CIB BIC

Second Quarter (Q2) Fiscal Year 2022-23 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 the Public Sector Accounting Standards (PSAS) as issued by the Public Sector Accounting Board (PSAB) by the Chartered Professional Accountants of Canada and must be read in conjunction with the March 31, 2022, 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 September 30, 2022. Figures are expressed in Canadian dollars unless stated otherwise.

Overview of CIB

The Canada Infrastructure Bank (CIB) is an impact investor focused on accelerating infrastructure investments to create benefits for Canadians.

The purpose of the CIB, as set out in the *Canada Infrastructure Bank Act* ("CIB Act"), 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."

Parliament has authorized funding of not more than $35 billion in aggregate (or any greater aggregate amount that may be authorized from time to time under an appropriation Act) to the CIB and the authority to invest in infrastructure transactions. Of the $35 billion, the Government of Canada expects the CIB to prudently manage its portfolio so the net fiscal expense will remain under $15 billion.

The CIB works closely with the Government of Canada on advancing infrastructure investments as set out in the Minister's Statement of Priorities and Accountabilities (SPA).

The CIB makes investments in five priority sectors as set out in the SPA: broadband, public transit, clean power, green infrastructure, and trade and transportation. As an impact investor, the CIB is focused on achieving outcomes through its investments to address climate change, connect Canadians and their communities, increase economic growth, and build partnerships with Indigenous Peoples.

Bringing together partners from across the Canadian infrastructure landscape, the CIB acts as a catalyst to fill gaps in financing, economics or structure that can prevent new infrastructure projects from going ahead. In this way, the CIB helps get more infrastructure built. The CIB's direct investment and partnership approach complements, yet is distinct from, government programs.

The CIB is building a robust portfolio of investments over the long term in all priority sectors and across all regions of the country. As part of its overall portfolio, the CIB continues to deliver on its Growth Plan, a three-year plan announced in October 2020 to strengthen Canada's economic growth and accelerate Canada's transition to a low carbon economy.

The CIB's 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 to catalyze investment opportunities in our priority sectors.

Operating Environment

The economic landscape continues to present challenges that are the focus of attention in Canada and around the globe. While inflation has eased from its June peak, it remains high in Canada – inflation was at 6.9% in September 2022 reflecting higher prices for food, energy and tradeable goods. Bottlenecks in supply chains also remain high relative to historic levels, although these too have begun to ease relative to recent peaks.

These dynamics can have an impact on prospects for infrastructure project development. Inflation translates into higher projects costs, which without corresponding increases in revenue, places strain on business cases and widens the economic and structural gaps in project financings. The CIB is noting these developments and monitoring them carefully in the event that inflation concerns drive a corresponding reduction in the demand or planning for new infrastructure projects among project sponsors.

Inflation and supply chain factors can also be a concern for projects in the CIB portfolio that have already reached financial close. Some projects are experiencing delays in deliveries associated with supply chain bottlenecks. Others have mitigated these impacts through strategic pre-purchasing of supplies.

Hurricane Fiona made landfall in Atlantic Canada on September 24th, with devastating impacts felt in Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador and parts of Quebec. Fiona was just the most recent example of how weather events can have a significant impact on infrastructure. For the CIB, weather events underscore the need for all projects to be built with understanding of climate risk and incorporating measures to ensure resiliency. Last spring's flooding in Manitoba, for example, had shortened the construction season in that region, impacting project schedules.

In the United States, the Inflation Reduction Act was passed in the Congress and signed into law by President Biden. It has generated discussion within Canada on the extent of US efforts to support clean energy investment and how US projects may compete for investment in sectors such as clean power, carbon capture and storage and zero-emission vehicles.

Business Performance

The following tables and commentary provide a snapshot of our investment portfolio's progress over the past quarter and in total since inception. They include details on the composition and progress of our portfolio, including a breakdown by sector, region and in accordance with CIB targets and outcomes. For the purposes of this MD&A, the CIB's portfolio includes all projects to which the CIB has made an investment commitment. A number of these projects have also reached financial close (details on investment commitment and financial close noted below).[1]

Investments

The CIB continued its established pace of investment in the second quarter, making 8 new investment commitments to provide approximately $1.6 billion of CIB financing to over $4 billion worth of projects in communities across Canada. Since inception, the CIB has now made total investment commitments of $8.3 billion to over $24 billion worth of projects.

These projects support the need for critical infrastructure while achieving outcomes for Canadians such as reductions in GHG emissions, upgrading water and wastewater systems, supporting the implementation of broadband and addressing infrastructure gaps in Indigenous communities.

Investment commitments announced during the quarter included:

- Up to $175 million in financing for Richmond, B.C.'s Lulu Island Energy Corporation (LIEC) City Centre District Energy Utility project. It will enable expansion of district energy to more than 170 new residential and mixed-use commercial development sites in the area by 2050, using low-carbon heat recovered from the Gilbert Road regional sewer system. The project is expected to reduce greenhouse gas emissions by one million tonnes by 2050, with the amount of connected space to the district energy system increasing 10-fold to 50 million square feet. This project also reached financial close.
- Up to $25 million to help finance a large scale retrofit project of a commercial building in Kingston, Ontario, led by Modern Niagara, an integrator of building controls. By replacing the building's

[1] *Investment Commitment* refers to when the CIB and partners have agreed to a set of agreed upon terms (aka a "term sheet") that sets out the capital commitment of each party and other financial terms of an investment, such as length, interest rates and financing structure. At this time, the investment is advanced sufficiently enough for the CIB and its counterparts to each secure appropriate approvals and embark on final due diligence. In addition, the counterparty is in the final stages of securing key stakeholder agreements, all other required public funding of the project is confirmed, and there is a defined and agreed upon schedule in place to reach financial close.

Financial Close refers to the point in time when the CIB and its investment partners have completed all due diligence and have entered into legally binding agreements. Financial close is the conclusion of the investment process, approved by the Board or designate, following which the CIB begins flowing the financing to the project in accordance with the agreement. If there are adjustments to the terms of the deal between Investment Commitment and the Financial Close, CIB metrics and reporting are updated accordingly.

existing fossil-fueled heating system with electrified systems such as heat pumps and enhancing its operation control system and insulation, the project will reduce carbon emissions by 80 percent or approximately 2,000 tonnes annually.

- Up to $970 million to help finance Canada's first small modular reactor (SMR) being built by Ontario Power Generation at its Darlington facility. This financing is towards the SMR's capital costs for Phase 1 which includes project design, procurement of long lead-time equipment, utility connections, site preparation and project management requirements. The 300-megawatt SMR will provide enough electricity to power 300,000 homes. This project also reached financial close.
- Up to $6 million to replace and upsize the existing Port Stalashen Wastewater Treatment Plant, located on Shishalh Nation Lands in Sechelt, British Columbia. This project, delivered under the CIB's Indigenous Community Infrastructure Initiative, will serve 91 residential units as well as include capacity to convert 88 septic units to sewage and allow the Nation to develop a 20-bed treatment centre and a market condo development. This project also reached financial close.
- Up to $38 million toward a deep energy retrofit of a hotel in downtown Toronto, owned by KingSett Capital managed funds. The investment will result in a significant reduction in carbon emissions, with the aim of reducing the hotel's emissions by over 80 per cent.

