BANK OF CANADA
BANQUE DU CANADA

2020 QUARTERLY FINANCIAL REPORT

DYNAMIC.
ENGAGED.
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March 31, 2020, Unaudited

Contents

Context of the Quarterly Financial Report

The Bank of Canada is the nation's central bank. The Bank's mandate under the *Bank of Canada Act* is to promote the economic and financial welfare of Canada. Its activities and operations are undertaken in support of this mandate and not with the objective of generating revenue or profit. The Bank is committed to keeping Canadians informed about its policies, activities and operations.

This discussion has been prepared in accordance with section 131.1 of the *Financial Administration Act* and follows the guidance outlined in the *Standard on Quarterly Financial Reports for Crown Corporations* issued by the Treasury Board of Canada Secretariat.

Bank Management is responsible for the preparation of this report, which was approved by the Audit and Finance Committee of the Board of Directors on May 13, 2020.

This Quarterly Financial Report should be read in conjunction with the condensed interim financial statements included in this report and with the Bank's Annual Report for 2019. The Annual Report includes a Management Discussion and Analysis (MD&A) for the year ended December 31, 2019. Disclosures and information in the 2019 Annual Report and the MD&A apply to the current quarter unless otherwise updated in this quarterly report.

COVID-19: What the Bank is doing

The first quarter of 2020 was challenging because the COVID-19 pandemic is having a major impact on the global and Canadian economies. The public health actions taken to control the spread of the virus are significantly affecting economic activity. The Bank of Canada is acting in several ways to support the economy and financial system and stands ready to take any and all actions it can to protect the well-being of Canadians during this difficult time.

Monetary policy

The Bank has lowered its policy interest rate from 1.75 percent to 0.25 percent to support economic activity and keep inflation low and stable. These moves work by reducing payments on some existing and all new loans throughout the economy.

Support to key financial markets

The Bank is intervening to support key financial markets to ensure they continue functioning properly. Because key financial markets have become strained during this quarter, the Bank has introduced several programs to increase liquidity in core funding markets:

- A program to purchase Canada Mortgage Bonds (CMBs) in the secondary market helps provide financial institutions with the means to renew mortgages and supports the flow of credit more generally.
- The Bankers' Acceptance Purchase Facility (BAPF) offers a key source of financing for small and medium-sized corporate borrowers.
- The Provincial Money Market Purchase (PMMP) program is an asset purchase facility that supports a liquid and well-functioning market for short-term provincial borrowing.

These interventions increase the size of the Bank's balance sheet because they involve acquiring financial assets.

Liquidity for individual financial institutions

Given that the size and duration of the impact of the COVID-19 pandemic are highly uncertain, credit markets may become unstable. The Bank's interventions to support credit markets include enhancing its standard liquidity tools, such as term repo operations and the Standard Liquidity Facility, to provide ready access to funding.

At the same time, the Bank has established a new Standing Term Liquidity Facility (STLF) to help financial institutions better manage their liquidity risks and continue to provide their customers with access to credit. To access the STLF, financial institutions can pledge a broader set of collateral, including mortgages, which significantly increases their funding capacity.

Managing the balance sheet

Financial position

(in millions of Canadian dollars)

As at	March 31, 2020	December 31, 2019	March 31, 2019
Assets			
Cash and foreign deposits	6.4	6.4	17.9
Loans and receivables	73,673.7	15,521.9	10,013.2
Investments	121,175.6	103,346.9	103,526.7
Capital assets	697.9	700.9	700.1
Other assets	77.0	66.7	115.3
Total assets	**195,630.6**	**119,642.8**	**114,373.2**
Liabilities and equity			
Bank notes in circulation	92,039.1	93,094.3	86,535.4
Deposits	101,888.4	25,243.3	26,713.3
Other liabilities	1,120.5	774.9	597.4
Equity	582.6	530.3	527.1
Total liabilities and equity	**195,630.6**	**119,642.8**	**114,373.2**

The Bank's holdings of financial assets are typically driven by its role as the exclusive issuer of Canadian bank notes, where issuing bank notes creates a liability for the Bank. However, changes to the Bank's balance sheet during the first quarter of 2020 largely result from activities undertaken as part of the Bank's financial system function. As explained in the previous section, the Bank implemented several measures in March 2020 to provide liquidity to support the efficient functioning of the Canadian financial system. These measures resulted in a significant increase in the balance sheet. On the asset side, the Bank expanded the range of instruments it acquires to respond to the demand for liquidity in the markets. For example, the Bank increased securities purchased under resale agreements (SPRAs) and launched the STLF to provide liquidity to financial institutions. The Bank also started purchasing bankers' acceptances and provincial money market securities. On the liability side, these purchases resulted in a significant increase in deposits.

The Bank manages its balance sheet to support its core functions. Cash flows are not a primary focus of the Bank's financial management framework.

Assets

Summary of assets

(in millions of Canadian dollars)

			Variance	
As at	**March 31, 2020**	**December 31, 2019**	**$**	**%**
Cash and foreign deposits	**6.4**	**6.4**	**-**	**-**
Loans and receivables				
Securities purchased under resale agreements	64,770.1	15,516.5	49,253.6	317
Advances to members of Payments Canada	8,900.1	-	8,900.1	-
Other receivables	3.5	5.4	(1.9)	(35)
	73,673.7	**15,521.9**	**58,151.8**	**375**
Investments				
Government of Canada treasury bills	25,780.0	23,367.4	2,412.6	10
Government of Canada bonds	77,650.4	79,030.5	(1,380.1)	(2)
Canada Mortgage Bonds	1,925.6	510.7	1,414.9	277
Provincial money market securities	569.7	-	569.7	-
Bankers' acceptances	14,759.3	-	14,759.3	-
Other investments	490.6	438.3	52.3	12
	121,175.6	**103,346.9**	**17,828.7**	**17**
Capital assets	**697.9**	**700.9**	**(3.0)**	**0**
Other assets	**77.0**	**66.7**	**10.3**	**15**
Total assets	**195,630.6**	**119,642.8**	**75,987.8**	**64**

The Bank's total assets increased by 64 percent over the first quarter to $195,630.6 million as at March 31, 2020. This significant increase reflects the impact of the Bank's interventions to respond to the economic turmoil during the COVID-19 pandemic.

Loans and receivables is composed primarily of SPRAs totalling $64,770.1 million as at March 31, 2020 ($15,516.5 million as at December 31, 2019). SPRAs are high-quality assets temporarily acquired through the repo market, in line with the Bank's framework for market operations and liquidity provision. These operations are normally conducted to manage the Bank's balance sheet, promote the orderly functioning of Canadian financial markets and offset seasonal fluctuations in the demand for bank notes. In March 2020, the Bank increased SPRAs as a measure to increase liquidity in the Canadian financial system.

The STLF resulted in $8,900.1 million in collateralized advances to members of Payments Canada during the quarter.

Investments increased by 17 percent to $121,175.6 million as at March 31, 2020. This increase was a result of the following movements within the Bank's holdings:

- The Bank started acquiring bankers' acceptances in the secondary market. This resulted in a balance of $14,759.3 million as at March 31, 2020.
- The Bank also started purchasing provincial money market securities in the primary issuance market. Provincial money market securities include treasury bills and short-term promissory notes from all Canadian provinces. This resulted in a balance of $569.7 million as at March 31, 2020.
- Canada Mortgage Bonds increased to $1,925.6 million as at March 31, 2020. Purchases of these bonds are normally conducted in the primary market on a non-competitive basis. However, in March, the Bank started acquiring CMBs in the secondary market through a competitive tender process to support the CMB market.

