CONDENSED INTERIM FINANCIAL STATEMENTS

September 30, 2022

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 16, 2022

Condensed interim statement of financial position (unaudited)

(in millions of Canadian dollars)

As at	Note	September 30, 2022	December 31, 2021
Assets			
Cash and foreign deposits	3	12	7
Loans and receivables	3, 4		
Securities purchased under resale agreements		427	23,418
Other receivables		11	6
		438	**23,424**
Investments	3, 4		
Government of Canada treasury bills		-	1,331
Government of Canada bonds—carried at amortized cost		113,942	125,158
Government of Canada bonds—carried at fair value through profit and loss (FVTPL)		238,320	280,019
Canada Mortgage Bonds		9,169	9,510
Other bonds		10,645	14,690
Securities lent or sold under repurchase agreements		26,233	37,475
Shares in the Bank for International Settlements (BIS)		465	473
		398,774	**468,656**
Derivatives—indemnity agreements with the Government of Canada	3, 4	**31,535**	**6,394**
Capital assets	5		
Property and equipment		515	529
Intangible assets		109	112
Right-of-use leased assets		45	45
		669	**686**
Other assets	6	435	198
Total assets		**431,863**	**499,365**
Liabilities and equity			
Bank notes in circulation	3	116,652	115,155
Deposits	3, 4, 7		
Government of Canada		75,893	70,089
Members of Payments Canada		199,707	267,394
Other deposits		13,278	9,551
		288,878	**347,034**
Securities sold under repurchase agreements	3, 4	24,885	35,560
Other liabilities	3, 8	494	1,008
Total liabilities		**430,909**	**498,757**
Equity	10	954	608
Total liabilities and equity		**431,863**	**499,365**

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 (loss) and comprehensive income (loss) (unaudited)

(in millions of Canadian dollars)

	Note	For the three-month period ended September 30 2022	2021	For the nine-month period ended September 30 2022	2021
Income (loss) before operating expenses					
Interest revenue					
Investments—carried at amortized cost		449	450	1,366	1,370
Investments—carried at FVTPL		667	556	1,959	1,358
Securities purchased under resale agreements		1	28	22	263
		1,117	**1,034**	**3,347**	**2,991**
Interest expense					
Deposits		(1,285)	(209)	(2,384)	(661)
Other		(182)	(11)	(305)	(22)
Net interest revenue (expense)		**(350)**	**814**	**658**	**2,308**
Dividend revenue		-	-	4	9
Other revenue		1	2	6	5
Total income (loss) before operating expenses		**(349)**	**816**	**668**	**2,322**
Operating expenses					
Staff costs		91	91	280	273
Bank note research, production and processing		1	21	30	57
Premises costs		9	9	22	23
Technology and telecommunications		26	21	77	68
Depreciation and amortization		17	17	55	49
Other operating expenses		18	18	51	52
Total operating expenses		**162**	**177**	**515**	**522**
Net income (loss)		**(511)**	**639**	**153**	**1,800**
Other comprehensive income (loss)					
Remeasurements of the net defined-benefit liability/asset	9	(14)	55	354	396
Change in fair value of BIS shares		3	3	(8)	(4)
Other comprehensive income (loss)		**(11)**	**58**	**346**	**392**
Comprehensive income (loss)		**(522)**	**697**	**499**	**2,192**

(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, 2022		5	25	100	424	411	-	965
Comprehensive income (loss) for the period								
Net income (loss)		-	-	-	-	-	(511)	**(511)**
Remeasurements of the net defined-benefit liability/asset	9	-	-	-	-	(14)	-	**(14)**
Change in fair value of BIS shares		-	-	-	3	-	-	**3**
		-	-	-	3	(14)	(511)	(522)
Surplus for the Receiver General for Canada		-	-	-	-	-	511	**511**
Balance as at September 30, 2022		5	25	100	427	397	-	954