The remainder of investment commitments made by the CIB during the quarter totaled $418 million.

The CIB reached financial close on an additional two projects to which it had pre-existing investment commitments. The CIB and the City of Ottawa reached financial close on an investment of up to $380 million to help finance up to 446 OC Transpo Zero-Emission Buses (ZEBs) through 2027. The CIB's loan will contribute towards the upfront capital cost of the battery-electric buses, which will help accelerate the electrification of OC Transpo's bus fleet. The CIB also reached financial close on $443.5 million in previously approved Ontario Rural Broadband investment commitments.

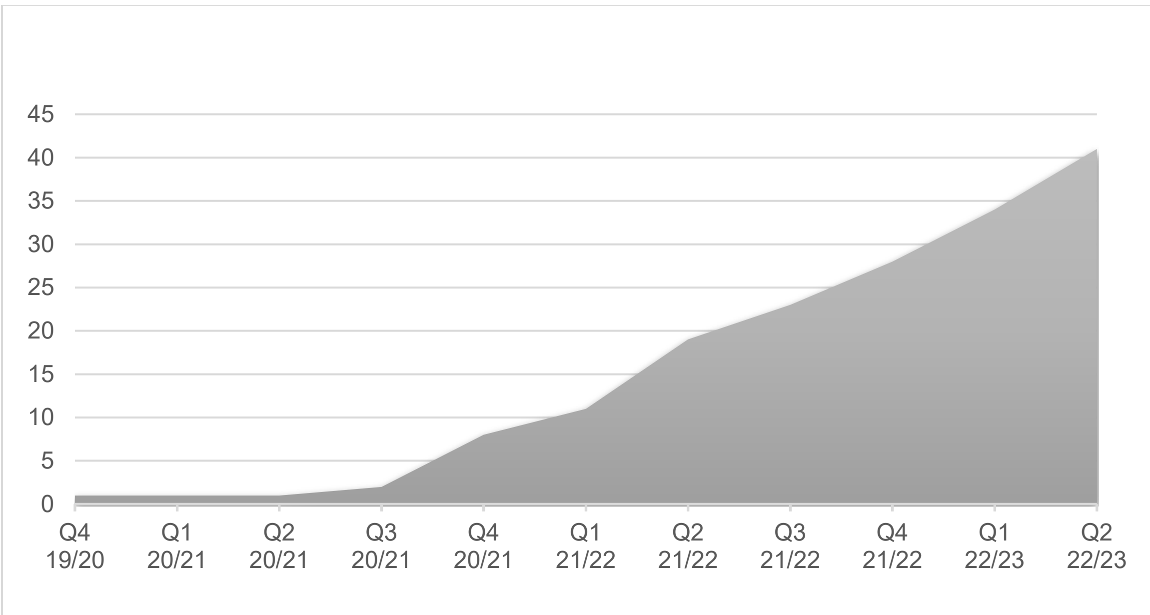
During the quarter the CIB's investment commitments decreased driven by two of its projects

- The CIB's financial commitment of up to $220M to the Algoma Steel Retrofit project has been reduced by $185M as a result of restricted payments and share repurchases completed by Algoma. Under the terms of the CIB's credit agreement with Algoma, the amount of credit available to support the electric-arc-furnace transformation is reduced by one-third of any restricted payments or distributions to shareholders made by Algoma, including dividends and share repurchases. The terms of the CIB's credit facility are structured consistent with our objectives of providing the minimal amount of financial support necessary to allow the infrastructure project to proceed. In March 2022, Algoma announced a normal course issuer bid authorizing the purchase and cancellation of up to a maximum of 5% of its issues and outstanding common shares and, in June 2022, Algoma announced a substantial issuer bid to purchase for cancellation up to $400 million (USD) of its common shares. As of September 30, 2022, the amount available under the CIB's credit facility has been reduced to $35M as a result of the restricted payments made.
- As reported in our last quarterly financial report, the proponent of the Lake Erie Connector project has announced a suspension of development activities and commercial negotiations due to recent macroeconomic conditions which have impacted the proponent's ability to secure a viable transmission service agreement within the required timeline. As such, the CIB has removed this

project from its total of CIB investment commitments, given that the conditions that are required for an investment commitment are not presently being met. The CIB remains committed to the project's positive outcomes in reducing greenhouse gas emissions and improving the reliability and security of Ontario's electricity grid. The CIB remains available to the project proponent as necessary to continue discussions should project development activities resume.

At the end of the quarter the CIB portfolio included 41 investment commitments, 23 of which have reached financial close. As detailed in chart below, overall growth of the CIB portfolio continues at a pace consistent with that since the launch of the CIB's Growth Plan in October 2020.

Growth in CIB Portfolio (Investment Commitments Including Financial Closes)



As a Crown Corporation with a national mandate, the CIB seeks to achieve balance in its portfolio across priority sectors and reflective of the geographic scope and diversity of Canada.

Over the course of the quarter, the CIB made notable additions to its portfolio in both clean power and green infrastructure projects and continues to see relative balance across all of its priority sectors.

Portfolio Composition by Sector				
Investment Commitments and Financial Closes	Life-to-date Q4 F2021-22	Q1 F2022-23	Q2 F2022-23	Total
Public Transit	9	1	0	10
Clean Power	4	1	3	7 *
Green Infrastructure	6	3	4	13
Broadband	6	0	1	7
Trade and Transportation	3	1	0	4
Total	28	6	8	41

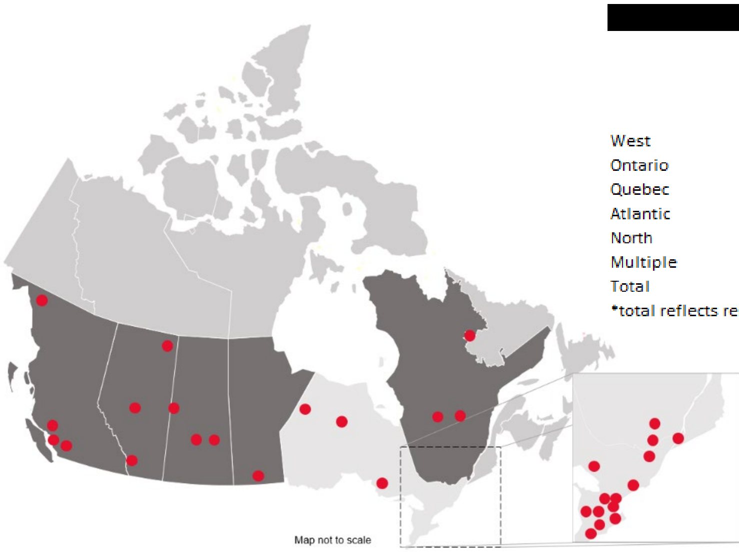
* Total reflects removal of Lake Erie Connector as an investment commitment.

The CIB's investment commitments made over the quarter were in Ontario, Quebec and the West, and the CIB continues to seek opportunities for investment commitment across all regions of the country.

