CANADA MORTGAGE AND HOUSING CORPORATION

2014 - 2018 SUMMARY OF THE CORPORATE PLAN

Including summaries of the 2014 Operating Budget ▪ 2014 Capital Budget for Furniture, Equipment and Business Premises ▪ 2014 Capital Budget for Loans and Investments

Canada

CMHC SCHL

HOME TO CANADIANS

Canada Mortgage and Housing Corporation adheres to Government of Canada policy on access to information by people with disabilities. If you wish to receive this publication in alternative formats, call 1-800-668-2642.

Printed in Canada
Produced by CMHC

This Summary of the 2014-2018 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

FOREWORD

It is my pleasure to submit Canada Mortgage and Housing Corporation's (CMHC's) Summary of the 2014-2018 Corporate Plan. For more than 68 years, CMHC has played an important role in helping Canadians meet their housing needs and contributing to an efficient and sound housing finance system.

Federal investments in housing, through CMHC, have helped thousands of low-income families, including seniors, persons with disabilities, and Aboriginal Canadians, access affordable housing and attain a better quality of life. Over the 2014-2018 planning period, CMHC will continue to provide these investments and work in close collaboration with provinces, territories, First Nations and many others in support of families and stronger communities.

For the majority of Canadians who are able to meet their housing needs without direct public assistance, CMHC-insured financing from large and smaller lenders has been available for a range of housing options. These options include homeownership, rental accommodations, and nursing and retirement homes. Prudent management of CMHC's mortgage loan insurance and securitization guarantee activities ensure an efficient housing finance market which is important to the strength and stability of Canada's financial system.

Recently, this system has benefited from CMHC's implementation of a legal framework for Canadian covered bonds. This framework provides transparency for investors and supports financial stability by helping lenders diversify their sources of funding without posing any risk to Canadian taxpayers.

A stable housing market is also achieved by providing the industry and individual Canadians with a reliable and impartial source of analytical information. Market analysis and housing research carried out by CMHC and funded by the Government of Canada contribute to the development and adoption of best practices, increased efficiency, and more informed housing decisions.

This Summary provides additional details on these activities and on CMHC's vigorous governance and risk management regime which will guide its course over the next five years.

Minister of Employment and Social Development and Minister for Multiculturalism
Minister designated for the purposes of the
Canada Mortgage and Housing Corporation Act and the *National Housing Act*

SUBSEQUENT EVENTS

Since the preparation of the 2014-2018 Corporate Plan, the Government of Canada updated the limit for new guarantees under the NHA MBS program. On December 19, 2013, the Minister of Finance approved, for 2014, new guarantees under the NHA MBS program to a limit of $80 billion and new issuance under the CMB program to a limit of $40 billion. Changes arising from these limits are not reflected in this Corporate Plan Summary; however, they do not have a material impact on CMHC's financial results contained herein.

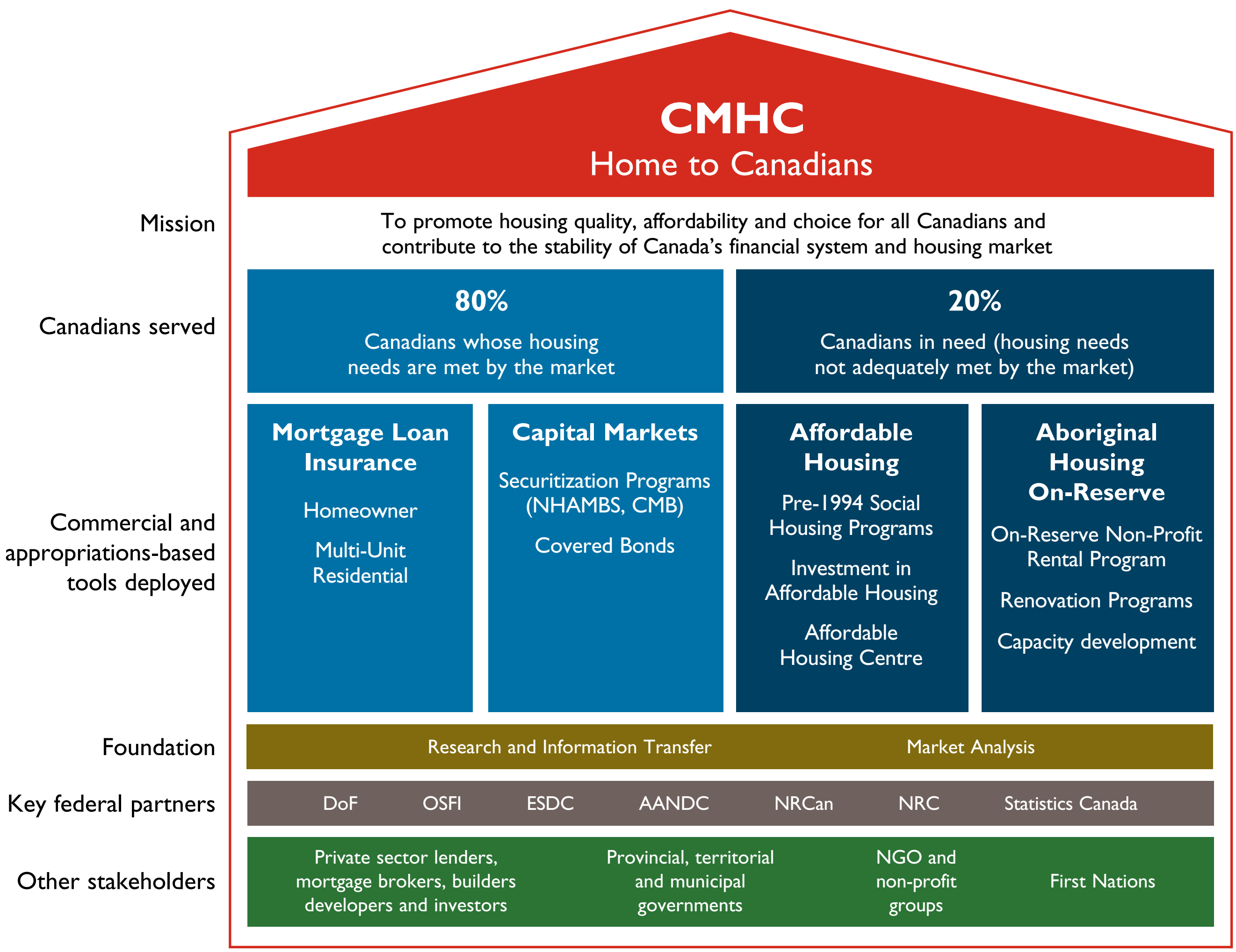
TABLE OF CONTENTS

OUR MISSION

To promote housing quality, affordability and choice for all Canadians and contribute to the stability of Canada's financial system and housing markets.

OUR TOOLS

Our programs, products and services help Canadians with a range of housing needs as illustrated in the following diagram.



SECTION I | INTRODUCTION

Since 1946, CMHC has responded to the ever-changing housing needs of Canadians. Canada has a solid housing system, owing to both strong public oversight and an efficient market that is able to fulfill a range of housing needs.

CMHC's legislative framework includes the *National Housing Act* (NHA) which sets out its general mandate of improving housing and living conditions for Canadians. The purpose of the NHA is to promote housing affordability and choice, to facilitate access to, and competition and efficiency in the provision of, housing finance, to protect the availability of adequate funding for housing, and generally to contribute to the well-being of the housing sector in the national economy.

Over the planning period, CMHC will continue to strengthen Canada's housing markets and financial system by:

- providing federal investments in housing programs for low-income families;
- facilitating access to financing for homeownership and multi-unit residential properties, including nursing and retirement homes, throughout Canada through mortgage loan insurance;
- ensuring a reliable supply of funds for mortgage lending and opportunities for investors to invest in high quality, secure investments through CMHC's securitization programs;
- administering the legal framework for Canadian covered bonds to further help diversify sources of funds for lenders; and
- being a trusted source of housing information and market analysis.

The *Canada Mortgage and Housing Corporation Act* (CMHC Act) and the *Financial Administration Act* (FAA) also form part of CMHC's legislative framework. Among other things, the CMHC Act specifies the role and membership of CMHC's Board of Directors and the Minister for CMHC, currently the Minister of Employment and Social Development and Minister for Multiculturalism. Provisions in the FAA require the development of the five-year Corporate Plan and Summary of the Corporate Plan which are integral to the accountability regime of the Corporation.

In the development of the 2014-2018 Corporate Plan, the Board of Directors examined economic, demographic and housing trends and took into account recent legislative and regulatory reforms. Federal directions with respect to long-term economic growth, skills training, Aboriginal issues and continued fiscal prudence were also considered.

The Corporate Plan is approved by the Government of Canada on an annual basis. This year, the 2014-2018 Corporate Plan was approved on November 21, 2013. The Summary of the 2014-2018 Corporate Plan was prepared in accordance with section 125 of the FAA and informs Parliamentarians and Canadians of the Corporation's objectives and strategic priorities for the upcoming planning period, provides an overview of its financial plan, operating and capital budgets as well as borrowing and investment activities. Pursuant to section 153(1) of the FAA, the Summary excludes commercially sensitive information, which if disclosed, would be detrimental to the commercial interests of CMHC.

SECTION II | OBJECTIVES AND STRATEGIC PRIORITIES

THE CORPORATE PLAN FRAMEWORK

The Corporate Plan Framework (CPF) is comprised of three corporate objectives and seven strategic priorities, and guides CMHC in planning its activities, allocating its resources and measuring its performance.

This section describes CMHC's core activities, key initiatives, performance measures and expected outcomes, and the resources allocated to achieving these objectives and priorities. It is important to note that CMHC's strategic priorities address a broad spectrum of core activities that, in several instances, are not mutually exclusive. Taken together, they represent a multi-faceted approach that supports a strong and stable financial and housing system for Canadians.

As part of its annual report, CMHC publishes indicators that demonstrate progress against the expected outcomes of its activities. Those reported in the 2012 Annual Report, based on the 2012-2016 Corporate Plan Framework, are found in the annexes to this Summary.

Strategic priorities 1.1, 1.2, 3.1, and 3.2 comprise assisted housing, policy development, research, information transfer and market analysis activities which are funded by the Government of Canada through Parliamentary appropriations. Strategic priorities 2.1 and 2.2, pertaining to mortgage loan insurance and securitization guarantee activities respectively, are operated on a commercial basis, generating reasonable returns for the Government of Canada. Costs associated with CMHC's role with respect to the administration of the legal framework for Canadian registered covered bonds under strategic priority 2.3 are recovered from bond issuers.

The 2014-2018 Corporate Plan Framework	
Objective 1 – Support access to affordable housing for Canadians in need	
1.1	Help Canadians in need access affordable, sound and suitable housing
1.2	Help Aboriginal Canadians to improve their living conditions
Objective 2 – Facilitate access to a range of housing options for Canadians, and promote and contribute to the stability of the financial system and the efficient functioning and competitiveness of the housing finance market, with due regard to the Corporation's exposure to loss	
2.1	Provide mortgage loan insurance products and tools to Canadians and contribute to the stability of the housing market
2.2	Ensure an adequate supply of funds for mortgage lending through mortgage securitization while considering the competitiveness, efficient functioning and stability of the housing finance system
2.3	Support financial stability through a robust market for Canadian covered bonds, thereby facilitating funding for the Canadian housing market
Objective 3 – Promote and contribute to informed housing decisions and to a stable, competitive and innovative housing system	
3.1	Undertake policy development, research and information transfer activities to enable Canadian consumers and the housing sector to make informed decisions
3.2	Provide comprehensive, timely and relevant market analysis information

OBJECTIVE 1 – SUPPORT ACCESS TO AFFORDABLE HOUSING FOR CANADIANS IN NEED

Strategic Priority 1.1

Help Canadians in need access affordable, sound and suitable housing

Aligned with the federal government's objective of supporting communities and families, CMHC's activities under this priority provide access to affordable, sound and suitable housing for thousands of low-income families, including seniors and persons with disabilities.

Core Activities

- Provide federal funding under social housing agreements with provinces and territories or under agreements directly with housing providers.
- Provide federal funding under the Investment in Affordable Housing (IAH) to provinces and territories in support of programs that improve access to affordable, adequate and suitable housing for Canadians in need.
- Provide loans, through Direct Lending, to federally-assisted social housing sponsors seeking to finance new projects or to renew existing financing.
- Support individuals and groups from the private and non-profit sectors in the development of affordable housing without federal assistance through Seed and Proposal Development Funding (see Glossary) and other information and advice offered by CMHC's Affordable Housing Centre.
- Offer CMHC mortgage loan insurance underwriting flexibilities to support affordable housing.

Directions and Key Initiatives for 2014

MEETING FEDERAL OBLIGATIONS FOR THE EXISTING SOCIAL HOUSING STOCK

Annually, through CMHC, the federal government provides $1.7 billion in federal funding to support close to 600,000 households living in existing social housing funded under long-term agreements with terms of between 25 and 50 years. Provinces and territories also provide funding under these agreements. Approximately 80% of the federal funding is administered by provinces and territories. The remaining 20%, which includes funding for housing on reserve (see strategic priority 1.2), is administered by CMHC.

As these long-term agreements mature, the obligations of the public funding agencies as well as the housing project owner or sponsor will have been fulfilled. As subsidies end, mortgages on the properties will generally be paid off thus reducing project operating costs which allows some project sponsors to continue to offer affordable housing. Some projects may not generate sufficient rental revenues to cover operating expenses, depending upon the number of rent-geared-to-income tenants that were previously subsidized. A federal/provincial/territorial working group is currently examining the financial viability of the existing social housing stock as operating agreements mature.

Federal funding provided under the Investment in Affordable Housing (IAH) (discussed below), allows provinces and territories the flexibility to design and deliver programs that meet local needs and priorities, including rent supplement programs that can be made available to social housing sponsors as operating agreements mature.

NEW INVESTMENTS IN AFFORDABLE HOUSING ANNOUNCED IN ECONOMIC ACTION PLAN 2013

Under the Investment in Affordable Housing (IAH) Framework, which came into effect in 2011, provinces and territories design and deliver affordable housing programs to address their specific housing needs and priorities. Federal funding is matched by provinces and territories who report publicly on progress toward the intended outcomes. As at the end of 2012, IAH assistance has been provided for 136,375 units.

Funding under the IAH was scheduled to expire in March 2014. Economic Action Plan 2013 announced the renewal of federal funding of $1.25 billion over five years to March 2019. IAH agreements with provinces and territories to cover this funding will continue to ensure the flexibility they need to determine how best to meet local housing needs. Economic Action Plan 2013 also indicated that IAH funding will support the use of apprentices and contribute to the training of skilled labour.

Economic Action Plan 2013 also announced $100 million over two years to support the construction of affordable housing in Nunavut. This funding will help to address the housing challenges in this region given its remote location, the severity of its climate and the unique cultural needs of residents.

Key Initiatives for 2014

1.1.1 Continue to examine the viability of existing social housing as operating agreements expire.

1.1.2 Participate in research and analysis on potential approaches to improving project viability as subsidies end.

1.1.3 Implement agreements with provinces and territories on the extension of the Investment in Affordable Housing.

Performance Measures and Expected Outcomes

PERFORMANCE MEASURES	2012 Actual	2013			2014 Plan
		Plan	Mid-year		
			Plan	Actual	
Housing programs expenses excluding operating expenses[1] ($M)	2,074	1,988	983	975	1,833
Affordable housing expenditures[2] ($M)	367.0	257.8	132.5	134.7	51.1
Estimated number of households assisted through long-term social housing commitments	593,800	585,800	N/A	N/A[3]	568,600
Affordable housing units facilitated by CMHC's Affordable Housing Centre	3,196	2,940	N/A	1,573	3,060
Direct Lending[4] ($M)	1,012.6	1,117.5	581.9	571.7	707.7

1 Includes Housing Programs expenses under strategic priorities 1.1, 1.2, 3.1 and 3.2
2 Comprises expenditures under the IAH, the Affordable Housing Initiative (AHI) and CMHC's renovation programs off reserve; expenditures related to the extension of IAH beyond March 2014 and Investment in Nunavut Housing, as announced in Budget 2013, have not been forecasted for the 2014 Plan.
3 Assessed at year-end
4 CMHC provides low-cost loans directly to federally-assisted social housing sponsors seeking to continue financing their housing projects and to First Nations to finance new housing. This measure is the value of mortgages provided to groups whose projects receive federal assistance.

EXPECTED OUTCOMES

Immediate

The number of Canadians in need is reduced through 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.

A more comprehensive approach to addressing poverty by supporting a broad range of programs is fostered.

Operating Expenses and Staff-Years

2014		2015		2016		2017		2018	
Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years
60.3	337	57.3	315	55.8	312	53.9	304	52.8	295

Strategic Priority 1.2
Help Aboriginal Canadians to improve their living conditions

In collaboration with Aboriginal Affairs and Northern Development Canada (AANDC), CMHC has a long-standing history of providing federal housing assistance to First Nations. This assistance, in addition to capacity development efforts, helps First Nation communities to improve their living conditions.

Core Activities

- Administer federal funding under the On-Reserve Non-Profit Housing Program.
- Administer federal funding under CMHC's renovation programs on reserve.
- Provide operational support under agreement with the First Nations Market Housing Fund (FNMHF).
- Provide insurance for housing loans on reserve 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, manage and maintain housing.

(Aboriginal Canadians living off reserve are served by programs and services described under strategic priority 1.1.)

Directions and Key Initiatives for 2014

IMPROVING HOUSING OUTCOMES ON RESERVE

CMHC administers federal funding for housing programs on reserve. Through the On-Reserve Non-Profit Housing Program, assistance is available for the construction, purchase and rehabilitation of rental housing on reserve. This assistance currently helps offset the operating costs of almost 30,000 units and is available under the terms and conditions of project operating agreements that generally come to term when the First Nation has paid out the related housing loan. The Corporation consults with First Nations on an ongoing basis to address challenges they may face in managing their CMHC-assisted housing portfolios, with the goal of ensuring that these programs are effectively managed.

CMHC also works closely with AANDC to bring about improvements in the quality of housing for First Nations people. Ensuring the durability of housing

Housing conditions on reserve

In general, Aboriginal Canadians living on reserve experience higher incidences of housing need than the general population. According to the 2006 Census, 53% of on-reserve households live below adequacy and suitability standards compared to 13% of Canadian households generally. Of the 53% of on-reserve households who live below standards, 33% would not have had the income to access acceptable housing, while 19% would have the income to cover the expenses of a unsubsidized newly constructed home.

being built on reserves is essential for community well-being and stability. Work will continue over the planning period on improving housing design, construction, maintenance, and energy efficiency. In addition, CMHC continues its long-standing collaboration with AANDC, Health Canada and the Assembly of First Nations to help First Nations communities address mould problems.

CMHC and AANDC also work with First Nations to foster opportunities for market-based housing on reserve. The Corporation assisted in setting up the First Nations Market Housing Fund (FNMHF) which began operating in 2008 and which provides a partial financial backstop on mortgage loans underwritten by private financial institutions. The Fund also provides financial support to help First Nations improve their capacity to foster and sustain market-based housing.

As required, CMHC and AANDC have completed evaluations of the FNMHF.

Key Initiatives for 2014

1.2.1 Work with First Nations to ensure the portfolio of CMHC On-Reserve Non-Profit Housing Program units is effectively managed by First Nations in accordance with program operating agreements.

1.2.2 Continue to work with AANDC on policies to improve the quality and durability of housing on reserve.

1.2.3 Continue to coordinate efforts with AANDC and Health Canada to help First Nations address mould problems, including implementing initiatives to increase awareness and capacity among First Nations to prevent and remediate mould in housing on reserve.

1.2.4 Work with AANDC on next steps in response to the findings of the evaluations on the FNMHF, as directed by the Government.

Performance Measures and Expected Outcomes

PERFORMANCE MEASURES	2012 Actual	2013			2014 Plan
		Plan	Mid-Year		
			Plan	Actual	
New units committed under the On-Reserve Non-Profit Housing Program	603	465 [1]	325	340	438
Renovation program expenditures (value of loans that are forgiven over time) ($M)	17.1	14.5	8.3	5.9	12.4
Per cent of housing programs and services delivered through First Nations or Aboriginal organizations	88	85	85	94	85

[1] The decrease in the number of new units planned in 2013 from 2012 is primarily a result of forecasted higher interest rates going forward.

EXPECTED OUTCOMES

Immediate	Intermediate	Long-term
First Nation members living on reserve 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.	First Nations have the capacity to develop, maintain and manage the full range of housing opportunities on reserve.	First Nation families receiving assistance have a more stable foundation for accessing opportunities and improving their quality of life and health. First Nation communities benefit from greater stability and prosperity.

Operating Expenses and Staff-Years

2014		2015		2016		2017		2018	
Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years
19	118	19.3	119	19.1	120	18.9	121	18.8	118

OBJECTIVE 2 – FACILITATE ACCESS TO A RANGE OF HOUSING OPTIONS FOR CANADIANS, AND PROMOTE AND CONTRIBUTE TO THE STABILITY OF THE FINANCIAL SYSTEM AND THE EFFICIENT FUNCTIONING AND COMPETITIVENESS OF THE HOUSING FINANCE MARKET, WITH DUE REGARD TO THE CORPORATION'S EXPOSURE TO LOSS

Strategic Priority 2.1

Provide mortgage loan insurance products and tools to Canadians and contribute to the stability of the housing market

A sound and stable housing finance system is essential to an efficient housing market that provides Canadians with a range of housing choices while also creating jobs and economic growth for the country. CMHC mortgage loan insurance has helped shape the housing finance system by enabling lenders throughout the country to provide financing to qualified borrowers for both homeowner and rental housing. The Corporation also has a mandate to help ensure the stability of the housing finance system and housing markets. Prudent underwriting practices and working with lenders to ensure the quality of their business contribute to fulfilling this mandate.

Core Activities

- Offer mortgage loan insurance for homeowner and multi-unit properties to lenders in all parts of the country, including in areas or markets not served or not well-served by private mortgage loan insurers.
- Ensure that mortgage loan insurance products, policies, procedures, and operations continue to serve Canadian borrowers and lenders and enhance the stability of the housing finance system.
- Through a quality assurance framework, monitor the performance of lenders' insured portfolios and work with them to maintain high quality standards in underwriting and servicing their portfolios to help ensure that deficiencies are addressed in a systematic, comprehensive and timely manner. In addition to regular quality assurance framework assessments, cyclical operational risk and on-site file reviews are conducted.
- Maintain and strengthen relationships with lenders through key account management and related initiatives.
- Support the Government of Canada with information, analysis and policy advice in relation to regulatory changes and other Government priorities related to the stability of the housing finance system and housing markets.

Directions and Key Initiatives for 2014

MEETING A RANGE OF HOUSING FINANCE NEEDS

CMHC is Canada's public mortgage insurer, helping Canadians access insured financing for a range of housing options in all parts of the country in good economic times and bad.

Annually, a minimum of 33% of CMHC's insured volumes are planned for markets or areas that are not well-served or not served by the private sector. The Corporation is Canada's only provider of mortgage loan insurance for the construction, purchase and refinance of large multi-unit residential properties (properties with more than four units), including apartment buildings, retirement and long-term care homes, student housing and condominium construction projects. It also offers a range of underwriting flexibilities to encourage the creation of financially viable, affordable housing and allow borrowers the ability to tailor loan financing to proposed housing projects.

CMHC is also the primary insurer for housing in rural communities and smaller Canadian markets. This sets CMHC apart from private mortgage insurers who have the ability to select the markets in which they operate.

Demographic shifts in the Canadian population are expected to result in an increase in the demand for large multiple-unit dwellings, especially for retirement and long-term care homes. Work will be conducted over the planning horizon to better understand the needs of this market segment and implement any necessary adjustments and/or enhancements to multi-unit insurance products and policies.

ENHANCING SERVICE TO LENDER CLIENTS

Mortgage loan insurance is also offered by two private mortgage insurers. The Government of Canada backstops these insurers in accordance with the *Protection of Residential Mortgages and Hypothecary Insurance Act* (PRMHIA) to ensure a competitive mortgage loan insurance market.

Maintaining and finding ways to improve client service is an important element to CMHC's strategies going forward. The Corporation possesses strong analytical capabilities as a result of its long-standing presence in the marketplace. As lenders are seeking to improve their risk management practices and portfolio quality, CMHC is able to provide information and analysis, and assist with customized technology solutions that will help lenders achieve their objectives. In doing so, CMHC is able to differentiate itself from private sector insurers.

In 2012, CMHC undertook a comprehensive review of its mortgage loan insurance servicing operations. The review looked at ways to improve efficiency in areas such as processing times, automation and fraud prevention. Implementation of the recommended enhancements began in 2013 and will continue over the planning period.

RESPONDING TO GOVERNMENT DIRECTION AND CHANGES IN THE OPERATING ENVIRONMENT

The Government of Canada has taken measures to ensure that Canada's financial system continues to be one of the country's key advantages. The following will have an impact on CMHC's products and directions:

- Economic Action Plan 2013 (Budget 2013)

In Economic Action Plan 2013 (Budget 2013), the Government announced it would gradually limit the use of CMHC low ratio portfolio insurance (mortgages with a 20% down payment or more) to only those mortgages that will be used in CMHC's securitization guarantee programs. These measures will help ensure that taxpayer-backed low ratio insurance is restored to its original purpose of allowing access to funding for mortgage assets. The Government also announced its intention to implement measures so that both high (mortgages with less than 20% down payment) and low ratio mortgages backed by the Government of Canada cannot be used as collateral in securitization vehicles that are not sponsored by CMHC. (Also see strategic priority 2.2.)

- OSFI Guidelines

OSFI has indicated its intention to develop guidelines with respect to underwriting and capital requirements for mortgage loan insurers. These guidelines could affect CMHC's underwriting policies and how the Corporation determines its minimum and target capital levels.

IMPROVING PERFORMANCE REPORTING

CMHC provides information to the public on the performance of its mortgage loan insurance business and associated risks through Quarterly Financial Reports and its Annual Report. Over the planning period, CMHC will focus on improving existing quarterly reporting tools as well as developing new ones to better manage its business, improve internal decision-making, and enhance external disclosures.

Key Initiatives for 2014

2.1.1 Explore possible enhancements to multi-unit insurance products and policies to increase the supply of affordable units for low-income Canadians.

2.1.2 Continue to develop and implement lender strategies to better serve clients.

2.1.3 Continue to implement initiatives identified through CMHC's mortgage loan insurance servicing operations review.

2.1.4 In response to changes in Government regulations and other changes in the operating environment, review products, policies and operations, and implement changes as required.

2.1.5 Monitor and contribute, as requested, to the development of OSFI guidelines and implement changes to current policies and practices as required.

