Second Quarter (Q2) Fiscal Year 2019-20 Financial Report

Unaudited

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

CANADA INFRASTRUCTURE BANK

BANQUE DE L'INFRASTRUCTURE DU 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, 2019 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, except as described in note 4 to these financial statements in respect of accounting for leases.

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.

Statement of Management Responsibility

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.

Pierre Lavallée

President &
Chief Executive Officer

Annie Ropar

Chief Financial Officer &
Chief Administrative Officer

November 19, 2019
Toronto

Management Discussion & Analysis

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 September 30, 2019. Figures are expressed in Canadian dollars unless stated otherwise.

Strategy and Business Results

The CIB is having a positive and meaningful impact on infrastructure investment in Canada. The CIB is participating as an advisor and investor in a portfolio of projects, including projects across three of four priority sectors, across regions, in urban areas, in a small rural community, and in the north. The projects in which CIB is involved vary from early stage planning and pre-procurement, to procurement, to project implementation, demonstrating that the CIB is contributing to new models for investment in cooperation with public sponsors across Canada.

Building on Q1 2019-20, our Q2 overall trend is positive towards achieving our 2019-20 corporate objectives.

Between July and September, the CIB announced memoranda of understanding on two projects, the Montreal Port Authority's Contrecœur project (QC), as well as the City of Richmond (BC) Lulu Island Energy Company project. We also confirmed an advisory engagement on the Taltson Hydroelectricity Expansion project (NWT).

The CIB made an investment commitment of up to $20 million in the Mapleton (ON) water and wastewater project, which is an innovative approach that the Township is pursuing in order to attract private sector capital and expertise to renew its publicly-owned local system. This has potential as a pilot project and demonstration to other communities with water and wastewater challenges across the country.

Beyond these large-scale projects where the CIB is actively engaged, we assessed 72 projects totaling an estimated $38 billion during the quarter, which is part of the 111 projects worth an estimated $55 billion assessed since April 2019.

Through active engagement with public sector sponsors, the CIB is seeing an increase in opportunities for engagement in advisory activities. The CIB continues to influence the thinking of project sponsors, engaging 10 federal departments/agencies and 18 provincial/territorial bodies in the last three months to collaborate on advisory and investment opportunities. While the majority of public sponsor outreach has been bilateral, we have engaged in multilateral forums with Ministers and Deputy Ministers in cooperation with Infrastructure Canada.

The CIB has entered into partnerships with organizations such as Fédération des chambres de commerce du Québec, Chambre de commerce du Montréal métropolitain, Ontario Chamber of Commerce, Canadian Chamber of Commerce, the Greater Vancouver Board of Trade and International Project Finance Association. These agreements will lead to future involvement in industry infrastructure committees and greater outreach and awareness. Other potential stakeholder partnerships are being explored.

Our knowledge development work continues with further analysis and planning. This quarter an internally-resourced research gap analysis looked at over 335 studies related to infrastructure investment and related topics. This sets the stage for more specific definition of further research on topics of interest that are particularly relevant to the CIB's mandate and the elaboration of a knowledge work plan. In addition, a scoping review regarding an inventory of projects which will inform decisions about the options and approaches for an inventory.

From a governance and accountability perspective, the CIB continues with planning, reporting requirements as well as establishment of policies, procedures and systems. Our corporate Governance and Compliance Policy Framework was approved by the Board of Directors this quarter, and our policies and procedures on Enterprise Risk Management are being finalized for approval in Q3.

The CIB is operating well within the estimated number of employees for 2019-20 fiscal year. While managing its resources responsibly, the CIB strives to promote gender diversity on the team, with 17 women representing 36% of our total of 46 staff. Of these 46 employees, 38% are bilingual and 50% of our total workforce is actively working towards improving their ability in English or French. The CIB's Action Plan on Official Languages was submitted to the Commissioner of Official languages this quarter and will continue to be implemented by our internal official languages champion.

Status of Operations

We are operating well within our annual estimated budget, with costs much lower than estimated due to prudent management of our staffing to align with ramp-up of our business activities, as well lower than expected costs on external consultants.

