CONDENSED INTERIM FINANCIAL STATEMENTS

September 30, 2021

Management responsibility

Management of the Bank of Canada (the Bank) is responsible for the preparation and fair presentation of these condensed interim financial statements, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* (IAS 34), and for such internal controls as management determines are necessary to enable the preparation of condensed interim financial statements that are free from material misstatement. Management is also responsible for ensuring that all other information in the Quarterly Financial Report is consistent, where appropriate, with the condensed interim financial statements.

Based on our knowledge, these unaudited condensed interim financial statements present fairly, in all material respects, the financial position, financial performance and cash flows of the Bank, as at the date of and for the periods presented in the condensed interim financial statements.

Tiff Macklem,
Governor

Coralia Bulhoes, CPA, CA,
Chief Financial Officer and Chief Accountant

Ottawa, Canada
November 4, 2021

Condensed interim statement of financial position (unaudited)

(in millions of Canadian dollars)

As at	Note	September 30, 2021	December 31, 2020
Assets			
Cash and foreign deposits	3	7.3	6.5
Loans and receivables	3, 4		
Securities purchased under resale agreements		29,604.2	155,317.6
Other receivables		5.9	6.3
		29,610.1	**155,323.9**
Investments	3, 4		
Government of Canada treasury bills		3,786.8	51,750.2
Government of Canada bonds—carried at amortized cost		122,566.4	105,979.0
Government of Canada bonds—carried at fair value through profit and loss (FVTPL)		276,519.9	202,369.1
Canada Mortgage Bonds		9,591.0	9,660.9
Other bonds		16,547.2	14,399.6
Securities lent or sold under repurchase agreements		28,594.2	3,775.8
Other securities		108.5	3,344.1
Shares in the Bank for International Settlements (BIS)		481.8	486.1
		458,195.8	**391,764.8**
Derivatives—indemnity agreements with the Government of Canada	3, 4	**8,019.2**	**-**
Capital assets	5		
Property and equipment		535.3	568.2
Intangible assets		106.4	83.1
Right-of-use leased assets		42.1	45.4
		683.8	**696.7**
Other assets	6	174.6	41.5
Total assets		**496,690.8**	**547,833.4**
Liabilities and equity			
Bank notes in circulation	3	111,850.4	106,925.0
Deposits	3, 4, 7		
Government of Canada		60,631.4	80,559.0
Members of Payments Canada		285,387.6	345,664.3
Other deposits		9,718.9	9,877.2
		355,737.9	**436,100.5**
Securities sold under repurchase agreements	3, 4	27,503.1	3,000.8
Derivatives—indemnity agreements with the Government of Canada	3, 4	-	29.3
Other liabilities	3, 8	1,009.3	1,199.7
Total liabilities		**496,100.7**	**547,255.3**
Equity	10	590.1	578.1
Total liabilities and equity		**496,690.8**	**547,833.4**

Tiff Macklem,
Governor

Coralia Bulhoes, CPA, CA,
Chief Financial Officer and Chief Accountant

(See accompanying notes to the condensed interim financial statements.)

Condensed interim statement of net income and comprehensive income (unaudited)

(in millions of Canadian dollars)

	Note	For the three-month period ended September 30		For the nine-month period ended September 30	
	Note	2021	2020	2021	2020
Income					
Interest revenue					
Investments—carried at amortized cost		449.7	542.7	1,370.0	1,648.7
Investments—carried at FVTPL		555.5	162.9	1,358.4	202.0
Securities purchased under resale agreements		28.3	255.1	262.8	572.9
Other sources		-	1.4	-	9.0
		1,033.5	962.1	2,991.2	2,432.6
Interest expense					
Deposits		(208.8)	(252.5)	(660.8)	(555.5)
Other		(10.7)	-	(22.4)	-
Net interest revenue		814.0	709.6	2,308.0	1,877.1
Dividend revenue		-	-	8.7	-
Other revenue		2.1	1.6	5.2	4.6
Net gains (losses) on financial instruments carried at FVTPL	3	-	-	-	-
Total income		816.1	711.2	2,321.9	1,881.7
Expenses					
Staff costs		91.2	82.3	272.9	243.1
Bank note research, production and processing		21.0	19.7	56.7	34.5
Premises costs		8.7	6.3	22.6	19.6
Technology and telecommunications		21.3	22.1	67.7	67.5
Depreciation and amortization		16.5	15.2	49.2	45.8
Other operating expenses		17.9	16.1	52.4	50.2
Total expenses		176.6	161.7	521.5	460.7
Net income		639.5	549.5	1,800.4	1,421.0
Other comprehensive income (loss)					
Remeasurements of the net defined-benefit liability/asset	9	55.4	22.6	395.8	(195.1)
Change in fair value of BIS shares		2.5	15.3	(4.3)	67.2
Other comprehensive income (loss)		57.9	37.9	391.5	(127.9)
Comprehensive income		697.4	587.4	2,191.9	1,293.1

(See accompanying notes to the condensed interim financial statements.)

Condensed interim statement of changes in equity (unaudited)

For the three-month period ended September 30 (in millions of Canadian dollars)

	Note	Share capital	Statutory reserve	Special reserve	Investment revaluation reserve	Actuarial gains reserve	Retained earnings	Total
Balance as at July 1, 2021		5.0	25.0	100.0	441.3	-	-	571.3
Comprehensive income for the period								
Net income		-	-	-	-	-	639.5	639.5
Remeasurements of the net defined-benefit liability/asset	9	-	-	-	-	16.3	39.1	55.4
Change in fair value of BIS shares		-	-	-	2.5	-	-	2.5
		-	-	-	2.5	16.3	678.6	697.4
Surplus for the Receiver General for Canada		-	-	-	-	-	(678.6)	(678.6)
Balance as at September 30, 2021		5.0	25.0	100.0	443.8	16.3	-	590.1

	Note	Share capital	Statutory reserve	Special reserve	Investment revaluation reserve	Actuarial gains reserve	Retained earnings	Total
Balance as at July 1, 2020		5.0	25.0	100.0	452.2	-	-	582.2
Comprehensive income for the period								
Net income		-	-	-	-	-	549.5	549.5
Remeasurements of the net defined-benefit liability/asset	9	-	-	-	-	-	22.6	22.6
Change in fair value of BIS shares		-	-	-	15.3	-	-	15.3
		-	-	-	15.3	-	572.1	587.4
Surplus for the Receiver General for Canada		-	-	-	-	-	(572.1)	(572.1)
Balance as at September 30, 2020		5.0	25.0	100.0	467.5	-	-	597.5

(See accompanying notes to the condensed interim financial statements.)

