



**Third Quarter
Fiscal 2019 Financial Report
Unaudited**

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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, 2018 annual audited financial statements and with the narrative discussion included in this quarterly financial report.

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

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

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

Statement of Management Responsibility

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

These statements have been prepared on the basis of IAS 34, Interim Financial Reporting. They have not been audited or reviewed by an external auditor. Based on our knowledge, these quarterly condensed interim financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.



Pierre Lavallée
President &
Chief Executive Officer



Annie Ropar
Chief Financial Officer &
Chief Administrative Officer

March 1, 2019
Toronto

Management Discussion & Analysis

This MD&A presents readers with management’s view of corporate strategy and performance and should be read in conjunction with the unaudited financial statements for the quarter ending December 31, 2018. Figures are expressed in Canadian dollars unless stated otherwise.

Strategy

Canada Infrastructure Bank (“CIB”) was created to bridge the public sector’s need for capital to build more, new infrastructure for Canadians by drawing in private and institutional investment. CIB’s strategic objectives are to build its organizational capability and capacity; promote new models for infrastructure funding and planning; and make strategic investments and use innovative tools to build new infrastructure.

Investment

The government has set three priority areas for investment: public transit, trade and transportation, and green infrastructure. Eligible projects must align with government priorities set out in its Investing in Canada plan and Pan-Canadian Framework on Clean Growth and Climate Change. Projects must be revenue generating, be able to attract private- sector investment, and be in the public interest.

Advisory Services

CIB is developing its capabilities as a centre of expertise to advise and support all levels of government in the evaluation of the most efficient means and different models through which to deliver infrastructure. This advisory role will bring greater awareness of innovative partnership models involving the private sector and their application to potential projects.

Data and Information

CIB will begin working with Infrastructure Canada, Statistics Canada, and provincial, municipal, territorial and Indigenous governments in the coming year to collect and share data about Canadian infrastructure projects. In this role, CIB can help governments and public agencies across Canada obtain access to better information and resources about revenue-generating infrastructure, the potential for private-sector involvement, and to support informed decisions.

Status of Operations

Since its creation in June 2017, CIB has made strong progress on establishing its governance framework and policies; launching its Toronto office, internal systems and processes; and attracting the right talent to lead the organization. In accordance with its mandate, CIB is building capacity in all three parts of its mandate: Investment, Advisory Services, and Data and Information.

During the quarter, CIB funded the first draw (\$279 million) on its investment in the Réseau express métropolitain project (REM) in Montréal, a 67-km, light rail, high-frequency network with 26 stations. Construction of the REM began in April 2018. The first trains are scheduled to run in the summer of 2021. CIB's \$1.28-billion total investment completes the project's \$6.3-billion financing. The agreement was executed during the second quarter of fiscal 2019.

CIB gained further momentum in building its internal capabilities and proactive outreach to industry participants with the hiring of Nicholas Hann, Head of Investments in October 2018, François Lecavalier, Head of Project Development in December 2018 and subsequent to quarter end, in January 2019, David Morley, Head of Public Affairs and Communications.

CIB continues to actively recruit people to fill the investment, project development and corporate functional roles required to fulfill our mandate.

Outlook

CIB is focused on delivering on its three priority areas in fiscal 2019.

For its Investment role, CIB will continue analysis of individual projects and potential investments, as appropriate. Robust structures and methodologies have been established for all stages of the investment process, from intake to exit.

CIB will further establish its Advisory and Data and Information capabilities, continuing its engagement with federal, provincial, territorial, municipal, and Indigenous governments as well as institutional investors nationally and internationally.

Financial Management

Statement of Financial Position (Unaudited)

Cash and Investments

As at December 31st, CIB had \$1.7 million in cash on the balance sheet, down from \$3.1 million as at the end of the last quarter ending September 30th. Operating funds utilized during the quarter were to continue to build the internal capabilities of CIB as well as for investment due diligence costs and consulting fees.

During the quarter, \$279 million of the \$1.283 billion commitment to REM was funded, reduced by a discount of approximately \$31 million, reflecting the concessionality of the investment, which will be amortized over the 15-year term.

