Canada Mortgage and Housing Corporation

Quarterly Financial Report

First Quarter
March 31, 2016
(Unaudited)

Canada

CMHC SCHL

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Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations as approved by the Audit Committee on 24 May 2016 is prepared for the first quarter ended 31 March 2016 and is intended to provide readers with an overview of our performance including comparatives against the same quarter in 2015. The MD&A includes explanations of significant deviations in actual financial results from the targets outlined in the Corporate Plan Summary that may impact the current and future quarters of our fiscal year. This MD&A should be read in conjunction with the unaudited quarterly consolidated financial statements as well as the 2015 Annual Report. The unaudited quarterly consolidated financial statements have been prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* (IAS 34) and do not include all of the information required for full annual consolidated financial statements. The unaudited quarterly consolidated financial statements have been reviewed by CMHC's external auditors. All amounts are expressed in millions Canadian dollars, unless otherwise stated.

Information related to our significant accounting policies, judgments and estimates can be found in our 2015 Annual Report. There have been no material changes to our significant accounting policies, judgments or estimates during the first quarter of 2016.

Forward-looking statements

Our Quarterly Financial Report (QFR) contains forward-looking statements including, but not limited to, statements made in the "Operating Environment and Outlook for 2016", and "Financial Results by Reportable Business Segment" sections of the report. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties which may cause actual results to differ materially from expectations expressed in these forward-looking statements.

Non-IFRS measures

We use a number of financial measures to assess our performance. Some of these measures are not calculated in accordance with International Financial Reporting Standards (IFRS), are not defined by IFRS, and do not have standardized meanings that would ensure consistency and comparability with other institutions. These non-IFRS measures are presented to supplement the information disclosed in the unaudited quarterly consolidated financial statements which are prepared in accordance with IFRS and may be useful in analyzing performance and understanding the measures used by management in its financial and operational decision making. Definitions of the non-IFRS measures used throughout the quarterly financial report can be found in the Glossary for Non-IFRS Financial Measures section of the 2015 Annual Report.

The Operating Environment and Outlook For 2016

The following events can be expected to have an impact on our business going forward:

Economic context and housing indicator (as at 29 April 2016)

In the first half of 2015, the prolonged decline in oil prices triggered a contraction in Canada's real gross domestic product (GDP), largely driven by declines in business investment and exports in a context of heightened global economic uncertainty. Starting in the second half of 2015, on-going improvement in U.S. economic conditions and a weaker U.S. dollar exchange rate helped drive a rebound in Canadian GDP as exports strengthened and business investment saw less downward pressure. Recent trends are expected to continue, leading to further improvement in economic conditions in 2016. The consensus among private sector forecasters[1] which helps guide CMHC's views regarding economic activity, notes that:

- Real Canadian Gross Domestic Product (GDP) is forecast to increase between 0.7% and 2.1% in 2016 and between 1.2% and 2.8% in 2017, compared to observed growth of 1.2% in 2015.

- The overall Canadian unemployment rate is forecast to be in the range of 6.9% to 7.6% in 2016 and within a range of 6.4% to 7.8% in 2017, compared to 6.9% in 2015.

Total housing starts[2] in the first quarter of 2016 increased 8.5% compared to the first quarter of 2015 and Multiple Listing Service® (MLS®)[3] Sales[4] increased 13.5% over the same period.

We expect the growth of housing starts to slow in 2016 and 2017. On an annual basis, housing starts are expected to range from 181,300 to 192,300 units in 2016 and from 172,600 to 183,000 units in 2017, a slowdown compared to 195,535 units in 2015. MLS® sales are expected to range from 501,700 to 525,400 units in 2016. In 2017, MLS® sales are expected to be in a lower range of 485,500 to 508,400 units as demand for existing units is expected to moderate relative to 2015 and 2016 reflecting the fact that the current (i.e. as at 29 April 2016) ratio of existing home sales to the number of households is historically high.

The MLS® Home Price Index[5], which uses statistical techniques to control for changes over time in the types and quality of homes sold, registered an increase of 10.3% in April 2016 compared to the same month in 2015. The growth in the Index has trended steadily higher since the early months of 2015. CMHC's 2016 second quarter Housing Market Outlook forecasts the average MLS® price to be between $474,200 and $495,800 in 2016 and between $479,300 and $501,100 in 2017.

- Nationally, modest employment[6] gains so far in 2016 continue to support housing demand, with employment increasing slightly in the first quarter of 2016 when compared to the same quarter in 2015. Employment growth was concentrated mostly in full-time employment. In the first quarter of 2016, Alberta, Saskatchewan and Newfoundland and Labrador registered declines in employment when compared to the first quarter of 2015, reflecting the dampening effect from lower oil prices impacting economic activity in these oil-producing provinces.