We continue to fund the Réseau express métropolitain (REM) transaction in accordance with the original schedule.

Our enterprise risk management program continues to evolve as our advisory and investment activities gain momentum with the goal of ensuring we manage and mitigate our risks as effectively as possible.

Outlook

We continue to actively pursue numerous advisory and investment opportunities and anticipate making further announcements in due course. Current economic trends indicate infrastructure will continue to be a favourable asset class for investors and we continue to pursue our goal to catalyze private sector investment into new, revenue generating infrastructure projects that will benefit Canadians.

Financial Statements of Canada Infrastructure Bank

Condensed Interim Statement of Financial Position (unaudited)

(in thousands of Canadian dollars)

As at	Note	September 30, 2019	March 31, 2019
Assets			
Current assets:			
Cash		$ 862	$ 956
Government funding receivable related to operating expenditures		2,531	1,362
HST receivable		994	715
Prepaid expenses and advances		89	25
		4,476	3,058
Non-current assets:			
Loan receivable	8	786,811	550,914
Right-of-use asset	9	3,572	n.a.
Property and equipment	10	1,549	1,604
		$ 796,408	$ 555,576
Liabilities and Shareholder's Equity			
Current liabilities:			
Accounts payable and accrued liabilities	11	$ 2,798	$ 2,039
Lease liabilities	9	218	n.a.
		3,016	2,039
Non-current liabilities:			
Deferred liabilities		1,304	862
Lease liabilities	9	3,504	n.a.
Deferred government funding related to capital expenditures		1,549	1,604
		6,357	2,466
Equity		787,035	551,071
		$ 796,408	$ 555,576

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)

	Three months ended September 30,		Six months ended September 30,	
	2019	2018	2019	2018
Revenue:				
Interest income	$ 3,316	$ 27	$ 5,964	$ 70
Expenses:				
Compensation	3,402	905	7,328	1,230
Professional fees	1,031	1,909	1,584	3,575
Travel and communications	179	97	383	164
Depreciation	134	28	264	46
Administration	114	57	261	98
Information technology	103	49	182	65
Premises and equipment	89	299	178	445
Interest expense	22	-	44	-
	5,074	3,344	10,224	5,623
Net loss before government funding	(1,758)	(3,317)	(4,260)	(5,553)
Government funding:				
Investment appropriations	-	-	230,000	-
Operating appropriations	5,006	3,344	10,091	5,623
Capital appropriations	68		133	
	5,074	3,344	240,224	5,623
Net income and comprehensive income	$ 3,316	$ 27	$ 235,964	$ 70

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

Condensed Interim Statement of Changes in Shareholder's Equity
For the three month period ended September 30 (unaudited)

(in thousands of Canadian dollars)

For the three months ended September 30, 2019	Share Capital (note 1)	Retained Earnings	Total Equity
Balance as at July 1, 2019	$ -	$ 783,719	$ 783,719
Net income and comprehensive income	-	3,316	3,316
Balance as at September 30, 2019	$ -	$ 787,035	$ 787,035

For the three months ended September 30, 2018	Share Capital (note 1)	Retained Earnings	Total Equity
Balance as at July 1, 2018	$ -	$ 85	$ 85
Net income and comprehensive income	-	27	27
Balance as at September 30, 2018	$ -	$ 112	$ 112

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

Condensed Interim Statement of Changes in Shareholder's Equity
For the six month period ended September 30 (unaudited)

(in thousands of Canadian dollars)

For the six months period ended September 30, 2019	Share Capital (note 1)	Retained Earnings	Total Equity
Balance as at April 1, 2019	$ -	$ 551,071	$ 551,071
Net income and comprehensive income	-	235,964	235,964
Balance as at September 30, 2019	$ -	$ 787,035	$ 787,035

For the six months period ended September 30, 2018	Share Capital (note 1)	Retained Earnings	Total Equity
Balance as at April 1, 2018	$ -	$ 42	$ 42
Net income and comprehensive income	-	70	70
Balance as at September 30, 2018	$ -	$ 112	$ 112

