

2012 - 2016 SUMMARY OF THE CORPORATE PLAN

A SOLID FOUNDATION FOR GENERATIONS

Including summaries of the 2012 Operating Budget ■ 2012 Capital Budget for Furniture, Equipment and Business Premises ■ 2012 Capital Budget for Loans and Investments

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FOREWORD

This Summary of Canada Mortgage and Housing Corporation's (CMHC's) 2012-2016 Corporate Plan has been prepared in accordance with section 125 of the *Financial Administration Act* (FAA). It gives an overview of the Corporation's mandate and business structure, analyzes the expected operating environment and sets out CMHC's corporate objectives and strategic priorities for the next five years. The Summary demonstrates how the Corporation intends to achieve these objectives and measure its performance. It also shows how CMHC will manage the public assets entrusted to the Corporation through the presentation of its Financial Plan and resource needs.



Minister of Human Resources and Skills Development
Minister designated for the purposes of the
Canada Mortgage and Housing Corporation Act
and the *National Housing Act*

TABLE OF CONTENTS

CHAPTER I	Introduction	1
CHAPTER II	Objectives and Strategic Priorities	2
	The Corporate Plan Framework.	2
	Objective 1: Help Canadians in need.	4
	Objective 2: Facilitate access to more affordable, better quality housing for all Canadians.	11
	Objective 3: Ensure the Canadian housing system remains one of the best in the world	27
CHAPTER III	Building a Strong Organization	33
	Corporate Governance and Organizational Structure.	33
	Enterprise Risk Management	36
	Human Resources	37
	Corporate Services and Granville Island.	39
	Communications and Corporate Marketing	40
CHAPTER IV	The Financial Plan	41
	Overview	41
	Consolidated Highlights	43
	Accounting Changes	46
	Cost Containment	47
	Financial Plan by Objective	48
CHAPTER V	Resource Requirements	58
	Operating Budget	58
	Capital Budget for Furniture, Equipment and Business Premises	60
	Capital Budget for Loans and Investments.	61
	Borrowing Plan	62
	Investment Plan for Mortgage Loan Insurance and Securitization Portfolios	63
	2008 to 2016 Financial Highlights	64
CHAPTER VI	Financial Statements	66
ANNEX I	Expected Outcomes and Indicators	87
ANNEX II	Reconciliation of Canadian GAAP and IFRS	96
GLOSSARY	100

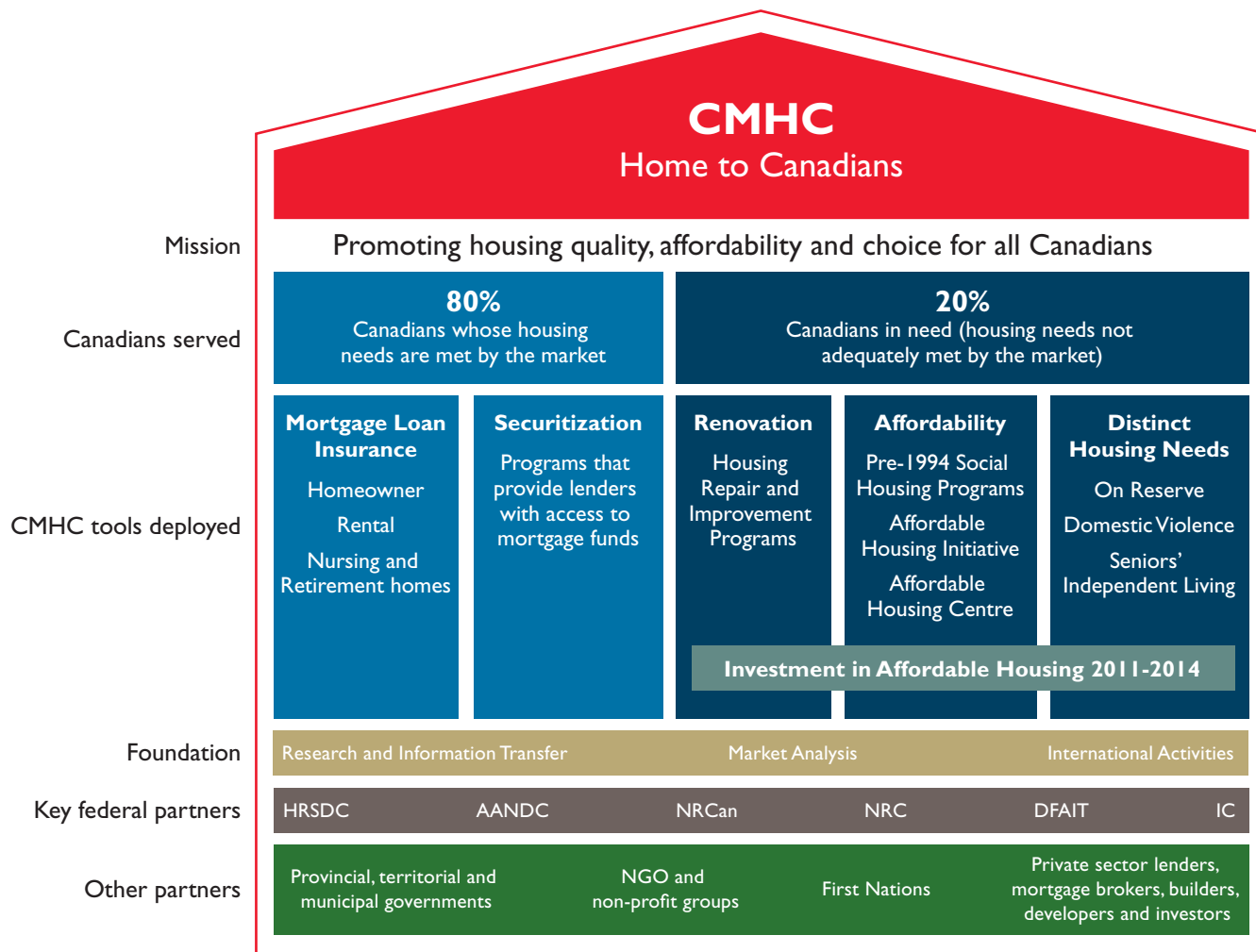
For a list of key acronyms used in this document, see [Glossary](#).

OUR MISSION

Promoting housing quality, affordability and choice for all Canadians

OUR TOOLS

Working with public as well as private and non-profit sector partners, CMHC's programs, products and services help Canadians meet a wide range of housing needs as illustrated by the following diagram:



CMHC's Corporate Plan is a centerpiece in its accountability regime. Under the direction of the Board of Directors, CMHC's 2012-2016 Corporate Plan was prepared following an examination of the operating environment and taking into account government priorities. The Plan sets out CMHC's intentions over the next five years and was approved by the Government of Canada. This document summarizes the Corporate Plan by outlining the Corporation's objectives and strategic priorities as well as its Financial Plan, Operating and Capital Budgets, borrowing and investment activities. It provides Parliamentarians and Canadians with information on the challenges and opportunities facing CMHC over the planning period and how the Corporation will address these while striving to attain expected outcomes.

Since 1946, CMHC has played a vital role in helping Canadians access affordable, high quality housing. Significant federal investments in assisted housing and strong oversight of Canada's housing system have led to Canada being recognized as a country with one of the best housing systems in the world. CMHC's role, which addresses both assisted and market housing (see illustration opposite this page), has evolved over the decades, serving three generations of Canadians. Today, the Corporation continues to:

- provide federal assistance to Canadians in housing need and to First Nation communities
- facilitate access to homeownership and rental housing through mortgage loan insurance products that help finance housing throughout Canada

- reduce mortgage costs for Canadian homebuyers by ensuring a reliable supply of low-cost mortgage funds to financial institutions, enhancing the competitiveness of the mortgage market and providing investors with opportunities to invest in high quality secure investments through securitization guarantee programs
- be a trusted source of housing information, research and market analysis
- promote Canadian housing exports around the world, generating economic growth and jobs in Canada.

CMHC's actions are guided by the principles of public accountability and transparency and a strong focus on continuous improvement and renewal. CMHC reports annually on how well plans have been achieved through its Annual Report. Beginning with the second quarter ended June 30, 2011, a quarterly financial report was made public within 60 days of the end of the quarter. These reports will be published for the first three quarters of the year with the full Annual Report published following the fourth quarter.

CMHC is governed by a Board of Directors and is accountable to Parliament through the Minister of Human Resources and Skills Development. This Summary of the 2012-2016 Corporate Plan is tabled in Parliament. All Canadians are invited to learn more about the Corporation and its activities through this Summary and other information on its website at www.cmhc.ca.

■ THE CORPORATE PLAN FRAMEWORK

The Corporate Plan Framework comprises CMHC's three corporate objectives and seven strategic priorities which address both present housing needs and those of the future (see table on the following page). Priorities address helping lower-income families and those with distinct needs access suitable, adequate and affordable housing, as well as ensuring an efficient, stable housing market that can serve the majority of Canadians who do not require direct public assistance. The framework guides CMHC as it plans its activities, allocates resources, measures performance and strives to achieve immediate to long-term outcomes.

Activities under strategic priorities 1.1, 1.2, 2.3, 3.1 and 3.2 are funded by the Government of Canada through Parliamentary appropriations. Mortgage loan insurance and securitization activities under strategic priorities 2.1 and 2.2 are operated on a commercial

basis at no cost to Canadian taxpayers. The Corporate Plan Framework aligns with CMHC's Program Activity Architecture which links the Corporation's publicly-funded activities to the Government's approved strategic outcomes.

For each strategic priority, this chapter discusses the operating environment, challenges and opportunities, core activities and key initiatives, and outlines how CMHC intends to measure its performance. Outcome indicators can be found in Annex I.

The following table summarizes CMHC's Operating Budget and staff resources by strategic priority for 2012 to 2016. Additional details on CMHC's budgets and resource requirements are presented in later chapters of this Summary.

Corporate Plan Framework – Operating Expenses (\$M) and Staff-Years by Strategic Priority

Strategic Priority	2012		2013		2014		2015		2016	
	Operating Expenses	Staff-Years	Operating Expenses	Staff-Years	Operating Expenses	Staff-Years	Operating Expenses	Staff-Years	Operating Expenses	Staff-Years
Objective 1: Help Canadians in need										
1.1: Help Canadians in need access affordable, sound and suitable housing	60.0	362	60.9	348	60.4	337	61.0	334	60.8	328
1.2: Support Aboriginal Canadians to improve their living conditions	19.9	130	21.0	130	20.9	127	20.5	122	20.2	119
Objective 2: Facilitate access to more affordable, better quality housing for all Canadians										
2.1: Ensure Canadians have access to mortgage loan insurance products and tools that meet their needs	186.9	940	194.9	934	198.1	937	201.8	939	205.0	947
2.2: Ensure an adequate supply of low-cost funds for mortgage lending through mortgage securitization	11.8	66	12.5	66	12.8	66	13.1	66	13.4	66
2.3: Provide comprehensive, timely and relevant market analysis information	39.5	259	41.5	259	42.3	261	43.0	261	43.5	261
Objective 3: Ensure the Canadian housing system remains one of the best in the world										
3.1: Undertake comprehensive, timely and relevant research and information transfer activities to enable Canadian consumers and the housing sector to make informed decisions	20.9	136	21.9	136	22.1	136	22.5	136	22.6	136
3.2: Support and promote Canada's world-class housing products, services and system internationally	11.7	54	12.2	54	12.4	55	12.6	55	12.8	55
Planned Total	350.7	1,947	364.9	1,927	369.0	1,919	374.5	1,913	378.3	1,912

■ OBJECTIVE I: HELP CANADIANS IN NEED

Under this objective, CMHC pursues two strategic priorities. Activities under strategic priority 1.1 support the provision of assisted housing and the renovation of housing for low-income families living off reserve largely through funding arrangements with provinces and territories. Under strategic priority 1.2, CMHC works with First Nations on reserve to improve living conditions by developing new housing and renovating existing homes. Capacity development is a key focus on reserve.

Strategic Priority 1.1

Help Canadians in need access affordable, sound and suitable housing

STRATEGIC FOCUS

CMHC's activities in this area are intended to reduce the number of households in need by improving access to affordable housing that is sound, suitable and sustainable, and providing them with a more stable foundation to pursue educational and employment opportunities and to ultimately improve their quality of life.

The Operating Environment – Challenges and Opportunities

SUSTAINING THE EXISTING SOCIAL HOUSING STOCK

The federal government, through CMHC, invests about \$1.7 billion annually in order to help an estimated 613,500 lower-income households access affordable, sound and suitable housing. Some 80% of this social housing portfolio is administered by provinces and territories through long-term Social Housing Agreements with CMHC. These agreements enable provinces and territories to manage the stream of federal assistance which is tied to project-level operating agreements with third party project owners. As mortgages on these projects are paid out and project operating agreements expire – most within the next

15 years – obligations of project owners and government funding agencies will have been fulfilled. When these subsidies end, some projects could find that their rent revenues and reserve funds are not sufficient to cover operating expenses as well as needed rehabilitation and renovation. However, some projects are in good physical condition and do not require continuing subsidies. Others may be able to generate additional revenue through redevelopment or other means of increasing revenues.

FEDERAL INVESTMENTS IN DEVELOPING NEW AFFORDABLE HOUSING AND THE REPAIR AND REHABILITATION OF EXISTING HOMES

The federal government, through CMHC, also supports the creation of new affordable housing and the repair and rehabilitation of homes for low-income Canadians.

Over 50,000 units have been developed in partnership with provinces and territories under the Affordable Housing Initiative (AHI) since its inception in 2001. Federal AHI investments are matched by provinces and territories which design and deliver the programs within the scope of broad national parameters, ensuring that more resources are available to help vulnerable Canadians with their housing needs.

CMHC's suite of renovation programs (also delivered and cost-shared by most provinces and territories) assist low-income households undertake repairs or modify accommodations for seniors and persons with disabilities. The repair and rehabilitation of affordable rental housing is also possible under these programs. In 2010, 18,158 housing units received assistance both on and off reserve.

Funding for the AHI and renovation programs for the 2009-10 to 2010-11 period was part of the Government's five-year commitment to fund housing programs. In late 2010, following consultations with provincial and territorial governments and stakeholder organizations, the Government gave CMHC the authority to negotiate new agreements with provinces and territories for the use of federal housing funds, again within the scope of broad national parameters that recognize the diversity of housing needs.

On July 4, 2011, the new Investment in Affordable Housing 2011-2014 Framework was jointly announced by federal, provincial and territorial ministers responsible for housing (see Glossary), providing \$1.4 billion in combined investments toward reducing the number of Canadians in housing need over three years. The Framework serves as the basis for bilateral agreements on the Investment in Affordable Housing (IAH) 2011-2014 between the federal government, represented by CMHC, and each province and territory. Federal funding is being matched by provincial, territorial and other contributors, and governments will report to their citizens on outcomes.

The Framework recognizes the diversity of affordable housing needs of Canadians and that a range of solutions – from existing programs to new approaches – is the most effective way of meeting local needs and priorities. Provinces and territories have responsibility for the design and delivery of affordable housing programs that satisfy agreed-upon national parameters in order to address their own specific housing needs and priorities in their jurisdictions. Programs can include new construction, renovation, homeownership assistance, rent supplements, shelter allowances and accommodations for victims of family violence.

Provinces and territories also have the option to extend the existing AHI and renovation program agreements if they decide not to implement the new arrangement under the IAH.

Core Activities

- Provide federal funding in support of long-term commitments under various social housing agreements with provinces, territories and housing providers.
- Provide federal funding to provinces and territories who have signed bilateral arrangements based on the Investment in Affordable Housing 2011-2014 Framework.
- Provide loans, through Direct Lending, to federally-assisted social housing sponsors seeking to finance new projects or renew existing financing in order to keep borrowing costs as low as possible thus reducing government subsidy costs.
- Support the creation of affordable housing through the Affordable Housing Centre by offering Seed and Proposal Development Funding (see Glossary) and other information and advice to help non-profit and private sector groups develop affordable housing.
- Offer CMHC mortgage loan insurance underwriting flexibilities which enable lenders to enhance financing opportunities to groups who sponsor affordable rental housing and to borrowers who purchase units developed by affordable housing sponsors.

Key Initiatives for 2012

- 1.1.1 In collaboration with provinces and territories, examine the sustainability of the existing social housing when operating agreements expire.

PERFORMANCE MEASURES	2010 Actual	2011			2012 Plan
		Plan	Mid-year		
			Plan	Actual	
Housing program expenses excluding operating expenses (\$M) ¹	3,040	2,286	1,245	1,146	2,023
Estimated number of households assisted through long-term social housing commitments ²	613,500	603,600	N/A	N/A	597,800
Affordable Housing Initiative (AHI) expenditures (\$M)	175.3	49.5	44.3	30	8.3
Renovation programs expenditures (value of loans forgiven over time) (\$M)	121.7	56.6	41.2	33	4.1
Investment in Affordable Housing 2011-2014 (IAH) (\$M)	N/A	11.4	0	0	399.1
Affordable housing units facilitated by CMHC's Affordable Housing Centre	2,873	2,140	N/A	1,430	2,715
Direct Lending (\$M)	1,316.7	1,373.3	735.0	686.5	830.0
¹ Includes all Parliamentary appropriations for activities under strategic priorities 1.1, 1.2, 2.3, 3.1 and 3.2. ² Includes households assisted on reserve under strategic priority 1.2.					
EXPECTED OUTCOMES (SEE ANNEX I FOR INDICATORS)					
Immediate Canadians in housing need have greater access to affordable housing that is sound, suitable and sustainable. For seniors and persons with disabilities, assistance extends independent living and reduces demand for services and institutional living. The resources available to address the housing needs of households in need are increased by encouraging contributions by others, including the private and not-for-profit sectors.		Long-term Individuals and families have a more stable foundation for accessing opportunities and improving their quality of life. Communities benefit from greater stability and prosperity. The number of Canadians in need is reduced. A more holistic approach to addressing poverty through a broad range of programs is fostered.			

At mid-year 2011, housing program expenses of \$1,146 million were below the year-to-date plan of \$1,245 million by \$99 million. This is primarily due

to lower expenses under Canada's Economic Action Plan (CEAP), given earlier than planned take-up of the program in 2010.

Strategic Priority 1.2

Support Aboriginal Canadians to improve their living conditions

STRATEGIC FOCUS

Housing conditions for Aboriginal Canadians often fall behind those of the general population. CMHC's long-term funding commitments on reserve and its capacity development initiatives assist First Nation communities to improve their living conditions.

The Operating Environment – Challenges and Opportunities

HOUSING NEED AND CONDITIONS

The Aboriginal population is growing at a much faster rate than the rest of the Canadian population. In 2006, over one million Canadians identified themselves as Aboriginal people, representing a 45% increase since 1996.

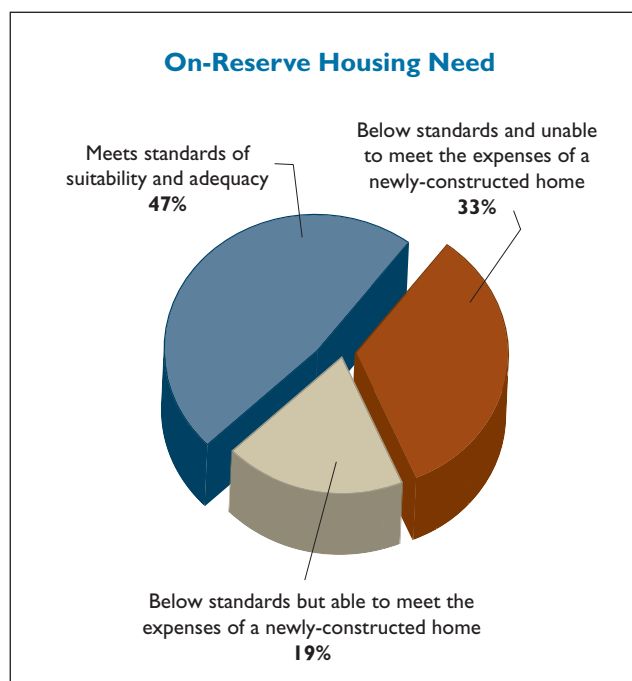
Based on the 2006 Census, about 52% of on-reserve households live below adequacy and suitability standards compared to 13% for Canadians generally. (See definition of Core Housing Need in Glossary.)

Nineteen per cent of on-reserve households living below housing standards would have the income to cover the expenses (loan payments, utilities) of a newly-constructed unsubsidized home on their reserve, while 33% would not have the income to access acceptable housing.

A number of First Nation communities have experienced problems with mould in houses. CMHC works with Aboriginal Affairs and Northern Development Canada (AANDC) and First Nation communities on an ongoing basis to address the issue of mould through increased education and training, the promotion of house designs that minimize mould, and other remedial actions.

INCREASING THE EFFECTIVENESS OF CMHC'S HOUSING INVESTMENTS ON RESERVE

The On-Reserve Non-Profit Rental Housing Program assists First Nations with the construction, purchase and rehabilitation of suitable, adequate and affordable rental housing on reserve. Under this program, CMHC provides annual subsidies to projects to assist with financing and operating costs. At the end of 2010, there were some 29,750 units subsidized by the program.



Source: CMHC (Census-based housing indicators and data)
Percentages may not add to 100% due to rounding.

CMHC's renovations programs, except for the Emergency Repair Program, are also available on reserve.

Because of the relatively small size of most communities, many First Nations lack managerial and technical expertise in housing. Based on recent assessments and evaluations, both AANDC and CMHC have identified a need for enhanced and co-ordinated capacity development. AANDC and CMHC continue to explore new ways of delivering housing programs on reserve and different tenure models. A better understanding of housing need and conditions on reserve is also being sought.

ENHANCING PRIVATE FINANCING AND MARKET HOUSING ON RESERVE

Under the *Indian Act*, it is difficult to use reserve lands as collateral to secure loans. Given this, the development of a private housing market on reserve, where members are able to borrow to finance the construction of their own homes, requires alternative forms of security. To increase access to financing for First Nation members living on reserve, a small number of First Nations have set up revolving loan funds which allow members to borrow to build or to buy their own homes. Insured financing from CMHC is also available for First Nation members when a Ministerial Loan Guarantee from the Minister of Aboriginal Affairs and Northern Development is obtained.

The First Nations Market Housing Fund (FNMHF), which became fully operational in 2008, is another opportunity for First Nations to make private financing an option for their members. While the Fund, an independent trust, met its 2010 target with respect to the number of lenders authorized to provide loans backed by the Fund, it fell short on its target with respect to the number of First Nations with the capacity to participate in the Fund and housing units approved for financing. Pursuant to the Trust Indenture, CMHC is undertaking an evaluation of the Fund in 2011 and will present results to the Government in 2012.

Core Activities

- Administer federal funding for First Nations to build housing under the On-Reserve Non-Profit Rental Housing Program.
- Administer federal funding for renovation programs.
- Provide managerial and operational support to the First Nations Market Housing Fund.
- Provide insurance for loans with a Ministerial Loan Guarantee and other forms of acceptable security.
- Assist in enhancing the capacity of First Nation communities to more effectively plan, build, inspect and manage housing.

Key Initiatives for 2012

- 1.2.1 Collaborate with AANDC and First Nations to improve data on First Nations housing.
- 1.2.2 Continue to implement the National Strategy to Address Mould in First Nation Communities.
- 1.2.3 Coordinate capacity development efforts with AANDC and the FNMHF.

PERFORMANCE MEASURES	2010 Actual	2011			2012 Plan
		Plan	Mid-year		
			Plan	Actual	
New units committed under the On-Reserve Non-Profit Rental Housing Program	766	620	237	319	548
Renovation program expenditures (value of loans that are forgiven over time) (\$M)	16.7	15.6	6.6	5.4	15.5
Per cent of housing programs and services delivered through First Nations or Aboriginal organizations	91	85	85	92	85
Market-based on-reserve units facilitated through insured financing or Aboriginal capacity support	182	125	N/A	19	N/A ¹
¹ This performance measure is no longer applicable in 2012 due to the termination of the Insurance for On-Reserve Lending without Ministerial Loan Guarantee pilot. This pilot was introduced in 2003 and laid the foundation for the successful introduction of the First Nations Market Housing Fund which was established in 2008 with a \$300 million investment to facilitate market-based solutions on reserve. CMHC remains committed to market-based housing solutions on reserve and continues to provide loan insurance with Ministerial Loan Guarantee.					
EXPECTED OUTCOMES (SEE ANNEX I FOR INDICATORS)					
Immediate First Nation members living on reserve and Canadians in housing need in the North who are predominantly Aboriginal people have greater access to affordable, sound and suitable housing that meets health and safety standards. For seniors and persons with disabilities, assistance extends independent living.	Intermediate First Nations have the capacity to develop, maintain and manage the full range of housing opportunities on reserve.		Long-term Individuals living on reserve have a key element of a stable foundation for accessing opportunities and improving their quality of life. First Nation members gain greater financial security and health through improved housing conditions on reserve. On-reserve communities benefit from greater stability and prosperity.		

■ OBJECTIVE 2: FACILITATE ACCESS TO MORE AFFORDABLE, BETTER QUALITY HOUSING FOR ALL CANADIANS

Under objective 2, CMHC pursues three strategic priorities in order to facilitate access to quality housing for all Canadians.

Under strategic priority 2.1, CMHC plays an important role in ensuring that Canadians in all parts of the country have access to mortgage financing for a broad range of housing options through the provision of mortgage loan insurance. Under strategic priority 2.2, CMHC's securitization guarantee programs help reduce mortgage costs for Canadian homebuyers by ensuring that financial institutions have access to a reliable supply of low-cost funds for mortgage lending, thereby enhancing the competitiveness of the mortgage market. Both the insurance and securitization businesses are run on a commercial basis, at no cost to Canadian taxpayers.

Under strategic priority 2.3, CMHC pursues housing market analysis activities which help individual Canadians as well as the housing industry to make informed housing and business decisions.

Strategic Priority 2.1

Ensure Canadians have access to mortgage loan insurance products and tools that meet their needs

STRATEGIC FOCUS

A sound housing finance system is essential to an efficient housing market. Federally-regulated lenders must, by law, insure residential mortgages when the borrower has less than a 20% down payment. CMHC mortgage loan insurance has helped ensure the stability of the housing finance system by enabling lenders throughout the country to provide high ratio financing at competitive interest rates for both homeowner and rental properties for qualified borrowers. The Corporation's prudent underwriting standards contribute to the stability of the housing finance market. (See box on Insurance-in-Force In Focus.)

The Operating Environment – Challenges and Opportunities

A STABLE POSITION IN THE MARKET PLACE

As Canada's public mortgage loan insurer serving Canadians in all markets, CMHC's approach to prudent underwriting is consistent in both good and bad economic times. CMHC's long-standing presence

in the marketplace has ensured a stable housing finance system where qualified Canadians in all parts of the country have access to mortgage financing. CMHC continuously improves service to its lender clients and introduces enhancements to its products, policies and practices that respond to changing lender and borrower needs.

(continued on page 18)

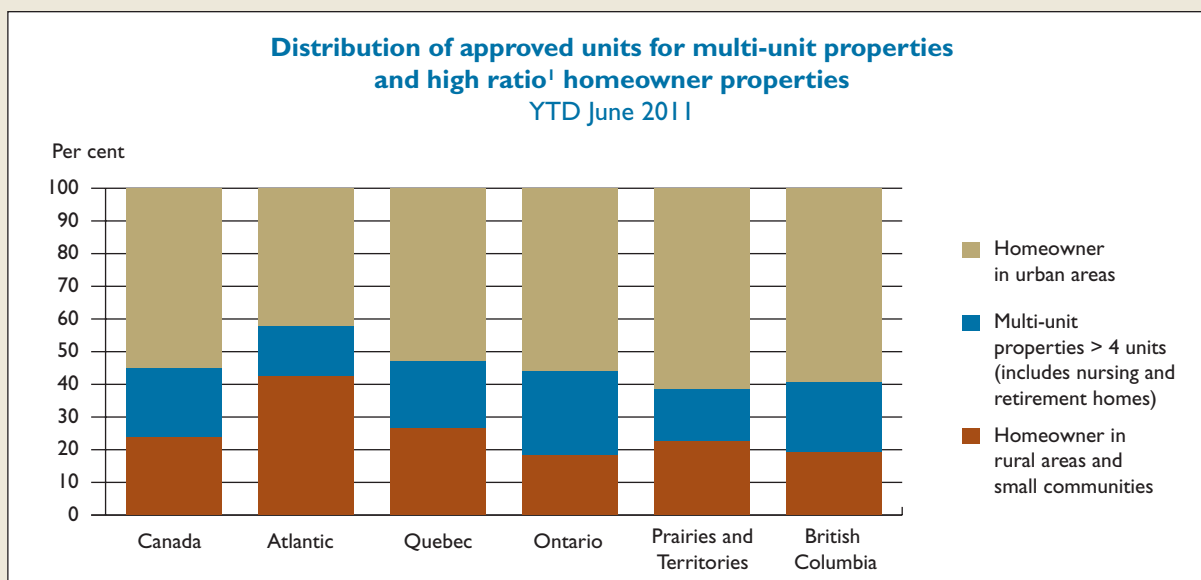
Insurance-in-Force **IN FOCUS**

CMHC manages its insurance business in a financially prudent manner, following Office of the Superintendent of Financial Institutions' (OSFI) guidelines and exceeding minimum capital targets to ensure that its insurance-in-force poses minimal risk to Canadian taxpayers.