	Note	Share capital	Statutory reserve	Special reserve	Investment revaluation reserve	Actuarial gains reserve	Retained earnings	Total
Balance as at July 1, 2021		5	25	100	441	-	-	571
Comprehensive income (loss) for the period								
Net income (loss)		-	-	-	-	-	640	**640**
Remeasurements of the net defined-benefit liability/asset	9	-	-	-	-	16	39	**55**
Change in fair value of BIS shares		-	-	-	3	-	-	**3**
		-	-	-	3	16	679	698
Surplus for the Receiver General for Canada		-	-	-	-	-	(679)	**(679)**
Balance as at September 30, 2021		5	25	100	444	16	-	590

(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, 2022		5	25	100	435	43	-	608
Comprehensive income (loss) for the period								
Net income (loss)		-	-	-	-	-	153	153
Remeasurements of the net defined-benefit liability/asset	9	-	-	-	-	354	-	354
Change in fair value of BIS shares		-	-	-	(8)	-	-	(8)
		-	-	-	(8)	354	153	499
Surplus for the Receiver General for Canada		-	-	-	-	-	(153)	(153)
Balance as at September 30, 2022		5	25	100	427	397	-	954

	Note	Share capital	Statutory reserve	Special reserve	Investment revaluation reserve	Actuarial gains reserve	Retained earnings	Total
Balance as at January 1, 2021		5	25	100	448	-	-	578
Comprehensive income (loss) for the period								
Net income (loss)		-	-	-	-	-	1,800	1,800
Remeasurements of the net defined-benefit liability/asset	9	-	-	-	-	16	380	396
Change in fair value of BIS shares		-	-	-	(4)	-	-	(4)
		-	-	-	(4)	16	2,180	2,192
Surplus for the Receiver General for Canada		-	-	-	-	-	(2,180)	(2,180)
Balance as at September 30, 2021		5	25	100	444	16	-	590

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	
	2022	2021	2022	2021
Cash flows from operating activities				
Interest received	929	1,019	4,525	5,104
Dividends received	-	9	4	9
Other revenue received	2	2	8	6
Interest paid	(1,437)	(217)	(2,655)	(682)
Payments to or on behalf of employees and to suppliers	(119)	(128)	(448)	(456)
Net increase (decrease) in deposits	(10,568)	11,176	(58,156)	(80,363)
Acquisition of securities purchased under resale agreements	(131)	(1,397)	(2,190)	(19,597)
Proceeds from maturity of securities purchased under resale agreements	221	4,421	25,072	144,839
Net proceeds (payments) from securities sold under repurchase agreements	(12,989)	2,116	(10,675)	24,502
Purchases of Government of Canada bonds—carried at FVTPL	-	(28,863)	(10,313)	(125,266)
Proceeds from maturity of Government of Canada bonds—carried at FVTPL	16,295	6,305	36,514	17,445
Purchases of other bonds	-	-	-	(4,492)
Proceeds from maturity of other bonds	468	733	3,707	1,388
Proceeds from disposal of other bonds	-	-	2	10
Proceeds from maturity of other securities	-	574	-	3,229
Net cash used in operating activities	(7,329)	(4,250)	(14,605)	(34,324)
Cash flows from investing activities				
Net maturities of Government of Canada treasury bills	-	7,800	1,492	48,277
Purchases of Government of Canada bonds	-	(9,349)	(4,272)	(29,046)
Proceeds from maturity of Government of Canada bonds	7,333	4,356	16,534	12,330
Additions of property and equipment	(12)	(3)	(20)	(8)
Additions of intangible assets	(4)	(9)	(14)	(28)
Net cash provided by investing activities	7,317	2,795	13,720	31,525
Cash flows from financing activities				
Net increase in bank notes in circulation	15	2,081	1,497	4,926
Remittance of surplus to the Receiver General for Canada	-	(625)	(605)	(2,123)
Payments of lease liabilities	-	(1)	(2)	(3)
Net cash provided by financing activities	15	1,455	890	2,800
Increase in cash and foreign deposits	3	-	5	1
Cash and foreign deposits, beginning of period	9	7	7	6
Cash and foreign deposits, end of period	12	7	12	7

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

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

For the nine-month period ended September 30, 2022

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 five 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, as well as 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 administering and advising on the public debt 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.
- **Retail payments supervision**: The Bank supervises payment service providers to build confidence in the safety and reliability of their services and protect users from specific risks.