Condensed interim statement of changes in equity (unaudited)

For the nine-month period ended September 30 (in millions of Canadian dollars)

	Note	Share capital	Statutory reserve	Special reserve	Investment revaluation reserve	Actuarial gains reserve	Retained earnings	Total
Balance as at January 1, 2021		5.0	25.0	100.0	448.1	-	-	578.1
Comprehensive income for the period								
Net income		-	-	-	-	-	1,800.4	**1,800.4**
Remeasurements of the net defined-benefit liability/asset	9	-	-	-	-	16.3	379.5	**395.8**
Change in fair value of BIS shares		-	-	-	(4.3)	-	-	**(4.3)**
		-	-	-	**(4.3)**	**16.3**	**2,179.9**	**2,191.9**
Surplus for the Receiver General for Canada		-	-	-	-	-	(2,179.9)	**(2,179.9)**
Balance as at September 30, 2021		5.0	25.0	100.0	443.8	16.3	-	590.1

	Note	Share capital	Statutory reserve	Special reserve	Investment revaluation reserve	Actuarial gains reserve	Retained earnings	Total
Balance as at January 1, 2020		5.0	25.0	100.0	400.3	-	-	530.3
Comprehensive income for the period								
Net income		-	-	-	-	-	1,421.0	**1,421.0**
Remeasurements of the net defined-benefit liability/asset	9	-	-	-	-	-	(195.1)	**(195.1)**
Change in fair value of BIS shares		-	-	-	67.2	-	-	**67.2**
		-	-	-	67.2	-	**1,225.9**	**1,293.1**
Surplus for the Receiver General for Canada		-	-	-	-	-	(1,225.9)	**(1,225.9)**
Balance as at September 30, 2020		5.0	25.0	100.0	467.5	-	-	597.5

Condensed interim statement of cash flows (unaudited)

(in millions of Canadian dollars)

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2021	2020	2021	2020
Cash flows from operating activities				
Interest received	1,018.9	951.7	5,104.1	2,501.5
Dividends received	8.7	-	8.7	-
Other revenue received	1.6	1.0	6.0	5.9
Interest paid	(217.2)	(252.9)	(681.9)	(553.9)
Payments to or on behalf of employees and to suppliers	(127.4)	(125.3)	(456.2)	(371.2)
Net increase (decrease) in deposits	11,176.4	871.7	(80,362.6)	402,107.8
Acquisition of securities purchased under resale agreements	(1,397.1)	(14,795.2)	(19,597.1)	(263,242.9)
Proceeds from maturity of securities purchased under resale agreements	4,420.8	50,212.9	144,838.7	93,707.3
Net proceeds from securities sold under repurchase agreements	2,116.5	532.1	24,502.3	532.1
Advances repaid from (made to) members of Payments Canada	-	455.3	-	(150.0)
Purchases of Canada Mortgage Bonds	-	(1,694.0)	-	(8,162.9)
Purchases of Government of Canada bonds—carried at FVTPL	(28,863.9)	(71,471.2)	(125,266.5)	(152,809.1)
Proceeds from maturity of Government of Canada bonds—carried at FVTPL	6,305.4	4,988.8	17,445.1	4,988.8
Purchases of other bonds	-	(4,786.1)	(4,491.6)	(10,049.4)
Proceeds from maturity of other bonds	733.0	-	1,388.4	-
Proceeds from disposal of other bonds	-	-	10.1	-
Purchases of other securities	-	(3,717.2)	-	(62,553.0)
Proceeds from maturity of other securities	574.4	7,640.0	3,229.1	55,524.8
Remittance from indemnity agreements	-	-	(0.1)	-
Net cash provided by (used in) operating activities	**(4,249.9)**	**(31,188.4)**	**(34,323.5)**	**61,475.8**
Cash flows from investing activities				
Acquisition of securities purchased under resale agreements—term repo	-	-	-	(33,228.6)
Proceeds from maturity of securities purchased under resale agreements—term repo	-	-	-	48,725.8
Net maturities (purchases) of Government of Canada treasury bills	7,799.9	35,905.6	48,277.3	(70,246.0)
Purchases of Government of Canada bonds	(9,348.8)	(13,601.8)	(29,046.1)	(29,212.0)
Proceeds from maturity of Government of Canada bonds	4,356.1	5,980.0	12,329.4	14,180.0
Purchases of Canada Mortgage Bonds	-	-	-	(499.7)
Additions of property and equipment	(3.1)	(7.0)	(8.0)	(18.0)
Additions of intangible assets	(9.5)	(7.1)	(28.2)	(19.8)
Net cash provided by (used in) investing activities	**2,794.6**	**28,269.7**	**31,524.4**	**(70,318.3)**
Cash flows from financing activities				
Net increase in bank notes in circulation	2,081.0	2,918.4	4,925.4	9,889.8
Remittance of surplus to the Receiver General for Canada	(625.0)	-	(2,122.9)	(1,043.3)
Payments of lease liabilities	(0.8)	(0.8)	(2.5)	(3.8)
Net cash provided by financing activities	**1,455.2**	**2,917.6**	**2,800.0**	**8,842.7**
Effect of exchange rate changes on foreign currency	0.1	0.1	(0.1)	0.2
Increase (decrease) in cash and foreign deposits	**-**	**(1.0)**	**0.8**	**0.4**
Cash and foreign deposits, beginning of period	7.3	7.8	6.5	6.4
Cash and foreign deposits, end of period	**7.3**	**6.8**	**7.3**	**6.8**

(See accompanying notes to the condensed interim financial statements.)