INSURANCE-IN-FORCE	2010 Actual	2011			2012 Plan
		Plan	As at June 2011		
			Plan	Actual	
Total (\$B)	\$514	\$533	\$522	\$536	\$557
Homeowner	94%	95%	95%	93%	93%
Multi-unit > 4 units	6%	5%	5%	7%	7%

Serving a public policy mandate

CMHC's public policy mandate to ensure equitable access to low-cost housing finance to qualified Canadians in all parts of the country sets it apart from its private sector competitors. The Corporation provides access to insurance for mortgage loans for all forms of housing, ensuring that gaps in the marketplace left by private sector insurers are addressed. CMHC is the only mortgage loan insurer for large multi-unit properties (including rental housing, nursing and retirement homes) and the primary insurer for housing in rural areas and smaller markets. These markets, less well served or not served at all by private sector insurers, represented approximately 45% of CMHC's total high ratio and rental business at the end of June 2011, up from 44% in 2010.



¹ High ratio loans have loan-to-value (LTV) ratios of greater than 80%.

Average equity in CMHC-insured homes is 45%

Through prudent risk management and responsive products, CMHC has been able to play a key role in the Canadian housing finance system in both good and bad economic times. All applications for mortgage loan insurance are carefully reviewed and assessed for risks by lenders prior to submission, and again by CMHC prior to approval. CMHC's due diligence includes an assessment of borrower, property and market risk factors in order to determine a household's ability and willingness to manage its financial obligations. As shown in the following table, the vast majority of CMHC-insured mortgages currently have loan-to-value ratios of 80% or less based on updated property values.

Distribution of homeowner insurance-in-force by loan-to-value (LTV) ratio	As at June 2011	
	Based on original property value (%)	Based on updated property value (%)
≤ 80%	58	72
> 80.01% ≤ 90%	23	19
> 90.01% ≤ 95%	18	7
> 95.01%	2	2
Average loan-to-value ratio	63%	55%

Amortization period at initiation averages 24.6 years

While borrowers can choose an amortization period of up to 30 years, the average amortization period for all CMHC-insured homeowner loans at initiation is 24.6 years. The average outstanding loan amount per household for all homeowner loans is \$158,894, reflecting the regular amortization of loan balances as well as accelerated payments by borrowers. CMHC analysis shows that a substantial percentage of borrowers are ahead of their scheduled amortization payments. Accelerated payments shorten the overall amortization period, reduce interest costs, increase equity in the home at a faster rate and lower risk over time.

Insurance-in-force	As at June 2011		
	Homeowner	Multi-unit > 4 units	Overall
Average amortization period (years)	24.6	24.1	24.6
Average loan amount per household (\$)	158,894	49,581	138,322

Insuring moderately-priced homes

Year-to-date June 2011, the sale prices of homes with loans insured by CMHC were, on average, almost 33% below the average MLS® sales price. Borrowers were well qualified, with the average household income for CMHC-insured loans YTD June 2011 about 15% higher than the national average.

	YTD June 2011 average sale price (CMHC- insured purchase)	YTD June 2011 MLS® average sale price	% Difference CMHC- insured average sale price and average market price	YTD June 2011 average household income (CMHC- insured purchase)	Average household income (2009 Statistics Canada)	% Difference CMHC average household income vs. market average income
CANADA	\$248,047	\$369,472	(32.9)	\$81,492	\$70,700	15.3
Halifax	\$225,235	\$263,189	(14.4)	\$82,535	\$65,400	26.2
Québec	\$207,886	\$246,350	(15.6)	\$75,511	\$72,000	4.9
Montréal	\$243,200	\$310,125	(21.6)	\$76,023	\$61,700	23.2
Ottawa	\$296,800	\$348,413	(14.8)	\$92,116	\$79,000	16.6
Toronto	\$350,660	\$467,493	(25.0)	\$90,801	\$85,500	6.2
Hamilton	\$268,471	\$335,960	(20.1)	\$86,644	\$80,300	7.9
Winnipeg	\$211,950	\$241,010	(12.1)	\$72,386	\$69,800	3.7
Calgary	\$351,969	\$406,679	(13.5)	\$98,933	\$92,300	7.2
Edmonton	\$310,975	\$325,501	(4.5)	\$93,991	\$78,600	19.6
Vancouver	\$394,596	\$801,883	(50.8)	\$93,093	\$71,600	30.0

Geographic diversification

In serving Canadians in all markets, CMHC's insurance-in-force reflects a geographic diversification that reduces its overall exposure to economic cycles, given that provinces and territories generally have differing economic outlooks.

Distribution of Insurance-in-force by province/territory (%)	As at June 2011		
	Homeowner	Multi-unit > 4 units	Overall
Ontario	42.3	37.6	42.0
British Columbia	16.3	13.7	16.2
Alberta	15.9	11.9	15.6
Quebec	15.5	27.5	16.3
Nova Scotia	2.2	3.1	2.3
Saskatchewan	2.2	1.4	2.1
Manitoba	2.4	2.8	2.4
New Brunswick	1.6	0.9	1.5
Newfoundland	1.1	0.3	1.1
Prince Edward Island	0.2	0.2	0.2
Territories	0.3	0.6	0.3

Average credit score of 723

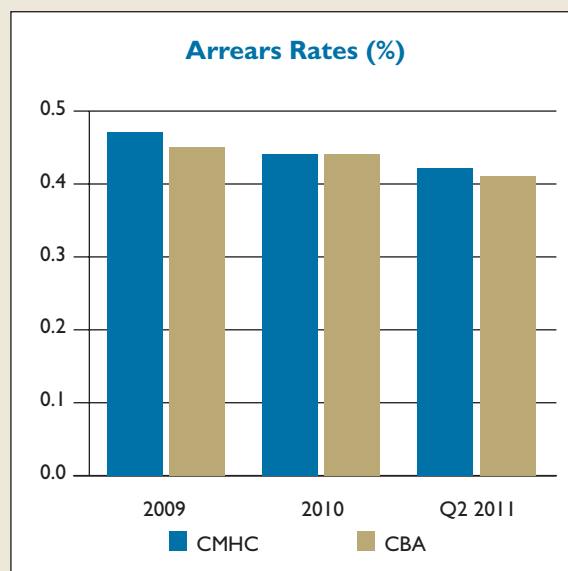
Canadian credit scores generally range between 300 and 900. The higher the score, the more evidence there is that prospective borrowers are managing their financial obligations responsibly, and the more favourably lenders and insurers look upon these borrowers. The vast majority of borrowers with CMHC-insured high ratio homeowner loans have scores above 700, with the average score in CMHC's portfolio being 723 at the end of June 2011.

Credit scores	Distribution of high ratio homeowner insurance-in-force by credit score	Distribution of credit scores for approved high ratio homeowner loans
	As at June 2011	YTD June 2011
No score	1%	0%
= 0 < 600	1%	0%
≥ 600 < 660	10%	8%
≥ 660 < 700	16%	16%
≥ 700	72%	77%
Average credit score	723	735

Low arrears rate of 0.42%

An important indicator of the quality of CMHC's insured portfolio is the arrears rate. The CMHC-insured mortgage arrears rate of 0.42% at the end of June 2011 was in line with the industry trend as reported by the Canadian Bankers Association (CBA) as at May 2011 (0.41%). The arrears rate has remained steady since May 2010.

CMHC calculates the arrears rate as the ratio of all loans that are more than 90 days past due to the number of outstanding insured loans. The ratio includes all arrears, whether or not legal action has been initiated by the lender, and whether or not work-outs have been approved by CMHC. The base represents outstanding insured loans. The CMHC ratio is the same as that used by the CBA for reporting arrears rates at an industry level. Some other published industry measures remove some arrears or use all insured loans, whether currently outstanding or not, as a base. The CMHC arrears rate, while more conservative than these other measures, provides a more meaningful representation of the performance of the business.



Stress testing done annually

CMHC also undertakes annual stress testing of its mortgage insurance business to evaluate how various economic and business scenarios could potentially affect its financial performance and capital levels. In 2011, testing confirmed that, over the planning period, CMHC's mortgage loan insurance business is well positioned to weather severe economic and adverse business scenarios. (Also see Chapter IV The Financial Plan.)

CHANGES IN THE REGULATORY ENVIRONMENT

Changes in the regulatory environment stemming from federal initiatives, as well as from international efforts, affect mortgage loan insurers and lenders operating in Canada.

The *Supporting Vulnerable Seniors and Strengthening Canada's Economy Act* was passed by Parliament on June 26, 2011. It implemented certain provisions of the June 2011 Budget, including the enactment of the *Protection of Residential Mortgage or Hypothecary Insurance Act* and amendments to the *National Housing Act* (NHA), a key piece of legislation governing CMHC.

Amendments to the NHA included the following:

- Regulations on the recommendation of the Minister of Finance to specify criteria for CMHC's Approved Lenders and for loans that CMHC is permitted to insure.
- Provision for the Minister of Finance to charge CMHC fees to compensate the Government for its exposure to risk represented by CMHC's loan insurance.
- Authority for the Minister of Finance to obligate CMHC to provide information directly to the Minister of Finance and to disclose that information to the Superintendent of Financial Institutions, the Governor of the Bank of Canada, the Chairperson of the Canada Deposit Insurance Corporation and the Commissioner of the Financial Consumer Agency of Canada.
- A requirement that CMHC maintain and make available to the public books, records and information on its business and information as determined by the Minister of Finance.

Details on these amendments will be included in regulations that are being finalized by the Department of Finance. These amendments have no impact on mortgage insurance provided by CMHC as they formalize arrangements that are already in place.

In addition, *Mortgage Insurance Business Regulations* and *Mortgage Insurance Disclosure Regulations*, which came into effect July 2010 and January 2011 respectively, are intended to guard against undesirable business practices that were emerging in other countries and to increase transparency in the industry.

Global efforts to increase oversight of financial institutions are also underway. For example, reforms are being studied by the Financial Stability Board (FSB) of the Group of Twenty Finance Ministers and Central Bank Governors (G20). One of the key recommendations is for member countries to collect and publicly disclose comprehensive information on residential mortgage lending activities (e.g., value of residential mortgages, loans by loan-to-value ratios, mortgage terms, etc.). CMHC will publish, as part of its annual *Canadian Housing Observer*, data on the Canadian mortgage market along these lines.

CMHC will continue to undertake research into the impact of regulatory reforms both in Canada and elsewhere, monitor proposals and provide information and analysis as required.

Core Activities

- Offer homeowner and rental mortgage loan insurance products to lenders in all parts of the country, including in areas or markets not served or well served by private mortgage loan insurers.
- Introduce new and enhanced products, policies and operations including loan servicing and default management practices to better serve Canadian borrowers and lenders.
- Maintain and strengthen relationships with lenders through key account management and related initiatives.
- Enhance the comprehensive quality assurance system that monitors the performance of individual lenders.

Key Initiatives for 2012

- 2.1.1 Continue to research and monitor housing models in other countries (for example, housing finance system reforms in Australia, in the U.S. and elsewhere).
- 2.1.2 Continue to enhance public disclosure of CMHC's insurance business performance.
- 2.1.3 Explore changes in international approaches and best practices in mortgage insurance, including new regulations.

PERFORMANCE MEASURES	2010 Actual	2011			2012 Plan
		Plan	Mid-year		
			Plan	Actual	
Total insured volumes (units)	643,991	706,664	342,452	274,080	550,335
Total insured volumes (\$M)	106,095	120,826	57,515	43,469	94,501
Per cent of the total of rental and high ratio homeowner units approved to address less-served markets and/or to support specific government priorities	43.9	33.0	33.0	44.9	33.0
Operating expense ratio (per cent)	10.7	11.2	11.1	11.4	11.6
EXPECTED OUTCOMES (SEE ANNEX I FOR INDICATORS)					
Immediate Lenders are protected from losses due to borrower default and are able to provide mortgage financing and provide it at competitive rates because of CMHC mortgage loan insurance. Canadians across the country not served or under-served by private mortgage loan insurers can better access housing of choice. Portfolio insurance (low ratio loans) increases the efficiency of capital management for all lenders and enhances the competitiveness of smaller lenders. In combination with securitization, it also increases the availability of mortgage funding in Canada.	Intermediate A healthy housing market which includes new construction as well as renovation activity contributes to job creation and economic growth. The provision of insurance for rental housing and condominium construction promotes affordable housing and supports tenure options.		Long-term Canadians who choose homeownership can increase their financial security. Rental housing is supported, increasing the percentage of Canadians able to provide for their own housing needs without any government assistance.		

Volumes at the end of the second quarter were influenced by housing market activity and a decline in CMHC's market share. In particular, changes in mortgage lending rules announced during the first quarter of 2011 reduced the size of the high ratio

homeowner mortgage insurance market. As a result, total insured volumes and units were 20% below plan and are anticipated to remain lower than planned for the remainder of 2011.

Strategic Priority 2.2

Ensure an adequate supply of low-cost funds for mortgage lending through mortgage securitization

STRATEGIC FOCUS

CMHC's securitization guarantee programs contribute to a strong and stable housing finance system by ensuring that lenders and, in turn, borrowers have access to low-cost funds for residential mortgages. Smaller lenders, in particular, benefit from these programs, leading to increased competition in the mortgage lending market.

CMHC's programs guarantee the timely payment of interest and principal of *National Housing Act* Mortgage-Backed Securities (NHA MBS) issued by financial institutions and of Canada Mortgage Bonds (CMB) issued by the Canada Housing Trust (CHT). These activities are commercial in nature and do not receive Parliamentary appropriations.

Under the NHA MBS program, Approved Issuers pool insured residential mortgages in order to issue securities as a source of funds and to manage their capital. These securities provide investors with opportunities to hold high-quality, secure investments backed by Canadian residential mortgages. This enhances the efficiency of and increases competition in the mortgage market which contributes to lower funding costs for mortgages. The CHT sells CMBs to domestic and global investors and uses the proceeds to purchase NHA MBS which further enhances the supply of low-cost mortgage funds for Canadians.

The Operating Environment – Challenges and Opportunities

MAINTAINING DIVERSIFIED LENDER FUNDING PLATFORMS AND ENHANCING COMPETITION

CMHC's NHA MBS and CMB programs are important pillars of the diversified funding platforms of Canadian lenders. The programs' reliable low-cost funding framework is especially beneficial to smaller mortgage lenders and new entrants in mortgage financing who lack

the scale of their larger counterparts but who, through CMHC's securitization programs, can access residential mortgage funding. Canadians who seek mortgage financing benefit through enhanced competition in the mortgage market.

In order to ensure these programs remain successful in enabling lenders to satisfy Canadians' mortgage financing needs and to respond to emerging issues, the Corporation, in consultation with the lending and investment industry, continuously examines possible enhancements to its products, policies and operations. Enhancements to improve the ability of smaller lenders to access CMHC's securitization programs are an ongoing focus.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under International Financial Reporting Standards (IFRS), de-recognition of securitized mortgages is harder to obtain and mortgage lenders were required to retain most securitized mortgages on their balance sheets starting in 2011. The Office of the Superintendent of Financial Institutions (OSFI) advisory bulletin on conversion to IFRS by federally-regulated financial institutions indicated that, after March 31, 2010, securitized assets will be included in the capital ratios of regulated financial institutions if mortgages under CMHC's securitization programs do not obtain de-recognition under IFRS.

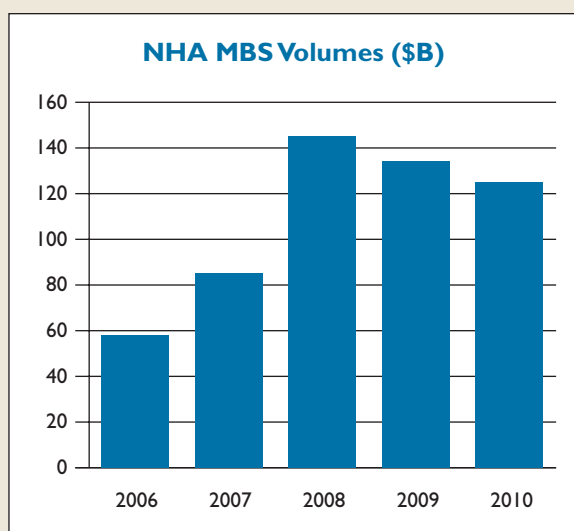
(continued on page 24)

Securitization **IN FOCUS**

Providing a reliable low-cost funding framework for lenders

Since the introduction of CMHC's securitization guarantee programs, approximately \$800 billion in insured residential mortgages have been securitized. Of this total, approximately 42% (\$341 billion) is in the form of market NHA MBS issued by Approved Issuers for sale to investors (outside of CMB) and/or used for balance sheet management or collateral for liquidity facilities/programs. The balance is largely NHA MBS under the CMB program. This demonstrates the importance of the NHA MBS program in providing a robust framework for Approved Issuers to transform illiquid mortgage loan assets into high quality secure investments. Similarly, the CMB program plays a crucial role in further enhancing the supply of low-cost mortgage funding for program participants, particularly small institutions.

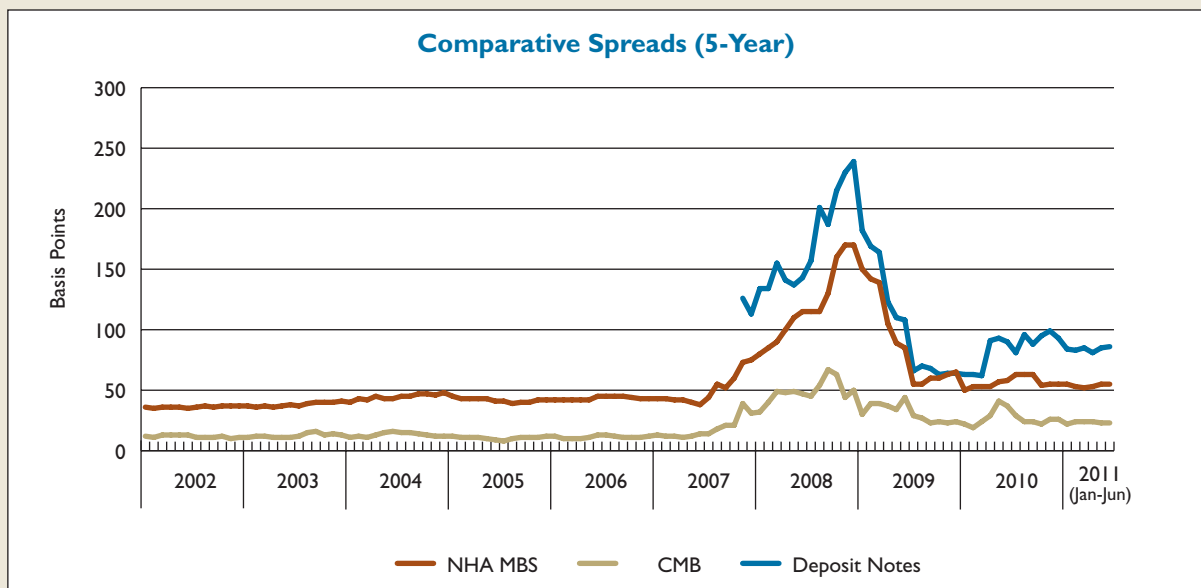
The following shows volumes from 2006 to 2010.



Source: CMHC

In 2010, excluding IMPP, approximately one quarter of outstanding mortgages were securitized under CMHC's securitization programs. The remaining three quarters were funded by lenders through other means.

The reliability and cost-effectiveness of CMHC's securitization programs were clearly demonstrated during the global financial crisis which occurred between the fall of 2007 and the spring of 2010. This is reflected in the volume of insured residential mortgages securitized and the relative spread differential between these programs and the major wholesale funding source of large financial institutions compared to the Government of Canada five-year yield.

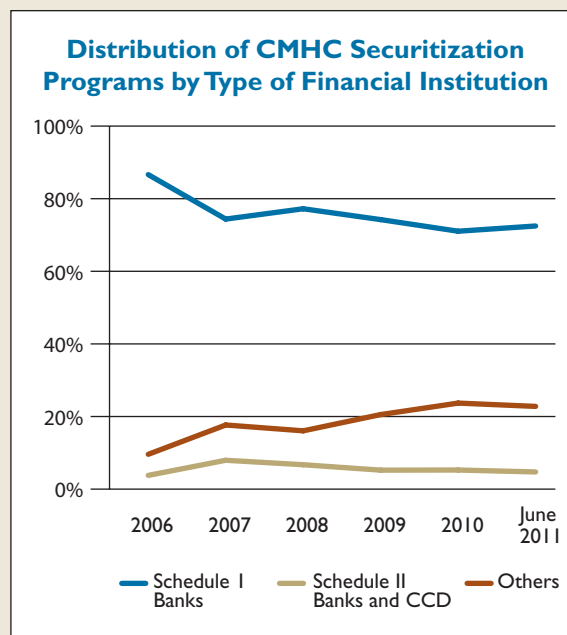


Source: CMHC, CIBC World Markets, Scotia Capital Markets

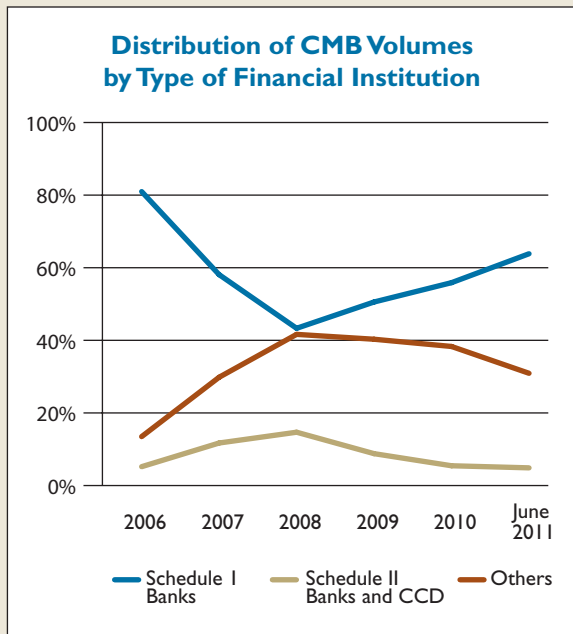
Support for smaller lenders and competition in the mortgage market

Smaller lenders are important in maintaining a competitive Canadian mortgage market as they compete with the established larger lenders. During the recent global financial crisis, smaller lenders found it more difficult to access liquidity and funding. CMHC's securitization programs in general, and the CMB program in particular, played an important role in supporting smaller lenders during those challenging times.

Prior to the global financial crisis, smaller lenders accounted for approximately 10% of insured residential mortgages securitized through CMHC's securitization programs. With the increase in the number of smaller lenders who sought access to CMHC's programs, the participation rate increased from 10% to approximately 23% as at June 2011. Under the CMB program, the increase in the



participation of smaller lenders is even more pronounced, moving from 14% in 2006 to 31% as at June 2011.



The reliability and the volume of funding that CMHC's securitization programs provide to smaller lenders ensure that they continue to play an important role in maintaining the competitiveness of the Canadian residential mortgage market.

Meeting the mortgage needs of Canadians

CMHC has responded to the wider range of mortgage choices sought by Canadians through the introduction of NHA MBS pool types that allowed lenders to securitize new mortgage products. Expanding CMB terms and offerings to include 10-year and Floating Rate Notes also facilitated cost-effective funding to support a wider range of term structures enabling mortgage lenders to address current and emerging mortgage choices of Canadians.

Prudent risk management

Since the inception of CMHC's securitization programs, there has never been a loss under these programs. They fulfill CMHC's objective of enhancing the supply of reliable low-cost funding for mortgage lending in Canada and the competitiveness of the mortgage industry.

Risk exposures under the timely payment guarantee are managed through robust risk mitigating practices including stringent approval criteria for program participants. Moreover, the commercial nature of CMHC's securitization programs means that they contribute to CMHC's net income and, as such, help reduce the Government's annual deficit.

NEW RULES UNDER BASEL COMMITTEE ON BANKING SUPERVISION (BCBS) AND OTHER REGULATORY REFORMS

CMHC will also assess the impact on its securitization activities of the new rules under Basel III which sets out the framework for higher quality capital and risk coverage. The Canadian Securities Administrators (CSA) has released two consultation papers that may impact Canadian lenders. The first is on standardized over-the-counter derivatives that will be traded on exchanges and cleared through central counterparties by 2012. The second is on enhanced transparency and disclosure requirements for securitized products. CMHC will continue to assess these and other regulatory reform proposals.

Core Activities

- Provide guarantees for NHA MBS issued by Approved Issuers.
- Provide guarantees for Canada Mortgage Bonds (CMB) issued by the CHT.
- Continue to develop securitization programs and recommendations to respond to changing industry needs.

Key Initiatives for 2012

- 2.2.1 Promote and develop the NHA MBS market.
- 2.2.2 Undertake a comprehensive review of the guarantee fee structure of the NHA MBS and CMB programs.
- 2.2.3 Continue to improve the risk management framework of the NHA MBS and CMB programs.

PERFORMANCE MEASURES	2010 Actual	2011			2012 Plan
		Plan	Mid-year		
			Plan	Actual	
Annual securities guaranteed (\$M)	95,069	52,000	21,667	43,145	64,000
■ Market NHA MBS	47,484	20,000	8,333	21,145	24,000
■ CMB	39,380	32,000	13,333	22,000	40,000
■ NHA MBS for IMPP	8,205	N/A	N/A	N/A	N/A
Operating expense ratio (per cent)	4.1	<9.0	<9.0	4.6	<9.0
Per cent of residential mortgages securitized	27	21	21	26.5	21
EXPECTED OUTCOMES (SEE ANNEX I FOR INDICATORS)					
Immediate		Intermediate to long-term			
Increased integration of mortgage market lending with capital market lending leads to greater efficiency and lower costs for lenders.		Financial institutions, in particular smaller lenders, have access to robust wholesale housing finance choices.			
Enhanced competitive position of small lenders in the mortgage market.		A stable and resilient Canadian housing finance system.			
Canadians continue to be able to access low-cost financing for their homes.					

Strategic Priority 2.3

Provide comprehensive, timely and relevant market analysis information

STRATEGIC FOCUS

As part of its mandate pursuant to the *National Housing Act*, CMHC undertakes market analysis that contributes to more efficient and stable housing markets. More informed housing decisions on the part of individual Canadians and industry members lead to increased market efficiency. Given the highly fragmented nature of the housing sector, CMHC is often seen as one of the central sources of objective market analysis.

The Operating Environment – Challenges and Opportunities

IMPROVING ACCESS TO CMHC MARKET ANALYSIS INFORMATION

Annually, CMHC distributes over one million copies of its market analysis, research and information products through a number of channels, including its website. These serve the needs of a diverse audience including both private and public sector users, often geographically dispersed, who have a variety of information needs. In response to demand for greater flexibility to customize housing data, users of CMHC information will see improvements in their ability to retrieve and customize statistical data and other information products on CMHC's website over the planning period.

CONTINUING CONCERN OVER HOUSE PRICE BUBBLES

There are continuing concerns about house price bubbles or an over-valuation of properties in certain markets.

The key characteristic of a bubble forming is an environment where house prices exceed levels that would be reflected by underlying demographic,

economic and financial factors (migration, income, interest rates, wealth, etc.) and when the rate of growth in house prices is accelerating faster than other prices.