- Mortgage rates are expected to rise moderately from current levels in the first half of 2017. We forecast the five-year posted rate to lie within the 4.4% to 5.0% range in 2016 and within the 4.7% to 5.3% range in 2017. Low mortgage rates will continue to support housing demand; however, the uncertainty surrounding lower oil prices remains the most significant risk to the outlook for the Canadian housing sector. This risk is reflected in the lower end of the range of housing starts forecasts in CMHC's latest Housing Market Outlook.

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[1] Consensus Economics' survey of private sector forecasters, as of 11 April 2016.
[2] Housing starts quarterly, actual (not seasonally adjusted).
[3] Multiple Listing Service® (MLS®) is a registered trademark owned by the Canadian Real Estate Association.
[4] MLS® Sales quarterly, not seasonally adjusted.
[5] National MLS® Home Price Index, seasonally adjusted.
[6] Statistics Canada, Table 282-0001.

Assisted Housing developments

Budget 2016, *Growing the Middle Class,* announced significant short-term investments to support affordable, social and rental housing, and respond to pressing housing needs in the North and on reserves.

Affordable and Social Housing
The Budget announced the following investments, totalling nearly $1.4 billion over two years, which will be mostly administered through the Investment in Affordable Housing program:

- $504.4 million to support the construction of new, and renovation and repair of existing, affordable housing; housing affordability such as rent supplements; and safe, independent living.
- $200.7 million for the construction, repair and adaptation of affordable housing for seniors.
- $89.9 million for the construction and renovation of shelters and transition houses for victims of family violence.
- $573.9 million to renovate and retrofit existing social housing to address increasing demand for repairs, improve efficiency and reduce energy use.

The Budget also announced the reallocation of $30 million over two years to help federally administered social housing providers continue serving low-income households.

Affordable Rental Housing
Budget 2016 proposed $208.3 million over five years, to be administered by CMHC, in an Affordable Rental Housing Innovation Fund to test new, innovative business approaches that will encourage the construction of affordable rental housing.

CMHC will also consult with stakeholders on the design of an Affordable Rental Financing Initiative to provide low-cost loans to municipalities and housing developers for the construction of new affordable rental housing. Up to $500 million in loans will be available each year for five years ($2.5 billion total).

Northern and Inuit Housing
The Budget included $177.7 million over two years to address urgent housing needs in the North and Inuit communities.

Housing in First Nations Communities
The Budget proposed $137.7 million over two years through CMHC programs to renovate and retrofit housing in First Nation communities. An additional $10.4 million over three years will support the renovation and construction of new shelters for victims of family violence in these communities.

Pyrrhotite
The Budget announced up to $30 million over three years to help homeowners dealing with the consequences of pyrrhotite.

While these short-term investments will help to address immediate housing priorities, long-term approaches are needed to improve housing outcomes for Canadians. Over the coming year, the Government will consult with provinces and territories, municipalities, Indigenous and other communities, and key stakeholders to develop a National Housing Strategy (NHS) aimed at improving outcomes.

Mortgage Loan Insurance developments

Amendments to the Insurable Housing Loan Regulations
Effective 15 February 2016, the minimum down payment for new insured mortgages increased from 5% to 10% for the portion of the house price above $500,000. The 5% minimum down payment for properties up to $500,000 remains unchanged. The Government announced these changes to the rules for government-backed mortgage insurance to contain risks in the housing market, reduce taxpayer exposure and support long-term stability.

New insurability criteria require that, effective 1 July 2016, low loan-to-value portfolio insured mortgage loans must be securitized via the *National Housing Act* Mortgage-Backed Securities (NHA MBS) program within six months of being insured. These amendments prohibit the use of insured mortgages as collateral in securitization vehicles that are not sponsored by CMHC and restore portfolio insurance to its original purpose of allowing access to funding for mortgage assets. Certain exceptions and transition provisions apply to the implementation of the amendment to the regulations.

We will be communicating with Approved Lenders prior to 1 July 2016, with respect to the operationalization of the regulations.

Securitization developments

Annual limit on new securities guaranteed

For 2016, the Minister of Finance has authorized CMHC to provide up to $105 billion of new guarantees of market NHA MBS and up to $40 billion of new guarantees for Canada Mortgage Bonds (CMB). The authorized limit for market NHA MBS was increased to reflect the changes under the CMB Program where all NHA MBS sold to Canada Housing Trust (CHT) for all CMB series issued after 1 July 2016, as original or reinvestment assets, will be subject to separate NHA MBS guarantee fees. These annual guarantee limits are separate and distinct from the $600 billion limit on mortgage insurance-in-force.

NHA MBS Guarantee fees

On 11 December 2015, CMHC announced an increase to the NHA MBS guarantee fees across all NHA MBS terms effective 1 July 2016. The revised fee structure is intended to encourage the development of alternative funding options in the private market.

Maple bank GmbH Toronto

Maple Bank GmbH is no longer operating as an Approved Issuer of NHA MBS. The Canadian branch of Maple Bank is being wound up, and a process is underway to appoint a replacement issuer for the NHA MBS issued by Maple Bank.