Notes to the condensed interim financial statements of the Bank of Canada (unaudited)

For the three- and nine-month periods ended September 30, 2021

1. The business of the Bank of Canada

The Bank of Canada (the Bank) is the nation's central bank. The Bank is a corporation established under the *Bank of Canada Act*, is wholly owned by the Minister of Finance on behalf of the Government of Canada and is exempt from income taxes. The Bank does not offer banking services to the public.

The address of the Bank's registered head office is 234 Wellington Street, Ottawa, Ontario.

The Bank conforms to the financial reporting requirements of the *Bank of Canada Act* as prescribed in the Bank's bylaws, which require that the Bank's financial statements be prepared in accordance with Generally Accepted Accounting Principles as set out in the *CPA Canada Handbook,* published by the Chartered Professional Accountants of Canada (CPA Canada). Consistent with CPA Canada guidance, the Bank is a government business enterprise as defined by the Canadian Public Sector Accounting Standards. As such, it adheres to the standards applicable to publicly accountable enterprises. In compliance with this requirement, the Bank has developed accounting policies in accordance with International Financial Reporting Standards (IFRS).

The Bank's mandate under the *Bank of Canada Act* is to promote the economic and financial welfare of Canada. The Bank's activities and operations are undertaken in support of this mandate and not with the objective of generating revenue or profits. The Bank's four core areas of responsibility are the following:

- **Monetary policy**: The Bank conducts monetary policy to preserve
- the value of money by keeping inflation low, stable and predictable.
- **Financial system**: The Bank promotes safe, sound and efficient financial systems, within Canada and internationally, and conducts transactions in financial markets in support of these objectives.
- **Funds management**: The Bank provides funds management services for the Government of Canada, the Bank itself and other clients. The Bank is the fiscal agent for the government, providing treasury-management services and managing its public debt programs and foreign exchange reserves.
- **Currency**: The Bank designs, issues and distributes Canada's bank notes, oversees the note distribution system and ensures a supply of quality bank notes that are readily accepted and secure against counterfeiting.

The corporate administration function supports the management of the Bank's human resources, operations and strategic initiatives as well as the stewardship of financial, physical, information and technology assets.

The Bank has the exclusive right to issue Canadian bank notes, and the face value of these bank notes is a significant liability on the Bank's balance sheet. The Bank invests part of the proceeds from issuing bank notes into Government of Canada securities and Canada Mortgage Bonds acquired on a non-competitive basis on the primary market. The Bank also uses part of these proceeds to execute its responsibilities for its monetary policy and financial system functions.

The interest income generated from the assets backing the bank notes in circulation (net of bank note production and distribution costs) is referred to as seigniorage. It provides a stable and constant source of funding for the Bank's operations, which enables the Bank to function independently of government appropriations. Seigniorage revenue is used to fund operations and reserves. Net income is remitted to the Receiver General for Canada in accordance with the requirements of the *Bank of Canada Act*.

2. Basis of preparation

Compliance with International Financial Reporting Standards

These condensed interim 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. These condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the Bank's audited financial statements for the year ended December 31, 2020. When necessary, the condensed interim financial statements include amounts based on informed estimates and the judgment of management. The results of operations for the interim period reported are not necessarily indicative of results expected for the year.

The Audit and Finance Committee of the Board of Directors approved the condensed interim financial statements on November 4, 2021.

Fiscal agent and custodial activities

Responsibility for the operational management of the Government of Canada's financial assets and liabilities is borne jointly by the Bank (as fiscal agent for the Government of Canada) and the Department of Finance Canada. In this role as fiscal agent, the Bank provides transactional and administrative support to the Government of Canada in certain areas, consistent with the requirements of section 24 of the *Bank of Canada Act*. As fiscal agent for the Government of Canada, the Bank does not bear the risks and rewards of the related financial assets and liabilities. These assets, liabilities and related revenues and expenses are not included in the Bank's financial statements.

The Bank provides securities safekeeping and other custodial services to foreign central banks, international organizations and other government-related entities. Under the terms governing these services, the Bank is indemnified against losses. Any assets and income that are managed under these services are excluded from the Bank's financial statements because they are not assets or income of the Bank.

Measurement base

The condensed interim financial statements have been prepared on a historical cost basis, except for the following items:

- financial instruments classified (or designated) and measured at fair value through profit or loss (FVTPL);
- the Bank's shares in the Bank for International Settlements (BIS), which are measured at fair value through other comprehensive income (FVOCI); and
- the net defined-benefit liability/asset of employee benefit plans, which is recognized as the net of the fair value of plan assets and the present value of the defined-benefit obligations.

Functional and presentation currency

The Bank's functional and presentation currency is the Canadian dollar. The amounts in the notes to the financial statements of the Bank are in millions of Canadian dollars, unless otherwise stated.

Seasonality

The total value of bank notes in circulation fluctuates throughout the year as a function of the seasonal demand for bank notes. Such demand is typically at its lowest level in the first quarter and peaks in the second and fourth quarters around holiday periods. In addition to the regular term repo program, the Bank may issue securities purchased under resale agreements (SPRAs) to offset the increased bank note liability during periods of high seasonal demand.

Significant accounting policies

The accounting policies used in the preparation of the condensed interim financial statements are consistent with those disclosed in the Bank's financial statements for the year ended December 31, 2020.

Certain accounting policies require judgments and estimates, some of which relate to uncertain matters. Significant judgment and estimates are used in the measurement of financial instruments (Note 3) and employee benefits (Note 9). Changes in the judgments and estimates in the critical accounting policies discussed in the Bank's 2020 annual financial statements could have a material impact on the Bank's financial results. No significant changes have occurred with respect to the Bank's critical accounting estimates since its 2020 annual financial statements.