In consultation with the Bank of Canada and the Department of Finance, CMHC is continuing to refine models and techniques to evaluate house prices relative to long-term underlying fundamental factors and to identify risks of bubbles. These models and techniques will assist in developing thresholds that point to house price bubbles, enable the forecasting of significant price corrections, the identification of speculative activity and the determination of excessive price growth. CMHC will continue to monitor the house price situation at national, provincial and local levels.

LEVELS OF HOUSEHOLD DEBT

The aggregate debt-to-income ratio for Canadian households is also being monitored by the Bank of Canada. Concerns have been expressed about the impact of household debt levels on housing markets and sustained economic recovery. CMHC has a role to play in monitoring indicators of financial health and in assisting the Bank of Canada in better understanding the financial vulnerability of households.

Core Activities

- Undertake housing market analysis, provide forecasts and hold yearly Housing Outlook Conferences.
- Undertake regular analysis and forecasts of housing at local, provincial/territorial and national levels as well as customized research for external clients.
- Conduct housing market surveys covering new construction, primary and secondary rental markets, seniors housing and renovation activity.

Key Initiatives for 2012

- 2.3.1 Explore the feasibility of incorporating house price modelling and analysis into regular, ongoing market analysis activities.
- 2.3.2 Continue to monitor indicators of Canadian household financial health and undertake research on financially vulnerable households.

PERFORMANCE MEASURES	2010 Actual	2011			2012 Plan
		Plan	Mid-year		
			Plan	Actual	
Per cent of subscribers to market analysis publications who found them useful	92	93	N/A	N/A ¹	93
Per cent of attendees at Housing Outlook Conferences who found them useful	99.7	95	95	99.5 ²	95
Forecast accuracy of housing starts (per cent)	-13.2	Within 10% of actual	N/A	N/A ¹	Within 10% of actual
Ranking of housing starts forecast accuracy among forecasters	7th among 17	Rank within top quartile	N/A	N/A ¹	Rank within top quartile
¹ Performance is measured after year-end. ² Based on results from two regions.					
EXPECTED OUTCOMES (SEE ANNEX I FOR INDICATORS)					
Immediate to intermediate Consumers, the housing industry, stakeholders and policy makers have access to timely and relevant information on housing markets.		Intermediate to long-term The housing market is more efficient and stable as a result of more effective matching of supply and demand. Consumers and the housing industry are aware of, and adopt, best practices.			

■ OBJECTIVE 3: ENSURE THE CANADIAN HOUSING SYSTEM REMAINS ONE OF THE BEST IN THE WORLD

Under this objective, CMHC pursues two strategic priorities: research and information transfer activities and the promotion of the housing industry abroad to enhance market efficiency.

Strategic Priority 3.1

Undertake comprehensive, timely and relevant research and information transfer activities to enable Canadian consumers and the housing sector to make informed decisions

STRATEGIC FOCUS

As part of its mandate pursuant to the *National Housing Act*, CMHC undertakes research and information transfer activities that contribute to more efficient and stable housing markets and to more affordable, better quality housing for Canadians. Given the highly fragmented nature of the housing sector, CMHC is seen as one of the central sources of objective research and information which fulfills a unique role in ensuring a comprehensive outlook on key housing issues of public concern. More informed housing decisions on the part of individual Canadians and industry members, and wider adoption of best practices lead to increased market efficiency.

The construction and ongoing maintenance of housing and community infrastructure have impacts on the environment. CMHC has assumed a leading role in advancing sustainable housing and communities by researching and disseminating best practices to industry and consumers, as well as promoting Canada's sustainable technologies and products globally (see strategic priority 3.2). Adoption of these practices will lead to healthier living environments and contribute to lowering greenhouse gas emissions.

The Operating Environment – Challenges and Opportunities

A BETTER UNDERSTANDING OF HOUSING NEED

A better understanding of housing need – characteristics of households experiencing core housing need – informs decision-makers at all levels of government. Estimates of core housing need rates based on the 2006 Census¹ indicated that the

incidence fell to 12.7% from 13.7% in 2001. Although experiencing a decline in their respective core need incidences between 2001 and 2006, renters, lone parents, non-family households, Aboriginal peoples and seniors continue to have a higher incidence of core housing need than Canadian households overall. Recent immigrants also experience a higher incidence of core housing need.

¹ Future estimates of core housing need will be based on Statistics Canada National Household Survey.

CMHC also studies the dynamics of core housing need through Statistics Canada's annual Survey of Labour and Income Dynamics (SLID). The dynamics of core housing need – the length of time individuals stayed in core housing need – were analyzed over the 2002-2004 and 2005-2007 periods. These estimates revealed that only one quarter to one third of Canadians who were in an urban household in core need at any time during these periods lived persistently (all three years) in a household in core housing need, while the remaining two thirds to three quarters did so occasionally (one to two years). SLID cross-sectional estimates also showed that the incidence of Canadian urban households in core housing need between 2002 and 2007 fell from 13.9% to 12.4%.

CMHC will continue to collaborate with Statistics Canada on acquiring data to support the Corporation's analysis of housing need and provide related information products for public policy makers.

THE AGING POPULATION

Statistics Canada projects that by 2036 nearly one quarter of the Canadian population will be seniors. Surveys have shown that many Canadians intend to remain in their homes for as long as possible, even if there are changes in their health. This will likely increase the demand for home adaptations to enable aging in place.

CMHC will undertake research on the impacts of this trend on housing, including the role played by private rental developers and by supportive services.

ABORIGINAL HOUSING NEEDS

CMHC undertakes research and information transfer activities aimed at developing cost-effective housing for northern and remote communities whose populations are predominately Aboriginal people. The harsh climatic conditions, sensitive natural environments and the unique cultural heritage of indigenous peoples represent important considerations for housing in these communities.

FINANCIAL LITERACY

The Task Force on Financial Literacy released its report to the federal government recommending a national strategy to strengthen Canadians' financial literacy. CMHC will support this and other government-led financial literacy initiatives and will continue to disseminate housing market research and other educational materials aimed at improving consumers' knowledge of the mortgage market. Improved financial literacy may reduce the likelihood of households making poor decisions that could lead to unmanageable indebtedness. Through its work with lenders, brokers and realtors, CMHC is well-positioned to promote financial literacy in housing finance.

BUILDING INDUSTRY CAPACITY AND ADVANCING CONSUMER AWARENESS OF SUSTAINABLE PRACTICES

While there is a range of environmentally-friendly building practices and technologies, integrating these into sustainable housing and communities in an optimal manner is a challenge faced by home builders and developers. In addition, a scarcity of reliable information and experience on how sustainable features and technologies actually perform contributes to a climate of uncertainty for both builders and consumers and can impede the introduction, acceptance and take-up of more sustainable housing and community approaches and products.

CMHC is addressing these challenges by undertaking research and information transfer activities aimed at meeting the needs of consumers and the housing industry. These needs range from modest approaches to retrofitting existing housing and improving the energy-efficiency of homes built under current code requirements to more advanced approaches, such as those showcased through CMHC's *Equilibrium*TM demonstration initiatives. During the planning period, CMHC's *Research Highlights*, *About Your House* fact sheets and other publications will continue to address all facets of the sustainability continuum.

CMHC's EQUilibrium™ Communities Initiative, a joint project with NRCan, is supporting innovative neighbourhood demonstration projects. Funding is provided for research, feasibility studies, and design costs to improve the performance of projects that are planned or underway, and for monitoring and sharing of information on projects that are built. Four projects have been announced to date.

IMPROVING THE SUSTAINABILITY OF THE EXISTING HOUSING STOCK

Multi-unit residential buildings represent approximately 27% of Canada's housing stock. The 2006 Census indicated that two thirds of these buildings were at least 30 years old and a quarter was at least 50 years old. Many of these buildings are not energy efficient and would require a significant financial investment to improve their efficiency. CMHC continues to support research that can lead to a better understanding of the costs and benefits of integrating energy-efficient features and practices in new and existing multi-unit residential buildings.

Going forward, CMHC will also continue to update as well as research, develop and disseminate new "how to" and best practice information that can be used by the residential building and development

industry to improve the performance of housing and communities. Opportunities to develop consumer publications to better inform Canadians of the benefits of more sustainable forms of housing and communities will also be explored.

Core Activities

- Undertake research and information transfer on housing needs, sustainable housing and communities, and other aspects of housing.
- Disseminate research findings through publications, CMHC's website, at workshops and seminars and other outreach activities.
- Help build industry capacity and consumer awareness and acceptance of sustainable housing technologies.
- Offer CMHC mortgage loan insurance products that promote sustainable housing decisions.
- In collaboration with industry members, help develop residential energy efficiency requirements for the National Building Code and support Natural Resources Canada with its work on its EnerGuide® residential energy rating system and R-2000® program.

Key Initiatives for 2012

- 3.1.1 Research the housing needs of the aging population, including those on fixed incomes, and explore potential solutions that may include supportive services that enable aging in place.
- 3.1.2 Research measures/explore options to improve housing design and delivery, as well as to encourage market housing growth (both homeownership and rental) in the North.
- 3.1.3 Support Government of Canada initiatives to improve the financial literacy of Canadians, specifically in the area of housing finance.
- 3.1.4 Provide increased practical information to builders, developers and consumers in order to advance sustainable housing and communities and increase building performance.

PERFORMANCE MEASURES	2010 Actual	2011			2012 Plan
		Plan	Mid-year		
			Plan	Actual	
Per cent of attendees at information transfer seminars who found them useful	95	90	90	90	90
Per cent of recipients of newly published <i>Research Highlights</i> who found them useful	72	70	70	71	70
Per cent of recipients of newly published <i>About Your House</i> fact sheets who found them useful	87	80	80	N/A	80
EXPECTED OUTCOMES (SEE ANNEX I FOR INDICATORS)					
Immediate Consumers, the housing industry, stakeholders and policy makers have access to timely and relevant information on housing.	Intermediate Consumers and the housing industry are aware of and adopt best practices. Governments and other organizations have information to better assess policy options related to housing for Canadians in need. Governments and First Nations have information to better assess policy options related to housing for First Nation members.		Long-term Greenhouse gas emissions attributable to the residential sector are reduced through improved performance of new and existing homes. New and existing communities become more sustainable through adoption of sustainable practices, intensification of existing neighbourhoods and brownfield re-development.		

Strategic Priority 3.2

Support and promote Canada's world-class housing products, services and system internationally

STRATEGIC FOCUS

Canada's housing system, products and services are among the best in the world. Together, they can offer solutions for a range of housing needs in many markets abroad. CMHC represents Canada on housing matters internationally and promotes the export of Canadian housing technologies, products and services thereby strengthening the Canadian housing industry and helping to generate economic growth and jobs in Canada.

The Operating Environment – Challenges and Opportunities

EXPLORING NEW MARKETS

Economic uncertainty will continue to pervade in a number of key export markets. The expected ongoing strength of the Canadian dollar, combined with the soft economic recovery, will necessitate focused efforts to continue to achieve good sales results in the United States. Brazil, Russia, India and China are collectively emerging as a new global economic force. China, in particular, represents increasingly promising markets for Canadian housing products as its economic growth and massive urbanization lead to escalating demand for new housing.

CONTINUED DEMAND FOR GREEN TECHNOLOGY AND PRODUCTS

Canada's housing system and technologies remain in demand around the world because of their durability, cost-effectiveness and energy efficiency.

CMHC and its export clients are capitalizing on the demand for green products in the U.S. where interest and government policy initiatives continue to focus on

energy efficiency. The demand for products, notably energy-efficient products, for the upper tiers of the U.S. housing market will continue to represent an important market for CMHC.

CMHC will continue to offer its training program on sustainable community planning in international markets where there is an interest in gaining a better understanding of Canadian approaches and best practices.

SHARING CANADA'S KNOW-HOW

CMHC will continue to share Canada's proven practices and standards, particularly with countries that have shown an interest in improving energy efficiency or in capitalizing on the cost-effectiveness of Canadian construction techniques as a means to deliver affordable housing. CMHC also works with housing exporters to inform them of new standards in target markets. This often causes Canadian companies to improve their products and processes to meet increasingly higher international standards.

Core Activities

- Promote housing exports by working closely with 150 to 200 key housing export clients. Activities include organizing trade missions, matchmaking, training, providing regulatory advice, and undertaking research and market analysis.
- Represent the Government of Canada on housing matters internationally and thereby contributing to increased awareness and knowledge of Canada's housing system.
- Establish and maintain relationships with countries and agencies interested in exchanging information and cooperating with Canada on housing matters.

Key Initiatives for 2012

- 3.2.1 Continue to explore opportunities in emerging and niche markets to promote Canadian housing exports, especially green and energy-efficient products, technologies and expertise.

PERFORMANCE MEASURES	2010 Actual	2011			2012 Plan
		Plan	Mid-year		
			Plan	Actual	
Overall satisfaction rate of key housing export clients (per cent)	83.5	85	N/A	N/A ¹	85
Value of CMHC-facilitated sales reported by key housing export clients (\$M)	103.3	120	60	83	120
¹ Available after year-end.					
EXPECTED OUTCOMES (SEE ANNEX I FOR INDICATORS)					
Immediate The capacity of the Canadian housing industry to export is strengthened and the image of Canadian housing technology is enhanced.		Long-term Increase in Canadian housing exports contributes to economic growth and job creation in Canada.			

To remain a strong organization that is able to fulfil its mandate, CMHC draws on sound corporate governance, financial and risk management practices, progressive human resources policies and practices, efficient, reliable and secure information technology systems, and effective communications and corporate marketing services. Information on CMHC's directions in these areas is provided below.

■ CORPORATE GOVERNANCE AND ORGANIZATIONAL STRUCTURE

The legislative framework governing CMHC primarily consists of the *Canada Mortgage and Housing Corporation Act* (CMHC Act), the *National Housing Act* (NHA) and the *Financial Administration Act* (FAA). CMHC reports to the Parliament of Canada through the Minister of Human Resources and Skills Development who has been designated as the Minister for the purposes of the CMHC Act and the NHA.

CMHC's Board of Directors

CMHC is governed by a Board of Directors which is comprised of the Chairperson, the President and Chief Executive Officer and eight other directors. The Chairperson and the President and Chief Executive Officer are appointed by the Governor in Council. The eight other directors are appointed by the Minister with Governor in Council approval. With the exception of the President and Chief Executive Officer, all members of the Board are independent of CMHC Management.

The Board meets a minimum of five times a year. At least two of its meetings are held outside the National Capital Region to provide Board members the opportunity to discuss housing conditions with local stakeholders. CMHC's Annual Public Meeting (APM) held in conjunction with one of the Board meetings represents an opportunity for Canadians to learn more about CMHC and to provide input and feedback. In 2011, CMHC held its APM in Victoria, British Columbia. The event included presentations on CMHC's objectives and initiatives as well as programs and services, followed by a question-and-answer period.

In overseeing the Corporation's directions, the Board of Directors is supported by the Governance and Nominating Committee, the Audit Committee and the Human Resources Committee (see Glossary for additional information on committees). These committees provide advice to the Board on matters

pertaining to their respective areas of expertise and on matters that come before them for consideration. Their terms of reference are posted on CMHC's website www.cmhc.ca and are reviewed regularly by the Board to ensure they remain relevant.

The CMHC Pension Fund, established by the Board of Directors pursuant to the *CMHC Act*, is managed and administered by Trustees through a Trust Agreement. The Trustees are responsible for setting investment objectives and policies, periodically reviewing strategic asset allocations and monitoring investment results. The Board receives regular updates on Trustee meetings as well as an annual report on the Pension Fund's investment activities.

Corporate planning and reporting

At the planning session in March 2011, the Board reviewed global and national trends to assess their possible impacts on Government housing priorities and on CMHC operations. It reaffirmed the continued relevance of the Corporation's three objectives and seven strategic priorities which encompass CMHC's

assisted housing, housing finance, research and information transfer and international activities. The Board reviews performance reports, quarterly financial and risk management reports and semi-annual enterprise risk management reports. Under the new provisions of the FAA, CMHC also provides public quarterly financial reports.

Assessing Board performance

In addition to the role that the Governance and Nominating Committee plays in ensuring Board renewal, the Board conducts regular assessments of its performance and effectiveness to ensure best governance practices and continuous improvement. Two types of assessments are conducted on alternate years. The first is undertaken by an external consultant to examine the effectiveness of the Board in comparison to corporate governance elsewhere in the public sector, and the second involves Board members assessing and providing feedback on each other's contributions. The peer self-assessment was initiated in 2011.

Taking into account Government directions, the Board of Directors' planning session sets strategic priorities for the five-year Corporate Plan.

The Corporate Plan is approved by the Government of Canada and a Summary of the Corporate Plan is tabled in Parliament.

Quarterly monitoring of performance and financial risks; Quarterly Public Financial Reports; periodic Special Examinations; semi-annual Enterprise Risk Management assessments are conducted.

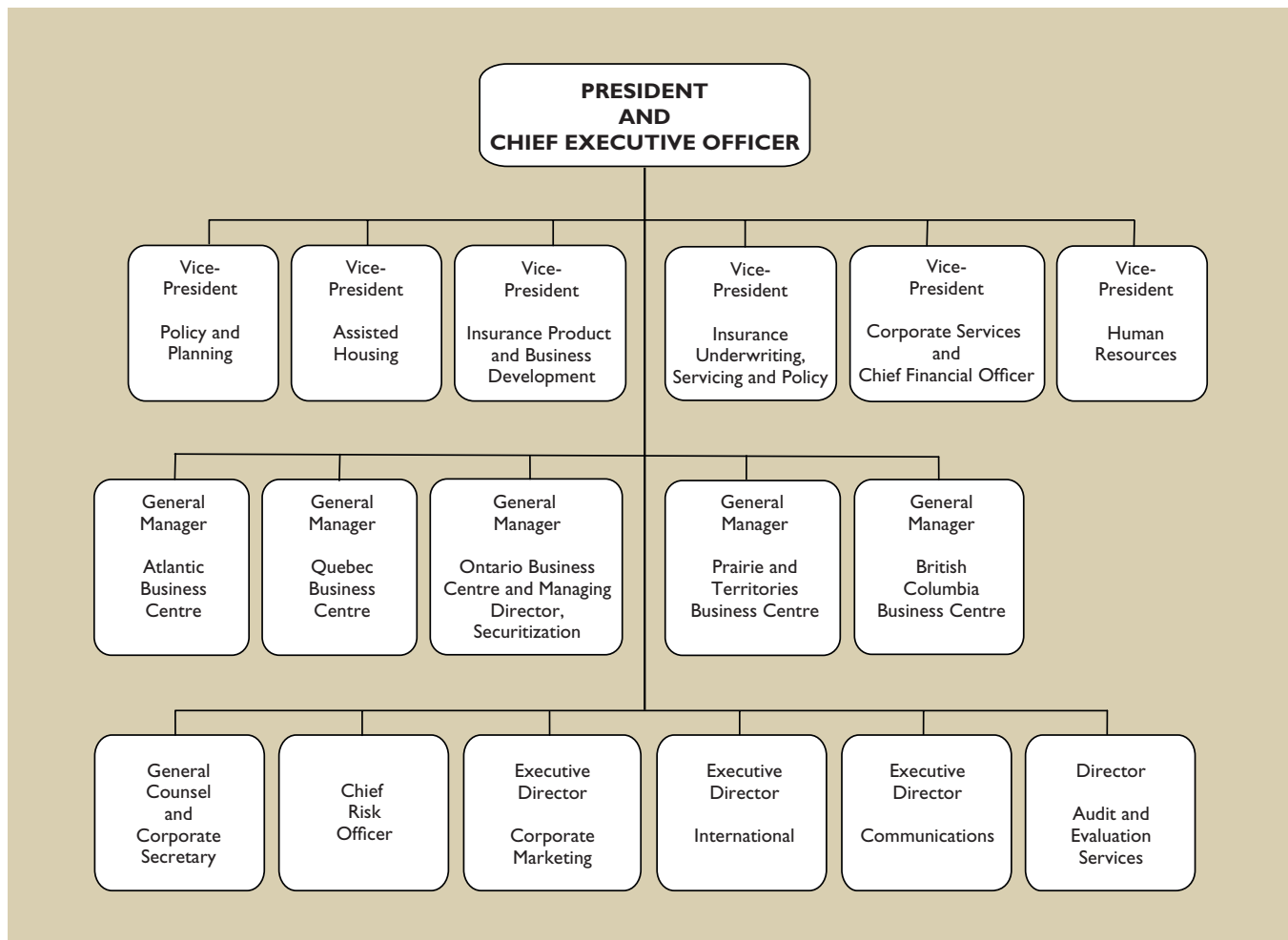
The Annual Report is submitted to the Minister and tabled in Parliament. It reports on annual achievements against the Corporate Plan priorities.

Corporate Structure

CMHC Management is comprised of the President and Chief Executive Officer, the heads of business areas and support functions, and regional business centre General Managers.

The Corporation has a workforce of approximately 2,000 employees. Its national office is located in Ottawa and regional business centres are located in Halifax, Montréal, Toronto, Calgary and Vancouver. CMHC employees serve as points of contact in several other smaller and rural communities.

CMHC provides management, advisory and other services to the Canada Housing Trust (CHT), the First Nations Market Housing Fund (FNMHF) and the Government of Canada with respect to Granville Island. (See Glossary for additional information on the CHT, the FNMHF and Granville Island.) Of these three entities, only the financial results of the CHT are consolidated with CMHC's.



■ ENTERPRISE RISK MANAGEMENT (ERM)

Risk management is an integral part of CMHC’s strategic and operational decision-making. CMHC is exposed to a variety of risks in its operating environment that could impact the achievement of its objectives and the ability to respond adequately to expected and unanticipated change is critical to the organization’s success. Within this context, CMHC has an Enterprise Risk Management (ERM) framework which helps to guide the organization in its risk management activities. The framework establishes a governance structure, specifies the Corporation’s risk appetite, and defines, assesses and categorizes risks exposures.

The Board of Directors oversees the overall risk management activities at CMHC including the ERM Framework and establishes acceptable risk parameters

through a Risk Appetite Statement. All members of Management provide regular risk assessments to the Board and the Audit Committee, and operational units continuously monitor risks and implement risk mitigation strategies. The risk management responsibilities are an important part of the performance objectives of all executives and those who report to them.

Internal and external risks are continually assessed through the Enterprise Risk Management framework which groups risks under three broad categories: strategic, operational and financial risks.

Multiple processes, activities and policies are in place to ensure that risk identification and mitigation strategies are an integral part of the corporate planning and regular performance reporting processes.



■ HUMAN RESOURCES

CMHC relies on its workforce to be successful and strives to be at the forefront of human resources practices to ensure that employees remain highly engaged and that an appealing and inclusive workplace environment is maintained.

The main issues for consideration in the upcoming planning period are the aging workforce and the increasing number of employees eligible for retirement. Focus will be directed towards strategies and initiatives aimed at attracting and retaining a pool of talented employees with diverse backgrounds and to ensure succession planning for critical and vulnerable positions.

The Corporation has recruitment and retention strategies to develop leadership at all levels to ensure the effective renewal of its workforce. More specifically,

strategies will focus on the engagement, development, and retention of mid- to late-career workers, as well as on the successful entry of less-experienced workers. The strategies also aim to enhance organizational effectiveness and corporate culture by providing training and tools for managing multi-generational teams, and exploring the use of technology-based tools that are conducive to collaboration and information sharing.

As a federal Crown corporation, CMHC will maintain its commitment to broader government objectives in areas such as official languages, employment equity, multiculturalism, ethics and codes of conduct, and integrate them into CMHC's day-to-day operations as the Corporation seeks to serve the public interest, achieve business excellence and build a workplace community.

Key Initiatives for 2012

CMHC will implement specific strategies to:

- continue to address the challenges associated with retirements through succession planning;
- build leadership at all levels of the Corporation through the provision of leadership training and assessment tools for employees;
- enable employees to effectively prepare for career opportunities by developing career path models and self-assessment tools;
- continue to strengthen performance planning and evaluation processes;
- build capacity and support managers through tools and training on managing a diverse, multi-generational and bilingual workforce;
- enhance CMHC tools for the assessment, recruitment and onboarding of new employees; and
- reinforce the accessibility and inclusiveness of the workforce to support the recruitment and retention of persons with disabilities.

PERFORMANCE MEASURES	2010 Actual	2011			2012 Plan
		Plan	Mid-year		
			Plan	Actual	
Retention of regular employees recruited 3 to 5 years ago (per cent)	96	93	93	96.9	93
Overall level of employee engagement (per cent)	95	90	90	95	90
Critical and vulnerable positions with succession plans underway (per cent)	100	100	75	86	100
Employees with development plans in place in CMHC's online performance management system (per cent)	96	90	90	97	90
Employees in bilingual positions meeting language requirements (per cent)	91	90	90	89	90
Representation rates for Aboriginal people, visible minorities and persons with disabilities reflect or exceed the labour representation rates in the latest Census (per cent)	Aboriginal people				
	2.9	3.0	3.0	2.9	3.1
	Visible minorities				
	15.5	15.9	15.9	15.6	15.9
	Persons with disabilities				
	4.2	4.7	4.7	4.3	4.7

CORPORATE SERVICES AND GRANVILLE ISLAND

Corporate Services encompasses administrative services, finance and taxation, information technology and treasury. CMHC considers information technology to be an essential component of its strategy to continuously improve the efficiency and quality of services provided to Canadians. CMHC's information management systems include those that support internal operations and others that interface with external business partners and with the public seeking to obtain information from CMHC on housing. These systems are highly reliable and are supported by proven technology and architectures that are tested on an ongoing basis. Multi-year strategies which are updated annually have been developed to ensure that CMHC technology and systems remain viable and effective in supporting business activities and are positioned to respond to challenges and exploit opportunities resulting from the rapid evolution of technology.

CMHC adopted the International Financial Reporting Standards (IFRS) on January 1, 2011. Further modifications to CMHC's accounting policies may be made as the International Accounting Standards Board considers further revisions to several accounting standards. CMHC will continue to monitor any changes to IFRS and analyze their impact on the Corporation.

The addition of Section 131.1 to the *Financial Administration Act* (FAA) requires Crown corporations to publish quarterly financial reports (effective April 1, 2011) that are timely, consistent and supportive of the effective oversight of public funds. Since April 1, 2011, CMHC has fully complied with the requirements outlined in the FAA. CMHC will continue to review its processes and systems to ensure the information provided is of high quality and provides comprehensive disclosure to Canadians.

CMHC's energy management program will continue in 2012 resulting in lower utility consumption and physical infrastructure renewal which is aligned with its Sustainable Operations Strategy.

CMHC assumed property management responsibilities for Granville Island on behalf of the Government of Canada in 1973. Granville Island is a cultural, recreational and commercial development and is home to some 275 businesses which attract more than 10.5 million visits annually. The Corporation is continuing to work on the renewal of the Island's aging infrastructure.

Key Initiatives for 2012

- Continue to monitor and respond to new and emerging International Financial Reporting Standards.
- As part of the multi-year project to renew and integrate CMHC's financial systems, review and update the financial control framework and processes to ensure processes are effective, efficient, reliable and conform to best practices.
- As part of the multi-year IT strategic road map, begin to implement the renewal and upgrade to technology and systems identified in CMHC's technology strategies to support the business priorities of the Corporation.
- Implement directions resulting from the Government's Strategic and Operating Review announced in the Federal Budget of June 2011.
- In its role as manager of Granville Island on behalf of the Government of Canada, CMHC is continuing to facilitate its long-term economic, social and environmental sustainability.

PERFORMANCE MEASURE	2010 Actual	2011			2012 Plan
		Plan	Mid-year		
			Plan	Actual	
Technology index for key systems (per cent)	99.9	99.8	99.8	99.9	99.8

■ COMMUNICATIONS AND CORPORATE MARKETING

The federal government continues to make significant investments in affordable housing to help meet the needs of lower-income Canadians. CMHC undertakes communications and marketing activities to increase Canadians' awareness and understanding of these investments and the Corporation's mandate, activities, and product and service offerings.

More and more Canadians are using social media as a means to communicate. Social media can represent an opportunity to enhance engagement with CMHC clients and stakeholders in a cost-effective manner. CMHC will continue to assess the potential benefits of using this new medium.

Key Initiatives for 2012

- Expand the use of social media to support corporate communications and marketing objectives.
- Implement strategies to increase awareness of the federal government's investments in affordable housing.