Portfolio Composition by Region

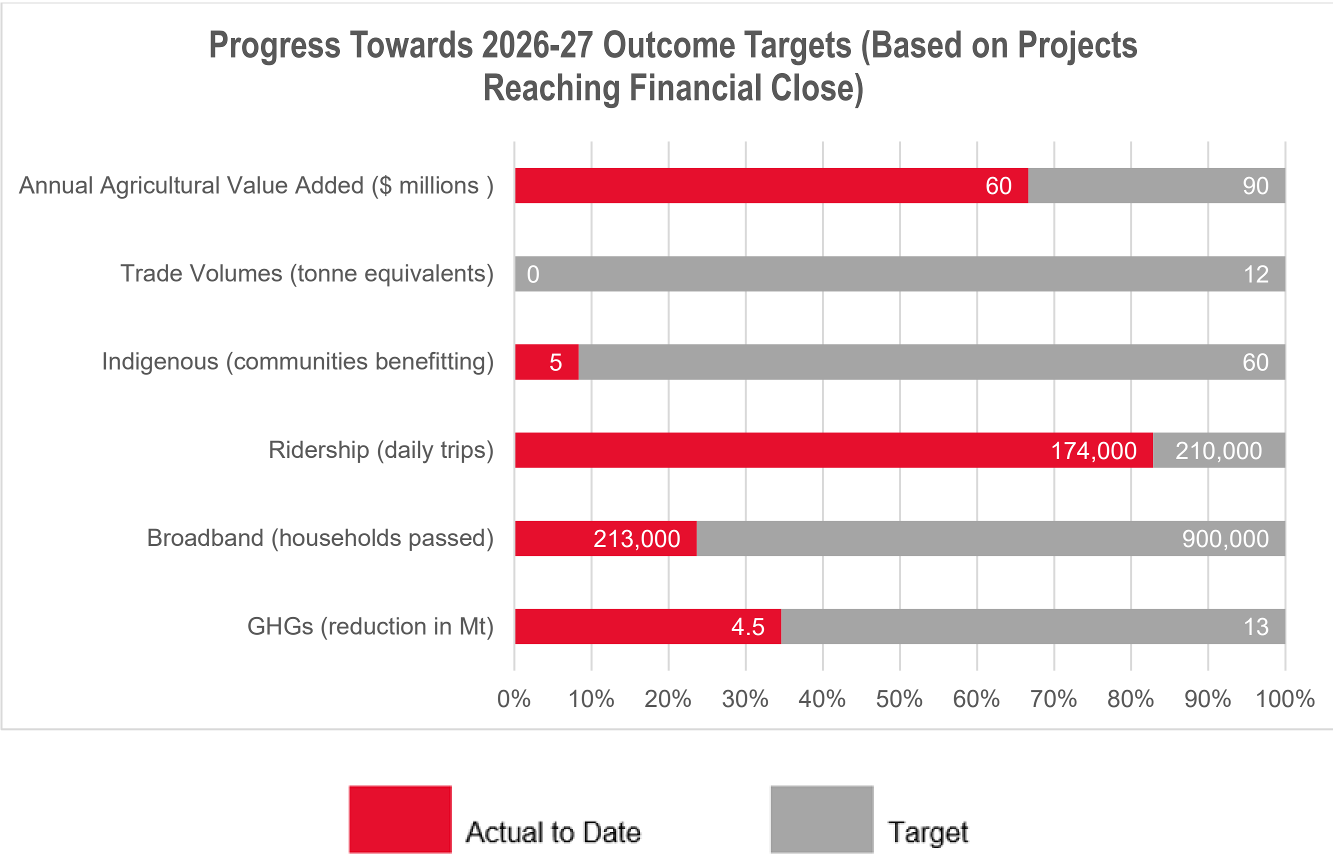
Portfolio composition by Region				
Region	Life-to-date Q4 F2021-22	Q1 F2022-23	Q2 F2022-23	Total
West	6	1	2	9
Ontario	12	3	5	19*
Quebec	6	0	1	7
Atlantic	1	0	0	1
North	0	1	0	1
Multiple	3	1	0	4
Total	28	6	8	41

*total reflects removal of Lake Erie Connector as an investment commitment



Results and Progress

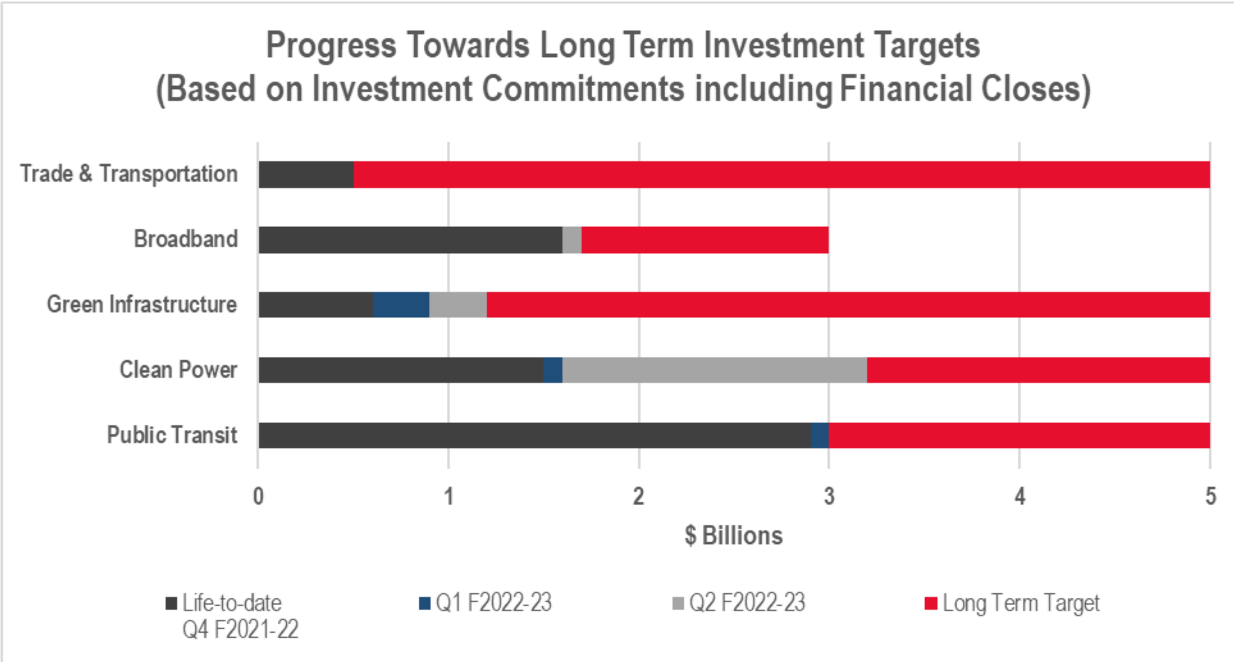
As an impact investor, the CIB is focused on achieving outcomes that are of benefit to Canadians. The CIB defines its impact in terms of the outcomes achieved in reducing GHG emissions, increasing transit ridership, connecting Canadians to broadband, the number of Indigenous communities benefitting from investments, and trade as measured in the volume of goods and agricultural value added.



