CIB BIC

First Quarter (Q1) Fiscal Year 2021-22 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, 2021 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, the CIB makes written or oral forward-looking statements and may do so 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 June 30, 2021. Figures are expressed in Canadian dollars unless stated otherwise.

Overview

The CIB is focused on delivering more infrastructure that benefits Canadians. Increasing our balanced portfolio of infrastructure projects across multiple sectors will deliver increased economic growth, connected Canadians and communities, and expand action on climate change.

These outcomes will be realized by investing in priority sectors: broadband, public transit, clean power, green infrastructure, and trade and transport. Across these priority sectors, and as part of the overall commitment to invest $35 billion over the long-term, the CIB also has a targeted goal of investing $1 billion in partnership with and for the benefit of Indigenous Peoples.

The CIB has a clear focus on priorities and our professional and independent Board supervises the direction of the organization with the ultimate responsibility for approving investment decisions. The CIB management team works with public sponsors and private and institutional partners, including Indigenous communities and organizations, to catalyze investment opportunities in our priority sectors.

By bringing together partners from across the Canadian infrastructure landscape, the CIB acts as a catalyst to fill the economic gap in financing that can prevent new infrastructure projects from going ahead. The CIB's direct investment and partnership approach complements, yet is distinct from, government programs.

Strategy and Business Results

Focus on Delivering the Growth Plan and Going Beyond

Infrastructure is a powerful lever for positive change. Infrastructure will play a significant role in our recovery from the pandemic as investments can promote job creation, while supporting economic growth and the transition to net-zero emissions in the longer term.

The CIB team is focused on delivering the CIB's Growth Plan and going beyond, to achieve long-term results. The Growth Plan includes investment 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 such as irrigation that is linked to trade and transportation. The CIB also can accelerate infrastructure project development with investment across all of these initiatives and our priority sectors.

Since inception the CIB has announced participation in 24 projects across our five priority sectors, at various stages of development, in different regions and communities, including the north. This includes projects that feature CIB investments, advisory engagements and Memorandums of Understanding in which the CIB is providing early advice and expertise for public sponsor consideration.

For example, in the first quarter the CIB announced Memorandums of Understanding and other initiatives to expedite studies, technical reports and analysis required to accelerate development of projects that could be strong candidates for CIB investment. Two examples in Alberta focus on feasibility assessment exploring additional agricultural irrigation for the Municipal District of Acadia and Special Areas and analysis of the energy retrofit business case for potential opportunities with the City of Edmonton's public buildings portfolio.

Investing Now in New Infrastructure

The CIB is increasing momentum through impactful investments. In total since inception, and as of the date of publishing this update, the CIB has approved $4.3 billion in investments in projects that has leveraged an additional $5.7 billion in private and institutional capital. Collectively, with additional funding from other public sources, these new projects represent a total capital cost of $14.3 billion towards new infrastructure in Canada.

The scope, speed and scale of our investments accelerated significantly during the first quarter of the 2021-22 fiscal year, and a growing number of projects were announced as follows:

- **Lake Erie Connector:** The CIB will invest up to $655 million in a 1,000-megawatt underwater transmission line connecting converter stations located in Nanticoke, Ontario and Erie, Pennsylvania. The project has a total cost of $1.7 billion, with ITC Investment Holdings and private sector lenders financing the balance. The line will connect Ontario to the largest electricity market in North America and help lower electricity costs for customers in Ontario, improve the reliability and security of Ontario's energy grid while reducing greenhouse gas emissions and being a source of low-carbon electricity in the Ontario and U.S. electricity markets.
- **Montréal-Trudeau International Airport Réseau express métropolitan (REM) station:** This project involves the construction of a REM station that will link the Montreal airport to the REM, a 67 kilometre long, 26 station light rail transit network currently under construction in the Greater Montreal area. The CIB is investing up to $300 million in the project.
- **Oneida Energy Storage:** Oneida Energy Storage LP is a joint venture between NRStor Incorporated and Six Nations of the Grand River Development Corporation, developing a 250 megawatt/1000 megawatt-hour energy storage facility. The CIB is investing up to $170 million in the half billion dollar project. When operational, the energy storage facility will draw and store existing surplus baseload and renewable energy during off peak periods. It will help Ontario reduce greenhouse gas emissions by 4.1 million tonnes and allow Ontario to better manage peak electricity demand and meet future reliability needs in a more sustainable way.
- **City of Edmonton Zero-Emission Buses:** The CIB is investing up to $14.4 million to help the City of Edmonton purchase 20 new zero-emission buses for the Edmonton Transit Service's fleet, which will contribute to the City's shift toward more sustainable transportation, lowering its carbon footprint while providing a high-quality transit service for users.