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 September 30,		Six months ended September 30,	
	2019	2018	2019	2018
Cash provided by (used in):				
Operating activities:				
Net income	$ 3,316	$ 27	$ 235,964	$ 70
Items not involving cash:				
Interest income accrued on loan receivable	(3,281)	-	(5,897)	-
Interest expense on office lease	22	-	44	-
Depreciation	134	27	264	46
Change in deferred liabilities	(2)	151	442	183
Changes in non-cash working capital:				
Increase in government funding receivable related to operating expenditures	(564)		(1,169)	
Increase in deferred government funding related to operating expenditures		(3,316)		(5,577)
Increase in HST receivable	(155)	(192)	(279)	(559)
(Increase)/Decrease in prepaid expenses and advances	(48)	60	(63)	(14)
Decrease in ROU asset due to deferred rent adjustment	-	n.a.	129	n.a.
Increase in accounts payable and accrued liabilities	1,163	261	759	836
Decrease in deferred government funding related to capital expenditures	(10)	(27)	(55)	(46)
Loan disbursements	-	-	(230,000)	
Total cash (used in) provided by operating activities	$ 575	$ (3,009)	$ 139	$ (5,061)
Financing activities:				
Payment of lease liabilities	(77)	-	(154)	-
Total cash used in financing activities	$ (77)	$ -	$ (154)	$ -
Investing activities:				
Acquisition of property and equipment	(59)	(362)	(79)	(1,492)
Total cash used in investing activities	$ (59)	$ (362)	$ (79)	$ (1,492)
Net increase/(decrease) in cash during the period	439	(3,371)	(94)	(6,553)
Cash, beginning of the period	423	6,500	956	9,682
Cash, end of the period	$ 862	$ 3,129	$ 862	$ 3,129

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

Notes to the Condensed Interim Financial Statements (unaudited)

For the six-month period ended September 30, 2019

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 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 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 each of the four priority areas: public transit; trade and transportation; green infrastructure; and broadband. 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, 2019.

The Financial Statements have been prepared on a historical cost basis except when a specific International Financial Reporting Standard (IFRS) required 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, 2019, except for that which was affected by the adoption of IFRS 16 Leases (IFRS 16) on April 1, 2019, as discussed below. The Interim Financial Statements should be read in conjunction with the annual audited Financial Statements.

4. Changes to Accounting standards:

Except for the changes below, CIB has consistently applied the accounting policies to all periods presented in these financial statements. CIB applied IFRS 16 with a date of initial application of April 1, 2019. As a result, CIB has changed its accounting policy for lease contracts as detailed below.

CIB applied IFRS 16 using the modified retrospective approach therefore the comparative information has not been restated.

IFRS 16 Leases

On January 13, 2016, the IASB issued a new standard, IFRS 16, which supersedes IAS 17, Leases ("IAS 17") and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The standard provides a single lessee accounting model requiring lessees to recognize assets and liabilities for all leases, unless the lease term is 12 months or less, or if the underlying asset has a low value. Lessors will continue classifying leases as operating or finance, since IFRS 16's approach to lessor accounting is substantially unchanged from IAS 17.

With regard to CIB's financial statements, the adoption of IFRS 16 resulted in changes to the CIB's accounting policies for the recognition and measurement of a lease for which CIB is the lessee. CIB's accounting policy for leases is as follows:

At inception of a contract, CIB assess whether a contract is, or contains, a lease. A lease contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. CIB recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of use asset is initially measure as the sum of:

- The value of the initial amount of the lease liability;
- The value of initial direct costs incurred;
- Less any lease incentives received.

Right-of-use leased assets are depreciated over the lesser of the end of the useful life of the right-of-use leased asset or the lease term on a straight-line basis. The lease term includes periods covered by an option to extend if CIB is reasonably certain to exercise that option. The right-of-use leased asset may be remeasured from time to time to reflect certain remeasurements in the related lease liability and impairment losses, if any.

Under IFRS 16, CIB recognised a right-of-use asset and a lease liability on April 1, 2019. CIB's approach and related impact upon transition to IFRS 16 is disclosed below.