CMHC provides a timely payment guarantee of interest and principal to Maple Bank's NHA MBS investors. The Corporation does not expect to incur any costs as a result of its guarantee which it will not be able to recover.

Other – Office of the Superintendent of Financial Institutions (OSFI) Draft Guidelines

IFRS 9 Financial Instruments and Disclosures

OSFI released for comment a draft guideline on International Financial Reporting Standard 9 Financial Instruments and Disclosures. The draft guideline provides guidance to Federally Regulated Entities (FREs) on the application of IFRS 9 *Financial Instruments* (IFRS 9) which will be effective for annual periods beginning on or after 1 January 2018. The proposals contained in the draft guideline have been tailored to the size, nature and complexity of FREs and provides guidance on the application of expected credit losses and revisions or replacement of seven existing OSFI guidelines. CMHC is currently preparing for the transition to IFRS 9 and will continue to monitor the status and recommendations of OSFI as it pertains to IFRS 9.

Changes to Capital Requirements for Residential Mortgages

On 11 December 2015, OSFI announced its plans to update the regulatory capital requirements for loans secured by residential real estate properties (i.e. residential mortgages). The anticipated changes will impact the regulatory capital requirements for those deposit taking institutions using internal models for mortgage default risk and the standardized capital requirements for Canada's mortgage insurers.

For federally regulated private mortgage insurers, OSFI will introduce a new standardized approach that updates the capital requirements for mortgage guarantee insurance risk and will require more capital when house prices are high relative to borrower incomes.

OSFI will consult with federally regulated financial institutions and other stakeholders before making changes and expects final rules to be in place no later than 2017. The anticipated changes may impact our regulatory capital requirements.

Condensed Consolidated Financial Results

Condensed consolidated balance sheet

	As at	
(in millions)	**31 March 2016**	**31 December 2015**
Total assets	256,789	252,107
Total liabilities	236,850	232,468
Total equity of Canada	19,939	19,639

Total assets increased by $4,682 million (1.9%) from 31 December 2015, primarily due to increases in loans and receivables. Loans and receivables increased by $4,646 million (2.1%), due to net purchases of NHA MBS in the Securitization Activity, partially offset by a decline in the loan portfolio due to net repayments in the Assisted Housing Activity.

Total liabilities increased by $4,382 million (1.9%) from 31 December 2015 due to increases in borrowings – other financial liabilities. Borrowings – other financial liabilities increased by $4,244 million (2.0%) primarily due to net issuances of CMB exceeding maturities in the Securitization Activity.

Condensed consolidated statement of income and comprehensive income

	Three months ended	
(in millions)	**31 March 2016**	**31 March 2015**
Total revenues	1,200	1,255
Total expenses	788	804
Income taxes	99	109
Net income	313	342
Other comprehensive (loss) income	(13)	210
Comprehensive income	300	552

Total revenues decreased by $55 million (4.4%) from the same quarter last year primarily due to lower parliamentary appropriations for Housing Programs and net realized gains (losses).

Parliamentary appropriations for Housing Programs decreased by $41 million (6.5%) from the same quarter last year primarily as a result of decreases of $50 million due to the timing of expenditures under the Investment in Affordable Housing (IAH) and $15 million due to the timing for the affordable housing in Nunavut which was only available in Government fiscal years 2013/2014 and 2014/2015. These decreases were partially offset by higher expenditures for existing social housing.

Net realized gains (losses) decreased by $34 million (680.0%) from the same quarter last year primarily due to purchases of CMB which have increased in volume compared to the prior year due to a larger allocation in our portfolio, whereby any premium paid upon purchase is considered to be a cost of debt retirement and is immediately recognized in income.

Total expenses decreased by $16 million (2.0%) from the same quarter last year primarily due to Housing Program expenses partially offset by an increase in insurance claims and operating expenses.

Housing Program expenses decreased by $41 million (6.5%) from the same quarter last year in accordance with parliamentary appropriation for Housing programs noted above.

Insurance claims increased by $15 million (17.2%) from the same quarter last year primarily due to changing economic variables and higher real estate inventory levels resulting in an increase in the impairment provision on non-current assets held for sale.

Operating expenses increased by $10 million (11.5%) from the same quarter last year primarily due to an increase in personnel costs.

Other comprehensive income (loss) decreased by $223 million (106.2%) from the same quarter last year primarily due to a decrease of $231 million (75.0%) in net unrealized gains from available for sale financial instruments (net of tax). There was a steeper decline in bond yields in the same quarter last year, when compared to the first quarter in 2016, resulting in lower unrealized gains on the fixed income portfolio as the resulting fair value increment was lower. The decrease was partially offset by stronger performance in equity markets when compared to the same quarter last year, which increased the fair value.

Financial Results by Reportable Business Segment

Financial analysis is provided for the following activities: Assisted Housing, Mortgage Loan Insurance and Securitization.