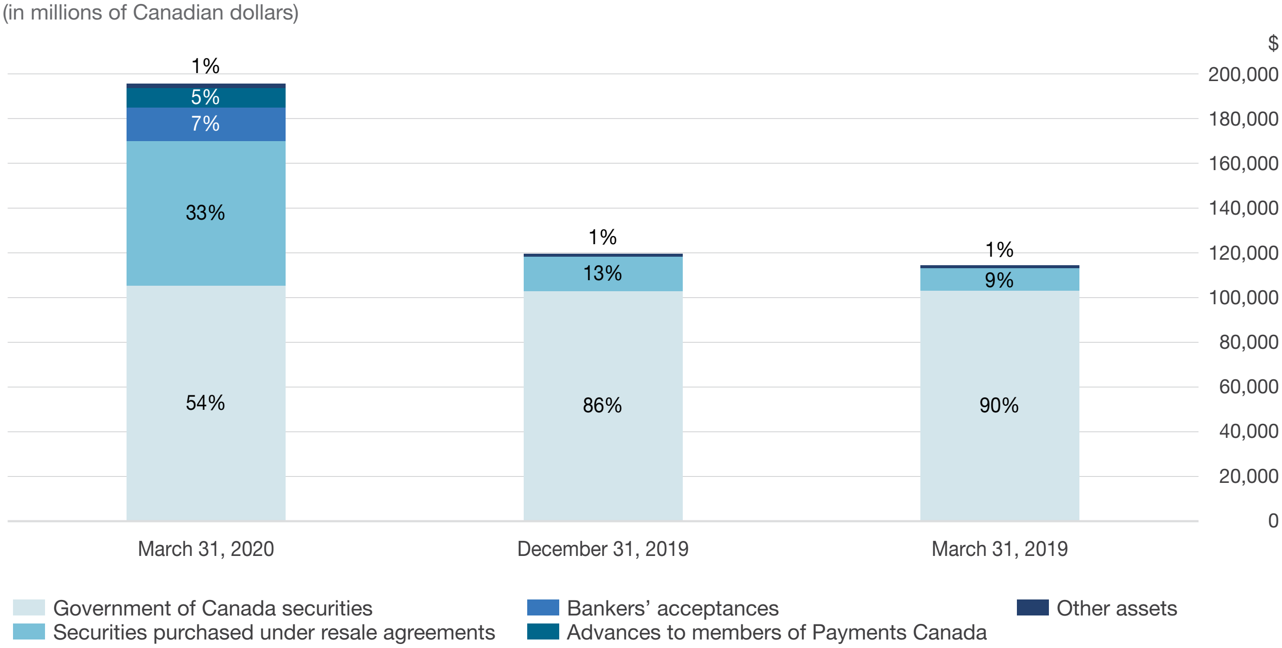
- Government of Canada treasury bills increased by 10 percent to $25,780.0 million as at March 31, 2020. Purchases of Government of Canada treasury bills are based on the Bank's balance sheet needs.
- Government of Canada bonds decreased by 2 percent to $77,650.4 million as at March 31, 2020. This decrease primarily reflects the gradual reduction in the Bank's minimum purchase amount of nominal bonds at auctions from 20 percent to 13 percent initiated in 2015[1] as well as fluctuations in Government of Canada debt issuances.[2]
- The value of the Bank's investment in shares of the Bank for International Settlements (BIS) increased by 12 percent to $490.6 million as at March 31, 2020. The growth in BIS equity resulted in an increase of $21.6 million, while fluctuations in the Special Drawing Rights exchange rate also resulted in an increase of $30.7 million.

Capital assets has marginally decreased by $3.0 million to $697.9 million as at March 31, 2020. This change results from $15.6 million of amortization and depreciation during the quarter, which was offset by $12.6 million of ongoing investments in the resilience initiatives of the Bank's medium-term plan (MTP), including enhancements to cyber security and business recovery as well as investments in the Agency Operation Centre Modernization Program.

Other assets increased by 15 percent to $77.0 million as at March 31, 2020. This increase over the quarter is primarily due to the timing of receipt of bank note inventory as well as the prepayment of certain expenses, such as property taxes for the Bank's premises.

Asset profile

(in millions of Canadian dollars)



1 The Bank of Canada made the following changes to the Bank's minimum purchase amount of nominal bonds at auctions: October 1, 2015, reduced to 15 percent from 20 percent; February 3, 2017, further reduced to 14 percent; and December 21, 2017, further reduced to 13 percent.

2 In accordance with Section 5.1 of the Bank's Statement of Policy Governing the Acquisition and Management of Financial Assets for the Bank of Canada's Balance Sheet, the Bank's purchases of Government of Canada bonds and treasury bills are made on a non-competitive basis and are structured to broadly reflect the composition of the Government of Canada's domestic debt issuances.

Liabilities

Summary of liabilities

(in millions of Canadian dollars)

			Variance	
As at	March 31, 2020	December 31, 2019	$	%
Bank notes in circulation	**92,039.1**	**93,094.3**	**(1,055.2)**	**(1)**
Deposits				
Government of Canada	30,438.1	21,765.6	8,672.5	40
Members of Payments Canada	61,125.3	249.5	60,875.8	24,399
Other deposits	10,325.0	3,228.2	7,096.8	220
	101,888.4	**25,243.3**	**76,645.1**	**304**
Other liabilities	**1,120.5**	**774.9**	**345.6**	**45**
Total liabilities	**195,048.0**	**119,112.5**	**75,935.5**	**64**

The Bank's total liabilities have increased by 64 percent to $195,048.0 million since December 31, 2019. This increase was driven by increases in deposits.

Bank notes in circulation represents approximately 47 percent (78 percent as at December 31, 2019) of the Bank's total liabilities. The value of bank notes in circulation decreased by 1 percent to $92,039.1 million as at March 31, 2020, driven by seasonal variations in demand.

Deposits now represents the largest liability on the balance sheet, on an aggregate basis. This change in the composition of the liabilities directly results from measures the Bank implemented in March 2020 to support the Canadian economy and financial system. Deposits, which increased by 304 percent to $101,888.4 million as at March 31, 2020, consist of the following:

- Government of Canada deposits totalling $20,000.0 million held for the government's prudential liquidity-management plan ($20,000.0 as at December 31, 2019) and $10,438.1 million held for the government's operational balance ($1,765.6 million as at December 31, 2019). The operational balance fluctuates based on the cash requirements of the Government of Canada, which increased significantly near the end of March 2020 in response to the COVID-19 pandemic.
- Deposits by members of Payments Canada of $61,125.3 million as at March 31, 2020 ($249.5 million as at December 31, 2019). This increase also results from the Bank injecting increased liquidity in the various markets. Although these deposits normally represent the target for the minimum daily level of settlement balances to support the smooth operation of the Canadian payments system, the Bank adjusted its operating framework for the implementation of monetary policy in March 2020. As a result, the Bank has not been targeting a specific level of daily settlement balances.
- *Other deposits*, which increased by 220 percent to $10,325.0 million as at March 31, 2020 ($3,228.2 million as at December 31, 2019). This consists of deposits from central banks and other financial institutions, over which the Bank does not exercise control as well as unclaimed balances remitted to the Bank in accordance with governing legislation.

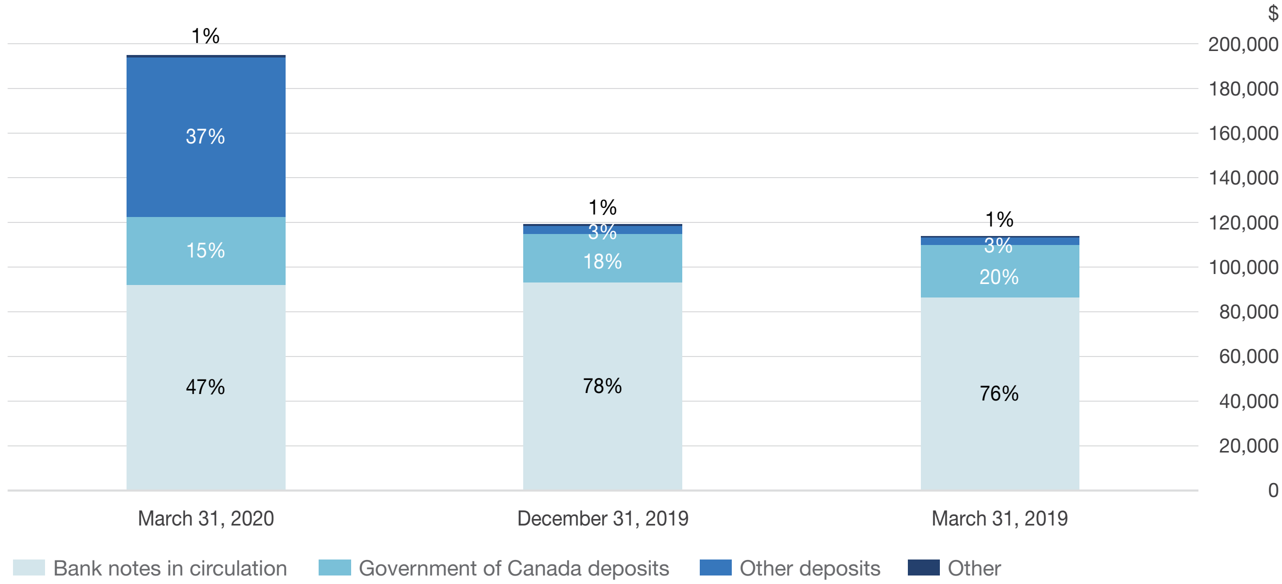
Other liabilities consists mainly of the surplus payable to the Receiver General for Canada and the net defined-benefit liabilities of the Bank's employee benefit plans. These liabilities increased by 45 percent to $1,120.5 million as at March 31, 2020, primarily as a result of the following changes:

- The surplus payable to the Receiver General for Canada was $755.7 million as at March 31, 2020 ($368.3 million as at December 31, 2019). Changes in the surplus payable to the Receiver General for Canada are driven by the net income of the Bank, less any allocations to reserves, and by the timing of cash payments to the Receiver General for Canada. For the three-month period ended March 31, 2020, no remittances were made ($225.9 million for the three-month period ended March 31, 2019) while the Bank accrued an additional $387.4 million to be remitted to the Receiver General for Canada.