Capital expenditures

During the quarter CIB expended \$0.14 million related to additional costs of equipment and leaseholds.

Statement of Income and Comprehensive Income (Unaudited)

Revenue

For the quarter ending December 31, \$0.4 million of interest was accrued for the REM investment, offset by amortization of \$2.2 million of the up-front discount recorded (see above).

Approximately \$0.02 million in interest was earned on CIB's cash balance during the quarter.

Operating Expenses

Total operating expenses for the third quarter of fiscal 2019, including professional fees, personnel, facilities expenses, and other costs were \$1.4 million, reflecting \$2.9 million in gross expenses, reduced by \$1.5 million from REM's reimbursement of CIB's due diligence costs which were previously expensed.

Government Appropriations

CIB is funded by way of statutory appropriations through the Department of Finance.

During the quarter, \$279 million in appropriations were received to fund the first draw of the REM transaction, of which approximately \$120 million was recorded in the Statement of Income and Comprehensive Income, and the balance of \$159 million as contributed surplus to the entity.

Risk Management

CIB is developing an enterprise risk management framework which includes the investment risk framework, reporting guidelines, policies and procedures, and will complete this process prior to the end of this fiscal year.

Statement of Financial Position (unaudited)

as at

(in thousands)	December 31, 2018	March 31, 2018
Assets		
Current assets:		
Cash	\$ 1,693	\$ 9,682
HST Receivable	846	205
Prepaid expenses and advances	19	-
	2,558	9,887
Non-current assets:		
Loan Receivable (note 6)	248,359	-
Deferred loan discount	30,679	-
Property and equipment	1,570	18
	\$ 283,166	\$ 9,905
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,352	\$ 647
Deferred government funding related to operating expenditures	136	7,107
	1,488	7,754
Non-Current Liabilities:		
Deferred Liabilities	578	99
Deferred government funding related to capital expenditures	1,930	2,010
Net Loan Commitment (note 6)	1,850	-
	4,358	2,109
Equity		
Share capital (note 1)	-	-
Contributed Surplus (note 3)	159,429	-
Retained earnings	117,891	42
	\$ 283,166	\$ 9,905

Commitments (note 10)

See accompanying notes to financial statements

Statement of Income and Comprehensive Income (unaudited)

(in thousands)	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Revenue:				
Interest income	\$ 21	\$ 19	\$ 91	\$ 22
Investment Revenue	380	-	380	-
Amortization of discount	(2,193)	-	(2,193)	-
	(1,792)	19	(1,722)	22
Expenses:				
Compensation	1,847	86	3,189	110
Professional fees (note 11)	(786)	187	2,758	198
Premises and equipment	154	175	599	186
Travel	105	-	234	-
Communications	45	77	80	77
Depreciation	35	-	81	-
Administration	24	3	41	5
Information technology	5	-	70	-
	1,429	528	7,052	574
Net loss before government funding	(3,221)	(509)	(8,774)	(552)
Government funding:				
Operating Appropriations	1,394	528	6,971	574
Capital Appropriations	35	-	81	-
Investment Appropriations	119,571	-	119,571	-
Net income and comprehensive income	\$ 117,779	\$ 19	\$ 117,849	\$ 22

See accompanying notes to financial statements

Statement of Changes in Equity
For the three month period ended December 31
(unaudited)

	Share capital	Contributed surplus	Retained earnings	Total Equity
(in thousands)				
Balance as at September 30, 2018	\$ -	\$ -	\$112	\$ 112
Share issuance	-	-	-	-
Contributed Surplus	-	-	-	-
Net Income	-	-	117,779	117,779
Balance as at December 31, 2018	\$ -	\$ -	\$ 117,891	\$ 117,891

	Share capital	Contributed surplus	Retained earnings	Total Equity
(in thousands)				
Balance, September 30, 2017	\$ -	\$ -	\$ 3	\$ 3
Share issuance	-	-	-	-
Contributed Surplus	-	-	-	-
Net Income	-	-	19	19
Balance, December 31, 2017	\$ -	\$ -	\$ 22	\$ 22

Share Capital (note 1)