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 in 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, 2021. 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 16, 2022.

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 condensed interim 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 condensed interim 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 condensed interim 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. 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, 2021.

Certain accounting policies require judgments and estimates, some of which relate to uncertain matters. Changes in the judgments and estimates in the critical accounting policies discussed in the Bank's 2021 annual financial statements could have a material impact on the financial results. Significant judgment and estimates are used in the measurement of financial instruments (Note 3) and employee benefits (Note 9). No significant changes have occurred with respect to the Bank's critical accounting estimates since the 2021 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	12	*
Loans and receivables			
Securities purchased under resale agreements	Amortized cost	427	*
Other receivables	Amortized cost	11	*
		438	*
Investments			
Government of Canada bonds—primary market	Amortized cost	113,942	106,006
Government of Canada bonds—secondary market			
Government of Canada bonds	FVTPL	234,075	234,075
Real return bonds	FVTPL	4,245	4,245
		238,320	238,320
Canada Mortgage Bonds	Amortized cost	9,169	8,387
Other bonds			
Provincial bonds	FVTPL	10,500	10,500
Corporate bonds	FVTPL	145	145
		10,645	10,645
Securities lent or sold under repurchase agreements			
Provincial bonds lent	FVTPL	1,327	1,327
Government of Canada bonds—primary market	Amortized cost	52	49
Government of Canada bonds—secondary market	FVTPL	24,854	24,854
		26,233	26,230
Other securities			
Shares in the Bank for International Settlements	FVOCI	465	465
		398,774	**390,053**
Derivatives—indemnity agreements with the Government of Canada	FVTPL	**31,535**	**31,535**
Financial liabilities			
Bank notes in circulation	Face value	**116,652**	*
Deposits	Amortized cost	**288,878**	*
Securities sold under repurchase agreements	Amortized cost	**24,885**	*
Other financial liabilities	Amortized cost	**279**	*

* 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 Bank's financial assets carried at fair value, classified according to the hierarchy above.

	Level 1	Level 2	Level 3	Fair value
As at September 30, 2022				
Government of Canada bonds—secondary market	-	234,075	-	**234,075**
Real return bonds	-	4,245	-	**4,245**
Provincial bonds	-	10,500	-	**10,500**
Corporate bonds	5	140	-	**145**
Securities lent or sold under repurchase agreements				
Government of Canada bonds—secondary market	-	24,854	-	**24,854**
Provincial bonds	-	1,327	-	**1,327**
Shares in the Bank for International Settlements	-	-	465	**465**
Total	**5**	**275,141**	**465**	**275,611**

The table below presents the comparative fair value as at December 31, 2021.

	Level 1	Level 2	Level 3	Fair value
As at December 31, 2021				
Government of Canada bonds—secondary market	274,455	539	-	**274,994**
Real return bonds	4,225	800	-	**5,025**
Provincial bonds	12,348	2,175	-	**14,523**
Corporate bonds	21	146	-	**167**
Securities lent or sold under repurchase agreements				
Government of Canada bonds—secondary market	34,518	-	-	**34,518**
Provincial bonds lent	1,586	269	-	**1,855**
Shares in the Bank for International Settlements	-	-	473	**473**
Total	**327,153**	**3,929**	**473**	**331,555**

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 increase in transfers from Level 1 to Level 2 in the period is a result of a decline in market activity. 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, 2022 ($5,530 million transferred from level 2 to level 1 and $6,580 million from level 1 to level 2 as at September 30, 2021):

	For the three-month period ended September 30, 2022		For the nine-month-period ended September 30, 2022	
	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	-	125,775	1,936	260,587
Real Return Bonds	-	3,064	714	4,308
Provincial bonds	-	-	827	11,014
Corporate bonds	5	-	5	14
Total	**5**	**128,839**	**3,482**	**275,923**

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	293,506	263,174	30,332	30,332	-
Provincial bonds	13,024	11,827	1,197	1,197	-
Corporate bonds	151	145	6	6	-
Balance as at September 30, 2022	**306,681**	**275,146**	**31,535**	**31,535**	**-**

The table below presents the comparative fair value as at December 31, 2021.