- Liabilities related to the Bank's defined-benefit plans include those related to the Bank of Canada Supplementary Pension Arrangement and unfunded post-employment defined-benefit plans. These liabilities decreased by $25.5 million (or 9 percent) to $262.3 million as at March 31, 2020 ($287.8 million as at December 31, 2019), primarily reflecting increases in the discount rates[3] used to measure the defined-benefit obligations.

Liability profile

(in millions of Canadian dollars)



Equity

Summary of equity

(in millions of Canadian dollars)

			Variance	
As at	**March 31, 2020**	**December 31, 2019**	**$**	**%**
Share capital	5.0	5.0	-	-
Statutory reserve	25.0	25.0	-	-
Special reserve	100.0	100.0	-	-
Investment revaluation reserve	452.6	400.3	52.3	13
Retained earnings	-	-	-	-
Total equity	**582.6**	**530.3**	**52.3**	**10**

The Bank's primary equity includes $5.0 million of authorized share capital and a $25.0 million statutory reserve. The Bank also holds a special reserve of $100.0 million to offset potential unrealized valuation losses due to changes in the fair value of the Bank's investment portfolio.

The Bank can operate safely with a low capital base because its balance sheet is not exposed to significant risks, as described in Note 7 to the financial statements in the Bank's Annual Report for 2019. Of note, unlike some other countries, Canada does not hold its foreign reserves at the central bank.[4]

3 The defined-benefit obligation component of the net defined-benefit liability is measured using the discount rates in effect for each defined benefit plan as at the period-end. The rates as at March 31, 2020, ranged from 3.5 to 3.8 percent (2.9 to 3.2 percent as at December 31, 2019). See Note 11 to the financial statements for more information.

4 The Government of Canada's Exchange Fund Account is the main repository of Canada's official international reserves and is reflected in the Public Accounts.

Although the Bank acquired several new assets in March 2020, the Bank's asset portfolio has a low credit risk because it still consists primarily of bonds and treasury bills issued and fully guaranteed by the Government of Canada.[5] Other than the Bank's investment in shares of the BIS, which are measured at fair value, all Bank investments in financial assets are acquired with the intention of being held until maturity and are not subject to fair value accounting because they are measured at amortized cost. Other financial assets, such as advances to members of Payments Canada and SPRAs, are transacted on a fully collateralized basis (see Note 4 to the condensed interim financial statements for further information on the quality of collateral held).

The largest reserve held by the Bank is the investment revaluation reserve, which represents the unrealized fair value gains in the Bank's investment in the BIS. Fair value changes in the Bank's investment in the BIS are reported in *Other comprehensive income*, and the net unrealized fair value gains are accumulated in the investment revaluation reserve within *Equity*, which totalled $452.6 million as at March 31, 2020 ($400.3 million as at December 31, 2019).

Results of operations

Results of operations

(in millions of Canadian dollars)

For the three-month period ended March 31	2020	2019	2018
Total income	489.1	458.8	387.1
Total expenses	(142.2)	(126.4)	(131.1)
Net income	**346.9**	**332.4**	**256.0**
Other comprehensive income (loss)	92.8	(97.5)	43.6
Comprehensive income	**439.7**	**234.9**	**299.6**

Income

Total income

(in millions of Canadian dollars)

			Variance	
For the three-month period ended March 31	2020	2019	$	%
Interest revenue				
Investments	520.5	516.7	3.8	1
Securities purchased under resale agreements	65.1	43.0	22.1	51
Other	0.2	0.2	-	-
	585.8	**559.9**	**25.9**	**5**
Interest expense	**(98.3)**	**(102.8)**	**4.5**	**(4)**
Net interest revenue	**487.5**	**457.1**	**30.4**	**7**
Other revenue	**1.6**	**1.7**	**(0.1)**	**(6)**
Total income	**489.1**	**458.8**	**30.3**	**7**

Total income for the first quarter of 2020 was $489.1 million, an increase of 7 percent compared with the same period in 2019. The Bank's total income is driven by current market conditions, their impact on the interest-bearing assets and liabilities held on the Bank's balance sheet, and the volume and blend of these assets and liabilities. The end of the first quarter of 2020 has seen a significant increase in both the assets

5 The Bank's credit risk is being continuously monitored because the Bank is acquiring assets that may not have the same risk profile as Government of Canada securities.

and the liabilities on the Bank's balance sheet. Since the Bank's portfolio of assets bearing interest is higher, the Bank earned more interest revenue. Although the increase in the deposits is in line with the increase in the assets, the interest rates applicable to the deposits on the liability side were lower than the yield that the Bank earns on its assets. These interest rates were also lower than they were in the same period in 2019. The Bank lowered its policy interest rate from 1.75 to 0.25 percent during March 2020, which resulted in a lower interest rate environment.

Interest revenue generated from the assets backing the bank notes in circulation (net of bank note production and distribution costs) is referred to as seigniorage. Seigniorage provides a stable source of funding for the Bank's operations, ensuring the Bank's operational independence while executing its responsibilities.

The Bank's primary source of interest revenue is interest earned on its investments in Government of Canada securities. In the first quarter of 2020, the Bank recorded $520.5 million in revenue from interest—an increase of 1 percent over the same period in 2019. The increase was primarily the result of revenue from incremental interest earned on bankers' acceptances that were acquired in March 2020.

In the first quarter of 2020, interest earned on SPRAs was $65.1 million, representing an increase of 51 percent over the same period in 2019. This was driven by higher holdings as a result of the Bank's interventions to provide liquidity support to financial institutions, offset by lower yields throughout the first quarter.

The Bank also earns interest revenue on its cash and foreign deposits and on advances to members of Payments Canada.

Income is reported net of the interest paid on deposits held by the Bank on behalf of the Government of Canada, members of Payments Canada and some other financial institutions, which amounted to $98.3 million in the first quarter of 2020—a decrease of 4 percent over the same period in 2019. The decrease primarily resulted from the reduction of the Bank's policy interest rate. This was offset by an increase in the amount of deposits the Bank pays interest on.

The Bank's revenue from its remaining sources was $1.6 million for the first quarter of 2020 ($1.7 million for the first quarter of 2019) and included safekeeping and custodial fees.

Expenses

Total expenses
(in millions of Canadian dollars)

			Variance	
For the three-month period ended March 31	**2020**	**2019**	**$**	**%**
Staff costs	80.2	70.9	9.3	13
Bank note research, production and processing	2.5	2.6	(0.1)	(4)
Premises costs	6.6	6.7	(0.1)	(1)
Technology and telecommunications	21.6	16.0	5.6	35
Depreciation and amortization	15.6	13.0	2.6	20
Other operating expenses*	15.7	17.2	(1.5)	(9)
Total expenses	**142.2**	**126.4**	**15.8**	**13**

* *Other operating expenses* consists of outsourced operations services, business consulting services, professional fees, reference information and other miscellaneous expenses.

Total expenses increased by 13 percent over the same period in 2019, primarily reflecting increases in staff costs and in expenditures on MTP resilience initiatives, including cyber security and business recovery enhancements.

Staff costs increased by 13 percent to $80.2 million in the first quarter of 2020 compared with the same period in 2019 as a result of the following changes:

- $4.1 million (or 9 percent) increase in salary costs, from $44.5 million to $48.6 million, resulting from the annual compensation adjustment and strategic initiatives positions being filled.
- $5.2 million (or 20 percent) increase in benefit costs, from $26.4 million to $31.6 million, associated with the Bank's defined-benefit plans. The increase in

benefit costs mainly results from the discount rates used for their calculation.[6]

Bank note research, production and processing costs were $2.5 million, 4 percent lower than the same period in 2019, primarily due to production of bank notes being lower than last year. The timing of bank note production varies from one year to the next based on the annual production plan.

Premises costs were 1 percent lower in the first quarter of 2020, at $6.6 million, compared with the same period in 2019. This is primarily due to lower utility costs, which were partially offset by higher building maintenance costs.

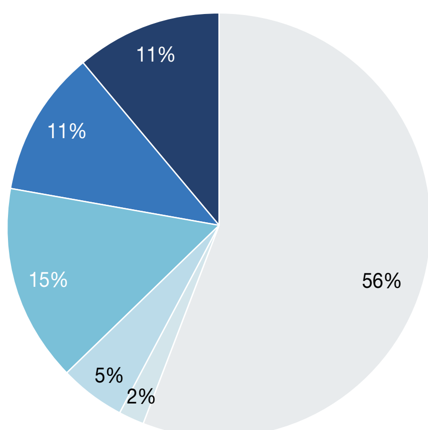
Technology and telecommunications expenses were 35 percent higher, at $21.6 million, for the first quarter of 2020 compared with the same period in 2019. This increase was driven by the Bank's continued focus on strengthening its business continuity posture by investing in cyber security and business resilience initiatives.

Depreciation and amortization was $15.6 million in the first quarter of 2020, which represents an increase of 20 percent over the same period in 2019. The increase was largely the result of new assets being amortized in 2020.