2.1.6 Continue to enhance existing performance reporting tools and develop new ones to better manage the business.

Performance Measures and Expected Outcomes

PERFORMANCE MEASURES	2012 Actual	2013 Plan	2013 Mid-Year Plan	2013 Mid-Year Actual	2014 Plan
Total insured volumes (units)	386,222	355,597	169,572	166,955	353,975
Total insured volumes ($M)	66,029	61,183	28,431	28,950	62,864
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 [1]	47.2	33.0	33.0	47.5	33.0
Operating expense ratio (per cent)	11.0	13.9	13.8	13.2	15.7

[1] Comprises the following:

Approvals (Units)	% of Total Less Served Markets		% of All Approved Volumes	
	2012 Actual	2013 Target	2012 Actual	2013 Target
Multi-Unit Residential	50.6%	56.4%	23.9%	28.3%
Homeowner Rural	48.5%	42.6%	22.9%	21.3%
Other	0.9%	1.0%	0.4%	0.5%

EXPECTED OUTCOMES		
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 underserved by private mortgage loan insurers can better access their housing of choice.	**Intermediate** A healthy housing market, which includes new construction as well as renovation activity, contributes to job creation and economic growth. The provision of mortgage loan 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.

Operating Expenses and Staff-Years

2014		2015		2016		2017		2018	
Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years
242.5	973	242.7	959	239.4	949	236.0	947	237.7	954

IN FOCUS

PRUDENT MANAGEMENT OF CMHC'S MORTGAGE LOAN INSURANCE BUSINESS

Note: More up-to-date information on CMHC's insurance-in-force can be found in the Corporation's Quarterly Financial Reports and Annual Reports which are available on CMHC's website at www.cmhc.ca.

The profile of CMHC's insurance-in-force demonstrates the nature and level of risk associated with CMHC's mortgage loan insurance business. CMHC manages this business in a financially prudent manner, following OSFI guidelines in setting (and exceeding) capital targets to ensure that its insurance-in-force poses minimal risk to Canadian taxpayers. Prudent underwriting practices and excellent client service have enabled the Corporation to maintain its position of strength in the marketplace in good economic times and bad.

The following provides a profile of CMHC's insurance business as of the second quarter 2013.

Managing our insurance-in-force

As at end of:	Insurance-in-Force ($B)			
	Homeowner (Transactional)	Low Ratio Portfolio	Multi-unit	Total
2007	219	103	23	345
2008	232	148	28	408
2009	246	196	31	473
2010	274	209	31	514
2011	286	243	38	567
2012	290	230	46	566
Q2 2013	289	226	48	562

Note: Totals may not reflect the sum of the components due to rounding.

Under the NHA, the total outstanding insured amounts of all CMHC-insured loans may not exceed $600 billion.

At the end of the second quarter of 2013, CMHC's insurance-in-force was $562 billion, $4 billion lower than the insurance-in-force at year-end 2012, due largely to a reduction in low ratio portfolio insurance volumes. With the financial crisis, portfolio insured volumes increased substantially and, as a result, portfolio insurance's proportion of insurance-in-force rose from about 30% at the end of 2007 to a high of almost 43% at the end of 2011. The allocation process introduced in 2012 has reduced access to portfolio insurance to pre-crisis levels and resulted in a reduction of portfolio insurance as a percentage of insurance-in-force to about 40% as at June 30, 2013. Additionally, the Government of Canada is looking to limit low ratio insurance to only those mortgages that will be used in CMHC's securitization programs. As a result, it is expected that CMHC's insurance-in-force will increasingly be composed of high ratio transactional and multi-unit insured loans.

As CMHC continues to provide mortgage loan insurance to qualified homebuyers and multi-unit borrowers, and through allocated amounts of portfolio insurance, increases in the Corporation's insurance-in-force will continue to be offset by insured mortgages being paid down. CMHC expects its outstanding insurance-in-force to be around $545 billion by the end of 2014.

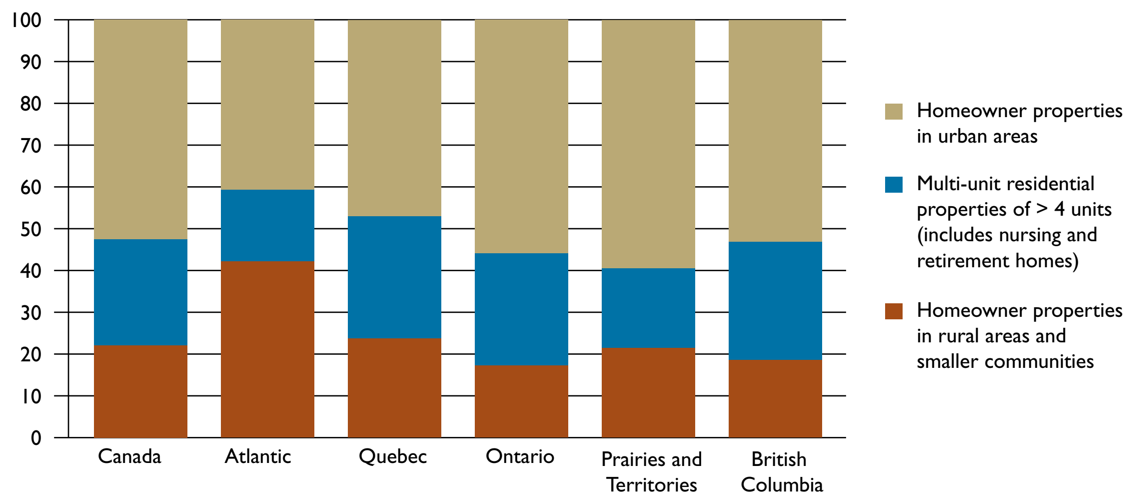
As at end of:	Insurance Written ($B Insured)			
	Homeowner (Transactional)	Low Ratio Portfolio	Multi-unit	Total
2006	51.2	14.1	5.6	70.9
2007	54.8	56.6	6.7	118.0
2008	52.7	60.3	7.8	120.8
2009	73.2	73.5	8.2	154.9
2010	60.3	39.4	6.4	106.1
2011	50.8	48.4	6.7	106.0
2012	49.8	10.7	5.5	66.0
YTD Q2 2013	19.6	6.3	3.0	29.0
Estimate 2013	43.8	11.0	5.8	60.6
Plan 2014	45.9	11.0	6.0	62.9

Serving gaps in the marketplace

CMHC contributes to the stability of the financial system, including housing markets, by providing qualified Canadians in all parts of the country with access to a range of housing options in both good economic times and bad. This sets CMHC apart from private sector competitors who have the ability to select the markets in which they operate. CMHC continues to be the only mortgage loan insurer for large multi-unit residential properties, including nursing and retirement homes. The Corporation's support for these forms of housing is vital to the supply and maintenance of a range of housing options in Canada.

CMHC is also the primary insurer for housing in rural areas and smaller Canadian markets. The share of CMHC's total homeowner and rental business to address less-served markets was slightly above 47% in the first six months of 2013, virtually unchanged compared to the end of 2012.

Distribution of approved units for multi-unit residential and high ratio homeowner properties (%)
Six Months Ended June 30, 2013



As a large percentage of CMHC's approved volumes are outside urban areas, a commensurate proportion (23.4%) of CMHC's residential insurance-in-force is also in rural locations:

Insurance-in-Force as at June 30, 2013 (% of loans)			
	Homeowner and Multi-unit	Low Ratio Portfolio	All
Urban	73.3	80.1	76.6
Rural	26.7	19.9	23.4

Managing risk prudently

CMHC carries out rigorous due diligence in assessing applications for mortgage loan insurance. All applications for mortgage loan insurance are initially reviewed and assessed by lenders prior to submission to CMHC. Upon receipt of an application for mortgage loan insurance, CMHC assesses the risk presented by the borrower, the property, the market in which the property is located, and the application as a whole. Key borrower risk factors include the level and source of down payment and stringent credit requirements that demonstrate the borrower's ability to manage financial obligations.

Loan-to-value ratios

As shown in the following table, based on updated property values, the majority (76%) of CMHC-insured mortgages currently have loan-to-value ratios of 80% or less. The average equity in CMHC's insured high and low ratio portfolio homeowner portfolio remained stable at 45% as at June 30, 2013.

Distribution of Homeowner Insurance-in-Force by loan-to-value (LTV) ratio based on updated property value[1] (%)	As at June 30, 2013			As at December 31, 2012
	Homeowner	Low Ratio Portfolio	Homeowner and Low Ratio Portfolio	Homeowner and Low Ratio Portfolio
≤ 50%	8	39	22	22
> 50% ≤ 60%	6	20	12	12
> 60% ≤ 70%	14	24	19	18
> 70% ≤ 80%	29	17	23	24
> 80% ≤ 90%	32	0	18	17
> 90% ≤ 95%	10	0	6	6
> 95%	1	0	0.6	1
Average updated loan-to-value	67	43	55	55
Average updated equity	33	57	45	45

[1] LTV calculated on the basis of updated property values reflecting changes in local resale prices.

Amortization periods

While homebuyers could choose an amortization period greater than 25 years prior to July 9, 2012, the average amortization period at the time of mortgage approval for all CMHC-insured homeowner and multi-unit residential loans was stable as at June 30, 2013.

Distribution of Insurance-in-Force by amortization period (years)	As at June 30, 2013			As at December 31, 2012
	Homeowner and Low Ratio Portfolio	Multi-unit	Overall	Overall
Average amortization period at origination	25	26	25	25

CMHC analysis shows that more than a third of CMHC-insured high ratio borrowers with fixed-rate mortgages are consistently ahead of their scheduled amortization by at least one mortgage payment per year. The figure rises to about three quarters for those who are ahead of their payment schedule by any amount. Accelerated payments shorten the overall amortization period, reduce interest costs, increase equity in the home at a faster rate, and lower risk over time.

As at June 30, 2013, the average outstanding loan amount for homeowners who took out high ratio loans above 80% loan-to-value at origination was $178,212. This is approximately 17% higher than the average outstanding loan amount remaining on portfolio insured low ratio loans. The figures include the regular amortization of loan balances as well as accelerated payments by borrowers.

Distribution of Insurance-in-Force by loan amount (%)	As at June 30, 2013				As at December 31, 2012
	Homeowner	Low Ratio Portfolio	Multi-unit (per unit)	Overall	Overall
Over $550,000	4	7	0	4	5
Over $400,000 to $550,000	9	8	0	8	8
Over $250,000 to $400,000	32	25	1	27	27
Over $100,000 to $250,000	46	46	22	44	44
Over $60,000 to $100,000	6	9	36	10	9
$60,000 or under	3	5	41	7	7
Average outstanding loan amount ($)	178,212	152,507	52,917	140,581	140,587

Managing portfolio risk through diversification

Consistent with its mandate, CMHC provides mortgage loan insurance in all Canadian markets, which spreads the Corporation's insurance-in-force across all provinces and territories, diversifying risk in different regions, each with a distinct economic outlook.

Distribution of Insurance-in-Force by province/ territory (%)	As at June 30, 2013				As at December 31, 2012
	Homeowner	Low Ratio Portfolio	Multi-unit Residential	Overall	Overall
Newfoundland	1.5	0.9	0.3	1.1	1.2
Prince Edward Island	0.3	0.2	0.3	0.2	0.3
Nova Scotia	2.6	1.7	3.6	2.3	2.4
New Brunswick	2.2	0.8	1.0	1.5	1.5
Quebec	19.9	12.0	30.0	17.5	17.3
Ontario	36.7	46.2	35.7	40.5	40.8
Manitoba	3.2	1.6	2.9	2.6	2.5
Saskatchewan	2.9	1.9	1.4	2.4	2.3
Alberta	17.7	14.5	11.4	15.9	15.6
British Columbia	12.6	20.1	12.8	15.7	15.8
Territories	0.4	0.1	0.6	0.3	0.3

Managing portfolio quality through prudent underwriting

Canadian credit scores generally range between 300 and 900. The higher the score, the lower the risk of borrower default. In order to qualify for a CMHC-insured high ratio loan, the borrower/co-borrower must have a minimum credit score of 600, consistent with the government guarantee parameters introduced in 2008.

Distribution of Insurance-in-Force by credit score at origination (%)	As at June 30, 2013		As at December 31, 2012	
	Homeowner	Low Ratio Portfolio	Homeowner	Low ratio Portfolio
No score	1	1	1	1
= 0 < 600	1	1	1	1
≥ 600 < 660	8	4	9	4
≥ 660 < 700	15	9	15	9
≥ 700	75	85	74	85
Average credit score at origination	727	756	726	755

Distribution of Approved Loans by credit score at origination (%)	Six months ended June 30, 2013		Six months ended June 30, 2012	
	Homeowner	Low Ratio Portfolio	Homeowner	Low Ratio Portfolio
No score	0	0	0	0
= 0 < 600	0	1	0	1
≥ 600 < 660	5	2	7	3
≥ 660 < 700	13	5	15	7
≥ 700	82	92	78	89
Average credit score at origination	741	766	736	760

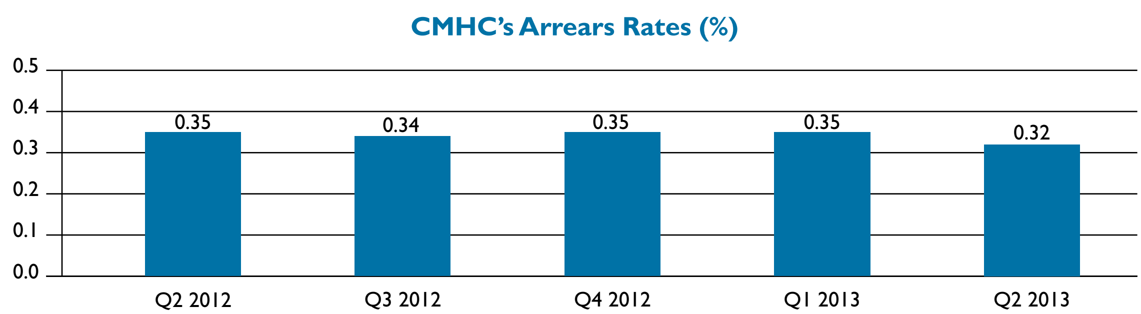
CMHC has been able to maintain its strong market position and manage its risks while applying prudent underwriting practices. This is demonstrated by an average credit score of 727 for CMHC's high-ratio homeowner insurance-in-force at June 30, 2013. The high average credit score demonstrates a strong ability among homebuyers with CMHC-insured mortgages to manage their debts.

Arrears rate

CMHC calculates its arrears rate as the ratio of all loans that are more than 90 days past due, (i.e., no payments for 90 days on homeowner loans) 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 calculated in the same way that the Canadian Bankers Association (CBA) calculates and reports arrears rates at an industry level.

CMHC's arrears rate as at June 30, 2013 was 0.32%, a 0.03 percentage point improvement compared to the 0.35% level reported in first quarter 2013 and at year-end 2012, and a 0.03 percentage point improvement compared to the same period last year. The decline in the combined arrears rate year-over-year was driven by improving homeowner (high and low ratio transactional loans) arrears rates, particularly in the most recent quarter, while portfolio arrears rates have remained relatively stable. Overall, CMHC's arrears rate has declined to pre-financial crisis levels.

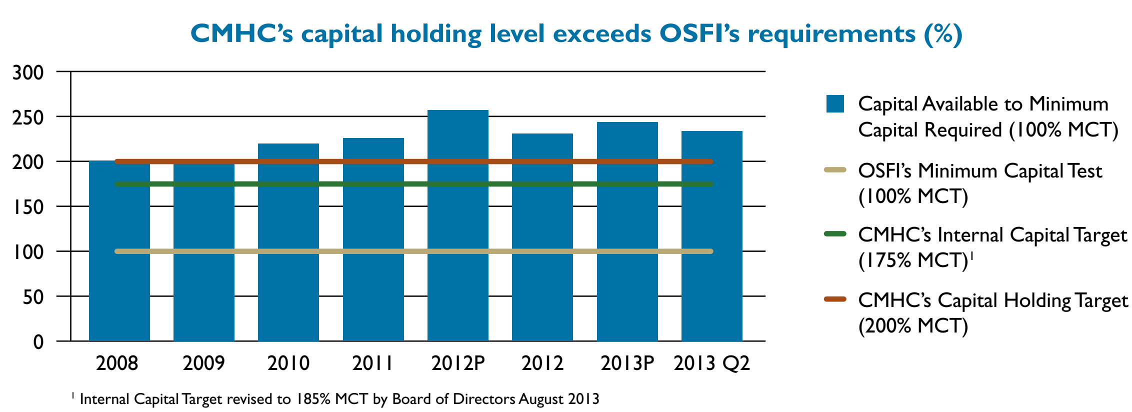
When the CBA calculates its arrears rate, it is based on both high and low ratio mortgages. However, over time, CMHC's arrears rate is expected to rise relative to the CBA arrears rate, as the proportion of portfolio insurance declines relative to CMHC's overall insurance-in-force due to its portfolio insurance allocation and anticipated future changes directed by the Government.



CMHC's capital holding target

CMHC's capital holding target is set at twice the level of OSFI's Minimum Capital Test (MCT). Actual Available Capital was 234% as at June 30, 2013.

Additional information on CMHC's capital holding level can be found in Section IV: Risk Management and Investment Portfolios.



Strategic Priority 2.2

Ensure an adequate supply of funds for mortgage lending through mortgage securitization while considering the competitiveness, efficient functioning and stability of the housing finance system

CMHC's securitization guarantee programs contribute to a competitive, efficient functioning and stable housing finance system by ensuring that both large and smaller lenders and, in turn, borrowers have access to an adequate supply of funds for residential mortgages.

Core Activities

- Provide guarantees for *National Housing Act* Mortgage-Backed Securities (NHA MBS) which are backed by insured residential mortgages and issued by Approved Issuers.
- Provide guarantees under the Canada Mortgage Bonds (CMB) program, and monitor and manage the balance between funding needs and investor demand.
- Continue to enhance securitization programs in response to changing industry needs and the regulatory environment.
- Review the terms and conditions under which CMHC guarantees securities backed by insured mortgages to ensure alignment with Government of Canada objectives and directions and compliance with subsection 14(1) of the NHA.

Directions and Key Initiative for 2014

GOVERNMENT PRIORITIES

CMHC's securitization programs, NHA MBS and CMBs, are important components of the funding platforms of Canadian financial institutions. Smaller lenders, in particular, benefit from the stable access that these programs provide, fostering competition and stability in the financial system.

CMHC continually monitors the housing market and ensures that its securitization guarantee programs are responsive to the needs of the marketplace while ensuring robust risk management requirements that protect CMHC and the Government from undue exposure to loss.

Economic Action Plan 2013 announced additional measures to ensure the strength and stability of Canada's financial system. As indicated in the discussion on strategic priority 2.1, both high and low ratio insured loans backed by the Government of Canada under the NHA and PRMHIA, respectively, will not, in the future, be used as collateral in securitization vehicles that are not sponsored by CMHC.

Key Initiative for 2014

2.2.1 In response to Government directions, review products, policies and operations, and implement changes, as required.

Performance Measures and Expected Outcomes

PERFORMANCE MEASURES	2012 Actual	2013			2014 Plan[1]
		Plan	Mid-Year		
			Plan	Actual	
Annual securities guaranteed ($M)	119,531	90,000	45,000	73,113	125,000
▪ Market NHA MBS	79,631	55,000	27,500	53,113	85,000
▪ CMB	39,900	35,000	17,500	20,000	40,000
Operating expense ratio (per cent)	4.5	<9	<9	5.7	<9
Per cent of outstanding residential mortgages securitized	29.4[2]	21	21	29.9	21

[1] On December 19, 2013, the Minister of Finance approved, for 2014, new guarantees under the NHA MBS program to a limit of $80 billion; and new issuance under the CMB program to a limit of $40 billion.
[2] As at October 2012

EXPECTED OUTCOMES	
Immediate	**Intermediate to long-term**
Increased integration of mortgage market lending with capital market lending leads to greater efficiency for lenders. Enhanced competitive position of smaller lenders in the mortgage market. Canadians continue to be able to access financing for their homes.	Financial institutions, in particular smaller lenders, have access to robust wholesale housing finance choices. A stable and resilient Canadian housing finance system.

Operating Expenses and Staff-Years[3]

2014		2015		2016		2017		2018	
Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years
17.0	90	17.5	92	17.3	92	17.1	92	17.1	92

[3] Includes operating expenses and staff-years for all Securitization Activity under strategic priorities 2.2 and 2.3

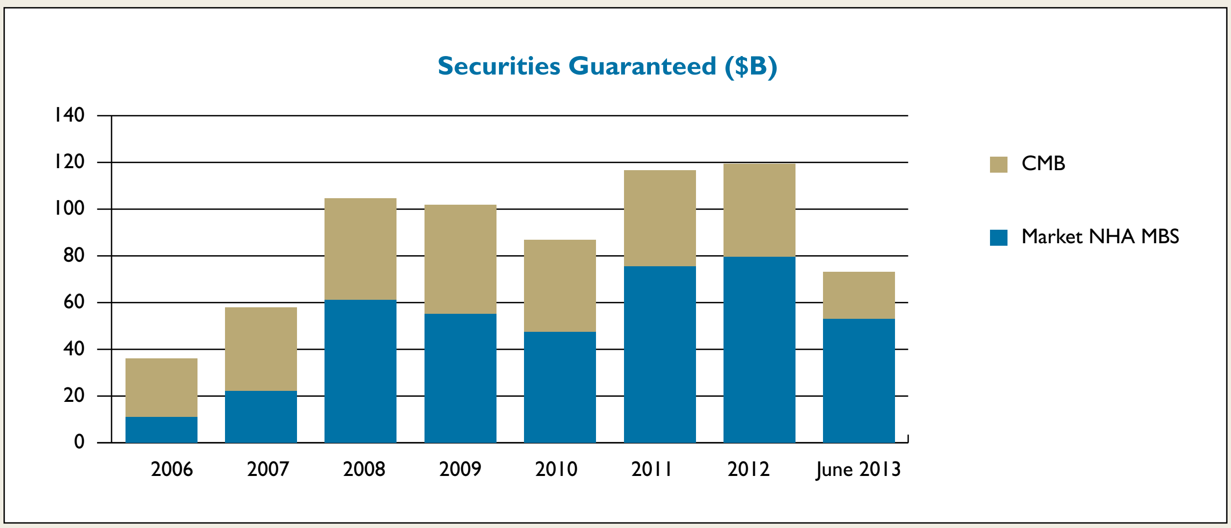
IN FOCUS

IMPORTANCE OF CMHC'S SECURITIZATION GUARANTEE PROGRAMS

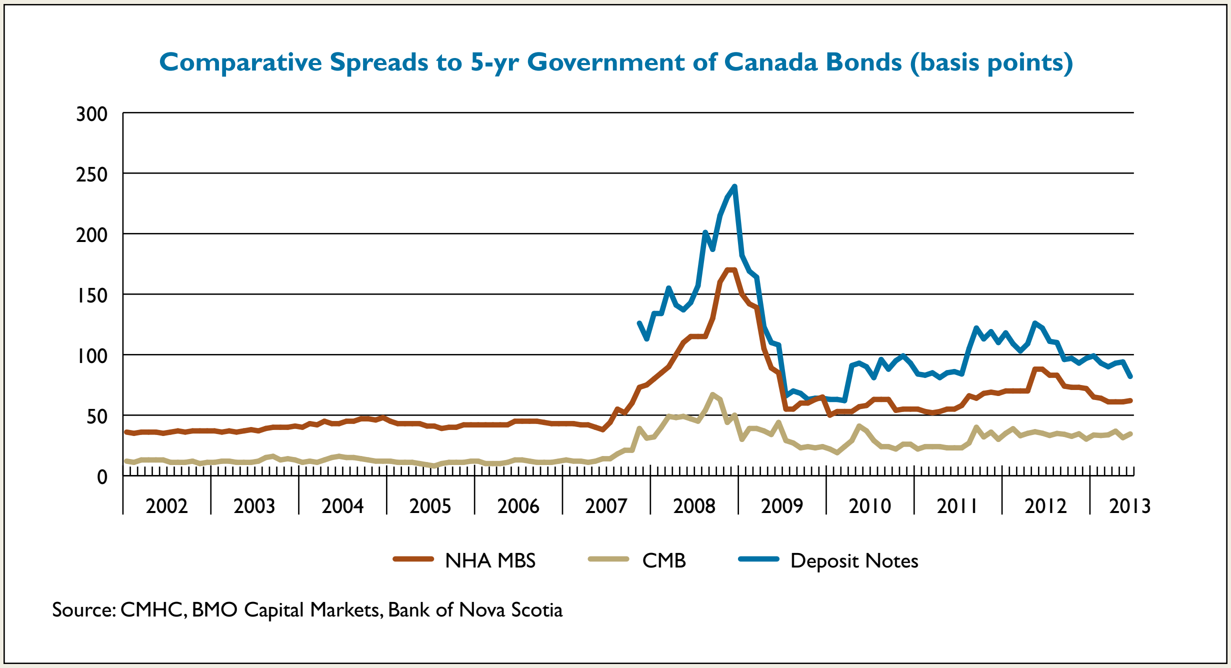
Note: More up-to-date information on CMHC's securitization guarantee programs can be found in the Corporation's Quarterly Financial Reports and Annual Reports which are available on CMHC's website at www.cmhc.ca.

Since the introduction of the NHA MBS program in 1987, approximately $1,133 billion (or $1.133 trillion) in insured residential mortgages have been securitized through the program. Of this total, approximately 45% ($519 billion) is in the form of market NHA MBS issued by Approved Issuers. The balance is largely NHA MBS under the CMB program. This demonstrates the importance of the NHA MBS program in providing a framework for Approved Issuers to transform illiquid, insured residential mortgage loan assets into high quality secure investments. Similarly, the CMB program plays a significant role in ensuring an adequate supply of mortgage funding for program participants, particularly small institutions.

As at June 2013, the percentage of residential mortgages securitized through CMHC's securitization programs was 30.4% of the outstanding residential mortgage credit (excluding mortgages securitized under the Insured Mortgage Purchase Program).



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



Support for Smaller Lenders and Competition in the Mortgage Market

The NHA MBS and CMB programs are important components of Canadian financial institutions' diversified mortgage funding platforms. Program participants, smaller lenders in particular, benefit from the stable and reliable access to funds that these programs offer, resulting in their ability to compete on the basis of costs, terms and products with more established larger lenders and thereby maintain the competiveness of the Canadian residential mortgage market. During the global financial crisis, smaller lenders found it more difficult to access liquidity and funding as their traditional sources were frozen.

CMHC has taken steps to help foster competition in the mortgage market by helping ensure that smaller lenders have access to CMB funding. Smaller lenders' participation in the CMB program, i.e., the proportion of CMB funding they received, increased from 19% in 2006 to 49% as at June 2013. CMHC's securitization programs in general, and the CMB program in particular, played an important role in supporting smaller lenders during the recent financial crisis.

The reliability of CMHC's securitization programs ensures that smaller lenders continue to play an important role in maintaining the competitiveness of the Canadian residential mortgage market.