- **City of Ottawa Zero-Emission Buses:** This project is the largest conversion of public transit vehicles in Canada to date, in which approximately 450 zero-emission buses will be procured by OC Transpo. The CIB will invest up to $400 million towards the procurement of the buses and related charging infrastructure.
- **British Columbia Zero-Emission School Buses:** The CIB and the Association of School Transportation Services of British Columbia (ASTSBC) completed an agreement for the CIB to support the purchase of zero-emission buses (ZEBs) through an investment of up to $30 million. Along with funding provided by the B.C. provincial government, ASTSBC's members can purchase approximately 280 electric ZEBs and associated charging infrastructure over the next five years.

Subsequent to the first quarter end, additional CIB investments were announced of up to **$220 million for the Algoma Steel** retrofit to transition to electric-arc furnace production at its facility in Sault Ste. Marie, Ontario; up to **$50 million for the Tshiuetin rail project** in northeastern Quebec and western Labrador to modernize the first Indigenous owned and operated railway in Canada, connect communities and create economic opportunity; and up to **$400 million for 450 zero-emission buses in the City of Brampton, Ontario**.

All of these announced projects are tracking towards financial close. In addition, the previously investment in **Southern Manitoba Fibre**, in cooperation with Valley Fibre and its private sector investment partner, reached financial close after the first quarter end.

Communicating Openly with the Public

Information about the CIB's investments is provided to stakeholders regularly through the CIB's website and social media platforms, including highlights and a map of projects.

In addition, the CIB has participated in more than 30 public speaking and stakeholder engagements in recent months. This includes, for example, appearances at or dialogue with the Big City Mayors Caucus, Globe Capital, Canada's Building Trade Unions, the Construction and Design Alliance of Ontario, Manitoba Heavy Construction Association, the Chambre de commerce du Montréal métropolitain, and the National Indigenomics Design Conference.

The CIB provided a comprehensive and bilingual response to a request for information from the Standing Committee on Transport, Infrastructure and Communities.

Status of Operations – Financial

The following table sets out the CIB's income and expense for the first quarter:

For the period ended June 30	2021	2020	$ Change
Interest income	$ 5.5	$ 5.4	$ 0.1
Operating expense	(9.8)	(5.1)	(4.7)
Net operating loss before provision and advisory services	(4.3)	0.3	(4.6)
VIA Rail Advisory expenses	(3.5)	(6.6)	3.1
Net loss before government funding	(7.8)	(6.3)	(1.5)
Government funding	64.3	232.7	(168.4)
Net income	$ 56.5	$226.4	$ (169.9)

Revenue

Accrued interest from financing activity was $5.5 million, an increase of $0.1 million from the previous period. Higher accrued interest was a result of portfolio growth from follow-on capital disbursements.

Expenses

Total General and Administrative expenses for Q1 2021-22 of $13.3 million were comprised of CIB operating expenses of $9.8 million (2020-21, $5.1 million) and $3.5 million (2020-21, $6.6 million) of expenses related to the activities of the joint project office planning activities for the high frequency rail project.

As a result of higher levels of investment related activities, CIB operating expenses increased primarily from external technical, consulting and legal guidance related to due diligence activities for Growth Plan projects including assessment of the scope, design, risks and viability of the proposed construction and technology. In addition, the CIB continued to increase capabilities across the organization by adding highly skilled employees and streamlining processes, all within the approved corporate budget and consistent with the human resource framework.