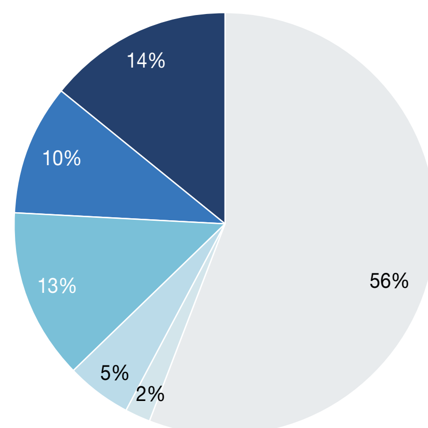
Other operating expenses represented 11 percent of the Bank's total expenses for the first quarter of 2019 (14 percent for the first quarter of 2019) and is mostly composed of purchased services in support of the Bank's operations.

Composition of expenses

For the three-month period ended March 31, 2020



For the three-month period ended March 31, 2019



Staff costs
Bank note research, production and processing
Premises costs
Technology and telecommunications
Depreciation and amortization
Other operating expenses

6 Benefit costs are based on the discount rate as at December 31 of the preceding year (e.g., the rate at December 31, 2019, was used to calculate the benefit expenses for 2020). Discount rates and related benefit costs share an inverse relationship; as rates decrease, benefit expenses increase (and vice versa). The discount rates used for the calculation of the pension benefit plans and other benefit plan expenses decreased by an average of 80 basis points between the measurement dates as follows:

	2020 (rate as at December 31, 2019)	2019 (rate as at December 31, 2018)
Pension benefit plans	3.2%	4.0%
Other benefit plans	2.9–3.2%	3.5–4.0%

The decrease in discount rate for December 31, 2019, as discussed in the "Liabilities" section, will be reflected in the calculation of the 2020 expense and will result in increased benefit costs for that period, all else being equal.

Other comprehensive income

Other comprehensive income
(in millions of Canadian dollars)

			Variance	
For the three-month period ended March 31	**2020**	**2019**	**$**	**%**
Remeasurements of the net defined-benefit liability/asset	40.5	(99.3)	139.8	141
Change in fair value of BIS shares	52.3	1.8	50.5	2,806
Other comprehensive income (loss)	**92.8**	**(97.5)**	**190.3**	**195**

Other comprehensive income for the first quarter of 2020 was a gain of $92.8 million. It consists of remeasurement gains of $40.5 million on the Bank's net defined-benefit plan asset and liabilities and an unrealized gain of $52.3 million in the fair value of the Bank's investment in the BIS.

Remeasurements pertaining to the Bank's defined-benefit plans are primarily affected by changes in the discount rate used to determine the related defined-benefit obligations and by the return on plan assets, where funded. The remeasurement gains recorded in the first quarter of 2020 were mostly the result of decreases in the discount rates[7] used to value the Bank's defined-benefit plan obligations.

Surplus for the Receiver General for Canada

The Bank's operations are not constrained by its cash flows or by its holdings of liquid assets because income is normally predictable and exceeds expenses. The net income of the Bank, less any allocation to reserves, is considered ascertained surplus (surplus). It was $387.4 million in the first quarter of 2020 ($233.1 million in the first quarter of 2019). In accordance with the requirements of section 27 of the *Bank of Canada Act*, the Bank remits its surplus to the Receiver General for Canada and does not hold retained earnings.

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 fair value through other comprehensive income, unrealized remeasurement losses on the post-employment 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.

Further information on the Bank's remittance agreement with the Minister of Finance is provided in Note 12 to the condensed interim financial statements.

7 The net defined-benefit asset and liabilities are measured using the discount rate in effect as at the period-end. The rate applicable to the net defined-benefit asset as at March 31, 2020, was 3.8 percent (3.2 percent as at December 31, 2019). The rates applicable to the net defined-benefit liabilities as at March 31, 2020, ranged from 3.5 to 3.8 percent (2.9 to 3.2 percent as at December 31, 2019).

Looking ahead

The Bank's 2020 Plan

(in millions of Canadian dollars)

	2020 budget	
For the year ended December 31	$	%
Core expenditures	379	55
Bank note production	47	7
New mandates	15	2
Sustaining resilience operations	57	8
Deferred employee benefits (net of allocations)	32	5
Strategic investment programs	153	22
Other provisions	3	1
Total expenditures*	**686**	**100**

* *Total expenditures* includes capital expenditures, lease liabilities repayments and excludes depreciation.

The year 2020 represents the second year of the Bank's 2019–21 MTP, *Leading in the New Era*. The Bank's financial management framework is designed to enable decision making related to the allocation of resources to achieve the Bank's objectives and mitigate risks in a prudent fiscal manner. The framework balances the need to be fiscally responsible in the public sector environment and the need to invest in our people and tools.[8]

The financial planning assumption in *Core expenditures* is anchored on a commitment of 2 percent growth between the 2019 and 2020 budgets, or zero real growth, consistent with inflation averaging 2 percent, the Bank's inflation-control target. Core expenditures reflect the cost of ongoing operations for the Bank's core functions. The Bank's other financial investment requirements are identified separately and excluded from the MTP's commitment to the growth of core expenditures.

Bank note production includes the costs of developing and producing bank notes. Volumes depend on anticipated demand.

New mandates captures the development costs related to new and potential legislative amendments from the Parliament of Canada.

Sustaining resilience operations captures the incremental operating costs resulting from the implementation of resilience investments and an annual evergreening provision for information technology to sustain the Bank's resilience posture. Once the costs have stabilized after the 2019–21 MTP, they will form part of the Bank's *Core expenditures*.

Strategic investment programs includes work from resilience programs that span multiple MTPs, which will continue to improve the Bank's resilience posture by reducing its exposure to cyber risks and other potential major disruptions to its networks, facilities or employees and by supporting its timely recovery. The Bank also sees a continuation of the multi-year initiative led by Payments Canada to replace the current Large Value Transfer System and the Automated Clearing Settlement System. In addition, the Agency Operations Centres Modernization Program will improve cash-handling systems and reduce the risk of equipment failure due to aging infrastructure.

In 2020, the Bank expects to incur $69 million in capital expenditures (included in strategic investment program expenditures), which predominantly reflect the Bank's continued investment in cyber security and resilience initiatives.

8 The Bank's forecasts for its operations do not include projections of net income and financial position. Such projections would require assumptions about interest rates, which could be interpreted as a signal of future monetary policy.

Operational highlights and changes

The following describes any significant changes in personnel, operations and programs that have occurred since December 31, 2019.

Governing Council and Board of Directors

On May 1, 2020, the Bank announced that Tiff Macklem was appointed Governor of the Bank of Canada for a seven-year term, effective June 3, 2020. Mr. Macklem will succeed Stephen S. Poloz, who is leaving the Bank of Canada on June 2, 2020.

Management

Coralia Bulhoes was appointed Chief Financial Officer, Chief Accountant and Managing Director, effective March 30, 2020, following the vacancy resulting from Carmen Vierula's retirement.

Operations and programs

The Bank introduced the following operations and programs in the second quarter of 2020. These measures complement those we explained in "COVID-19: what the Bank is doing", which were introduced in the first quarter.

Effective April 1, 2020, the Bank launched the Government of Canada Bond Purchase Program (GBPP) to purchase Government of Canada bonds in the secondary market. This program is intended to address strains in the Government of Canada bond market and to enhance the effectiveness of all other actions taken so far.

Effective April 2, 2020, the Bank implemented the Commercial Paper Purchase Program (CPPP), which will support the flow of credit to the economy by alleviating strains in Canada's commercial paper markets, a key source of short-term financing to support the ongoing needs of a wide range of firms and public authorities.

Effective April 6, 2020, the Bank activated the Contingent Term Repo Facility (CTRF), which offers eligible counterparties liquidity on a standing, bilateral basis against securities issued or guaranteed by the Government of Canada or a provincial government.

On April 15, 2020, the Bank announced its intention to introduce a Corporate Bond Purchase Program (CBPP). This program will support the liquidity and proper functioning of the corporate debt market.

On April 15, 2020, the Bank also announced its intention to introduce a Provincial Bond Purchase Program (PBPP) to further support the liquidity and efficiency of provincial government funding markets.

Risk analysis

The "Risk Management" section of the Management Discussion and Analysis (MD&A) for the year ended December 31, 2019, outlines the Bank's risk management framework and risk profile. It also reviews the key areas of risk—strategic, operational, financial, and environment and climate-related.

The financial risks are discussed further in the notes to the December 31, 2019, financial statements, which are included in the Bank's Annual Report for 2019. The risks identified in the MD&A remain the key risks for the Bank.

CONDENSED INTERIM FINANCIAL STATEMENTS

March 31, 2020

Glossary of abbreviations

BIS	Bank for International Settlements
CPA Canada	Chartered Professional Accountants of Canada
ECL	expected credit loss
FVOCI	fair value through other comprehensive income
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
OCI	other comprehensive income
Pension Plan	Bank of Canada Pension Plan
SPRAs	securities purchased under resale agreements
LVTS	Large Value Transfer System

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.