3. Financial instruments

The Bank's financial instruments are classified and subsequently measured as follows:

Financial instrument	Classification and subsequent measurement	Carrying value	Fair value
Financial assets			
Cash and foreign deposits	Amortized cost	**7.3**	*
Loans and receivables			
Securities purchased under resale agreements	Amortized cost	29,604.2	29,617.8
Other receivables	Amortized cost	5.9	*
		29,610.1	*
Investments			
Government of Canada treasury bills	Amortized cost	3,786.8	3,787.0
Government of Canada bonds—primary market	Amortized cost	122,566.4	125,056.5
Government of Canada bonds—secondary market			
Government of Canada bonds	FVTPL	271,352.3	271,352.3
Real Return Bonds	FVTPL	5,167.6	5,167.6
		276,519.9	276,519.9
Canada Mortgage Bonds	Amortized cost	9,591.0	9,447.3
Other bonds			
Provincial bonds	FVTPL	16,371.9	16,371.9
Corporate bonds	FVTPL	175.3	175.3
		16,547.2	16,547.2
Securities lent or sold under repurchase agreements	FVTPL and amortized cost	28,594.2	28,594.6
Other securities			
Provincial money market securities	Amortized cost	108.5	108.5
Shares in the Bank for International Settlements	FVOCI	481.8	481.8
		458,195.8	**460,542.8**
Derivatives—indemnity agreements with the Government of Canada	FVTPL	**8,019.2**	**8,019.2**
Financial liabilities			
Bank notes in circulation	Face value	**111,850.4**	*
Deposits	Amortized cost	**355,737.9**	*
Securities sold under repurchase agreements	Amortized cost	**27,503.1**	*
Other financial liabilities	Amortized cost	**705.7**	*

* Approximates carrying value due to their nature or term to maturity

Fair value hierarchy

Financial instruments are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1

Unadjusted quoted prices in active markets for identical assets or liabilities, which represent actual and regularly occurring arm's-length market transactions

Level 2

Inputs other than quoted prices included in Level 1, which are observable for the assets or liabilities either directly (e.g., prices for similar instruments, prices from inactive markets) or indirectly (e.g., interest rates, credit spreads)

Level 3

Unobservable inputs for the assets or liabilities that are not based on observable market data because of inactive markets (e.g., market participant assumptions)

The fair value hierarchy requires the use of observable market inputs wherever such inputs exist. In measuring fair value, a financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered.

Supporting information

Fair value hierarchy

The following table shows the fair value of the Bank's financial assets carried at fair value classified in accordance with the fair value hierarchy described above.

	Level 1	Level 2	Level 3	Fair value
As at September 30, 2021				
Government of Canada bonds—secondary market	269,444.3	1,908.0	-	**271,352.3**
Real Return Bonds	4,816.9	350.7	-	**5,167.6**
Provincial bonds	13,852.3	2,519.6	-	**16,371.9**
Corporate bonds	13.3	162.0	-	**175.3**
Securities lent or sold under repurchase agreements				
Government of Canada bonds—secondary market	26,960.0	-	-	**26,960.0**
Provincial bonds	915.7	190.2	-	**1,105.9**
Shares in the Bank for International Settlements	-	-	481.8	**481.8**
Total	**316,002.5**	**5,130.5**	**481.8**	**321,614.8**

The table below presents the comparative fair value as at December 31, 2020.

	Level 1	Level 2	Level 3	Fair value
As at December 31, 2020				
Government of Canada bonds—secondary market	198,138.3	699.3	-	**198,837.6**
Real Return Bonds	3,183.0	348.5	-	**3,531.5**
Provincial bonds	11,548.7	2,670.9	-	**14,219.6**
Corporate bonds	13.7	166.3	-	**180.0**
Securities lent or sold under repurchase agreements				
Government of Canada bonds—secondary market	2,310.2	-	-	**2,310.2**
Provincial bonds	679.2	92.6	-	**771.8**
Shares in the Bank for International Settlements	-	-	486.1	**486.1**
Total	**215,873.1**	**3,977.6**	**486.1**	**220,336.8**

Transfers of securities measured at fair value may occur between levels of the fair value hierarchy as a result of changes in market activity or the availability of quoted market prices or observable inputs. The Bank's policy is to record transfers of assets and liabilities between the different levels of the fair value hierarchy using the fair values as at the end of each reporting period. The following transfers were done as at September 30, 2021:

	For the three-month period ended September 30, 2021		For the nine-month period ended September 30, 2021	
	Level 2 to Level 1	Level 1 to Level 2	Level 2 to Level 1	Level 1 to Level 2
Government of Canada bonds—secondary market	669.4	1,894.6	3,099.1	4,313.8
Real Return Bonds	701.6	-	1,259.9	1,037.2
Provincial bonds	201.2	420.6	1,147.8	1,195.9
Corporate bonds	-	21.8	23.3	33.0
Total	**1,572.2**	**2,337.0**	**5,530.1**	**6,579.9**

Transfers as at September 30, 2020 are as follows:

	For the three-month period ended September 30, 2020		For the nine-month period ended September 30, 2020	
	Level 2 to Level 1	Level 1 to Level 2	Level 2 to Level 1	Level 1 to Level 2
Provincial bonds	3,815.7	-	3,815.7	-
Corporate bonds	16.7	-	16.7	-
Total	**3,832.4**	**-**	**3,832.4**	**-**

Securities lent or sold under repurchase agreements

The following table shows the fair value and carrying value of the securities that were lent or sold under repurchase agreements.

	September 30, 2021		December 31, 2020	
	Fair value	Carrying value	Fair value	Carrying value
Provincial bonds lent	1,105.9	1,105.9	771.8	771.8
Securities sold under repurchase agreements				
Government of Canada treasury bills	275.9	275.8	694.0	693.8
Government of Canada bonds—primary market	252.8	252.5	-	-
Government of Canada bonds—secondary market	26,960.0	26,960.0	2,310.2	2,310.2
Total	**28,594.6**	**28,594.2**	**3,776.0**	**3,775.8**

The fair value of collateral held for provincial bonds lent totalled $1,160.3 million ($810.7 million as at December 31, 2020), representing 104.9 percent (105.0 percent as at December 31, 2020) of the fair value of the securities lent.

The liabilities associated with the Government of Canada treasury bills and primary and secondary-market Government of Canada bonds that were sold under repurchase agreements are equal to $27,503.1 million ($3,000.8 million as at December 31, 2020).