Status of Operations – Corporate

Diversity and inclusion is important to the CIB's values. Six of the CIB's eleven Directors, or 55%, are women, demonstrating CIB as a model for diversity. As of June 30, 2021, 41% of our 78 employees are women.

The CIB conducted a diversity and inclusion survey which helped inform a baseline. The CIB also created a diversity and inclusion committee of employees from across the organization to contribute to and guide goals and actions that support a positive, respectful, and productive workplace.

The 25th anniversary of National Indigenous Day was an opportunity to celebrate the heritage, diverse cultures and outstanding achievements of First Nations, Inuit and Métis peoples, and to further reflect on the importance of reconciliation. As part of an ongoing commitment to raise awareness and pursue meaningful collaboration with Indigenous Peoples, the CIB held an organization-wide learning session on the history of Indigenous and Non-Indigenous relations in Canada to foster more dialogue with our employees.

The CIB continues to uphold and extend its commitment to bilingualism, providing services 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 the CIB continued to support operations through the development of core systems and internal operational and investment risk management processes and frameworks.

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

The CIB continues to seek opportunities to invest in at scale capital projects where it can play a substantial role to crowd-in private and institutional capital to fill gaps in financing and help deliver more infrastructure.

Continuing with the partner outreach and project momentum achieved through the Growth Plan, the CIB has a robust funnel of projects under active consideration, with approximately 40 projects undergoing advanced due diligence for potential investment. As such, the outlook for increased CIB investments remains strong, with additional investments being approved and announced over the coming six months and into the next fiscal year.

The CIB is refining and advancing its investment approach and exploring new opportunities with existing priority sectors where investment may unlock outcomes that address CIB objectives and deliver benefit to Canadians.

Building on the established Investment Policy and decision-making processes, the CIB has started developing an Investment Framework that will further inform our future investments.

The imperative to invest in infrastructure that is sustainable continues to grow. In April the Government of Canada announced it would enhance its emission reduction target under the Paris Agreement to 40-45% below 2005 levels by 2030. Investment in infrastructure will be needed from both public and private sectors to achieve a level of investment that will reduce greenhouse gas emissions help Canada achieve this target. In this context, the CIB continues to assess best practices related to investments, climate change, sustainable finance and other related topics that can inform future planning and reporting.

One further example of the CIB's broader engagement on Canada's long-term direction for infrastructure is support for the National Infrastructure Assessment being developed by Infrastructure Canada. The CIB will contribute perspective and expertise regarding priorities for investment and approaches for innovative financing in cooperation with private and institutional partners.

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 the 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

August 12, 2021

Financial Statements of Canada Infrastructure Bank

Condensed Interim Statement of Financial Position (unaudited)

(in thousands of Canadian dollars)

As at,	Note	June 30, 2021	March 31, 2021
Assets			
Current assets:			
Cash		**$ 425**	$ 1,695
Government funding receivable related to operating expenditures	8	**3,638**	5,442
HST receivable		**3,571**	2,942
Prepaid expenses and advances		**114**	140
		7,748	10,219
Non-current assets:			
Loan receivable	7	**1,301,405**	1,244,924
Right-of-use asset	9	**3,114**	3,180
Property and equipment	10	**1,873**	1,943
		$ 1,314,140	$ 1,260,266
Liabilities and Shareholder's Equity			
Current liabilities:			
Accounts payable and accrued liabilities	11	**6,497**	8,704
Lease liabilities	9	**228**	227
		6,725	8,931
Non-current liabilities:			
Deferred liabilities		**1,342**	1,634
Lease liabilities	9	**3,509**	3,566
Deferred government funding related to capital expenditures	8	**1,873**	1,943
		6,724	7,143
Shareholder equity		**1,300,691**	1,244,192
		$ 1,314,140	$ 1,260,266

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)

For the three months ended June 30	Note		2021		2020
Revenue:					
Interest income		$	**5,499**	$	5,395
			5,499		5,395
Expenses					
General and administrative					
Compensation			**5,912**		3,490
Professional fees			**2,981**		988
Administration			**754**		492
Depreciation			**85**		61
Interest expense			**21**		22
Advisory services	13		**3,513**		6,640
Total Expenses			**13,266**		11,693
Net loss before government funding			**(7,767)**		(6,298)
Government funding:					
Investment appropriations			**51,000**		221,000
Operating appropriations			**13,181**		11,632
Capital appropriations			**85**		61
			64,266		232,693
Net income and comprehensive income		$	**56,499**	$	226,395