Assisted Housing

Financial analysis

	Three months ended	
(in millions)	**31 March 2016**	**31 March 2015**
Parliamentary appropriations for Housing Programs	589	630
Net interest income	3	-
Other income	12	10
Total revenues	**604**	**640**
Housing programs expenses	589	630
Operating expenses	3	5
Total expenses	**592**	**635**
Income before Income Taxes	**12**	**5**
Income taxes	2	-
Net income	**10**	**5**

Total revenues decreased by $36 million (5.6%) from the same quarter last year. The decline was primarily driven by a decrease in parliamentary appropriations for Housing Programs. Appropriations spending related to Housing Programs expenses for the three months ended 31 March 2016 was $41 million (6.5%) lower than the same period last year primarily as a result of a decrease of $50 million due to the timing of expenditures under the IAH and $15 million due to timing of expenditures for the affordable housing in Nunavut which were only available in Government fiscal years 2013/2014 and 2014/2015. These decreases were partially offset by higher expenditures for existing social housing.

Total expenses decreased by $43 million (6.8%) primarily driven by a decrease in Housing Programs expenses as explained above.

The Lending Activity is operated on a planned breakeven basis over the long term such that in any given year a profit or loss may be realized.

Capital management

Lending Programs

We maintain a reserve fund pursuant to Section 29 of the *Canada Mortgage and Housing Corporation Act* (the "CMHC Act"). A portion of the Lending Programs' earnings are retained in this reserve fund as part of our strategy to address interest rate risk exposure on pre-payable loans as well as credit risk exposure on unsecured loans. The reserve fund is subject to a statutory limit of $240 million (31 December 2015 - $240 million). Should the statutory limit be exceeded, we would be required to pay the excess to the Government.

Unrealized fair value market fluctuations incurred by the Lending Programs as well as remeasurements of the net defined benefit plans for Assisted Housing are absorbed in retained earnings. The Housing Programs' portion of remeasurements is recorded in retained earnings until it is reimbursed by the Government through Housing Programs appropriations.

The following table presents the components of the capital available for the Lending Programs.

	As at	
(in millions)	**31 March 2016**	**31 December 2015**
Reserve fund	136	136
Retained earnings	15	41
Total Lending Programs capital available	**151**	**177**

Housing Programs
We do not hold capital for Housing Programs as this activity does not present risks to the corporation that would require capital to be set aside.

Reporting on use of appropriations

The following table reconciles the amount of appropriations authorized by Parliament as available to us during the Government fiscal year (31 March) with the total amount recognized by us in our calendar year.

	Three months ended 31 March	
(in millions)	**2016**	**2015**
Amounts provided for Housing Programs:		
Amounts authorized in 2015/16 (2014/15)		
Main estimates	2,026	2,097
Less: Portion recognized in calendar 2015 (2014)	(1,420)	(1,423)
Less: Appropriations lapsed for 2015/16 (2014/15)	(17)	(44)
2015/16 (2014/15) portions recognized in 2016 (2015)	**589**	**630**
Amounts authorized in 2016/17 (2015/16)		
Main estimates	2,028	2,026
Less: Portion to be recognized in subsequent quarters	(2,028)	(2,026)
2016/17 (2015/16) portions recognized in 2016 (2015)	**-**	**-**
Total appropriations recognized – three months ended 31 March	**589**	**630**

The total spending against the reference level as at 31 March 2016 was $2,009 million (99.2%) CMHC's recognized lapse for fiscal year 2015/16 was $17 million. Included within the $2,026 million reference level for 2015/16 was a frozen allotment in the amount of $6 million as a result of funding which was reprofiled to future years. When netted against this frozen allotment, CMHC's lapse was $11 million.

Mortgage Loan Insurance

We provide mortgage loan insurance for transactional homeowner, portfolio and multi-unit residential units in all parts of Canada. We operate these programs on a commercial basis. Revenues from premiums, fees and investments cover all expenses, including insurance claim losses, and we are expected to generate a reasonable return for the Government with due regard for loss. We derive our net income primarily from this activity.

Our mortgage loan insurance business is exposed to some seasonal variation. While premiums earned, net realized gains (losses) and net unrealized gains (losses) vary from quarter to quarter as underlying balances change, premiums received for some insurance products vary each quarter because of seasonality in housing markets. Variations are driven by the level of mortgage originations and related mortgage policies written, which, for purchase transactions, typically peak in the spring and summer months. Losses on claims vary from quarter to quarter primarily as the result of prevailing economic conditions as well as the characteristics of the insurance-in-force portfolio, such as size and age.

Financial metrics

Measures	As at	
(in billions)	**31 March 2016**	**31 December 2015**
Insurance-in-force	**520**	**526**
Transactional homeowner	271	275
Portfolio	190	193
Multi-unit Residential	59	58

Under Section 11 of the NHA, the total of outstanding insured amounts of all insured loans may not exceed $600 billion (31 December 2015 – $600 billion). At 31 March 2016, Insurance-in-force was $520 billion, a $6 billion (1.1%) decrease from 31 December 2015. New loans insured were $14 billion, while estimated loan amortization and pay-downs were $20 billion.