Meeting the Mortgage Needs of Canadians

The Government of Canada, through CMHC, has responded to the need for a wider range of mortgage choices sought by Canadians through the introduction of NHA MBS pool types that allowed lenders to offer and securitize new mortgage products. Expanding CMB terms and offerings (e.g., three-year re-openings, 10-year fixed rate, and Floating Rate Notes) ensured the availability of funding that enables mortgage lenders to address the current and emerging mortgage choices of Canadians.

Prudent Risk Management

Risk exposures under the timely payment guarantee are managed through robust risk mitigating practices that included stringent approval criteria for program participants. To date, CMHC's securitization programs have not experienced any losses. Moreover, the commercial nature of CMHC's securitization programs contributes to CMHC's Net Income and, as such, helps to improve the Government's fiscal position. Over the past decade (to the end of 2012), $2 billion of CMHC's total contribution of $17 billion is attributable to its securitization programs.

Strategic Priority 2.3

Support financial stability through a robust market for Canadian covered bonds, thereby facilitating funding for the Canadian housing market

The legal framework for covered bonds supports financial system stability by attracting more international investors to the Canadian covered bond market thus helping lenders to further diversify their sources of funding. In 2012, CMHC was given the responsibility to administer the framework. The covered bonds issued by lenders are not guaranteed by the Government of Canada or CMHC and the costs of administering the legal framework are recovered through fees charged to users.

Core Activities

- Administer the legal framework (including any applicable regulations) for Canadian covered bonds pursuant to the NHA. The objectives of the framework are to ensure a high and consistent standard of disclosure to both harmonize practices and help investors assess risks. The framework also provides for structures to ensure the continuity of payment if the issuer defaults, without guarantee on the part of the federal government.
- Maintain a registry containing:

  a) the names and business addresses of registered issuers along with a list of registered programs and information relating to those programs, including the name of each essential services provider to the guarantor entity;

  b) a list of registered issuers whose right to issue covered bonds is suspended and the reasons for the suspension;

  c) any other information that, in the Corporation's opinion, is necessary; and

  d) any prescribed information.
- Make the registry public through the Internet and by any other means CMHC deems appropriate.
- Ensure compliance with conditions or restrictions applicable to registered issuers and registered programs.

Directions and Key Initiatives for 2014

CHALLENGES FACING SMALLER LENDERS IN ISSUING COVERED BONDS UNDER THE LEGAL FRAMEWORK

While the legal framework has made covered bonds a more robust source of funding for larger lenders, smaller lenders face a number of challenges in issuing covered bonds. In order for covered bonds to be a cost-effective source of funds, bond issuers require a sizeable portfolio of conventional mortgages and must have the ability to generate ongoing replacement assets. Investors look for large, liquid covered bond issues, from highly rated issuers. Legal, credit agency, administration and other costs are other considerations that smaller lenders would need to factor into their pricing.

MONITORING INTERNATIONAL DEVELOPMENTS

Covered bonds have been an established source of funding for lenders in several countries, particularly in Europe, for many years. It will be important to ensure that policies and procedures under Canada's legal framework for covered bonds are comparable. CMHC will be monitoring developments in other countries that have recently adopted or enhanced their legal frameworks for covered bonds.

Key Initiatives for 2014

2.3.1 Explore the feasibility of making the covered bond legal framework more accessible to small lenders and/or pursue other initiatives to help ensure that small lenders have access to reliable, stable funding sources.

2.3.2 Monitor international best practices and developments for potential modifications to the Canadian covered bonds legal framework.

Performance Measures and Expected Outcomes

PERFORMANCE MEASURES	2012 Actual	2013			2014 Plan
		Plan	Mid-Year		
			Plan	Actual	
Average approval times for Issuers/Programs upon submission of substantially complete applications	N/A	60 days	60 days	N/A [1]	60 days
TO BE MONITORED					
Value of covered bonds issued under the framework in comparison to value prior to the framework being in place	N/A	N/A	N/A	0 [2]	N/A

[1] The limited number of initial applications that were received by CMHC in the first half of the year were not substantially complete. CMHC worked with issuers to finalize these applications leading to the issuance of bonds under the framework in July.
[2] There were no issuances of covered bonds under the legal framework in the first half of 2013.

EXPECTED OUTCOMES
Canada's financial stability is supported through a more robust market for Canadian covered bonds.

OBJECTIVE 3 – PROMOTE AND CONTRIBUTE TO INFORMED HOUSING DECISIONS AND TO A STABLE, COMPETITIVE AND INNOVATIVE HOUSING SYSTEM

Strategic Priority 3.1

Undertake policy development, research and information transfer activities to enable Canadian consumers and the housing sector to make informed decisions

The Corporation undertakes housing research and develops information products to assist the housing industry and consumers make more informed housing decisions. This research improves the understanding of current and future housing challenges in Canada and informs the development of housing-related policy. More informed housing decisions on the part of individual Canadians and the housing industry, and wider adoption of best practices lead to increased market efficiency and foster innovation in areas such as sustainable housing.

Core Activities

- Undertake research on the socioeconomic aspects of housing, including examining the housing needs of lower-income and other vulnerable Canadians, the impact of demographic trends, housing finance and other factors that have an impact on the housing market.
- Undertake research to build industry capacity and promote consumer knowledge, awareness, and acceptance of best practices and technologies to advance the sustainability of new and existing housing throughout Canada, including in the North, and support the efficient functioning of housing markets.
- Undertake information transfer activities, including demonstration projects, web-based information, seminars, workshops, presentations and other outreach activities.
- Publish annually the *Canadian Housing Observer*, CMHC's flagship publication.
- Represent the Government of Canada internationally on matters related to housing.

Directions and Key Initiatives for 2014

CMHC undertakes research on key housing issues. This research provides insights into current and potential new housing challenges and influences decision-making on the part of industry, consumers and public policy makers. The following are some of the key issues.

HOUSING NEED

CMHC regularly publishes information on housing conditions, including estimates of core housing need, to provide insights into the evolving housing needs of Canadians. These estimates are based on Census data and, between Censuses, have been based on Statistics Canada's annual Survey of Labour and Income Dynamics (SLID) for urban households. The latter provided cross-sectional and longitudinal data. As part of the 2011 Census, a National Household Survey (NHS) was sent to approximately 4.5 million households. Statistics Canada released housing and shelter costs data from the NHS on September 11, 2013. CMHC's estimates of households in core housing need based on the NHS will be published in the fall of 2014.

Since 2002, CMHC has drawn on data from SLID to report on housing conditions and core housing need for urban households between Censuses. With the discontinuation of SLID, CMHC has collaborated with Statistics Canada to include housing questions in its annual Canadian Income Survey (CIS), which is done in conjunction with the Labour Force Survey (LFS). Starting with 2012, CMHC will draw on the data collected through the CIS/LFS to track trends in core housing need occurring between Censuses. The results of this work will be reported in CMHC's *Canadian Housing Observer*.

HOUSING FOR SENIORS

It is estimated that, by 2036, almost one quarter of Canada's population will be seniors. It is important to understand the housing needs of this growing segment of the population. In particular, the current housing stock may or may not be suitable to the needs of an aging population. Seniors with disabilities may find that their homes cannot be easily modified to accommodate their needs. CMHC will draw on data from the 2011 Census/NHS and other sources, as appropriate, to improve its understanding of the evolving needs of the seniors population.

SUSTAINABLE HOUSING

CMHC has been at the forefront of sustainable housing research in Canada. The EQuilibrium™ demonstration initiatives have been viewed by thousands across the country over the past several years. Their completion in 2014 will mark the culmination of CMHC's leading edge research and documentation of best practices that will continue to inform the industry and consumers going forward. There is a need to apply the knowledge gained to a wider range of housing, including housing for low- and moderate-income households. Research is required to assess approaches towards achieving sustainability objectives in low- and moderate-income housing.

HOUSING IN THE NORTH

Housing in the North remains an important research and information transfer priority for CMHC. Population growth and low incomes have contributed to higher levels of core need in the territories and amongst indigenous people in the North. Among the challenges faced are severe weather, remote and difficult to access locations, the limited supply of serviced land and related infrastructure, the lack of a robust housing industry, and the unique cultural needs of indigenous people. CMHC continues to place an emphasis on community consultations that engage northern peoples, housing providers and sustainable building experts. The development of sustainable housing models will be informed by the monitoring of the performance of CMHC's Northern Sustainable House demonstration units in Dawson and Inuvik.

AFFORDABLE RENTAL HOUSING FOR MODERATE-INCOME HOUSEHOLDS

While federal investments in housing are helping thousands of low-income Canadians gain access to affordable housing, moderate-income households (those in the second-to-lowest quintile) can also face challenges in obtaining affordable rental housing that meets their needs. As a step towards better understanding the affordable rental housing market, CMHC initiated research in 2013 to analyze how the socio-economic characteristics of moderate-income renters and the rental housing stock they occupy have changed over time, and how these changes are reflected in housing conditions and patterns of core housing need.

REPRESENTING THE GOVERNMENT OF CANADA INTERNATIONALLY

CMHC represents the Government of Canada on housing matters internationally, contributing to increased awareness and knowledge of Canada's housing system and allowing for an exchange of information on housing systems with other countries. The Corporation works closely with the Department of Foreign Affairs, Trade and Development Canada and other federal departments to represent Canada's and the housing sector's interests in multilateral and bilateral fora. As Canada's representative to the United Nations Human Settlements Programme (UN-HABITAT), CMHC coordinates the Government of Canada's participation in the World Urban Forum, a high level, biennial international conference on issues of rapid urbanization and their impact on communities, cities, economies and policies.

Key Initiatives for 2014

3.1.1 Publish updated core housing need estimates based on 2011 NHS data.

3.1.2 Examine the changing housing consumption patterns and needs of households and individuals as they age.

3.1.3 Explore and develop guidance for achieving sustainable objectives in new and existing low- and moderate-income housing through the application of innovative design strategies in new buildings and retrofit strategies in existing buildings.

3.1.4 Support northern housing providers in developing approaches for sustainable housing models.

3.1.5 Research retrofit options for the existing housing stock to improve housing performance and support the development of skilled and knowledgeable renovators in the North.

3.1.6 Update the analysis of the evolving characteristics of moderate-income households and moderate-income rental housing to include information from the 2011 National Household Survey.

3.1.7 Coordinate the Government of Canada's participation in the World Urban Forum (WUF 7) in 2014.

Performance Measures and Expected Outcomes

PERFORMANCE MEASURES	2012 Actual	2013			2014 Plan
		Plan	Mid-Year		
			Plan	Actual	
Per cent of recipients of newly published *Research Highlights* who found them useful	70	70	70	68	70
Per cent of recipients of newly published *About Your House* fact sheets who found them useful	88	80	N/A	N/A[1]	80

[1] Assessed at year-end

EXPECTED OUTCOMES

Immediate	Intermediate	Long-term
Consumers, the housing industry, stakeholders and policy makers have access to timely and relevant information on housing.	Consumers and the housing industry are aware of and adopt best practices. Governments and other organizations, including Aboriginal organizations, have information to better assess policy options related to housing for Canadians in need.	Greenhouse gas emissions attributable to the residential sector are reduced through improved performance of new and existing homes.

Operating Expenses and Staff-Years

2014		2015		2016		2017		2018	
Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years
15.1	93	15.4	93	15.1	93	14.8	94	15.0	94

Strategic Priority 3.2

Provide comprehensive, timely and relevant market analysis information

CMHC is the only comprehensive source of local and national housing market information in Canada. It provides reliable, impartial and timely housing market analysis and information to help the housing industry make better informed decisions. A wide range of market analysis publications are produced and presentations are held across the country to enable the housing industry and others to obtain the latest forecast information. CMHC also monitors indicators of financial, economic, and housing market conditions in order to promote and contribute to the stability of the financial system and the housing market.

Core Activities

- Conduct a wide range of housing market surveys on new construction, primary and secondary rental markets, and seniors' housing across provinces and, to a more limited extent, in the territories.
- Provide quarterly analysis of housing markets and forecasts at the local, provincial and national levels as well as respond to requests for information from internal and external clients.
- Disseminate results of surveys, analyses, and forecasts through conferences, media releases, CMHC's website and publications, and respond to inquiries.

Directions and Key Initiatives for 2014

CONTINUOUS IMPROVEMENT OF HOUSING STARTS FORECAST ACCURACY

Given the importance of the housing industry to the Canadian economy, housing starts forecasts are indicative of supply and demand and help to achieve greater equilibrium in the marketplace. CMHC strives to provide the most accurate forecasts for its clients and for internal decision-making purposes, and aims to be within 10% of the actual starts for new home construction and within the top quartile of 16 other major forecasters. The Corporation also monitors the usefulness of its publications and conferences on a regular basis and continually refines its models and techniques in order to provide high quality and timely information on housing markets.

HOUSE PRICE ASSESSMENT FRAMEWORK IN SUPPORT OF HOUSING MARKET STABILITY

Given CMHC's enhanced mandate to promote housing market stability, as well as the ongoing concern about volatility in certain markets such as condominiums in some major urban centres, CMHC continues to improve its tracking of housing market conditions in support of the Corporation's insurance underwriting processes and business risk management practices which, in turn, contribute to housing market stability. In 2014, CMHC will continue to update its monitoring framework and enhance its scope and analytical capabilities.

RESPONDING TO CLIENT NEEDS

CMHC's housing market information serves the needs of a diverse audience, including both private and public sector users, often geographically dispersed and having a variety of information needs. Increasingly, CMHC's clients are looking for greater flexibility to customize housing data to meet their individual requirements. CMHC continues to improve its online housing data portal to respond to client needs.

HOUSEHOLD INDEBTEDNESS

In recent years, there has been increased concern about the level of household debt in Canada, the vulnerability of certain households to economic shocks, and resulting risks to financial stability. CMHC continues to assess such risks by closely monitoring the financial health of Canadian households, tracking a wide variety of indicators with a focus on the more financially vulnerable segments of the population.

Key Initiatives for 2014

3.2.1 Expand the assessment of CMHC's forecast accuracy to other forecasted variables at a national, regional and local level.

3.2.2 Review and enhance the suite of forecast models and processes.

3.2.3 Further refine and expand the house price monitoring framework.

3.2.4 Further enhance the market risk assessment to allow a more forward-looking assessment of market conditions and to consider a wider array of unit types.

3.2.5 Continue to collect and analyze data on investor activity in condominium markets.

3.2.6 Continue to develop and implement the housing data web portal to ensure information is easily accessible and available at detailed geographic levels.

3.2.7 Continue to monitor indicators of Canadian household financial health and financially vulnerable households and make recommendations, as needed, with respect to mortgage markets and loan insurance.

Performance Measures and Expected Outcomes

PERFORMANCE MEASURES[1]	2012 Actual	2013 Plan	2013 Mid-Year Plan	2013 Mid-Year Actual	2014 Plan
Per cent of subscribers to market analysis publications who found them useful	94	93	N/A	N/A	93
Per cent of attendees at Housing Outlook Conferences who found them useful	99.6	95	95	95.5	95
Forecast accuracy of housing starts (per cent)	-13.1	Within 10% of actual	N/A	N/A	Within 10% of actual
Ranking of housing starts forecast accuracy among forecasters	1st amongst 17	Rank within the top quartile	N/A	N/A	Rank within the top quartile

[1] Certain performance measures are assessed only at year-end.

EXPECTED OUTCOMES	
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.

Operating Expenses and Staff-Years

2014		2015		2016		2017		2018	
Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years	Op. Exp. ($M)	Staff-Years
40.6	272	42.0	276	41.4	278	40.7	279	41.0	280

SECTION III | BUILDING A STRONG ORGANIZATION

To remain a strong organization that is able to fulfill its mandate, CMHC draws on sound corporate governance and financial practices. It also relies on an engaged workforce supported by progressive human resources policies, and efficient support services and systems to achieve its business objectives.

CORPORATE GOVERNANCE

CMHC's Board of Directors

Pursuant to the CMHC Act, the stewardship of the Corporation is the responsibility of the Board of Directors. The Board comprises the Chairperson, the President and Chief Executive Officer (CEO), the Deputy Minister of the Minister for CMHC, the Deputy Minister of Finance, and eight other appointed directors.

The Chairperson and the President and CEO are appointed by the Governor in Council. The Deputy Minister of the Minister for CMHC and the Deputy Minister of Finance are members of the Board by reason of the office they each hold. The eight other members of the Board are appointed by the Minister for CMHC subject to approval by the Governor in Council. With the exception of the President and CEO, all Board members are independent of CMHC Management.

The By-Laws of the Corporation provide that the Board of Directors will meet a minimum of five times a year. In order to gain regional perspective, the Board may hold regularly scheduled meetings outside the National Capital Region. These meetings, along with the annual public meeting, are opportunities for Board members to discuss housing issues with local stakeholders in different parts of the country.

The Corporate Governance and Nominating Committee, the Audit Committee, the Risk Management Committee, and the Human Resources Committee support the Board in carrying out its stewardship of CMHC. The committees examine matters in their respective areas that come before the Board for consideration. Their charters are posted on CMHC's website (www.cmhc.ca) and are reviewed on a regular basis by the Board to ensure that these committees continue to reflect best practices.

Pursuant to subsection 13(3) of the CMHC Act, the Board of Directors established the CMHC Pension Fund and has delegated management and administrative responsibilities of the defined benefit component of the CMHC Pension Plan to the Pension Fund Trustees. The Board appoints, as Trustees, a member of the Board of Directors, the President and CEO as Chair of the Trustees, and three other members of CMHC Management. Three other Trustees (two employees and one retiree) are elected by the Pension Council. The Pension Council comprises elected CMHC employees and retirees.

Effective April 4, 2013, CMHC introduced defined contribution (DC) provisions to the Pension Plan that apply to all new entrants to the Pension Plan from that date forward. The Board of Directors has established a Defined Contribution Committee which is responsible primarily for investment aspects of the defined contribution component of the Pension Plan. The Board appoints, as members of the DC Pension Committee, a member of the Board of Directors, the President and CEO as Chair of the DC Committee, and three other members of CMHC Management. Two DC employee members will be elected to the DC Committee by DC Plan members by the end of 2015.

The Board receives regular performance reports from the Chair of the Pension Fund Trustees and the DC Committee and approves an annual report on the Pension Plan.

The planning and reporting cycle

Taking into account Government direction and the operating environment, the Board of Directors sets strategic directions 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, public Quarterly Financial Reports, periodic Special Examinations, annual examination by OSFI of commercial housing finance activities, and semi-annual Enterprise Risk Management assessments are conducted.

→

The Annual Report, which includes a report on Corporate Responsibility, is submitted to the Minister for CMHC and tabled in Parliament. It reports on progress in meeting the Corporate Plan objectives.

Note: CMHC's Annual Report contains an Independent Auditors' Report on CMHC's Consolidated Financial Statements.

Each year, as required by the FAA, CMHC submits a five-year corporate plan to its Minister who recommends approval by the Government of Canada. The Corporate Plan is a key element of the accountability regime for Crown corporations and encompasses all of their activities, budgets and resource requirements.

The development of the Corporate Plan begins with a thorough examination of both internal and operating environments of the Corporation, taking into account Government of Canada objectives and priorities. As noted in Section I – Introduction, the Board considered a number economic, demographic and housing trends, and Government directions in the preparation of the 2014-2018 Corporate Plan.

Quarterly and semi-annual performance and risk management reports enable the Board to monitor performance against objectives and emerging risks. The Quarterly Risk Management (QRM) Report is structured to be aligned with CMHC's Enterprise-wide Risk Management framework. The QRM Report focuses on the individual financial risks (credit, market, liquidity, capital adequacy and pricing) and on operational risks from a business line perspective. The QRM Report is presented to the Risk Management Committee and the Board of Directors.

The QRM Report complements the broader semi-annual Enterprise-wide Risk Management (ERM) Report. The broader ERM Report, presented to the Risk Management Committee and the Board of Directors, surveys risks from a corporate perspective by reporting on CMHC's risk register, including new and emerging risks and CMHC's risk appetite. This report encompasses the risks discussed in the QRM as well as strategic risks (mandate, business environment, reputational and relational, and organizational).

The Board also reviews internal audit and evaluation reports (see subsection on Audit and Evaluation Services in this section).

Under the FAA, the Corporation releases a Quarterly Financial Report (QFR) 60 days following the end of each of the first three quarters of the year, and the Minister for CMHC receives CMHC's annual report within three months following the end of its financial year (31 December). The annual report contains an Independent Auditors' Report on CMHC's Consolidated Financial Statements. The Minister is to table the annual report in Parliament within 15 sitting days of its receipt. The annual report also includes CMHC's corporate responsibility report.

The FAA requires that a special examination be carried out at least once every 10 years and at any additional time that the Governor in Council, the Minister for CMHC, the Board of Directors, or the Auditor General may require. In its last special examination report dated August 25, 2008, CMHC received an unqualified opinion, which meant that the examiners found no significant deficiencies in the systems and practices of the Corporation.

Under section 21.2 of the NHA, OSFI is required, at least once in each calendar year, to make or cause to be made any examination or inquiry that the Superintendent considers to be necessary or expedient to determine if the Corporation is carrying on any or all of its commercial activities in a safe and sound manner with due regard to its exposure to loss. OSFI reports the results of its findings to the Board of Directors, the Minister for CMHC, and the Minister of Finance.

ASSESSING BOARD PERFORMANCE

In accordance with good governance practices, the Board, with the assistance of independent external advisors, conducts an annual assessment of its effectiveness. Two types of assessments are undertaken on alternate years – a peer assessment, which involves Board members assessing and providing feedback on each other's contributions, and an overall Board assessment, which examines the effectiveness of the Board in comparison to the boards of other Crown corporations.

Corporate Responsibility

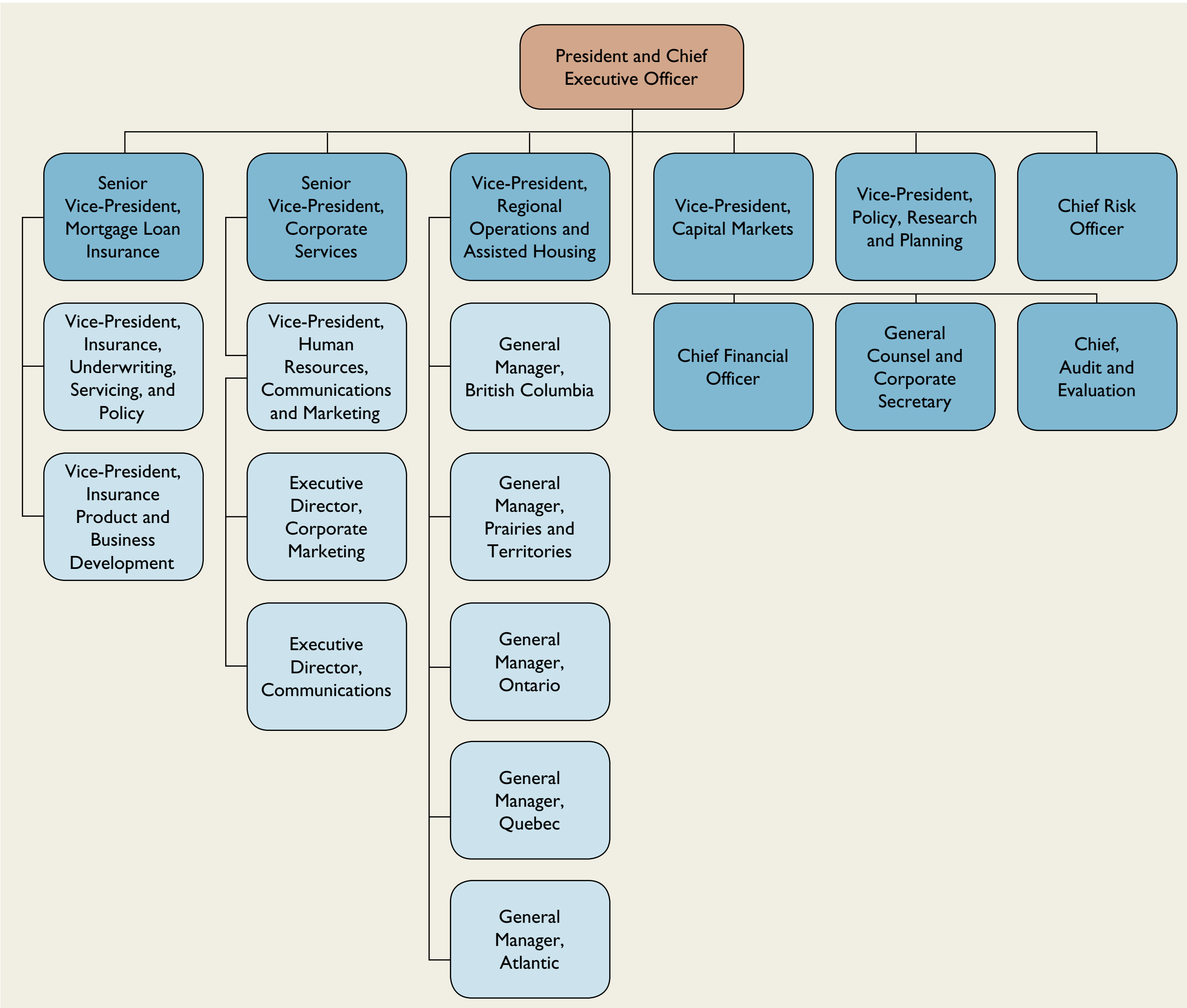
CMHC's activities as Canada's national housing agency support and contribute to the well-being of Canadians and the stability of Canada's economy. These activities include those that are funded by the Government of Canada in support of affordable housing that is sound, suitable and sustainable, as well as housing finance activities that are operated on a commercial or cost-recovery basis. CMHC's long-standing presence in the housing finance market from coast-to-coast-to-coast, in both good economic times and bad, has meant that a range of housing and tenure options has been available as Canadians' needs have evolved.

In carrying out its mandate, CMHC strives to conduct its business in a manner that maximizes social and economic contributions and minimizes environmental impacts. CMHC's Corporate Responsibility Advisory Committee continually updates and enhances the framework for tracking and reporting of the Corporation's corporate responsibility efforts.

For additional information on corporate responsibility at CMHC, consult the 2012 Annual Report at www.cmhc.ca/annualreport.

CMHC MANAGEMENT

CMHC Management is comprised of the President and CEO, heads of business areas and support functions, and regional business centre General Managers. Approximately 1,900 employees work at National Office in Ottawa and in regional business centres in Halifax, Montreal, Toronto, Calgary and Vancouver. Smaller communities are also served by CMHC employees who reside in these communities.



CORPORATE SERVICES

Human Resources

CMHC is a strong organization able to fulfill its mandate due to the skills, knowledge, and competencies of its employees. CMHC's talent management framework and corporate culture have helped foster and maintain a highly engaged, bilingual and inclusive workforce committed to the mandate and objectives of the Corporation.