The CIB only reports progress in terms of expected outcomes once a project has reached financial close, the point in time at which the CIB and its investment partners have completed all due diligence and have entered into legally binding agreements.

The outlook for financial closes over the course of the year remains strong, driven by the number of investment commitments that have not yet reached financial close, as well as the additional projects that are in earlier stages in the development pipeline.

The CIB also tracks its portfolio in relation to the long-term sector targets that have been set out in the Minister’s Statement of Priorities and Accountabilities letter to the Chair of the Board, issued on February 3, 2021. The table below relays the CIB’s continued progress in this regard.



Corporate Activities

On September 28th, the CIB's CEO, Ehren Cory, spoke at the Canadian Club, taking the opportunity to highlight the CIB's progress and also the launch of the CIB's $500 million zero-emission vehicle (ZEV) Charging and Hydrogen Refuelling Infrastructure Initiative (CHRI).

The goals of the CHRI are to reduce transportation sector greenhouse gas emissions by accelerating the private sector's rollout of large-scale ZEV chargers and hydrogen refuelling stations, spur the market for private investment and support economic opportunities. The CIB's expanded mandate to invest $500 million through the CHRI was first announced in April 2022 as part of Canada's 2030 Emissions Reduction Plan and then in the federal budget. Natural Resources Canada also received an additional $400 million for its Zero-Emission Vehicle Infrastructure Program (ZEVIP). The two programs will be accessed through a single federal window, with proposals that satisfy the following criteria directed to the CIB for consideration:

- Large-scale implementations (multiple locations, total capital costs of more than $10 million)
- Delivered by private-sector proponents
- Revenue generating

On September 30th, the CIB marked the National Day for Truth and Reconciliation Day and offices were closed for reflection. The day prior, CIB staff were fortunate to learn from Joe Hester, Executive Director and Indigenous leader from Anishnawbe Health Toronto, on cultural reclamation through traditional healing.

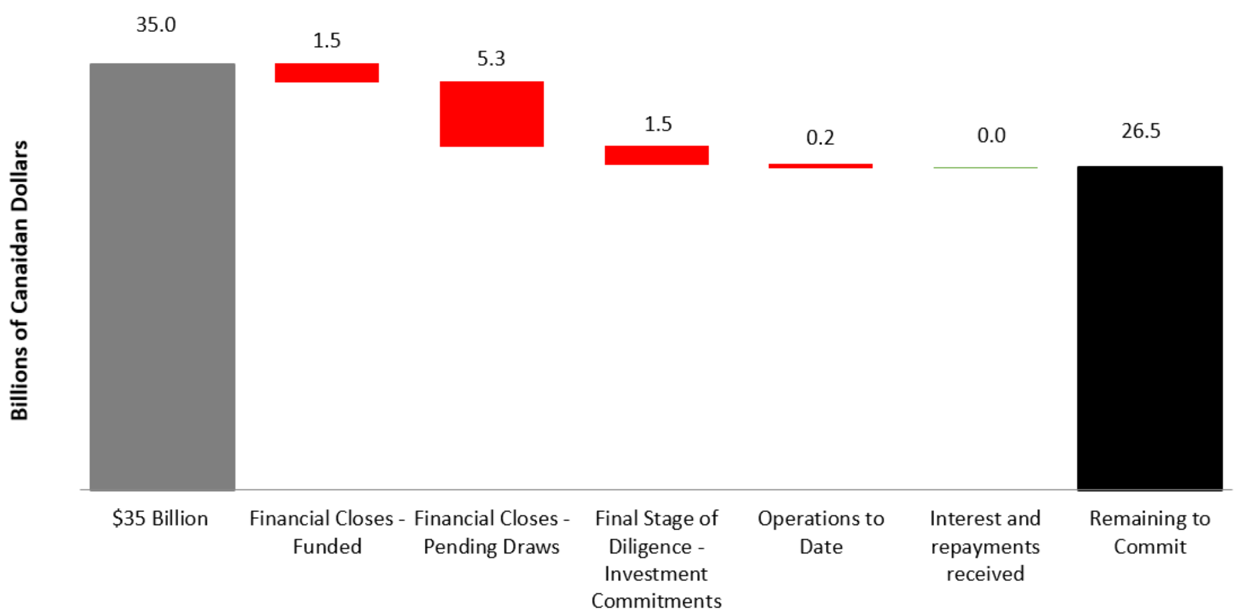
Financial Overview

As a Crown Corporation entrusted with investing public funds, the CIB adopts best practices for financial management and is an effective steward of its financial resources.

Effective April 1, 2021, the CIB adopted the Public Sector Accounting Standards (PSAS) as issued by the Public Sector Accounting Board (PSAB) by the Chartered Professional Accountants of Canada.

Q2 F2022-23 Highlights – Investments

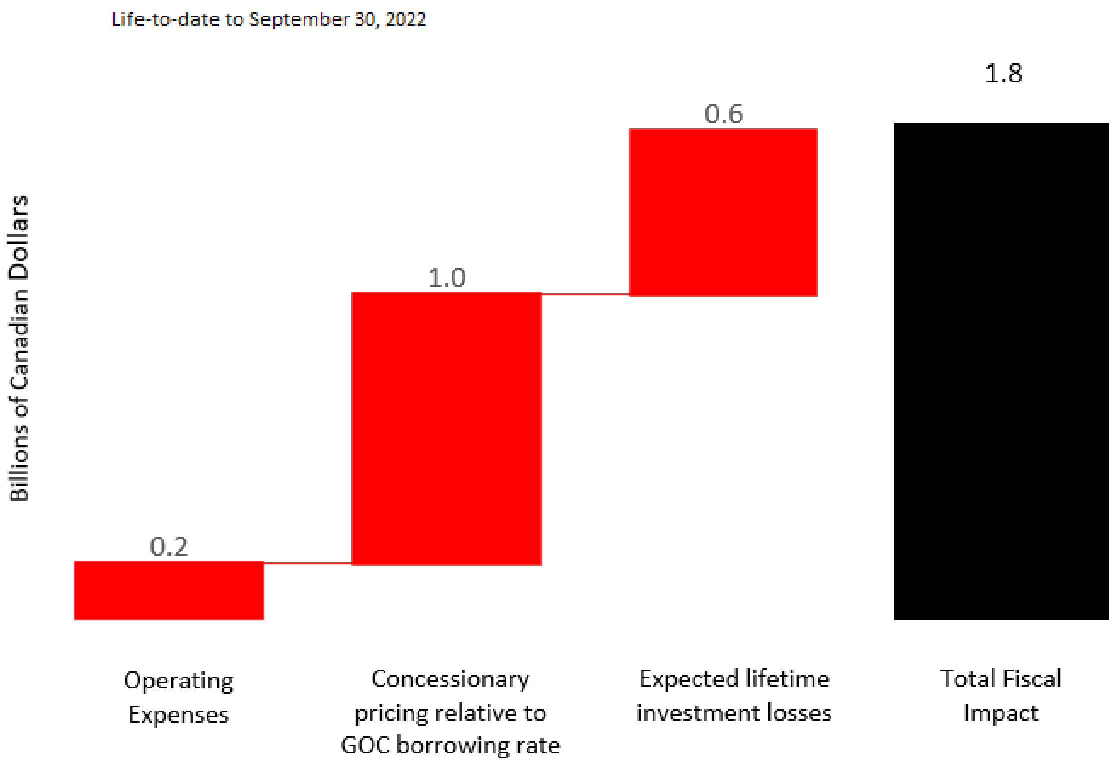
Deployment of $35 Billion



As of the end of Q2 F2022-23, the CIB had investment commitments worth $8.3 billion of which $6.8 billion have reached financial close. Life-to-date, the CIB has funded $1.5 billion of the projects reaching financial close forming the basis of the $1.5 billion loans receivable. As at September 30, 2022, the unfunded portion of the investments that reached financial close was $5.3 billion and was recognized as receivable from the government offset by interest and repayments to date of $0.4 million. Investment commitments that have not yet reached financial close and were in final stage of diligence totaled $1.5 billion as at September 30, 2022.