Measures	**Three months ended**	
(in millions, unless otherwise indicated)	**31 March 2016**	**31 March 2015**
Total insured volumes (units)	**82,834**	**68,527**
Transactional homeowner	24,162	25,164
Portfolio[1]	36,690	26,172
Multi-unit Residential	21,982	17,191
Total insured volumes ($)	**14,336**	**13,006**
Transactional homeowner	5,766	6,005
Portfolio[1]	6,979	5,793
Multi-unit residential	1,591	1,208
Premiums and fees received	**248**	**220**
Transactional homeowner	173	163
Portfolio	17	12
Multi-unit residential	58	45
Claims Paid	**102**	**90**
Transactional homeowner	83	81
Portfolio	9	5
Multi-unit residential	10	4
Arrears rate (%)	**0.34**	**0.34**

[1] *Portfolio volumes have been modified to reflect Lender substitutions along with new business volumes.*

Our total insured volumes in the first quarter of 2016 were 14,307 units (20.9%) higher than the same quarter last year due to higher volumes in multi-unit residential and portfolio products.

- Multi-unit residential volumes increased by 4,791 units (27.9%) primarily due to increases in purchase units. Purchase units increased by 66.2% while refinance units increased by 17.6% compared to the same period last year.
- Portfolio volumes (new and substitutions) increased by 10,518 units (40.2%) mainly due to Lenders focusing on new portfolio insurance requests prior to the implementation of the Department of Finance Purpose Test and Ban regulations effective on 1 July 2016.

Premiums and fees received increased by $28 million (12.7%) from the same quarter last year primarily due to higher insured volumes on multi-unit residential and increased fees implemented on 1 June 2015 for the transactional homeowner product.

Claims paid increased $12 million (13.3%) from the same quarter last year primarily due to the multi-unit residential and portfolio products. There were higher real estate inventory acquisitions through non-current assets held for sale and an increase in payments related to the new claims payment process when compared to the same quarter last year.

	As at			
	31 March 2016		**31 December 2015**	
	No. of Delinquent Loans	**Arrears Rate**	**No. of Delinquent Loans**	**Arrears Rate**
Transactional homeowner	7,113	0.51 %	7,087	0.50 %
Portfolio	1,788	0.15 %	1,808	0.15 %
Multi-unit residential	122	0.57 %	132	0.60 %
Total	**9,023**	**0.34 %**	**9,027**	**0.34 %**

Our arrears rate is calculated on the basis of all loans that are more than 90 days past due over the number of outstanding insured loans.

Our overall arrears rate and total number of loans in arrears as at 31 March 2016 were consistent with year-end 2015. With respect to the transactional homeowner arrears rate, there was a slight increase from year-end due to the decline in the number of outstanding insured loans. Regarding the multi-unit residential arrears rate, there was a decrease from year-end primarily due to the decrease in the number of delinquent loans.

Financial analysis

	Three months ended	
(in millions)	**31 March 2016**	**31 March 2015**
Premiums and fees earned	368	375
Investment income	144	137
Other income	3	5
Total revenues	**515**	**517**
Insurance claims	102	87
Operating expenses	66	56
Total expenses	**168**	**143**
Income before income taxes	**347**	**374**
Income taxes	84	91
Net income	**263**	**283**

Total expenses increased by $25 million (17.5%) from the same quarter last year mainly due to higher insurance claims and operating expenses.

Insurance claims increased by $15 million (17.2%) due to a changing economic variables and higher real estate inventory levels resulting in an increase in the impairment provision on non-current assets held for sale.

Operating expenses increased by $10 million (17.9%) due to an increase in deferred issuance costs, Government of Canada guarantee fee expense and personnel costs compared to the same quarter last year.

Ratios

To supplement financial results of the Mortgage Loan Insurance Activity, we also use financial measures and ratios to analyze our financial performance.

	Three months ended	
(in percentages)	**31 March 2016**	**31 March 2015**
Severity ratio	34.4	30.2
Loss ratio	27.7	23.2
Operating expense ratio	17.9	14.9
Combined ratio	45.6	38.1
Return on equity	5.9	6.8
Return on capital holding target	10.5	11.4

The severity ratio increased by 4.2 percentage points from the same quarter last year primarily due to an increase in the claims as previously discussed.

The loss ratio increased by 4.5 percentage points from the same quarter last year primarily due to the increase in insurance claims as previously discussed.

The operating expense ratio increased by 3.0 percentage points from the same quarter last year due to the increase in deferred issuance costs, Government of Canada guarantee fee expense and personnel costs.

Capital management

Amounts set aside for the Mortgage Loan Insurance Activity is based on our capital management framework which follows guidelines as set out by OSFI. OSFI's minimum regulatory capital required is 100% of its Minimum Capital Test (MCT). The test is to ensure that the amount available is, at minimum, capital required by OSFI Guidelines for private sector federally regulated financial institutions ('Minimum Capital Required').