Upon transition, CIB used the following practical expedients available under IFRS 16 to leases previously classified as operating leases under IAS 17:

- Grandfather assessments of whether an agreement existing at the transition date and entered into prior to adoption contained a lease under the previous lease standard.
- Discounted the lease liability by CIB's incremental borrowing rate and reduced the lease liability by the lease incentive expected to be received.
- Measure the right-of-use asset equal to the related lease liability, less any deferred rent recognized at the date of initial application on April 1, 2019.
- Did not apply IFRS 16 to contracts previously identified as not containing leases in accordance with IAS 17 and IFRIC 4.
- Did not apply the recognition for right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

Impacts on financial statements

Upon initial application of IFRS 16, CIB recognized right-of-use leased assets of $3.7 million and lease liabilities of $3.8 million as at April 1, 2019, with no impact on retained earnings. The $0.1 million difference between the carrying amount of right-of-use assets and lease liabilities recognized at the transition date relates to the deferred rent as of March 31, 2019. The deferred rent was reclassified from deferred liabilities to right-of-use assets on April 1, 2019.

When measuring lease liabilities, future lease payments are discounted using the long-term Government of Canada bond yield with durations approximating the remaining lease term as at April 1, 2019, less the present value of lease incentive receivable. The weighted average discount rate applied as at April 1, 2019, is 1.97%.

Reconciliation of lease commitments at transition

The following table reconciles CIB's undiscounted operating lease commitments disclosed on CIB's financial statements note 15 as at March 31, 2019, to the lease liabilities recognized on initial application of IFRS 16 as at April 1, 2019. The table also reconciles the $0.1 million difference between the carrying amount of right-of-use assets and lease liabilities recognized at the transition date relates to the deferred rent as of March 31, 2019.

Operating lease commitment at March 31, 2019	$	4,888
Discounted using the incremental borrowing rate at April 1, 2019		(660)
		4,228
Present value of lease incentive receivable		(397)
Lease liabilities recognized at April 1, 2019		3,831
Deferred rent as at March 31, 2019		(129)
ROU assets recognized as at April 1, 2019	$	3,702

Short-term leases and leases of low value assets

Management has elected to apply the practical expedient not to recognize right-of-use leased assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

5. Significant accounting judgments, estimates and assumptions:

In preparing the Condensed Interim Financial Statements management has made judgments and used estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and related information.

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.

6. 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			September 30, 2019		March 31, 2019	
	Note	Level	Fair value	Carrying amount	Fair value	Carrying amount
Loan receivable	8	3	581,039	786,811	338,447	550,914
Loan commitment	8	3	(131,486)	-	(283,390)	-

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.

7. Classification and measurement of financial instruments:

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

As at	Note	Measurement basis	September 30, 2019	March 31, 2019
Cash	-	Amortized Cost	862	956
Government funding receivable related to operating expenditures	-	Amortized Cost	2,531	1,362
Loan receivable	8	Amortized Cost	786,811	550,914
Accounts payable and accrued liabilities	11	Amortized Cost	2,798	2,039

Refer to the annual report for measurement of the loan commitment.

8. Loan receivable and loan commitment:

On September 28, 2018, CIB entered into a credit agreement with Réseau express métropolitain Inc. (the "REM agreement"). As per the agreement, CIB agreed to provide debt of $1,283 million 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 at a 1% annual rate compounded quarterly for the first 10 years and will be paid in cash quarterly at a 3% annual rate for years 11 to 15. The debt will be drawn down in 5 installments and be repayable in 15 years from the first drawdown date. The first drawdown for $279 million was made on November 30, 2018, the second drawdown for $270 million was made on March 1, 2019, the third drawdown for $230 million was made on June 1, 2019, and the remaining drawdown schedule is as follows:

	F2019-20	F2020-21	Total
Total draws	$ 283,000	$ 221,000	$ 504,000

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 agreement 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 year and a reconciliation of the changes of the balance during the year.