Over the planning period, the focus will continue to be on leadership development; effective recruitment and internal movements; rigorous people management; succession planning and the strategic development of talent; and, fair, competitive and sustainable compensation. An expanded emphasis on oversight and risk management also means that the Corporation will increasingly need to recruit and retain highly skilled professionals.

CMHC will continue to pursue a number of human resources-related initiatives that support the Government of Canada's focus on the financial viability of Crown corporations' benefit programs and the alignment of their pension benefits with those available to federal employees. For example, CMHC took steps to align its defined pension benefits with that of the federal public service, including moving towards a 50:50 contribution ratio between employer and employees by 2017, and introduced a defined contribution component of the plan for new hires as at April 2013.

In addition, the Corporation has introduced a new employee benefits plan that provides greater choice to employees while facilitating greater cost containment for the Corporation. Going forward, the Corporation will also continue to examine its total compensation package on an annual basis, ensuring its policies and programs are in line with Government direction.

Key Initiatives for 2014

1. Maintain the focus on succession planning for critical and vulnerable and senior management positions.
2. Identify strategies and approaches to recruit and retain professionals in high demand who possess the skills relevant to CMHC's enhanced mandate and greater focus on financial and risk management.
3. Continue to implement the framework for leadership development at CMHC and to support employees in their professional growth and in managing their careers at CMHC.

PERFORMANCE MEASURES	2012 Actual	2013			2014 Plan
		Plan	Mid-Year		
			Plan	Actual	
Retention of regular employees recruited 3 to 5 years ago (per cent)	97	93	93	98.4	93
Level of employee engagement (per cent)	94	90	90	94	TBD [1]
Critical and senior management positions with ready succession (per cent)	N/A	90	90	94	90 [2]
Employees with development plans in place in CMHC's online performance management system (per cent)	96	95	95	98	95
Employees in bilingual positions meeting language requirements (per cent)	91	90	90	90	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				
	2.7	3.1	3.1	2.7	2.9 [3]
	Visible minorities				
	16.2	15.9	15.9	16.5	17.7
	Persons with disabilities				
	4.2	4.7	4.7	4.1	4.2

[1] 2014 Target commensurate with the 2013 target will be determined once the methodology for the 2014 employee engagement survey has been confirmed.

[2] Measure revised at mid-year 2013. Ready succession means that with a normal transition, at least one individual will be able to be fully functional in the role within six months.

[3] The 2014 targets for representation rates of the three employment equity groups are based on the latest information available on their representation within the Canadian population and labour force and reflect the alignment of CMHC's methodology with that used by ESDC and the Canadian Human Rights Commission for the broader federal public service.

Administrative Services and Information Technology

Administrative Services and Information Technology (IT) play a critical role in enabling and supporting CMHC's business lines. In 2013, CMHC continues to implement its multi-year strategy encompassing key business projects and core infrastructure initiatives. This multi-year strategy also addresses the maturity of systems and their underlying technology to ensure viability, stability and reliability over the long term.

Security threats, (e.g., cyber threats), are increasing as a global operational risk. In 2013, CMHC assessed its security program and is advancing the maturity of its IT Security Program by implementing measures to mitigate these increasing risks.

CMHC's systems and network technologies have proven to be highly reliable. The five-year average technology index is 99.91% for critical systems availability such as CMHC's electronic mortgage loan insurance underwriting system, **emili**. Other systems which impact the technology reliability index are CMHC's financial information management systems, human resources management system and its website.

Key Initiatives for 2014

1. Implement a document and records management initiative to enhance the protection of information that supports improved information sharing and corporate record governance.
2. Improve the maturity of the IT Security Systems Program.

PERFORMANCE MEASURES	2012 Actual	2013			2014 Plan
		Plan	Mid-Year		
			Plan	Actual	
Technology index for key systems (per cent)[1]	99.9	99.8	99.8	99.8	99.8

[1] Calculated by comparing the actual availability of the mission critical business applications against their planned availability

Communications and Corporate Marketing

CMHC's communications and marketing activities support the achievement of its objectives and strategic priorities by enhancing awareness of CMHC's programs, products and services so that Canadians can make better informed decisions on housing. CMHC has increased its presence in social media by launching a Twitter account and using YouTube and Flickr in order to reach Canadians in an efficient and cost-effective manner.

Among the initiatives going forward, the Corporation will promote mortgage literacy, sustainable housing technologies and seniors' housing, and will also continue to target new Canadians with information on housing to help them meet their needs.

SECTOR OF THE CHIEF FINANCIAL OFFICER

CMHC Management is responsible for the integrity and objectivity of the Corporation's financial statements. The sector of the Chief Financial Officer assists in identifying financial and process risks and ensures that proper financial and operational controls are in place. Over the last few years, the sector has increased its focus on risk management by reviewing financial processes and internal controls over financial reporting. The sector also plays a key role in ensuring that CMHC is properly resourced and that the financial implications of decisions are being considered.

Key Initiatives for 2014

1. Continue with the multi-year project to renew and integrate CMHC's financial systems.
2. Initiate the phased implementation of an Enterprise Resource Planning (ERP) system to support financial reporting and improve corporate-wide information sharing.

AUDIT AND EVALUATION SERVICES

The internal audit function, Audit and Evaluation Services (AES), provides independent, objective assurance, and consulting services designed to improve CMHC's operations. AES applies a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The program evaluation function provides evidenced-based assessments of the relevance and effectiveness of CMHC's policies and programs.

ADMINISTRATION OF GRANVILLE ISLAND

Granville Island is a cultural, recreational and commercial development in central Vancouver owned by the Government of Canada. It is home to approximately 275 businesses and enterprises which employ more than 3,000 people in full-time and part-time jobs and generates over $215 million in economic activity annually. Responsibility for administration and property management for the Island was transferred to CMHC in 1973 through an Order in Council. CMHC administers the ongoing operations and development of Granville Island on a self-sustaining basis at no cost to Canadian taxpayers.

The Corporation has maintained the Island by reinvesting surplus operating funds in infrastructure repair and maintenance.

Granville Island achieved an operating surplus of almost $1.6 million for the 2012-2013 fiscal year while undertaking upgrades to the Public Market and other Island buildings and infrastructure. It is expected to have an operating surplus of approximately $673 thousand in 2013-2014 and between $853 thousand and $940 thousand yearly in the five-year planning horizon on annual revenues ranging from $12.4 million to $13.4 million.

Key Initiative for 2014

1. CMHC will continue to pursue opportunities to ensure the ongoing vitality and sustainability of Granville Island.

SECTION IV | RISK MANAGEMENT AND INVESTMENT PORTFOLIOS

CMHC responsibly manages the public resources entrusted in its care and implements prudent risk management practices with due regard to loss in carrying out its commercial activities. CMHC is exposed to a variety of risks in its operating environment that could have an impact on the achievement of its objectives. The ability to respond appropriately and effectively to expected and unanticipated change is critical to the Corporation's success.

This section describes CMHC's overall Enterprise Risk Management (ERM) framework, and the management of specific risks related to the Lending Activity under Objective 1, and the Mortgage Loan Insurance Activity and the Securitization Activity under Objective 2. CMHC's investment portfolios related to its Lending, Mortgage Loan Insurance, and Securitization Activities are also discussed.

ENTERPRISE RISK MANAGEMENT

CMHC has a comprehensive Enterprise Risk Management (ERM) framework and governance structure that guides the Corporation in its risk management activities and encourages a risk-aware culture. This ensures that risk management is an integral part of the Corporation's strategic and operational decision-making, that main risks and opportunities are adequately identified and that it facilitates the understanding, discussion, evaluation and management of risks at all levels of the organization.

CMHC's governance structure is headed by the Board of Directors, which holds the ultimate accountability and responsibility for risk management. The Board is responsible for overseeing the Corporation's enterprise risk management framework and approves, on an annual basis, the risk appetite statement designed to ensure a consistent understanding of risk exposures which are acceptable or unacceptable to the Corporation. It is kept informed of significant risks and mitigating strategies through a variety of reporting mechanisms.

A Risk Management Committee assists the Board in fulfilling its oversight responsibilities with respect to the identification and management of the Corporation's principal risks. The Committee ensures that appropriate policies, procedures and controls are in place to identify, assess and manage the principal risks to the Corporation.

The Chief Risk Officer (CRO) is responsible for the independent oversight of the management of risks inherent in CMHC's activities, including establishing ERM policies and a framework to manage risk in alignment with the Corporation's risk appetite and business strategies. Together with CMHC Management, the CRO is accountable for the promotion of an effective risk culture, prudent ERM policies and processes, and for creating an organization capable of achieving its public policy mandate and objectives with due regard to its exposure to loss.

The President and CEO is accountable for ensuring that all significant risks are appropriately identified and managed, and provides the Board with assurance that these activities are being completed in an annual ERM Letter of Representation.

CMHC's ERM framework groups risks under three broad categories: strategic, operational and financial risks. The Corporation continually assesses internal and external risks based on this framework.

LENDING ACTIVITY RISKS

CMHC holds/makes loans under the *National Housing Act* (NHA) to social housing sponsors, First Nations, provinces, territories and municipalities for federally-subsidized housing. The estimated fair value of loans arising from CMHC's Lending Activity is $14.5 billion on an outstanding book value of $11.2 billion as at June 30, 2013. The risks associated with this activity include credit risk, prepayment and re-pricing risk and interest rate risk.

CREDIT RISK

Credit risk is defined as the risk of loss due to the failure of counterparties to meet their contractual obligations. CMHC's loan portfolio includes loans for social housing projects administered by provinces/territories as well as those administered by CMHC both on and off reserve. Given that the Corporation lends to a large number of non-profit entities that do not issue public debt, they do not have credit ratings established by independent credit rating agencies. However, credit risk is offset by losses due to default being recoverable from various levels of government. Credit risk is also managed by examining annual project level reports, including audited financial statements submitted by social housing project sponsors, which enable CMHC to detect and intervene, as appropriate, should a project face financial difficulty. Work-outs or restructuring, which may involve additional financing or assistance, are determined on a case-by-case basis.

As at December 31, 2012, CMHC was assured full collection of principal and accrued interest on 76% of its loans (2011 – 77%). The guarantee or assurance on these loans was provided by:

- Provinces and territories through provisions in Social Housing Agreements (42%);
- Government of Canada through provisions in the NHA (10%);

- Aboriginal Affairs and Northern Development Canada through Ministerial Loan Guarantees (12%); and
- CMHC Mortgage Loan Insurance through provisions for losses on loans (12%).

The remaining 24% of loans (largely under the Municipal Infrastructure Lending Program (MILP)) are assessed on a regular basis to determine if provisions for loss are necessary. As at year end 2012, there were no impaired loans identified and no provision for loss recorded.

PREPAYMENT RISK

CMHC operates its Lending Activity (primarily consisting of the Direct Lending initiative) on a breakeven basis. The mortgage is closed to prepayment for the duration of the mortgage term selected by the housing group. The underlying debt (the monies that CMHC borrows to fund the mortgage) matches, to the extent possible, the term of the mortgage. As such prepayment activity, including the restructuring of closed loans has the potential to cause CMHC to incur losses.

CMHC mitigates its exposure to prepayment risk by applying the terms and conditions of its mortgages, including prepayment clauses. On an exception basis, CMHC allows the early payout of closed mortgages with the payment of all interest costs over the remaining term.

In addition, on January 29, 2013, the Government indicated that it will accept prepayment of some closed CMHC mortgages for eligible existing social housing projects that require capital repairs and renovations. A yield maintenance prepayment penalty consistent with private lending institutions will apply. These changes enable social and co-operative housing sponsor groups to refinance and undertake the needed capital repairs and renovations to extend the life of their projects, while mitigating prepayment risk for CMHC. The yield maintenance prepayment penalty paid by sponsor groups should generally allow CMHC to offset its prepayment penalty associated with its corresponding debt to the Government of Canada.

INTEREST RATE RISK

The Corporation is exposed to interest rate risk when asset and liability principal and interest cash flows have different interest payments or maturity dates. The severity of the risk is dependent on the size and direction of interest rate changes and the size of the mismatched positions. CMHC's risk management policies specify that the maximum exposure of the financing margin to interest rate movements with a 95% confidence be fixed at $1.5 million over a 12-month horizon. For the Lending Activity portfolio, this exposure was $0.30 million as at June 30, 2013 ($0.56 million as at June 30, 2012).

MORTGAGE LOAN INSURANCE ACTIVITY RISKS

The main risk of financial loss to the Corporation from its Mortgage Loan Insurance Activity is represented by the amount of future claims associated with insured mortgages relative to insurance premiums received. CMHC manages this risk through prudent underwriting, lender quality assurance, a sound capital management framework, sensitivity stress testing and product pricing.

ASSESSING APPLICATIONS FOR MORTGAGE LOAN INSURANCE

CMHC prudently manages mortgage loan insurance risk for different types of residential properties through a rigorous underwriting process, as described below:

- **Homeowner properties (four units or less) – high ratio or low ratio transactional**

Risks related to homeowner mortgage loan insurance are assessed through CMHC's proprietary automated mortgage loan insurance risk assessment and approval system, **emili**, used by Approved Lenders and by CMHC underwriters across the country. **emili** assesses an application's overall risk by looking at the borrower, the property, the market in which the property is situated, and the characteristics of the loan. The results of these risk assessments are synthesized to determine the overall risk of default.

If necessary, underwriters can take further steps to determine if risk-mitigating actions are required to effectively reduce the overall risk to a level that is acceptable and prudent or may indicate that the application for insurance is declined. CMHC monitors and adjusts its risk assessment models based on actual claims experience and local market conditions.

- **Large multi-unit residential properties (in excess of four units)**

Risks associated with multi-unit mortgage loan insurance are also assessed through detailed and thorough underwriting processes that include analysis and risk assessment of the borrower, the market, the property and loan characteristics. A standardized risk assessment tool is employed by underwriters to assign a risk rating to each of these major risk components.

Based on the risk rating and complexity of the application, the underwriters take risk mitigating actions that effectively ensure that the risk being assumed is at a level that is acceptable and prudent. The risk ratings, along with the size of the loan and policy considerations, determine the appropriate approval authority.

- **Homeowner properties (four units or less) – low ratio portfolio**

Loans submitted for low ratio portfolio insurance are assessed through an automated underwriting system similar to **emili**. The assessments include an analysis and risk assessment of the borrower, the property, the market in which the property is situated and characteristics of each individual loan. Individual pools are then priced accordingly.

QUALITY ASSURANCE FRAMEWORK

Through its Quality Assurance Framework and on-site lender reviews, CMHC further manages risks by assessing lenders' insured loan portfolios and working with lenders on a regular basis to maintain quality standards in the underwriting and servicing of their portfolios.

CAPITAL MANAGEMENT FRAMEWORK

CMHC's Capital Management Framework follows OSFI regulations with respect to the use of the Minimum Capital Test (MCT) for insurance companies. The MCT is the ratio of capital available to capital required. With respect to CMHC, capital available is equal to mortgage loan insurance retained earnings plus accumulated other comprehensive income minus assets with a capital requirement of 100%. Capital required is calculated by applying risk factors to assets, policy liabilities and other exposures.

The following represents CMHC's Capital Management Framework for its Mortgage Loan Insurance Activity:

- **Minimum Regulatory Capital: 100% MCT**
  Below 100% MCT, an insurance company would no longer be allowed to write new business. A level below 0% MCT indicates insolvency.
- **Internal Capital Target: 185% MCT**
  The internal capital target provides adequate time for management to resolve financial problems that may arise, while minimizing the need for regulatory intervention. CMHC recently implemented an increase in the Internal Capital Target from 175% to 185% MCT. The increase reflects a more conservative assessment of the impact of adverse economic conditions.
- **Capital Holding Target: 200% MCT**
  CMHC has selected a capital holding target of 200% MCT so that the likelihood of falling below the internal capital target is less than 5% over a five-year period.

Using 10,000 consistent economic scenarios, CMHC's stress testing model simulates the impact of each of these economic scenarios on the 2014-2018 Corporate Plan as well as other plausible adverse business scenarios. Each scenario includes 10 years of new business which then runs off over the next 20 years. The economic scenarios include 30 years of outcomes for real GDP growth, the unemployment rate, the five-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 loan insurance written, short-term changes in claim frequencies, changes in house prices and the value of invested assets. Investment income and asset modelling is integrated with the modelling of insurance business activity.

The results of the stress testing indicate that CMHC is well positioned to weather severe economic and plausible adverse business scenarios. Results of economic and business stress tests remain within the Corporation's risk and capital tolerance levels. Testing has also validated that CMHC's internal target level of 185% MCT and the capital holding level of 200% MCT meet the Capital Management Framework requirements.

CMHC continues to focus on monitoring and proactively managing the performance of its insurance business by enhancing its stress testing models and taking steps to ensure that pricing remains appropriate for risk underwritten.

SECURITIZATION ACTIVITY RISKS

CMHC guarantees the timely payment of interest and principal of *National Housing Act* Mortgage-Backed Securities (NHA MBS) issued by Approved Issuers and of Canada Mortgage Bonds (CMBs) issued by the Canada Housing Trust. The major risk of financial loss to the Corporation arising from CMHC's guarantee is making timely payments when an issuer is unable to honour its commitments and the assets backing the securities are insufficient. Timely payment guarantee risk, as well as counterparty and liquidity risks, is mitigated by requiring participants to meet minimum standards and robust legal and operational frameworks.

For NHA MBS, the risk associated with issuer default is mitigated by both quality assessment and monitoring of the issuers, and by a minimum spread requirement between the security coupon and the lowest mortgage rate in the pool. In the event of issuer default, the spread is available to CMHC to mitigate its guarantee risk and for retaining third-party issuers for the continued servicing of underlying mortgages and the NHA MBS payments. All securitized mortgages have full mortgage default insurance coverage. An upfront guarantee fee based on the term of the security is paid to CMHC by the approved issuers in exchange for the CMHC guarantee.

CMHC's role with respect to the CMB program is to guarantee the payment of interest and principal associated with CMBs. The Issuer Trustee maintains the trust property and ensures the Trust fulfills its obligations, while the Trust Administrator is responsible for the day-to-day management of CHT operations.

The Trust is exposed to the credit risk of its counterparties through swap and re-purchase (repo) agreements. The swap counterparties effectively absorb all prepayment and reinvestment risk associated with the assets held by CHT. Using only highly rated counterparties and collateralization help mitigate the risk of default. A drop in credit rating triggers monthly interest retention by the CHT. Repo counterparty credit risk is mitigated through rating requirements, transaction limits, and collateral.

The risk of default on the investments held by the Trust is managed by limiting the eligible investments to highly rated, relatively risk-free securities including NHA MBS, obligations issued by the Government of Canada and limited amounts of AAA asset-backed commercial paper (ABCP). Additionally, none of the Trust-permitted investments, including the NHA MBS, are permitted to have a maturity date beyond that of the related CMB issue.

CMHC's Capital Management Framework incorporates elements from OSFI's Minimum Capital Test (MCT) capital requirements for insurance companies for asset exposures and principles from the Basel Committee on Banking Supervision (BCBS) for counterparty credit risk and guarantee exposures as applicable. The MCT is the ratio of capital available to capital required. With respect to CMHC, capital available is equal to securitization retained earnings plus accumulated other comprehensive income minus assets with a capital requirement of 100%.

The following represents CMHC's capital management framework for its securitization activity:

- **Internal Capital Target for Asset Exposures:** CMHC holds capital equivalent to 200% of the MCT requirements for risk exposures in investment assets.
- **Internal Capital Target for counterparty credit risk and guarantee exposures:** CMHC follows BCBS principles and, using a Credit Value-at-Risk (CVAR) approach, establishes the internal capital target at a level that covers the risk of unexpected losses at the 99.9% confidence level over a one-year time horizon.

CMHC continues to focus on monitoring and proactively managing the performance of its securitization business to ensure that pricing remains appropriate for the risks undertaken.

INVESTMENT PLAN FOR THE REINVESTMENT OF LENDING ACTIVITY PRINCIPAL REPAYMENTS

Principal repayments are invested in high quality fixed income and money market instruments, taking into consideration the Corporation's risk appetite statements and business activities. Investments under management had a market value of $1.8 billion as at June 30, 2013 ($1.7 billion as at June 30, 2012). It is expected that, over the planning period, the market value of the investments under management will be within $1.8 billion and $2.4 billion.

The objective of the portfolio's investment activities is to generate a return of Canadian Dealer Offer Rate (CDOR) plus five basis points. This target has always been met and often exceeded.

As at June 30, 2013, monthly returns for the Lending Activity Principal Repayment portfolio were 19 basis points over CDOR, which exceeded the target of CDOR plus five basis points. The portfolio is expected to achieve and often exceed its target return over the planning horizon.

INVESTMENT PLANS FOR THE MORTGAGE LOAN INSURANCE AND SECURITIZATION PORTFOLIOS

The investment portfolios for mortgage loan insurance and securitization consist of cash flow from premiums or guarantee fees, application fees, and interest received. Claims and expenses are netted from cash flows. In 2014, net new funds from the Mortgage Loan Insurance Activity are expected to total $590 million. Total investments under management had a market value of $21,947 million as at June 30, 2013 ($20,131 million for mortgage loan insurance and $1,816 million for securitization).

The objective of the mortgage loan insurance investment plan is to maximize the total investment return on a pre-tax basis after investment-related operating expenses. This is achieved through a Strategic Asset Allocation (SAA) policy that takes into account the time horizon and liquidity needs of the liabilities, as well as the regulatory environment, capital objectives, and risk appetite of the Corporation.

As at June 28, 2013, year-to-date return for the consolidated mortgage loan insurance portfolio was 0.11%, while the year-to-date return for the consolidated securitization portfolio was -1.93%.

The investment objective and the SAA policy are reviewed every five years or more frequently, as necessary. A review of mortgage loan insurance liabilities in 2013 will require that the investment objective for the insurance investment portfolio be reviewed. Any changes to the objective may result in changes to the SAA policy.

The overall long-term objective for the securitization investment plan is to maximize the capacity to meet liquidity needs of the timely payment guarantee and to preserve capital. The fixed income portfolios will be managed internally.

SECTION V | FINANCIAL PLAN

OVERVIEW

The Financial Plan presents the financial results for 2012, forecasts for 2013, and targets for the 2014-2018 planning horizon. Consolidated financial results and forecasts include those for the following principal business activities as well as those of the Nordea International Equity Fund[1]. This Fund and the Canada Housing Trust (CHT) are separate legal entities.

- **Housing Programs:** Expenditures and operating expenses are funded by Parliamentary appropriations.
- **Lending:** Revenues are earned from interest income on the loan portfolio which is funded through borrowings.

  Housing Programs and the Lending Activity are operated on a planned breakeven basis.

- **Mortgage Loan Insurance:** Revenues are earned from premiums, fees and investment income. Expenses consist of operating expenses and net claim expenses. The Corporation's Net Income is primarily derived from this Activity.
- **Securitization:** Revenues are earned from guarantee fees and interest income. Expenses consist primarily of interest expenses. Operating expenses and issuer fees under the legal framework for covered bonds administered by CMHC are accounted for under this Activity.

  Mortgage Loan Insurance and Securitization Activities are operated on a commercial basis and are expected to generate reasonable returns. CMHC is expected to recover the costs of administering the legal framework for covered bonds from participating issuers.

- **Canada Housing Trust (CHT):** Revenues are earned primarily from investment income and are used to cover operating expenditures and Canada Mortgage Bond (CMB) interest expense.

The financial statements included in the 2014-2018 Corporate Plan were prepared in accordance with International Financial Reporting Standards (IFRS).

[1] The Nordea International Equity Fund is consolidated with CMHC's Consolidated Financial Statements as required by IAS 27: *Consolidated and separate financial statements* on the basis that CMHC controls the Fund and that Fund investments are included in CMHC's mortgage loan insurance investment portfolio.

CONSOLIDATED FINANCIAL RESULTS AND PLAN

Highlights – Consolidated Financial Results and Plan

($Millions)	Actual 2012	Plan 2013	Estimate 2013	Plan				
				2014	2015	2016	2017	2018
Revenues	13,455	12,317	12,202	10,218	10,286	10,392	11,205	12,190
Expenses	11,166	10,307	10,157	8,251	8,353	8,494	9,272	10,211
Net Income before Income Taxes	2,289	2,010	2,045	1,967	1,933	1,898	1,933	1,979
Net Income after Income Taxes	1,716	1,524	1,551	1,494	1,468	1,441	1,468	1,502
Other Comprehensive Income	38	(66)	133	(175)	73	125	105	94
Comprehensive Income	1,754	1,458	1,684	1,319	1,541	1,566	1,573	1,596
Total Assets	292,040	267,847	272,345	249,194	256,121	264,107	275,083	274,362
Total Liabilities	278,195	252,731	256,816	232,346	237,732	244,152	253,555	251,238
Equity								
▪ Capital	25	25	25	25	25	25	25	25
▪ AOCI[1]	1,038	731	1,143	948	849	838	885	971
▪ Retained Earnings	12,782	14,360	14,361	15,875	17,515	19,092	20,618	22,128
Total Equity	13,845	15,116	15,529	16,848	18,389	19,955	21,528	23,124
Operating Expenses	427	463	478	492	490	480	470	469
Staff-Years	1,900	1,878	1,878	1,883	1,854	1,844	1,837	1,833

[1] Accumulated Other Comprehensive Income

REVENUES

In 2012, Revenues were $13,455 million, which was $831 million or 6% below plan. This variance was largely due to $1 billion in lower interest income on the CHT CMB program, caused by lower than planned interest rates. The variance was partially offset by higher than planned earned guarantee fees as NHA MBS issuances exceeded expectations and by higher than planned Net Unrealized Gains from Financial Instruments mainly due to the unplanned consolidation of a foreign equity mutual fund (Nordea International Equity Fund) in late 2011.

EXPENSES

In 2012, Expenses totalled $11,166 million, which was $1,183 million or 9% below plan. Most of this variance, $1 billion, resulted from the lower than expected interest rates for the CHT CMB program discussed above.

NET INCOME

As a result of the variances discussed above, Net Income was $1.716 billion in 2012, exceeding plan by $219 million or 15%. Net Income in 2013 is projected at $1.551 billion, slightly higher than the plan of $1.524 billion. Net Income of about $1.5 billion is projected annually for 2014 and beyond.

OTHER COMPREHENSIVE INCOME

Other Comprehensive Income (OCI) consists of unrealized gains or losses caused by changes in the fair valuation of Available for Sale (AFS) investments in the Mortgage Loan Insurance and Securitization Activities. As these investments are classified as AFS, their unrealized gains or losses on fair valuation are recorded in OCI. Also included in OCI are Re-measurements of the Net Defined Benefits Plan.

In 2012, OCI was $38 million higher than plan due mainly to $208 million in higher than planned unrealized fair value fluctuations caused by market appreciation on investments securities. This variance was partially offset by higher than planned Reclassifications of Prior Years' Net Unrealized Gains in Net Income of $61 million as a result of the sale of investments related to the implementation of a new Securitization Asset Allocation policy. Further offsetting the fair value gains were $109 million in higher than planned Net Actuarial Losses from Post-employment Benefits caused by an unexpected decrease in the discount rate assumptions used in the calculation of the pension fund defined benefit obligation.