OVERVIEW

The Financial Plan presents the financial results for 2010 as well as those anticipated in 2011 and over the planning horizon from 2012-2016. Consolidated results and forecasts include those for CMHC's Housing Programs, Lending, Mortgage Insurance and Securitization Activities and those of the Canada Housing Trust (CHT), a separate legal entity.

CMHC's Housing Programs, the Lending Activity and the CHT are operated on a breakeven basis. Within Housing Programs, funds are provided by the Government of Canada through Parliamentary appropriations for expenditures, including operating expenses. Within the Lending Activity, revenues are earned from interest income on the loan portfolio which is funded through borrowings. Within the CHT, revenues are earned on investments, primarily in NHA Mortgage-Backed Securities and, to some extent, in short-term securities to cover operating expenses and Canada Mortgage Bonds' interest expense.

CMHC's commercial business is carried out within its Mortgage Insurance and Securitization Activities. The Mortgage Insurance Activity generates most of the Corporation's net income and retained earnings. Insurance revenues are earned from premiums, fees and investment income while its expenses consist mainly of operating expenses and net claims expense. Securitization also generates net income and has revenues from fees and investment income while its expenses are mainly interest expenses.

The Financial Plan is based on economic factors such as interest rates provided by CMHC's Market Analysis Centre and inflation rates published by the Conference Board of Canada.

The Financial Plan reflects the implementation of cost containment measures by CMHC in response to the federal government's Budget 2010. Additional information is included in the section on Cost Containment later in this chapter.

CMHC adopted International Financial Reporting Standards (IFRS) as of January 1, 2011. The financial results for 2010 are presented under Canadian Generally Accepted Accounting Principles (CGAAP) and those projected for 2011 through 2016 are based on IFRS. Annex II provides the reconciling items that represent the significant differences between CMHC's previous accounting policies under Canadian GAAP and its current accounting policies under IFRS. The impact of future changes to IFRS on the Corporation's accounting policies is summarized in the section on Accounting Changes later in this chapter.

Subsequent to finalization of its 2011-2015 Corporate Plan, CMHC received approval of amendments to its 2011 Operating Budget and its 2011 Capital Budget for Loans and Investments to provide for resources required in relation to the Government's re-affirmation in late 2010 of funding for housing programs through to March 31, 2014.

The 2011-2015 Corporate Plan was not amended and therefore the financial statements in Chapter VI of this document reflect planned amounts for 2011 as presented in the financial statements in the 2011-2015 Corporate Plan. Discussion of the Operating Budget and the Capital Budget for Loans and Investments in Chapters IV and V reflects 2011 amended budgets.

Under the next phase of Canada's Economic Action Plan – a Low-Tax Plan for Jobs and Growth – the Government announced that a one-year Strategic and Operating Review will be carried out in 2011-12. The forecasts contained in this Summary do not reflect the results of this review as it is not yet complete.

■ CONSOLIDATED HIGHLIGHTS

Highlights of the Consolidated Financial Plan are presented in the tables at the end of this section. Consolidated net income in 2010 was \$1,768 million which was above plan by \$857 million, or 94%, due largely to unrealized gains from the fair valuation of financial instruments in the Insured Mortgage Purchase Program (IMPP). The derivatives associated with the IMPP are classified as “Held for Trading” and their unrealized gains/losses on fair valuation are recorded in Net Income.

Other Comprehensive Income (OCI), results from unrealized gains or losses caused by changes in the fair valuation of investments related to the Mortgage Insurance and Securitization Activities. In 2010, a \$403 million gain resulted from increases in the fair value of these instruments, compared to a planned gain of \$42 million. Fair value measurement and recognition are affected by market movement and fluctuation of interest rates.

CMHC’s unrealized gains on the fixed income and equity portfolios are consistent with the continued general market recovery from 2008 during which the market deteriorated as a result of the global market crisis.

In 2010, domestic bond prices saw an increase from 2009 thereby increasing the gains on the fixed income portfolio. The market also saw a recovery in equity prices in 2010 over the 2009 close and these recoveries represented approximately half of the gains to the investment portfolio.

At year end 2010, assets totalled \$293 billion and liabilities totalled \$282 billion. These amounts were 9%, or \$28 billion and \$29 billion, respectively, under plan. These variances from plan were due mainly to a \$10 billion variance in Securitization resulting from lower than planned demand and higher than planned maturities and prepayments for the IMPP. There was also a \$21 billion variance in the CHT due to lower than planned issuances of Canada Mortgage Bonds and fluctuations in the fair value of financial instruments due to market conditions.

Net Income in 2011 is projected at \$1.7 billion, \$0.4 billion higher than plan. This is largely due to higher than planned realized investment gains on the sale of financial instruments caused by stronger bond and equity markets and lower net losses on claims paid under the Mortgage Insurance Activity due to improved economic conditions. Net Income is projected at \$1.5 billion in 2012 and, over the planning horizon, it is expected to increase to \$1.6 billion by 2016.

Total Assets and Liabilities are projected at \$290 billion and \$277 billion, respectively, in 2011. They are expected to decline over the planning horizon reflecting reductions in outstanding balances of investments and borrowings related to NHA MBS held by the Securitization Activity under the IMPP which ended in March 2010.

Retained Earnings

At the end of 2010, CMHC’s Retained Earnings totalled \$10,800 million, most of which, \$9,222 million, is related to the Mortgage Insurance Activity, up from \$7,946 million in 2009. Growth in retained earnings from the Mortgage Insurance Activity in recent years reflects successive years of high business volumes and, more recently, success in managing the impact of defaults during and after the recent economic downturn. Retained Earnings in 2010 also included \$1,473 million related to the Securitization Activity largely due to unrealized gains on financial derivatives, mainly in the Insured Mortgage Purchase Program.

CMHC is required to operate its Mortgage Insurance and Securitization Activities in a commercially-viable manner and, as such, the premiums and fees charged to borrowers and lenders are set so as to cover operating and future claims expenses without any cash injection from the Government of Canada. In addition to the current claim provisions and unearned premium reserves set aside for future claims, retained earnings are set aside for capitalization to ensure that sufficient funds are available should losses on claims exceed existing provisions/reserves.

Retained earnings related to the Mortgage Insurance Activity are appropriated for capitalization in accordance with guidelines established by the Office of the Superintendent of Financial Institutions (OSFI). Additional information is presented in the section on Capital Management and Stress Testing of CMHC's Mortgage Insurance Activity under Objective 2 of the Financial Plan.

Retained earnings related to the Securitization Activity are also appropriated for capitalization in accordance with regulatory and economic capital principles established by OSFI and Basel II. CMHC's Securitization Activity is expected to be fully capitalized at the end of 2011 and it is estimated to be fully capitalized throughout the planning period.

CMHC also holds retained earnings in its Lending Activity in reserves that are subject to a statutory limit. Should the limit be exceeded, CMHC would be required to pay any excess to the Government of Canada.

CMHC's Retained Earnings, including earnings set aside for capitalization and the reserve fund, are consolidated with the Government of Canada's Public Accounts and represent a reduction of the Government's accumulated deficit. CMHC's Net Income reduces the Government's annual deficit.

The following tables reflect highlights of the Consolidated Financial Plan.

Highlights – Consolidated Financial Results and Plan								
(\$M)	Actual 2010	Plan 2011	Estimate 2011	Plan				
				2012	2013	2014	2015	2016
Revenues	14,916	14,479	14,525	14,286	14,561	14,219	15,292	16,587
Expenses	12,494	12,670	12,262	12,349	12,665	12,276	13,299	14,552
Net Income before Income Taxes	2,422	1,809	2,263	1,937	1,896	1,943	1,993	2,035
Net Income after Income Taxes	1,768	1,343	1,747	1,497	1,460	1,488	1,522	1,553
Other Comprehensive Income	403	41	(61)	0	21	15	33	39
Comprehensive Income	2,171	1,384	1,686	1,497	1,481	1,503	1,555	1,592
Total Assets	293,218	281,435	289,482	290,027	271,452	249,654	257,199	263,467
Total Liabilities	281,783	270,139	277,289	276,337	256,281	232,980	238,970	243,646
Equity of Canada								
■ Capital	25	25	25	25	25	25	25	25
■ AOCI ¹	610	224	510	499	498	508	536	570
■ Retained Earnings	10,800	11,047	11,658	13,166	14,648	16,141	17,668	19,226
Total Equity	11,435	11,296	12,193	13,690	15,171	16,674	18,229	19,821
Operating Expenses	405	440	428	427	441	446	451	457
Staff-Years	2,069	2,040	2,010	1,947	1,927	1,919	1,913	1,912
2011 Plan does not reflect funding for housing programs that was authorized subsequent to the preparation of the 2011-2015 Corporate Plan (\$253.1 million per fiscal year, for 2011-12 to 2013-14). 2010 Actual is accounted for under CGAAP; 2011 forward is accounted for under IFRS. ¹ Accumulated Other Comprehensive Income								

Highlights – 2012 Financial Plan by Key Business Area or Activity							
(\$M)	Housing Programs	Lending	Mortgage Insurance	Securitization	CHT	Inter-segment Elimination	Consolidated
Revenues	2,138	670	2,544	1,909	7,221	(196)	14,286
Expenses (including income taxes)	2,138	661	1,213	1,750	7,221	(194)	12,789
Net Income (Loss)	0	9	1,331	159	0	(2)	1,497
Other Comprehensive Income	0	5	(13)	6	0	2	0
Comprehensive Income	0	14	1,318	165	0	0	1,497
Assets	0	14,208	20,431	54,680	204,221	(3,513)	290,027
Liabilities	0	14,019	8,019	53,568	204,221	(3,490)	276,337
Equity of Canada							
■ Capital	0	25	0	0	0	0	25
■ AOCI	0	0	491	15	0	(7)	499
■ Retained Earnings	0	164	11,921	1,097	0	(16)	13,166
Total Equity	0	189	12,412	1,112	0	(23)	13,690

■ ACCOUNTING CHANGES

New Accounting Standards

The International Accounting Standards Board (IASB) has introduced a new accounting standard that becomes effective for the Corporation on January 1, 2013:

- IAS 19 – Employee Benefits – updates the existing IAS 19 by eliminating an option to defer the recognition of actuarial gains and losses, known as the ‘corridor method’. It also streamlines the presentation of changes in assets and liabilities from defined benefit plans, by requiring re-measurement amounts to be presented in other comprehensive income (OCI).
- With the move to IFRS, CMHC stopped using the corridor method as it was anticipated it would be eliminated so this change does not affect the financial plan information.
- Preliminary analysis of IAS 19 indicates that it will result in an overall change in the presentation of employee benefits in the income statement. This occurs because the discount rate is applied to plan assets to calculate the estimated return by the plan rather than the expected rate of return that was previously allowed. The switch to the discount rate will lower the estimated amount earned which results in a greater estimated pension expense in the Operating Budget. This is mostly offset by a corresponding change in the actuarial gains and losses recognized in Other Comprehensive Income. The Financial Plan information from 2013 onward has been changed to reflect the revised standard.

■ COST CONTAINMENT

As part of the Government's plan to return to budgetary balance, Budget 2010 announced several measures to control Government spending and better use taxpayer dollars which included freezing existing appropriation budgets at the 2010-11 levels for a period of two years. CMHC's appropriation-based activities include Housing Programs, Research and Information Transfer as well as CMHC International activities. CMHC's appropriation-based budgets for 2011-12 and 2012-13 were only adjusted for new initiatives.

CMHC's commercial activities such as Mortgage Insurance and Securitization and the Lending Activity are not appropriation-based activities. For these activities, the base year is the approved 2010 Operating Budget, excluding resources provided for under the initial phase of Canada's Economic Action Plan which ended March 31, 2011.

Cost containment is not meant to constrain revenue generating activities, but CMHC is expected to assist the Government in containing costs. As such, CMHC is following the spirit and intent of the cost containment measures.

CMHC conducted a detailed review of each major object of expenditure for each line of business as well as for all support services. Discretionary expenditures (such as transportation, hospitality, consulting services, marketing and promotion, recruitment, etc.) were reviewed with a view to balancing the need for due constraint and prudence with the requirements of the revenue-generating activities.

The proposed base for CMHC's 2012 Operating Budget is fully compliant with Budget 2010 Cost Containment Measures. The proposed operating budget base (excluding CEAP) is \$350.7 million, \$51.9 million lower than the 2010 approved base, of which \$10.0 million relates to forecast business volume changes, largely for Mortgage Insurance.

■ FINANCIAL PLAN BY OBJECTIVE

Objective 1: Help Canadians in Need – Results and Plan

Financial information is presented for Housing Programs and for Lending Activity under this objective.

HOUSING PROGRAMS

The Government of Canada reimburses CMHC for payments made under its assisted housing programs and for related operating expenses. Within the Financial Plan, information on CMHC's Housing Programs is presented mainly on a fiscal year basis – April 1 through March 31 – consistent with the basis on which funding for these programs is approved by Parliament. Housing Program expenditures on a calendar year basis are presented in Table 5 of Chapter VI.

In 2010-11, \$2,963.5 million was spent under Housing Programs for grants, contributions, and subsidies compared to a plan of \$3,036.1 million. The difference reflects lower interest and inflation rates than planned. In 2010-11, approximately 79% of Housing Program expenditures (excluding Canada's Economic Action Plan) is ongoing and non-discretionary as it relates to commitments made in prior years through long-term agreements.

In 2011-12, Housing Program expenditures under this objective are forecast at \$2.1 billion. The 2010-11 results and the 2011-12 plan have been restated to exclude research and information transfer activities which are now a part of Objective 3 as a result of a change to CMHC's Program Activity Architecture (PAA). The PAA is broken down into a number of program activities and major sub-activities. An amendment, approved by Treasury Board Secretariat, was made to CMHC's PAA effective 2012-13 to consolidate all research and information transfer

activities into one program activity under the PAA Strategic Outcome – Ensure the Canadian housing system remains one of the best in the world (Objective 3). Previous to this approval, these activities were under all three Objectives. Market analysis activities remain under Objective 2.

This consolidation is to better reflect the cross-functional and cross-disciplinary nature of CMHC's policy, research and information transfer activities. The research and information transfer activities cover the full range of housing-related activities in Canada. Policy, research, and information transfer are designed as a "foundation" piece and tend to underpin the housing system in its entirety, and therefore are best placed under the "Ensure the Canadian housing system remains one of the best in the world" PAA Strategic Outcome.

Planned Housing Program expenditures under Objective 1 reflect the following items:

■ Strategic Review

CMHC took part in the Government of Canada's Strategic Review process in 2009 which involved a comprehensive analysis of all programs to ensure their relevance, effectiveness and efficiency. Under Budget 2010, the federal government announced the results of the Strategic Review. CMHC identified savings of \$97.02 million in 2010-11, \$99.93 million in 2011-12 and \$102.20 million per year thereafter through administration and program efficiencies.

■ Housing and Homelessness

On September 4, 2008, the federal government announced the five-year extension of funding for housing and homelessness. This included the renewal of funding for the renovation programs and the Affordable Housing Initiative for two years

at \$128.1 million and \$125 million, respectively, in 2009-10 and 2010-11. Following a period of consultations and discussions, federal, provincial and territorial ministers responsible for housing announced a \$1.4 billion combined investment towards reducing the number of Canadians in housing need under a new Investment in Affordable Housing 2011-2014 Framework.

The Framework established the process that has guided bilateral arrangements between the federal government, through CMHC, and provinces and territories for delivery of a combined affordable and renovation housing envelope of federal funding between 2011 and 2014.

Provisions have been made in CMHC's Operating Budget, Capital Budget for Loans and Investments and the Main Estimates (including Supplementary Estimates for 2011-12) for new commitments under these programs from April 1, 2011 to March 31, 2014. These provisions reflect the latest assumptions from provinces and territories available at the time of preparation of the 2012-2016 Corporate Plan.

■ **Social Housing Agreements (SHAs)**

All provinces and territories, except Prince Edward Island, Quebec and Alberta, have signed Social Housing Agreements (SHAs) transferring the administration of the existing social housing stock to them. The Financial Plan takes into account the terms of the SHAs and reflects the assumption that agreements will not be signed with the three remaining jurisdictions during the planning period.

Where SHAs have been signed (seven provinces and three territories), federal dollars to support the ongoing obligations continue to flow to provinces and territories based on the accountability frameworks incorporated within each agreement. In addition, provinces and territories received their share of the default, interest and inflation reserves when they took over the administration of the

housing portfolio. In exchange for the flexibility and federal funding, provinces and territories accepted administrative responsibility and all financial risks related to the portfolio, including inflation, interest rates, the risk associated with loan defaults and the costs of modernization/improvement.

Funding under the Social Housing Agreements represents close to \$1.0 billion of \$1.7 billion spent for long-term Housing Programs.

■ **Seed Funding and Proposal Development Funding**

CMHC's Affordable Housing Centre helped facilitate a total of 2,873 units (most without long-term federal subsidies) in 2010. The Centre, in addition to providing information and advice, also assists potential housing providers with Seed Funding and Proposal Development Funding. This funding helps housing providers in the very early stages of developing an affordable housing proposal that will not require long-term federal subsidies. In 2012-13 and in subsequent years, \$5.0 million has been allocated to these programs.

■ **Enhanced Assistance**

Through Enhanced Assistance, CMHC provides funding as a last resort to pre-1986 Section 95 housing projects in financial difficulty. Projects experience difficulties for a number of reasons such as local market decline, project mismanagement, unit defects and deferred project maintenance. Enhanced Assistance is limited to \$5.0 million annually.

■ **Housing Programs On Reserve**

On a continuing basis, \$4 million is provided annually to fund new commitments for the on-reserve non-profit and renovation programs. CMHC will provide \$8.1 million nationally in 2012-13 for First Nations capacity development and liaison activities.

LENDING ACTIVITY

Under Direct Lending, CMHC provides low-cost financing for mortgages in support of construction of new and existing social housing committed under the Non-Profit, Co-operative and Public Housing Programs. As a result of using Government of Canada borrowings and its related lower interest cost, the Government's cost of ongoing subsidies to these projects is reduced. CMHC's Direct Lending rate forecasts are based on its cost of funds from the Government plus a small margin to cover administrative expenses. A large part of Direct Lending is the renewal of existing social housing Direct Lending loans. The funding of new Direct Lending loans occurs for the on-reserve programs and for existing social housing loans coming into Direct Lending for the first time.

The federal government announced under CEAP that it would provide up to \$2 billion in direct low-cost loans, to be made available between April 1, 2009 and March 31, 2011, to municipalities for housing-related infrastructure projects. These loans were made by CMHC, through the Lending Activity under the Municipal Infrastructure Lending Program (MILP), to finance housing-related infrastructure such as sewers, water lines, power generation, local transportation

within or into residential areas such as roads or bridges, residential sidewalks, lighting, pathways, landscaping and green space. The interest rate is set at breakeven levels to cover CMHC's risks and costs in delivering the program.

CMHC borrows to fund loans under the Lending Activity. Prior to 1993, the Corporation borrowed from the Consolidated Revenue Fund (CRF). From 1993 to April 1, 2008, loans were funded by capital market borrowings. Since then, loans have been funded through borrowings from the Department of Finance under the Crown Borrowing Program (CBP). Since 1991, CMHC has assumed the interest rate risk exposure from the Government of Canada on all loans financed with borrowings from the Government of Canada. Prepayment eligibility varies from program to program with some borrowers having the right to prepay without penalty. The Corporation, however, does not have the ability to prepay, without penalty, its corresponding debt with the Government of Canada. This has resulted in asset/liability mismatches and a significant interest rate risk. CMHC's mitigating strategies, including its Lending Activity Reserve Fund, help offset these risks.

Lending – Financial Forecast Results								
(\$M)	Actual 2010	Plan 2011	Estimate 2011	Plan				
				2012	2013	2014	2015	2016
Net Interest Income (Loss)	0	(11)	11	(5)	(23)	(27)	(26)	(27)
Income from Investment Securities	24	44	19	37	57	56	52	49
Gains (Losses) from Financial Instruments	(30)	(13)	59	(11)	(9)	(6)	(2)	12
Net Income (Loss)	(17)	6	65	9	12	9	10	18
Other Comprehensive Income	0	7	17	5	9	2	2	2
Comprehensive Income	(17)	13	82	14	21	11	12	20
Loans and Investments in Housing	12,381	13,282	12,267	11,503	10,786	9,969	9,163	8,363
Other Assets	2,663	2,198	2,716	2,705	2,617	3,073	3,050	2,531
Total Assets	15,044	15,480	14,983	14,208	13,403	13,042	12,213	10,894
Total Liabilities	14,885	15,415	14,808	14,019	13,193	12,821	11,980	10,641
Equity of Canada								
■ Contributed Capital	25	25	25	25	25	25	25	25
■ Retained Earnings	134	40	150	164	185	196	208	228
Total Equity	159	65	175	189	210	221	233	253
2010 Actual is accounted for under CGAAP; 2011 forward is accounted for under IFRS.								

In 2010, a net loss of \$17 million was realized which was \$13 million less than plan. This variance was largely due to lower unrealized net losses of \$15 million from changes in the fair market values of financial instruments as a result of more favourable interest rates. Net income (loss) for the Lending Activity's projected periods 2011-2016 mainly represents changes generated by the fair valuation of its assets, liabilities and derivatives. Since the program is fully hedged for

economic purposes, these fair valuation gains (losses) will offset each other over the term of the related assets and liabilities such that the program will result in no income or loss to the Corporation.

Loans and investments are projected to decline from \$12.4 billion in 2010 to \$12.3 billion in 2011 as repayments on existing loans will exceed new Lending Activity. In subsequent years, they will continue to decline, reaching \$8.4 billion by 2016.

Objective 2: Facilitate Access to More Affordable, Better Quality Housing for all Canadians – Results and Plan

Financial information is presented for Housing Programs related to market analysis, Mortgage Insurance Activity, Securitization Activity and the Canada Housing Trust under this objective.

HOUSING PROGRAMS

In 2010-11, \$17.9 million or 0.6% of the \$2,963.5 million in Housing Programs expenditures was used to fund market analysis activities, housing surveys, data analysis and forecasting of economic, housing, and mortgage market trends and conditions. In 2011-12 and 2012-13, approximately \$20.7 million and \$21.9 million, respectively, of Housing Program expenditures will be spent on this objective.

The 2010-11 results and the 2011-12 plan under this objective have been restated to exclude expenditures for research and information transfer activities related to directed and responsive programs. These expenditures are now included under Objective 3.

MORTGAGE INSURANCE ACTIVITY

CMHC provides mortgage loan insurance to Approved Lenders that protects them against losses in the event of borrower default on residential (homeowner and rental) mortgages, allowing lenders to offer high ratio mortgages at interest rates typically available only to borrowers with large down payments.

The economy has a significant influence on the performance of CMHC's mortgage loan insurance business. In 2010, economic conditions improved as the economy recovered from the previous year's economic downturn.

The volume of activity in the mortgage market is expected to cool in 2011 as measures implemented in March 2011 for mortgage insurance take effect. Volumes of CMHC's Mortgage Insurance Activity are expected to be affected by a slight erosion of its market share, as private mortgage insurers move to regain lost market share.

Mortgage insurance net income of \$1,275 million was recorded in 2010 which was \$276 million higher than projected in the 2010-2014 Corporate Plan. At year-end 2010, the Mortgage Insurance Activity held equity of \$9,809 million, compared to the 2010-2014 Corporate Plan estimate of \$8,683 million. The difference is primarily due to the higher than expected net income and an increase in Accumulated Other Comprehensive Income (AOCI) as a result of more favourable financial market conditions. The annual actuarial valuation as of September 30, 2010, prepared by CMHC's external Appointed Actuary, confirmed that appropriate provision has been made for mortgage insurance liabilities.

Based on projected volumes, insurance-in-force is forecast to increase to \$557 billion by the end of 2012. Under the NHA, the aggregate outstanding amount of all loans (the insurance-in-force) is currently limited to \$600 billion.

Insurance – Financial Forecast Results								
(\$M)	Actual 2010	Plan 2011	Estimate 2011	Plan				
				2012	2013	2014	2015	2016
Revenues	2,440	2,564	2,640	2,544	2,581	2,608	2,637	2,690
Expenses	683	1,002	708	826	906	878	866	869
Comprehensive Income	1,648	1,187	1,444	1,318	1,294	1,333	1,378	1,423
Unappropriated Retained Earnings	1,021	665	2,156	2,767	3,551	4,791	6,060	7,282
Retained Earnings Set Aside for Capitalization	8,201	9,414	8,428	9,154	9,673	9,762	9,848	10,017
2010 Actual is accounted for under CGAAP; 2011 forward is accounted for under IFRS.								

Capital Management Framework and Stress Testing of CMHC's Mortgage Insurance Activity

CMHC is required to meet a number of governance and accountability requirements under the *Financial Administration Act* and the *CMHC Act*. CMHC follows prudential regulations as set out by the Office of the Superintendent of Financial Institutions (OSFI). OSFI uses the Minimum Capital Test (MCT) to measure the capital adequacy of an insurer. The percentage MCT is the minimum ratio of capital available to capital required. Capital available is equal to Insurance retained earnings plus accumulated other comprehensive income. Capital required is calculated by applying OSFI risk factors to insurance assets and liabilities. CMHC has a capital holding target of 200% MCT and as such maintains twice the minimum capital required by OSFI.

Key OSFI capital targets and the relative risk tolerances set by CMHC Management and Board of Directors are defined as follows:

■ Minimum Regulatory Capital

100% Minimum Capital Test (MCT). Below this level, an insurance company would no longer be allowed to write new business. A level below 0% MCT indicates insolvency. The acceptable level of risk has been set by CMHC at a 99% confidence

level for not falling below the 100% MCT level and a 99.5% confidence level for the solvency test of 0% MCT.

■ Internal Capital Target

OSFI expects each insurer to establish an internal capital target in order to provide adequate time for Management to resolve financial problems that may arise, while minimizing the need for regulatory intervention. CMHC has determined that an internal capital target level of 150% MCT is appropriate.

CMHC conducts stress testing of its mortgage insurance business on an annual basis to evaluate how various economic and business scenarios could potentially affect financial performance, its capital levels, and its risk tolerance thresholds. CMHC uses a Dynamic Financial Analysis (DFA) model to conduct its annual stress testing exercise. Using 10,000 consistent economic and business scenarios, the stress testing model simulates the impact of each of these scenarios on the 2012-2016 Corporate Plan. Each scenario includes 10 years of new business which then runs off over the next 20 years. The scenarios include 30 years of outcomes for real GDP growth, the unemployment rate, the 5-year mortgage rate, and investment returns for up to 40 asset classes.

The economic variables are used to generate outcomes for the volume of mortgage insurance written, short-term changes in claims, house price inflation and the value of invested assets. Investment income and asset modelling is integrated with the modelling of the Mortgage Insurance Activity within the DFA model. The Stress Testing analysis looks at the 10,000 economic and business scenarios coupled with plausible adverse business scenarios and assesses their financial impact on CMHC's Mortgage Insurance Activity results.

The results of the most recent stress testing exercise of the mortgage insurance business undertaken for the 2012-2016 Corporate Plan indicate that CMHC continues to be within the acceptable levels of risks set out in its Capital Management Framework and Risk Appetite Statement. For all economic and adverse business scenarios tested, the confidence level of capital not falling below 0% MCT is greater than 99.5%. The results of the annual stress testing are within the requirements of the Capital Management Framework.

Scenarios beyond the 99.5% confidence level for adverse impacts represent the tail risk. The scenarios in the tail are the 50 worst of the 10,000 economic scenarios used in the stress testing. These scenarios are extremely unlikely. They are analyzed, however, to fully understand the impact of extremely negative financial conditions on the mortgage insurance portfolio. Under these scenarios, the average real GDP growth hovers around 0% for the planning horizon with multiple years of recession and the average unemployment rate is above 10% and rises to almost 11% in 2016. The average five-year mortgage rate is 7.5% and increases gradually to almost 8.5% at the end of 2016. House price declines reach a cumulative -12% and average -2.5% per year over the 5-year period.

In summary, the Mortgage Insurance Activity is well-positioned to weather severe economic scenarios. Stress tests indicate that solvency is not a concern for the Mortgage Insurance Activity. Consistent with not only past analyses but CMHC current practices over the recent uncertain economic situation, CMHC

continues to focus on monitoring and proactively managing the performance of all facets of its mortgage insurance business.