Unamortized valuation difference

As at	September 30, 2019	March 31, 2019
Opening balance	$ 493,880	$ -
Increase due to REM agreement	-	496,136
Reduction of valuation difference due to passage of time	(4,857)	(2,256)
Closing balance	$ 489,023	$ 493,880

Loan receivable - amortized cost

The following table presents the changes in the REM loan:

As at	September 30, 2019	March 31, 2019
Opening balance	$ 550,914	$ -
Drawdowns	230,000	549,000
Interest accrued	5,897	1,914
Valuation transfer from loan commitment provision	(301,239)	(212,298)
Valuation transfer from loan commitment - deferred	301,239	212,298
Release of valuation provision due to passage of time	7,113	2,256
Reduction of deferred valuation difference due to passage of time	(7,113)	(2,256)
Closing balance	$ 786,811	$ 550,914

Loan commitment provision:

As at	September 30, 2019	March 31, 2019
Loan commitment	$ 496,136	$ 496,136
Valuation transfer related to loan receivable funded during the year	(301,239)	(212,298)
	194,897	283,838
Unrecognized valuation difference relating to loan commitment	(194,897)	(283,838)
	$ -	$ -

Expected credit loss:

All CIB's financial assets subject to impairment assessments are Stage 1 and are considered to have low credit risk. There were no transfers of financial instruments between stages during the reporting period.

CIB did not record any ECLs on its financial instruments as at September 30, 2019 (March 31, 2019 - $nil).

There were no significant past due or impaired amounts as at September 30, 2019 (March 31, 2019 - $nil).

9. 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. The term of each lease is 10 years and commences on June 1, 2018, with combined future commitments as follows:

F2019-20	F2020-21	F2021-22	F2022-23	F2023-24	Thereafter	Total
$ 154	$ 308	$ 308	$ 308	$ 324	$ 3,332	$ 4,734

CIB has the option to extend the office lease for two further consecutive terms of five years each. The commitment schedule above assumes one extension of five years and reflects undiscounted amounts owed.

On adoption of IFRS 16, CIB has recognized a right-of-use asset and lease liability on this office storage space which had previously been classified as operating lease under IAS 17. Judgement was required when determining the appropriate term over which the right-of-use asset should be depreciated, the appropriate discount rate to be used in measurement of the lease liability and weather existing right-of-use leased assets are subject to impairment. The lease liability was measured at the present value of the remaining lease payments, discounted using CIB's incremental borrowing rate of 1.97% based on the Government of Canada benchmark long-term bond yield at the date of application.

The details of the right-of-use assets recognized as at September 30, 2019 are as follows:

	Office lease
Opening balance as at April 1, 2019	$ 3,702
Additions	-
Accumulated depreciation	(130)
Closing balance as at September 30, 2019	$ 3,572

The details of the lease liabilities recognized as at September 30, 2019 are as follows:

	Lease liabilities
Opening balance at April 1, 2019	$ 3,831
Interest expense	44
Lease payments	(153)
Closing balance at September 30, 2019	$ 3,722
Current lease liabilities	$ 218
Non-current lease liabilities	3,504
	$ 3,722

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

10. Property and equipment:

	Leasehold improvements	Computer hardware	Furniture & equipment	Total
Cost:				
Balance at beginning of year	$ 1,239	$ 196	$ 325	$ 1,760
Additions	30	18	31	79
Balance at end of period	1,269	214	356	1,839
Accumulated depreciation:				
Balance at beginning of year	62	61	33	156
Depreciation expense	63	40	31	134
Balance at end of period	125	101	64	290
Carrying amounts				
Balance at September 30, 2019	$ 1,144	$ 113	$ 292	$ 1,549
Balance at March 31, 2019	$ 1,177	$ 135	$ 292	$ 1,604

11. Accounts payable and accrued liabilities:

As at	September 30, 2019	March 31, 2019
Accrued compensation	$ 2,312	$ 1,660
Accrued professional fees	332	201
Accounts payable	133	158
Other	21	20
	$ 2,798	$ 2,039

12. 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.

13. Related party transactions:

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. 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.

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.

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