Stephen S. Poloz,
Governor

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

Ottawa, Canada
May 13, 2020

Condensed interim statement of financial position (unaudited)

As at (in millions of Canadian dollars)

	Note	March 31, 2020	December 31, 2019
Assets			
Cash and foreign deposits	3	6.4	6.4
Loans and receivables	3, 4		
Securities purchased under resale agreements		64,770.1	15,516.5
Advances to members of Payments Canada		8,900.1	-
Other receivables		3.5	5.4
		73,673.7	**15,521.9**
Investments	3, 4		
Government of Canada treasury bills		25,780.0	23,367.4
Government of Canada bonds		77,650.4	79,030.5
Canada Mortgage Bonds		1,925.6	510.7
Provincial money market securities		569.7	-
Bankers' acceptances		14,759.3	-
Other investments		490.6	438.3
		121,175.6	**103,346.9**
Capital assets			
Property and equipment	5	584.4	590.6
Intangible assets	6	63.8	59.4
Right-of-use leased assets	7	49.7	50.9
		697.9	**700.9**
Other assets	8	77.0	66.7
Total assets		**195,630.6**	**119,642.8**
Liabilities and equity			
Bank notes in circulation	3	92,039.1	93,094.3
Deposits	3, 4, 9		
Government of Canada		30,438.1	21,765.6
Members of Payments Canada		61,125.3	249.5
Other deposits		10,325.0	3,228.2
		101,888.4	**25,243.3**
Other liabilities	3, 10	1,120.5	774.9
Total liabilities		**195,048.0**	**119,112.5**
Equity	12	582.6	530.3
Total liabilities and equity		**195,630.6**	**119,642.8**

Stephen S. Poloz,
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)

For the three-month period ended March 31 (in millions of Canadian dollars)

	Note	2020	2019
Income			
Interest revenue			
Investments		520.5	516.7
Securities purchased under resale agreements		65.1	43.0
Other sources		0.2	0.2
		585.8	**559.9**
Interest expense			
Deposits		(98.3)	(102.8)
Net interest revenue		**487.5**	**457.1**
Other revenue		1.6	1.7
Total income		**489.1**	**458.8**
Expenses			
Staff costs		80.2	70.9
Bank note research, production and processing		2.5	2.6
Premises costs		6.6	6.7
Technology and telecommunications		21.6	16.0
Depreciation and amortization		15.6	13.0
Other operating expenses		15.7	17.2
Total expenses		**142.2**	**126.4**
Net income		**346.9**	**332.4**
Other comprehensive income (loss)			
Remeasurements of the net defined-benefit liability/asset	11	40.5	(99.3)
Change in fair value of BIS shares	3	52.3	1.8
Other comprehensive income (loss)		**92.8**	**(97.5)**
Comprehensive income		**439.7**	**234.9**

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

Condensed interim statement of changes in equity (unaudited)

For the three-month period ended March 31 (in millions of Canadian dollars)

	Note	Share capital	Statutory reserve	Special reserve	Investment revaluation 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		-	-	-	-	346.9	346.9
Remeasurements of the net defined-benefit liability/asset	11	-	-	-	-	40.5	40.5
Change in fair value of BIS shares	3	-	-	-	52.3	-	52.3
		-	-	-	52.3	387.4	439.7
Surplus for the Receiver General for Canada		-	-	-	-	(387.4)	(387.4)
Balance as at March 31, 2020		5.0	25.0	100.0	452.6	-	582.6

	Note	Share capital	Statutory reserve	Special reserve	Investment revaluation reserve	Retained earnings	Total
Balance as at January 1, 2019		5.0	25.0	100.0	395.3	-	525.3
Comprehensive income for the period							
Net income		-	-	-	-	332.4	332.4
Remeasurements of the net defined-benefit liability/asset	11	-	-	-	-	(99.3)	(99.3)
Change in fair value of BIS shares	3	-	-	-	1.8	-	1.8
		-	-	-	1.8	233.1	234.9
Surplus for the Receiver General for Canada		-	-	-	-	(233.1)	(233.1)
Balance as at March 31, 2019		5.0	25.0	100.0	397.1	-	527.1

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

Condensed interim statement of cash flows (unaudited)

For the three-month period ended March 31 (in millions of Canadian dollars)

	2020	2019
Cash flows from operating activities		
Interest received	399.9	356.2
Other revenue received	3.8	3.1
Interest paid	(98.1)	(100.6)
Payments to or on behalf of employees and to suppliers	(136.7)	(137.2)
Net increase in deposits	76,645.1	1,907.1
Acquisition of securities purchased under resale agreements—overnight repo	(15,450.2)	(1,500.0)
Proceeds from maturity of securities purchased under resale agreements—overnight repo	15,450.2	1,500.0
Acquisition of securities purchased under resale agreements—term repo	(54,286.1)	-
Proceeds from maturity of securities purchased under resale agreements—term repo	650.3	-
Advances made to members of Payment Canada	(8,900.0)	-
Purchases of Canada Mortgage Bonds	(912.4)	-
Purchases of provincial money market securities	(569.6)	-
Purchases of bankers' acceptances	(14,985.0)	-
Proceeds from maturity of bankers' acceptances	229.9	-
Net cash (used in) provided by operating activities	**(1,958.9)**	**2,028.6**
Cash flows from investing activities		
Acquisition of securities purchased under resale agreements—term repo	(32,338.3)	(25,274.6)
Proceeds from maturity of securities purchased under resale agreements—term repo	36,723.1	25,939.1
Net (purchases) maturities in Government of Canada treasury bills	(2,403.4)	108.1
Purchases of Government of Canada bonds	(4,390.4)	(3,019.4)
Proceeds from maturity of Government of Canada bonds	5,937.0	4,380.0
Purchases of Canada Mortgage Bonds	(499.3)	(262.8)
Additions of property and equipment	(5.8)	(7.8)
Additions of intangible assets	(6.8)	(5.6)
Net cash provided by investing activities	**3,016.1**	**1,857.0**
Cash flows from financing activities		
Net decrease in bank notes in circulation	(1,055.2)	(3,657.7)
Remittance of surplus to the Receiver General for Canada	-	(225.9)
Payments of lease liabilities	(2.3)	(0.7)
Net cash used in financing activities	**(1,057.5)**	**(3,884.3)**
Effect of exchange rate changes on foreign currency	0.3	(0.4)
Increase in cash and foreign deposits	-	**0.9**
Cash and foreign deposits, beginning of period	6.4	17.0
Cash and foreign deposits, end of period	**6.4**	**17.9**

(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-month period ended March 31, 2020

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 and, as such, 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 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.

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. In the first quarter of 2020, as part of the Bank's response to help support the financial system due to the 2020 COVID-19 pandemic, the Bank introduced the Provincial Securities Purchase Facility and the Bankers' Acceptance Purchase Facility and began acquiring Canada Mortgage Bonds through the secondary market.

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 and is the Bank's primary source of revenue. It provides a stable and constant source of funding for the Bank's operations, which enables the Bank to function independently of government appropriations. A portion of this revenue is used to fund the Bank's operations and reserves, and the remaining 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, 2019. 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 May 13, 2020.

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 financial statements of the Bank.

Securities safekeeping and other custodial services are provided 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 financial statements have been prepared on a historical cost basis, except for the following items:

- financial instruments classified and measured at amortized cost, using the effective interest method;
- 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 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, 2019.

Key accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and other related information.

The Bank based its assumptions and estimates on information that was available when these financial statements were prepared. Existing circumstances and assumptions about future developments may change, however, in response to market fluctuations or circumstances that are beyond the control of the Bank. In such cases, the impact will be recognized in the financial statements of a future period.

Judgments, estimates and underlying assumptions are reviewed for appropriateness and consistent application on an ongoing basis. Revisions to accounting estimates are recognized in the reporting period in which the estimates are revised and in any future periods affected. Significant judgment and estimates are used in the measurement of financial instruments (Note 3) and employee benefits (Note 11).

Changes to IFRS

No new or amended standards were adopted by the Bank during the first quarter of 2020 that had a significant impact on its financial statements.

3. Financial instruments

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

Financial instrument	Classification	Subsequent measurement
Financial assets		
Cash and foreign deposits	Amortized cost	Amortized cost
Securities purchased under resale agreements	Amortized cost	Amortized cost
Advances to members of Payments Canada	Amortized cost	Amortized cost
Other receivables	Amortized cost	Amortized cost
Government of Canada treasury bills	Amortized cost	Amortized cost
Government of Canada bonds	Amortized cost	Amortized cost
Canada Mortgage Bonds	Amortized cost	Amortized cost
Provincial money market securities	Amortized cost	Amortized cost
Bankers' acceptances	Amortized cost	Amortized cost
Other investments	FVOCI	FVOCI
Financial liabilities		
Bank notes in circulation	Face value	Face value
Deposits	Amortized cost	Amortized cost
Certain other liabilities	Amortized cost	Amortized cost

Financial instruments introduced during the quarter

In response to the economic impacts of recent events, the Bank has undertaken a number of actions to support the Canadian economy and financial system, including establishing several large-scale asset purchase programs to increase liquidity in core funding markets. The Bank has also enhanced its standard liquidity tools and established a new liquidity facility to help financial institutions better manage their liquidity risks both on a system-wide and individual level. Further details on the financial instruments implemented in the quarter ended March 31, 2020, are provided below. Information on measures implemented subsequent to March 31, 2020, are described in Note 14.