ASSETS AND LIABILITIES

At year-end 2012, assets totalled $292 billion and liabilities totalled $278 billion. Assets and liabilities both exceeded plan by $2 billion. These variances were due to lower than planned inter-company investments in Canada Mortgage Bonds, which are eliminated upon consolidation. The Corporation held fewer investments in CMBs than planned which resulted in lower inter-company elimination amounts and therefore increased the Investment Securities (Assets) and Canada Mortgage Bonds (Liabilities) balances in comparison to plan.

Total Assets and Liabilities are projected at $272 billion and $257 billion, respectively, in 2013.

TOTAL EQUITY

The Corporation's Total Equity of Canada was $13,845 million as at December 31, 2012, relatively consistent with the plan of $13,690 million. Total Equity, comprised largely of Retained Earnings, is estimated to be $15.5 billion in 2013 and is projected to be $16.8 billion in 2014 and $23.1 billion by 2018.

RETAINED EARNINGS

At the end of 2012, Retained Earnings totalled $12,782 million, up from $11,164 million in 2011. The majority of Retained Earnings in 2012, $11,658 million, stem from the Mortgage Loan Insurance Activity. Growth in Retained Earnings from the Mortgage Loan 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 2012 also included $1,220 million related to the Securitization Activity, up from $951 million in 2011, largely due to higher Net Realized Gains from Financial Instruments as a result of the sale of investments due to the implementation of a new Securitization Asset Allocation policy.

Due to the commercial nature of its Mortgage Loan Insurance and Securitization Activities, CMHC is expected to cover operating and future claims expenses without any funding from the Government of Canada. In addition to the current claim provisions and unearned premium reserves set aside for future claims, Retained Earnings are also set aside for capitalization to ensure that sufficient funds are available to meet claims and any unforeseen costs.

Capital requirements related to the Mortgage Loan Insurance Activity are determined in accordance with guidelines established by the Office of the Superintendent of Financial Institutions (OSFI). Retained Earnings of $9,983 million were set aside for capitalization in 2012 for the Mortgage Loan Insurance Activity. Additional information is presented in Section IV – Risk Management and Investment Portfolios. Retained Earnings related to the Securitization Activity are also appropriated based on regulatory and economic capital principles. In 2012, under the Securitization Activity, $781 million of Retained Earnings was set aside for capitalization.

CMHC's Retained Earnings also include provisions for a Reserve Fund under the Lending Activity. This Reserve Fund is subject to a statutory limit with any excess amounts payable to the Government of Canada. A portion of the Reserve Fund is held by the Corporation to address interest rate risk exposure on pre-payable loans as well as credit risk associated with the Municipal Infrastructure Lending Program. Unrealized Gains and Losses are also accounted for in the Reserve Fund.

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 contributes to improving the Government's fiscal position.

The following presents the financial plan highlights by activity for 2014:

Highlights – 2014 Financial Plan by Activity

($Millions)	Housing Programs	Lending	Mortgage Loan Insurance	Securitization	CHT	Inter-segment Elimination	Consolidated
Revenues	1,945	557	2,396	509	5,030	(219)	10,218
Expenses (including income taxes)	1,945	538	1,099	319	5,030	(207)	8,724
Net Income (Loss)	-	19	1,297	190	-	(12)	1,494
Other Comprehensive Income	-	7	(180)	(14)	-	12	(175)
Comprehensive Income	-	26	1,117	176	-	-	1,319
Assets	-	13,328	22,528	4,376	211,147	(2,185)	249,194
Liabilities	-	13,252	7,255	2,760	211,147	(2,068)	232,346
Equity							
▪ Capital	-	25	-	-	-	-	25
▪ AOCI	-	-	945	6	-	(3)	948
▪ Retained Earnings	-	51	14,328	1,610	-	(114)	15,875
Total Equity	-	76	15,273	1,616	-	(117)	16,848

CMHC PENSION PLAN

CMHC is committed to ensuring the long-term financial health of the Pension Fund. Contribution levels to the Pension Fund are regularly reviewed, including annual reviews of CMHC's contributions, to ensure that they remain appropriate pursuant to annual actuarial reviews. Employees' contribution rates were increased in recent years and were increased again in 2013 to the same rate of contribution required under the federal Public Service Pension Plan. CMHC also implemented changes to its existing defined benefits component in 2013 in order to ensure it is more broadly aligned, in terms of both contributions and retirement benefits, with those available to federal public service employees. CMHC has also introduced a defined contribution component for all new employees effective April 4, 2013.

FINANCIAL PLAN BY OBJECTIVE

OBJECTIVE 1 – SUPPORT ACCESS TO AFFORDABLE HOUSING FOR CANADIANS IN NEED

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

Housing Programs

Under Objective 1, the Government of Canada reimburses CMHC for payments it makes under Housing Programs in support of Canadians in housing need and for related operating expenses. Information in this section on CMHC's Housing Programs is largely presented on a fiscal year basis – April 1st through March 31st – consistent with the basis on which funding for these programs is approved by Parliament. On a calendar year basis, this funding would be as follows:

Highlights – Financial Forecast Results								
($M)	Actual 2012	Plan 2013	Estimate 2013	Plan				
				2014	2015	2016	2017	2018
Housing Programs Expenses	2,074	1,988	2,023	1,833	2,122	1,933	1,936	1,934
Operating Expenses	123	113	117	112	108	103	97	95
Total Appropriations	2,197	2,101	2,140	1,945	2,230	2,036	2,033	2,029

For fiscal year 2012-13, $2,086.4 million was spent under Housing Programs for grants, contributions and subsidies of which $2,031.7 million, or 97%, was spent on the achievement of this objective. Eighty-two per cent, or $1,672 million, of this amount represented funding under long-term commitments for existing social housing which are ongoing and non-discretionary. Funding for new commitments of affordable housing for Canadians in need, including Aboriginal Canadians, was $292 million.

In 2013-14 and 2014-15, approximately $2,072.7 million and $2,050.8 million, respectively, will be spent on helping meet the housing needs of lower income Canadians. These amounts account for 98% of total planned Housing Program expenditures in these fiscal periods.

Planned Housing Program expenditures under Objective 1 reflect the items noted below:

- **Investment in Affordable Housing (IAH) Framework**
  In 2011, the federal, provincial and territorial ministers responsible for housing announced a combined investment toward reducing the number of Canadians in housing need under a new Framework for the Investment in Affordable Housing (IAH).

  Most provinces and territories have entered into bilateral IAH agreements. Yukon chose to extend delivery arrangements for the AHI (Affordable Housing Initiative) and renovation programs off reserve. Federal funding for the final year of the IAH 2011-2014 is included in 2013-14.

Economic Action Plan 2013 (Budget 2013) announced the renewal of IAH funding for the 2014-19 period. This funding is included in the plan starting in 2014-15.

Also announced in Economic Action Plan 2013 and included in the 2013-14 and 2014-15 funding is spending associated with $100 million for new affordable housing in Nunavut. This funding will flow over two years through amendments to the bilateral IAH agreements with the Territory.

- **Assisted Housing Long-term Agreements**
  Funding provided to housing projects under long-term agreements fall within two categories: Social Housing Agreements (SHAs) and CMHC/Provincially Administered Agreements.

  Social Housing Agreements: All provinces and territories, except Prince Edward Island, Quebec and Alberta, have signed 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 (in seven provinces and three territories), federal funding to support the ongoing obligations continues 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 and interest rate risk, risks associated with loan defaults, and the costs of modernization/improvement.

  Funding provided under these Social Housing Agreements represents more than $0.9 billion of the $1.7 billion currently provided in ongoing subsidies for the existing social housing portfolio under long-term arrangements.

  CMHC/Provincially Administered Agreements: In those jurisdictions where SHAs have not been signed (Prince Edward Island, Quebec and Alberta), long-term agreements are administered either by the Province or by CMHC. In addition, in Ontario and British Columbia, the federally delivered co-operative housing portfolio was not transferred to these provinces under the SHA and continues to be administered by CMHC.

- **Seed Funding and Proposal Development Funding (PDF)**
  Seed Funding and Proposal Development Funding (see Glossary) provide financial assistance to organizations that are in the early stages of developing an affordable housing proposal that will not require federal government subsidy. While funding in any given year cannot be directly correlated with the units facilitated in that same year, the funding available in 2014-15 and subsequent years is between $4.5 million and $5.1 million per year.

  Organizations receiving Seed Funding and PDF receive advice and information through CMHC's Affordable Housing Centre (see Glossary). In total, the Centre facilitated some 3,196 units in 2012 either through such funding or through other tools.

- **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 including local market declines, project mismanagement and deferred project maintenance. Enhanced Assistance is currently limited to $5.0 million annually.

- **Housing Programs On Reserve**
  CMHC's reference level is increased by $4 million per year on a continuing basis to fund new commitments for the On-Reserve Non-Profit Housing Program and Residential Rehabilitation Assistance Program. CMHC will provide $1.75 million in contributions in 2014-15 for First Nations capacity development and liaison activities.

- **Strategic Review (2009) and Government Review of Spending (2011)**
  In the 2009 Budget, the Government announced a plan to conduct a comprehensive analysis of all programs to ensure their relevance, effectiveness and efficiency. In Budget 2010, the federal government announced the results of the Strategic Review.

  In 2011, efforts to reduce the federal deficit were undertaken by all federal departments and agencies, including CMHC. The focus was on decreased spending and required a review of CMHC's operations and government appropriation-based programs. The global results of the Government's review of spending were announced in Budget 2012.

  CMHC identified, through administration and program efficiencies in both exercises, savings of $99.9 million in 2011-12, $106.6 million in 2012-13, $126.4 million in 2013-14, and $204.6 million in 2014-15 and beyond. These savings will have no impact on low-income Canadians receiving housing assistance through the federal or provincial/territorial governments.

Lending Activity

Lending Activity is comprised of primarily Direct Lending. Under Direct Lending, CMHC provides mortgage financing (new loans or the renewal of existing loans) to groups who receive federal subsidies both on and off reserve. The Corporation obtains these funds primarily through the Crown Borrowing Program which enables financing to be provided at a lower interest rate, thus lowering ongoing project operating costs. CMHC's Direct Lending rates are based on its cost of funds from the Government plus a small margin to cover administrative expenses. The Lending Activity is operated on a planned breakeven basis.

Social housing projects benefit by receiving lower mortgage interest rates than they would otherwise be able to access. Lending Activity is largely related to the refinancing of existing CMHC Direct Lending loans. New loans arise from on-reserve housing programs and from existing social housing projects seeking to renew mortgages which were previously held by other financial institutions.

The Lending Activity also includes loans related to the Municipal Infrastructure Lending Program (MILP) component of Canada's Economic Action Plan (CEAP) and other loans under various provisions of the *National Housing Act*. Low-cost loans under MILP totalled $2 billion and were made to municipalities to finance housing-related infrastructure projects.

In 2012, Net Income from the Lending Activity was $19 million, $10 million over plan, primarily resulting from Other Income exceeding plan by $17 million. Most of this variance was due to the recovery of Housing Program post-employment benefit costs, which was $8 million higher than plan as significant actuarial losses incurred in 2011 had not been anticipated. These expenses are recovered from the Government of Canada through Parliamentary appropriations. Also contributing to the Other Income variance was a $4 million increase in the fair value of real estate caused by the addition of a property to the Lending Activity's real estate portfolio in 2012 and $3 million in interest collected on a prior year tax refund. Net Income is estimated to be $31 million in 2013 and is projected to range between $8 million and $19 million annually over the planning horizon. Net Income mainly represents the recovery of post-employment benefit costs relating to the Housing Programs which are presented under Other Income. These costs are recorded in the Lending Activity's Reserve Fund in the year incurred and recovered through Parliamentary appropriations on an amortization basis. A secondary driver of the Net Income projected over the planning period is the fluctuation of the Unrealized Gains (Losses) from Financial Instruments.

As at December 31, 2012, Loans and Investments in Housing Programs totalled $11.8 billion. They are estimated at $11.0 billion in 2013 and are projected to decline to $6.7 billion by 2018 as repayments on existing loans will exceed new lending commitments.

Lending – Financial Forecast Results								
($M)	Actual 2012	Plan 2013	Estimate 2013	Plan				
				2014	2015	2016	2017	2018
Net Interest Income (Loss)	18	23	25	18	18	19	17	13
Unrealized Gains (Losses) from Financial Instruments	(8)	(16)	-	(7)	(10)	(15)	2	3
Other Income	31	26	35	32	30	26	23	23
Operating Expenses	19	26	26	25	25	25	24	23
Income Taxes	3	(3)	3	(1)	(2)	(3)	1	1
Net Income (Loss)	19	10	31	19	15	8	17	15
Other Comprehensive Income	(39)	44	10	7	56	44	19	3
Comprehensive Income	(20)	54	41	26	71	52	36	18
Loans and Investments in Housing	11,779	10,968	11,023	10,076	9,155	8,284	7,466	6,681
Other Assets	2,820	2,844	2,839	3,252	3,239	3,058	3,025	2,560
Total Assets	14,599	13,812	13,862	13,328	12,394	11,342	10,491	9,241
Total Liabilities	14,590	13,695	13,812	13,252	12,247	11,143	10,256	8,988
Equity								
▪ Contributed Capital	25	25	25	25	25	25	25	25
▪ Reserve Fund	(16)	92	25	51	122	174	210	228
Total Equity	9	117	50	76	147	199	235	253

Earnings from the Lending Activity are retained by the Corporation in a Reserve Fund which is subject to a statutory limit of $240 million. Administratively, as approved by Treasury Board on December 10, 2003, the Reserve Fund has two components. One component, the Reserve for Unrealized Gains and (Losses), has a maximum limit of $115 million and is intended to absorb unrealized fair market fluctuations incurred by the Lending Activity due to market conditions.

The other component, the Reserve for All Other Lending-Related Items, has a limit of $125 million and is kept by the Corporation as part of its strategy to address interest rate risk exposure on pre-payable loans as well as credit risk exposure on the MILP loans. Details of Reserve Fund balances as at December 31, 2012, and projected to 2018 are shown in the table below.

Reserve Fund

($M)	Actual 2012	Plan 2013	Estimate 2013	Plan				
				2014	2015	2016	2017	2018
Reserve for Unrealized Gains and Losses	(118)	(25)	(82)	(54)	11	57	93	114
Reserve for all Other Lending Related Items	102	117	107	105	111	117	117	114
Total Reserve Fund	(16)	92	25	51	122	174	210	228

OBJECTIVE 2 – FACILITATE ACCESS TO A RANGE OF HOUSING OPTIONS FOR CANADIANS, AND PROMOTE AND CONTRIBUTE TO THE STABILITY OF THE FINANCIAL SYSTEM AND THE EFFICIENT FUNCTIONING AND COMPETITIVENESS OF THE HOUSING FINANCE MARKET, WITH DUE REGARD TO THE CORPORATION'S EXPOSURE TO LOSS

Financial information is presented for the Mortgage Loan Insurance Activity, the Securitization Activity and the Canada Housing Trust under this objective. As noted earlier, Revenues and Expenses related to CMHC's role in administering the covered bond legal framework are included in the Securitization Activity. These activities are commercial in nature and do not receive Parliamentary appropriations.

Mortgage Loan Insurance Activity

CMHC's insured loan volumes are influenced by the economy, housing starts, competitive pressures and the regulatory environment.

Insurance Net Income of $1,414 million was recorded in 2012, which was $83 million higher than plan. The variance to plan was largely caused by lower than planned Net Claims. The variance was also supported by higher than planned Premiums and Fees Earned as well as higher than planned Unrealized Gains from Financial Instruments.

At year-end 2012, the Mortgage Loan Insurance Activity held equity of $12,705 million, compared to a plan of $12,412 million. The difference was primarily due to the higher than expected net income and an increase in Accumulated Other Comprehensive Income (AOCI) as a result of financial market conditions which increased Unrealized Gains on Investment Securities.

The annual actuarial valuation of the Mortgage Loan Insurance Activity as at September 30, 2012, prepared by CMHC's external independent Appointed Actuary, confirmed the adequacy of its reserves for policy liabilities.

Mortgage Loan Insurance Activity – Financial Forecast Results

($M)	Actual 2012	Plan 2013	Estimate 2013	Plan				
				2014	2015	2016	2017	2018
Total Revenues	2,577	2,556	2,517	2,396	2,342	2,320	2,350	2,406
Total Expenses	691	809	742	684	664	674	704	720
Comprehensive Income	1,522	1,196	1,451	1,117	1,278	1,308	1,308	1,335
Unappropriated Retained Earnings	1,675	2,312	2,523	3,903	5,437	6,840	8,065	9,232
Retained Earnings Set Aside for Capitalization	9,983	10,666	10,496	10,425	10,272	10,203	10,263	10,381

Net Income of $1,344 million is forecast for 2013, compared to $1,322 million projected in the 2013-2017 Corporate Plan. The difference is primarily due to higher realized gains on investments. Projected Net Income is expected to decline to $1,297 million in 2014 and, in subsequent years of the planning period, to range between $1,248 million and $1,280 million.

Based on the volumes projected in the Corporate Plan and annual repayments of between $60 and $65 billion, insurance-in-force is forecast to decrease from about $554 billion at the end of 2013 to about $545 billion by the end of 2014 and to about $513 billion by the end of 2018. (See Financial Highlights Table in section VI.) The total of outstanding insured amounts of all CMHC-insured loans under section 15 of the *National Housing Act* may not exceed $600 billion.

In September 2013, the Minister of Finance informed CMHC of his decision to apply guarantee fees to CMHC's mortgage loan insurance business starting January 1, 2014. The fees will be payable to the Government of Canada on an annual basis and will be based on the amount of premium underwritten (received) for CMHC's general insurance business and on the loan insured amount for CMHC's portfolio insurance. The fees will be deferred and amortized into expense over the period covered by the insurance contract using factors determined by the Appointed Actuary. These factors reflect the long-term pattern for default risk of the underlying mortgages. CMHC has not included the impact of these fees in the financial results of this Financial Plan but has provided an estimate of the impacts in the table below. The fees and their impact will be reflected in future corporate plans.

Mortgage Loan Insurance Activity – Government of Canada Guarantee Fees

($M)	Plan					
	2014	2015	2016	2017	2018	Total
Amount of fees payable to the Government of Canada	53.2	53.1	53.9	55.0	56.2	271.4
Impact on Net Income	4.2	11.7	18.8	24.2	28.2	87.1

Securitization Activity and the Canada Housing Trust

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

In addition to data presented in this section, information on CMHC's securitization programs may be found in the Securitization Guarantee Plan later in this Summary.

In 2012, $119.5 billion of funding was provided to mortgage lenders through securities guaranteed by CMHC. This exceeded the 2012 plan of $64 billion by $55.5 billion. Under the NHA MBS Program, financial institutions issued, and CMHC guaranteed, $79.6 billion in market NHA MBS versus a plan of $24 billion. In addition to NHA MBS market transactions sold to investors, issuers are increasingly using market NHA MBS for liquidity, collateral and balance sheet purposes. Net income was $273 million, $114 million or 121% above plan, mainly due to higher Net Realized Gains from Financial Instruments as result of the sale of investments to implement a new asset allocation policy.

With the $119.5 billion of securities guaranteed in 2012, CMHC's guarantees-in-force totalled $381.6 billion – $203 billion CMB and $178.6 billion of market NHA MBS (of which $47 billion was held under the Insured Mortgage Purchase Program (IMPP)) – as at December 31, 2012. Under section 15 of the *National Housing Act*, the aggregate outstanding amount of principal guarantees may not exceed $600 billion.

Pursuant to the NHA, the Minister of Finance approves the amount of guarantees permitted to be provided under the NHA MBS and CMB each year. In 2013, the limits were set at $85 billion and $50 billion, respectively. Projections included in this financial plan can be affected by this annual approval process. In addition, the Government is also considering changes to CMHC's low ratio portfolio insurance product and its use in securitization which could also have an impact on the projections included herein.

Projected securities guaranteed for 2013 through 2018 are presented in the table below.

With the projected securities shown below, and taking into consideration net maturities, guarantees-in-force are expected to remain relatively stable over the planning period.

Securitization Activity – Annual Securities Guaranteed

($M)	Actual 2012	Plan 2013	Estimate 2013	Plan				
				2014[1]	2015	2016	2017	2018
Market NHA MBS	79,631	55,000	85,000	85,000	85,000	85,000	85,000	85,000
CMB	39,900	35,000	39,000	40,000	40,000	40,000	40,000	40,000
Total	119,531	90,000	124,000	125,000	125,000	125,000	125,000	125,000

[1] The financial plan was developed on the basis of the amounts forecasted above. On December 19, 2013, the Minister of Finance approved, for 2014, new guarantees under the NHA MBS program to a limit of $80 billion; and new issuance under the CMB program to a limit of $40 billion. This will not have a material impact on CMHC's financial results contained herein.

Total Guarantees-in-Force

($M)	Actual 2012	Plan 2013	Estimate 2013	Plan				
				2014	2015	2016	2017	2018
Total market MBS Outstanding at year-end	179	210	204	235	249	252	256	241
Total CMB Outstanding at year-end	203	203	206	210	219	227	237	239
Total Guarantees-in-force at year-end	382	413	410	445	468	479	493	480

Estimates for 2013 based on mid-year results indicate that Net Income for Securitization will be $198 million, $9 million lower than planned, mainly due to lower than planned income on investments and net gains on financial instruments. Retained Earnings are expected to be $1,419 million in 2013 compared to plan of $1,434 million. This difference is primarily due to lower than planned Net Income and a difference in the opening Retained Earnings balance.

Total Revenue is forecast to decline from $1,744 million in 2013 to $319 million in 2018. Total Revenue includes interest revenue from NHA MBS loans receivable which is offset by interest expense. Decreases in revenues and expenses and assets and liabilities are mainly due to the maturing investment assets within IMPP. All of these assets will have matured by the end of 2015.

Highlights of the projected financial results for Securitization and the CHT are presented in the following table.

Securitization and Canada Housing Trust – Financial Forecast Results

($M)	Actual 2012	Plan 2013	Estimate 2013	Plan				
				2014	2015	2016	2017	2018
CHT								
Revenues	6,167	5,537	5,419	5,030	5,117	5,487	6,265	7,248
Expenses	6,167	5,537	5,419	5,030	5,117	5,487	6,265	7,248
Comprehensive Income	-	-	-	-	-	-	-	-
Retained Earnings	-	-	-	-	-	-	-	-
Securitization								
Total Revenue	2,061	1,765	1,744	509	294	287	310	319
Expenses	1,693	1,489	1,479	256	31	17	17	17
Comprehensive Income	220	208	212	176	197	211	236	249
Unappropriated Retained Earnings	439	619	664	852	845	1,000	1,172	1,381
Retained Earnings Set Aside for Capitalization	781	815	755	758	969	1,022	1,073	1,090

ADMINISTERING THE LEGAL FRAMEWORK FOR CANADIAN COVERED BONDS

In 2012, CMHC put the necessary systems, technologies and infrastructure in place to implement the legal framework for covered bonds and began registering qualified issuers and programs in 2013. CMHC will continue to register issuers and programs, maintain the registry, and ensure that issuers comply with the Canadian Registered Covered Bonds Program Guide.

CMHC charges a fee, commensurate with the costs of administrating the framework. While neither CMHC nor the Government provide any guarantee to the covered bonds framework, the costs and associated fees are recorded under CMHC's Securitization Activity.

OBJECTIVE 3 – PROMOTE AND CONTRIBUTE TO INFORMED HOUSING DECISIONS AND CONTRIBUTE TO A STABLE, COMPETITIVE AND INNOVATIVE HOUSING SYSTEM

Financial information is presented for Housing Programs related to housing research and the development of housing-related public policy.

Housing Programs

CMHC undertakes research and information transfer activities that contribute to the availability of affordable, sustainable and high quality housing for Canadians. CMHC's market research activities also contribute to CMHC's role in the stability of the financial system and housing market, and the well-being of the housing sector in the national economy by supporting better informed decision making by those involved in the housing industry. Activities under this objective also support the development of housing-related public policy.

Of the $2,086.4 million spent in 2012-13 under Housing Programs, $54.7 million, or approximately 3%, was spent on the achievement of this objective.

In 2013-14 and 2014-15, approximately $47.6 million and $46.5 million, respectively, will be spent on achieving this objective. This is approximately 2% and 3% of total planned Housing Program expenditures for the 2013-14 and 2014-15 periods, respectively. The forecasted requirements reflect the outcomes from the 2009 Strategic Review and the 2011 review of Government spending which will be phased in over the planning horizon.

OPERATING BUDGET

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

In 2012, actual spending of $335.2 million was $15.5 million or 4% below the annual plan of $350.7 million. At $29.4 million, the pension expense was $12.1 million higher than originally planned. This increase was largely funded by the timing of technology investments which had lagged the planned funding, and by lower than planned investment management fees. Also contributing to the overall under-consumption were one-time reductions for Quebec sales tax recoveries and group insurance costs, and CMHC's continued efforts to constrain discretionary spending.

The operating expenses for 2013 are expected to be $381.7 million. While this is in line with the overall budget, the pension expense continues as a pressure point.

Compared to 2012, CMHC's original 2013 budget made provision for a much higher pension expense of $49.7 million as a result of International Accounting Standard (IAS) 19. IAS 19, which came into effect in January 2013, requires that the rate to be used to calculate interest income on pension plan assets be the same discount rate as that used to measure the pension obligation, rather than the expected rate of return that was previously allowed. With the environment of low interest rates continuing, the pension expense is now projected to be $57.0 million, $7.3 million higher than budgeted. CMHC is diverting its contingency and any uncommitted resources to address this shortfall in 2013.

CMHC's 2013 budget made provisions for the costs related to the OSFI oversight role. These provisions have proven to be adequate for 2013, although largely because the activity is still ramping up. This will be a budget pressure point for CMHC for 2014 onward.

CMHC's 2013 budget had also reflected CMHC's contribution to the federal government's spending review exercise that was announced in Budget 2012. CMHC remains on track to achieve the elimination of 71 staff-years by 2015 as a result of administrative efficiencies in the federal social housing portfolio, the rationalization of the delivery of research and information dissemination, and the elimination of export promotion activities. In 2013, 65.5 of the 71 staff-years have been eliminated as planned.

The 2014 operating resource requirements are summarized below.