We set an internal capitalization target above the Minimum Capital Required. The internal capitalization target is set at a level that covers all material risks and is calibrated using specified confidence intervals designed to provide management with an early indication of the need to resolve financial problems. The internal capitalization target has been set at 205% (31 December 2015 – 205%) of the Minimum Capital Required.

Under our capital management framework, we operate with amounts available for capitalization above the internal capitalization target on all but unusual and infrequent occasions. Accordingly, we have established a holding target in excess of the internal capitalization target. The holding target is calibrated using confidence intervals specified by our capital management framework and is designed to provide us with adequate time to resolve financial problems before available amounts decrease below the internal capitalization target. The holding target has been set at 220% (31 December 2015 – 220%) of the Minimum Capital Required.

We maintain a holding target of 220% or $10,721 million (31 December 2015 – 220% or $10,817 million). As at 31 March 2016, the Mortgage Loan Insurance Activity had amounts available of $17,656 million, 362% of the Minimum Capital Required (31 December 2015 – $17,395 million or 354%).

The following table presents the components of capital available for the Mortgage Loan Insurance Activity.

	As at	
(in millions, unless otherwise indicated)	**31 March 2016**	**31 December 2015**
Accumulated other comprehensive income	875	803
Appropriated retained earnings	9,846	10,014
Appropriated capital	10,721	10,817
Unappropriated retained earnings	7,224	6,842
Total Mortgage Loan Insurance capital	**17,945**	**17,659**
Less: OSFI-mandated deductions from capital	(289)	(264)
Total Mortgage Loan Insurance capital available	**17,656**	**17,395**
Internal capital target	205 %	205 %
Holding capital target	220 %	220 %
Capital available to minimum capital required (% MCT)	362 %	354 %

Financial resources

The Mortgage Loan Insurance investment portfolio is funded by cash flow generated by premiums and fees and interest received, net of claims and operating expenses. The investment objective and asset allocation for the Mortgage Loan Insurance investment portfolio focuses on maximizing risk-adjusted return while minimizing the need to liquidate investments.

As at 31 March 2016 and 31 December 2015, total investments had a fair value of $24.0 billion and $23.9 billion respectively.

Securitization

We facilitate access to funds for residential mortgage financing through securitization guarantee products and administration of the legal framework for Canadian covered bonds.

Financial metrics

	As at	
(in billions)	**31 March 2016**	**31 December 2015**
Total guarantees-in-force	**429**	**431**
NHA MBS	209	216
CMB	220	215

Under Section 15 of the NHA, the aggregate outstanding amount of principal guarantees may not exceed $600 billion. Total guarantees-in-force represents the maximum principal obligation related to this timely payment guarantee.

Guarantees-in-force were $429 billion as at 31 March 2016, a decrease of $2 billion (0.5%) as maturities exceeded new guarantees provided by CMHC.

	Three months ended	
(in millions)	**31 March 2016**	**31 March 2015**
Total new securities guaranteed	**21,834**	**23,124**
NHA MBS	12,584	14,124
CMB	9,250	9,000
Guarantee and application fees received	**89**	**55**
MBS guarantee and application fees received	44	34
CMB guarantee fees received	45	21

New securities guaranteed decreased by $1,290 million (5.5%) primarily due to a decrease in demand.

Guarantee and application fees received were $34 million (61.8%) higher than the same quarter last year primarily due to guarantee fee increases for NHA MBS and CMB that occurred 1 April 2015.

Financial analysis

	Three months ended	
(in millions)	**31 March 2016**	**31 March 2015**
Premiums and fees earned[1]	71	60
Net interest income	3	3
Investment income	11	10
Other income	19	18
Total revenues	**104**	**91**
Operating expenses	28	26
Total expenses	**28**	**26**
Income before income taxes	**76**	**65**
Income taxes	19	16
Net income	**57**	**49**

[1] *Securitization Activity is comprised of guarantee and application fees earned*

Net income increased by $8 million (16.3%) from the same quarter last year, primarily due to the increase in premiums and fees earned. Premiums and fees earned were $11 million (18.3%) higher than the same quarter last year due to the maturity of older NHA MBS and CMB pools being replaced by more recent issuances that reflect the increased guarantee fee rates implemented in 2015.

Ratios

To supplement financial results of the Securitization programs (excluding CHT), we also use financial measures and ratios to analyze our financial performance.

	Three months ended	
(in percentages)	**31 March 2016**	**31 March 2015**
Operating expense ratio	11.6	11.9
Return on equity	11.8	11.4
Return on required capital	17.8	16.9

Capital management

Capitalization for the guarantees provided under NHA MBS and CMB programs is determined based on regulatory and economic capital principles. Capitalization targets have been established to be 100% or $1,229 million of the capital required under these principles (31 December 2015 – 100% or $1,200 million). CMHC's capitalization targets incorporate elements from OSFI's MCT capital requirements for insurance companies for asset exposures and principles from the Basel Committee on Banking Supervision for counterparty credit risk and guarantee exposures as applicable. As at 31 March 2016, the Securitization Activity had $1,975 million or 161% (31 December 2015 – $1,907 million or 159%) to meet capitalization targets.