SECURITIZATION ACTIVITY AND THE CANADA HOUSING TRUST

CMHC guarantees the timely payment of interest and principal of *National Housing Act* Mortgage-Backed Securities (NHA MBS) issued by financial institutions and of Canada Mortgage Bonds (CMB) issued by the Canada Housing Trust (CHT).

In 2010, \$95 billion in low-cost mortgage funds were provided to mortgage lenders through securities guaranteed by CMHC. This exceeded the 2010 plan of \$66 billion by \$29 billion. Under the NHA MBS program, financial institutions issued and CMHC guaranteed \$56 billion in market NHA MBS of which \$8 billion was purchased under the IMPP. Through the CMB program, CMHC guaranteed \$39 billion in Canada Mortgage Bonds which was below the plan of \$48 billion. Reduced issue size to better manage investor expectations and ensure spread performance – to preserve the cost-effectiveness of the funding provided – was the reason for the lower CMB volumes.

With the \$95 billion guaranteed in 2010, CMHC's guarantees-in-force totalled \$325.8 billion – \$195.5 billion CMB and \$130.3 billion market NHA MBS (of which \$56 billion was purchased under the IMPP) – as at December 31, 2010. Under Section 15 of the *National Housing Act*, the aggregate outstanding amount of principal guarantees may not exceed \$600 billion.

The importance of CMHC's securitization programs as reliable funding vehicles was demonstrated in the 2008-09 financial and liquidity crisis. When markets were closed to Canadian financial institutions, financial institutions, big and small, turned to CMHC's securitization programs to increase their liquidity and to help raise funds for lending. In addition, the federal government utilized the NHA MBS framework to establish the Insured Mortgage Purchase

Program (IMPP) to maintain the availability of longer-term credit in Canada. As such, securities issued and guaranteed increased significantly during the 2008-2010 period. As credit markets normalized and liquidity pressures lessened, the IMPP ended in March 2010 with approximately \$69.3 billion of the \$125 billion in liquidity provided.

Heeding the lessons of the financial crisis, the improved market conditions saw Canadian mortgage lenders, particularly Canadian banks, further strengthen and diversify their funding platforms with the establishment of Covered Bonds programs. It is expected that Canadian financial institutions will increasingly access the global capital markets for their funding needs through Covered Bonds, Deposit Notes, Asset-Backed Securities and Medium Term Notes.

CMHC's securitization programs will continue to remain critical pillars of Canadian mortgage lenders' diversified funding platforms and CMHC's 2012-2016

projected volumes reflect expected changes to mortgage lenders' funding strategies, along with the general expectation of slower growth in the Canadian residential mortgage market.

Although CMHC's securitization programs have proven resilient through some very difficult markets over the past couple of years, these programs are not immune to broader market disruptions and emerging issues which could have an impact on the Corporation's ability to achieve these estimated levels of funding.

CMHC will continue to be responsive to the needs of the programs' participants, analyze emerging issues and work with regulators and industry members to ensure that its securitization programs continue to meet policy objectives and clients' needs for a reliable, cost-effective source of funds for mortgage lending.

Securitization Activity – Annual Securities Guaranteed								
(\$M)	Actual 2010	Plan 2011	Estimate 2011	Plan				
				2012	2013	2014	2015	2016
Market NHA MBS	47,484	20,000	24,000	24,000	24,000	24,000	24,000	24,000
NHA MBS for IMPP ¹	8,205	-	-	-	-	-	-	-
CMB	39,380	32,000	41,250	40,000	40,000	40,000	40,000	40,000
Total	95,069	52,000	65,250	64,000	64,000	64,000	64,000	64,000
¹ IMPP ended in March 2010.								

Securitization and Canada Housing Trust – Financial Forecast Results								
(\$M)	Actual 2010	Plan 2011	Estimate 2011	Plan				
				2012	2013	2014	2015	2016
CHT								
Revenues	6,386	6,855	6,887	7,221	7,677	8,799	10,170	11,469
Expenses	6,402	6,855	6,887	7,221	7,677	8,799	10,170	11,469
Comprehensive Income	(16)	0	0	0	0	0	0	0
Retained Earnings	(50)	0	0	0	0	0	0	0
SECURITIZATION								
Revenues	2,471	2,202	2,014	1,909	1,707	456	234	200
Expenses	1,761	1,965	1,752	1,697	1,497	253	26	13
Comprehensive Income	553	183	163	165	166	159	164	147
Unappropriated Retained Earnings	766	202	208	367	570	772	909	1,031
Retained Earnings Set Aside for Capitalization	707	703	730	730	686	636	655	673
2010 Actual accounted for under CGAAP; 2011 forward is accounted for under IFRS.								

Estimates for 2011 based on mid-year results indicate that net income for the Securitization Activity will be \$19 million higher than planned, mainly due to higher than planned realized gains on financial instruments in this activity. Retained earnings are expected to increase to \$938 million in 2011 compared to \$905 million in the 2011-2015 Corporate Plan. This difference is primarily due to higher than planned net income and a difference in the opening retained earnings balance.

Revenues are forecast to decline from \$2.0 billion in 2011 to \$0.2 billion in 2016, while net income is projected to drop from \$193 million to \$140 million over the same period. The decrease in revenues and income is mainly due to the maturing investment assets within IMPP. All of these assets will have matured by the end of 2015.

Objective 3: Ensure the Canadian Housing System Remains One of the Best in the World – Results and Plan

Financial information is presented for Housing Programs related to housing research, housing export support, emergency planning and for the management of Granville Island under this objective.

HOUSING PROGRAMS

The Corporation conducts and disseminates research to: support the continued evolution of the country's housing markets and housing finance system; promote housing affordability and choice; improve housing and living conditions; and, provide information on issues regarding specific populations with distinct housing needs.

Through the Housing Export function of CMHC International, the Corporation helps Canadian exporters of housing-related goods and services penetrate foreign markets. CMHC also shares Canada's housing and housing finance know-how through its international relations activities.

Of the \$2,963.5 million spent in 2010-11 under Housing Programs, \$44.1 million, or approximately 1.5%, was spent on the achievement of this objective. Specific to Housing Export, CMHC facilitated additional sales by Canadian companies totalling \$103.3 million and gained a satisfaction rate of 83.5% from the companies supported by the program. In addition, sales facilitated by CMHC were responsible for the creation of 1,136 jobs and continued to improve the competitiveness of companies that participated in the export program.

In 2011-12 and 2012-13, approximately \$43.0 million and \$43.4 million, respectively, will be spent on achieving this objective. This is approximately 2%

of total planned Housing Program expenditures for the 2011-12 and 2012-13 periods. The forecast requirements reflect the outcomes from the 2009 Strategic Review which will be phased in over the planning horizon. In 2011-12, amounts to be spent on research and export activities are projected at \$30.0 million and \$12.7 million, respectively. In 2012-13, expenditures for research and export activities are projected at \$30.0 million and \$13.1 million. The balance of Housing Program expenses under this objective will be used to cover the cost of emergency planning.

The 2010-11 results and the 2011-12 plan under Objective 3 have been restated to include research and information dissemination activities associated with directed and responsive programs previously reported under Objectives 1 and 2.

GRANVILLE ISLAND

Granville Island is a cultural, recreational and commercial development owned by the Government of Canada. The Island is home to approximately 275 businesses and facilities which employ about 3,000 people and it generates approximately \$215 million in annual economic activity.

There are more than 10.5 million visits annually to Granville Island. It is recognized as one of the most successful waterfront redevelopments in North America, an important centre for arts and culture and home to Vancouver's public market.

Granville Island was created from an industrial landfill site with a capital infusion of \$25 million from the federal government. CMHC assumed the property management function in 1973 on behalf of the Government of Canada. CMHC is continuing to work on the renewal of Granville Island's aging infrastructure.

■ OPERATING BUDGET

The Operating Budget provides the resources necessary to deliver and administer planned business volumes and support CMHC's Housing Programs, Lending, Mortgage Insurance and Securitization Activities. Human resource requirements are planned and accounted for in terms of staff-years and reflect planned business volumes and related performance standards.

In 2010, total operating expenditures were \$345.5 million, representing 84% of the total planned budget of \$411.2 million, or \$65.7 million under plan. Non-personnel costs were \$40.7 million below the 2010 plan

as CMHC significantly curtailed its marketing and promotion activities as well as discretionary spending in areas such as transportation and professional and technical services. In personnel costs, a lower than anticipated pension plan expense combined with lower than planned business volumes in Insurance activities resulted in savings of \$16.9 million compared to the plan.

In 2011, operating expenses are expected to be \$352.1 million, significantly below the amended approved budget, and more in line with the 2010 actual results.

Operating Budget				
	Actual 2010	Amended Plan 2011	Estimate 2011	Proposed 2012
Staff-Years	2,069	2,040	2,010	1,947
Personnel (\$M)	234.9	243.4	237.0	232.1
Non-Personnel (\$M)	110.6	129.4	115.1	118.6
Total (\$M)	345.5	372.8	352.1	350.7

Compared to 2010 and 2011, lower mortgage insurance initiation volumes in 2012 and the expiration of activities in support of Canada's Economic Action Plan (CEAP) contribute to lower staff-year requirements. The staff-years for 2012 reflect the Government's decision to continue program funding under the new federal-provincial-territorial Investment in Affordable Housing 2011-2014 Framework, or under existing arrangements for the Affordable Housing Initiative (AHI) and renovation programs for those provinces and territories which do not conclude an arrangement under the new Framework. The forecast includes adjustments for salary market increases and related impacts on employment benefits.

The 2012 budget also reflects the impact of the federal government's cost containment measures as well as the impact of changes to the Department of Finance regulations governing activities of lenders with respect to mortgage insurers. Similar to last year, CMHC conducted a review and rationalization of its major objects of expenditures to identify efficiencies and savings. CMHC is fully compliant with the federal cost containment measures.

A recently announced IFRS change requires that, beginning in 2013, the assumption for the expected long-term return on the pension plan assets be the same as the discount rate used in calculating the pension expense. As a result, CMHC's basic pension plan expense for 2013 is higher than the 2012 level by \$8.5 million.

Planned staff-years for Housing Programs decline between 2010 and 2012 due to the expiration of commitments under Canada's Economic Action Plan in March 2011. They also decrease in 2014 and 2015 due to the expiration, in March 2014, of funding for the Affordable Housing Framework and the existing arrangements for the Affordable Housing Initiative and the renovation programs. For the Mortgage Insurance Activity, staff-years decline in 2012 and 2013 primarily due to lower initiation volumes for homeowner mortgage insurance activities. Minor increases in the outlying years are forecast as a result of slightly higher default management and claim-related activities. Over the planning period, planned staff-years remain stable for Securitization while minor changes are forecast for Lending, reflecting the timing of Direct Lending loan renewals.

CAPITAL BUDGET FOR FURNITURE, EQUIPMENT AND BUSINESS PREMISES

CMHC's Capital Budget for Furniture, Equipment and Business Premises provides for the fit-up of CMHC's office space, ongoing repair and replacement of worn-out assets, the acquisition of new assets, and the principal portion of the long-term lease payments for the National Office "C" Building.

Commitments against the capital budget for 2010 were \$4.4 million as planned.

The projected requirements of \$5.5 million in 2011 are in line with the approved budget. Starting in 2011 and continuing for five years, CMHC embarked upon a significant investment of \$1.0 million annually in energy efficiency initiatives in its National Office complex with an average payback period of seven years.

The capital requirement projections for 2012 are \$6.1 million.

Capital Budget for Furniture, Equipment and Business Premises				
(\$K)	Commitments 2010	Approved 2011	Projected 2011	Proposed 2012
Furniture & Equipment	618.6	702.0	702.0	694.0
Business Premises	1,832.2	2,629.3	2,629.3	2,922.0
Obligations under Capital Lease	1,985.1	2,225.6	2,225.6	2,495.2
Total	4,435.9	5,556.9	5,556.9	6,111.2

CAPITAL BUDGET FOR LOANS AND INVESTMENTS

The Corporation's Capital Budget for Loans and Investments provides for borrowings for loans to acquire, construct or renovate housing under the various programs of the *National Housing Act*, and to help Canadians in need to access affordable, sound and suitable housing.

Capital commitments made in 2010 totalled \$1,734.4 million which represents a decrease of 12%, or \$233.1 million, from the amended plan of \$1,967.4 million, primarily due to delayed take-up of loans under the Municipal Infrastructure Lending Program (MILP).

The 2011 amended Capital Budget of \$729.0 million reflects the extension of funding for renovation programs to March 31, 2014 and includes lending requirements associated with MILP for the first quarter of 2011.

managed other programs' capital commitment authority so as to ensure that CMHC did not exceed its 2011 authority.

CMHC received formal approval from Treasury Board to increase its 2011 Capital Budget for Loans and Investments from \$633.1 million to \$729.0 million. Although CMHC managed MILP commitments within its 2011 authorities, an increase was still required to ensure commitments under other CMHC programs could continue throughout 2011.

The estimate of \$708.4 million includes the latest assumptions from provinces and territories based on the status of negotiations for the approved federal proposal, "Investments in Affordable Housing 2011-2014".

The 2012 Capital Budget for Loans and Investments totals \$279.8 million. The plan reflects the extension of the renovation programs to March 31, 2014.

Capital Budget for Loans and Investments				
(\$M)	Actual 2010	Amended Plan 2011	Estimate 2011	Plan 2012
Total	1,734.4	729.0	708.4	279.8

The 2011 amended plan of \$729.0 million represents an increase of \$95.9 million over the original plan of \$633.1 million. The increase is primarily due to the MILP which experienced delays in large loans planned to take place in late 2010 that did not fully materialize until the first quarter of 2011. In order to fully commit the available \$2.0 billion by the scheduled termination date of March 31, 2011, CMHC committed \$499.5 million in MILP loans before the deadline, \$217.5 million over the original plan. To accommodate this increase over the 2011 original plan, CMHC

■ BORROWING PLAN

Prior to 1993, CMHC obtained funding by borrowing directly from the Government of Canada. From 1993, with the inception of Direct Lending, until early 2008, CMHC borrowed in the capital markets. Since April 2008, funds have been obtained by borrowing from the Consolidated Revenue Fund under the Crown Borrowing Program of the federal government.

CMHC borrows to fund the following categories of activities:

- 1) *National Housing Act* (NHA) Part I purposes including for NHA Mortgage-Backed Securities (NHA MBS) and mortgages, and the Insured Mortgage Purchase Program (IMPP);
- 2) The Direct Social Housing Lending initiative;
- 3) Other loans and investments in housing programs that include loans made under the Municipal Infrastructure Lending Program; and,
- 4) Cash management, hedging and liquidity.

CMHC's 2012 Borrowing Plan includes new borrowing requirements of \$1.1 billion, largely for Direct Lending, and repayments of \$3.9 billion mainly for the IMPP. Taking into consideration opening balances of about \$70 billion, outstanding debt at year-end is projected at \$67 billion. Recognizing timing differences between repayments and new borrowings, CMHC requested and received approval from the Minister of Finance for total outstanding borrowings not to exceed \$71 billion in 2012.

■ INVESTMENT PLAN FOR MORTGAGE INSURANCE AND SECURITIZATION PORTFOLIOS

The current investment objective of the mortgage insurance and securitization investment portfolios is to maximize the total investment return on a pre-tax basis after investment-related operating expenses while maintaining sufficient liquidity to meet projected business requirements and safeguarding the economic value of the investment portfolios. This investment objective is being updated in 2011 in connection with a review of the strategic asset allocation policies for the portfolios.

To date, the investment objectives and the strategic asset allocation (SAA) have been the same for the mortgage insurance and securitization portfolios. However, in recognition of the distinct capitalization framework and risk appetite statements that have been set for securitization, this is changing in 2011.

A review of the strategic asset allocation policy for the securitization portfolio was completed and changes to the strategic asset allocation and accompanying investment objective were approved by the Board of Directors in May 2011. The planned SAA and investment objective are subject to setting up a stand-by credit facility intended to meet liquidity needs of CMHC's timely payment guarantee.

The strategic asset allocation and accompanying investment objective of the mortgage insurance investment portfolio, last approved by the Board of Directors in 2007, are currently under review. The review will be completed in 2011 and subsequent implementation of any changes is expected to be completed in 2012.

The five-year expected average nominal return of the mortgage insurance investment portfolio, based on the current SAA, is 3.92%. The five-year expected average nominal return of the securitization investment portfolio, based on the planned SAA and investment objective, is 3.85%. Actual returns may differ significantly from the expected levels.

Investments under management totalled \$19,198 million (market value) as at June 30, 2011, compared to \$17,591 million as at June 30, 2010¹. The majority of these investments, \$17,869 million, relates to Insurance Activity while the remaining \$1,329 million relates to Securitization Activity.

In addition, under the IMPP, CMHC invests in NHA MBS. These investments are excluded from the strategic asset allocation because they were made with the explicit goal of helping Canadian financial institutions to raise longer-term funds and, as such, do not contribute to the overall return of the investment portfolio.

¹ The investments under management exclude investments related to repurchase activity.

2008 TO 2016 FINANCIAL HIGHLIGHTS

Corporate Results ¹	2008 Actual	2009 Actual	2010 Actual	2011 Plan	2011 Estimate
Total Assets (\$M)	203,461	272,821	293,218	281,435	289,482
Total Liabilities (\$M)	195,291	263,558	281,783	270,139	277,289
Reserve Fund (\$M)	185	151	134	40	150
Total Equity of Canada (\$M)	8,170	9,263	11,435	11,296	12,193
Total Revenues (\$M)	11,738	13,164	14,916	14,606	14,525
Total Operating Expenses (\$M) ²	385	416	405	442	428
Total Expenses (\$M)	9,319	11,939	12,494	12,797	12,262
Net Income (\$M)	1,778	931	1,768	1,343	1,747
Other Comprehensive Income (\$M)	(604)	483	403	41	(61)
Comprehensive Income (\$M)	1,174	1,414	2,171	1,384	1,686
Staff-Years	1,945	1,999	2,069	2,040	2,010
Insurance					
Total Insured Volumes (Units)	798,309	1,048,736	643,991	706,664	624,116
Insurance-in-force (\$M)	407,700	472,564	514,156	533,200	545,200
Premiums and Fees Received (\$M)	2,132	2,464	1,941	2,212	1,764
Investments (including cash) (\$M) ³	12,974	15,881	17,563	18,878	18,467
Unappropriated Retained Earnings (\$M)	1,778	2,009	1,021	665	2,156
Retained Earnings Set Aside for Capitalization (\$M)	5,423	5,937	8,201	9,414	8,428
Net Insurance Claims Expense (\$M)	372	1,112	497	790	510
Net Income (\$M)	999	742	1,275	1,159	1,500
Other Comprehensive Income (\$M)	(527)	411	373	28	(56)
Comprehensive Income (\$M)	472	1,153	1,648	1,187	1,444
Securitization					
Annual Securities Guaranteed (\$M)	104,625	135,447	95,069	52,000	65,250
Securitization Guarantees-in-force (\$M)	233,958	300,320	325,802	309,800	349,000
Borrowings from the Government of Canada (\$M)	24,872	61,260	59,200	58,527	55,584
Fees Received (\$M)	228	291	222	128	154
Investments (including cash) (\$M) ³	25,559	62,260	60,440	59,816	57,016
Unappropriated Retained Earnings (\$M)	938	409	766	202	208
Appropriated Retained Earnings (\$M)	n/a	538	707	703	730
Net Income (\$M)	633	69	526	174	193
Other Comprehensive Income (\$M)	(24)	27	27	9	(30)
Comprehensive Income (\$M)	609	96	553	183	163
Housing Programs					
Housing Program Expenses (\$M) (excluding operating expenses)	2,288	2,505	3,040	2,165	2,291
Affordable Housing Initiative Expenditures (\$M) ⁴	98	120	582	157	238
Estimated Households Assisted through long-term Commitments	623,700	620,000	613,500	603,600	606,200
New Commitments (units) under Renovations Programs	21,506	18,000	18,158	4,038	6,499
On-reserve ⁴	1,063	1,193	1,283	710	1,106
Off-reserve ⁴	20,443	16,807	16,875	3,328	5,393
New commitments On-reserve Non-Profit Units ⁵	945	822	766	620	729
Lending					
Loans and Investments in Housing Programs (\$M)	12,340	11,727	12,381	13,282	12,267
Borrowings from Capital Markets (\$M)	5,979	4,448	3,054	2,071	2,119
Borrowings from the Government of Canada (\$M)	7,746	8,593	10,786	12,500	11,738
Net Income (\$M)	64	(16)	(17)	6	65
Canada Housing Trust					
Assets (\$M)	150,669	182,206	201,453	190,568	201,892
Liabilities (\$M)	150,669	182,240	201,503	190,568	201,892

¹ 2008 through 2010 Actual is accounted for under CGAAP; 2011 onward is accounted for under IFRS.

² Total operating expenses are included in Total Expenses line below.

³ Excludes investments related to repurchase activities and accrued interest receivable.

⁴ 2011 Plan does not reflect funding for housing programs which was authorized subsequent to the preparation of the 2011-2015 Corporate Plan (\$253.1 million per fiscal year for 2011-12 to 2013-14).

⁵ Excludes CEAP units.

Corporate Results ¹	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Total Assets (\$M)	290,027	271,452	249,654	257,199	263,467
Total Liabilities (\$M)	276,337	256,281	232,980	238,970	243,646
Reserve Fund (\$M)	164	185	196	208	228
Total Equity of Canada (\$M)	13,690	15,171	16,674	18,229	19,821
Total Revenues (\$M)	14,286	14,561	14,219	15,292	16,587
Total Operating Expenses (\$M) ²	427	441	446	451	457
Total Expenses (\$M)	12,349	12,665	12,276	13,299	14,552
Net Income (\$M)	1,497	1,460	1,488	1,522	1,553
Other Comprehensive Income (\$M)	0	21	15	33	39
Comprehensive Income (\$M)	1,497	1,481	1,503	1,555	1,592
Staff-Years	1,947	1,927	1,919	1,913	1,912
Insurance					
Total Insured Volumes (Units)	550,335	545,602	544,544	544,851	546,094
Insurance-in-force (\$M)	557,200	566,700	576,000	584,300	587,700
Premiums and Fees Received (\$M)	1,671	1,699	1,744	1,784	1,834
Investments (including cash) (\$M) ³	19,745	21,019	22,231	23,597	25,073
Unappropriated Retained Earnings (\$M)	2,767	3,551	4,791	6,060	7,282
Retained Earnings Set Aside for Capitalization (\$M)	9,154	9,673	9,762	9,848	10,017
Net Insurance Claims Expense (\$M)	625	695	663	646	644
Net Income (\$M)	1,331	1,291	1,326	1,352	1,388
Other Comprehensive Income (\$M)	(13)	3	7	26	35
Comprehensive Income (\$M)	1,318	1,294	1,333	1,378	1,423
Securitization					
Annual Securities Guaranteed (\$M)	64,000	64,000	64,000	64,000	64,000
Securitization Guarantees-in-force (\$M)	339,300	321,800	311,200	314,100	318,600
Borrowings from the Government of Canada (\$M)	52,947	29,067	2,084	0	0
Fees Received (\$M)	151	151	151	151	151
Investments (including cash) (\$M) ³	54,518	30,776	3,928	1,979	2,117
Unappropriated Retained Earnings (\$M)	367	570	772	909	1,031
Appropriated Retained Earnings (\$M)	730	686	636	655	673
Net Income (\$M)	159	158	152	156	140
Other Comprehensive Income (\$M)	6	8	7	8	7
Comprehensive Income (\$M)	165	166	159	164	147
Housing Programs					
Housing Program Expenses (\$M) (excluding operating expenses)	2,023	2,027	1,822	1,753	1,752
Affordable Housing Initiative Expenditures (\$M) ⁴	253	239	59	0	0
Estimated Households Assisted through long-term Commitments	597,800	587,200	573,300	548,200	525,000
New Commitments (units) under Renovations Programs	2,794	1,261	729	765	765
On-reserve ⁴	1,109	1,109	687	524	524
Off-reserve ⁴	1,685	152	42	241	241
New commitments On-reserve Non-Profit Units ⁵	548	511	501	494	480
Lending					
Loans and Investments in Housing Programs (\$M)	11,503	10,786	9,969	9,163	8,363
Borrowings from Capital Markets (\$M)	1,775	1,402	1,393	742	270
Borrowings from the Government of Canada (\$M)	11,390	11,004	10,650	10,470	9,615
Net Income (\$M)	9	12	9	10	18
Canada Housing Trust					
Assets (\$M)	204,221	208,880	212,889	221,999	228,153
Liabilities (\$M)	204,221	208,880	212,889	221,999	228,153

¹ 2008 through 2010 Actual is accounted for under CGAAP; 2011 onward is accounted for under IFRS.

² Total operating expenses are included in Total Expenses line below.

³ Excludes investments related to repurchase activities and accrued interest receivable.

⁴ 2011 Plan does not reflect funding for housing programs which was authorized subsequent to the preparation of the 2011-2015 Corporate Plan (\$253.1 million per fiscal year for 2011-12 to 2013-14).

⁵ Excludes CEAP units.