Derivatives—indemnity agreements with the Government of Canada

	Related asset		Derivatives—indemnity agreements with the Government of Canada	Derivative asset position	Derivative liability position
	Amortized cost	Fair value	Fair value	Fair value	Fair value
Government of Canada bonds—secondary market	311,250.0	303,479.9	7,770.1	7,782.4	(12.3)
Provincial bonds	17,728.1	17,477.8	250.3	251.6	(1.3)
Corporate bonds	174.1	175.3	(1.2)	0.2	(1.4)
Balance as at September 30, 2021	329,152.2	321,133.0	8,019.2	8,034.2	(15.0)

The table below presents the comparative values as at December 31, 2020.

	Related asset		Derivatives—indemnity agreements with the Government of Canada	Derivative asset position	Derivative liability position
	Amortized cost	Fair value	Fair value	Fair value	Fair value
Government of Canada bonds—secondary market	204,728.2	204,679.3	48.9	367.3	(318.4)
Provincial bonds	14,915.9	14,991.4	(75.5)	0.1	(75.6)
Corporate bonds	177.3	180.0	(2.7)	-	(2.7)
Balance as at December 31, 2020	**219,821.4**	**219,850.7**	**(29.3)**	**367.4**	**(396.7)**

Net gains (losses) on financial instruments carried at FVTPL

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2021	2020	2021	2020
Government of Canada bonds—secondary market	(1,692.4)	(55.8)	(7,721.2)	368.5
Provincial bonds	(17.4)	19.7	(325.8)	45.5
Corporate bonds	(0.2)	1.2	(1.5)	1.8
Derivatives—indemnity agreements	1,710.0	34.9	8,048.5	(415.8)
Total	-	-	-	-

Net gains and losses arising from financial instruments carried at FVTPL during the quarter are equal to the change in fair value of the derivatives shown in the tables above. The $8,048.5 million net losses on the financial assets were offset by net gains of $8,048.5 million on the derivatives. Realized gains and losses in the first nine months of 2021 were $0.1 million ($nil in the nine-month period ended September 30, 2020).

Expected credit losses

The Bank's definitions and approach to calculating expected credit losses (ECLs) are consistent with those disclosed in the Bank's financial statements for the year ended December 31, 2020. The ECL model, under IFRS 9, applies to all financial assets not measured at FVTPL or FVOCI.

The Bank's debt instruments at amortized cost consist of Canadian sovereign debt, provincial debt that is fully indemnified by the Government of Canada for any credit loss, and fully collateralized instruments with an equivalent credit rating of A- or higher.

All the Bank's financial assets subject to impairment assessments are Stage 1 and are considered to have low credit risk. There were no transfers of financial instruments between stages during the reporting period. The Bank had not recorded any ECLs on these instruments as at September 30, 2021 ($nil at December 31, 2020) because the amount was deemed not to be significant. By its nature, the ECL estimate is subject to measurement uncertainty. The Bank will continue to review its judgments and assumptions to assess whether the ECL estimate has changed. There were no past due or impaired amounts as at September 30, 2021 ($nil at December 31, 2020).

4. Financial risk management

The Bank maintains a comprehensive risk management and control framework to manage its risks. The Executive Council oversees enterprise risk management and the implementation of sound management processes to safeguard the Bank. The Board of Directors has an oversight role in the Bank's performance of risk management.

The Bank is exposed to financial risks associated with its financial instruments, including credit, market and liquidity risk. The Financial Risk Office monitors and reports on the financial risks related to the Bank's statement of financial position. The following is a description of those risks and how the Bank manages its exposure to them.

Credit risk

Credit risk is the possibility of loss due to the failure of a counterparty or guarantor to meet payment obligations in accordance with agreed-upon terms.

The Bank is exposed to credit risk through its cash and foreign deposits, SPRAs, advances to members of Payments Canada, investments, derivative indemnity agreement assets and loans of securities. The maximum exposure to credit risk is estimated to be the carrying value of those items. The Bank is also exposed to credit risk through the execution of foreign currency contracts, consistent with the disclosures in the 2020 annual financial statements. For the majority of the year, it was also exposed to credit risk through its guarantee of the Large Value Transfer System

(LVTS). On August 30, 2021, as part of Payments Canada's payments modernization project, the high-value payment system (Lynx) was introduced.

Concentration of credit risk

The Bank's investments represent 92 percent of the carrying value of its total assets (72 percent as at December 31, 2020).

The Bank's credit risk is low because its securities are primarily direct obligations of, fully guaranteed by, or indemnified against credit losses by the Government of Canada, which holds a credit rating of AAA with most credit agencies and has no history of default.

SPRAs represent 6 percent of the carrying value of the Bank's total assets (28 percent as at December 31, 2020). In the unlikely event of a counterparty default, collateral can be liquidated to offset credit exposure. Collateral is taken in accordance with the Bank's publicly disclosed eligibility criteria and margin requirements, which are available on its website. The fair value of collateral pledged to the Bank against these financial instruments at the end of the reporting period is presented below.

As at	September 30, 2021		December 31, 2020	
	$	%	$	%
Securities issued or guaranteed by the Government of Canada	798.8	2.5	4,154.0	2.5
Securities issued or guaranteed by a provincial government	3,023.3	9.7	27,855.5	17.1
Securities issued by a municipality	-	-	218.7	0.2
Other public sector securities	-	-	1,282.3	0.8
Corporate debt securities	21,178.2	67.8	113,969.2	69.9
Asset-backed securities	6,237.1	20.0	15,473.6	9.5
Total fair value of collateral pledged to the Bank	**31,237.4**	**100.0**	**162,953.3**	**100.0**
Carrying value of collateralized securities	**29,604.2**		**155,317.6**	
Collateral as a percentage of carrying value		**105.5**		**104.9**

Market risk

Market risk is the potential for adverse changes in the fair value or future cash flows of a financial instrument due to changes in market variables, such as interest rates, foreign exchange rates and market prices. Changes in market risk exposure since December 31, 2020, are detailed below.

Interest rate risk

Interest rate risk is the potential for fluctuations in the fair value or future cash flows of a financial instrument because of changes in interest rates.