We do not have separate capitalization amounts for CHT because current exposure is covered by mortgage insurance and the timely payment guarantees for which Mortgage Loan Insurance capitalization and Securitization capitalization amounts are available.

The following table presents the components of the capital available for the Securitization Activity.

	As at	
(in millions, unless otherwise indicated)	**31 March 2016**	**31 December 2015**
Accumulated other comprehensive income	78	63
Appropriated retained earnings	1,151	1,137
Appropriated capital	1,229	1,200
Unappropriated retained earnings	746	707
Total securitization capital available	**1,975**	**1,907**
Capital available to capital required	161 %	159 %

Financial resources

The Securitization investment portfolio is funded by cash flow from guarantee and application fees and interest received net of expenses. The portfolio is intended to cover obligations associated with our securitization guarantee programs. The objective of the Securitization investment portfolio is to maximize the capacity to meet liquidity needs of the timely payment guarantee and to preserve capitalization amounts through investments in Government of Canada securities.

As at 31 March 2016, total investments under management had a fair value of $2.8 billion compared to $2.7 billion at the end of 2015.

Risk Management

We are exposed to a variety of risks in our operating environment that could have an impact on the achievement of our objectives. These risks are discussed in detail in our 2015 Annual Report. There have been no material developments impacting our risk management since the last reporting period.

Changes in Key Management Personnel

The following changes to our key management personnel were announced prior to the release of the QFR:

- Effective 23 March 2016, Navjeet (Bob) Dhillon has succeeded Robert Kelly as the Chair of the Audit Committee.
- Effective 31 March 2016, Paul Mason was approved by the Board as CMHC's new Chief Information Officer.
- Effective 16 May 2016, Louise Levonian was appointed Deputy Minister, Employment and Social Development, succeeding Mr. Ian Shugart as ex-officio member of CMHC's Board of Directors.

Historical Quarterly Information

(in millions, unless otherwise indicated)	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Consolidated Results								
Total assets	256,789	252,107	255,897	249,968	246,916	248,490	246,557	251,274
Total liabilities	236,850	232,468	236,708	230,998	228,182	230,308	228,933	234,125
Total equity of Canada	19,939	19,639	19,189	18,970	18,734	18,182	17,624	17,149
Total revenues	1,200	1,147	1,107	1,127	1,255	1,875	1,811	1,202
Total expenses (including income taxes)	887	729	727	779	913	997	905	767
Net income	313	418	380	348	342	878	906	435
Assisted Housing								
Parliamentary appropriations for Housing Programs expenses	589	476	463	480	630	498	435	490
Net income	10	6	12	2	5	2	46	-
Total equity of Canada	176	202	188	198	158	191	187	151
Mortgage Loan Insurance								
Insurance-in-force ($B)	520	526	525	534	539	543	546	551
Total insured volumes [1]	14,336	25,358	18,770	23,313	13,006	21,014	20,375	20,467
Premiums and fees received	248	397	428	393	220	328	409	372
Premiums and fees earned	368	419	398	400	375	440	425	423
Claims paid	102	99	76	88	90	94	114	87
Insurance claims	102	52	53	98	87	83	85	58
Net income	263	360	326	295	283	821	812	389
Loss ratio	27.7 %	12.4 %	13.3 %	24.5 %	23.2 %	18.9 %	20.0 %	13.7 %
Operating expense ratio	17.9 %	9.8 %	14.3 %	14.5 %	14.9 %	18.9 %	13.9 %	11.8 %
Combined ratio	45.6 %	22.2 %	27.6 %	39.0 %	38.1 %	37.8 %	33.9 %	25.5 %
Severity ratio	34.4 %	29.6 %	29.5 %	29.5 %	30.2 %	27.1 %	33.0 %	27.7 %
Return on equity	5.9 %	8.2 %	7.6 %	6.9 %	6.8 %	13.2 %	13.0 %	10.2 %
Return on capital holding target	10.5 %	14.8 %	13.4 %	11.9 %	11.4 %	24.1 %	20.2 %	14.7 %
Capital available to minimum capital required (% MCT)	362 %	354 %	345 %	337 %	331 %	343 %	294 %	272 %
% Estimated outstanding Canadian residential mortgages with CMHC insurance coverage ($)	38.1 %	39.1 %	39.8 %	41.2 %	42.1 %	42.7 %	43.7 %	44.8 %
Securitization								
Guarantees-in-force ($B)	429	431	426	420	421	422	404	402
Securities guaranteed	21,834	36,077	31,923	24,598	23,124	40,356	30,393	24,389
Guarantee and application fees received	89	195	125	98	55	88	73	59
Guarantee and application fees earned	71	79	68	61	60	66	61	59
Net income	57	63	54	49	49	53	48	49
Operating expense ratio	11.6 %	8.7 %	12.3 %	12.1 %	11.9 %	11.2 %	11.2 %	10.3 %
Return on equity	11.8 %	13.2 %	12.0 %	11.1 %	11.4 %	13.1 %	12.4 %	13.1 %
Return on required capital	17.8 %	20.0 %	17.8 %	16.5 %	16.9 %	18.8 %	21.0 %	24.1 %
Capital available to capital required	161 %	159 %	157 %	158 %	159 %	157 %	152 %	209 %
% Estimated outstanding Canadian residential mortgages with CMHC securitization guarantees($)	32.3 %	32.5 %	32.5 %	33.1 %	33.7 %	32.8 %	32.5 %	32.5 %