Investments

Provincial money market securities

On March 24, 2020, the Bank announced a new Provincial Money Market Purchase (PMMP) program to support the liquidity and efficiency of provincial government funding markets. The program is an asset purchase facility that acquires provincially issued money market securities through the primary issuance market. This program supports a liquid and well-functioning market for short-term provincial borrowing.

Under the PMMP program, the Bank will purchase up to 40 percent of each offering of directly issued provincial money market securities with terms to maturity of 12 months or less. This includes treasury bills and short-term promissory notes issued by Canadian provinces. Securities purchased under the PMMP are managed by collecting contractual cash flows and are therefore measured at amortized cost using the effective interest method less any expected credit losses (ECLs). As at March 31, 2020, the Bank held $517.8 million of provincial treasury bills ($nil at December 31, 2019) and $51.9 million of provincial short-term promissory notes under the program ($nil at December 31, 2019). In addition, on March 26 2020, the Bank entered into an agreement with the Government of Canada which indemnifies the Bank in the event that any credit losses are incurred on securities purchased under the PMMP. No credit losses were incurred on securities held under the PMMP during the first quarter of 2020.

Bankers' acceptances

On March 13, 2020, the Bank announced the Bankers' Acceptance Purchase Facility (BAPF) as a tool to support one of Canada's core funding markets and a key source of financing for small and medium-sized corporate borrowers. Under this facility, the Bank conducted secondary market purchases of one-month bankers' acceptances issued and guaranteed by Canadian banks of sufficiently high quality in accordance with publicly disclosed collateral eligibility and margin requirements. Bankers' acceptances purchased under the BAPF are managed by collecting contractual cash flows and are therefore measured at amortized cost using the effective interest method less any ECLs. As at March 31, 2020, the Bank held $14,759.3 million of bankers' acceptances under this facility ($nil at December 31, 2019).

Loans and receivables

Securities purchased under resale agreements

SPRAs are fully collateralized in accordance with publicly disclosed collateral eligibility and margin requirements. The duration of securities purchased under resale agreements has been expanded to include terms of approximately 1, 3, 6 or 12 months (previously from 1 to 90 business days). At the Bank's discretion, transactions may also be for shorter or longer terms. Further details of collateral held against SPRAs can be found in Note 4.

Advances to Members of Payments Canada

On March 19, 2020, the Bank announced the Standing Term Liquidity Facility (STLF) effective March 30, 2020. Under this facility, the Bank can provide advances to eligible financial institutions in need of temporary liquidity support and where the Bank has no concerns about their financial soundness. Advances made under the STLF can be for up to 90 calendar days, renewable at the Bank's discretion. These advances are managed by collecting contractual cash flows and are therefore measured at amortized cost using the effective interest method less any ECLs. As at March 31, 2020, the Bank held $8,900.1 million of advances made under this facility ($nil at December 31, 2019). Further details of collateral held against advances to members of Payments Canada can be found in Note 4.

As at March 31, 2020, there were no overnight advances to members of Payments Canada outstanding under the Bank's existing Standing Liquidity Facility (SLF) ($nil at December 31, 2019).

Fair value of financial instruments

Financial instruments measured at fair value 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 due to 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.

Below are the valuation methods used to determine the fair value of each financial instrument and its associated level in the fair value hierarchy. There were no changes to valuation methods during the period.

Other investments (BIS shares)

Significant unobservable inputs (Level 3). Estimated as 70 percent of the Bank's interest in the net asset value of the BIS at the reporting date. This is consistent with the methodology applied by the BIS for all share repurchases since the 1970s and was further endorsed in a decision by the International Court at The Hague relating to a share repurchase by the BIS in 2001 (the last share repurchase conducted by the BIS). The Bank expects the value of the BIS shares to fluctuate over time in conjunction with the strength of the BIS balance sheet and exchange rates.

Cash and foreign deposits, SPRAs, advances to members of Payments Canada, other receivables, deposits, and financial liabilities

Carrying amount (approximation to fair value due to their nature as short term or due on demand)

Government of Canada treasury bills, Canada Mortgage Bonds, Government of Canada bonds, provincial money market securities, bankers' acceptances

Quoted market prices (Level 1) and market prices derived from observable inputs (Level 2).

Supporting information

Financial instruments carried at fair value

Financial instruments carried at fair value are the Bank's investment in BIS shares (Level 3). There were no transfers of amounts between levels during the reporting period.

For the three-month period ended March 31	2020	2019
Opening balance at beginning of period	438.3	433.3
Change in fair value recorded through other comprehensive income (OCI)	30.7	11.8
Change due to Special Drawing Rights exchange differences recorded through OCI	21.6	(10.0)
Closing balance at end of period	**490.6**	**435.1**

Financial instruments carried at amortized cost

The following table shows the fair value and carrying value of the Bank's financial instruments classified in accordance with the fair value hierarchy described above for the Bank's financial instruments that are carried at amortized cost and whose fair value does not approximate their carrying value.

	Level 1	Level 2	Level 3	Fair value	Carrying value
As at March 31, 2020					
Government of Canada treasury bills	25,126.6	750.0	-	**25,876.6**	**25,780.0**
Government of Canada bonds	84,482.8	83.3	-	**84,566.1**	**77,650.4**
Canada Mortgage Bonds	1,944.8	-	-	**1,944.8**	**1,925.6**
Provincial money market securities	-	570.2	-	**570.2**	**569.7**
Bankers' acceptances	-	14,767.6	-	**14,767.6**	**14,759.3**
Total	**111,554.2**	**16,171.1**	**-**	**127,725.3**	**120,685.0**
As at December 31, 2019					
Government of Canada treasury bills	23,364.6	-	-	**23,364.6**	**23,367.4**
Government of Canada bonds	82,450.0	170.2	-	**82,620.2**	**79,030.5**
Canada Mortgage Bonds	516.3	-	-	**516.3**	**510.7**
Provincial money market securities	-	-	-	**-**	**-**
Bankers' acceptance	-	-	-	**-**	**-**
Total	**106,330.9**	**170.2**	**-**	**106,501.1**	**102,908.6**

Transfers 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. There were no transfers during the three months ending March 31, 2020.

The fair value of all other financial instruments approximates their carrying value.

Investments

The Bank also operates a securities-lending program to support the liquidity of Government of Canada securities by providing the market with a secondary and temporary source of these securities. These transactions are fully collateralized by securities and are generally one business day in duration. As at March 31, 2020, the Bank was not engaged in any securities-lending activities ($nil at December 31, 2019).

Expected credit losses and impairment

The Bank’s definitions and approach to calculating ECLs and impairment are consistent with those disclosed in the Bank’s financial statements for the year ended December 31, 2019.

Debt instruments

The Bank’s debt instruments consist of Canadian sovereign debt, debt securities that are fully guaranteed by the Government of Canada, fully collateralized instruments with an equivalent credit rating of A- or higher, and bankers’ acceptances guaranteed by the issuing financial institution. Given their high credit quality, when assessing ECLs on these instruments, the Bank has applied the low-risk practical expedient available under IFRS 9. The Bank corroborates external credit ratings on Canadian sovereign debt with an internal analysis performed annually, with quarterly updates and on a quarterly or as-needed basis (whichever is more frequent) for its other debt instruments. The Bank also performs continuous monitoring of relevant economic and financial developments.

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 did not record any ECLs on these instruments as at March 31, 2020 ($nil at December 31, 2019) because the amount was deemed not to be significant. There are no past due or impaired amounts as at March 31, 2020 ($nil at December 31, 2019).

Financial guarantees

The financial guarantees issued by the Bank consist solely of the LVTS guarantee. It is not expected that the LVTS guarantee will be used within the next 12 months, therefore no ECL was estimated or recorded as at March 31, 2020 ($nil at December 31, 2019).

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, and through market transactions conducted 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 its guarantee of the Large Value Transfer System (LVTS) and through the execution of foreign currency contracts. The maximum exposure under guarantees and foreign currency contracts is consistent with what was disclosed in the Bank's Annual Report for 2019.

Concentration of credit risk

The Bank's investment portfolio represents 62 percent of the carrying value of its total assets (86 percent as at December 31, 2019). The credit risk associated with the Bank's investment portfolio is low because the securities held are primarily direct obligations of the Government of Canada or are fully guaranteed by the Government of Canada, which holds a credit rating of AAA and has no history of default.

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 accessible on its website. Strict eligibility criteria are set for all collateral, and the credit quality of collateral is managed through a set of restrictions based on asset type, term to maturity and credit attributes, including ratings of the collateral pledged.