The Bank's exposure to interest rate risk arises from fluctuations in the future flows of cash and foreign deposits held by the Bank and deposits held at the Bank by other institutions because these instruments are subject to variable interest rates. The Bank also carries interest rate risk associated with fluctuations in future cash flows from Real Return Bonds, which are linked to inflation. The remainder of the Bank's financial assets and liabilities have either fixed interest rates or are non-interest-bearing.

The table below shows the effect of an increase / (decrease) in interest rates of 25 basis points on the interest expense or revenue on deposits of the Government of Canada, members of Payments Canada, other deposits and Real Return Bonds. This represents substantially all the Bank's interest rate risk exposure.

For the nine-month period ended September 30	2021	2020
Interest expense on Government of Canada deposits	122.9 / (122.9)	162.4 / (162.4)
Interest expense on deposits of members of Payments Canada	572.9 / (572.9)	312.2 / (312.2)
Interest expense on other deposits	17.7 / (17.7)	14.3 / (14.3)
Interest revenue on Real Return Bonds	8.2 / (8.2)	0.5 / (0.5)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The currency risk is not considered to be significant because the Bank's net foreign currency exposure relative to its total assets is small. The Bank's principal currency risk exposure is to its BIS shares, which are denominated in Special Drawing Rights.

Other price risk

Other price risk arises when the fair value or future cash flows of a financial instrument fluctuate because of changes in market prices (other than those arising from changes in interest and exchange rates).

The Bank is exposed to other price risk through its investment in the BIS. The fair value of these shares is estimated based on the net asset value of the BIS less a discount of 30 percent. Accordingly, the fair value fluctuations of these shares reflect movements in the net asset value of the BIS and exchange rates.

With the operationalization of the Government of Canada Bond Purchase Program, Corporate Bond Purchase Program and Provincial Bond Purchase Program in the second quarter of 2020, the Bank began holding securities measured at FVTPL, exposing itself to fluctuations in market prices. However, all securities measured at FVTPL are fully indemnified for losses beyond amortized cost. Therefore, the Bank bears no net price risk related to the securities (Note 3). Gains are remitted back to the Government.

Liquidity risk

Liquidity risk is the potential for loss if the Bank is unable to meet its financial obligations as they become due. In the event of an unexpected redemption of due-on-demand liabilities, the Bank can settle the obligation by means of several tools, including the sale of highly liquid investments. Liabilities that are due on demand include bank notes in circulation and Government of Canada deposits. As well as recognized liabilities, the Bank was exposed to liquidity risk, through its guarantee of the LVTS, as discussed in the Bank's financial statements for the year ended December 31, 2020, but this is no longer the case with Lynx.

The Bank is the ultimate source of liquid funds for the Canadian financial system and has the power and operational ability to create Canadian-dollar liquidity in unlimited amounts at any time.

The following table presents a maturity analysis of the Bank's financial assets and liabilities. The balances in this table do not correspond to the balances in the statement of financial position because the table presents all cash flows on an undiscounted basis.

As at September 30, 2021	Due on demand	Within 90 days	Within 4 to 12 months	Within 1 to 5 years	In more than 5 years	Total
Financial assets						
Cash and foreign deposits	7.3	-	-	-	-	7.3
Loans and receivables	-	6,130.8	23,085.2	440.3	-	29,656.3
Investments						
Government of Canada treasury bills	-	2,570.0	1,494.0	-	-	4,064.0
Government of Canada bonds at amortized cost	-	2,239.9	17,611.7	66,405.4	51,943.0	138,200.0
Government of Canada bonds at FVTPL	-	5,620.0	39,039.7	171,927.9	110,233.7	326,821.3
Real Return Bonds	-	399.1	49.3	394.1	4,334.1	5,176.6
Canada Mortgage Bonds	-	102.8	407.2	5,190.3	4,302.6	10,002.9
Provincial bonds	-	1,066.1	3,777.2	7,529.7	6,077.2	18,450.2
Corporate bonds	-	8.2	16.6	155.2	-	180.0
Provincial money market securities	-	108.5	-	-	-	108.5
Shares in the BIS*	481.8	-	-	-	-	481.8
	489.1	18,245.4	85,480.9	252,042.9	176,890.6	533,148.9
Financial liabilities						
Bank notes in circulation	111,850.4	-	-	-	-	111,850.4
Deposits						
Government of Canada	60,631.4	-	-	-	-	60,631.4
Members of Payments Canada	-	285,387.6	-	-	-	285,387.6
Other deposits	9,718.9	-	-	-	-	9,718.9
Securities sold under repurchase agreements	-	27,503.1	-	-	-	27,503.1
Other financial liabilities	-	749.6	-	-	-	749.6
	182,200.7	313,640.3	-	-	-	495,841.0
Net maturity difference	(181,711.6)	(295,394.9)	85,480.9	252,042.9	176,890.6	37,307.9

* The Bank's investment in shares in the Bank for International Settlements has no fixed maturity.

Cash flows associated with the indemnity agreements are paid monthly after the disposition of related securities. Where securities are held and repaid at maturity, no cash flows are associated with the indemnity agreements. As at September 30, 2021, the Bank had no contractual future cash flows associated with the indemnity agreements.

The table below presents the comparative maturity analysis as at December 31, 2020.

As at December 31, 2020	Due on demand	Within 90 days	Within 4 to 12 months	Within 1 to 5 years	In more than 5 years	Total
Financial assets						
Cash and foreign deposits	6.5	-	-	-	-	**6.5**
Loans and receivables	-	42,138.9	91,526.4	21,965.3	-	**155,630.6**
Investments						
Government of Canada treasury bills	-	15,260.0	37,235.0	-	-	**52,495.0**
Government of Canada bonds at amortized cost	-	5,474.3	10,074.6	60,494.8	43,066.4	**119,110.1**
Government of Canada bonds at FVTPL	-	6,174.8	18,390.4	121,042.7	64,648.6	**210,256.5**
Real Return Bonds	-	-	406.2	244.7	2,687.2	**3,338.1**
Canada Mortgage Bonds	-	32.3	207.9	5,182.9	4,717.1	**10,140.2**
Provincial bonds	-	90.6	2,361.7	7,723.3	5,398.1	**15,573.7**
Corporate bonds	-	28.3	34.5	120.9	-	**183.7**
Provincial money market securities	-	1,207.7	2,139.8	-	-	**3,347.5**
BIS shares*	486.1	-	-	-	-	**486.1**
	492.6	**70,406.9**	**162,376.5**	**216,774.6**	**120,517.4**	**570,568.0**
Financial liabilities						
Bank notes in circulation	106,925.0	-	-	-	-	**106,925.0**
Deposits						
Government of Canada	80,559.0	-	-	-	-	**80,559.0**
Members of Payments Canada	-	345,664.3	-	-	-	**345,664.3**
Other deposits	9,877.2	-	-	-	-	**9,877.2**
Securities sold under repurchase agreements	-	3,000.8	-	-	-	**3,000.8**
Other financial liabilities	-	705.0	-	-	-	**705.0**
	197,361.2	349,370.1	-	-	-	**546,731.3**
Net maturity difference	**(196,868.6)**	**(278,963.2)**	**162,376.5**	**216,774.6**	**120,517.4**	**23,836.7**

