued	**16,332**		14,040
Valuation transfer from loan commitment provision	**(85,460)**		(198,377)
Valuation transfer from loan commitment - deferred	**85,460**		198,377
Accretion of loan receivable due to passage of time	**15,772**		12,476
Reduction of valuation difference due to passage of time	**(15,772)**		(12,476)
Provision for losses	**(87,462)**		(2,823)
Closing balance	**$ 1,225,001**	$	1,075,131

Loan commitment (provision):

As at	December 31, 2020		March 31, 2020
Loan commitment	**$ 645,124**	$	496,136
Valuation transfer related to loan receivable	**(496,136)**		(410,675)
	148,988		85,461
Unrecognized valuation difference relating to loan commitment	**(148,988)**		(85,461)
	$ -	$	-

Expected credit loss:

In the second quarter, the credit review of the REM investment led to in a change in credit risk that resulted in a transfer of financial instruments from stage 1 to stage 2 during the quarter and a lifetime ECL of $89.6 million, inclusive of the 12-month ECL of $2.8 million as at March 31, 2020, was recognized on the loan receivable.

The CIB reviews its economic outlook on the REM loan quarterly. Management's estimation of expected credit losses in stage 1 and stage 2 considers three scenarios (base, upside and downside) each of which uses forward-looking information. The base case scenario is based on internal ratings, inputs of PD from Moody's Transition Matrix, EAD, LGD, and is adjusted to factor in management's outlook on relevant macro and micro-economic factors. Our allowance for credit losses reflects our economic outlook at December 31, 2020, which includes the economic environment caused by the COVID 19 pandemic. As our experience with the economic impact of the COVID-19 pandemic develops, we will adjust the economic factors and reflect them in our allowance for expected credit losses in future periods.

Based on the expected credit loss review completed by CIB, there were no significant changes in credit risk and no transfers of financial instruments between stages during the reporting quarter. The impact of quarterly updates to the assumptions and inputs used in the calculation of portfolio ECL, including the 12-month ECL for the Alberta Irrigation debt, resulted in a $0.7 million ECL increase from the prior period.

There were no significant past due or impaired amounts as at December 31, 2020 (March 31, 2020 - $nil).

Credit quality analysis and credit exposures

CIB is exposed to credit risk through its investments in loan receivable and loan commitment.

The following table sets out information about the credit quality and credit exposures of loan receivable and loan commitments. For loan receivable, the amounts in the table represent net carrying amounts. For loan commitments, the amounts in the table represent the total amounts committed.

Explanation of the terms ‘Stage 1’, ‘Stage 2’ and ‘Stage 3’ is included in Note 3 to the Corporation’s annual audited Financial Statements for the year ended March 31, 2020.

	December 31, 2020				March 31, 2020
	Stage 1	Stage 2	Stage 3	Total	Total
Loans receivable at amortized cost					
Grades 1-2: Strong	$ -	$ -	$ -	$ -	$ -
Grades 3-4: Satisfactory	-	-	-	-	1,077,954
Grades 5-6: Higher risk	-	1,315,286	-	1,315,286	-
Grade 7: Credit impaired	-	-	-	-	-
Gross carrying amount	-	1,315,286	-	1,315,286	1,077,954
Loss allowance	(764)	(89,521)	-	(90,285)	(2,823)
Carrying amount	(764)	1,225,765	-	1,225,001	1,075,131
Loan Commitment					
Grades 1-2: Strong	-	-	-	-	-
Grades 3-4: Satisfactory	148,988	-	-	148,988	221,000
Grades 5-6: Higher risk	-	-	-	-	-
Grade 7: Credit impaired	-	-	-	-	-
Total commitment	$ 148,988	$ -	$ -	$ 148,988	$ 221,000

CIB holds security over the future revenues from the financed project related to its loan receivable.

CIB held a government funding receivable related to operating expenditures at December 31, 2020, of $6,859 (March 31, 2020 – $8,612). The counterparty is the Government of Canada.

All the above instruments are current.