Operating Budget

	Actual 2012	Approved 2013	Estimate 2013	Approved 2014
Staff-Years	1,900.2	1,878.2	1,878.2	1,882.9
($Millions)				
Personnel, excluding Pension Expense	207.4	217.9	218.7	219.5
Non-Personnel	98.4	114.1	106.0	123.5
Sub-total, excluding Pension Expense	305.8	332.0	324.7	343.0
Pension Expense	29.4	49.7	57.0	51.5
Total including Pension Expense	335.2	381.7	381.7	394.5

The following highlights key factors that have an impact on CMHC's 2014 operating requirements:

- **Pension Expense**
  At $51.5 million for 2014, the pension expense for the defined benefits component of CMHC's Pension Plan continues to be a significant component of the overall operating expenses at 13.1% of the total budget. However, with higher interest rates forecast over the planning horizon, the pension expense is projected to ease in future years, going down to $17.3 million by 2018.

  In light of growing pressures on pension plans, CMHC introduced a defined contribution component of the Pension Plan for all new hires and eligible contract employees, effective April 2013. CMHC worked with external pension plan consultants to evaluate design options and considers its Pension Plan, including the new defined contribution component, to be competitive. The Plan is expected to continue to support the Corporation's achievement of its talent management objectives.

- **OSFI Oversight**
  The 2014 operating budget reflects provisions for reimbursing OSFI for expenses incurred in connection with examinations or inquiries undertaken during the year. CMHC continues to be committed towards ensuring that it carries out all of its commercial activities in a safe and sound manner with due regard to its exposure to loss.

- **Information Technology (IT)**
  As part of its multi-year strategy, CMHC's major initial investment was focused on an upgrade to its treasury and investment software. Over the next several years, CMHC will also be replacing its corporate e-mail and information management toolset to better align with industry-leading technologies and implementing an Enterprise Resource Planning (ERP) system. Additional investments are planned to enhance CMHC's IT security safeguards while addressing increased risks and cyber threats. CMHC will also be conducting a comparative exercise to determine whether its investment in technology is sufficient to support organizational requirements and is in line with industry best practice.

- **Other**
  CMHC redesigned its group insurance plan effective July 2013 to ensure the long-term sustainability of the plan and, more broadly, to ensure CMHC's total compensation package remains competitive by providing more flexible choices to participants. As well, CMHC has reduced its travel budgets for 2014 by 5%, respecting the spirit and intent of the direction announced by the Government in Budget 2013.

- **Staff-years**
  Planned staff-years for Housing Programs reflect the impact of the Government's review of spending exercise. Planned staff-years for the Mortgage Loan Insurance Activity increase in 2014 to reflect activities in support of OSFI oversight, governance and risk mitigation. They decline in subsequent years largely as a result of lower activity in claims settlement and property administration functions. For the Securitization Activity, planned staff-years, which increase from 2013 to 2014 and then stabilize, include the initial provision for requirements related to OSFI's review as well as related technology enhancements. For the Lending Activity, planned staff-years decline in 2014 as a result of a number of process improvements and efficiencies. Minor fluctuations over the planning period reflect the timing of renewals under the Direct Lending activity.

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, the 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 and an investment of approximately $1.0 million annually for five years in energy efficiency initiatives in its National Office complex started in 2011.

Commitments against the capital budget for 2012 were $5.4 million or 89% of the plan. The under-consumption was largely related to delays in initiating that year's energy management program as several 2011 initiatives continued into 2012 and more cost-effective alternatives were sought for the modernization of the mechanical systems in one of the buildings making up CMHC's National Office complex.

The projected requirements of $6.6 million for 2013, including $1.0 million for energy efficiency initiatives, are in line with the approved budget.

The capital requirement projection for 2014 is $7.2 million.

Capital Budget for Furniture, Equipment and Business Premises				
($Thousands)	Commitments 2012	Approved 2013	Estimate 2013	Approved 2014
Furniture & Equipment	532.4	585.0	515.0	721.0
Business Premises	2,415.9	3,190.0	3,260.0	3,336.8
Obligations under Capital Lease	2,495.2	2,797.6	2,797.5	3,136.5
Total	5,443.5	6,572.6	6,572.5	7,194.3

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 2012 totalled $269.3 million, 4% under the plan of $279.8 million.

The 2013 Capital Budget of $234.3 million and the 2014 Capital Budget of $112.5 million reflect the continued delivery of renovation programs off reserve under the Investment in Affordable Housing through March 2014 and on-reserve through March 2019 as well as the commitment activity under the On-Reserve Non-Profit Housing Program.

Capital Budget for Loans and Investments				
($M)	Actual 2012	Approved 2013	Estimate 2013	Approved 2014
Total	269.3	234.3	218.1	112.5

BORROWING PLAN

Prior to 1993, CMHC obtained funding for lending by borrowing directly from the Government of Canada. From 1993 until early 2008, CMHC obtained funds from capital markets. Since April 2008, funds have been obtained by borrowing from the Consolidated Revenue Fund under the federal government's Crown Borrowing Program.

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, including 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 and liquidity.

CMHC's 2014 Borrowing Plan includes new borrowing requirements of $0.8 billion for Direct Lending loans, and repayments in the year of $28.3 billion, of which $27.1 billion relates to maturities under the IMPP. CMHC has approval for total outstanding borrowings not to exceed $43.5 billion in 2014.

SECURITIZATION GUARANTEE PLAN

The *National Housing Act* Mortgage-Backed Securities (NHA MBS) and Canada Mortgage Bonds (CMB) programs are important pillars of Canadian financial institutions' diversified mortgage funding platforms. The programs' reliable funding framework is especially beneficial to smaller mortgage lenders who lack the scale of their larger counterparts but, through CMHC's securitization programs, can access residential mortgage funding. The end result of these programs is that Canadians seeking mortgage financing benefit from enhanced competition in the mortgage market.

NHA MBS

The NHA MBS Program provides a framework for transforming insured residential mortgages into marketable securities which provides a more efficient secondary mortgage market. The residential mortgages are insured against borrower default. Under the NHA MBS Program, Approved Issuers, who have to satisfy eligibility requirements, participate in the NHA MBS Program by issuing NHA Mortgage-Backed Securities (MBS) backed by pools of insured residential mortgages for sale to investors. NHA MBS are "modified pass-through" amortizing securities. Investors receive a monthly payment which consists of the MBS coupon on the security and all principal payments received on the underlying mortgage loans. The Issuer is required to ensure funds are made available for payment to investors irrespective of whether the underlying mortgagor has fulfilled its payment obligations.

Under the NHA MBS program, CMHC as guarantor provides a timely payment guarantee of principal and interest to investors. CMHC's guarantee is a direct irrevocable, unconditional obligation of CMHC and, therefore, of the Government of Canada. Going forward, CMHC, in its role as guarantor, will continue to make enhancements to its products, policies and operations to improve the program's efficiency and effectiveness.

In 2014, the plan projects $85 billion in Market NHA MBS issuance.[1]

Canada Mortgage Bonds

The objectives of the CMB Program are to promote competition in the residential mortgage market and to ensure an adequate supply of mortgage funding to financial institutions.

Canada Housing Trust (CHT) is a special purpose trust, consolidated from an accounting perspective with CMHC's operations. It issues bonds that are guaranteed under the CMB program. The CHT sells non-amortizing CMB to investors and uses the proceeds to purchase mortgages packaged into NHA MBS from Approved Sellers.

To appeal to a larger investor base, the CMHC program provides investors with a bond-like investment. Monthly cash flows from the amortizing NHA MBS pools are transferred into non-amortizing bond cash flows with fixed interest payments and principal at maturity.

The CMB program eliminates the prepayment and cash flow risks inherent in typical mortgage investments as CMB offer regular coupon payments and a single repayment of principal at maturity with the guarantee of full and timely payment of interest and principal of the Government of Canada as provided through CMHC.

In 2014, the plan projects $40 billion of new CMB issuance.[1]

[1] On December 19, 2013, the Minister of Finance approved, for 2014, new guarantees under the NHA MBS program to a limit of $80 billion; and new issuance under the CMB program to a limit of $40 billion.

2010 TO 2018 FINANCIAL HIGHLIGHTS

Corporate Results (in $M unless otherwise indicated)	2010 Actual	2011 Actual	2012 Actual	2013 Plan	2013 Estimate
Total Assets	287,940	291,890	292,040	267,847	272,345
Total Liabilities	277,499	279,799	278,195	252,731	256,816
Total Equity of Canada	10,441	12,091	13,845	15,116	15,529
Total Revenues	14,454	13,914	13,455	12,317	12,202
Total Operating Expenses[1]	406	420	427	463	478
Total Expenses	12,474	11,832	11,166	10,307	10,157
Net Income	1,440	1,529	1,716	1,524	1,551
Staff-Years	2,069	1,975	1,900	1,878	1,878
Housing Programs					
Housing Programs Expenses (excl. operating expenses)	3,040	2,044	2,074	1,988	2,023
Affordable Housing Expenditures[2]	297	127	367	258	277
Estimated households assisted through long-term commitments (units)[3]	613,500	604,200	593,800	585,800	583,100
On-reserve					
▪ New commitments – non-profit rental program[4] (units)	766	604	603	465	521
▪ New commitments – renovation programs (units)	1,283	1,015	1,168	1,103	1,078
Lending					
Loans and Investments in Housing Programs	12,381	12,666	11,779	10,968	11,023
Borrowings from Capital Markets	3,054	2,218	1,862	1,436	1,472
Borrowings from the Government of Canada	10,756	12,146	11,806	11,383	11,436
Reserve Fund for Lending	68	4	(16)	92	25
Net Income	13	13	19	10	31
Mortgage Loan Insurance					
Total insured volumes (units)	643,991	630,957	386,222	355,597	348,269
Insurance-in-force ($B)	514	567	566	573	554
▪ High ratio homeowner	271	286	290	302	293
▪ Low ratio portfolio	209	243	230	234	216
▪ Multi-unit residential	34	38	46	37	45
Premiums and Fees Received	1,941	1,653	1,475	1,294	1,231
Unappropriated Retained Earnings	860	1,271	1,675	2,312	2,523
Appropriated Retained Earnings	8,201	9,028	9,983	10,666	10,496
Net Insurance Claims Expense	497	562	487	561	493
Net Income	1,275	1,336	1,414	1,322	1,344
Securitization					
Annual Securities Guaranteed	95,069	116,725	119,531	90,000	124,000
Securitization Guarantees-in-force	325,802	362,308	381,557	413,100	410,000
Fees Received	222	257	260	224	298
Borrowings from the Government of Canada	59,200	55,401	52,448	29,582	29,215
Unappropriated Retained Earnings	38	252	439	619	664
Appropriated Retained Earnings	707	699	781	815	755
Net Income	175	211	273	207	198
Canada Housing Trust					
Total Assets	196,638	201,795	204,060	203,848	207,462
Total Liabilities	196,638	201,795	204,060	203,848	207,462

[1] Total Operating Expenses are included in Total Expenses

[2] Are part of overall Housing Programs Expenses. Affordable Housing Expenditures include renovation programs off reserve, Affordable Housing Initiative and Investment in Affordable Housing (IAH) 2011-2014. Economic Action Plan 2013 commitments related to the renewal of the IAH ($253 million per year for five years) and Investment in Nunavut Housing ($100 million over two years) have not been forecasted for 2014 and onward.

[3] Includes on reserve

[4] Excludes units under Canada's Economic Action Plan 2009

Corporate Results (in $M unless otherwise indicated)	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Total Assets	249,194	256,121	264,107	275,083	274,362
Total Liabilities	232,346	237,732	244,152	253,555	251,238
Total Equity of Canada	16,848	18,389	19,955	21,528	23,124
Total Revenues	10,218	10,286	10,392	11,205	12,190
Total Operating Expenses[1]	492	490	480	470	469
Total Expenses	8,251	8,353	8,494	9,272	10,211
Net Income	1,494	1,468	1,441	1,468	1,502
Staff-Years	1,883	1,854	1,844	1,837	1,833
Housing Programs					
Housing Programs Expenses (excl. operating expenses)	1,833	2,122	1,933	1,936	1,934
Affordable Housing Expenditures[2]	51	-	-	-	-
Estimated households assisted through long-term commitments (units)[3]	568,600	543,500	519,700	487,600	452,300
On-reserve					
▪ New commitments – non-profit rental program[4] (units)	438	403	395	387	379
▪ New commitments – renovation programs (units)	1,102	1,053	1,053	1,053	1,053
Lending					
Loans and Investments in Housing Programs	10,076	9,155	8,284	7,466	6,681
Borrowings from Capital Markets	1,430	753	273	-	-
Borrowings from the Government of Canada	10,982	10,737	10,179	9,583	8,327
Reserve Fund for Lending	51	122	174	210	228
Net Income	19	15	8	17	15
Mortgage Loan Insurance					
Total insured volumes (units)	353,975	347,669	347,223	348,514	351,682
Insurance-in-force ($B)	545	535	524	515	513
▪ High ratio homeowner	298	301	303	307	311
▪ Low ratio portfolio	203	191	179	167	162
▪ Multi-unit residential	44	43	42	41	40
Premiums and Fees Received	1,283	1,290	1,324	1,365	1,410
Unappropriated Retained Earnings	3,903	5,437	6,840	8,065	9,232
Appropriated Retained Earnings	10,425	10,272	10,203	10,263	10,381
Net Insurance Claims Expense	413	390	404	437	451
Net Income	1,297	1,272	1,248	1,249	1,280
Securitization					
Annual Securities Guaranteed	125,000	125,000	125,000	125,000	125,000
Securitization Guarantees-in-force	445,000	468,000	479,000	493,000	480,000
Fees Received	301	301	301	302	302
Borrowings from the Government of Canada	2,101	-	-	-	-
Unappropriated Retained Earnings	852	845	1,000	1,172	1,381
Appropriated Retained Earnings	758	969	1,022	1,073	1,090
Net Income	190	197	202	220	226
Canada Housing Trust					
Total Assets	211,147	220,006	227,782	238,259	237,375
Total Liabilities	211,147	220,006	227,782	238,259	237,375

1 Total Operating Expenses are included in Total Expenses
2 Are part of overall Housing Programs Expenses. Affordable Housing Expenditures include renovation programs off reserve, Affordable Housing Initiative and Investment in Affordable Housing (IAH) 2011-2014. Economic Action Plan 2013 commitments related to the renewal of the IAH ($253 million per year for five years) and Investment in Nunavut Housing ($100 million over two years) have not been forecasted for 2014 and onward.
3 Includes on reserve
4 Excludes units under Canada's Economic Action Plan 2009

SECTION VII | FINANCIAL STATEMENTS AND TABLES

TABLE OF CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

HOUSING PROGRAMS & OPERATING EXPENSES

LENDING ACTIVITY

INSURANCE ACTIVITY

SECURITIZATION ACTIVITY

CANADA HOUSING TRUST

STATEMENT OF TRANSACTIONS WITH THE CONSOLIDATED REVENUE FUND

TABLE 1

Consolidated Financial Statements

Balance Sheet (in millions of dollars)

Description	2012 Plan	2012 Actual	2013 Plan	2013 Estimate	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Assets									
Cash and Cash Equivalents	1,497	1,220	1,698	1,894	1,967	1,981	1,896	1,848	1,774
Securities Purchased Under Resale Agreements	-	63	-	-	-	-	-	-	-
Investment Securities:									
Designated at Fair Value through Profit or Loss	1,401	928	1,238	1,095	1,532	1,756	1,621	1,493	1,148
Held for Trading	-	415	499	441	441	458	478	500	525
Available for Sale	17,521	19,304	18,496	19,582	20,177	21,093	22,273	23,700	25,020
Investments in NHA Mortgage-Backed Securities:									
Loans and Receivables	255,516	255,967	232,690	236,190	212,781	219,481	227,131	237,409	236,344
Loans:									
Designated at Fair Value through Profit or Loss	6,388	6,591	6,191	6,224	5,616	5,035	4,508	4,037	3,598
Other	4,369	4,440	4,086	4,107	3,819	3,526	3,223	2,910	2,595
Investments in Housing Programs	746	748	691	692	641	594	553	519	488
Accrued Interest Receivable	1,463	959	1,111	852	786	828	937	1,129	1,306
Deferred Income Tax Assets	-	58	-	32	5	-	-	-	-
Derivatives	19	131	76	99	64	37	23	13	6
Due from the Government of Canada	265	309	370	345	344	343	339	335	335
Accounts Receivable and Other Assets	842	907	701	792	1,021	989	1,125	1,190	1,223
Total Assets	290,027	292,040	267,847	272,345	249,194	256,121	264,107	275,083	274,362
Liabilities									
Securities Sold Under Repurchase Agreements	250	425	400	500	500	500	500	500	500
Borrowings:									
Canada Mortgage Bonds	199,692	201,676	200,615	204,867	208,632	217,578	225,144	235,323	234,151
Capital Market Borrowings	1,775	1,848	1,422	1,458	1,416	739	270	-	-
Borrowings from the Government of Canada:									
Designated at Fair Value through Profit or Loss	6,244	6,659	6,540	6,595	6,449	6,522	6,231	5,964	5,098
Other	58,093	57,595	34,425	34,056	6,634	4,215	3,948	3,619	3,229
Accrued Interest Payable	1,233	753	901	646	590	631	742	931	1,101
Derivatives	17	46	52	33	16	8	4	1	1
Accounts Payable and Other Liabilities	789	1,257	955	1,230	1,133	872	804	796	793
Provision for Claims	968	996	931	933	784	677	656	675	673
Unearned Premiums and Fees	7,170	6,940	6,475	6,498	6,192	5,936	5,754	5,626	5,560
Deferred Income Tax Liabilities	106	-	15	-	-	54	99	120	132
Total Liabilities	276,337	278,195	252,731	256,816	232,346	237,732	244,152	253,555	251,238
Equity of Canada									
Contributed Capital	25	25	25	25	25	25	25	25	25
Accumulated Other Comprehensive Income (Loss)	499	1,038	731	1,143	948	849	838	885	971
Retained Earnings	13,166	12,782	14,360	14,361	15,875	17,515	19,092	20,618	22,128
Total Equity of Canada	13,690	13,845	15,116	15,529	16,848	18,389	19,955	21,528	23,124
Total Liabilities and Equity of Canada	290,027	292,040	267,847	272,345	249,194	256,121	264,107	275,083	274,362

TABLE 2

Consolidated Financial Statements

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

Description	2012 Plan	2012 Actual	2013 Plan	2013 Estimate	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Revenues									
Interest Income from NHA Mortgage-Backed Securites - Loans and Receivables	8,738	7,681	6,859	6,716	5,100	4,961	5,318	6,096	7,079
Premiums and Fees	1,965	2,049	1,986	1,979	1,920	1,874	1,826	1,806	1,784
Interest Earned on Loans	630	580	558	534	500	453	410	378	350
Income from Investment Securities	606	628	594	573	588	668	742	819	866
Net Realized Gains (Losses) from Financial Instruments	132	135	114	77	49	(4)	(35)	(35)	(29)
Net Unrealized Gains (Losses) from Financial Instruments	(13)	65	11	59	20	16	12	28	31
Other Income	90	120	94	124	96	88	83	80	80
	12,148	11,258	10,216	10,062	8,273	8,056	8,356	9,172	10,161
Parliamentary Appropriations for:									
Housing Programs	2,023	2,074	1,988	2,023	1,833	2,122	1,933	1,936	1,934
Operating Expenses	115	123	113	117	112	108	103	97	95
	2,138	2,197	2,101	2,140	1,945	2,230	2,036	2,033	2,029
Total Revenues	14,286	13,455	12,317	12,202	10,218	10,286	10,392	11,205	12,190
Expenses									
Interest Expense	9,274	8,178	7,295	7,163	5,513	5,351	5,677	6,429	7,357
Housing Programs	2,023	2,074	1,988	2,023	1,833	2,122	1,933	1,936	1,934
Net Claims	625	487	561	493	413	390	404	437	451
Operating Expenses	427	427	463	478	492	490	480	470	469
Total Expenses	12,349	11,166	10,307	10,157	8,251	8,353	8,494	9,272	10,211
Income before Income Taxes	1,937	2,289	2,010	2,045	1,967	1,933	1,898	1,933	1,979
Income Taxes	440	573	486	494	473	465	457	465	477
Net Income	1,497	1,716	1,524	1,551	1,494	1,468	1,441	1,468	1,502
Other Comprehensive Income (Loss), Net of Tax									
Items that will be subsequently reclassified to Net Income:									
Net Unrealized Gains (Losses) from Available for Sale Financial Instruments	75	283	(26)	218	(106)	(48)	19	51	125
Reclassification of Prior Years' Unrealized (Gains) Losses Realized in the Period in Net Income	(86)	(147)	(161)	(113)	(89)	(51)	(30)	(4)	(39)
Total Items that will be subsequently reclassified to Net Income	(11)	136	(187)	105	(195)	(99)	(11)	47	86
Items that will not be subsequently reclassified to Net Income:									
Remeasurements of the Net Defined Benefit Plans	11	(98)	121	28	20	172	136	58	8
Other Comprehensive Income	0	38	(66)	133	(175)	73	125	105	94
Comprehensive Income	1,497	1,754	1,458	1,684	1,319	1,541	1,566	1,573	1,596

TABLE 3

Consolidated Financial Statements

Statement of Equity of Canada (in millions of dollars)

Description	2012 Plan	2012 Actual	2013 Plan	2013 Estimate	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Unappropriated									
Opening Balance	2,350	1,446	1,716	2,045	3,091	4,645	6,156	7,697	9,076
Effect of Accounting Policy Change	-	-	-	-	-	-	-	-	-
Income Tax Benefit on Earnings Set Aside for Capitalization	-	-	-	-	-	-	-	-	-
Acturial Gains/Losses included in OCI	6	(59)	77	18	13	116	92	39	5
Net Income	1,488	1,695	1,510	1,515	1,473	1,453	1,433	1,451	1,487
Set aside for Capitalization	(726)	(1,037)	(511)	(487)	68	(58)	16	(111)	(135)
Balance 31 December	3,118	2,045	2,792	3,091	4,645	6,156	7,697	9,076	10,433
Earnings Set Aside for Capitalization (Insurance)									
Opening Balance	8,428	9,028	10,167	9,983	10,496	10,425	10,272	10,203	10,263
Set aside for Capitalization	726	955	499	513	(71)	(153)	(69)	60	118
Balance 31 December	9,154	9,983	10,666	10,496	10,425	10,272	10,203	10,263	10,381
Earnings Set Aside for Capitalization (Securitization)									
Opening Balance	730	699	803	781	755	758	969	1,022	1,073
Set aside for Capitalization	-	82	12	(26)	3	211	53	51	17
Balance 31 December	730	781	815	755	758	969	1,022	1,073	1,090
Total Earnings Set Aside for Capitalization	9,884	10,764	11,481	11,251	11,183	11,241	11,225	11,336	11,471
Reserve Fund for Lending									
Opening Balance	150	(9)	29	(27)	19	47	118	170	206
Effect of Accounting Policy Change	-	-	-	-	-	-	-	-	-
Actuarial Gains/Losses included in OCI	5	(39)	44	10	7	56	44	19	3
Net Income	9	21	14	36	21	15	8	17	15
Balance 31 December	164	(27)	87	19	47	118	170	206	224
Total Retained Earnings	13,166	12,782	14,360	14,361	15,875	17,515	19,092	20,618	22,128
Accumulated Other Comprehensive Income (Loss)									
Opening Balance	510	902	918	1,038	1,143	948	849	838	885
Other Comprehensive Income	(11)	136	(187)	105	(195)	(99)	(11)	47	86
Balance 31 December	499	1,038	731	1,143	948	849	838	885	971
Contributed Capital	25	25	25	25	25	25	25	25	25
Total Equity of Canada	13,690	13,845	15,116	15,529	16,848	18,389	19,955	21,528	23,124

TABLE 4

Consolidated Financial Statements

Statement of Cash Flows (in millions of dollars)

Description	2012 Plan	2012 Actual	2013 Plan	2013 Estimate	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Cash Flows Provided by (Used in) Operating Activities									
Net Income	1,497	1,716	1,524	1,551	1,494	1,468	1,441	1,468	1,502
Items not Affecting Cash or Cash Equivalents:									
Amortization of Premiums and Discounts on Financial Instruments	(2)	71	(50)	(50)	(68)	(69)	(66)	(35)	(25)
Deferred Income Taxes	31	20	35	26	27	59	45	21	12
Change in Fair Value of Financial Instruments Carried at Fair Value	14	(65)	(11)	(59)	(20)	(16)	(12)	(28)	(31)
(Gain) Loss on Sale of Securities	-	(135)	(114)	(77)	(49)	4	35	35	29
Net Change in Non-cash Operating Assets and Liabilities[1]	(139)	-	-	-	-	-	-	-	-
Accounts Receivable and Other Assets	-	(221)	85	115	(229)	32	(136)	(65)	(33)
Accrued Interest Receivable	-	24	131	107	66	(42)	(109)	(192)	(177)
Due from the Government of Canada	-	94	-	(36)	1	1	4	4	-
Unearned Premiums and Fees	-	(319)	(469)	(442)	(306)	(256)	(182)	(128)	(66)
Provision for Claims	-	(45)	(80)	(63)	(149)	(107)	(21)	19	(2)
Accounts Payable and Other Liabilities	-	85	(235)	(27)	(86)	(254)	(61)	(4)	4
Accrued Interest Payable	-	(107)	(128)	(107)	(56)	41	111	189	170
Derivatives	-	(9)	-	-	-	-	-	-	-
Other	-	(175)	170	97	117	269	232	122	59
Net Change from Loans and Investments in Housing Programs	683	779	746	687	865	872	852	818	786
Net Change in NHA MBS Loans and Receivables	367	710	23,989	19,733	23,314	(6,799)	(7,750)	(10,350)	(29,250)
Repayments of Capital Market Borrowings	(300)	(300)	(350)	(350)	-	(650)	(454)	(269)	-
Borrowings from the Government of Canada Designated at Fair Value through Profit or Loss and Other:									
Issuances	913	2,591	1,126	1,236	744	1,041	905	696	476
Repayments	(3,863)	(5,820)	(25,040)	(24,791)	(28,257)	(3,353)	(1,454)	(1,290)	(1,728)
Canada Mortgage Bonds:									
Issuances	39,726	39,943	35,034	38,735	40,060	40,145	39,916	39,901	39,893
Repayments	(37,700)	(37,700)	(35,500)	(35,500)	(36,200)	(31,100)	(32,250)	(29,650)	(10,750)
	1,227	1,137	863	785	1,268	1,286	1,046	1,262	869
Cash Flows Provided by (Used in) Investing Activities									
Change in Investment Securities	(1,130)	(1,408)	(867)	(249)	(1,195)	(1,271)	(1,131)	(1,310)	(943)
Change in Securities Purchased Under Resale Agreements	-	(63)	-	63	-	-	-	-	-
	(1,130)	(1,471)	(867)	(186)	(1,195)	(1,271)	(1,131)	(1,310)	(943)
Cash Flows Provided by (Used in) Financing Activities									
Change in Securities Sold under Repurchase Agreements	-	153	-	75	-	-	-	-	-
Increase (Decrease) in Cash and Cash Equivalents	97	(181)	(4)	674	73	14	(85)	(48)	(74)
Cash and Cash Equivalents									
Beginning of Year	1,400	1,401	1,702	1,220	1,894	1,967	1,981	1,896	1,848
End of Year	1,497	1,220	1,698	1,894	1,967	1,981	1,896	1,848	1,774
Supplementary Disclosure of Cash Flow from Operating Activities									
Amount of Interest Received During the Year[1]	-	9,016	8,042	7,845	6,162	5,948	6,271	7,010	8,025
Amount of Interest Paid During the Year	9,208	8,491	7,425	7,270	5,569	5,310	5,566	6,240	7,187
Amount of Dividends Received During the Year[1]	-	96	92	91	94	93	95	98	102
Amount of Income Taxes Paid During the Year	320	698	384	470	502	271	435	462	499

[1] Change in presentation occurred after 2012 Plan was finalized, therefore data for this year is not available

TABLE 5

Housing Programs and Operating Expenses

Statement of Expenditures and Recoveries (in millions of dollars)

Description	2012 Plan	2012 Actual	2013 Plan	2013 Estimate	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Cash Flow Requirements - Contributions									
Support access to affordable housing for Canadians in need									
Funding Under Long-Term Commitments for Existing Social Housing	1,705	1,675	1,704	1,718	1,666	1,640	1,669	1,666	1,664
Funding for New Commitments of Affordable Housing	305	391	276	296	159	474	256	263	263
Housing Support	6	4	5	5	5	5	5	5	5
Promote and contribute to a stable, competitive and innovative housing system									
Housing Policy, Research and Information Transfer	7	4	3	4	3	3	3	2	2
Sub-total - Contributions	2,023	2,074	1,988	2,023	1,833	2,122	1,933	1,936	1,934
Operating Expenses	115	123	113	117	112	108	103	97	95
Total Cash Flow Requirements	2,138	2,197	2,101	2,140	1,945	2,230	2,036	2,033	2,029

* The Program Alignment Architecture was changed effective 2013/14. All figures reflect this change.