* The Bank's investment in shares in the Bank for International Settlements has no fixed maturity.

5. Capital assets

Capital assets consists of property and equipment, intangible assets and right-of-use leased assets. The changes to the balance for the period are as follows:

	Property and equipment	Intangible assets	Right-of-use leased assets	Total
Cost				
Balances as at December 31, 2019	**824.6**	**170.3**	**55.4**	**1,050.3**
Additions	24.3	33.6	-	**57.9**
Disposals	(10.2)	(55.4)	(0.9)	**(66.5)**
Balances as at December 31, 2020	**838.7**	**148.5**	**54.5**	**1,041.7**
Additions	8.0	28.2	0.1	**36.3**
Disposals	-	(1.0)	-	**(1.0)**
Transfers to other asset categories	(5.9)	5.9	-	**-**
Balances as at September 30, 2021	840.8	181.6	54.6	1,077.0
Accumulated depreciation and amortization				
Balances as at December 31, 2019	**(234.0)**	**(110.9)**	**(4.5)**	**(349.4)**
Depreciation and amortization expense	(46.7)	(9.8)	(4.6)	**(61.1)**
Disposals	10.2	55.3	-	**65.5**
Balances as at December 31, 2020	**(270.5)**	**(65.4)**	**(9.1)**	**(345.0)**
Depreciation and amortization expense	(36.8)	(8.7)	(3.4)	**(48.9)**
Disposals	-	0.7	-	**0.7**
Transfers to other asset categories	1.8	(1.8)	-	**-**
Balances as at September 30, 2021	(305.5)	(75.2)	(12.5)	(393.2)
Carrying amounts				
Balances as at December 31, 2020	**568.2**	**83.1**	**45.4**	**696.7**
Balances as at September 30, 2021	535.3	106.4	42.1	683.8

As at September 30, 2021, the Bank had total commitments outstanding of $21.7 million and $9.2 million for property and equipment and intangible assets, respectively ($11.4 million and $8.6 million as at December 31, 2020).

6. Other assets

Other assets is composed of bank note inventory (production materials, including the polymer substrate and ink), any net defined-benefit asset related to the Bank of Canada Pension Plan (Pension Plan) and all other assets, which are primarily prepaid expenses.

Composition of other assets

As at	Note	September 30, 2021	December 31, 2020
Bank note inventory		12.9	14.8
Net defined-benefit asset	9	132.3	-
All other assets		29.4	26.7
Total other assets		174.6	41.5

7. Deposits

Deposits is composed of deposits by the Government of Canada, members of Payments Canada and other deposits.

Deposits from the Government of Canada consist of $40,631.4 million for operational balances and $20,000.0 million held for the prudential liquidity-management plan ($60,559.0 million and $20,000.0 million, respectively, at December 31, 2020).

Other deposits is composed of deposits from financial market infrastructure institutions, other central banks, government institutions and foreign official institutions as well as unclaimed balances remitted to the Bank in accordance with governing legislation. Some of the deposits are interest-bearing depending on the agreement between the Bank and the depositor. All balances are due on demand.

8. Other liabilities

Other liabilities consists of surplus payable to the Receiver General for Canada, the net defined-benefit liability for both the pension benefit plans and the other employee benefit plans, lease liabilities, accounts payables, accrued liabilities and provisions.

Composition of other liabilities

As at	Note	September 30, 2021	December 31, 2020
Surplus payable to the Receiver General for Canada		629.9	572.9
Net defined-benefit liability	9		
Pension benefit plans		75.3	283.8
Other benefit plans		184.4	210.9
Lease liabilities		43.4	45.9
All other liabilities		76.3	86.2
Total other liabilities		**1,009.3**	**1,199.7**

The following table reconciles the opening and closing balances of the *Surplus payable to the Receiver General for Canada*, which is based on the requirements of section 27 of the *Bank of Canada Act* and the Bank's remittance agreement with the Minister of Finance.

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2021	2020	2021	2020
Surplus payable (receivable) at beginning of period	576.3	(21.2)	572.9	368.3
Surplus for the Receiver General for Canada	678.6	572.1	2,179.9	1,225.9
Remittance of surplus to the Receiver General for Canada	(625.0)	-	(2,122.9)	(1,043.3)
Surplus payable at end of period	**629.9**	**550.9**	**629.9**	**550.9**

9. Employee benefits

The changes to the net defined-benefit asset (liability) for the period are as follows:

	Pension benefit plans (funded)		Other benefit plans (unfunded)	
	For the nine-month period ended September 30, 2021	For the year ended December 31, 2020	For the nine-month period ended September 30, 2021	For the year ended December 31, 2020
Opening balance at beginning of period	(283.8)	(63.2)	(210.9)	(190.5)
Bank contributions	47.4	25.0	-	-
Current service cost	(65.3)	(64.8)	(4.8)	(5.8)
Net interest cost	(6.7)	(4.6)	(4.1)	(6.3)
Administration costs	(2.5)	(2.9)	-	-
Net benefit payments and transfers	-	-	6.6	9.7
Remeasurement gains (losses)	367.9	(173.3)	28.8	(18.0)
Closing balance at end of period	57.0	(283.8)	(184.4)	(210.9)
Net defined-benefit asset	132.3	-	-	-
Net defined-benefit liability	(75.3)	(283.8)	(184.4)	(210.9)
Net defined-benefit asset (liability)	57.0	(283.8)	(184.4)	(210.9)

The composition of the Pension Plan net defined-benefit asset (liability) is presented in the table below.