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 June 30
(in thousands of Canadian dollars)

For the three month period ended June 30, 2021		Share Capital (note 1)		Retained Earnings		Total Equity
Balance as at April 1, 2021	**$**	**-**	**$**	**1,244,192**	**$**	**1,244,192**
Net income and comprehensive income		**-**		**56,499**		**56,499**
Balance as at June 30, 2021	**$**	**-**	**$**	**1,300,691**	**$**	**1,300,691**

For three month period ended June 30, 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		-		226,395		226,395
Balance as at June 30, 2020	$	-	$	1,301,836	$	1,301,836

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

Condensed Interim Statement of Cash Flows (unaudited)

(in thousands of Canadian dollars)

For the three-months ended June 30	Note		2021		2020
Cash provided by (used in):					
Operating activities:					
Net income		**$**	**56,499**	$	226,394
Items not involving cash:					
Interest income accrued on loan receivable			**(5,481)**		(5,382)
Provision for losses			**-**		-
Interest expense on office lease			**21**		22
Depreciation - Right-of-use asset			**65**		65
Depreciation - Capital			**85**		61
Depreciation of deferred capital funding related to capital expenditures			**(85)**		(61)
Change in deferred liabilities			**(292)**		18
Changes in non-cash working capital:					
Government funding receivable related to operating expenditures			**1,804**		2,676
Government funding receivable related to investments			**-**		(221,000)
Deferred transaction costs					-
HST receivable			**(629)**		(829)
Prepaid expenses and advances			**26**		(18)
Right of use asset due to deferred rent adjustment					-
Accounts payable and accrued liabilities			**(2,206)**		(876)
Deferred government funding related to capital expenditures used			**15**		192
Loan disbursements			**(51,000)**		(221,000)
Total cash provided by (used in) operating activities		**$**	**(1,178)**	$	(219,738)
Financing activities:					
Payment of lease liabilities			**(77)**		(77)
Total cash used in financing activities		**$**	**(77)**	$	(77)
Investing activities:					
Acquisition of property and equipment			**(15)**		(192)
Total cash used in investing activities		**$**	**(15)**	$	(192)
Net increase/(decrease) in cash during the period			**(1,270)**		(220,007)
Cash, beginning of the period			**1,695**		221,768
Cash, end of the period		**$**	**425**	$	1,761

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

Notes to the Condensed Interim Financial Statements (unaudited)

For the three-month period ended June 30, 2021

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. The CIB is incorporated in Canada and wholly owned by the Government of Canada. The 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).

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

The 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.

The CIB develops projects in partnership with federal, provincial, territorial, municipal and Indigenous sponsors and the private sector. The CIB's investments align with the Government of Canada's economic priorities. The 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.

The CIB currently receives appropriations from the Government of Canada. Parliament has authorized up to $35 billion until fiscal year-end 2027-28, and the requisite authorities to participate in infrastructure transactions. Of the $35 billion, the Government of Canada will allow up to $15 billion against the fiscal framework. The 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. The 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, the CIB is expected to make investments in projects that are in the public interest in the priority areas of: public transit, clean power, green infrastructure, broadband, and trade and transportation. This in part, is expected to be delivered through the CIB's approved $10 billion growth plan initiative. The CIB can also invest in other areas of infrastructure if they are supported by government policy and pursue investments in projects across the country.

The 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. The CIB is also named in Part I of Schedule III to the FAA.

The 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, 2021.

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, 2021. 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 Financial Statements, management is required to make subjective judgments 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. Significant changes in the underlying assumptions could result in significant changes to these judgments and estimates. Consequently, management reviews these assumptions regularly. Revisions to accounting judgments and estimates are recognized prospectively – i.e. in the period in which the judgments and estimates are revised and in any future period affected.