Fiscal Impact

The CIB's fiscal impact is a lifetime non-GAAP measure that reflects the long-term cost of the CIB's investments and operations to Canada. It accounts for recovery and return on the CIB's capital. The fiscal impact includes i) operating expenses, ii) concessionary pricing relative to the Government of Canada's (GOC) borrowing rates and iii) expected lifetime investment losses plus any specific impairment charges, all offset by any financial returns on investments.



Concessionary pricing relative to the GOC borrowing rate of $1.0 billion is a lifetime estimate based on total investment commitments. Note this differs from the accounting policy used for financial reporting which only presents those investments with significant concessionary amounts greater than 25%. As at September 30, 2022 the CIB did not have any concessionary pricing allowance recorded (March 31, 2022, nil).

As part of our investment framework, the CIB calculates an expected lifetime investment loss using a non-GAAP credit risk methodology. The calculation of investment losses for loans is based on the principles of the IFRS lifetime expected credit loss methodology and is the product of the formula probability of default X loss given default X exposure at default.

Note this measure differs from the general valuation allowance and specific valuation allowances (i.e. impairment) approach used for financial reporting under PSAS. The general valuation allowance is an estimate of short-term credit risk on our loans receivable and is not meant to capture potential lifetime losses. As at September 30, 2022, we determined a general valuation allowance of $15.5 million (March 31, 2022 $15.1 million). No specific valuation allowance was recognized for September 30, 2022 (March 31, 2022, nil).

Private and Institutional Capital

As set out in the CIB Act, "the purpose of the Bank 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." Given the size of Canada's infrastructure needs, it is clear that both public and private and institutional capital must be mobilized and work in concert to address that gap.

To fulfil this mandate, the CIB actively seeks out private sector and institutional investment, bringing critical capital to the table to get more infrastructure projects built and achieve outcomes for Canadians. Private and institutional capital can contribute to a project at the outset as a share of debt or equity. It can also be invested at later points in the lifecycle of a project, for example based on achieved cost savings or revenue streams.

The CIB tracks the ratio of CIB investment to private and institutional investment in two ways.

In the long-term, the CIB's financing differs from other forms of government grants and contributions as it is paid back with a return. The CIB tracks a long-term multiplier, comparing total private and institutional investment to the anticipated fiscal impact of the CIB's investments; the cost of our investment activities to Canadians. In many cases, while the CIB provides upfront financing, the projects costs are ultimately funded by the private sector. Based on figures at the end of Q2 F2022-23, the anticipated long-term capital multiplier for CIB investment commitments including financial closes indicates that private and institutional investment totaled $7.8 billion in CIB financed projects, over 4 times the estimated $1.8 billion in fiscal impact of CIB investments.

In the short-term, the CIB also measures the total amount of committed private sector and institutional financing invested in our projects relative to the amount of CIB financing provided. As of the end of this quarter the CIB had made investment commitments of $8.3 billion in relation to $7.8 billion of private and institutional capital investment. These totals also reflect the significant commitment of $970 million provided this quarter to the Darlington New Nuclear project, where the proposed transaction structure contemplates crowding in private and institutional capital in a second phase of the project.

Q2 F2022-23 Highlights – Operations

- Government investment appropriations of $1.9 billion year-to-date ("YTD") which were primarily recorded in the second quarter are attributable to the continued growth in investments that have reached financial close.
- Government operational appropriations totaled $40.5 million YTD and $21.5 million in Q2 to cover cashflow needs for the ongoing operations of the business.
- $12.7 million of interest income realized YTD of which $6.6 million was recorded in Q2.
- CIB operating expenses of $21.5 million YTD of which $9.2 million relates to Q2.

(in millions of Canadian dollars)	For the three months ended September 30 2022	2021	For the six months ended September 30 2022	2021
Revenue				
Government appropriations- investments	$ 1,934.6	$ 1,262.7	$ 1,925.4	$ 1,292.7
Government appropriations- operations	21.5	14.5	40.5	29.5
Interest income	6.6	5.7	12.7	11.2
	1,962.7	1,282.9	1,978.6	1,333.4
Operating Expenses				
Compensation	7.2	6.1	15.1	12.0
General and administration				
Professional fees	1.1	1.9	4.4	4.8
Administration	0.8	0.8	1.8	1.5
Amortization of capital assets	0.1	0.1	0.2	0.2
	9.2	8.9	21.5	18.5
Non-operating expenses				
Loan valuation allowance	0.1	0.1	0.4	0.4
Project development	0.4	0.3	0.6	0.4
Advisory services	-	2.2	-	5.8
	0.5	2.6	1.0	6.6
Total expenses	9.7	11.5	22.5	25.1
Surplus	**$ 1,953.0**	**$ 1,271.4**	**$ 1,956.1**	**$ 1,308.3**

Revenue

Government Appropriations: The Government of Canada provides funding for the CIB to advance its priorities and deliver on its mandate. Consistent with the CIB's financial reporting framework, a government receivable is created at the time an investment reaches financial close and an investment government appropriation is recorded as revenue. The government receivable is then reduced when appropriations funding is received to fulfil project funding requirements or when the legal obligation to provide funding is reduced. Operating appropriations are recognized as received each quarter.

The CIB recognized $1.9 billion of government investment appropriations YTD which is net of a $184.5 million reduction in loan commitments due to the triggering of a pre-payment mechanism within the Algoma Steel Retrofit credit agreement.

Interest Income: Q2 F2022-23 YTD interest income was $12.7 million, an increase of $1.5 million from Q2 F2021-22 YTD. $11.8 million (Q2 F2021-22 YTD, $11.1 million) of income was from financing activities and $0.9 million (Q2 F2021-22 YTD, $nil) earned on cash and short-term investments from appropriations.

Expenses

The Q2 F2022-23 YTD expenses totaled $22.5 million (Q2 F2021-22 YTD, $25.1 million) and consisted of operating expenses of $21.5 million (Q2 F2021-22 YTD, $18.5 million), loan valuation allowance of $0.4 million (Q2 F2021-22 YTD, $0.4 million), project development expenses of $0.6 million (Q2 F2021-22 YTD, $0.4 million) and advisory expenses related to the joint operation $nil (Q2 F2021-22 YTD, $5.8 million).