See accompanying notes to financial statements

Statement of Changes in Equity

For the nine month period ended December 31 (unaudited)

	Share capital	Contributed surplus	Retained earnings	Total Equity
(in thousands)				
Balance as at April 1, 2018	\$ -	\$ -	\$ 42	\$ 42
Share issuance	-	-	-	-
Contributed Surplus	-	159,429	-	159,429
Net Income	-	-	117,849	117,849
Balance as at December 31, 2018	\$ -	\$ 159,429	\$ 117,891	\$ 277,320

	Share capital	Contributed surplus	Retained earnings	Total Equity
(in thousands)				
Balance, July 1, 2017	\$ -	\$ -	\$ -	\$ -
Share issuance	-	-	-	-
Contributed Surplus	-	-	-	-
Net Income	-	-	22	22
Balance, December 31, 2017	\$ -	\$ -	\$ 22	\$ 22

Share Capital (note 1)

See accompanying notes to financial statements

Statement of Cash Flows (unaudited)

	Three months ended December 31,		Nine months ended December 31,		
	(in thousands)	2018	2017	2018	2017
Cash provided by (used in):					
Operating activities:					
Net income (loss)		\$ 117,779	\$ 19	\$ 117,849	\$ 22
Items not involving cash:					
Investment Revenue		(380)	-	(380)	-
Depreciation		35	-	81	-
Amortization of discount		2,193	-	2,193	-
Changes in non-cash working capital:					
(Increase)/Decrease in HST/Interest receivable		(82)	(60)	(641)	(63)
(Increase)/Decrease in Prepaid expenses and advances		(5)	-	(19)	-
Increase/(Decrease) in Accounts payable and accrued liabilities		(130)	151	705	187
Increase/(Decrease) in Deferred government funding related to operating expenditures		(1,394)	(528)	(6,971)	3,655
Net increase/(decrease) in loan provision		343	-	343	-
Net increase/(decrease) in loan commitment		(343)	-	(343)	-
Change in Deferred liabilities		296	-	480	-
Total cash provided by (used in) operating activities		\$ 118,312	\$ (418)	\$ 113,297	\$ 3,801
Financing Activities:					
Share issuance		-	-	-	-
Government Appropriations		159,429	-	159,429	-
Total cash provided by financing activities		159,429	-	159,429	-
Investing activities:					
Investment in REM		(279,000)	-	(279,000)	-
Acquisition of Property and equipment		(41)	(20)	(213)	(20)
Acquisition of Leasehold improvements		(101)	-	(1,420)	-
Deferred government funding related to capital expenditures		(35)	-	(81)	1,381
Total cash provided by (used in) investing activities		(279,177)	(20)	(280,714)	1,361
Cash, beginning of the period		3,129	5,600	9,682	-
Net (decrease)/increase in cash during the period		(1,436)	(437)	(7,989)	5,163
Cash, end of the period		\$ 1,693	\$ 5,163	\$ 1,693	\$ 5,163

See accompanying notes to financial statements

Notes to the Financial Statements (unaudited)

Three and nine months ended December 31, 2018

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

Canada Infrastructure Bank (“CIB” or “Corporation”) is an arm’s length Crown corporation established by an Act of Parliament (the *Canada Infrastructure Bank Act* (the “CIB Act”) on June 22, 2017. CIB is incorporated in Canada and wholly owned by the Government of Canada. CIB was nominally capitalized with 10 shares issued at a par value of \$10 per share, or total share capital of \$100. CIB’s head office is located at 150 King Street West, Suite 2309, Toronto, Ontario M5H 1J9, Canada. CIB’s objectives are to invest, and seek to attract investment from private sector investors and institutional investors, in infrastructure projects in Canada or partly in Canada that will generate revenue and that will be in the public interest by, for example, supporting conditions that foster economic growth or by contributing to the sustainability of infrastructure in Canada.

CIB currently receives appropriations from the Government of Canada. Parliament has authorized \$35 billion over 11 years (to fiscal 2029), as needed, and the requisite authorities to participate in complex infrastructure deals in new and innovative ways to attract private sector and institutional investment to revenue-generating infrastructure projects that are in the public interest but would have not been otherwise economically viable.