COVID-19 IMPACT

A resurgence in the spread of COVID-19 including the emergence of new variants, has resulted in certain regions re-imposing, or expanding the level of containment measures. Although such actions restrict the pace of short-term economic activity, containment measures as well as vaccine distribution have eased the severity of ongoing economic impact. The impact to the Canadian economy will depend on future developments, which are highly uncertain and could have longer-term effects on economic and commercial activity.

The COVID-19 pandemic increases the need to apply judgment in evaluating the economic and market environment and its impact on significant estimates within the Financial Statements. This particularly impacts estimates and assumptions relating to the allowance for credit losses and valuation of financial instruments. To address the current and future uncertainties inherent in the environment, management reviewed and updated its Expected Credit Loss (ECL) model in the context of the macro and micro economic conditions precipitated by COVID-19 and its impact on the sectors in which the CIB invests.

As well, we considered forward-looking judgments and estimates on the workforce that includes the future impact of the work-from-home environment and start and stop restrictions. As the CIB's experience with the economic impact of the COVID-19 pandemic develops, management will adjust the economic factors and reflect them in the allowance for expected credit losses in future periods (Refer to Note 7).

The judgments and estimates we make for the purposes of preparing our Financial Statements relate to subjects that are inherently uncertain and may include the valuation of financial instruments, allowance for credit losses, asset impairment and provisions. We believe that our estimates of the value of our assets and liabilities are appropriate as at June 30, 2021.

The economic environment in which we operate continues to be subject to sustained volatility, which could impact our financial results. We are closely monitoring the changing conditions and their impacts.

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 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 assets 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

The CIB discloses, but does not measure, its loan receivable and loan commitment at fair value. Although the loan receivable and loan commitment are 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, the 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.

The 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 the 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,			June 30, 2021		March 31, 2021	
	Note	Level	Fair value	Carrying amount	Fair value	Carrying amount
Loan receivable	7	3	**814,000**	**1,301,405**	825,000	1,244,924
Loan commitment	7	3	**(140,200)**	**-**	(157,700)	-

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	June 30, 2021	March 31, 2021
Cash	-	Amortized Cost	**425**	1,695
Government funding receivable related to operating expenditures	-	Amortized Cost	**3,638**	5,442
Loan receivable	7	Amortized Cost	**1,301,405**	1,244,924
Accounts payable and accrued liabilities	11	Amortized Cost	**6,497**	8,704

Refer to Note 3 for measurement of the loan commitment in the Corporation's annual audited Financial Statements for the year ended March 31, 2021.

7. Loan receivable and loan commitment:

On December 18, 2020, the CIB entered into a credit agreement with Irrigating Alberta Inc. As per the agreement, the CIB has committed to provide debt of up to $407.5 million representing 50% of the total capital cost to finance the expansion of irrigation infrastructure for eight irrigation districts in Southern Alberta. The interest on the loan is concessionary in nature. The debt is structured to be drawn down between fiscal 2022 and fiscal 2028. Repayment profiles are unique to each irrigation district. The first loan draw of $51 million was funded in May 2021.

On September 28, 2018, the CIB entered into a credit agreement with Réseau express métropolitain Inc. ("REM"). As per the agreement, the 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 was drawn down between fiscal 2019 and fiscal 2021. The interest on the loan is concessionary in nature. As at June 30, 2021, the full amount of the $1.283 billion loan was funded.

On June 8, 2021, CIB entered into a credit agreement with a special purchase vehicle wholly owned by the Association of School Transportation Services of British Columbia ("ASTSBC"). As per the agreement, CIB agreed to provide financing up to $30 million to ASTSBC who will facilitate loans to indirect borrowers such as public-school districts, First Nation schools, and private sector operators for the targeted acquisition of 280 zero-emission buses and associated charging infrastructure, pursuant to member funding agreements. The debt is available to be drawn down until fiscal 2025-2026, however no funding took place in the current fiscal quarter. The interest on the loan is concessionary in nature. As at June 30, 2021, there have been no member funding agreements executed and therefore no financial loan commitment has been recorded.