■ TABLE OF CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

Balance Sheet	Table 1
Statement of Income and Comprehensive Income.....	Table 2
Statement of Equity of Canada	Table 3
Statement of Cash Flows.....	Table 4

HOUSING PROGRAMS

Statement of Expenditures and Recoveries	Table 5
------------------------------------------------	---------

LENDING ACTIVITY

Balance Sheet	Table 6
Statement of Income, Comprehensive Income and Reserve Fund.....	Table 7
Statement of Cash Flows.....	Table 8

MORTGAGE INSURANCE ACTIVITY

Balance Sheet	Table 9
Statement of Income, Comprehensive Income, and Equity of Canada	Table 10
Statement of Cash Flows.....	Table 11

SECURITIZATION ACTIVITY

Balance Sheet	Table 12
Statement of Income, Comprehensive Income, and Equity of Canada	Table 13
Statement of Cash Flows.....	Table 14

CANADA HOUSING TRUST

Balance Sheet	Table 15
Statement of Income and Comprehensive Income.....	Table 16
Statement of Cash Flows.....	Table 17

STATEMENT OF TRANSACTIONS WITH THE CONSOLIDATED REVENUE FUND

Years Ended 31 December	Table 18
Fiscal Years Ending 31 March.....	Table 19

TABLE 1
Consolidated Financial Statements
 Balance Sheet (in millions of dollars)

Description	2010 Plan	2010 Actual	2011 Plan	2011 Estimate	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Assets									
Cash and Cash Equivalents	4,051	6,521	4,518	1,400	1,497	1,510	1,665	1,700	1,654
NHA MBS Loans Receivable	0	0	244,253	255,872	255,516	236,398	213,505	220,326	226,302
Investments in NHA Mortgage-Backed Securities:									
Designated at Fair Value	190,861	159,895	0	0	0	0	0	0	0
Held to Maturity	59,255	55,742	0	0	0	0	0	0	0
Investment Securities:									
Designated at Fair Value	3,850	1,651	1,127	987	1,401	1,370	1,606	1,557	1,100
Available for Sale	15,002	16,359	16,540	16,333	17,521	18,706	19,881	21,133	22,478
Held to Maturity	7,762	124	0	0	0	0	0	0	0
Securities Purchased Under Resale Agreements	24,375	34,208	0	0	0	0	0	0	0
Loans:									
Designated at Fair Value	7,255	7,294	7,831	6,827	6,388	6,001	5,517	5,051	4,594
Other	4,671	4,214	4,646	4,634	4,369	4,095	3,812	3,519	3,216
Investments in Housing Programs	869	873	805	806	746	690	640	593	553
Due from the Government of Canada	183	531	220	275	265	265	265	265	265
Accrued Interest Receivable	1,222	851	878	1,400	1,463	1,586	1,775	1,986	2,152
Accounts Receivable and Other Assets	889	644	617	908	842	821	985	1,069	1,153
Future Income Tax Asset	0	0	0	0	0	0	0	0	0
Derivatives	955	4,311	0	40	19	10	3	0	0
Total Assets	321,200	293,218	281,435	289,482	290,027	271,452	249,654	257,199	263,467
Liabilities									
Securities Sold Under Repurchase Agreements	135	60	0	250	250	250	250	250	250
Unearned Premiums and Fees	7,804	7,414	7,924	7,313	7,170	7,045	6,967	6,920	6,943
Accounts Payable and Other Liabilities	651	925	824	853	789	687	682	693	688
Accrued Interest Payable	2,824	1,092	636	1,166	1,233	1,350	1,539	1,750	1,912
Derivatives	4,364	360	16	24	17	15	12	9	8
Provision for Claims	1,042	1,096	1,246	1,001	968	1,041	1,044	1,052	1,088
Future Income Tax Liabilities	240	322	13	75	106	131	147	159	179
Borrowings:									
Canada Mortgage Bonds	210,431	197,488	186,382	197,166	199,692	204,289	208,212	216,925	222,693
Capital Market Borrowings	3,300	3,040	2,071	2,119	1,775	1,402	1,393	742	270
Borrowings from the Government of Canada:									
Designated at Fair Value	7,156	5,717	6,861	6,176	6,244	6,164	6,120	6,259	5,672
Other Borrowings	73,314	64,269	64,166	61,146	58,093	33,907	6,614	4,211	3,943
Total Liabilities	311,261	281,783	270,139	277,289	276,337	256,281	232,980	238,970	243,646
Equity of Canada									
Contributed Capital	25	25	25	25	25	25	25	25	25
Accumulated Other Comprehensive Income (Loss)	(201)	610	224	510	499	498	508	536	570
Retained Earnings	10,115	10,800	11,047	11,658	13,166	14,648	16,141	17,668	19,226
Total Equity of Canada	9,939	11,435	11,296	12,193	13,690	15,171	16,674	18,229	19,821
Total Liabilities and Equity of Canada	321,200	293,218	281,435	289,482	290,027	271,452	249,654	257,199	263,467

2010 Plan and 2010 Actual accounted for under CGAAP. 2011 forward is accounted for under IFRS.

TABLE 2

Consolidated Financial Statements

Statement of Income and Comprehensive Income (in millions of dollars)

Description	2010 Plan	2010 Actual	2011 Plan	2011 Estimate	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Revenues									
Interest Income from NHA MBS/Loans Receivable	8,355	7,729	8,674	8,456	8,738	8,994	8,871	10,015	11,301
Income from Investment Securities	1,474	842	608	547	606	687	739	783	832
Premiums and Fees	1,841	1,922	2,079	1,962	1,965	1,975	1,973	1,982	1,962
Interest Earned on Loans and Investments in Housing Programs	695	641	686	683	630	593	563	532	502
Net Realized Gains (Losses) from Financial Instruments	(174)	101	62	321	132	98	73	50	40
Net Unrealized Gains (Losses) from Financial Instruments	(44)	434	(9)	48	(13)	(10)	(5)	2	19
Other Income	87	92	89	97	90	79	65	57	60
	12,234	11,761	12,189	12,114	12,148	12,416	12,279	13,421	14,716
Parliamentary Appropriations for:									
Housing Programs	3,001	3,040	2,165	2,291	2,023	2,027	1,822	1,753	1,752
Operating Expenses	124	115	125	120	115	118	118	118	119
	3,125	3,155	2,290	2,411	2,138	2,145	1,940	1,871	1,871
Total Revenues	15,359	14,916	14,479	14,525	14,286	14,561	14,219	15,292	16,587
Expenses									
Interest Expense	9,949	8,552	9,275	9,033	9,274	9,502	9,345	10,449	11,699
Housing Programs	3,001	3,040	2,165	2,291	2,023	2,027	1,822	1,753	1,752
Operating Expenses	494	405	440	428	427	441	446	451	457
Net Claims	647	497	790	510	625	695	663	646	644
Total Expenses	14,091	12,494	12,670	12,262	12,349	12,665	12,276	13,299	14,552
Income before Income Taxes	1,268	2,422	1,809	2,263	1,937	1,896	1,943	1,993	2,035
Income Taxes	357	654	466	516	440	436	455	471	482
Net Income	911	1,768	1,343	1,747	1,497	1,460	1,488	1,522	1,553
Other Comprehensive Income (Net of Tax)									
Net Unrealized Gains (Losses) from Available for Sale Financial Instruments	38	421	60	109	75	62	57	59	59
Reclassification of Prior Years' Unrealized Net (Gains) Losses Realized in the Year	4	(18)	(38)	(209)	(86)	(63)	(47)	(31)	(25)
Net Actuarial Gains/Losses on Employee Benefit Plans	0	0	19	39	11	22	5	5	5
Other Comprehensive Income	42	403	41	(61)	0	21	15	33	39
Comprehensive Income	953	2,171	1,384	1,686	1,497	1,481	1,503	1,555	1,592

2010 Plan and 2010 Actual accounted for under CGAAP. 2011 forward is accounted for under IFRS.

2011 Plan does not reflect funding for housing and homelessness programs which was authorized subsequent to the preparation of the 2011-2015 Corporate Plan (\$253.1 million per fiscal year, for 2011-12 to 2013-14).

TABLE 3
Consolidated Financial Statements
 Statement of Equity of Canada (in millions of dollars)

Description	2010 Plan	2010 Actual	2011 Plan	2011 Estimate	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Unappropriated									
Opening Balance	2,475	2,405	503	895	2,350	3,118	4,104	5,547	6,957
Effect of Accounting Policy Change	0	0	(305)	0	0	0	0	0	0
Income Tax Benefit on Earnings Set Aside for Capitalization	0	1	1	1	0	0	0	0	0
Actuarial Gains/Losses included in OCI	0	0	12	22	6	13	3	3	3
Net Income (Loss)	941	1,785	1,337	1,682	1,488	1,448	1,479	1,512	1,535
Set aside for Capitalization	(690)	(2,433)	(658)	(250)	(726)	(475)	(39)	(105)	(187)
Balance 31 December	2,726	1,758	890	2,350	3,118	4,104	5,547	6,957	8,308
Earnings Set Aside for Capitalization (Insurance)									
Opening Balance	6,224	5,937	8,763	8,201	8,428	9,154	9,673	9,762	9,848
Set aside for Capitalization	545	2,264	651	227	726	519	89	86	169
Balance 31 December	6,769	8,201	9,414	8,428	9,154	9,673	9,762	9,848	10,017
Earnings Set Aside for Capitalization (Securitization)									
Opening Balance	458	538	696	707	730	730	686	636	655
Set aside for Capitalization	145	169	7	23	0	(44)	(50)	19	18
Balance 31 December	603	707	703	730	730	686	636	655	673
Total Earnings Set Aside for Capitalization	7,372	8,908	10,117	9,158	9,884	10,359	10,398	10,503	10,690
Reserve Fund for Lending									
Opening Balance	47	151	86	68	150	164	185	196	208
Effect of Accounting Policy Change	0	0	(59)	0	0	0	0	0	0
Actuarial Gains/Losses included in OCI	0	0	7	17	5	9	2	2	2
Net Income (Loss)	(30)	(17)	6	65	9	12	9	10	18
Balance 31 December	17	134	40	150	164	185	196	208	228
Total Retained Earnings	10,115	10,800	11,047	11,658	13,166	14,648	16,141	17,668	19,226
Accumulated Other Comprehensive Income (Loss)									
Opening Balance	(243)	207	202	610	510	499	498	508	536
Other Comprehensive Income	42	403	22	(100)	(11)	(1)	10	28	34
Balance 31 December	(201)	610	224	510	499	498	508	536	570
Contributed Capital	25	25	25	25	25	25	25	25	25
Total Equity of Canada	9,939	11,435	11,296	12,193	13,690	15,171	16,674	18,229	19,821
2010 Plan and 2010 Actual accounted for under CGAAP. 2011 forward is accounted for under IFRS.									

TABLE 4
Consolidated Financial Statements
 Statement of Cash Flows (in millions of dollars)

Description	2010 Plan	2010 Actual	2011 Plan	2011 Estimate	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Cash Flows Provided by (Used in) Operating Activities									
Net Income (Loss)	911	1,768	1,343	1,747	1,497	1,460	1,488	1,522	1,553
Items not Affecting Cash or Cash Equivalents									
Amortization of Discounts/Premiums	(190)	(75)	(213)	25	(2)	(2)	(2)	(2)	(2)
Future Income Taxes	(35)	119	(123)	31	31	25	16	12	20
Change in Fair Value of Financial Instruments	328	(434)	(53)	(102)	14	10	5	(2)	(19)
Gain of Sale of Securities	(1)	(96)	0	0	0	0	0	0	0
Net Change in Non-cash Operating Assets and Liabilities	4,254	64	490	(457)	(139)	(99)	(220)	(94)	(13)
	5,267	1,346	1,444	1,244	1,401	1,394	1,287	1,436	1,539
Cash Flows Provided by (Used in) Investing Activities									
Change in Held to Maturity and Designated at Fair Value NHA MBS									
Sales and Maturities	93,909	61,957	63,338	39,641	40,337	59,379	63,184	33,184	34,000
Purchases	(120,000)	(75,882)	(56,950)	(41,874)	(39,970)	(39,732)	(39,697)	(39,977)	(40,000)
Change in Investment Securities	(7,053)	(1,318)	(1,796)	(1,423)	(1,130)	(1,493)	(1,740)	(1,564)	(1,272)
Change in Loans and Investments in Housing Programs									
Repayments	735	841	819	894	869	889	903	911	900
Disbursements	(1,297)	(1,532)	(1,516)	(932)	(186)	(199)	(87)	(91)	(91)
Change in Securities Purchased Under Resale Agreements	(2,537)	(1,838)	0	0	0	0	0	0	0
	(36,243)	(17,772)	3,895	(3,694)	(80)	18,844	22,563	(7,537)	(6,463)
Cash Flows Provided by (Used in) Financing Activities									
Canada Mortgage Bonds									
Issuances	48,000	39,522	32,098	42,062	39,726	39,897	39,863	40,169	40,208
Repayments	(19,400)	(19,400)	(36,025)	(36,025)	(37,700)	(35,500)	(36,200)	(31,100)	(34,000)
Capital Market Borrowings									
Issuances	0	0	0	0	0	0	0	0	0
Repayments	(1,511)	(1,517)	(933)	(846)	(300)	(350)	0	(650)	(465)
Borrowings from the Government of Canada Designated at Fair Value and Other									
Issuances	7,300	5,823	1,728	2,217	913	1,158	750	1,054	512
Repayments	(3,758)	(5,657)	(3,066)	(4,133)	(3,863)	(25,430)	(28,108)	(3,337)	(1,377)
Change in Short-Term Borrowings	965	(75)	0	(600)	0	0	0	0	0
Change in Securities Sold under Repurchase Agreements	0	9	0	190	0	0	0	0	0
	31,596	18,705	(6,198)	2,865	(1,224)	(20,225)	(23,695)	6,136	4,878
Increase(Decrease) in Cash and Cash Equivalents	620	2,279	(859)	415	97	13	155	35	(46)
Cash and Cash Equivalents									
Beginning of Year	3,431	4,242	5,377	985	1,400	1,497	1,510	1,665	1,700
End of Year	4,051	6,521	4,518	1,400	1,497	1,510	1,665	1,700	1,654
Supplemental Disclosure of Cash Flow Information									
Amount of Interest Paid During the Year	13,634	8,159	9,631	8,959	9,208	9,383	9,155	10,236	11,536
Amount of Income Taxes Paid During the Year	19	442	456	927	320	398	422	464	483
2010 Plan and 2010 Actual accounted for under CGAAP. 2011 forward is accounted for under IFRS.									

TABLE 5

Housing Programs

Statement of Expenditures and Recoveries (in millions of dollars)

Description	2010 Plan	2010 Actual	2011 Plan	2011 Estimate	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Cash Flow Requirements - Contributions									
Increased availability of safe, affordable housing for Canadians in need, including Aboriginal Canadians									
Assisted Housing Programs	1,679	1,546	1,592	1,680	1,603	1,646	1,620	1,604	1,596
Affordable Housing Initiative	468	582	157	238	253	239	59	0	0
On-Reserve Housing Programs ¹	183	198	168	170	127	129	133	139	147
Housing Repair and Improvement Programs	661	707	240	197	33	6	3	3	2
Research and information dissemination that addresses distinct housing needs, including those of Aboriginal people ²	2	1	2	1	0	0	0	0	0
Strengthened competitiveness and innovation of the housing sector in order to meet the housing needs of Canadians									
Canadian Housing Market Research and Analysis	0	0	0	0	0	0	0	0	0
Research and information dissemination to promote desirable housing market outcomes and improve building performance ²	4	3	3	3	0	0	0	0	0
The Canadian housing system remains one of the best in the world									
International Activities	0	0	0	0	0	0	0	0	0
Research and information dissemination to promote sustainable housing and communities, as well as lead the development and implementation of federal housing policy ²	4	3	3	2	0	0	0	0	0
Develop policy, undertake research and disseminate information to support and strengthen the economic, technical, social and sustainable aspects of Canadian Housing and communities. Lead the development and implementation of federal housing policy	0	0	0	0	7	7	7	7	7
Sub-total - Contributions	3,001	3,040	2,165	2,291	2,023	2,027	1,822	1,753	1,752
Operating Expenses	124	115	125	120	115	118	118	118	119
Total Cash Flow Requirements	3,125	3,155	2,290	2,411	2,138	2,145	1,940	1,871	1,871

¹ On-Reserve Housing Programs includes renovation programs delivered on reserve.² The PAA has been changed and the figures for research are now reported under one strategic outcome.

2011 Plan data above does not reflect funding for housing and homelessness programs which was authorized subsequent to the preparation of the 2011-2015 Corporate Plan (\$253.1 million per fiscal year for 2011-12 to 2013-14).

TABLE 6

Lending Activity

Balance Sheet (in millions of dollars)

Description	2010 Plan	2010 Actual	2011 Plan	2011 Estimate	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Assets									
Cash and Cash Equivalents	164	511	298	614	665	616	766	744	637
Investment Securities:									
Designated at Fair Value	1,035	1,028	1,071	1,355	1,340	1,309	1,545	1,496	1,039
Loans:									
Designated at Fair Value	7,255	7,294	7,831	6,827	6,388	6,001	5,517	5,051	4,594
Other	4,671	4,214	4,646	4,634	4,369	4,095	3,812	3,519	3,216
Investments in Housing Programs	869	873	805	806	746	690	640	593	553
Due from the Government of Canada	183	531	220	275	265	265	265	265	265
Accrued Interest Receivable	255	253	235	249	228	208	194	171	148
Accounts Receivable and Other Assets	276	224	374	183	188	209	300	374	442
Derivatives	191	116	0	40	19	10	3	0	0
Future Income Tax Assets	0	0	0	0	0	0	0	0	0
Securities Purchased Under Resale Agreements	0	0	0	0	0	0	0	0	0
Total Assets	14,899	15,044	15,480	14,983	14,208	13,403	13,042	12,213	10,894
Liabilities									
Accounts Payable and Other Liabilities	440	848	729	767	668	608	606	615	617
Accrued Interest Payable	108	137	120	135	126	116	113	101	86
Derivatives	11	107	16	24	17	15	12	9	8
Future Income Tax Liabilities	21	(47)	(21)	25	43	48	47	43	45
Borrowings:									
Capital Market Borrowings	3,300	3,054	2,071	2,119	1,775	1,402	1,393	742	270
Borrowings from the Government of Canada:									
Designated at Fair Value	7,156	5,717	6,861	6,176	6,244	6,164	6,120	6,259	5,672
Other Borrowings	3,821	5,069	5,639	5,562	5,146	4,840	4,530	4,211	3,943
Total Liabilities	14,857	14,885	15,415	14,808	14,019	13,193	12,821	11,980	10,641
Equity of Canada									
Contributed Capital	25	25	25	25	25	25	25	25	25
Reserve for Unrealized Gains/Losses	(57)	17	(64)	45	52	65	72	83	105
Reserve for All Other Lending-Related Items	74	117	104	105	112	120	124	125	123
Total Equity of Canada	42	159	65	175	189	210	221	233	253
Total Liabilities and Equity of Canada	14,899	15,044	15,480	14,983	14,208	13,403	13,042	12,213	10,894
2010 Plan and 2010 Actual accounted for under CGAAP. 2011 forward is accounted for under IFRS.									

TABLE 7

Lending Activity

Statement of Income, Comprehensive Income and Reserve Fund (in millions of dollars)

Description	2010 Plan	2010 Actual	2011 Plan	2011 Estimate	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Revenues									
Income from Investment Securities	25	24	44	19	37	57	56	52	49
Interest Earned on Loans and Investments in Housing Programs	695	641	686	683	630	593	563	532	502
Net Realized Gains (Losses) from Financial Instruments	0	0	0	0	0	0	0	0	0
Net Unrealized Gains (Losses) from Financial Instruments	(45)	(30)	(13)	59	(11)	(9)	(6)	(2)	12
Other Income	(4)	(3)	13	16	14	14	13	13	13
Total Revenues	671	632	730	777	670	655	626	595	576
Expenses									
Interest Expense	691	641	697	672	635	616	590	558	529
Operating Expenses	27	20	27	25	26	27	27	27	27
Total Expenses	718	661	724	697	661	643	617	585	556
Income Before Income Taxes	(47)	(29)	6	80	9	12	9	10	20
Income Taxes	(17)	(12)	0	15	0	0	0	0	2
Net Income (Loss)	(30)	(17)	6	65	9	12	9	10	18
Other Comprehensive Income (Net of Tax)									
Net Actuarial Gains/Losses on Employee Benefit Plans	0	0	7	17	5	9	2	2	2
Other Comprehensive Income	0	0	7	17	5	9	2	2	2
Comprehensive Income	(30)	(17)	13	82	14	21	11	12	20
Reserve Fund									
Balance, Beginning of Year	47	151	86	68	150	164	185	196	208
Dividend paid out to Government of Canada	0	0	0	0	0	0	0	0	0
Effect of Accounting Policy Change	0	0	(59)	0	0	0	0	0	0
Actuarial Gains/Losses included in OCI	0	0	7	17	5	9	2	2	2
Net Income (Loss)	(30)	(17)	6	65	9	12	9	10	18
Balance, End of Year	17	134	40	150	164	185	196	208	228
Reserve for Unrealized Gains/Losses	(57)	17	(64)	45	52	65	72	83	105
Reserve for All Other Lending-Related Items	74	117	104	105	112	120	124	125	123
Total Reserve Fund	17	134	40	150	164	185	196	208	228

2010 Plan and 2010 Actual accounted for under CGAAP. 2011 forward is accounted for under IFRS.

TABLE 8
Lending Activity

Statement of Cash Flows (in millions of dollars)

Description	2010 Plan	2010 Actual	2011 Plan	2011 Estimate	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Cash Flows Provided by (Used in) Operating Activities									
Net Income (Loss)	(30)	(18)	6	65	9	12	9	10	18
Items not Affecting Cash or Cash Equivalents									
Amortization of Discounts and Premiums	0	4	0	0	0	0	0	0	0
Future Income Taxes	35	(8)	(1)	50	18	5	(1)	(4)	2
Change in Fair Value of Financial Instruments	45	30	13	(59)	11	9	6	2	(12)
Gain of Sale of Investment Securities	0	0	0	0	0	0	0	0	0
Net Change in Non-cash Operating Assets and Liabilities	(27)	206	91	158	(72)	(53)	(70)	(50)	(51)
	23	214	109	214	(34)	(27)	(56)	(42)	(43)
Cash Flows Provided by (Used in) Investment Activities									
Loans and Investments in Housing Programs									
Repayments	735	841	819	894	869	889	903	911	900
Disbursements	(1,297)	(1,532)	(1,516)	(932)	(186)	(199)	(87)	(91)	(91)
Change in Investment Securities	24	10	238	(327)	15	31	(236)	49	457
Change in Securities Purchased Under Resale Agreements	0	127	0	0	0	0	0	0	0
	(538)	(554)	(459)	(365)	698	721	580	869	1,266
Cash Flows Provided by (Used in) Financing Activities									
Capital Market Borrowings									
Issuances	0	0	0	0	0	0	0	0	0
Repayments	(1,511)	(1,517)	(933)	(846)	(300)	(350)	0	(650)	(465)
Borrowings from the Government of Canada Designated at Fair Value and Other									
Issuances	1,300	2,434	1,728	2,217	913	1,158	750	1,054	512
Repayments	(242)	(204)	(464)	(517)	(1,226)	(1,551)	(1,124)	(1,253)	(1,377)
Change in Short-Term Borrowings	965	(75)	0	(600)	0	0	0	0	0
	512	638	331	254	(613)	(743)	(374)	(849)	(1,330)
Increase (Decrease) in Cash and Cash Equivalents	(3)	298	(19)	103	51	(49)	150	(22)	(107)
Cash and Cash Equivalents									
Beginning of Year	167	213	317	511	614	665	616	766	744
End of Year	164	511	298	614	665	616	766	744	637
Supplemental Disclosure of Cash Flow Information									
Amount of Interest Paid During the Year	704	0	702	674	644	626	593	570	544
Amount of Income Taxes Paid During the Year	39	632	47	95	34	19	5	(1)	(4)

2010 Plan and 2010 Actual accounted for under CGAAP. 2011 forward is accounted for under IFRS.

TABLE 9

Insurance Activity

Balance Sheet (in millions of dollars)

Description	2010 Plan	2010 Actual	2011 Plan	2011 Estimate	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Assets									
Cash and Cash Equivalents	258	435	720	698	724	773	766	813	864
Investment Securities:									
Available for Sale	16,438	17,066	18,103	17,709	18,961	20,186	21,405	22,724	24,149
Held to Maturity	0	0	0	0	0	0	0	0	0
Designated at Fair Value	0	62	55	60	60	60	60	60	60
Accrued Interest Receivable	104	101	118	112	120	135	146	156	167
Future Income Tax Asset	0	0	0	0	0	0	0	0	0
Accounts Receivable and Other Assets	562	449	144	680	566	562	638	651	669
Total Assets	17,362	18,113	19,140	19,259	20,431	21,716	23,015	24,404	25,909
Liabilities									
Securities Sold Under Repurchase Agreements	135	60	0	250	250	250	250	250	250
Unearned Premiums and Fees	7,262	6,874	7,546	6,837	6,712	6,610	6,556	6,543	6,571
Accounts Payable and Other Liabilities	210	159	15	26	25	25	25	25	25
Provision for Claims	1,042	1,096	1,246	1,001	968	1,041	1,044	1,052	1,088
Future Income Tax Liabilities	30	115	35	51	64	84	101	117	135
Total Liabilities	8,679	8,304	8,842	8,165	8,019	8,010	7,976	7,987	8,069
Equity of Canada									
Accumulated Other Comprehensive Income	(90)	587	219	510	491	482	486	509	541
Unappropriated Retained Earnings	2,004	1,021	665	2,156	2,767	3,551	4,791	6,060	7,282
Appropriated Retained Earnings	6,769	8,201	9,414	8,428	9,154	9,673	9,762	9,848	10,017
Total Equity of Canada	8,683	9,809	10,298	11,094	12,412	13,706	15,039	16,417	17,840
Total Liabilities and Equity of Canada	17,362	18,113	19,140	19,259	20,431	21,716	23,015	24,404	25,909

2010 Plan and 2010 Actual accounted for under CGAAP. 2011 forward is accounted for under IFRS.

Provision for Claims is in accordance with subsection 21(1) of the *National Housing Act*.

CMHC sets aside Retained Earnings for Capitalization as per paragraph 21(2)(a) of the NHA.

CMHC Unappropriated Retained Earnings are available for use as per subsection 21(2) of the NHA.

TABLE 10

Insurance Activity

Statement of Income, Comprehensive Income, and Equity of Canada (in millions of dollars)

Description	2010 Plan	2010 Actual	2011 Plan	2011 Estimate	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Revenues									
Income from Investment Securities	604	590	611	572	615	683	738	791	845
Premiums and Fees	1,662	1,738	1,891	1,801	1,796	1,801	1,798	1,797	1,806
Net Realized Gains (Losses) from Financial Instruments	0	95	62	267	133	98	73	50	40
Net Unrealized Gains (Losses) from Financial Instruments	0	11	0	0	0	0	0	0	0
Other Income	0	6	0	0	0	(1)	(1)	(1)	(1)
Total Revenues	2,266	2,440	2,564	2,640	2,544	2,581	2,608	2,637	2,690
Expenses									
Interest Expense on Repos	0	0	0	0	0	0	0	0	0
Operating Expenses	231	186	212	198	201	211	215	220	225
Net Claims	647	497	790	510	625	695	663	646	644
Total Expenses	878	683	1,002	708	826	906	878	866	869
Income Before Income Taxes	1,388	1,757	1,562	1,932	1,718	1,675	1,730	1,771	1,821
Income Taxes	389	482	403	432	387	384	404	419	433
Net Income (Loss)	999	1,275	1,159	1,500	1,331	1,291	1,326	1,352	1,388
Other Comprehensive Income (Net of Tax)									
Net Unrealized Gains (Losses) from Available for Sale Financial Instruments	52	392	62	119	81	65	59	60	62
Reclassification of Prior Years' Unrealized Net (Gains) Losses Realized in the Year	5	(19)	(45)	(196)	(100)	(74)	(55)	(37)	(30)
Net Actuarial Gains/Losses on Employee Benefit Plans	0	0	11	21	6	12	3	3	3
Other Comprehensive Income	57	373	28	(56)	(13)	3	7	26	35
Comprehensive Income	1,056	1,648	1,187	1,444	1,318	1,294	1,333	1,378	1,423
Unappropriated Retained Earnings									
Balance, Beginning of Year	1,550	2,009	298	861	2,156	2,767	3,551	4,791	6,060
Effect of Accounting Policy Change	0	0	(153)	0	0	0	0	0	0
Income Tax Benefit on Earnings Set Aside for Capitalization	0	1	1	1	0	0	0	0	0
Net Income (Loss)	999	1,275	1,159	1,500	1,331	1,291	1,326	1,352	1,388
Set Aside for Capitalization	(545)	(2,264)	(651)	(227)	(726)	(519)	(89)	(86)	(169)
Actuarial Gains/Losses included in OCI	0	0	11	21	6	12	3	3	3
Balance, End of Year	2,004	1,021	665	2,156	2,767	3,551	4,791	6,060	7,282
Retained Earnings Set Aside for Capitalization									
Balance, Beginning of Year	6,224	5,937	8,763	8,201	8,428	9,154	9,673	9,762	9,848
Transferred from Unappropriated Retained Earnings	545	2,264	651	227	726	519	89	86	169
Balance, End of Year	6,769	8,201	9,414	8,428	9,154	9,673	9,762	9,848	10,017
Accumulated Other Comprehensive Income									
Balance, Beginning of Year	(147)	214	202	587	510	491	482	486	509
Other Comprehensive Income	57	373	17	(77)	(19)	(9)	4	23	32
Balance, End of Year	(90)	587	219	510	491	482	486	509	541
Total Equity of Canada, End of Year	8,683	9,809	10,298	11,094	12,412	13,706	15,039	16,417	17,840

2010 Plan and 2010 Actual accounted for under CGAAP. 2011 forward is accounted for under IFRS.

Provision for Claims is in accordance with subsection 21(1) of the *National Housing Act*.

CMHC sets aside Retained Earnings for Capitalization as per paragraph 21(2)(a) of the NHA.

CMHC Unappropriated Retained Earnings are available for use as per subsection 21(2) of the NHA.

TABLE 11

Insurance Activity

Statement of Cash Flows (in millions of dollars)

Description	2010 Plan	2010 Actual	2011 Plan	2011 Estimate	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Cash Flows Provided by (Used in) Operating Activities									
Net Income (Loss)	999	1,275	1,159	1,500	1,331	1,291	1,326	1,352	1,388
Items not Affecting Cash or Cash Equivalents									
Amortization of Discounts and Premiums	35	24	23	27	0	0	0	0	0
Future Income Taxes	4	11	(55)	(6)	13	20	17	16	18
Change in Fair Value of Financial Instruments	0	(11)	(62)	0	0	0	0	0	0
Gain of Sale of Investment Securities	0	(90)	0	0	0	0	0	0	0
Net Change in Non-cash Operating Assets and Liabilities	719	(125)	319	(705)	(47)	(28)	(135)	(25)	38
	1,757	1,084	1,384	816	1,297	1,283	1,208	1,343	1,444
Cash Flows Provided by (Used in) Investment Activities									
Change in Investment Securities	(1,728)	(1,238)	(1,326)	(743)	(1,271)	(1,234)	(1,215)	(1,296)	(1,393)
Change in Securities Purchased Under Resale Agreements	0	0	0	0	0	0	0	0	0
	(1,728)	(1,238)	(1,326)	(743)	(1,271)	(1,234)	(1,215)	(1,296)	(1,393)
Cash Flows Provided by (Used in) Financing Activities									
Change in Securities Sold under Repurchase Agreements	0	9	0	190	0	0	0	0	0
Increase(Decrease) in Cash and Cash Equivalents	29	(145)	58	263	26	49	(7)	47	51
Cash and Cash Equivalents									
Beginning of Year	229	580	662	435	698	724	773	766	813
End of Year	258	435	720	698	724	773	766	813	864
Supplemental Disclosure of Cash Flow Information									
Amount of Interest Paid During the Year	0	0	0	0	0	0	0	0	0
Amount of Income Taxes Paid During the Year	25	395	358	744	228	324	362	412	433
2010 Plan and 2010 Actual accounted for under CGAAP. 2011 forward is accounted for under IFRS.									