	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	320,615	314,537	6,078	6,248	(170)
Provincial bonds	16,694	16,378	316	316	-
Corporate bonds	167	167	-	1	(1)
Balance as at December 31, 2021	**337,476**	**331,082**	**6,394**	**6,565**	**(171)**

Net unrealized losses (gains) on financial instruments carried at fair value through profit and loss

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2022	2021	2022	2021
Government of Canada bonds—secondary market	263	1,692	24,254	7,721
Provincial bonds	2	17	881	326
Corporate bonds	1	1	6	2
Derivatives	(266)	(1,710)	(25,141)	(8,049)
Total	-	-	-	-

Net unrealized 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. Realized gains and losses in the nine-month period ended September 30, 2022, were $nil ($0.1 million in the nine-month period ended September 30, 2021).

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, 2021. 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 of 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, 2022 ($nil at December 31, 2021) because the amount was deemed not to be significant. By its nature, the ECL estimate is subject to measurement uncertainty. The Bank will continue to review its judgments and assumptions to assess whether the ECL estimate has changed. There were no past due or impaired amounts as at September 30, 2022 ($nil at December 31, 2021).

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, investments and advances to members of Payments Canada, market transactions in the form of SPRAs 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 2021 annual financial statements.

Concentration of credit risk

The Bank's investments represent 92% of the carrying value of its total assets (94% as at December 31, 2021).

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

SPRAs represent less than 1% of the carrying value of the Bank's total assets (5% as at December 31, 2021). 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, 2022		December 31, 2021	
	$	%	$	%
Securities issued or guaranteed by the Government of Canada	-	-	816	3
Securities issued or guaranteed by a provincial government	452	100	2,543	10
Securities issued or guaranteed by a municipality	1	-	-	-
Corporate debt securities	-	-	17,154	70
Asset-backed securities	-	-	4,211	17
Total fair value of collateral pledged to the Bank	453	100	24,724	100
Carrying value of collateralized securities	427		23,418	
Collateral as a percentage of carrying value		106		106

As at September 30, 2022, the Bank's investments included loaned provincial bonds with a fair market value of $1,327 million ($1,855 million as at December 31, 2021). The fair value of collateral held totalled $1,408 million, representing 106% of fair value of the securities loaned ($1,947 million as at December 31, 2021, representing 105%).

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. It is composed of interest rate risk, currency risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate 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. These instruments are subject to variable interest rates. Effective May 16, 2022, Government of Canada deposits ceased accruing interest. 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 or 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	2022	2021
Interest expense on Government of Canada deposits	170 / (170)	123 / (123)
Interest expense on deposits of members of Payments Canada	400 / (400)	573 / (573)
Interest expense on other deposits	21 / (21)	18 / (18)
Interest revenue on real return bonds	9 / (9)	8 / (8)

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 is exposed to currency risk primarily by holding shares in the BIS. These shares are denominated in special drawing rights (SDRs). An SDR serves as the unit of account for the International Monetary Fund, and its value is based on a basket of five major currencies: the euro, the US dollar, the British pound, the Japanese yen and the Chinese renminbi. SDRs are translated into Canadian-dollar equivalents at the rates prevailing on the date when the fair value is determined.

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%. Accordingly, the fair value fluctuations of these shares reflect movements in the net asset value of the BIS and exchange rates.

The securities held at FVTPL expose the Bank to fluctuations in market prices. However, all these securities are fully indemnified for losses beyond amortized cost, while gains are fully remitted back to the Government. Fluctuations in market prices for the FVTPL instruments are offset by equivalent fair value fluctuations of the derivatives. Therefore, the Bank bears no net price risk related to the securities.

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. The remaining liabilities (deposits of members of Payments Canada, securities sold under repurchase agreements [if any] and other financial liabilities) are due within 90 days, as discussed in the Bank's financial statements for the year ended December 31, 2021.