The portfolio weighted average effective interest rate on the CIB loans is approximately 1.5% over an average weighted term of 20 years.

Valuation differences on initial recognition

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

On initial recognition, the CIB estimated the fair value of the loan commitment issued through its 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 year and a reconciliation of the changes of the balance during the period.

Valuation difference

	Three months ended June 30, 2021	Year ended March 31, 2021
Opening balance,	**$ 609,209**	$ 481,404
Increase due to Alberta Irrigation agreement	**-**	148,900
Reduction of valuation difference due to passage of time	**(10,262)**	(21,095)
Closing balance,	**$ 598,947**	$ 609,209

	Three months ended June 30, 2021	Year ended March 31, 2021
Comprised of :		
Unrecognized valuation difference relating to loan commitment	**$ 144,186**	$ 148,900
Unrecognized valuation difference relating to loan receivable	**454,761**	460,309
Closing balance	**$ 598,947**	$ 609,209

Loan receivable – amortized cost:

The following table presents the changes in the loans:

	Three months ended June 30, 2021	Year ended March 31, 2021
Opening balance	**$ 1,244,924**	$ 1,075,131
Drawdowns	**51,000**	221,000
Interest accrued	**5,481**	21,722
Transaction costs		1,067
Valuation transfer from loan commitment provision	**(4,801)**	(85,461)
Valuation transfer from loan commitment - deferred	**4,801**	85,461
Accretion of loan receivable due to passage of time	**5,564**	21,095
Reduction of valuation difference due to passage of time	**(5,564)**	(21,095)
Provision for losses	**-**	(73,996)
Closing balance	**$ 1,301,405**	$ 1,244,924

Loan commitment (provision):

As at	June 30, 2021	March 31, 2021
Loan commitment opening balance	**$ 148,900**	$ 85,461
Increase due to new loan commitments	**-**	148,900
Valuation transfer related to loan receivable	**(4,714)**	(85,461)
	144,186	148,900
Unrecognized valuation difference relating to loan commitment	**(144,186)**	(148,900)
	$ -	$ -

Expected credit loss:

The allowance for expected credit losses represents management's estimate of the losses anticipated in the loan portfolio as at the reporting date. The CIB reviews its loans individually and incorporates forward looking information, including the economic environment caused by the COVID 19 pandemic (Refer to Note 4).

The CIB reviews its economic outlook on loans 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 probability of default ("PD") from Moody's Transition Matrix, exposure at default ("EAD"), loss given default ("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 as at June 30, 2021.

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.

There were no significant past due or impaired amounts as June 30, 2021 (June 30, 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, 2021.

	June 30, 2021				March 31, 2021
	Stage 1	Stage 2	Stage 3	Total	Total
Loans receivable at amortized cost					
Grades 1-2: Strong	$ -	$ -	$ -	$ -	$ -
Grades 3-4: Satisfactory	**52,076**	-	-	**52,076**	
Grades 5-6: Higher risk	-	**1,326,148**	-	**1,326,148**	1,320,676
Grade 7: Credit impaired	-	-	-	-	-
Gross carrying amount	**52,076**	**1,326,148**	-	**1,378,224**	1,320,676
Transaction costs					1,067
Loss allowance	**(699)**	**(76,120)**	-	**(76,819)**	(76,819)
Carrying amount	**51,377**	**1,250,028**	-	**1,301,405**	1,244,924
Loan Commitment					
Grades 1-2: Strong	-	-	-	-	-
Grades 3-4: Satisfactory	**356,500**	-	-	**356,500**	407,500
Grades 5-6: Higher risk	-	-	-	-	-
Grade 7: Credit impaired	-	-	-	-	-
Total commitment	**$ 356,500**	$ -	$ -	**$ 356,500**	$ 407,500