SPRAs represent 33 percent of the carrying value of the Bank's total assets (13 percent as at December 31, 2019). In March 2020, the Bank expanded the list of eligible collateral to support funding conditions for financial institutions. 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	March 31, 2020		December 31, 2019	
	$	%	$	%
Securities issued or guaranteed by the Government of Canada	3,303.5	4.9	2,993.2	18.7
Securities issued or guaranteed by a provincial government	27,395.0	40.8	12,552.0	78.4
Securities guaranteed by a Crown corporation of the Government of Canada*	5,964.1	8.9	460.3	2.9
Securities issued by a municipality	43.5	0.1	-	-
Other public sector securities	12.8	0.0	-	-
Corporate debt securities	27,589.7	41.1	-	-
Asset-backed commercial paper	2,806.7	4.2	-	-
Total fair value of collateral pledged to the Bank	**67,115.3**	**100.0**	**16,005.5**	**100.0**
Carrying value of collateralized securities	**64,770.1**	**100.0**	**15,516.5**	**100.0**
Collateral as a percentage of carrying value		**103.6**		**103.2**

* Canada Mortgage and Housing Corporation

Advances to members of Payments Canada represent 5 percent of the carrying value of the Bank's total assets (nil as at December 31, 2019). 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	March 31, 2020		December 31, 2019	
	$	%	$	%
Non-mortgage loan portfolios	18,734.1	97.7	-	-
Mortgage loan portfolios	435.9	2.3	-	-
Total fair value of collateral pledged to the Bank	**19,170.0**	**100.0**	-	-
Carrying value of Advances to members of Payments Canada	**8,900.1**	**100.0**	-	-
Collateral as a percentage of carrying value		**215.4**		-

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 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 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 paid on both the Government of Canada and members of Payments Canada deposits, which represents substantially all the Bank's interest rate risk exposure on financial liabilities.

As at	March 31, 2020	December 31, 2019
Interest expense on Government of Canada deposits	62.3 / (62.3)	57.9 / (57.9)
Interest expense on members of Payments Canada deposits	7.9 / (7.9)	0.7 / (0.7)
Total interest expense	**70.2 / (70.2)**	**58.6 / (58.6)**

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, which are denominated in Special Drawing Rights (SDRs). The 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 will fluctuate due to 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. As discussed in Note 3, 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.

Liquidity risk

Liquidity risk is the potential for loss if the Bank is unable to meet its financial obligations as they become due. Liabilities which are due on demand include bank notes in circulation and Government of Canada deposits, with the remaining liabilities (deposits of members of Payments Canada, SSRAs [if any] and other financial liabilities) due within 12 months. The Bank is also exposed to liquidity risk through its guarantee of the LVTS, as discussed in the Bank's Annual Report for 2019.

Historical experience has shown that bank notes in circulation provide a stable source of long-term funding for the Bank. In the event of an unexpected redemption of bank notes or a significant withdrawal from the Government of Canada's deposit for the prudential liquidity-management plan, the Bank can settle the obligation by means of several tools, including the sale of highly liquid investments backing those liabilities.

The Bank is the ultimate source of liquid funds to the Canadian financial system and has the power and operational ability to create Canadian-dollar liquidity in unlimited amounts at any time. This power is exercised within the Bank's commitment to keeping inflation low, stable and predictable.

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.

	Due on demand	Within 12 months	1 to 5 years	More than 5 years	Total
Financial assets					
Cash and foreign deposits	6.4	-	-	-	**6.4**
Loans and receivables	-	73,959.9	-	-	**73,959.9**
Investments					
Government of Canada treasury bills	-	25,900.0	-	-	**25,900.0**
Government of Canada bonds	-	16,562.4	45,294.3	29,463.0	**91,319.7**
Canada Mortgage Bonds	-	57.9	1,603.7	1,239.8	**2,901.4**
Provincial money market securities	-	572.3	-	-	**572.3**
Bankers' acceptances	-	14,770.0	-	-	**14,770.0**
BIS shares*	490.6	-	-	-	**490.6**
	497.0	**131.822.5**	**46,898.0**	**30,702.8**	**209,920.3**
Financial liabilities					
Bank notes in circulation	92,039.1	-	-	-	**92,039.1**
Deposits					
Government of Canada	30,438.1	-	-	-	**30,438.1**
Members of Payments Canada	-	61,125.3	-	-	**61,125.3**
Other deposits	10,325.0	-	-	-	**10,325.0**
Other financial liabilities	-	858.2	-	-	**858.2**
	132,802.2	**61,983.5**	**-**	**-**	**194,785.7**
Net maturity difference	(132,305.2)	69,839.0	46,898.0	30,702.8	15,134.6

* The Bank's investment in BIS shares have no fixed maturity

As at December 31, 2019	Due on demand	Within 12 months	1 to 5 years	More than 5 years	Total
Financial assets					
Cash and foreign deposits	6.4	-	-	-	**6.4**
Loans and receivables	-	15,538.2	-	-	**15,538.2**
Investments					
Government of Canada treasury bills	-	23,500.0	-	-	**23,500.0**
Government of Canada bonds	-	17,270.7	41,356.8	32,938.4	**91,565.9**
Canada Mortgage Bonds	-	13.6	544.5	-	**558.1**
Provincial money market securities	-	-	-	-	-
Bankers' acceptances	-	-	-	-	-
BIS shares*	438.3	-	-	-	**438.3**
	444.7	**56,322.5**	**41,901.3**	**32,938.4**	**131,606.9**
Financial liabilities					
Bank notes in circulation	93,094.3	-	-	-	**93,094.3**
Deposits					
Government of Canada	21,765.6	-	-	-	**21,765.6**
Members of Payments Canada	-	249.5	-	-	**249.5**
Other deposits	3,228.2	-	-	-	**3,228.2**
Other financial liabilities	-	487.1	-	-	**487.1**
	118,088.1	**736.6**	**-**	**-**	**118,824.7**
Net maturity difference	**(117,643.4)**	**55,585.9**	**41,901.3**	**32,938.4**	**12,782.2**

* The Bank's investment in BIS shares have no fixed maturity

5. Property and equipment

Property and equipment consists of land, buildings, computer equipment, other equipment and related projects in progress.

Carrying amount of property and equipment

	Land and buildings	Computer equipment	Other equipment	Total
Cost				
Balances as at December 31, 2019	**575.4**	**164.4**	**84.8**	**824.6**
Additions	0.4	4.0	1.4	**5.8**
Disposals	-	-	-	**-**
Transfers to other asset categories	-	-	-	**-**
Balances as at March 31, 2020	**575.8**	**168.4**	**86.2**	**830.4**
Accumulated depreciation				
Balances as at December 31, 2019	**(139.7)**	**(62.2)**	**(32.1)**	**(234.0)**
Depreciation expense	(4.4)	(6.2)	(1.4)	**(12.0)**
Disposals	-	-	-	**-**
Transfers to other asset categories	-	-	-	**-**
Balances as at March 31, 2020	**144.1**	**68.4**	**33.5**	**246.0**
Carrying amounts				
Balances as at December 31, 2019	**435.7**	**102.2**	**52.7**	**590.6**
Balances as at March 31, 2020	**431.7**	**100.0**	**52.7**	**584.4**

Projects in progress				
Included in *Carrying amounts* at March 31, 2020	0.2	22.4	9.8	32.4
Commitments at March 31, 2020	5.0	4.7	-	9.7

6. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance that represent future economic benefits and are controlled by the Bank. The Bank's intangible assets consist of computer software that has been developed internally or acquired externally.

Carrying amount of intangible assets

	Internally generated software	Other software	Total
Cost			
Balances as at December 31, 2019	**78.0**	**92.3**	**170.3**
Additions	6.3	0.5	**6.8**
Disposals	-	-	-
Transfers to other asset categories	17.7	(17.7)	-
Balances as at March 31, 2020	**102.0**	**75.1**	**177.1**
Accumulated amortization			
Balances as at December 31, 2019	(51.1)	(59.8)	**(110.9)**
Amortization expense	(0.6)	(1.8)	**(2.4)**
Disposals	-	-	-
Transfers to other asset categories	-	-	-
Balances as at March 31, 2020	**(51.7)**	**(61.6)**	**(113.3)**
Carrying amounts			
Balances as at December 31, 2019	**26.9**	**32.5**	**59.4**
Balances as at March 31, 2020	**50.3**	**13.5**	**63.8**

Projects in progress			
Included in *Carrying amounts* at March 31, 2020	16.7	20.8	37.5
Commitments at March 31, 2020	4.4	1.3	5.7

7. Right-of-use leased assets and lease liabilities

The Bank's leases primarily consist of leases for rental of data centre facilities in support of the Bank's business resilience posture, and rental of office space for regional offices (Halifax, Montréal, Toronto, Calgary and Vancouver).