ECL reconciliation

The following table reconciles the opening and closing net carrying amount for the loan receivable at amortized cost by stage.

	Stage 1	Stage 2	Stage 3	December 31, 2020 Total	Stage 1	Stage 2	Stage 3	March 31, 2020 Total
Loan receivable at amortized cost								
Balance at April 1,	**$ 1,075,131**	**$ -**	**$ -**	**$ 1,075,131**	$ 550,914	$ -	$ -	$ 550,914
Transfer to stage 1	**-**	**-**	**-**	**-**	-	-	-	-
Transfer to stage 2	**(1,306,976)**	**1,306,976**	**-**	**-**	-	-	-	-
Transfer to stage 3	**-**	**-**	**-**	**-**	-	-	-	-
Loss allowance	**(764)**	**(86,698)**	**-**	**(87,462)**	(2,823)	-	-	(2,823)
Advance on previous deals	**231,845**	**5,487**	**-**	**237,332**	527,040	-	-	527,040
New financial assets originated or purchased	**-**	**-**	**-**	**-**	-	-	-	-
Write-offs	**-**	**-**	**-**	**-**	-	-	-	-
Closing balance	**$ (764)**	**$ 1,225,765**	**$ -**	**$ 1,225,001**	$ 1,075,131	$ -	$ -	$ 1,075,131

The following table reconciles the opening and closing allowance for loan receivable at amortized cost by stage.

	Stage 1	Stage 2	Stage 3	December 31, 2020 Total	Stage 1	Stage 2	Stage 3	March 31, 2020 Total
Balance at April 1,	**$ (2,823)**	**$ -**	**$ -**	**$ (2,823)**	$ -	$ -	$ -	$ -
Transfer to stage 1	**-**	**-**	**-**	**-**	-	-	-	-
Transfer to stage 2	**2,823**	**(2,823)**	**-**	**-**	-	-	-	-
Transfer to stage 3	**-**	**-**	**-**	**-**	-	-	-	-
Loss allowance	**(764)**	**(86,698)**	**-**	**(87,462)**	(2,823)	-	-	(2,823)
Advance on previous deals	**-**	**-**	**-**	**-**	-	-	-	-
New financial assets originated or purchased	**-**	**-**	**-**	**-**	-	-	-	-
Write-offs	**-**	**-**	**-**	**-**	-	-	-	-
Closing balance	**$ (764)**	**$ (89,521)**	**$ -**	**$ (90,285)**	$ (2,823)	$ -	$ -	$ (2,823)

8. Right-of-use leased assets and lease liabilities:

On August 31, 2017, CIB entered into long-term leases for both office and storage space located at 150 King Street West, Toronto, Ontario. The term of each lease is 10 years and commenced on June 1, 2018. CIB has the option to extend the office lease for two further consecutive terms of five years each.

The details of the right-of-use assets recognized as at December 31, 2020, are as follows:

	Right of Use Assets
Opening balance as at April 1, 2020	$ 3,441
Additions	-
Accumulated depreciation	(196)
Closing balance as at December 31, 2020	$ 3,245

The details of the lease liabilities recognized as at December 31, 2020, are as follows:

	Lease liabilities
Opening balance at April 1, 2020	$ 4,014
Interest expense	66
Lease payments	(232)
Closing balance at December 31, 2020	$ 3,848
Current lease liabilities	$ 225
Non-current lease liabilities	3,623
	$ 3,848

There were no short-term leases or leases of low value during the reporting period.

9. Property and equipment:

	Leasehold improvements	Computer software	Computer hardware	Furniture & equipment	Total
Cost:					
Balance at beginning of year	$ 1,268	$ -	$ 223	$ 357	$ 1,848
Additions	45	495	33	-	573
Balance at end of period	1,313	495	256	357	2,421
Accumulated depreciation:					
Balance at beginning of year	187	-	143	95	425
Depreciation expense	97	37	40	39	213
Balance at end of period	284	37	183	134	638
Carrying amounts					
Balance at December 31, 2020	$ 1,029	$ 458	$ 73	$ 223	$ 1,783

	Leasehold improvements		Computer hardware		Furniture & equipment		Total
Cost:							
Balance at beginning of year	$	1,239	$	196	$	325	$	1,760
Additions		29		27		32		88
Balance at end of year		1,268		223		357		1,848
Accumulated depreciation:								
Balance at beginning of year		62		61		33		156
Depreciation expense		125		82		62		269
Balance at end of year		187		143		95		425
Carrying amounts								
Balance at March 31, 2020	$	1,081	$	80	$	262	$	1,423

No property and equipment was impaired as at December 31, 2020 (March 31, 2019 – $nil).