ECL reconciliation

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

				June 30, 2021				March 31, 2021
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at April 1	**$ 368**	**$ 1,244,556**	**$ -**	**$ 1,244,924**	$1,075,131	$ -	$ -	$ 1,075,131
Advance on previous deals	**51,000**		**-**	**51,000**	221,000		-	221,000
Interest accrued	**9**	**5,472**	**-**	**5,481**	10,845	10,877	-	21,722
Transaction costs	**-**	**-**		**-**	1,067	-	-	1,067
Transfer to stage 1	**-**	**-**	**-**	**-**	-	-	-	-
Transfer to stage 2	**-**	**-**	**-**	**-**	(1,306,976)	1,306,976	-	-
Transfer to stage 3	**-**	**-**	**-**	**-**	-	-	-	-
Loss allowance	**-**	**-**	**-**	**-**	(699)	(73,297)	-	(73,996)
Closing balance	**$ 51,377**	**$ 1,250,028**	**$ -**	**$ 1,301,405**	$ 368	$1,244,556	$ -	$ 1,244,924

The following table reconciles the opening and closing loss allowance by stage.

	Stage 1	Stage 2	Stage 3	June 30, 2021 Total	Stage 1	Stage 2	Stage 3	March 31, 2021 Total
Balance at April 1	**$ (699)**	**$ (76,120)**	**$ -**	**$ (76,819)**	$ (2,823)	$ -	$ -	$ (2,823)
Transfer to stage 1	**-**	**-**	**-**	**-**	-	-	-	-
Transfer to stage 2	**-**	**-**	**-**	**-**	2,823	(2,823)	-	-
Transfer to stage 3	**-**	**-**	**-**	**-**	-	-	-	-
Loss allowance	**-**	**-**		**-**	(699)	(73,297)		(73,996)
Closing balance	**$ (699)**	**$ (76,120)**	**$ -**	**(76,819)**	$ (699)	$ (76,120)	$ -	$ (76,819)

8. Government Funding:

CIB's primary source of funding is parliamentary appropriations received from the Government of Canada. Parliamentary appropriations are used for operating expenditures, to fund investment commitments and capital, including property and equipment that are subject to depreciation and amortization.

Unused parliamentary appropriations that result from timing are recorded as deferred government funding and are carried forward to future periods. Government funding receivables represent expenditures that have been incurred but for which appropriations have not yet been transferred.

Government funding receivable and deferred government funding are as follows:

For the period ended	June 30, 2021	March 31, 2021
Opening balance	**5,442**	8,612
Government appropriations received	**(15,000)**	(57,000)
Used for operating expenditures	**13,181**	53,008
Used for capital expenditures	**15**	822
Government funding receivable related to operating expenditures	**3,638**	5,442

For the period ended	**June 30, 2021**	March 31, 2021
Opening balance	**-**	221,000
Government funding for investments	**51,000**	-
Loan disbursements	**(51,000)**	(221,000)
Deferred government funding related to investments	**-**	-

For the period ended	**June 30, 2021**	March 31, 2021
Opening balance	**1,943**	1,423
Government funding for capital expenditures	**15**	822
Depreciation of deferred capital funding related to capital expenditures	**(85)**	(302)
Deferred government funding related to capital expenditures	**1,873**	1,943

The cash balance at the end of June 30, 2021 is $0.4 million (March 31, 2021 – $1.7 million) representing cash on hand for operations. The cash is held with financial institutions that are highly rated in Canada.

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

On August 31, 2017, the 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. The CIB has the option to extend the office lease for two further consecutive terms of five years each.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the 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 June 30, 2021, are as follows:

	June 30, 2021	March 31, 2021
Opening balance	**$ 3,180**	**$ 3,441**
Additions	**-**	**-**
Accumulated depreciation	**(66)**	**(261)**
Closing balance	**$ 3,114**	**$ 3,180**

The details of the lease liabilities recognized as at June 30, 2021, are as follows:

	June 30, 2021	March 31, 2021
Opening balance	**$ 3,793**	$ 4,014
Interest expense	**21**	87
Lease payments	**(77)**	(308)
Closing balance	**$ 3,737**	$ 3,793
Current lease liabilities	**$ 228**	$ 227
Non-current lease liabilities	**3,509**	3,566
	$ 3,737	$ 3,793