TABLE 12

Securitization Activity

Balance Sheet (in millions of dollars)

Description	2010 Plan	2010 Actual	2011 Plan	2011 Estimate	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Assets									
Cash and Cash Equivalents	2	3,108	51	87	107	120	132	142	152
NHA MBS Loans Receivable	0	0	58,527	55,584	52,947	29,067	2,084	0	0
Investments in NHA Mortgage-Backed Securities									
Held to Maturity	59,255	55,742	0	0	0	0	0	0	0
Investment Securities:									
Designated at Fair Value	0	1	1	1	1	1	1	1	1
Available for Sale	1,123	1,201	1,237	1,344	1,463	1,588	1,711	1,836	1,964
Held to Maturity	10,238	388	0	0	0	0	0	0	0
Securities Purchased Under Resale Agreement	0	0	0	0	0	0	0	0	0
Accrued Interest Receivable	193	126	100	79	77	42	12	10	11
Accounts Receivable and Other Assets	51	117	91	41	85	47	44	40	36
Future Income Tax Assets	0	0	0	0	0	0	0	0	0
Derivatives	764	1,031	0	0	0	0	0	0	0
Total Assets	71,626	61,714	60,007	57,136	54,680	30,865	3,984	2,029	2,164
Liabilities									
Unearned Guarantee, Application and Compensatory Fees	542	540	378	476	458	435	411	377	372
Accounts Payable and Other Liabilities	38	71	79	59	95	53	50	52	45
Accrued Interest Payable	188	119	92	71	69	33	3	0	0
Derivatives	0	17	0	0	0	0	0	0	0
Future Income Tax Liabilities	189	254	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Borrowings from the Government of Canada:									
Designated at Fair Value	0	0	0	0	0	0	0	0	0
Other Borrowings	69,493	59,200	58,527	55,584	52,947	29,067	2,084	0	0
Total Liabilities	70,450	60,201	59,075	56,189	53,568	29,587	2,547	428	416
Equity of Canada									
Accumulated Other Comprehensive Income	(29)	40	27	9	15	22	29	37	44
Unappropriated Retained Earnings	602	766	202	208	367	570	772	909	1,031
Appropriated Retained Earnings	603	707	703	730	730	686	636	655	673
Total Equity of Canada	1,176	1,513	932	947	1,112	1,278	1,437	1,601	1,748
Total Liabilities and Equity of Canada	71,626	61,714	60,007	57,136	54,680	30,865	3,984	2,029	2,164

2010 Plan and 2010 actual accounted for under CGAAP. 2011 forward is accounted for under IFRS.

CMHC sets aside Retained Earnings for Capitalization as per paragraph 21(2)(a) of the NHA.

CMHC Unappropriated Retained Earnings are available for use as per subsection 21(2) of the NHA.

TABLE 13

Securitization Activity

Statement of Income, Comprehensive Income, and Equity of Canada (in millions of dollars)

Description	2010 Plan	2010 Actual	2011 Plan	2011 Estimate	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Revenues									
Interest Income from NHA MBS/Loans Receivable	2,072	1,734	1,956	1,741	1,685	1,485	240	13	0
Income from Investment Securities	45	57	44	44	46	48	54	57	62
Premiums and Fees	179	184	188	161	169	174	175	185	156
Net Realized Gains (Losses) from Financial Instruments	(178)	6	0	54	(1)	0	0	0	0
Net Unrealized Gains (Losses) from Financial Instruments	0	469	0	0	0	0	0	0	0
Other Income	(5)	21	14	14	10	0	(13)	(21)	(18)
Total Revenues	2,113	2,471	2,202	2,014	1,909	1,707	456	234	200
Expenses									
Interest Expense	2,188	1,753	1,956	1,741	1,685	1,485	240	13	0
Operating Expenses	10	8	9	11	12	12	13	13	13
Total Expenses	2,198	1,761	1,965	1,752	1,697	1,497	253	26	13
Income Before Income Taxes	(85)	710	237	262	212	210	203	208	187
Income Taxes	(15)	184	63	69	53	52	51	52	47
Net Income (Loss)	(70)	526	174	193	159	158	152	156	140
Other Comprehensive Income (Net of Tax)									
Net Unrealized Gains (Losses) from Available for Sale Financial Instruments	(6)	26	8	8	6	7	7	8	7
Reclassification of Prior Years' Unrealized Net (Gains) Losses Realized in the Year	0	1	0	(39)	0	0	0	0	0
Net Actuarial Gains/Losses on Employee Benefit Plans	0	0	1	1	0	1	0	0	0
Other Comprehensive Income	(6)	27	9	(30)	6	8	7	8	7
Comprehensive Income	(76)	553	183	163	165	166	159	164	147
Unappropriated Retained Earnings									
Balance, Beginning of Year	817	409	194	37	208	367	570	772	909
Effect of Accounting Policy Change	0	0	(160)	0	0	0	0	0	0
Actuarial Gains/Losses included in OCI	0	0	1	1	0	1	0	0	0
Net Income (Loss)	(70)	526	174	193	159	158	152	156	140
Set Aside for Capitalization	(145)	(169)	(7)	(23)	0	44	50	(19)	(18)
Balance, End of Year	602	766	202	208	367	570	772	909	1,031
Retained Earnings Set Aside for Capitalization									
Balance, Beginning of Year	458	538	696	707	730	730	686	636	655
Transferred from Unappropriated Retained Earnings	145	169	7	23	0	(44)	(50)	19	18
Balance, End of Year	603	707	703	730	730	686	636	655	673
Accumulated Other Comprehensive Income									
Balance, Beginning of Year	(23)	13	19	40	9	15	22	29	37
Other Comprehensive Income	(6)	27	8	(31)	6	7	7	8	7
Balance, End of Year	(29)	40	27	9	15	22	29	37	44
Total Equity of Canada, End of Year	1,176	1,513	932	947	1,112	1,278	1,437	1,601	1,748
2010 Plan and 2010 Actual accounted for under CGAAP. 2011 forward is accounted for under IFRS.									
CMHC sets aside Retained Earnings for Capitalization as per paragraph 21(2)(a) of the NHA.									
CMHC Unappropriated Retained Earnings are available for use as per subsection 21(2) of the NHA.									

TABLE 14

Securitization Activity

Statement of Cash Flows (in millions of dollars)

Description	2010 Plan	2010 Actual	2011 Plan	2011 Estimate	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Cash Flows Provided by (Used in) Operating Activities									
Net Income (Loss)	(70)	526	174	193	159	158	152	156	140
Items not Affecting Cash or Cash Equivalents									
Amortization of Discounts and Premiums	(2)	3	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Future Income Taxes	(74)	117	(67)	(13)	0	0	0	0	0
Change in Fair Value of Financial Instruments	294	(469)	0	(54)	1	0	0	0	0
Gain on Sale of Investment Securities	0	(5)	0	0	0	0	0	0	0
Net Change in Non-cash Operating Assets and Liabilities	46	28	80	94	(18)	(18)	(16)	(19)	0
	194	200	185	218	140	138	134	135	138
Cash Flows Provided by (Used in) Investment Activities									
NHA MBS Loans Receivable									
Sales and Maturities	8,210	14,410	3,982	3,616	2,637	23,879	26,984	2,084	0
Purchases	(6,000)	(11,151)	0	0	0	0	0	0	0
Change in Investment Securities	(4,888)	412	(1,560)	(169)	(120)	(125)	(122)	(125)	(128)
Change in Securities Purchased Under Resale Agreements	0	0	0	0	0	0	0	0	0
	(2,678)	3,671	2,422	3,447	2,517	23,754	26,862	1,959	(128)
Cash Flows Provided by (Used in) Financing Activities									
Borrowings from the Government of Canada									
Issuances	6,000	3,392	0	0	0	0	0	0	0
Repayments	(3,516)	(5,453)	(2,602)	(3,616)	(2,637)	(23,879)	(26,984)	(2,084)	0
	2,484	(2,061)	(2,602)	(3,616)	(2,637)	(23,879)	(26,984)	(2,084)	0
Increase (Decrease) in Cash and Cash Equivalents	0	1,810	5	49	20	13	12	10	10
Cash and Cash Equivalents									
Beginning of Year	2	1,298	46	38	87	107	120	132	142
End of Year	2	3,108	51	87	107	120	132	142	152
Supplemental Disclosure of Cash Flow Information									
Amount of Interest Paid During the Year	2,184	1,186	1,960	1,753	1,687	1,521	270	16	0
Amount of Income Taxes Paid During the Year	(45)	17	51	88	58	55	55	53	54
2010 Plan and 2010 Actual accounted for under CGAAP. 2011 forward is accounted for under IFRS.									

TABLE 15

Canada Housing Trust

Balance Sheet (in millions of dollars)

Description	2010 Plan	2010 Actual	2011 Plan	2011 Estimate	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Assets									
Cash and Cash Equivalents	3,627	2,867	3,449	1	1	1	1	1	1
NHA MBS Loans Receivable	0	0	186,676	200,912	203,164	207,658	211,444	220,326	226,302
Investments in NHA Mortgage-Backed Securities:									
Designated at Fair Value	190,861	159,895	0	0	0	0	0	0	0
Investment Securities:									
Designated at Fair Value	2,815	940	0	0	0	0	0	0	0
Securities Purchased Under Resale Agreements	24,375	34,208	0	0	0	0	0	0	0
Accrued Interest Receivable	686	379	443	979	1,056	1,221	1,444	1,672	1,850
Accounts Receivable and Other Assets	0	0	0	0	0	0	0	0	0
Derivatives	0	3,164	0	0	0	0	0	0	0
Total Assets	222,364	201,453	190,568	201,892	204,221	208,880	212,889	221,999	228,153
Liabilities									
Accounts Payable and Other Liabilities	1	1	1	1	1	1	1	1	1
Accrued Interest Payable	2,544	844	442	979	1,056	1,221	1,444	1,672	1,850
Derivatives	4,353	236	0	0	0	0	0	0	0
Canada Mortgage Bonds	215,466	200,422	190,125	200,912	203,164	207,658	211,444	220,326	226,302
Total Liabilities	222,364	201,503	190,568	201,892	204,221	208,880	212,889	221,999	228,153
Equity of Canada									
Accumulated Other Comprehensive Income	0	0	0	0	0	0	0	0	0
Retained Earnings	0	(50)	0	0	0	0	0	0	0
Total Equity of Canada	0	(50)	0	0	0	0	0	0	0
Total Liabilities and Equity of Canada	222,364	201,453	190,568	201,892	204,221	208,880	212,889	221,999	228,153

2010 Plan and 2010 Actual accounted for under CGAAP. 2011 forward is accounted for under IFRS.

TABLE 16

Canada Housing Trust

Statement of Income and Comprehensive Income (in millions of dollars)

Description	2010 Plan	2010 Actual	2011 Plan	2011 Estimate	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Revenues									
Interest Income from NHA MBS/Loans Receivable	6,283	5,995	6,718	6,715	7,053	7,509	8,631	10,002	11,301
Income from Investment Securities	873	241	0	0	0	0	0	0	0
Net Unrealized Gains (Losses) from Financial Instruments	0	(16)	0	0	0	0	0	0	0
Other Income	214	166	137	172	168	168	168	168	168
Total Revenues	7,370	6,386	6,855	6,887	7,221	7,677	8,799	10,170	11,469
Expenses									
Interest Expense	7,150	6,228	6,713	6,708	7,046	7,502	8,624	9,995	11,294
Operating Expenses	220	174	142	179	175	175	175	175	175
Total Expenses	7,370	6,402	6,855	6,887	7,221	7,677	8,799	10,170	11,469
Income Before Income Taxes	0	(16)	0	0	0	0	0	0	0
Income Taxes	0	0	0	0	0	0	0	0	0
Net Income (Loss)	0	(16)	0	0	0	0	0	0	0
Other Comprehensive Income	0	0	0	0	0	0	0	0	0
Comprehensive Income	0	(16)	0	0	0	0	0	0	0
Retained Earnings									
Balance, Beginning of Year	0	(34)	(8)	0	0	0	0	0	0
Effect of Accounting Policy Change	0	0	8	0	0	0	0	0	0
Net Income (Loss)	0	(16)	0	0	0	0	0	0	0
Balance, End of Year	0	(50)	0	0	0	0	0	0	0
2010 Plan and 2010 Actual accounted for under CGAAP. 2011 forward is accounted for under IFRS.									

TABLE 17

Canada Housing Trust

Statement of Cash Flows (in millions of dollars)

Description	2010 Plan	2010 Actual	2011 Plan	2011 Estimate	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Cash Flows Provided by (Used in) Operating Activities									
Net Income (Loss)	0	(16)	0	0	0	0	0	0	0
Items not Affecting Cash or Cash Equivalents									
Amortization of Discounts and Premiums	(223)	(106)	(234)	0	0	0	0	0	0
Change in Fair Value of Financial Instruments	0	16	0	0	0	0	0	0	0
Net Change in Non-cash Operating Assets and Liabilities	3,516	(46)	0	0	0	0	0	0	0
	3,293	(152)	(234)	0	0	0	0	0	0
Cash Flows Provided by (Used in) Investment Activities									
Investment NHA Mortgage-Backed Securities/ Loans Receivable									
Sales and Maturities	85,699	47,548	59,356	36,025	37,700	35,500	36,200	31,100	34,000
Purchases	(114,000)	(64,220)	(56,000)	(41,250)	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)
Change in Investment Securities	(461)	(552)	0	0	0	0	0	0	0
Change in Securities Purchased Under Resale Agreements	(2,537)	(1,965)	0	0	0	0	0	0	0
	(31,299)	(19,189)	3,356	(5,225)	(2,300)	(4,500)	(3,800)	(8,900)	(6,000)
Cash Flows Provided by (Used in) Financing Activities									
Canada Mortgage Bonds									
Issuances	48,000	39,335	32,000	41,250	40,000	40,000	40,000	40,000	40,000
Repayments	(19,400)	(19,400)	(36,025)	(36,025)	(37,700)	(35,500)	(36,200)	(31,100)	(34,000)
	28,600	19,935	(4,025)	5,225	2,300	4,500	3,800	8,900	6,000
Increase (Decrease) in Cash and Cash Equivalents	594	594	(903)	0	0	0	0	0	0
Cash and Cash Equivalents									
Beginning of Year	3,033	2,273	4,352	I	I	I	I	I	I
End of Year	3,627	2,867	3,449	I	I	I	I	I	I
Supplemental Disclosure of Cash Flow Information									
Amount of Interest Paid During the Year	10,746	6,424	7,059	6,573	6,969	7,337	8,401	9,767	11,116
Amount of Income Taxes Paid During the Year	0	0	0	0	0	0	0	0	0

2010 Plan and 2010 Actual accounted for under CGAAP. 2011 forward is accounted for under IFRS.

TABLE 18

Statement of Transactions with the Consolidated Revenue Fund (CRF)

Years Ended 31 December (in millions of dollars)

Description	2010 Plan	2010 Actual	2011 Plan	2011 Estimate	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan
Cash Drawn from CRF									
Borrowings, Lending Activity	2,305	2,434	1,732	2,223	922	1,164	757	1,059	517
Borrowings, Securitization Activity	6,000	3,393	0	0	0	0	0	0	0
Grants, Contributions and Subsidies	3,126	3,155	2,290	2,411	2,138	2,146	1,940	1,871	1,871
Total Cash Drawn from CRF	11,431	8,982	4,022	4,634	3,060	3,310	2,697	2,930	2,388
Cash Paid to CRF									
Repayment of Borrowings,									
Lending Activity-Debt Incurred prior to 2008	204	204	147	147	313	199	200	205	150
Lending Activity-Debt Incurred 2008 and beyond	1,511	6	390	371	913	1,351	924	1,047	1,295
Repayment of Borrowings,									
Securitization Activity	3,516	5,453	2,602	3,616	2,637	23,880	26,984	2,084	0
Interest Paid on Borrowings	2,693	2,264	2,516	2,286	2,240	2,069	803	534	523
Federal Tax	19	442	456	927	320	398	422	464	483
Government of Canada Fee	12	10	10	12	17	17	16	15	15
Total Cash Paid to CRF	7,955	8,379	6,121	7,359	6,440	27,914	29,349	4,349	2,466
Net Cash Drawn from CRF	3,476	603	(2,099)	(2,725)	(3,380)	(24,604)	(26,652)	(1,419)	(78)
2011 Plan data above does not reflect funding for housing and homelessness programs which was authorized subsequent to the preparation of the 2011-2015 Corporate Plan (\$253.1 million per fiscal year for 2011-12 to 2013-14).									

TABLE 19

Statement of Transactions with the Consolidated Revenue Fund

Fiscal Years Ending 31 March (in millions of dollars)

Description	2010-11 Plan	2010-11 Actual	2011-12 Plan	2011-12 Estimate	2012-13 Plan	2013-14 Plan	2014-15 Plan	2015-16 Plan	2016-17 Plan
Cash Drawn from CRF									
Borrowings, Lending Activity	2,236	3,042	1,360	1,424	838	1,028	927	1,082	306
Borrowings, Securitization Activity	0	0	0	0	0	0	0	0	0
Grants, Contributions and Subsidies	3,132	2,963	1,907	2,133	2,140	2,148	1,871	1,871	1,872
Total Cash Drawn from CRF	5,368	6,005	3,267	3,557	2,978	3,176	2,798	2,953	2,178
Cash Paid to CRF									
Repayment of Borrowings,									
Lending Activity-Debt Incurred prior to 2008	202	202	216	216	197	244	201	205	210
Lending Activity-Debt Incurred 2008 and beyond	942	12	630	633	985	1,168	1,130	996	760
Repayment of Borrowings,									
Securitization Activity	3,597	5,213	2,465	3,384	2,426	41,863	10,551	0	0
Interest Paid on Borrowings	2,693	2,264	2,516	2,286	2,240	2,069	803	534	523
Federal Tax	19	442	456	927	320	398	422	464	483
Government of Canada Fee	12	10	10	12	17	17	16	15	15
Total Cash Paid to CRF	7,465	8,143	6,293	7,458	6,185	45,759	13,123	2,214	1,991
Net Cash Drawn from CRF	(2,097)	(2,138)	(3,026)	(3,901)	(3,207)	(42,583)	(10,325)	739	187

2011-12 Plan data above does not reflect funding for housing and homelessness programs which was authorized subsequent to the preparation of the 2011-2015 Corporate Plan (\$253.1 million per fiscal year for 2011-12 to 2013-14).

The following are the indicators currently used by CMHC to support the achievement of the expected outcomes of its activities. They are largely based on outputs measured by CMHC, results of program evaluations and housing research currently available.

Outcomes for Strategic Priority 1.1

Immediate Outcomes	Indicators
Canadians in housing need have greater access to affordable housing that is sound, suitable and sustainable.	<p>Households assisted In 2010,</p> <ul style="list-style-type: none"> ■ 613,500 Canadian households were assisted through ongoing federal investments of \$1.7 billion in existing social housing. ■ 5,040 units were funded under the Affordable Housing Initiative (AHI). (Over 50,106 units since AHI's inception.) ■ 18,158 units were repaired or renovated through the Residential Rehabilitation Assistance Program (RRAP) on and off reserve. (Over 860,000 units as of the end of 2010 since the inception of the program.) <p>Program evaluations CMHC's program evaluation showed that the AHI was effective in increasing affordable housing supply and improving housing conditions and the quality of life of occupants.</p>
For seniors and persons with disabilities, assistance extends independent living and reduces demand for services and institutional living.	<p>Households assisted In 2010, 1,902 units under RRAP for Persons with Disabilities (RRAP-D) and 1,698 units under the Home Adaptations for Seniors' Independence (HASI) program were approved.</p> <p>Program evaluations CMHC program evaluation showed that over 95% of occupational therapists interviewed considered RRAP-D and HASI modifications to have improved clients' participation in daily activities.</p>
The resources available to address the housing needs of households in need are increased by encouraging contributions by others, including the private and not-for-profit sectors.	<p>Contributions by others, including the private and not-for-profit sectors Under the Affordable Housing Initiative, provinces and territories are required to match federal funding. Contributions from third parties are recognized for these purposes. This is also a requirement under the Investment in Affordable Housing Framework which was announced in July 2011. This effectively doubles the funding available to support affordable housing.</p>

Long-term Outcomes	Indicators
<p>Individuals and families have a more stable foundation for accessing opportunities and improving their quality of life.</p>	<p>Program evaluations CMHC's program evaluation of AHI, RRAP and the Shelter Enhancement Program (SEP) showed improved quality of life for beneficiaries.</p> <p>Measuring health outcomes of affordable housing Partnerships between federal and provincial governments and the private sector and non-profit sectors have been finalized to measure the effects of affordable housing initiatives on health outcomes.</p> <p>Housing research Current housing research shows an associational link between good housing and employment stability, decreased levels of stress and improved family problem-solving and communication.</p>
<p>Communities benefit from greater stability and prosperity.</p>	<p>Impact of housing on the economy CMHC's research and research by third parties directly quantified the economic impact of housing activities.</p> <p>Housing-related spending in Canada: approximately \$329 billion in 2010, up 7.3% from approximately \$307 billion in 2009.</p> <p>Housing-related spending as % of GDP: 20.3% of GDP in 2010, up from 20.1% in 2009 (includes new housing and renovation).</p> <p>Construction played an important role in Canada's labour market: 57,200 new positions were created in construction, including residential and non-residential construction in 2010, accounting for 16% of job growth.</p> <p>CMHC study CMHC's social cost-benefit analysis showed net benefits from the HASI and RRAP-D programs. Measurable benefits are summarized as:</p> <ul style="list-style-type: none"> ■ Longer stay in the home ■ Less difficulty with daily living activities ■ Improved quality of life.
<p>The number of Canadians in need has been reduced.</p> <p>A more holistic approach to addressing poverty through a broad range of programs is fostered.</p>	<p>Specific indicators to be developed by provinces and territories under the Framework for Investment in Affordable Housing (IAH), i.e., number of households in need is reduced, range of housing and other support programs available, etc.</p>

Outcomes for Strategic Priority 1.2

Immediate Outcomes	Indicators
First Nation members living on reserve and Canadians in housing need in the North who are predominantly Aboriginal have greater access to affordable, sound and suitable housing that meets health and safety standards. For seniors and persons with disabilities, assistance extends independent living.	<p>Households assisted In 2010, 766 new rental housing units were committed, 1,283 units were repaired or renovated through the on-reserve renovation programs and ongoing subsidy was provided for some 29,750 households.</p> <p>Program evaluations CMHC's program evaluation showed that on-reserve assisted housing programs offered by CMHC were effective in improving housing conditions. A RRAP evaluation released in 2003 by CMHC covering the period 1995-2002 included a component on reserves and found that the program was performing well with respect to its objectives and is making an important contribution to the quality of First Nations housing.</p>
Intermediate Outcomes	Indicators
First Nations have the capacity to develop, maintain and manage the full range of housing opportunities on reserve.	<p>Delivery by Aboriginal organizations Indirectly measured by CMHC through the percent of delivery by Aboriginal organizations of CMHC's on-reserve programs. In 2010, 91% of on-reserve housing programs were delivered by First Nations or Aboriginal organizations.</p>
Long-term Outcomes	Indicators
Individuals living on reserve have a key element of a stable foundation for accessing opportunities and improving their quality of life.	<p>Program evaluations CMHC's program evaluation of SEP both on and off reserve showed improved quality of life for beneficiaries.</p> <p>Housing research Current housing research shows an associational link between good housing and employment stability, decreased levels of stress and improved family problem-solving and communication.</p>
First Nation members gain greater financial security and health through improved housing conditions on reserve.	<p>Housing research Current housing research shows associational and causal links between homeownership and increased wealth of households (primarily through equity build-up). It also supports the link between good housing and improved health outcomes.</p>
On-reserve communities benefit from greater stability and prosperity.	<p>CMHC study CMHC's social cost-benefit analysis showed net benefits from the HASI and RRAP-D programs. Measurable benefits are summarized as:</p> <ul style="list-style-type: none"> ■ Longer stay in the home ■ Less difficulty with daily living activities ■ Improved quality of life <p>Impact of housing on the economy CMHC research, as well as research by third parties, directly quantified the economic impact of housing activities.</p> <p>Housing-related spending in Canada: approximately \$329 billion in 2010, up 7.3% from approximately \$307 billion in 2009.</p> <p>Housing-related spending as % of GDP: 20.3% of GDP in 2010, up from 20.1% in 2009 (includes new housing and renovation)</p> <p>Construction played an important role in Canada's labour market: 57,200 new positions were created in construction, including residential and non-residential construction in 2010, accounting for 16% of job growth.</p>

Outcomes for Strategic Priority 2.1

Immediate Outcomes	Indicators
Lenders are protected from losses due to borrower default and are able to provide mortgage financing and provide it at competitive rates because of CMHC mortgage loan insurance.	<p>Interest rates obtained by borrowers Borrowers with less than 20% down payment obtained interest rates that, between 2005 and 2010, were on average from 110 to 130 basis points below posted five-year fixed rates.</p> <p>Provision of mortgage loan insurance Mortgage insurance helped stabilize housing demand during the economic downturn as demonstrated by increasing CMHC mortgage insurance volumes during this period.</p>
Canadians across the country not served or under-served by private mortgage loan insurers can better access housing of choice.	<p>% of business that the private sector does not tend to serve Measured directly by the number of insured units approved for the rental market, including nursing and retirement homes, and in small and rural communities. These markets represented 44% of CMHC's high ratio business in 2010 and 45% at mid-year 2011.</p>
Portfolio insurance (low ratio loans) increases the efficiency of capital management for all lenders and enhances the competitiveness of smaller lenders. In combination with securitization, it also increases the availability of mortgage funding in Canada.	<p>Portfolio insurance volumes Indirectly measured by the volume of portfolio mortgage insurance approved each year.</p>
Intermediate Outcomes	Indicators
A healthy housing market which includes new construction as well as renovation activity contributes to job creation and economic growth.	<p>Impact of housing on the economy CMHC research, as well as research by third parties, directly quantified the economic impact of housing activities.</p> <p>Housing starts: 189,930 in 2010.</p> <p>Housing-related spending in Canada: approximately \$329 billion in 2010, up 7.3% from approximately \$307 billion in 2009.</p> <p>Housing-related spending as % of GDP: 20.3% of GDP in 2010, up from 20.1% in 2009 (includes new housing and renovation).</p> <p>Construction played an important role in Canada's labour market: 57,200 new positions were created in construction, including residential and non-residential construction in 2010, accounting for 16% of job growth.</p>
The provision of insurance for rental housing and condominium construction promotes affordable housing and supports tenure options.	<p>Insurance volumes Indirectly measured by the number of affordable housing units or new rental stock created using mortgage loan insurance (and underwriting flexibilities). Over the past 10 years, CMHC has approved insurance for the following:</p> <ul style="list-style-type: none"> ■ Rental apartment units (excludes nursing and retirement home units) – over 700,000 ■ Social housing units – 29,859 ■ Affordable Housing underwriting flexibilities – 30,421