Year-to-date operating expenses of $21.5 million were $3.0 million greater than Q2 F2021-22 YTD. Increases came primarily from compensation of $15.1 million (Q2 F2021-22 YTD, $12.0 million) due to the continued buildout of staffing across the organization required to meet demands stemming from increased deal activity.

Included in G&A were professional fees of $4.4 million YTD that were $0.4 million lower than the Q2 F2021-22 YTD primarily driven by due diligence activities for projects. Included in due diligence is an assessment of the scope, design, risks and viability of the proposed construction and technological activity.

The loan valuation allowance expense of $0.4 million for the six-month period ended September 30, 2022 was consistent with previous year (Q2 F2021-22 YTD, $0.4 million). This is a general valuation allowance that is an estimate of short-term credit risk on our portfolio of assets.

YTD project development expense of $0.6 million was slightly greater than previous year (Q2 F2021-22 YTD, $0.4 million). This spend is allocated to early construction works on projects, to expedite the studies, technical reports and analysis required to shorten critical paths to construction for infrastructure projects already in development.

YTD advisory expense of $nil was $5.8 million lower than Q2 F2021-22 YTD, due to research expenses previously incurred by the CIB and VIA Rail Canada Joint Project Office which concluded on March 3, 2022. The CIB agreed to make funding available after March 3, 2022, for the activities of a VIA Rail Canada project delivery office on an interim basis which will be repaid upon the permanent establishment of a VIA subsidiary.

Quarter Highlights

The CIB recognized $1.9 billion of government investment appropriations in the second quarter driven by investments reaching financial close during the quarter, offset by a $175.3 million reduction in the Algoma Steel Retrofit loan, as discussed in the Business Performance section of this MD&A. This compares to $1.3 billion in Q2 F2021-22.

Q2 F2022-23 interest income was $6.6 million, an increase of $0.9 million from Q2 F2021-22. $5.9 million (Q2 F2021-22, $5.6 million) of income was from financing activities and $0.7 million (Q2 F2021-22, $nil) was earned on cash and short-term investments from appropriations.

Q2 F2022-23 expenses of $9.7 million were $1.8 million lower than the same period last year. Expenses consisted of operating costs of $9.2 million (Q2 F2021-22, $8.9 million), loan valuation allowance of $0.1 million (Q2 F2021-22, $0.1 million), project development expenses of $0.4 million (Q2 F2021-22, $0.3 million) and advisory expenses related to the joint operation $nil (Q2 F2021-22, $2.2 million). Advisory expenses related to the VIA Rail Canada project delivery office are recognized as a related party receivable in F2022-23 as these expenses are expected to be repaid upon the permanent establishment of the VIA subsidiary. Details related to expenses align with year-to-date as provided above.

Note on Subsequent Events

Subsequent to the end of Q2 F2022-23, the CIB reached financial close on a $203 million investment commitment in the Broadband sector.

Outlook

The CIB continues to seek out opportunities for investment, and to build partnerships which attracts in private and institutional capital for long-term infrastructure investments for Canadians, aiming to reach $35 billion in financial closes by F2027-28.

The outlook for CIB investment remains positive based on efforts to engage with partners and identify investment opportunities. This has resulted in a robust roster of projects that are in various stages of our investment process, including those in our Investment Structuring category, representing projects in diligence and tracking towards an investment commitment.

During the quarter, 8 projects in Investment Structuring became Investment Commitments. At the end of Q2 F2022-23, the CIB had 39 opportunities that it is pursuing that are in a stage of Investment Structuring with the intent to finalize terms to be able to make an Investment Commitment.

Portfolio Outlook by Sector		
Priority Sector	**Opportunities in Investment Structuring - end of Q1**	**Opportunities in Investment Structuring - end of Q2**
Public Transit	3	6
Clean Power	14	15
Green Infrastructure	6	5
Broadband	9	7
Trade and Transportation	5	6
Total	**37**	**39**

Financial Statements of the Canada Infrastructure Bank

Second Quarter F2022-23

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 in accordance with the Public Sector Accounting Standards. 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

Evelyn Joerg

Chief Financial Officer

November 4, 2022

Condensed Interim Statement of Financial Position (unaudited)

As at	Note	September 30, 2022	March 31, 2022
(in thousands of Canadian dollars)			
Financial assets			
Cash		**$ 313,048**	$ 45,540
Government funding receivable	5	**5,022,767**	3,430,322
Loans receivable	4	**1,544,486**	1,457,743
HST receivable		**3,235**	1,997
Related party accounts receivable	9	**7,559**	-
Interest receivable		**410**	-
		6,891,505	4,935,602
Liabilities			
Accounts payable and accrued liabilities	7	**10,076**	10,641
Deferred liabilities		**3,486**	3,076
		13,562	13,717
Net financial assets		**6,877,943**	4,921,885
Non-Financial assets			
Tangible capital assets	6	**2,213**	1,949
Prepaid expenses and advances		**241**	420
		2,454	2,369
Accumulated surplus		**$ 6,880,397**	$ 4,924,254

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

Condensed Interim Statement of Operations and Accumulated Surplus (unaudited)

(in thousands of Canadian dollars)	Note	F2022-23 Budget	For the three months ended September 30 2022		For the six months ended September 30 2022	
			2022	2021	2022	2021
Revenue						
Government appropriations - investments		**$ 1,990,000**	**$ 1,934,585**	$ 1,262,700	**$ 1,925,395**	$ 1,292,700
Government appropriations - operations		**79,430**	**21,500**	14,500	**40,500**	29,500
Interest income		**35,474**	**6,666**	5,710	**12,743**	11,209
		2,104,904	**1,962,751**	1,282,910	**1,978,638**	1,333,409
Expenses						
Compensation		**32,200**	**7,236**	6,075	**15,128**	11,987
General and administration	8	**31,230**	**1,984**	2,773	**6,374**	6,518
Project development		**16,000**	**394**	354	**564**	429
Loan valuation allowance	4	**3,118**	**89**	80	**429**	440
		82,548	**9,703**	9,282	**22,495**	19,374
Advisory services		**-**	**-**	2,239	**-**	5,752
Surplus		**2,022,356**	**1,953,048**	1,271,389	**1,956,143**	1,308,283
Accumulated surplus, beginning of period		**4,727,349**	**4,727,349**	1,747,823	**4,924,254**	1,710,929
Accumulated surplus, end of period		**$ 6,749,705**	**$ 6,680,397**	$ 3,019,212	**$ 6,880,397**	$ 3,019,212

Condensed Interim Statement of Change in Net Financial Assets (unaudited)

(in thousands of Canadian dollars)	F2022-23 Budget	For the three months ended September 30,		For the six months ended September 30,	
		2022	2021	2022	2021
Surplus	**$ 2,022,356**	**$ 1,953,048**	$ 1,271,389	**$ 1,956,143**	$ 1,308,283
Change in tangible capital assets - acqusition	**(306)**	**(83)**	(16)	**(493)**	(31)
Change in tangible capital assets - amortization	**57**	**118**	87	**229**	172
Change in prepaid expenses and advances	**-**	**36**	(19)	**179**	7
Net financial assets, beginning of period	**4,921,885**	**4,924,824**	1,745,836	**4,921,885**	1,708,846
Net financial assets, end of period	**$ 6,943,992**	**$ 6,877,943**	$ 3,017,277	**$ 6,877,943**	$ 3,017,277