Carrying value of right-of-use leased assets

2020	Data centres	Offices	Other	Total
Cost				
Balances as at December 31, 2019	36.1	16.6	2.7	55.4
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers to other asset categories	-	-	-	-
Balances as at March 31, 2020	36.1	16.6	2.7	55.4
Accumulated depreciation				
Balances as at December 31, 2019	(3.1)	(1.1)	(0.3)	(4.5)
Depreciation expense	(0.8)	(0.3)	(0.1)	(1.2)
Disposals	-	-	-	-
Transfers to other asset categories	-	-	-	-
Balances as at March 31, 2020	(3.9)	(1.4)	(0.4)	(5.7)
Carrying amounts				
Balances as at December 31, 2019	33.0	15.5	2.4	50.9
Balances as at March 31, 2020	32.2	15.2	2.3	49.7

Carrying value of lease liabilities

	Data centres	Offices	Other	Total
Balances as at December 31, 2019	33.8	16.0	0.8	50.6
Finance charges	0.2	0.1	-	0.3
New lease liabilities	-	-	-	-
Lease payments	(1.9)	(0.3)	(0.1)	2.3
Other adjustments	-	-	-	-
Balances as at March 31, 2020	32.1	15.8	0.7	48.6

8. 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	March 31, 2020	December 31, 2019
Bank note inventory		11.2	8.5
Net defined-benefit asset	11	35.9	34.1
All other assets		29.9	24.1
Total other assets		77.0	66.7

9. Deposits

Deposits is composed of deposits by the Government of Canada, members of Payments Canada and other financial institutions, and includes unclaimed balances remitted to the Bank in accordance with governing legislation. The Bank pays interest on the deposits for the Government of Canada, members of Payments Canada and some other financial institutions at short-term market rates. The Bank pays interest on unclaimed balances in accordance with governing legislation. Interest expense on deposits is included in net income.

Deposits from the Government of Canada consist of $10,438.1 million for operational balances and $20,000.0 million held for the prudential liquidity-management plan ($1,765.6 million and $20,000.0 million, respectively, at December 31, 2019).

10. 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, the lease liabilities and all other liabilities, which consists of accounts payable, accrued liabilities and provisions.

Composition of other liabilities

As at	Note	March 31, 2020	December 31, 2019
Surplus payable to the Receiver General for Canada		755.7	368.3
Net defined-benefit liability	11		
Pension benefit plans		90.6	97.3
Other benefit plans		171.7	190.5
Lease liabilities	7	48.6	50.6
All other liabilities		53.9	68.2
Total other liabilities		**1,120.5**	**774.9**

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 as described in Note 12.

For the three-month period ended March 31	2020	2019
Opening balance at beginning of period	368.3	225.9
Surplus for the Receiver General for Canada	387.4	233.1
Remittance of surplus to the Receiver General for Canada	-	(225.9)
Closing balance at end of period	**755.7**	**233.1**

11. Employee benefits

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

	Pension benefit plans		Other benefit plans	
	For the three-month period ended March 31, 2020	For the year ended December 31, 2019	For the three-month period ended March 31, 2020	For the year ended December 31, 2019
Fair value of plan assets (liabilities)				
Opening balance at beginning of period	(63.2)	83.3	(190.5)	(160.9)
Bank contributions	2.3	7.5	-	-
Current service cost	(14.7)	(43.5)	(1.4)	(4.7)
Net interest cost	(1.0)	1.0	(1.5)	(6.3)
Administration costs	(0.7)	(3.0)	-	-
Net benefit payments and transfers	-	-	3.2	7.8
Remeasurement gains (losses)	22.6	(108.5)	18.5	(26.4)
Closing balance at end of period	(54.7)	(63.2)	(171.7)	(190.5)
Net defined-benefit asset	35.9	34.1	-	-
Net defined-benefit liability	(90.6)	(97.3)	(171.7)	(190.5)
Net defined-benefit asset (liability)	(54.7)	(63.2)	(171.7)	(190.5)

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

As at	March 31, 2020	December 31, 2019
Fair value of plan assets	1,866.9	2,038.6
Defined-benefit obligation	1,921.6	2,101.8
Net defined-benefit asset (liability)	(54.7)	(63.2)

Expenses and contributions for the employee benefit plans for the three-month period ended March 31 are presented in the tables below:

For the three-month period ended March 31	2020	2019
Expenses		
Pension benefit plans	16.3	10.6
Other benefit plans	2.4	3.2
Total benefit plan expenses	18.7	13.8

	Pension benefit plans (funded)		Other benefit plans (unfunded)	
For the three-month period ended	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Contributions				
Employer contributions	1.5	1.7	-	-
Employee contributions	6.6	6.4	-	-
Total contributions	8.1	8.1	-	-

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	March 31, 2020	December 31, 2019
Discount rate		
Pension benefit plans	3.80%	3.20%
Other benefit plans	3.50–3.80%	2.90–3.20%

The Bank recorded remeasurement gains on the net defined-benefit liability/asset during the three-month period ended March 31, 2020, of $40.5 million (remeasurement losses of $99.3 million for the three-month period ended March 31, 2019). The remeasurement gains recorded during the three-month period ended March 31, 2020, are mainly the result of the increase in the discount rate used to value the obligations, partially offset by negative asset returns.

12. 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 shown below:

As at	March 31, 2020	December 31, 2019
Share capital	5.0	5.0
Statutory reserve	25.0	25.0
Special reserve	100.0	100.0
Investment revaluation reserve	452.6	400.3
Retained earnings	-	-
Total equity	**582.6**	**530.3**

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 investments 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 $452.6 million as at March 31, 2020 ($400.3 million as at December 31, 2019).

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*.

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 OCI. 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 three-month period ended March 31, 2020, the Bank released $40.5 million (withheld $99.3 million from its remittances in 2019) from its previously withheld remittances, and as at March 31, 2020, $147.8 million in withheld remittances was outstanding ($188.3 million as at December 31, 2019).

13. 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 costs of these services.

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

14. Subsequent events

Subsequent to March 31, 2020, the following measures were implemented by the Bank in response to the global COVID-19 pandemic. Although the magnitude of the financial impact of these measures cannot be estimated at this time, the Bank expects a significant increase in the overall size of the statement of financial position.

Commercial Paper Purchase Program

On March 27, 2020, the Bank announced the Commercial Paper Purchase Program (CPPP) in order to support the continuous functioning of financial markets. This program aims to help support the flow of credit to the economy by alleviating strains in Canada's commercial paper markets. Beginning April 2, 2020, the Bank conducted primary and secondary market purchases of commercial paper, including asset-backed commercial paper, issued by Canadian firms, municipalities and provincial agencies for terms of up to 3 months and with a minimum short-term credit rating of R-1. In parallel, on March 27, 2020, the Bank entered into an agreement with the Government of Canada which indemnifies the Bank in the event that any credit losses are incurred on securities purchased under the CPPP.

Government of Canada Bond Purchase Program

On March 27, 2020, the Bank launched the Government of Canada Bond Purchase Program (GBPP) to purchase Government of Canada securities in the secondary market, effective April 1, 2020. This program is intended to address strains in the Government of Canada bond market and to enhance the effectiveness of all other actions taken so far. In parallel, the Bank entered into an agreement with the Government of Canada effective April 1, 2020, indemnifying the Bank in the event that any losses are incurred on disposition of securities purchased under the GBPP.

Contingent Term Repo Facility

On April 3, 2020, the Bank activated the Contingent Term Repo Facility (CTRF) effective April 6, 2020. The CTRF is the Bank's standing repo facility designed to counter any severe market-wide liquidity stresses and to support the stability of the Canadian financial system. The CTRF offers Canadian-dollar funding for a one-month term to eligible counterparties on a standing, bilateral basis against securities issued or guaranteed by the Government of Canada or a provincial government.

Corporate Bond Purchase Program

On April 15, 2020, the Bank announced its intention to introduce a Corporate Bond Purchase Program (CBPP) to support the liquidity and proper functioning of the corporate debt market. To support the flow of credit for corporate issuers in Canada, the CBPP will purchase eligible corporate bonds in the secondary market. The program size will be capped at $10 billion and will be restricted to senior secured and unsecured bonds originated by Canadian incorporated companies with a remaining maturity of up to five years and a minimum credit rating of BBB or equivalent. Debt issued by deposit-taking institutions will be excluded given their access to other support facilities by the Bank of Canada. The program will remain active for a period of 12 months.

Provincial Bond Purchase Program

On April 15, 2020, the Bank announced its intention to introduce a Provincial Bond Purchase Program (PBPP) to further support the liquidity and efficiency of provincial government funding markets. This program will supplement the already-implemented Provincial Money Market Purchase Program. The PBPP will purchase eligible securities in the secondary market. Eligible securities are made up of Canadian-dollar-denominated bonds issued by all provinces and fully guaranteed provincial agencies with remaining terms-to-maturity up to ten years. The program size will be capped at $50 billion. The program will remain active for a period of 12 months.

15. Comparative figures

Certain comparative figures have been adjusted to conform to the current period's presentation. For the comparative Condensed Interim Statement of Cash Flows, $62.7 million was adjusted from *Net (purchases) sales in Government of Canada treasury bills* within investing activities to *Interest received* within operating activities.