As at	September 30, 2021	December 31, 2020
Fair value of plan assets	2,309.3	2,200.5
Defined-benefit obligation	(2,252.3)	(2,484.3)
Net defined-benefit asset (liability)	57.0	(283.8)

Expenses for the employee benefit plans are presented in the tables below.

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2021	2020	2021	2020
Expenses				
Pension benefit plans	27.9	20.9	74.5	53.9
Other benefit plans	2.9	3.1	8.0	9.6
Total benefit plan expenses	30.8	24.0	82.5	63.5

Contributions for the pension benefit plans are presented in the table below.

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2021	2020	2021	2020
Contributions				
Employer contributions	13.5	9.0	47.3	15.9
Employee contributions	5.2	5.0	17.3	15.8
Total contributions	18.7	14.0	64.6	31.7

The Bank remeasures its defined-benefit obligations and the fair value of plan assets at interim periods. The discount rate is determined by reference to Canadian AA-rated corporate bonds with terms to maturity approximating the duration of the obligation according to guidance issued by the Canadian Institute of Actuaries. The net defined-benefit liability/asset is measured using the discount rates in effect as at the period end, which are shown in the table below.

As at	September 30, 2021	December 31, 2020
Discount rate		
Pension benefit plans	3.30%	2.60%
Other benefit plans	2.60%-3.50%	1.90–2.70%

The Bank recorded remeasurement gains of $395.8 million during the nine-month period ended September 30, 2021 (remeasurement losses of $195.1 million for the nine-month period ended September 30, 2020). These gains are mainly the result of the increase in the discount rate used to value the obligations.

10. Equity

The Bank manages its capital to ensure compliance with the *Bank of Canada Act*. There were no other externally imposed capital requirements at the end of the reporting period.

The Bank's equity is composed of the following elements:

As at	September 30, 2021	December 31, 2020
Share capital	5.0	5.0
Statutory reserve	25.0	25.0
Special reserve	100.0	100.0
Investment revaluation reserve	443.8	448.1
Actuarial gains reserve	16.3	-
Retained earnings	-	-
Total equity	**590.1**	**578.1**

Share capital

The authorized capital of the Bank is $5.0 million divided into 100,000 shares with a par value of $50 each. The shares are fully paid and have been issued to the Minister of Finance, who holds them on behalf of the Government of Canada.

Statutory reserve

The statutory reserve was accumulated out of net income until it reached the stipulated maximum amount of $25.0 million in 1955, consistent with the requirement of section 27 of the *Bank of Canada Act*.

Special reserve

Following an amendment to section 27.1 of the *Bank of Canada Act*, the special reserve was created in 2007 to offset potential unrealized valuation losses due to changes in the fair value of the Bank's investment portfolio. An initial amount of $100 million was established at that time, and the reserve is subject to a ceiling of $400 million.

The amount held in the special reserve is reviewed regularly for appropriateness using value-at-risk analysis and scenario-based stress tests and may be amended, pursuant to a resolution passed by the Board of Directors.

Investment revaluation reserve

The investment revaluation reserve represents the net unrealized fair value gains of the Bank's financial assets classified and measured at FVOCI, which consist solely of the Bank's investment in the BIS. The total reserve was $443.8 million as at September 30, 2021 ($448.1 million as at December 31, 2020).

Actuarial gains reserve

The actuarial gains reserve was established in 2010 upon the Bank's transition to IFRS and accumulates the net actuarial gains and losses recognized on the Bank's post-employment defined-benefit plans subsequent to transition. As at September 30, 2021, the actuarial gain reserve had a balance of $16.3 million ($nil as at December 31, 2020).

Retained earnings

The net income of the Bank, less any allocation to reserves, is considered ascertained surplus and is transferred to the Receiver General for Canada, consistent with the requirement of section 27 of the *Bank of Canada Act*. Changes to the ascertained surplus payable to the Receiver General for Canada are presented in Note 8.

The Bank's remittance agreement with the Minister of Finance was designed to enable the Bank to manage its equity requirements with consideration given to the volatility arising from fair value changes and remeasurements, which are recorded in other comprehensive income. This agreement allows the Bank to withhold from its remittance to the Receiver General for Canada any increase in cumulative net unrealized losses on financial assets that are classified and measured at FVOCI, unrealized remeasurements of the net defined-benefit liability/asset on defined-benefit plans, and other unrealized or non-cash losses arising from changes in accounting standards or legislation. Any decrease in previously withheld cumulative net unrealized non-cash losses is added to the remittance.

During the nine-month period ended September 30, 2021, the Bank released $379.5 million from its previously withheld remittances (withheld $195.1 million from its previously withheld remittances in the nine-month period ended September 30, 2020). As at September 30, 2021, no withheld remittances were outstanding ($379.5 million as at December 31, 2020).

11. Related parties

Persons or entities are considered related parties to the Bank if they are:

- under common ownership to the Government of Canada;
- a post-employment benefit plan for the benefit of Bank employees; or
- a member of key management personnel, which includes members of the Executive Council, Senior Management Council or the Board of Directors, and their families.

The Bank is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. To achieve its monetary policy objectives, the Bank maintains a position of structural and functional independence from the Government of Canada through its ability to fund its own operations without external assistance and through its management and governance.

In the normal course of its operations, the Bank enters into transactions with related parties, and material transactions and balances are presented in these financial statements. Not all transactions between the Bank and government-related entities have been disclosed, as permitted by the partial exemption available to wholly owned government entities in International Accounting Standard 24 *Related Party Disclosures* (IAS 24).

The Bank also provides funds management, fiscal agent and banking services to the Government of Canada, as mandated by the *Bank of Canada Act*, and does not recover the cost of these services.

The Bank provides management, investment and administrative support to the Pension Plan and recovers the cost of these services.