10. Accounts payable and accrued liabilities:

As at	December 31, 2020	March 31, 2020
Accrued professional fees - Advisory	**$1,276**	$1,904
Accrued professional fees	**4,506**	559
Accrued compensation	**3,405**	5,873
Accounts payable	**142**	161
Other	**8**	9
	$9,337	$8,506

11. Capital management:

CIB defines capital that it manages as the aggregate of its equity, which is comprised of retained earnings and its share capital. The Corporation's objectives in managing capital are as follows:

- To safeguard its ability to continue as a going concern;
- To fund its asset base; and
- To fulfil its mission and objectives for the Government of Canada to the benefit of Canadians.

CIB manages its capital by reviewing formally, on a regular basis, the actual results against set budgets, and shares this information with its Finance and Audit Committee and Board of Directors. CIB's overall strategy with respect to capital management includes the balancing of its operating, capital, and investing activities with its funding on an annual basis. CIB makes adjustments to its capital management strategy in light of general economic conditions, the risk characteristics of the underlying assets and working capital requirements. CIB is subject to an annual limit on its appropriations to amounts in its Corporate Plan as approved by the Treasury Board of Canada on an annual basis.

12. Related party transactions:

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business. CIB's transactions with government-related entities that were individually significant are government funding which are approved in the form of a statutory authority, as well as CIB's annual corporate plan, and obtained through drawdown requests made to the Department of Finance, and CIB's Joint Project Office (Note 13) with VIA Rail Canada, a Crown corporation.

Other related parties of CIB consist mainly of key management personnel of the Corporation or close members of those individuals over which the Corporation has significant influence. Key management personnel are defined as those officers having authority and responsibility for planning, directing and controlling the activities of CIB, including members of the Board of Directors.

13. Advisory services

The CIB provides advisory services to public sponsors from the early stages of project development in order to develop new financing and investment strategies for new infrastructure projects. The CIB can assist informally in an advisory capacity, or it can formalize its advisory work with advisory engagements or a Memorandum of Understanding (MOU).

The majority of the CIB advisory costs are related to the VIA Rail Canada project. On September 4, 2019, CIB and VIA Rail Canada, a related party, established a Joint Project Office operating out of the VIA Rail offices in Montreal, Quebec to undertake de-risking, due diligence, pre-procurement and planning activities for the VIA high frequency rail project. Matters are addressed on a consensus basis equally between CIB and VIA Rail. This joint operation will remain in effect for up to 24 months from the date of the agreement, is unincorporated and does not create a legal entity or partnership between CIB and VIA Rail. CIB has been authorized to fund up to $54.4 million of expenses related to the activities of the joint operation.

Advisory expenses for the three and nine-month period ended December 31, 2020, are detailed in the table below.

For the three months ended, December 31	2020	2019
Professional fees	**$ 5,791**	$ -
Recovery of CIB resource costs	**477**	-
Administration	**232**	-
Premises and equipment	**13**	-
Advisory services - JPO	**6,513**	-
Advisory services - Other	**789**	-
Total advisory services expenses	**$ 7,302**	$ -

For the nine months ended, December 31	2020	2019
Professional fees	**$ 18,875**	$ -
Recovery of CIB resource costs	**1,395**	-
Administration	**719**	-
Premises and equipment	**40**	-
Advisory services - JPO	**$ 21,029**	-
Advisory services - Other	**789**	-
Advisory services expenses total	**$ 21,818**	$ -