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

10. Property and equipment:

	Leasehold improvements		Computer software		Computer hardware		Furniture & equipment		Total
Cost:									
Balance at beginning of year	$	**1,533**	$	**495**	$	**277**	$	**365**	$ **2,670**
Additions		**-**		**-**		**15**		**-**	**15**
Balance at end of period		**1,533**		**495**		**292**		**365**	**2,685**
Accumulated depreciation:									
Balance at beginning of year		**328**		**49**		**202**		**148**	**727**
Depreciation expense		**38**		**25**		**11**		**11**	**85**
Balance at end of period		**366**		**74**		**213**		**159**	**812**
Carrying amounts									
Balance at December 31, 2020	$	**1,167**	$	**421**	$	**79**	$	**206**	$ **1,873**

	Leasehold improvements		Computer software		Computer hardware		Furniture & equipment		Total
Cost:									
Balance at beginning of year	$	1,268	$	-	$	223	$	357	$ 1,848
Additions		265		495		54		8	822
Balance at end of year		1,533		495		277		365	2,670
Accumulated depreciation:									
Balance at beginning of year		187		-		143		95	425
Depreciation expense		141		49		59		53	302
Balance at end of year		328		49		202		148	727
Carrying amounts									
Balance at March 31, 2021	$	1,205	$	446	$	75	$	217	$ 1,943

No property and equipment was impaired as at June 30, 2021 (March 31, 2021 – $nil).

11. Accounts payable and accrued liabilities:

As at	June 30, 2021	March 31, 2021
Accrued compensation	**$2,224**	$5,843
Accrued professional fees	**1,570**	1,436
Accounts payable	**550**	135
Other		5
Accounts payable and accrued liabilities - Advisory services	**2,153**	1,285
	$6,497	$8,704

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. The CIB's transactions with government related entities that were individually significant are government funding (Note 3(e)) which are approved in the form of a statutory authority, as well as the CIB's annual Corporate Plan, and obtained through drawdown requests made to the Department of Finance, and the CIB's Joint Project Office (Note 13) with VIA Rail Canada, a Crown corporation.

Other related parties of the CIB consist mainly of key management personnel of the Corporation or close members of those individuals over which the Corporation has significant influence.

13. Advisory services:

On September 4, 2019, the 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 Rail high frequency rail project. Matters are addressed on a consensus basis equally between the CIB and VIA Rail. This joint operation is estimated to remain in effect for 24 months from the date of the agreement, is unincorporated and does not create a legal entity or partnership between the CIB and VIA Rail.

The CIB has been authorized to fund up to $54.4 million of expenses related to the activities of the joint operation and has funded $31.4 million to date. Joint operation expenses for the three-month period ended June 30, are detailed in the table below.

For the three months ended, June 30	2021	2020
Professional fees	**$ 3,160**	$ 6,196
Recovery of CIB resource costs	**223**	428
Administration	**130**	3
Premises and equipment	**-**	13
Advisory services expenses	**$ 3,513**	$ 6,640

14. Subsequent events:

Subsequent to June 30, 2021:

- the CIB in partnership with DIF Capital Partners and its subsidiaries and affiliates ("DIF") entered into a credit agreement with a special purpose vehicle ("SPV") of which DIF is the general partner on August 3rd, 2021. The SPV will be responsible for the construction and operation of the backbone and last-mile fibre optic broadband network to serve up to approximately 49,000 underserved households in rural areas of Southern Manitoba, providing enhanced broadband speeds of up to 1 gigabit per second. The CIB has committed to provide financing up to $164 million or 50% of the total estimated project costs, with the remaining 50% financed by DIF Capital Partners as equity.

- the CIB entered into a credit agreement with Aéroports de Montréal on July 26, 2021 for the construction of the Réseau express métropolitain ("REM") station at the Montréal-Trudeau International Airport, building on the CIB's previous $1.3 billion investment in the REM light rail transit system which was financed through a separate special purpose vehicle. The new station and rail connection will link to the 67 kilometre long, 26 station REM light rail transit network currently under construction in the Greater Montréal area. The CIB has committed to provide financing up to $300 million or 50% of the total estimated project costs, with the remaining 50% financed by Transport Canada, Investissement Québec, and Aéroports de Montréal.