Long-term Outcomes	Indicators
<p>Canadians who choose homeownership can increase their financial security.</p>	<p>Homeowner equity Indirectly measured by the average equity that borrowers have in their homes. As of June 30, 2011, homeowners with CMHC-insured mortgages had, on average, equity of 45% of the value of the home.</p> <p>Housing research Current housing research shows associational and causal links between homeownership and increased wealth of households (primarily through equity build-up).</p>
<p>Rental housing is supported, increasing the percentage of Canadians able to provide for their own housing needs without any government assistance.</p>	<p>Rental market statistics (Spring 2011) Over the last 10 years, CMHC has approved insurance for over 700,000 rental apartment units (excludes nursing and retirement home units). In 2010, CMHC approved more than 90,000 apartment units. At mid-year 2011, CMHC had approved more than 46,000 units.</p>

Outcomes for Strategic Priority 2.2

Immediate Outcomes	Indicators
Increased integration of mortgage market lending with capital market lending leads to greater efficiency and lower costs for lenders.	<p>Program evaluations</p> <p>A CMB Program Evaluation by KPMG LLP, released in June 2008, showed that the cost of funds obtained by the five big banks through the CMB program from October 2006 to March 2008 was about 18 basis points less, on average, than the cost of the next cheapest alternative source of long-term wholesale funding.</p>
Enhanced competitive position of small lenders in the mortgage market.	<p>Participation of small lenders</p> <p>Directly measured by the share of smaller lenders of the total guarantees-in-force.</p> <p>Prior to the global financial crisis, smaller lenders accounted for approximately 10% of the insured residential mortgages securitized through CMHC's securitization programs. With the increase in the number of smaller lenders who sought access to CMHC's programs, the participation rate increased from 10% to approximately 23% as at June 2011. Under the CMB program, the increase in the participation of smaller lenders is even more dramatic, moving from 14% in 2006 to 31% as at June 2011.</p> <p>Indirectly measured by the share of smaller lenders of the residential mortgage market.</p>
Canadians continue to be able to access low-cost financing for their homes.	<p>Program evaluations</p> <p>The CMB Program Evaluation by KPMG LLP (see above) estimated that mortgage borrowers saved up to \$174 million per year (or \$400 million over the course of the study period) due to the reduced cost of capital for lenders.</p>
Intermediate to Long-term Outcomes	Indicators
Financial institutions, in particular smaller lenders, have access to robust wholesale housing finance choices.	<p>Use of CMHC's securitization programs</p> <p>This can be directly measured by the degree of diversification of mortgage funding sources by lenders over time and the increasing use of CMHC's securitization programs. In 2010, approximately \$95 billion in annual securities were guaranteed by CMHC.</p> <p>Percentage of mortgages securitized</p> <p>Indirectly measured by the percentage of mortgages securitized. In 2010, 27% of residential mortgages in Canada were securitized.</p>
A stable and resilient Canadian housing finance system.	<p>Research studies</p> <p>A comparative study on the performance of the Canadian model with other countries during the recession could validate the stabilizing effect of CMHC's securitization and mortgage loan insurance programs. CMHC has undertaken research on Australia's system of housing finance. It found that competition in Australia's mortgage sector has been reduced as a result of funding challenges experienced during the global financial crisis by smaller lenders. Consumers' borrowing costs are also higher.</p>

Outcomes for Strategic Priority 2.3

Immediate to Intermediate Outcomes	Indicators
Consumers, the housing industry, stakeholders and policy makers have access to timely and relevant information on housing and housing markets.	<p>Publications disseminated Measured indirectly through the number of publications ordered or downloaded and usefulness ratings of research products, Housing Outlook Conferences and other information transfer activities.</p> <p>In addition to publications ordered or downloaded, there were nearly 9.3 million visits to CMHC's website in 2010, nearly doubling over the past five years. CMHC's website contains a wide array of housing information and visits to the site have resulted in over 32.6 million pages of content reviewed by CMHC's key client groups. To help newcomers to Canada make informed housing decisions, CMHC translated key renting, homebuying and home maintenance information products into six additional languages. In total, CMHC's "Housing for Newcomers" microsite had about 220,000 visits in 2010 and over 350,000 pages of content were viewed. (Also applies to the indicators under the intermediate to long-term outcomes below and indicators under strategic priority 3.1.)</p>
Intermediate to Long-term Outcomes	Indicators
The housing market is more efficient and stable as a result of more effective matching of supply and demand.	<p>Consistency and stability of the housing market Indirectly measured through a number of indicators that CMHC monitors, including the sales-to-new-listings ratio, the gap between house price levels and their long term fundamentals at a national level, and the vacancy rate of rental housing.</p>
Consumers and the housing industry are aware of and adopt best practices.	<p>Publications disseminated and usefulness ratings Measured indirectly through number of publications ordered or downloaded and usefulness ratings of research products, housing outlook conferences and other information transfer activities.</p>

Outcomes for Strategic Priority 3.1

Immediate Outcomes	Indicators
Consumers, the housing industry, stakeholders and policy makers have access to timely and relevant information on housing.	<p>Publications disseminated Measured indirectly through the number of publications ordered or downloaded and usefulness ratings of research products, housing outlook conferences and other information transfer activities.</p>
Intermediate Outcomes	Indicators
Consumers and the housing industry are aware of and adopt best practices.	<p>Publications disseminated and usefulness ratings Measured indirectly through the number of publications ordered or downloaded and usefulness ratings of research products, Housing Outlook Conferences and other information transfer activities.</p> <p>Research and information products In 2010, ten completed EQUILIBRIUM™ demonstration homes located across the country provided tangible examples of sustainable housing for industry and consumers and were visited by over 54,000 people. In addition, CMHC published five new builder-focused fact sheets.</p> <p>Adoption rates Data from the winter 2011 Canadian Home Builders' Association (CHBA) <i>Pulse Survey</i> of new home builders and renovators indicate that unaided awareness of EQUILIBRIUM™ stood at 39% of survey respondents. Almost 80% of respondents reported having made changes to their firms' construction techniques based on what they know about housing that is highly energy efficient with a low environmental impact.</p> <p>CMHC has conducted a focused survey of building industry leaders who have participated in the EQUILIBRIUM™ Housing Initiative. An initial 2007 survey of industry stakeholders that had participated in the EQUILIBRIUM™ competitive processes found that approximately 50% claimed to have made changes to their construction practices as a result of EQUILIBRIUM™. When the companies were interviewed again in 2008 and 2010, 64% and 78%, respectively, indicated that they had made changes to their building practices as a result of the EQUILIBRIUM™ Initiative.</p> <p>A survey of eight of the ten builders that have completed the construction of EQUILIBRIUM™ homes indicated there was clear evidence of change in most builders' business activities as a result of participation in EQUILIBRIUM™, although the extent of the Initiative's influence was difficult to quantify. Many survey participants mentioned adopting selected practices and technologies as a result of their participation.</p>
Governments and other organizations have information to better assess policy options related to housing for Canadians in need.	<p>Publications disseminated Measured indirectly by CMHC through the number of publications ordered or downloaded and usefulness ratings of research products, housing outlook conferences and other information transfer activities.</p>
Governments and First Nations have information to better assess policy options related to housing for First Nation members.	<p>Publications disseminated Measured indirectly by CMHC through the number of publications ordered or downloaded and usefulness ratings of research products, housing outlook conferences and other information transfer activities.</p> <p>In 2010, more than 1.5 million housing information products were requested by clients. CMHC's housing market analysis, research and information transfer activities have consistently enjoyed high usefulness ratings.</p>

Long-term Outcomes	Indicators
Greenhouse gas emissions attributable to the residential sector are reduced through improved performance of new and existing homes.	<p>Ongoing performance monitoring</p> <p>The performance of EQUilibrium™ houses is being monitored after occupancy has commenced. This can provide baseline data for further research.</p>
New and existing communities become more sustainable through adoption of sustainable practices, intensification of existing neighbourhoods and brownfield re-development.	<p>Adoption rates</p> <p>Data from the winter 2011 Canadian Home Builders' Association (CHBA) <i>Pulse Survey</i> of new home builders and renovators indicate that unaided awareness of EQUilibrium™ stood at 39% of survey respondents. Almost 80% of respondents reported having made changes to their firms' construction techniques based on what they know about housing that is highly energy efficient with a low environmental impact.</p> <p>CMHC has conducted a focused survey of builders who have participated in the EQUilibrium™ Housing Initiative. An initial 2007 survey of industry stakeholders that had participated in the EQUilibrium™ competitive processes found that approximately 50% claimed to have made changes to their construction practices as a result of EQUilibrium™. When the companies were interviewed again in 2008 and 2010, 64% and 78%, respectively, indicated that they had made changes to their building practices as a result of the EQUilibrium™ Initiative.</p> <p>A survey of eight of the ten builders that have completed the construction of EQUilibrium™ homes indicated there was clear evidence of change in most builders' business activities as a result of participation in EQUilibrium™, although the extent of the Initiative's influence was difficult to quantify. Many survey participants mentioned adopting selected practices and technologies as a result of their participation.</p> <p>Performance measurement of the demonstration project is part of the EQUilibrium™ Communities Initiative.</p>

Outcomes for Strategic Priority 3.2

Intermediate Outcomes	Indicators
The capacity of the Canadian housing industry to export is strengthened and the image of Canadian housing technology is enhanced.	<p>Measured by the amount of housing export sales facilitated, and indirectly measured by the satisfaction rating of CMHC's key clients.</p> <p>Working closely with 150-200 of the most active housing exporters in Canada, CMHC facilitated over \$103 million in export sales for its clients in 2010.</p> <p>Since 2005, CMHC has facilitated over \$688 million in export sales.</p>
Long-term Outcomes	Indicators
Increase in Canadian housing exports contributes to economic growth and job creation in Canada.	CMHC's facilitated export sales in 2010 accounted for 1,136 jobs created or maintained for Canadians (based on Industry Canada benchmarks).

Reconciliation of Equity Reported Under Canadian GAAP to IFRS

<i>(in millions of dollars)</i>	Notes	31 December 2010	1 January 2010
Equity of Canada Under Canadian GAAP		11,435	9,263
Financial Instruments			
Derecognition	(A) (i)	(988)	(531)
Related Party Transactions	(A) (ii)	30	2
Employee Benefits			
Actuarial Gains and Losses	(B) (i)	(328)	(246)
Past Service Costs	(B) (ii)	(20)	(29)
Transitional Asset	(B) (iii)	(12)	15
Other	(B) (iv)	-	(4)
Investment Property	(C)	81	69
Revenue Recognition	(D)	51	49
Income Taxes	(E)	257	150
		(929)	(525)
Equity of Canada Under IFRS		10,506	8,738

Reconciliation of Net Income Reported Under Canadian GAAP to IFRS

<i>(in millions of dollars)</i>	Notes	Year ended 31 December 2010
Net Income Under Canadian GAAP		1,768
Differences Increasing (Decreasing) Previously Reported Net Income:		
Financial Instruments		
Derecognition	(A) (i)	(455)
Related Party Transactions	(A) (ii)	28
Employee Benefits		
Actuarial Gains and Losses	(B) (i)	14
Past Service Costs	(B) (ii)	9
Transitional Asset	(B) (iii)	(27)
Other		4
Investment Property	(C)	12
Revenue Recognition	(D)	2
Income Taxes	(E)	106
		(307)
Net Income under IFRS		1,461

Reconciliation of Comprehensive Income Reported Under Canadian GAAP to IFRS

<i>(in millions of dollars)</i>	Notes	Year ended 31 December 2010
Comprehensive Income Under Canadian GAAP		2,171
Differences Increasing (Decreasing) Previously Reported		
Net Income		(307)
Differences Increasing (Decreasing) Previously Reported		
Other Comprehensive Income:		
Employee Benefits - Actuarial Gains and Losses	(B) (i)	(96)
		(403)
Comprehensive Income under IFRS		1,768

Differences between Canadian GAAP and IFRS Accounting Policies

The reconciling items in the preceding tables represent the significant differences between CMHC's previous accounting policies under Canadian GAAP and its current accounting policies under IFRS. The policy differences are explained in the following narratives. The explanations are not a complete summary of all the differences between Canadian GAAP and IFRS.

(A) FINANCIAL INSTRUMENTS

(i) Derecognition

Under GAAP, the NHA MBS were considered to have been transferred to the purchaser and therefore were "derecognized" on the transferors' books. Under IFRS, title is not deemed to have passed and therefore the NHA MBS are moved back onto the seller's Balance Sheet. CMHC, as a buyer of NHA MBS through the CMB and IMPP program, will no longer be able to

record the NHA MBS as a security but rather as financing secured by NHA MBS and reinvestment assets as collateral.

As a result, the following changes occurred:

- Net Income for the period ending 31 December 2010 decreased by \$339 million; and
- Retained Earnings at 1 January 2010 decreased by \$395 million (31 December 2010 - \$736 million), the net of tax impact of the differences for Financial Instruments – Derecognition.

(ii) Related Party Transactions

Under GAAP, Borrowings from the Government of Canada classified as Other Financial Liabilities were recognized as related party transactions and recorded at the amount of consideration received as established and agreed to with the government. Under IFRS, the concept of related parties does not exist. Therefore, the Borrowings from the Government of Canada classified as Other Financial Liabilities must be recognized at fair value.

As a result, the following changes occurred:

- Net Income for the period ending 31 December 2010 increased by \$21 million; and
- Retained Earnings at 1 January 2010 decreased by \$1 million (31 December 2010 - \$23 million), the net of tax impact of the differences for Financial Instruments – Related Party Transactions.

(B) EMPLOYEE BENEFITS

(i) Actuarial Gains and Losses

Under GAAP, excesses of Net Actuarial Gains and Losses over 10% of the greater of the benefit obligation and the fair value of the plan assets were amortized to Net Income on a straight-line basis over the expected average remaining service period of active employees under the plans. Under IFRS, Actuarial Gains and Losses must be recognized in Other Comprehensive Income as incurred.

As a result, the following changes occurred:

- Net Income for the period ending 31 December 2010 increased by \$10 million; and Other Comprehensive Income decreased by \$96 million
- Retained Earnings decreased at 1 January 2010 by \$206 million (31 December 2010 - \$293 million), the net of tax impact of the differences for Employee Benefits - Actuarial Gains and Losses.

(ii) Past Service Costs

Under GAAP, Past Service Costs were amortized to Net Income on a straight-line basis over the expected average remaining service period of active employees under the plans. Under IFRS, Past Service Costs are recognized in Net Income on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested upon any changes to a defined benefit plan, Past Service Costs are recognized in Net Income immediately.

As a result, the following changes occurred:

- Net Income for the period ending 31 December 2010 increased by \$7 million; and
- Retained Earnings decreased at 1 January 2010 by \$22 million (31 December 2010 - \$15 million), the net of tax impact of the differences for Employee Benefits – Past Service Costs.

(iii) Transitional Asset and Obligation

Under GAAP, a Transitional Asset (Obligation) was set up when CMHC first applied CICA Section 3461, *Employee Future Benefits* and amortized to Net Income on a straight-line basis over the expected average remaining service period of active employees under the plans. Under IFRS, this Transitional Asset (Obligation) had to be eliminated.

As a result, the following changes occurred:

- Net Income for the period ending 31 December 2010 decreased by \$21 million; and

- Retained Earnings increased at 1 January 2010 by \$11 million (decreased 31 December 2010 - \$9 million), the net of tax impact of the differences for Employee Benefits – Transitional Asset and Obligation.

(iv) Other

Under IFRS an additional liability for certain short-term employee benefits was recognized resulting in the following:

- Net Income for the period ending 31 December 2010 increased by \$4 million.
- Retained Earnings decreased at 1 January 2010 by \$4 million (31 December 2010 - \$0 million), the net of tax impact of this difference.

(C) INVESTMENT PROPERTY

Under GAAP, Investment Property was measured at cost less accumulated amortization and any impairment losses. Under IFRS, Investment Property must be measured at fair value.

As a result, the following changes occurred:

- Net Income for the period ending 31 December 2010 increased by \$9 million; and
- Retained Earnings increased at 1 January 2010 by \$52 million (31 December 2010 - \$61 million), the net of tax impact of the differences for Investment Property.

(D) REVENUE RECOGNITION

Under GAAP, Securitization Application and Compensatory fees were deferred and recognized as Revenues over the term of the security issue on a straight-line basis and costs directly related to the issuance and ongoing administration of Timely Payment Guarantees were deferred and recognized as Operating Expenses over the term of the security issue. Under IFRS, Application and Compensatory fees are recognized as revenue immediately and costs directly

related to the issuance and ongoing administration of Timely Payment Guarantees are recognized in Operating Expenses as incurred.

As a result, the following changes occurred:

- Net Income for the period ending 31 December 2010 increased by \$2 million; and
- Retained Earnings increased at 1 January 2010 by \$36 million (31 December 2010 - \$38 million), the net of tax impact of the differences for Revenue Recognition.

(E) INCOME TAXES

Differences for income taxes include the effect of recording the deferred tax effect of differences between Canadian GAAP and IFRS.

GLOSSARY

Key Acronyms:

AHI	Affordable Housing Initiative	IC	Industry Canada
AANDC	Aboriginal Affairs and Northern Development Canada	IFRS	International Financial Reporting Standards
CBA	Canadian Bankers Association	IMPP	Insured Mortgage Purchase Program
CCD	Caisse centrale Desjardins du Québec	LTV	Loan-to-value
CEAP	Canada's Economic Action Plan	MCT	Minimum Capital Test
CGAAP	Canadian Generally Accepted Accounting Principles	MILP	Municipal Infrastructure Lending Program
CHT	Canada Housing Trust	NGO	Non-governmental organization
CMB	Canada Mortgage Bond	NHA MBS . . .	<i>National Housing Act</i> Mortgage- Backed Securities
FAA	<i>Financial Administration Act</i>	NRC	National Research Council
FNMHF	First Nations Market Housing Fund	NRCan	Natural Resources Canada
FSB	Financial Stability Board	OSFI	Office of the Superintendent of Financial Institutions
HASI	Home Adaptations for Seniors' Independence	RRAP	Residential Rehabilitation Assistance Program
HRSDC	Human Resources and Skills Development Canada	SEP	Shelter Enhancement Program
IAH	Investment in Affordable Housing		

Affordable Housing Initiative (AHI)	Under the Affordable Housing Initiative, the federal government, through CMHC, provides funding to increase the supply of affordable housing off reserve, in partnership with provinces and territories. Provinces and territories design, deliver and administer the housing programs which must meet national criteria. The new Investment in Affordable Housing 2011-2014 Framework to form the basis of bilateral arrangements with provinces and territories was announced on July 4, 2011. (See description later in Glossary.) Where a bilateral arrangement under the new Framework is not concluded with a province or territory, federal funding will flow through the extension of existing arrangements for AHI and renovation programs.
Board of Directors Committees	<p>Governance and Nominating Committee:</p> <ul style="list-style-type: none"> ■ monitors best practices and trends in corporate governance ■ reviews the Board's Standards of Conduct ■ identifies potential candidates for the positions of Chairperson and President and Chief Executive Officer and also makes recommendations with respect to the profile of the Board ■ evaluates the performance of the President and Chief Executive Officer against pre-established objectives and goals <p>Audit Committee:</p> <ul style="list-style-type: none"> ■ advises the Board on the soundness of the Corporation's financial management ■ oversees the integrity and appropriateness of internal control systems, risk management practices and financial reporting and audit processes, including the annual financial audit and periodic Special Examinations pursuant to the FAA <p>Human Resources Committee:</p> <ul style="list-style-type: none"> ■ provides advice on strategies with respect to employee recruitment, selection and retention ■ recommends changes in compensation and performance management policies
Canada Housing Trust (CHT)	The CHT is a legal entity separate from CMHC. CHT acquires interests in eligible insured housing loans such as <i>National Housing Act</i> Mortgage-Backed Securities and issues Canada Mortgage Bonds (CMBs). The CHT also purchases highly-rated investments and undertakes certain related financial hedging activities for the purpose of managing business risks. CMBs are guaranteed by CMHC. CMHC also acts as the financial services advisor to the CHT, determining market demand for bond issuance, and engaging an underwriting syndicate to underwrite bond issues. CMHC receives a fee from CHT for its services as guarantor and financial services advisor. The day-to-day activities of the CHT are administered through a separate corporate entity serving as the trust administrator.
Canada Mortgage Bonds (CMB)	Bullet maturity bonds that are fixed-rate with a semi-annual coupon and floating rate notes with a quarterly coupon that are issued by the Canada Housing Trust (CHT) and guaranteed by CMHC.
CMHC Affordable Housing Centre	CMHC's centre of excellence for information, guidance and other tools to facilitate the production of affordable housing by non-profit organizations, private sector proponents and others.

Core Housing Need	<p>A household is in core housing need if its housing does not meet one or more of the adequacy, suitability or affordability housing standards and it would have to spend 30% or more of its before-tax income to pay the median rent (including utility costs) of alternative local market housing that meets all three of these standards.</p> <ul style="list-style-type: none"> ■ Adequate housing does not require any major repairs, according to residents. ■ Suitable housing has enough bedrooms for the size and make-up of resident households, according to National Occupancy Standard (NOS) requirements. Enough bedrooms based on NOS requirements means one bedroom for each cohabiting adult couple; unattached household member 18 years of age and over; same-sex pair of children under age 18; and additional boy or girl in the family, unless there are two opposite sex children under 5 years of age, in which case they are expected to share a bedroom. A household of one individual can occupy a bachelor unit (i.e., a unit with no bedroom). ■ Affordable housing costs less than 30% of before-tax household income. For renters, shelter costs include rent and any payments for electricity, fuel, water and other municipal services. For owners, shelter costs include mortgage payments (principal and interest), property taxes, and any condominium fees, along with payments for electricity, fuel, water and other municipal services.
Direct Lending	CMHC provides low-cost loans directly to federally-funded social housing sponsors seeking to refinance their housing projects and to First Nations to finance new housing production.
emili	An online proprietary automated mortgage insurance risk and approval system developed by CMHC. It provides a virtually instantaneous risk assessment of mortgage loan insurance applications.
EQuilibrium™ Communities Initiative	<p>Goals of the joint CMHC/Natural Resources Canada EQuilibrium™ Communities Initiative:</p> <ul style="list-style-type: none"> ■ to accelerate sustainable community planning and development in Canada by demonstrating implementation methodologies and by facilitating improvements to performance levels; and ■ to showcase how sustainable communities offer opportunities to achieve these improved levels of performance by integrating land use, housing, transportation and energy efficiency.
EQuilibrium™ Sustainable Housing Demonstration Initiative	<p>Goals of CMHC's EQuilibrium™ Sustainable Housing Demonstration Initiative:</p> <ul style="list-style-type: none"> ■ to promote low environmental impact healthy housing across Canada; ■ to enhance the capacity of Canada's home builders, developers, architects and engineers to design and build EQuilibrium™ homes and communities across the country; ■ to educate consumers on the benefits of owning an EQuilibrium™ home and achieve market acceptance of EQuilibrium™ homes and sustainable communities; and, ■ to enhance Canada's domestic and international leadership and business opportunities in sustainable housing design, construction services and technologies.
First Nations Market Housing Fund (FNMHF)	The FNMHF, an independent trust, is overseen by nine trustees appointed by the Minister for CMHC and the Minister of Aboriginal Affairs and Northern Development. CMHC, on behalf of the Government of Canada, contributed \$300 million to the Fund under a Funding Agreement with the Trustees of the FNMHF. In 2008, the FNMHF engaged CMHC to administer its operations for its initial five years. The FNMHF operates a credit enhancement facility for housing loans on First Nation reserves and supports First Nation capacity development. The financial results of the FNMHF are not consolidated with CMHC's financial statements but are consolidated with the Government of Canada's.
Granville Island	Granville Island is a self-sustaining cultural, recreational and commercial development in the heart of Vancouver owned by the Government of Canada. CMHC receives a fee to cover its costs to manage and administer Granville Island. Granville Island's finances are not consolidated with CMHC's.

Insured Mortgage Purchase Program (IMPP)	In October 2008, as a measure to maintain the availability of longer-term credit in Canada, the Government of Canada authorized CMHC to purchase \$25 billion in <i>National Housing Act</i> Mortgage-Backed Securities (NHA MBS) from Canadian financial institutions through a competitive auction process. Since the initial announcement, the potential size of the program was increased to \$125 billion. IMPP remained available until the end of March 2010. Total purchases amounted to approximately \$69 billion.
Investment in Affordable Housing (IAH) 2011-2014 Framework	The new Investment in Affordable Housing 2011-2014 Framework was announced on July 4, 2011. This Framework provides for \$1.4 billion in combined F/P/T funding towards reducing the number of Canadians in housing need. Bilateral arrangements based on this framework are being negotiated with provinces and territories. Where provinces and territories choose not to enter into a bilateral arrangement under the new Framework, federal funding for housing will be provided through extensions of existing arrangements with respect to AHI and/or renovation programs.
Municipal Infrastructure Lending Program (MILP)	Under Canada's Economic Action Plan, CMHC delivered MILP which provided up to \$2 billion in direct low-cost loans to municipalities over a two-year period to March 31, 2011 to fund housing-related municipal infrastructure. Eligible projects must directly relate to housing, contributing to the efficient functioning of new and existing residential areas.
National Housing Act Mortgage Backed Securities (NHA MBS)	A security which represents an undivided interest in a pool of residential mortgages insured under the NHA or by a licensed private sector insurer and which has the full timely-payment guarantee of the Government of Canada through CMHC. The scheduled principal repayments by the borrower and agreed rate of interest on the mortgages in an NHA MBS pool are paid to investors monthly. In addition, depending on the particular issue of NHA MBS, these payments can vary from month to month if, for example, borrowers make unscheduled payments such as advance payments of principal on a mortgage. Securities under the NHA MBS program are issued by Approved Issuers (primarily lending institutions).
Proposal Development Funding (PDF)	An interest-free loan of up to \$100,000 to support activities carried out during the early stages of developing an affordable housing project. PDF is available for projects that are developed without long-term federal government subsidies. Eligible costs include soil load-bearing tests, environmental site assessments, project drawings and specifications, development permits and certain professional and consulting fees. The loan is repayable upon the first advance of mortgage funding and a portion of the loan may be forgiven if it meets criteria for affordable housing as defined by CMHC.
Renovation Programs	<p>Programs that help low-income households, landlords, persons with disabilities, senior households, and Aboriginal people undertake renovations, repairs or rehabilitation of their housing units. Some provinces and territories share in the costs and deliver these programs. CMHC's suite of renovation programs includes:</p> <ul style="list-style-type: none"> ■ Residential Rehabilitation Assistance Program (RRAP): A program which provides financial assistance to low-income households who live on and off reserve to enable them to repair their homes, as well as to assist landlords to repair rental dwellings or to convert non-residential properties into affordable residential units. ■ Shelter Enhancement Program (SEP): A program which provides financial assistance to repair, rehabilitate and improve existing shelters, both on and off reserve, for victims of family violence. The program also assists in the acquisition or construction of new shelters and second stage housing. ■ Emergency Repair Program (ERP): A program which provides financial assistance to low-income homeowners or occupants in rural areas to undertake emergency repairs required for the continued safe occupancy of their house. ■ Home Adaptations for Seniors' Independence (HASI): A program which provides financial assistance to low-income seniors to carry out minor adaptations to assist them to live independently in their own homes. <p>Also see Investment in Affordable Housing 2011-2014 Framework.</p>

Schedule I Banks	Schedule I banks are domestic banks and are authorized under the <i>Bank Act</i> to accept deposits which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation.
Schedule II Banks	Schedule II banks are foreign bank subsidiaries authorized under the <i>Bank Act</i> to accept deposits which may be eligible for deposit insurance provided by the Canada Deposit and Insurance Corporation. Foreign bank subsidiaries are controlled by eligible foreign institutions.
Seed Funding	Consists of a grant and a loan up to a maximum of \$20,000 when combined to support activities carried out in the early stages of developing affordable housing project proposals. Eligible expenses include costs for housing market studies, need and demand analyses, the preparation of business plans, preliminary financial viability analyses, preliminary project designs, as well as the costs to incorporate an entity. The loan portion of Seed Funding is repayable upon the first advance of mortgage funding.

2012-2016

SUMMARY OF THE CORPORATE PLAN

Canada Mortgage and Housing Corporation (CMHC) is Canada's national housing agency. Created in 1946 through the *CMHC Act*, the Corporation has evolved over its 65-year history and today is a major source of federal housing assistance and a leading provider of mortgage loan insurance, securitization guarantees, housing research and market analysis.

Canada Mortgage and Housing Corporation offers a wide range of housing-related information. For more information, visit the Corporation's website at www.cmhc.ca or call 1-800-668-2642.



www.cmhc.ca