CIB is not an agent of Her Majesty, the Queen in Right of Canada, except when, (i) giving advice about investments in infrastructure projects to ministers of Her Majesty in right of Canada, to departments, boards, commissions and agencies of the Government of Canada and to Crown corporations as defined in subsection 83(1) of the *Financial Administration Act* (Canada) (the “FAA”); (ii) collecting and disseminating data in accordance with the CIB Act; (iii) acting on behalf of the Government of Canada in the provision of services or programs, and the delivery of financial assistance, as provided under the CIB Act; and (iv) carrying out any activity conducive to the carrying out of its purpose that the Governor in Council may, by order, specify. CIB is also named in Part I of Schedule III to the FAA.

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

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

2. Basis of preparation:

These unaudited interim condensed quarterly Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board applicable to the presentation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting.

The Financial Statements have been prepared on a historical cost basis except when a specific IFRS required fair value measurement as explained in the accounting policies below.

The Financial Statements are presented in Canadian dollars, which is CIB’s functional currency.

3. Significant accounting policies:

The accounting policies in these Interim Financial Statements are consistent with those disclosed in Note 3 to the Company's annual audited Financial Statements for the 283 day period ended March 31, 2018. The Interim Financial Statements should be read in conjunction with the annual audited Financial Statements.

a. IFRS 9 - Financial Instruments

CIB has applied IFRS 9 for its accounting of financial assets and liabilities. Financial assets and liabilities are recognized when CIB becomes a party to the contractual provisions of the instrument.

On initial recognition, financial instruments are measured at fair value. Fair value on initial recognition includes transaction costs directly attributable to the acquisition or issue of financial instruments, except for financial instruments carried at fair value through profit and loss, for which transaction costs are recognized in net income in the period when they are incurred.

Financial instruments are measured in subsequent periods either at fair value or at amortized cost using the effective interest rate method, depending on the financial instrument classification.

b. IFRS 15, Revenue from Contracts with Customers

On May 28, 2014, the IASB issued a new standard, IFRS 15, Revenue from Contracts with Customers, replacing IAS 18, Revenue. The new standard is effective for annual periods beginning on or after January 1, 2018. The core principle of the standard is that an entity will recognize revenue when it transfers promised goods or services to customers, in an amount that reflects the consideration to which the entity is expected to be entitled in exchange for those goods or services.

This standard is now effective however CIB does not have any transactions to which to apply this standard.

c. Government Funding

CIB's primary source of funding is parliamentary appropriations received from the Government of Canada. The \$35 billion of authorized appropriations will be recorded as follows:

- \$15 billion from the Investing in Canada Infrastructure plan are recognized as government funding in the statement of income and other comprehensive income on a systematic basis over the periods in which CIB recognizes as expenses the related costs for which the appropriations are intended to compensate.
- \$20 billion in capital contributions specifically for assets to be held by the Bank in the form of equity or debt (or other forms of investments) are recognized in contributed surplus.

4. Future accounting changes:

On February 13, the date of authorization of these Financial Statements, certain new standards, amendments and interpretations to existing standards had been published by the IASB but were not yet effective and had not been early adopted by CIB. These standards include IFRS 16, Leases, described below. Certain other new standards, amendments and interpretations have been issued but are not expected to have a material impact on CIB's Financial Statements.

IFRS 16, Leases

On January 13, 2016, the IASB issued a new standard, IFRS 16, Leases, which supersedes IAS 17, Leases and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The standard provides a single lessee accounting model requiring lessees to recognize assets and liabilities for all leases, unless the lease term

is 12 months or less, or if the underlying asset has a low value. Lessors will continue classifying leases as operating or finance, since IFRS 16's approach to lessor accounting is substantially unchanged from IAS 17.

CIB is currently assessing the impact of the adoption of IFRS 16. IFRS 16 will require CIB to evaluate if a lease asset and liability should be recognized for its leases currently classified as operating leases (Note 10).

5. Estimates and Assumptions

Allowance for Credit Losses

CIB reviews its investments to determine whether an impairment loss should be recorded at the reporting date. The process requires management to make assumptions and judgement on estimating future cash flows and risk of default.