TABLE 6

Lending Activity

Balance Sheet (in millions of dollars)

Description	2012 Plan	2012 Actual	2013 Plan	2013 Estimate	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Assets									
Cash and Cash Equivalents	665	433	481	579	727	765	762	803	699
Securities Purchased Under Resale Agreements	-	63	-	-	-	-	-	-	-
Investment Securities:									
Designated at Fair Value through Profit or Loss	1,340	1,282	1,483	1,338	1,667	1,667	1,529	1,492	1,147
Loans:									
Designated at Fair Value through Profit or Loss	6,388	6,591	6,191	6,224	5,616	5,035	4,508	4,037	3,598
Other	4,369	4,440	4,086	4,107	3,819	3,526	3,223	2,910	2,595
Investments in Housing Programs	746	748	691	692	641	594	553	519	488
Accrued Interest Receivable	228	245	228	229	214	189	162	141	123
Deferred Income Tax Assets	-	42	-	21	(4)	-	-	-	-
Derivatives	19	131	76	99	64	37	23	13	6
Due from the Government of Canada	265	309	370	345	344	343	339	335	335
Accounts Receivable and Other Assets	188	315	206	228	240	238	243	241	250
Total Assets	14,208	14,599	13,812	13,862	13,328	12,394	11,342	10,491	9,241
Liabilities									
Borrowings:									
Capital Market Borrowings	1,775	1,862	1,436	1,472	1,430	753	273	-	-
Borrowings from the Government of Canada:									
Designated at Fair Value through Profit or Loss	6,244	6,659	6,540	6,595	6,449	6,522	6,231	5,964	5,098
Other	5,146	5,147	4,843	4,841	4,533	4,215	3,948	3,619	3,229
Accrued Interest Payable	126	142	135	133	127	112	98	88	77
Derivatives	17	46	52	33	16	8	4	1	1
Accounts Payable and Other Liabilities	668	734	686	738	697	615	555	546	542
Deferred Income Tax Liabilities	43	-	3	-	-	22	34	38	41
Total Liabilities	14,019	14,590	13,695	13,812	13,252	12,247	11,143	10,256	8,988
Equity of Canada									
Contributed Capital	25	25	25	25	25	25	25	25	25
Reserve for Unrealized Gains/Losses	52	(118)	(25)	(82)	(54)	11	57	93	114
Reserve for All Other Lending-Related Items	112	102	117	107	105	111	117	117	114
Total Equity of Canada	189	9	117	50	76	147	199	235	253
Total Liabilities and Equity of Canada	14,208	14,599	13,812	13,862	13,328	12,394	11,342	10,491	9,241

TABLE 7

Lending Activity

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

Description	2012 Plan	2012 Actual	2013 Plan	2013 Estimate	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Revenues									
Interest Earned on Loans and Investments in Housing Programs	630	580	558	534	500	453	410	378	350
Income from Investment Securities	37	37	33	26	32	52	68	81	57
Net Realized Gains (Losses) from Financial Instruments	-	-	-	-	-	-	-	-	-
Net Unrealized Gains (Losses) from Financial Instruments	(11)	(8)	(16)	-	(7)	(10)	(15)	2	3
Other Income	14	31	26	35	32	30	26	23	23
Total Revenues	670	640	601	595	557	525	489	484	433
Expenses									
Interest Expense	635	599	568	535	514	487	459	442	394
Operating Expenses	26	19	26	26	25	25	25	24	23
Total Expenses	661	618	594	561	539	512	484	466	417
Income Before Income Taxes	9	22	7	34	18	13	5	18	16
Income Taxes	-	3	(3)	3	(1)	(2)	(3)	1	1
Net Income	9	19	10	31	19	15	8	17	15
Other Comprehensive Income (Loss), Net of Tax									
Items that will not be subsequently reclassified to Net Income:									
Remeasurements of the Net Defined Benefit Plans	5	(39)	44	10	7	56	44	19	3
Other Comprehensive Income	5	(39)	44	10	7	56	44	19	3
Comprehensive Income	14	(20)	54	41	26	71	52	36	18
Reserve Fund									
Balance, Beginning of Year	150	4	38	(16)	25	51	122	174	210
Effect of Accounting Policy Change	-	-	-	-	-	-	-	-	-
Actuarial Gains/Losses included in OCI	5	(39)	44	10	7	56	44	19	3
Net Income (Loss)	9	19	10	31	19	15	8	17	15
Balance, End of Year	164	(16)	92	25	51	122	174	210	228
Reserve for Unrealized Gains/Losses	52	(118)	(25)	(82)	(54)	11	57	93	114
Reserve for All Other Lending-Related Items	112	102	117	107	105	111	117	117	114
Total Reserve Fund	164	(16)	92	25	51	122	174	210	228

TABLE 8

Lending Activity

Statement of Cash Flows (in millions of dollars)

Description	2012 Plan	2012 Actual	2013 Plan	2013 Estimate	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Cash Flows Provided by (Used in) Operating Activities									
Net Income	9	19	10	31	19	15	8	17	15
Items not Affecting Cash or Cash Equivalents:									
Amortization of Premiums and Discounts on Financial Instruments	-	9	-	-	-	-	-	-	-
Deferred Income Taxes	18	25	27	21	25	18	12	4	3
Change in Fair Value of Financial Instruments Carried at Fair Value	11	8	16	-	7	10	15	(2)	(3)
(Gain) Loss on Sale of Securities	-	-	-	-	-	-	-	-	-
Net Change in Non-cash Operating Assets and Liabilities[1]	(72)	-	-	-	-	-	-	-	-
Accounts Receivable and Other Assets	-	(103)	8	87	(12)	2	(5)	2	(9)
Accrued Interest Receivable	-	16	20	16	15	25	27	21	18
Due from Government of Canada	-	94	-	(36)	1	1	4	4	-
Accounts Payable and Other Liabilities	-	(6)	(70)	4	(30)	(75)	(53)	(5)	3
Accrued Interest Payable	-	(103)	(9)	(9)	(6)	(15)	(14)	(10)	(11)
Derivatives	-	(9)	-	-	-	-	-	-	-
Other	-	(38)	44	11	8	53	45	20	1
Net Change from Loans and Investments in Housing Programs	683	779	746	687	865	872	852	818	786
Repayments of Capital Market Borrowings	(300)	(300)	(350)	(350)	-	(650)	(465)	(272)	-
Borrowings from the Government of Canada Designated at Fair Value through Profit or Loss and Other:									
Issuances	913	2,591	1,126	1,236	744	1,041	905	696	476
Repayments	(1,226)	(2,867)	(1,551)	(1,558)	(1,143)	(1,252)	(1,454)	(1,290)	(1,728)
	36	115	17	140	493	45	(123)	3	(449)
Cash Flows Provided by (Used in) Investment Activities									
Change in Investment Securities	15	34	22	(57)	(345)	(7)	120	38	345
Change in Securities Purchased Under Resale Agreements	-	(63)	-	63	-	-	-	-	-
	15	(29)	22	6	(345)	(7)	120	38	345
Increase (Decrease) in Cash and Cash Equivalents	51	86	39	146	148	38	(3)	41	(104)
Cash and Cash Equivalents									
Beginning of Year	614	347	442	433	579	727	765	762	803
End of Year	665	433	481	579	727	765	762	803	699
Supplementary Disclosure of Cash Flow from Operating Activities									
Amount of Interest Received During the Year[1]	-	623	610	576	547	530	506	480	425
Amount of Interest Paid During the Year	644	707	578	544	520	502	473	452	405
Amount of Income Taxes Paid During the Year	34	42	40	74	-	-	-	-	-

[1] Change in presentation occurred after 2012 Plan was finalized, therefore data for this year is not available

TABLE 9

Insurance Activity

Balance Sheet (in millions of dollars)

Description	2012 Plan	2012 Actual	2013 Plan	2013 Estimate	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Assets									
Cash and Cash Equivalents	724	759	1,110	1,274	1,193	1,165	1,078	984	1,009
Investment Securities:									
Designated at Fair Value through Profit or Loss	60	75	78	81	85	88	91	-	-
Held for Trading	-	415	420	441	441	458	478	500	525
Available for Sale	18,961	19,064	19,058	19,579	20,009	20,788	21,820	23,106	24,290
Accrued Interest Receivable	120	97	108	104	103	114	125	139	153
Deferred Income Tax Assets	-	(20)	-	(27)	(33)	-	-	-	-
Accounts Receivable and Other Assets	566	617	506	509	730	696	819	883	907
Total Assets	20,431	21,007	21,280	21,961	22,528	23,309	24,411	25,612	26,884
Liabilities									
Securities Sold Under Repurchase Agreements	250	425	400	500	500	500	500	500	500
Accounts Payable and Other Liabilities	25	487	249	460	408	232	225	222	227
Provision for Claims	968	996	931	933	784	677	656	675	673
Unearned Premiums and Fees	6,712	6,394	5,944	5,912	5,563	5,275	5,065	4,928	4,858
Deferred Income Tax Liabilities	64	-	61	-	-	74	106	120	124
Total Liabilities	8,019	8,302	7,585	7,805	7,255	6,758	6,552	6,445	6,382
Equity of Canada									
Accumulated Other Comprehensive Income	491	1,047	717	1,137	945	842	816	839	889
Unappropriated Retained Earnings	2,767	1,675	2,312	2,523	3,903	5,437	6,840	8,065	9,232
Appropriated Retained Earnings	9,154	9,983	10,666	10,496	10,425	10,272	10,203	10,263	10,381
Total Equity of Canada	12,412	12,705	13,695	14,156	15,273	16,551	17,859	19,167	20,502
Total Liabilities and Equity of Canada	20,431	21,007	21,280	21,961	22,528	23,309	24,411	25,612	26,884

Provision for Claims is in accordance with subsection 21 (1) of the *National Housing Act*.
CMHC sets aside Retained Earnings for Capitalization as per subsection 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	2012 Plan	2012 Actual	2013 Plan	2013 Estimate	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Revenues									
Premiums and Fees	1,796	1,807	1,742	1,738	1,680	1,621	1,570	1,531	1,504
Income from Investment Securities	615	605	587	565	567	620	675	741	812
Net Realized Gains (Losses) from Financial Instruments	133	92	207	150	125	75	48	52	62
Net Unrealized Gains (Losses) from Financial Instruments	-	66	20	52	24	26	27	26	28
Other Income	-	7	-	12	-	-	-	-	-
Total Revenues	2,544	2,577	2,556	2,517	2,396	2,342	2,320	2,350	2,406
Expenses									
Interest Expense	-	5	7	5	8	10	10	10	10
Net Claims	625	487	561	493	413	390	404	437	451
Operating Expenses	201	199	241	244	263	264	260	257	259
Total Expenses	826	691	809	742	684	664	674	704	720
Income Before Income Taxes	1,718	1,886	1,747	1,775	1,712	1,678	1,646	1,646	1,686
Income Taxes	387	472	425	431	415	406	398	397	406
Net Income	1,331	1,414	1,322	1,344	1,297	1,272	1,248	1,249	1,280
Other Comprehensive Income (Loss), Net of Tax									
Items that will be subsequently reclassified to Net Income									
Net Unrealized Gains (Losses) from Available for Sale Financial Instruments	81	256	(42)	203	(103)	(52)	4	27	89
Reclassification of Prior Years' Net Unrealized (Gains) Losses Realized in the Period in Net Income	(100)	(93)	(157)	(113)	(89)	(51)	(30)	(4)	(39)
Total Items that may be reclassified to profit or loss subsequently	(19)	163	(199)	90	(192)	(103)	(26)	23	50
Items that will not be subsequently reclassified to Net Income	6	(55)	73	17	12	109	86	36	5
Remeasurements of the Net Defined Benefits Plans									
Other Comprehensive Income	(13)	108	(126)	107	(180)	6	60	59	55
Comprehensive Income	1,318	1,522	1,196	1,451	1,117	1,278	1,308	1,308	1,335
Unappropriated Retained Earnings									
Balance, Beginning of Year	2,156	1,271	1,416	1,675	2,523	3,903	5,437	6,840	8,065
Effect of Accounting Policy Change	-	-	-	-	-	-	-	-	-
Income Tax Benefit on Earnings Set Aside for Capitalization	-	-	-	-	-	-	-	-	-
Net Income (Loss)	1,331	1,414	1,322	1,344	1,297	1,272	1,248	1,249	1,280
Set Aside for Capitalization	(726)	(955)	(499)	(513)	71	153	69	(60)	(118)
Actuarial Gains/Losses included in OCI	6	(55)	73	17	12	109	86	36	5
Balance, End of Year	2,767	1,675	2,312	2,523	3,903	5,437	6,840	8,065	9,232
Retained Earnings Set Aside for Capitalization									
Balance, Beginning of Year	8,428	9,028	10,167	9,983	10,496	10,425	10,272	10,203	10,263
Transferred from Unappropriated Retained Earnings	726	955	499	513	(71)	(153)	(69)	60	118
Balance, End of Year	9,154	9,983	10,666	10,496	10,425	10,272	10,203	10,263	10,381
Accumulated Other Comprehensive Income									
Balance, Beginning of Year	510	884	916	1,047	1,137	945	842	816	839
Other Comprehensive Income	(19)	163	(199)	90	(192)	(103)	(26)	23	50
Balance, End of Year	491	1,047	717	1,137	945	842	816	839	889
Total Equity of Canada, End of Year	12,412	12,705	13,695	14,156	15,273	16,551	17,859	19,167	20,502

Provision for Claims is in accordance with subsection 21 (1) of the *National Housing Act*.
CMHC sets aside Retained Earnings for Capitalization as per subsection 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	2012 Plan	2012 Actual	2013 Plan	2013 Estimate	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Cash Flows Provided by (Used in) Operating Activities									
Net Income	1,331	1,414	1,322	1,344	1,297	1,272	1,248	1,249	1,280
Items not Affecting Cash or Cash Equivalents									
Amortization of Premiums and Discounts on Financial Instruments	-	49	-	-	-	-	-	-	-
Deferred Income Taxes	13	(14)	13	7	6	41	32	14	4
Change in Fair Value of Financial Instruments Carried at Fair Value	-	(65)	(20)	(52)	(24)	(26)	(27)	(26)	(28)
(Gain) Loss on Sale of Securities	-	(92)	(207)	(150)	(125)	(75)	(48)	(52)	(62)
Net Change in Non-cash Operating Assets and Liabilities[1]	(47)	-	-	-	-	-	-	-	-
Accounts Receivable and Other Assets	-	(94)	77	108	(221)	34	(123)	(64)	(24)
Accrued Interest Receivable	-	4	(8)	(7)	1	(11)	(11)	(14)	(14)
Unearned Premiums and Fees	-	(337)	(448)	(482)	(349)	(288)	(210)	(137)	(70)
Provision for Claims	-	(45)	(80)	(63)	(149)	(107)	(21)	19	(2)
Accounts Payable and Other Liabilities	-	87	(137)	(27)	(52)	(176)	(7)	(3)	5
Other	-	(93)	73	17	12	109	86	36	5
	1,297	814	585	695	396	773	919	1,022	1,094
Cash Flows Provided by (Used in) Investment Activities									
Change in Investment Securities	(1,271)	(1,175)	(578)	(255)	(477)	(801)	(1,006)	(1,116)	(1,069)
	(1,271)	(1,175)	(578)	(255)	(477)	(801)	(1,006)	(1,116)	(1,069)
Cash Flows Provided by (Used in) Financing Activities									
Change in Securities Sold under Repurchase Agreements	-	153	-	75	-	-	-	-	-
	-	153	-	75	-	-	-	-	-
Increase (Decrease) in Cash and Cash Equivalents	26	(208)	7	515	(81)	(28)	(87)	(94)	25
Cash and Cash Equivalents									
Beginning of Year	698	967	1,103	759	1,274	1,193	1,165	1,078	984
End of Year	724	759	1,110	1,274	1,193	1,165	1,078	984	1,009
Supplementary Disclosure of Cash Flow from Operating Activities									
Amount of Interest Received During the Year[1]	-	511	486	457	458	496	549	609	675
Amount of Interest Paid During the Year	-	5	7	5	8	10	10	10	10
Amount of Dividends Received During the Year[1]	-	95	92	91	94	93	95	98	102
Amount of Income Taxes Paid During the Year	228	562	254	341	445	212	367	393	419

[1] Change in presentation occurred after the 2012 Plan was finalized, therefore data for this year is not available

TABLE 12

Securitization Activity

Balance Sheet (in millions of dollars)

Description	2012 Plan	2012 Actual	2013 Plan	2013 Estimate	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Assets									
Cash and Cash Equivalents	107	27	106	40	46	50	55	60	65
Investment Securities:									
Designated at Fair Value through Profit or Loss	1	1	1	1	1	1	1	1	1
Held for Trading	-	-	79	-	-	-	-	-	-
Available for Sale	1,463	1,799	1,819	1,959	2,168	2,387	2,615	2,861	3,113
Investment in NHA Mortgage-Backed Securities:									
Loans Receivables	52,947	52,448	29,582	29,215	2,101	-	-	-	-
Accrued Interest Receivable	77	83	42	39	9	6	6	6	6
Deferred Income Tax Assets	-	1	-	(4)	-	-	-	-	-
Accounts Receivable and Other Assets	85	(25)	(11)	55	51	55	63	66	66
Total Assets	54,680	54,334	31,618	31,305	4,376	2,499	2,740	2,994	3,251
Liabilities									
Borrowings from the Government of Canada:									
Other	52,947	52,448	29,582	29,215	2,101	-	-	-	-
Accrued Interest Payable	69	77	33	33	3	-	-	-	-
Accounts Payable and Other Liabilities	95	35	19	31	27	24	23	27	23
Unearned Premiums and Fees	458	546	531	586	629	661	689	698	702
Deferred Income Tax Liabilities	(1)	-	3	-	-	1	4	9	17
Total Liabilities	53,568	53,106	30,168	29,865	2,760	686	716	734	742
Equity of Canada									
Accumulated Other Comprehensive Income	15	8	16	21	6	(1)	2	15	38
Unappropriated Retained Earnings	367	439	619	664	852	845	1,000	1,172	1,381
Appropriated Retained Earnings	730	781	815	755	758	969	1,022	1,073	1,090
Total Equity of Canada	1,112	1,228	1,450	1,440	1,616	1,813	2,024	2,260	2,509
Total Liabilities and Equity of Canada	54,680	54,334	31,618	31,305	4,376	2,499	2,740	2,994	3,251

CMHC sets aside Retained Earnings for Capitalization as per subsection 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	2012 Plan	2012 Actual	2013 Plan	2013 Estimate	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Revenues									
Interest Income from NHA Mortgage-Backed Securities - Loans and Receivables	1,685	1,682	1,474	1,461	239	13	-	-	-
Premiums and Fees	169	242	244	241	240	253	256	275	280
Income from Investment Securities	46	33	33	30	33	37	41	45	49
Net Realized Gains (Losses) from Financial Instruments	(1)	84	4	-	-	-	-	-	-
Net Unrealized Gains (Losses) from Financial Instruments	-	5	2	-	-	-	-	-	-
Other Income	10	15	8	12	(3)	(9)	(10)	(10)	(10)
Total Revenues	1,909	2,061	1,765	1,744	509	294	287	310	319
Expenses									
Interest Expense	1,685	1,682	1,474	1,461	239	13	-	-	-
Operating Expenses	12	11	15	18	17	18	17	17	17
Total Expenses	1,697	1,693	1,489	1,479	256	31	17	17	17
Income Before Income Taxes	212	368	276	265	253	263	270	293	302
Income Taxes	53	95	69	67	63	66	68	73	76
Net Income	159	273	207	198	190	197	202	220	226
Other Comprehensive Income (Loss), Net of Tax									
Items that will be subsequently reclassified to Net Income:									
Net Unrealized Gains (Losses) from Available for Sale Financial Instruments	6	5	1	13	(15)	(7)	3	13	23
Reclassification of Prior Years' Net Unrealized (Gains) Losses Realized in the Period in Net Income	-	(54)	(4)	-	-	-	-	-	-
Total Items that may be reclassified to profit or loss subsequently	6	(49)	(3)	13	(15)	(7)	3	13	23
Items that will not be subsequently reclassified to Net Income:									
Remeasurements of the Net Defined Benefit Plans	-	(4)	4	1	1	7	6	3	-
Other Comprehensive Income	6	(53)	1	14	(14)	-	9	16	23
Comprehensive Income	165	220	208	212	176	197	211	236	249
Unappropriated Retained Earnings									
Balance, Beginning of Year	208	252	420	439	664	852	845	1,000	1,172
Effect of Accounting Policy Change	-	-	-	-	-	-	-	-	-
Actuarial Gains/Losses included in OCI	-	(4)	4	1	1	7	6	3	-
Net Income (Loss)	159	273	207	198	190	197	202	220	226
Set Aside for Capitalization	-	(82)	(12)	26	(3)	(211)	(53)	(51)	(17)
Balance, End of Year	367	439	619	664	852	845	1,000	1,172	1,381
Retained Earnings Set Aside for Capitalization									
Balance, Beginning of Year	730	699	803	781	755	758	969	1,022	1,073
Transferred from Unappropriated Retained Earnings	-	82	12	(26)	3	211	53	51	17
Balance, End of Year	730	781	815	755	758	969	1,022	1,073	1,090
Accumulated Other Comprehensive Income									
Balance, Beginning of Year	9	57	19	8	21	6	(1)	2	15
Other Comprehensive Income	6	(49)	(3)	13	(15)	(7)	3	13	23
Balance, End of Year	15	8	16	21	6	(1)	2	15	38
Total Equity of Canada, End of Year	1,112	1,228	1,450	1,440	1,616	1,813	2,024	2,260	2,509

CMHC sets aside Retained Earnings for Capitalization as per subsection 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	2012 Plan	2012 Actual	2013 Plan	2013 Estimate	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Cash Flows Provided by (Used in) Operating Activities									
Net Income	159	273	207	198	190	197	202	220	226
Items not Affecting Cash or Cash Equivalents:									
Amortization of Premiums and Discounts on Financial Instruments	(2)	13	3	25	27	30	34	37	40
Deferred Income Taxes	-	(2)	-	5	(4)	1	3	5	8
Change in Fair Value of Financial Instruments Carried at Fair Value	1	(5)	(2)	-	-	-	-	-	-
(Gain) Loss on Sale of Securities	-	(84)	(4)	-	-	-	-	-	-
Net Change in Non-cash Operating Assets and Liabilities[1]:	(18)								
Accounts Receivable and Other Assets	-	(24)	-	(80)	4	(4)	(8)	(3)	-
Accrued Interest Receivable	-	3	36	44	30	3	-	-	-
Unearned Premiums and Fees	-	18	(21)	40	43	32	28	9	4
Accounts Payable and Other Liabilities	-	4	(28)	(4)	(4)	(3)	(1)	4	(4)
Accrued Interest Payable	-	(3)	(36)	(44)	(30)	(3)	-	-	-
Other	-	15	-	(5)	6	11	5	(2)	(8)
Net Change in NHA MBS Loans and Receivables	2,637	2,953	23,489	23,233	27,114	2,101	-	-	-
Borrowings from the Government of Canada Designated at Fair Value through Profit or Loss and Other:									
Issuances	-	-	-	-	-	-	-	-	-
Repayments	(2,637)	(2,953)	(23,489)	(23,233)	(27,114)	(2,101)	-	-	-
	140	208	155	179	262	264	263	270	266
Cash Flows Provided by (Used in) Investment Activities									
Change in Investment Securities	(120)	(267)	(205)	(166)	(256)	(260)	(258)	(265)	(261)
	(120)	(267)	(205)	(166)	(256)	(260)	(258)	(265)	(261)
Increase (Decrease) in Cash and Cash Equivalents	20	(59)	(50)	13	6	4	5	5	5
Cash and Cash Equivalents									
Beginning of Year	87	86	156	27	40	46	50	55	60
End of Year	107	27	106	40	46	50	55	60	65
Supplementary Disclosure of Cash Flow from Operating Activities									
Amount of Interest Received During the Year[1]	-	1,731	1,544	1,559	328	82	73	80	87
Amount of Interest Paid During the Year	1,687	1,685	1,510	1,505	269	16	-	-	-
Amount of Dividends Received During the Year[1]	-	1	-	-	-	-	-	-	-
Amount of Income Taxes Paid During the Year	58	94	90	55	57	59	68	69	80

[1] Change in presentation occurred after the 2012 Plan was finalized, therefore data for this year is not available

TABLE 15

Canada Housing Trust

Balance Sheet (in millions of dollars)