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, 2022	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	12	-	-	-	-	12
Loans and receivables	-	300	138	-	-	438
Investments						
Government of Canada treasury bills	-	-	-	-	-	-
Government of Canada bonds at amortized cost	-	5,476	23,064	48,020	52,508	129,068
Government of Canada bonds at FVTPL	-	14,227	64,354	120,134	111,143	309,858
Real return bonds	-	53	53	1,176	3,827	5,109
Canada Mortgage Bonds	-	1,088	681	4,495	3,228	9,492
Provincial bonds	-	926	1,896	6,270	4,516	13,608
Corporate bonds	-	23	43	88	-	154
Shares in the BIS*	465	-	-	-	-	465
	477	22,093	90,229	180,183	175,222	468,204
Financial liabilities						
Bank notes in circulation	116,652	-	-	-	-	116,652
Deposits						
Government of Canada	75,893	-	-	-	-	75,893
Members of Payments Canada	-	199,707	-	-	-	199,707
Other deposits	13,278	-	-	-	-	13,278
Securities sold under repurchase agreements	-	24,885	-	-	-	24,885
Other financial liabilities	-	126	153	-	-	279
	205,823	224,718	153	-	-	430,694
Net maturity difference	(205,346)	(202,625)	90,076	180,183	175,222	37,510

* 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 to maturity, no cash flows are associated with the indemnity agreements. As at September 30, 2022, 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, 2021.

As at December 31, 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	-	-	-	-	**7**
Loans and receivables	-	7,843	15,604	-	-	**23,447**
Investments						
Government of Canada treasury bills	-	1,144	350	-	-	**1,494**
Government of Canada bonds at amortized cost	-	4,516	18,583	63,792	54,859	**141,750**
Government of Canada bonds at FVTPL	-	10,076	43,248	168,723	115,112	**337,159**
Real return bonds	-	-	100	1,120	3,631	**4,851**
Canada Mortgage Bonds	-	32	1,463	4,130	4,275	**9,900**
Provincial bonds	-	1,601	3,102	6,730	5,951	**17,384**
Corporate bonds	-	7	33	132	-	**172**
Shares in BIS*	473	-	-	-	-	**473**
	480	**25,219**	**82,483**	**244,627**	**183,828**	**536,637**
Financial liabilities						
Bank notes in circulation	115,155	-	-	-	-	**115,155**
Deposits						
Government of Canada	70,089	-	-	-	-	**70,089**
Members of Payments Canada	-	267,394	-	-	-	**267,394**
Other deposits	9,551	-	-	-	-	**9,551**
Securities sold under repurchase agreements	-	35,560	-	-	-	**35,560**
Other financial liabilities	-	697	-	-	-	**697**
	194,795	**303,651**	**-**	**-**	**-**	**498,446**
Net maturity difference	**(194,315)**	**(278,432)**	**82,483**	**244,627**	**183,828**	**38,191**

* 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, 2020	**839**	**149**	**55**	**1,043**
Additions	14	38	4	**56**
Disposals	(33)	(3)	-	**(36)**
Transfers to other asset categories	(6)	6	-	-
Balances as at December 31, 2021	**814**	**190**	**59**	**1,063**
Additions	20	14	4	**38**
Disposals	-	-	-	-
Transfers to other asset categories	-	-	-	-
Balances as at September 30, 2022	**834**	**204**	**63**	**1,101**
Accumulated depreciation and amortization				
Balances as at December 31, 2020	**(271)**	**(66)**	**(9)**	**(346)**
Depreciation and amortization expense	(49)	(13)	(5)	**(67)**
Disposals	33	3	-	**36**
Transfers to other asset categories	2	(2)	-	-
Balances as at December 31, 2021	**(285)**	**(78)**	**(14)**	**(377)**
Depreciation and amortization expense	(34)	(17)	(4)	**(55)**
Disposals	-	-	-	-
Transfers to other asset categories	-	-	-	-
Balances as at September 30, 2022	**(319)**	**(95)**	**(18)**	**(432)**
Carrying amounts				
Balances as at December 31, 2021	**529**	**112**	**45**	**686**
Balances as at September 30, 2022	**515**	**109**	**45**	**669**

As at September 30, 2022, the Bank had total commitments outstanding of $31 million and $9 million for property and equipment and intangible assets, respectively ($35 million and $11 million as at December 31, 2021).