Significant changes in the underlying assumptions could result in changes in the estimates made in this assumption, or the use of other reasonable judgements, can materially affect the allowance level.

6. Classification and measurement of financial instruments

As at the end of the period, the financial instruments consisted of one item, the Réseau express métropolitain Inc. ("REM loan") (refer to note 10 for details)

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

	December 31, 2018	March 31, 2018
	Measured at Amortized Cost	
Loan Receivable	\$ 248,358,696	\$ -

Amortized Cost

The REM loan is classified and measured under amortized cost using the effective interest method. The following table presents the changes in the REM loan.

	Loan Receivable
Opening balance at April 1, 2018	-
Draw down	279,000,000
Net change in unrealized Value – gain/(loss)	(31,192,839)
Coupon Interest	244,603
Accretive Interest	306,932
	\$ 248,358,696

Loan Commitment (Provision)

Under the amortized cost method the full fair value provision on the loan is recognized as a liability at the date of signing and deferred and amortized over the life of the loan through a contra account. The following table presents the changes in the liability recognized.

	Net Loan Commitment
Opening balance at April 1, 2018	-
Loan Commitment – total provision	143,442,337
Transfer to Loan Receivable Provision on first draw	(31,192,839)
	112,249,498
Deferred loan rate discount – contra loan commitment	(143,442,337)
Transfer to Loan Receivable Provision Contra on first draw	30,850,060
Amortization	2,193,045
	(110,399,232)
Net Loan Commitment (Provision)	\$ 1,850,266

7. Property and equipment:

			December 31, 2018	March 31, 2018
	Cost	Accumulated depreciation	Net book Value	Net book Value
Leasehold Improvements	\$ 1,420,210	\$ 53,258	\$ 1,366,952	\$ -
Furniture, fixtures and equipment	177,390	14,104	163,286	4,500
Computer and telecommunications equipment	59,244	18,929	40,315	13,226
	\$ 1,656,844	\$ 86,291	\$ 1,570,553	\$ 17,726

No property and equipment was impaired as at December 31, 2018.

8. Accounts payable and accrued liabilities:

	December 31, 2018	March 31, 2018
Accrued Professional fees	\$ 278,222	\$ 307,127
Accrued Compensation	856,466	250,000
Accounts Payable	217,062	21,990
Other	-	67,437
	\$ 1,351,750	\$ 646,554

9. 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 under the same terms and conditions that apply to unrelated parties and as such the transactions approximate fair value. CIB's transactions with government related entities that were individually significant are government funding which are approved in the form of a statutory authority and obtained through drawdown requests made to the Department of Finance (note 3(c)).

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

10. Commitments:

Lease Commitments

On August 31, 2017, CIB entered into long term leases for both office and storage space located at 150 King Street West. The term of each lease is 10 years and commences on June 1, 2018, with combined future commitments as follows:

F2019	F2020	F2021	F2022	F2023	Thereafter	Total
\$ 78,933	\$ 307,730	\$ 307,730	\$ 307,730	\$ 307,730	\$ 1,689,848	\$ 2,999,701

CIB has the option to extend the office lease for two further consecutive terms of five years each.

REM Commitment

On September 28, 2018 CIB entered into a credit agreement with Réseau express métropolitain Inc (The "REM Agreement"). CIB will provide senior secured debt of \$1.283 billion for the funding 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 may be drawn down over fiscal 2019 and fiscal 2021 and be repayable in 15 years from the first drawdown date. The first drawdown for \$279 million was made on November 30, 2018 and the remaining drawdown schedule is as follows:

F2019	F2020	F2021	Total
\$ 270,000,000	\$ 513,000,000	\$ 221,000,000	\$ 1,004,000,000

11. Expenses:

Professional fees for the quarter includes a credit of \$1.53 million for the reimbursement, by Réseau express métropolitain Inc., of third party fees incurred by CIB, prior to financial close, in connection with the loan facility.

12. Comparative Figures:

Certain comparative figures have been reclassified in order to conform with the presentation adopted in the current period.

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