Description	2012 Plan	2012 Actual	2013 Plan	2013 Estimate	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Assets									
Cash and Cash Equivalents	1	1	1	1	1	1	1	1	1
Investment in NHA Mortgage-Backed Securities: Loans and Receivables	203,164	203,519	203,108	206,975	210,680	219,481	227,131	237,409	236,344
Accrued Interest Receivable	1,056	540	739	486	466	524	650	849	1,030
Total Assets	204,221	204,060	203,848	207,462	211,147	220,006	227,782	238,259	237,375
Liabilities									
Borrowings:									
Canada Mortgage Bonds	203,164	203,519	203,108	206,975	210,680	219,481	227,131	237,409	236,344
Accrued Interest Payable	1,056	540	739	486	466	524	650	849	1,030
Accounts Payable and Other Liabilities	1	1	1	1	1	1	1	1	1
Total Liabilities	204,221	204,060	203,848	207,462	211,147	220,006	227,782	238,259	237,375
Equity of Canada									
Retained Earnings	-	-	-	-	-	-	-	-	-
Total Equity of Canada	-	-	-	-	-	-	-	-	-
Total Liabilities and Equity of Canada	204,221	204,060	203,848	207,462	211,147	220,006	227,782	238,259	237,375

TABLE 16

Canada Housing Trust

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

Description	2012 Plan	2012 Actual	2013 Plan	2013 Estimate	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Revenues									
Interest Income from NHA Mortgage-Backed Securities - Loans and Receivables	7,053	5,999	5,385	5,255	4,861	4,948	5,318	6,096	7,079
Other Income	168	168	152	164	169	169	169	169	169
Total Revenues	7,221	6,167	5,537	5,419	5,030	5,117	5,487	6,265	7,248
Expenses									
Interest Expense	7,046	5,990	5,377	5,247	4,853	4,940	5,310	6,088	7,071
Operating Expenses	175	177	160	172	177	177	177	177	177
Total Expenses	7,221	6,167	5,537	5,419	5,030	5,117	5,487	6,265	7,248
Income Before Income Taxes	-	-	-	-	-	-	-	-	-
Income Taxes	-	-	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-	-	-
Other Comprehensive Income (Loss), Net of Tax	-	-	-	-	-	-	-	-	-
Comprehensive Income	-	-	-	-	-	-	-	-	-
Retained Earnings									
Balance, Beginning of Year	-	-	-	-	-	-	-	-	-
Effect of Accounting Policy Change	-	-	-	-	-	-	-	-	-
Net Income (Loss)	-	-	-	-	-	-	-	-	-
Balance, End of Year	-	-	-	-	-	-	-	-	-

TABLE 17

Canada Housing Trust

Statement of Cash Flows (in millions of dollars)

Description	2012 Plan	2012 Actual	2013 Plan	2013 Estimate	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Cash Flows Provided by (Used in) Operating Activities									
Net Income	-	-	-	-	-	-	-	-	-
Items not Affecting Cash or Cash Equivalents:									
Amortization of Premiums and Discounts on Financial Instruments	-	-	(53)	(75)	(95)	(99)	(100)	(72)	(65)
Net Change in Non-cash Operating Assets and Liabilities[1]:	-	-	-	-	-	-	-	-	-
Accrued Interest Receivable	-	-	83	54	20	(58)	(126)	(199)	(181)
Accounts Payable and Other Liabilities	-	-	-	-	-	-	-	-	-
Accrued Interest Payable	-	-	(83)	(54)	(20)	58	126	199	181
Other	-	-	53	75	95	99	100	72	65
Net Change from in NHA MBS Loans and Receivables	(2,300)	(2,243)	500	(3,500)	(3,800)	(8,900)	(7,750)	(10,350)	(29,250)
Canada Mortgage Bonds:									
Issuances	40,000	39,943	35,000	39,000	40,000	40,000	40,000	40,000	40,000
Repayments	(37,700)	(37,700)	(35,500)	(35,500)	(36,200)	(31,100)	(32,250)	(29,650)	(10,750)
Increase (Decrease) in Cash and Cash Equivalents	-	-	-	-	-	-	-	-	-
Cash and Cash Equivalents									
Beginning of Year	1	1	1	1	1	1	1	1	1
End of Year	1	1	1	1	1	1	1	1	1
Supplementary Disclosure of Cash Flow from Operating Activities									
Amount of Interest Received During the Year[1]	-	6,151	5,461	5,301	4,873	4,882	5,184	5,889	6,890
Amount of Interest Paid During the Year	6,969	6,151	5,461	5,301	4,873	4,882	5,184	5,889	6,890
Amount of Income Taxes Paid During the Year	-	-	-	-	-	-	-	-	-

[1] Change in presentation occurred after the 2012 Plan was finalized, therefore data for this year is not available

TABLE 18

Statement of Transactions with the Consolidated Revenue Fund (CRF)

Years Ending 31 December (in millions of dollars)

Description	2012 Plan	2012 Actual	2013 Plan	2013 Estimate	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Cash Drawn from CRF									
Borrowings, Lending Activity	921	2,591	1,135	1,244	750	1,047	910	702	481
Grants, Contributions and Subsidies	2,138	2,197	2,102	2,140	1,945	2,230	2,036	2,033	2,030
Total Cash Drawn from CRF	3,059	4,788	3,237	3,384	2,695	3,277	2,946	2,734	2,511
Cash Paid to CRF									
Repayment of Borrowings:									
Lending Activity-debt incurred prior to 2008	313	313	199	201	199	205	151	208	264
Lending Activity-debt incurred 2008 and beyond	913	2,554	1,352	1,357	944	1,048	1,304	1,082	1,464
Repayment of Borrowings:									
Securitization Activity	2,636	2,953	23,489	23,233	27,114	2,101	-	-	-
Interest Paid on Borrowings	2,240	2,336	2,017	1,971	726	463	450	447	406
Federal Tax	320	698	384	470	538	320	437	469	489
Government of Canada Fee-Securitization	17	17	15	17	15	15	15	15	15
Total Cash Paid to CRF	6,439	8,871	27,456	27,249	29,536	4,152	2,357	2,221	2,637
Net Cash Drawn from CRF	(3,380)	(4,083)	(24,219)	(23,865)	(26,841)	(875)	589	514	(127)

In September 2013, the Minister of Finance informed CMHC of his decision to apply guarantee fees to CMHC's mortgage loan insurance business starting January 1, 2014. The fees will be payable to the Government of Canada on an annual basis and will be based on the amount of premium underwritten (received) for CMHC's general insurance business and on the loan insured amount for CMHC's portfolio insurance. The fees will be deferred and amortized into expense over the period covered by the insurance contract using factors determined by the Appointed Actuary. These factors reflect the long-term pattern for default risk of the underlying mortgages. CMHC has not included the impact of these fees in the financial results of this financial plan but has provided an estimate of the impacts in the table below.

	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan
Government of Canada Fee - Insurance ($M)	0.0	53.2	53.1	53.9	55.0

TABLE 19

Statement of Transactions with the Consolidated Revenue Fund

Fiscal Years Ending 31 March (in millions of dollars)

Description	2012-13 Plan	2012-13 Actual	2013-14 Plan	2013-14 Estimate	2014-15 Plan	2015-16 Plan	2016-17 Plan	2017-18 Plan	2018-19 Plan
Cash Drawn from CRF									
Borrowings, Lending Activity	838	2,409	887	1,104	904	1,077	789	695	335
Grants, Contributions and Subsidies	2,140	2,086	2,089	2,120	2,097	2,023	2,051	2,027	2,030
Total Cash Drawn from CRF	2,978	4,495	2,976	3,224	3,001	3,100	2,840	2,722	2,365
Cash Paid to CRF									
Repayment of Borrowings:									
Lending Activity-debt incurred prior to 2008	197	196	244	245	201	204	210	160	206
Lending Activity-debt incurred 2008 and beyond	985	2,532	1,190	1,190	1,149	997	1,227	1,171	1,293
Repayment of Borrowings:									
Securitization Activity	2,426	3,152	41,320	41,219	10,434	-	-	-	-
Interest Paid on Borrowings	2,240	2,336	2,017	1,971	727	463	450	447	406
Federal Tax	320	698	384	470	538	320	437	469	489
Government of Canada Fee-Securitization	17	17	15	17	15	15	15	15	15
Total Cash Paid to CRF	6,185	8,931	45,170	45,112	13,064	1,999	2,339	2,262	2,409
Net Cash Drawn from CRF	(3,207)	(4,436)	(42,194)	(41,888)	(10,063)	1,101	501	460	(44)

In September 2013, the Minister of Finance informed CMHC of his decision to apply guarantee fees to CMHC's mortgage loan insurance business starting January 1, 2014. The fees will be payable to the Government of Canada on an annual basis and will be based on the amount of premium underwritten (received) for CMHC's general insurance business and on the loan insured amount for CMHC's portfolio insurance. The fees will be deferred and amortized into expense over the period covered by the insurance contract using factors determined by the Appointed Actuary. These factors reflect the long-term pattern for default risk of the underlying mortgages. CMHC has not included the impact of these fees in the financial results of this financial plan but has provided an estimate of the impacts in the table below.

	2014-15 Plan	2015-16 Plan	2016-17 Plan	2017-18 Plan	2018-19 Plan
Government of Canada Fee - Insurance ($M)	53.2	53.1	53.9	55.0	56.2

ANNEX A | GLOSSARY AND ACRONYMS

Acronyms

AANDC . . . . Aboriginal Affairs and Northern Development Canada

AHI. . . . . Affordable Housing Initiative

CBA . . . . Canadian Bankers Association

CGAAP. . . . . Canadian Generally Accepted Accounting Principles

CHT . . . . Canada Housing Trust

CMB. . . . . . . Canada Mortgage Bonds

CPF . . . . Corporate Plan Framework

DoF . . . . Department of Finance

EAP . . . . Economic Action Plan (Budget 2013)

ERP. . . . . Emergency Repair Program

ESDC . . . . . . Employment and Social Development Canada

FAA . . . . *Financial Administration Act*

FATDC. . . . . Foreign Affairs, Trade and Development Canada

FNMHF. . . . . First Nations Market Housing Fund

F/P/T. . . . . . . Federal/Provincial/Territorial

HASI. . . . . . . Home Adaptations for Seniors' Independence

IAH. . . . . Investment in Affordable Housing

IFRS . . . . International Financial Reporting Standards

IMPP. . . . . . . Insured Mortgage Purchase Program

LTV . . . . Loan-to-value

MAV. . . . . . . Master Asset Vehicle

MCT. . . . . . . Minimum Capital Test

MILP. . . . . . . Municipal Infrastructure Lending Program

NGO . . . . . . Non-governmental organization

NHA. . . . . . . *National Housing Act*

NHA MBS. . . *National Housing Act* Mortgage-Backed Securities

NRC. . . . . . . National Research Council

NRCan . . . . . Natural Resources Canada

OSFI . . . . Office of the Superintendent of Financial Institutions

PAA . . . . Program Alignment Architecture

PDF . . . . Proposal Development Funding

RRAP . . . . . . Residential Rehabilitation Assistance Program

SEP. . . . . Shelter Enhancement Program

Glossary

Actuarial Gains/Losses on Post-Employment Benefits	These are the gains or losses/arising from the effects of changes in actuarial assumptions as well as the difference between estimates and actual experience in a company's pension plan.
Affordable Housing Initiative (AHI)	Under the Affordable Housing Initiative (2001 to 2011), the federal government, through CMHC, provided funding to increase the supply of affordable housing in partnership with provinces and territories who designed and delivered programs under the Initiative. In 2011, a new framework for federal funding of affordable housing, the Framework for Investment in Affordable Housing (2011-2014) was introduced.
Canada Housing Trust (CHT)	The CHT is a legal entity separate from CMHC. CHT acquires interests in eligible insured housing loans, such as *National Housing Act* 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. As required under IFRS, CHT's financial results are consolidated with CMHC's financial statements because CMHC is exposed to CHT's risks and rewards.
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	This is 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	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. ▪ 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.
Covered bonds	A debt obligation in relation to which the principal and interest owing are guaranteed to be paid from the loans or other assets held by the guarantor entity. Under the Canadian covered bond legal framework, assets may not include insured mortgages. CMHC has been given the responsibility of administering the covered bond legal framework.
emili	A proprietary online automated mortgage insurance risk assessment and approval system developed by CMHC. It provides a comprehensive risk assessment of MLI applications.

EQuilibrium™ Sustainable Housing Demonstration Initiative	Goals of CMHC's EQuilibrium™ Sustainable Housing Demonstration Initiative: ■ to promote environmentally friendly, healthy housing across Canada; ■ to enhance the capacity of Canada's home builders, developers, architects and engineers to design and build sustainable homes and communities across the country; ■ to educate consumers on the benefits of owning sustainable housing and achieve market acceptance of sustainable housing and 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 2007. 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 as well as 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 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 *National Housing Act* 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 with a total of $69.3 billion in NHA MBS purchased by CMHC under the program.
Investment in Affordable Housing 2011-2014 (IAH)	A new Framework for the Investment in Affordable Housing was announced on July 4, 2011 which provided for $1.4 billion in combined F/P/T funding towards reducing the number of Canadians in housing need. This became the basis for bilateral IAH agreements between CMHC, on behalf of the federal government, and provinces and territories. Where provinces and territories choose not to enter into an IAH arrangement, federal funding for housing was provided through extensions of existing arrangements with respect to AHI and/or renovation programs. As part of the Economic Action Plan (Budget 2013), the federal government renewed the funding of IAH for a period of five fiscal years from 2014-15 to 2018-19.
Multi-unit residential properties	Properties consisting of more than 4 units, including rental buildings, retirement and long-term care facilities, affordable housing, student housing and condominium construction projects.
Municipal Infrastructure Lending Program (MILP)	Under Canada's Economic Action Plan (Budget 2009), CMHC delivered MILP which provided $2 billion in direct low-cost loans to municipalities over a two-year period ending March 31, 2011 to fund housing-related municipal infrastructure.
***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 expected to be 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 on reserve	▪ **Residential Rehabilitation Assistance Program (RRAP)** A program which provides financial assistance to First Nations to enable them undertake repair of housing units or to adapt them to accommodate the needs of residents with disabilities as well as to convert non-residential properties into residential units. ▪ **Shelter Enhancement Program (SEP)** A program which provides financial assistance to repair, rehabilitate and improve existing shelters for victims of family violence. The program also assists in the acquisition or construction of new shelters and second stage housing. ▪ **Home Adaptations for Seniors' Independence (HASI)** A program which provides financial assistance to carry out minor adaptations to assist senior live independently in their own homes. Funding for renovation programs off reserve is provided by the federal government through the Investment in Affordable Housing framework (see definition in this Glossary).
Seed Funding	Seed Funding consists of a contribution and a loan, totalling a maximum of $20,000 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.

ANNEX B | EXPECTED OUTCOMES AND INDICATORS FOR 2012

Note: The following Expected Outcomes and Indicators are for the strategic priorities found in the 2012-2016 Corporate Plan Framework and were reported on in the 2012 Annual Report available on CMHC's website at www.cmhc.ca. Expected Outcomes and Indicators based on current Corporate Plan Framework will be published as part of CMHC's 2013 Annual Report.

	Expected Outcomes for 1.1	Indicators
Immediate	The number of Canadians in need is reduced through greater access to affordable housing that is sound, suitable and sustainable.	In 2012, 593,800 households, including those on reserve, continued to benefit from federal investments in the existing social housing stock. 136,375 households no longer in housing need as a result of the IAH (from Apr. 2011 to Dec. 2012).
	For seniors and persons with disabilities, assistance extends independent living and reduces demand for services and institutional living.	Broadly targeted programs that support new affordable housing construction, renovation activities and improved affordability under the IAH benefit seniors and persons with disabilities by improving access to affordable housing that is sound and suitable. More than 6,000 households were able to continue to live independently as a result of funding under the IAH in 2011-12.
	The resources available to address households in housing need are increased by encouraging contributions by others, including the private and non-profit sectors.	Under the IAH, $1.4 billion in combined federal and provincial/territorial funding will be available for affordable housing programs between April 2011 and March 2014. In 2011-12, provinces and territories contributed an additional $20 million beyond their cost-matching requirements. Funding from the private and non-profit sector is included in the contribution of the province or territory.
Long-term	Individuals and families have a more stable foundation for accessing opportunities and improving their quality of life.	Research studies have shown an associational link between good housing and employment stability, decreased levels of stress and improved family problem-solving and communication. Evaluations of CMHC's renovation and affordable housing programs showed that these programs helped to improve the quality of life for their beneficiaries. CMHC, provincial counterparts, and private and non-profit sector groups are currently undertaking two major longitudinal research projects aimed at studying the effects of improved housing and living conditions on health outcomes. One of the studies has indicated that after the project's revitalization, occupants were more satisfied with their homes and felt safer in their communities. The two studies are ongoing.
	Communities benefit from greater stability and prosperity.	CMHC research and research by third parties have quantified the economic impact of housing activity. Housing-related spending[1] in 2012 of $314.9 billion represented approximately 17.3% of the GDP in Canada, accounting for 1.2 million jobs[2]. Source: Statistics Canada calculated by CMHC
	A more holistic approach to addressing poverty through a broad range of programs is fostered.	CMHC supports a range of housing programs to ensure Canadians have access to safe, affordable housing. CMHC provides federal funding of $1.7 billion per year to support 593,800 households living in existing social housing. Provinces and territories have flexibility in determining the type of housing supports they wish to fund under the IAH which enables them to coordinate new affordable housing investments with other poverty reduction initiatives in their jurisdictions. Provinces and territories with an IAH agreement have reported publicly on the outcomes of the investment in their jurisdiction.

[1] Includes spending for new residential construction, renovations, ownership transfer costs, dwelling maintenance and repair costs, rent and imputed rent
[2] Includes employment in the following sectors: residential building construction, speciality trade contractor, real estate and leasing

	Expected Outcomes for 1.2	Indicators
Immediate to Intermediate	First Nation families have greater access to affordable, adequate and suitable housing. For seniors and persons with disabilities, assistance extends independent living.	In 2012, funding was provided to create 603 new units On-Reserve Non-Profit Rental Housing. There are now some 29,300 units receiving subsidies under this ongoing program. In 2012, 1,168 units were renovated or adapted under the renovation programs on reserve. Of the 1,168 units, 160 were renovated to make them accessible for persons with disabilities and 99 units were adapted enabling seniors to live more independently. CMHC's evaluation of on-reserve renovation programs showed that they were effective in improving housing conditions and the quality of life for First Nation families.
	First Nations have the capacity to develop, maintain and manage the full range of housing opportunities on reserve.	Indirectly measured by CMHC through the percent of on-reserve housing programs delivered by First Nations or Aboriginal organizations. In 2012, 88% of on-reserve programs and services were provided through First Nations or Aboriginal organizations, exceeding CMHC's target of 85%. In 2012, 231 capacity development training sessions were delivered to First Nations including training on housing management, housing quality and mold remediation; 99% of attendees found them useful. Under the National Strategy to Address Mold in First Nation Communities, CMHC has and will continue to coordinate and provide training and share innovative approaches to preventing or remediating the presence of mold.
Long-term	First Nation families receiving housing assistance have a more stable foundation for accessing opportunities and improving their quality of life and health.	Research shows an associational link between good housing and employment stability, decreased levels of stress and improved family problem-solving and communication, and improved health. An evaluation of CMHC's renovation programs showed that these programs helped to improve the quality of life for their beneficiaries.
	First Nation communities benefit from greater stability and prosperity.	CMHC, the First Nations Market Housing Fund (which backstops private financing on reserve) and AANDC supported capacity development efforts on reserve which is seen as key to addressing housing conditions in the long term. CMHC continues to consult with AANDC on the development of First Nation-specific capacity development initiatives.

	Expected Outcomes for 2.1	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.	Qualified borrowers can purchase a home with a down payment of less than 20% (minimum of 5%) and obtain rates comparable to those with a down payment of 20% or more.
	Canadians across the country not served or underserved by private mortgage insurers can better access housing of their choice.	Measured directly by the number of approved insured loans in the large (greater than four units) rental housing market, including nursing and retirement homes, and in small and rural communities. In 2012, these markets represented 47.2% of CMHC's insured volumes excluding low ratio Portfolio insurance.
Intermediate	A healthy housing market which includes new construction as well as renovation activity contributes to job creation and economic growth.	Housing-related spending[1] in 2012 of $314.9 billion represented approximately 17.3% of the GDP in Canada, accounting for 1.2 million jobs[2]. Source: Statistics Canada calculated by CMHC
	The provision of mortgage loan insurance for rental housing and condominium construction promotes affordable housing and supports tenure options.	Measured through CMHC mortgage loan insurance for large rental units (exceeding four units), social housing units, and affordable housing flexibilities over the past ten years, CMHC has approved insurance for the following: ▪ 897,267 rental apartment units ▪ 101,727 nursing and retirement homes ▪ 27,657 social housing units ▪ 31,925 Affordable Housing Underwriting Flexibilities (partially included in the above large rental and nursing and retirement units counts)
Long-term	Canadians who choose homeownership can increase their financial security.	Indirectly measured by the average equity that borrowers have in their homes. As at December 31, 2012, homes in CMHC's insured high ratio homeowner loan portfolio had, on average, equity of 45%.
	Rental housing is supported, increasing the percentage of Canadians able to provide for their own housing needs without any government assistance.	See intermediate outcome indicator "The provision of mortgage loan insurance for rental housing and condominium construction promotes affordable housing and supports tenure options" above.

[1] Includes spending for new residential construction, renovations, ownership transfer costs, dwelling maintenance and repair costs, rent and imputed rent
[2] Includes employment in the following sectors: residential building construction, speciality trade contractor, real estate and leasing

Term	Expected Outcomes for 2.2	Indicators
Immediate	Increased integration of mortgage market lending with capital market lending leads to greater efficiency for lenders.	CMHC's securitization guarantee programs have become important sources of funding for lenders, from approximately 16% to 27% of their funding sources between 2006 and 2010. An evaluation of the CMB program available on CMHC's website (http://www.cmhc.ca/en/hoficlincl/in/camobo/upload/CMB-Evaluation-Jun08.pdf) was conducted with respect to program's effectiveness during the 2001 to 2006 period. It showed the cost of funds obtained by the "Big Five" banks through this program was, on average, about 18 basis points less than the costs of the next cheapest alternative source of long-term wholesale funding. During the summer of 2007, financial markets in Canada and elsewhere began to undergo some important changes, initially sparked by the sub-prime crisis in the United States. An addendum to the evaluation discussed how the findings of the CMB evaluation would likely be different in such an environment. This discussion further supported the CMB program as a source of funding, particularly, important to smaller lenders.
Immediate	Enhanced competitive position of smaller lenders in the mortgage market.	Directly measured by the share of total guarantees-in-force initiated by smaller lenders. Prior to the global financial crisis, smaller lenders accounted for approximately 14% 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 14% to approximately 23% as at December 2012.
Immediate	Canadians continue to be able to access financing for their homes.	An evaluation of the Canada Mortgage Bonds program (see above) estimated that borrowers saved up to $174 million per year (or $400 million over the course of the study period) due to the program.
Intermediate to long-term	Financial institutions, in particular, smaller lenders, have access to robust wholesale housing finance choices.	Prior to the global financial crisis, smaller lenders accounted for approximately 14% of insured residential mortgages securitized through CMHC's programs. With the increase in the number of smaller lenders who sought access to CMHC's programs, the participation rate increased from 14% to approximately 23% as at December 2012. Under the CMB program, the increase in the participation of smaller lenders is even more pronounced, moving from 19% in 2006 to 47% as at December 2012.
Intermediate to long-term	A stable and resilient Canadian housing finance system.	Canada's housing finance system withstood one of the worst economic downturns in many years. Access to mortgage funding continued throughout the downturn as did competition in the mortgage lending market.

Term	Expected Outcomes for 2.3	Indicators
Immediate	Consumers, the housing industry, stakeholders and policy makers have access to timely and relevant information on housing.	Indirectly measured by take-up of and satisfaction with CMHC's market analysis products in 2012: ▪ Approximately 530,000 market analysis publications downloaded or distributed ▪ 94% of recipients of market analysis publications who found them useful ▪ 99.6% of attendees of Housing Outlook Conferences who found them useful Also indirectly measured through over 9.5 million visits to CMHC's website, with each visitor averaging 13 minutes per visit.
Intermediate to long-term	The housing market is more efficient and stable as a result of more effective matching of supply and demand.	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.
Intermediate to long-term	Consumers and the housing industry are aware of and adopt best practices.	Indirectly measured through the number of publications ordered or downloaded and usefulness ratings of research products, Housing Outlook Conferences and other information transfer activities.

	Expected Outcomes for 3.1	Indicators
Immediate	Consumers, the housing industry, stakeholders and policy makers have access to timely and relevant information on housing.	Indirectly measured by take-up of and satisfaction with CMHC's information products in 2012: ▪ Nearly 2.2 million housing information products downloaded or distributed ▪ 93% of attendees at information seminars who found them useful ▪ Of all recipients who found the topics interesting, 70% found the newly published Research Highlights useful ▪ 88% of recipients of About Your House publications found them useful Also indirectly measured through over 9.5 million visits to CMHC's website, with each visitor averaging over 13 minutes per visit. To help newcomers to Canada make informed housing decisions, CMHC provides information products on renting, home buying and home maintenance in six languages in addition to English and French: Mandarin, Urdu, Tagalog, Punjabi, Spanish and Arabic. In total, CMHC's "Housing for Newcomers" micro site had nearly 220,000 visits in 2012 and over half a million pages of content were viewed or downloaded. Both visits and viewed/downloaded pages showed an increase of 9% from 2011.
Intermediate	Consumers and the housing industry are aware of and adopt best practices.	Data from the Winter 2012 Canadian Home Builders' Association (CHBA) Pulse Survey of new home builders and renovators indicate that almost 28% of respondents reported that they participate in an energy efficiency or green building program. 34% of renovators report that requests for energy efficiency improvements have increased. 68% of the industry participants of the EQuilibrium™ Housing Forum held in Vancouver in 2012 indicated that they were very likely to incorporate the knowledge gained and lessons learned from the four EQuilibrium™ projects presented at the two-day Forum.
	Governments and other organizations, including First Nations and Aboriginal organizations, have information to better assess policy options related to housing for Canadians in need.	CMHC's website offers a broad range of statistical information on housing which can be downloaded and customized. Indirectly measured through the number of publications ordered or downloaded and usefulness ratings of research products, Housing Outlook Conferences and other information transfer activities as noted above. CMHC also publishes on an annual basis the Canadian Housing Observer which provides an in-depth review of housing conditions and trends, and describes some of the key factors influencing developments in housing. CMHC published the 2012 edition of the Canadian Housing Observer in December.
Long-term	Greenhouse gas emissions attributable to the residential sector are reduced through improved performance of new and existing homes.	The performance of EQuilibrium™ houses after occupancy is being monitored. Results to date indicate EQuilibrium™ homes can attain a 60% to 92% improvement in energy performance compared to conventional new construction, a 43% to 88% improvement in energy performance compared to the current R2000 standard (a benchmark for energy efficient housing), and an 80% improvement in energy performance for the EQuilibrium™ retrofit project, compared to a similar existing 1950 era conventional house.

2014-2018

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 68-year history and today is a major source of federal housing assistance and a leading provider of mortgage loan insurance, securitization guarantee, 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.

68089