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

Condensed Interim Statement of Cash Flows (unaudited)

(in thousands of Canadian dollars)	Note	For the three months ended September 30, 2022	For the three months ended September 30, 2021	For the six months ended September 30, 2022	For the six months ended September 30, 2021
Cash provided by (used in):					
Operating activities:					
Surplus		**$ 1,953,048**	$ 1,271,389	**$ 1,956,143**	$ 1,308,283
Items not involving cash:					
Interest income accrued on loans receivable	4	**(5,668)**	(5,656)	**(11,252)**	(11,137)
Interest receivable		**(128)**	-	**(410)**	-
Amortization of tangible capital assets	6,8	**118**	87	**229**	172
Loan valuation allowance	4	**89**	80	**429**	440
Changes in non-cash working capital					
Government funding receivable		**(1,673,465)**	(1,223,511)	**(1,592,445)**	(1,202,511)
Related party accounts receivable		**(5,086)**	-	**(7,559)**	-
Transaction costs	4	**(1,339)**	(1,364)	**(1,295)**	(1,364)
HST receivable		**(688)**	(450)	**(1,238)**	(1,079)
Prepaid expenses and advances		**36**	(19)	**179**	7
Accounts payable and accrued liabilities		**3,238**	647	**(565)**	(1,559)
Deferred liabilities		**465**	409	**410**	105
Loan disbursements	4	**(12,895)**	(39,201)	**(74,625)**	(90,201)
Total cash provided by (used in) operating activities		**257,725**	2,411	**268,001**	1,156
Capital activities:					
Acquisition of tangible capital assets	6	**(83)**	(16)	**(493)**	(31)
Total cash used in capital activities		**(83)**	(16)	**(493)**	(31)
Net increase/(decrease)in cash during the year		**257,642**	2,395	**267,508**	1,125
Cash, beginning of period		**55,406**	425	**45,540**	1,695
Cash, end of the period		**$ 313,048**	$ 2,820	**$ 313,048**	$ 2,820

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

Notes to the Financial Statements

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

The 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 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. As part of this, the CIB also engages in project development, with the objective to expedite studies, technical reports and analysis required to shorten critical paths to investment. Project development also encompasses project acceleration which includes spend on early construction works in order to accelerate high impact infrastructure projects in which the CIB expects to make a long-term investment.

As set out in the *CIB Act*, the CIB also has a mandate to provide advisory services to "provide advice to all levels of governments with regard to infrastructure projects" and to "act as a centre of expertise on infrastructure projects in which private sector investors or institutional investors are making a significant investment." In keeping with this role, the CIB provides advice on how projects may be structured to optimize delivery outcomes in the public interest while attracting private and institutional investment and generating revenue.

The CIB receives appropriations from the Government of Canada. Parliament has authorized funding of not more than $35 billion in aggregate (or any greater aggregate amount that may be authorized from time to time under an appropriation Act) to the CIB and the authority to invest in infrastructure transactions. Of the $35 billion, the Government of Canada will allow up to $15 billion against the fiscal framework which aims to catalyze projects that benefit Canadians and will provide the flexibility and scope for the CIB to use its capital to innovate and take more risk than the market will take.

The CIB will execute 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 its 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, with 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.

The CIB is not an agent of His Majesty, the King in Right of Canada, except when, (i) giving advice about investments in infrastructure projects to ministers of His 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 Canada Infrastructure 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*.

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

2. Basis of preparation:

Basis of Accounting

These unaudited Condensed Interim Quarterly Financial Statements have been prepared in accordance with Public Sector Accounting Standards (PSAS) established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The accounting policies used in these statements are consistent with those disclosed in the most recent annual audited financial statements dated March 31, 2022. 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, 2022.

The Financial Statements and notes are presented in thousands of Canadian dollars unless otherwise stated.

Effective April 1, 2021, the CIB adopted PSAS as issued by the PSAB. The 2021-22 quarterly comparative figures which were presented under IFRS have been restated using estimates that reflect conditions at that time. The key adjustments for the period ending September 30, 2021, resulting from the adoption of these standards are as follows:

Summary of financial adjustments:

Accumulated surplus as at April 1, 2021, as previously reported under IFRS	**$**	**1,244,192**
Adjustments previously recognized on April 1st Accumulated surplus, to restate in PSAS		466,737
Accumulated surplus as at April 1, 2021, as restated in PSAS		**1,710,929**
Increase in accumulated surplus as reported under IFRS for the six months ending September 30, 2021		99,269
Year-to-date appropriation adjustment to recognize as revenue		1,207,267
Year-to-date adjustment from ECL to general valuation allowance		1,661
Year-to-date adjustment to deferred assets		86
Accumulated surplus as at September 30, 2021, as restated in PSAS	**$**	**3,019,212**

Budget figures:

Budget information is reflected in the Statements of Operations and Accumulated Surplus and the Statements of Change in Net Financial Assets. Budget data is presented for F2022-23 and is sourced from the approved 2022-23 Corporate Plan and from year two contained within the approved 2020-21 Corporate Plan.

As a result of the April 1, 2021, transition to PSAS, certain items in the F2022-23 Corporate Plan required adjustment to align with the change in reporting as outlined in Note 3. The main adjustments are as follows:

Approved Corporate Plan	F2022-23	
	Previously approved	As adjusted
Loan valuation allowance	$ (359,202)	$ (3,118)

Measurement Uncertainty

In preparing the Financial Statements in accordance with PSAS, 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.

Management uses assumptions in determining the CIB's loan valuation allowance such as the CIB's internal credit rating and other primary factors as described in Note 11 to the Corporation's annual audited Financial Statements for the year ended March 31, 2022, and estimates the timing of expected drawdowns and repayments which impact the effective interest rate on loans. Where actual results differ from estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

Continued uncertainty exists in the global economy due to the COVID-19 pandemic, global supply chain challenges and rising interest rates. The increased uncertainty has had a limited impact on loan valuation allowance estimates and assumptions used in determining the reported value of assets and liabilities. The CIB has considered the impact of these uncertainties on the valuation of its assets and has determined that no impairments are required. Actual credit losses could differ materially from those reflected on the Financial Statements.

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, 2022.

4. Loans receivable:

The portfolio of loans may be subject to a number of terms and conditions including restrictive covenants and be subordinate to senior debt or rank pari passu with other lenders. All loans below are secured through projected future revenues of the projects.

The following table sets out the amounts related to the loans receivable and their associated loan valuation allowance ("LVA") by sector.

As at	September 30, 2022		March 31, 2022	
	Carrying amount	LVA	Carrying amount	LVA
Public Transit	**$ 1,358,788**	**$ (14,645)**	$ 1,344,113	$ (14,512)
Clean Power	**17,558**	**(34)**	4,210	(8)
Green Infrastructure	**15,496**	**(93)**	8,540	(85)
Broadband	**41,483**	**(70)**	41,268	(69)
Trade & Transportation	**126,640**	**(637)**	74,662	(376)
Subtotals	**1,559,965**	**(15,479)**	1,472,793	(15,050)
Loans receivable (net)	**$**	**1,544,486**	$	1,457,743

The portfolio weighted average effective interest rate for projects the CIB has funded to date is approximately 1.6% (March 31, 2022 – 1.6%) over an average weighted term of 13.9 years (March 31, 2022 – 13.2 years).