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, 2022	December 31, 2021
Bank note inventory		6	13
Net defined-benefit asset	9	392	153
All other assets		37	32
Total other assets		**435**	**198**

7. Deposits

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

Deposits from the Government of Canada consist of $55,893 million for operational balances and $20,000 million held for the prudential liquidity-management plan ($50,089 million and $20,000 million, respectively, at December 31, 2021).

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. 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 payable, accrued liabilities and provisions.

Composition of other liabilities

As at	Note	September 30, 2022	December 31, 2021
Surplus payable to the Receiver General for Canada		153	605
Net defined-benefit liability	9		
Pension benefit plans		14	62
Other benefit plans		153	203
Lease liabilities		48	46
All other liabilities		126	92
Total other liabilities		**494**	**1,008**

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	
	2022	2021	2022	2021
Surplus payable at beginning of period	664	576	605	573
Surplus for the Receiver General for Canada	(511)	679	153	2,180
Remittance of surplus to the Receiver General for Canada	-	(625)	(605)	(2,123)
Surplus payable at end of period	**153**	**630**	**153**	**630**

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, 2022	For the year ended December 31, 2021	For the nine-month period ended September 30, 2022	For the year ended December 31, 2021
Opening balance at beginning of period	91	(284)	(203)	(211)
Bank contributions	47	61	-	-
Current service cost	(58)	(86)	(4)	(6)
Net interest cost	1	(9)	(5)	(5)
Administration costs	(3)	(3)	-	-
Net benefit payments and transfers	-	-	5	8
Remeasurement gains	300	412	54	11
Closing balance at end of period	378	91	(153)	(203)
Net defined-benefit asset	392	153	-	-
Net defined-benefit liability	(14)	(62)	(153)	(203)
Net defined-benefit asset (liability)	378	91	(153)	(203)

The composition of the Pension Plan net defined-benefit asset is presented in the table below:

As at	September 30, 2022	December 31, 2021
Fair value of plan assets	2,163	2,439
Defined-benefit obligation	(1,785)	(2,348)
Net defined-benefit asset	378	91

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	
	2022	2021	2022	2021
Expenses				
Pension benefit plans	21	28	60	75
Other benefit plans	5	3	9	8
Total benefit plan expenses	26	31	69	83

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	
	2022	2021	2022	2021
Contributions				
Employer contributions	14	14	47	48
Employee contributions	6	5	19	17
Total contributions	20	19	66	65

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, 2022	December 31, 2021
Discount rate		
Pension benefit plans	5.00%	3.10%
Other benefit plans	5.00%	2.60%–3.10%

The Bank recorded remeasurement gains of $354 million during the nine-month period ended September 30, 2022 (remeasurement gains of $396 million for the nine-month period ended September 30, 2021). 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, 2022	December 31, 2021
Share capital	5	5
Statutory reserve	25	25
Special reserve	100	100
Investment revaluation reserve	427	435
Actuarial gains reserve	397	43
Retained earnings	-	-
Total equity	**954**	**608**

Share capital

The authorized capital of the Bank is $5 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 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 periodically 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 $427 million as at September 30, 2022 ($435 million as at December 31, 2021).

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, 2022, the actuarial gains reserve had a balance of $397 million ($43 million as at December 31, 2021).

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 withholds from its remittance to the Receiver General for Canada, per the remittance agreement, 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.

As at September 30, 2022, no balance in withheld remittances was outstanding ($nil as at December 31, 2021). During the nine-month period ended September 30, 2022, the Bank did not release previously withheld remittances ($380 million released from its previously withheld remittances in the nine-month period ended September 30, 2021).

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 condensed interim 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.