The following table presents the changes in the CIB loans receivable carrying amount:

As at	September 30, 2022		March 31, 2022	
Opening balance	**$**	**1,457,743**	$	1,307,500
Drawdowns		**74,625**		125,979
Capitalized interest paid in kind		**11,252**		22,246
Transaction costs (net of amortization)		**1,295**		2,826
Loan valuation allowance		**(429)**		(808)
Loans receivable	**$**	**1,544,486**	$	1,457,743

The loan valuation allowance consists of the general loan valuation allowance of $15.5 million (March 31, 2022 – $15.1 million) and the specific loan valuation allowance of $nil (March 31, 2022 – $nil).

The following table illustrates the outstanding loans receivable principal repayments expected for the next five years and thereafter, not including interest or transaction costs:

As at	September 30, 2022	
2023	**$**	**841**
2024		**5,311**
2025		**8,599**
2026		**11,606**
2027 and thereafter		**1,457,248**
Outstanding loans receivable principle and repayments	**$**	**1,483,605**

5. Government funding receivable:

Consistent with the original funding process established with the Government of Canada, the CIB receives funding through government appropriations for operating expenditures, capital, including tangible capital assets that are subject to amortization, and to fund investments once financial closes have occurred.

The details of the government funding receivable are as follows:

As at	September 30, 2022		March 31, 2022	
Opening balance	**$**	**3,430,322**	$	407,500
New investment contractual agreements		**2,109,905**		3,188,535
Government appropriations received - investments		**(332,950)**		(165,713)
Investment commitment reduction [1]		**(184,510)**		-
Government funding receivable	**$**	**5,022,767**	$	3,430,322

1 The government funding receivable was reduced by $184.5 million due to a reduction in a loan commitment amount in the green infrastructure sector. The reduction was a result of the triggering of a pre-payment mechanism within the credit agreement with one of our borrowers.

6. Tangible capital assets:

	Leasehold improvements	Computer software	Computer hardware	Furniture & equipment	Total
Cost:					
Balance at beginning of year	$ 1,545	$ 830	$ 318	$ 365	$ 3,058
Additions	-	436	57	-	493
Balance at end of period	1,545	1,266	375	365	3,551
Accumulated depreciation:					
Balance at beginning of year	482	182	254	191	1,109
Amortization expense	77	110	25	17	229
Balance at end of period	559	292	279	208	1,338
Carrying amounts					
Balance at September 30, 2022	$ 986	$ 974	$ 96	$ 157	$ 2,213

	Leasehold improvements	Computer software	Computer hardware	Furniture & equipment	Total
Cost:					
Balance at beginning of year	$ 1,533	$ 495	$ 277	$ 365	$ 2,670
Additions	12	335	41	-	388
Balance at end of period	1,545	830	318	365	3,058
Accumulated depreciation:					
Balance at beginning of year	328	49	202	148	727
Amortization expense	154	133	52	43	382
Balance at end of period	482	182	254	191	1,109
Carrying amounts					
Balance at March 31, 2022	$ 1,063	$ 648	$ 64	$ 174	$ 1,949

No tangible capital asset was impaired as at September 30, 2022 (March 31, 2022 – $nil).

7. Accounts payable and accrued liabilities:

As at	September 30, 2022	March 31, 2022
Accrued compensation	$ 4,625	$ 6,519
Accrued professional fees	1,681	2,553
Accounts payable	838	332
Accounts payable on behalf of VIA development office	2,932	-
Advisory services	-	1,237
	$ 10,076	$ 10,641

8. General and administrative expenses:

	For the three months ended September 30,		For the six months ended September 30,	
	2022	2021	**2022**	2021
Professional fees	**$ 1,109**	$ 1,901	**$ 4,362**	$ 4,807
Administration fees	**757**	785	**1,783**	1,539
Amortization of capital assets	**118**	87	**229**	172
General and administrative expenses	**$ 1,984**	$ 2,773	**$ 6,374**	$ 6,518

9. Related party transactions:

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies, and Crown Corporations. Key management personnel are defined as officers having authority and responsibility for planning, directing and controlling the activities of the CIB and their close family members, including members of the Board of Directors. The Corporation enters into transactions with these entities and individuals in the normal course of business. The CIB's transactions with government-related entities that are individually significant are government funding which is 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 with VIA Rail Canada, a Crown Corporation.

On September 4, 2019, the CIB and VIA Rail Canada, a Crown Corporation and 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 were addressed on a consensus basis equally between the CIB and VIA Rail. On June 9th, 2021, the CIB and VIA Rail Canada signed an amendment to extend the term of the Joint Venture Agreement to March 3, 2022 from the original expiry date of September 3, 2021. The CIB has agreed to make funding available after March 3, 2022, for the activities of a VIA Rail Canada project delivery office on an interim basis which will be repaid upon the permanent establishment of a VIA subsidiary. The outstanding balance is approximately $7.6 million as at September 30, 2022 (March 31, 2022, $nil).

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.

10. Financial instruments and risk management:

The treatment of financial instruments and risk management in these Interim Financial Statements are consistent with those disclosed in Note 11 to the Corporation's annual audited Financial Statements for the year ended March 31st, 2022.

11. Contractual obligations:

a) Leasing commitments:

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 commenced on June 1, 2018. The CIB has the option to extend the office lease for two further consecutive terms of five years each. The CIB does not receive substantially all of the benefits and risks incident to ownership, and therefore the office and storage space would meet the classification of an operating lease. The CIB recognizes the lease expenses straight-lined over the lease terms.

b) Financial closes:

The CIB has committed to lend funds towards infrastructure project investments when it has completed all due diligence and has entered into binding agreements with its counterparties. The expected timing and amount of future drawdown requests is variable as they are generally based on the reimbursement of eligible project costs incurred. Total financial closes is segregated between amounts advanced and undrawn in the table below:

As at	September 30, 2022	March 31, 2022
Public Transit	**$ 1,535,222**	$ 1,158,691
Clean Power	**1,863,580**	595,995
Green Infrastructure	**283,212** [1]	468,062
Broadband	**1,232,034**	788,529
Trade & Transportation	**406,777**	458,777
Undrawn committed capital	**5,320,825**	3,470,054
Amounts advanced (cash basis)	**1,483,605**	1,408,979
Total financial closes	**$ 6,804,430**	$ 4,879,033

[1] The government funding receivable was reduced by $184.5 million due to a reduction in a loan commitment amount in the green infrastructure sector. The reduction was a result of the triggering of a pre-payment mechanism within the credit agreement with one of our borrowers.

Amounts advanced in this table do not factor in interest being capitalized as payment in kind or loan valuation allowances.

12. Subsequent event:

On October 31, 2022, a credit facility belonging to a project in the Broadband sector reached financial close resulting in a $203 million government funding receivable. No amounts have been funded to date.