[1] *Portfolio volumes have been modified to reflect the Lender substitutions along with new business volumes.*

Unaudited Quarterly Consolidated Financial Statements

Contents

Management's Responsibility for Financial Reporting

Period ended 31 March 2016

Management is responsible for the preparation and fair presentation of these unaudited quarterly consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*, and for such internal controls as management determines are necessary to enable the preparation of unaudited quarterly consolidated financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the unaudited quarterly consolidated financial statements.

Based on our knowledge, these unaudited quarterly consolidated financial statements present fairly, in all material respects, our financial position, results of operations and cash flows, as at the date of and for the periods presented in the unaudited quarterly consolidated financial statements.

Evan Siddall, BA, LL.B
President and Chief Executive Officer

Brian Naish, CPA, CA
Chief Financial Officer

24 May 2016

Consolidated Balance Sheets

(in millions of Canadian dollars)	Notes	As at 31 March 2016	As at 31 December 2015
Assets			
Cash and cash equivalents		1,507	2,020
Securities purchased under resale agreements		-	35
Investment securities	8		
Designated at fair value through profit or loss		1,060	1,147
Available for sale		22,239	22,168
Loans			
Designated at fair value through profit or loss		4,776	4,955
Loans and receivables		224,359	219,713
Accrued interest receivable		1,305	694
Derivatives		123	117
Due from the Government of Canada	6	447	161
Investment property		259	258
Accounts receivable and other assets		714	839
		256,789	252,107
Liabilities			
Securities sold under repurchase agreements		497	697
Borrowings			
Designated at fair value through profit or loss		6,811	7,078
Other financial liabilities		220,518	216,274
Accrued interest payable		1,068	461
Derivatives		30	31
Accounts payable and other liabilities		516	487
Defined benefit plans liability		547	445
Provision for claims	5	706	708
Unearned premiums and fees		6,120	6,229
Deferred income tax liabilities		37	58
		236,850	232,468
Commitments and contingent liabilities	16		
Equity of Canada			
Contributed capital		25	25
Accumulated other comprehensive income		883	807
Retained earnings		19,031	18,807
		19,939	19,639
		256,789	252,107

The accompanying notes are an integral part of these quarterly consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income

(in millions of Canadian dollars)	Notes	Three months ended 31 March 2016	2015
Interest income			
Loans – designated at fair value through profit or loss		25	33
Loans and receivables		1,116	1,222
Other		14	18
		1,155	1,273
Interest expense			
Borrowings – designated at fair value through profit or loss		34	47
Other financial liabilities		1,089	1,205
		1,123	1,252
Net interest income		**32**	**21**
Non-interest income and parliamentary appropriations			
Parliamentary appropriations for housing programs	6	589	630
Premiums and fees earned		439	435
Investment income		137	135
Net realized gains (losses)	7	(29)	5
Net unrealized gains	7	7	8
Other income		25	21
Total income and parliamentary appropriations		**1,200**	**1,255**
Non-interest expenses			
Housing programs	6	589	630
Insurance claims	5	102	87
Operating expenses		97	87
		788	804
Income before income taxes		**412**	**451**
Income taxes	14	99	109
Net income		**313**	**342**
Other comprehensive income (loss), net of tax			
Items that will be subsequently reclassified to net income			
Net unrealized gains from available for sale financial instruments		77	308
Reclassification of prior years' net unrealized gains realized in the period in net income		(1)	(2)
Total items that will be subsequently reclassified to net income		76	306
Items that will not be subsequently reclassified to net income			
Remeasurements of the net defined benefit plans		(89)	(96)
		(13)	210
Comprehensive income		**300**	**552**

The accompanying notes are an integral part of these quarterly consolidated financial statements.

Consolidated Statements of Equity of Canada

	Three months ended 31 March	
(in millions of Canadian dollars)	**2016**	**2015**
Contributed capital	**25**	**25**
Accumulated other comprehensive income		
Balance at beginning of period	807	803
Other comprehensive income	76	306
Balance at end of period	**883**	**1,109**
Retained earnings		
Balance at beginning of period	18,807	17,354
Net income	313	342
Other comprehensive loss	(89)	(96)
Balance at end of period	**19,031**	**17,600**
Equity of Canada	**19,939**	**18,734**

The accompanying notes are an integral part of these quarterly consolidated financial statements.

Consolidated Statements of Cash Flows

		Three months ended 31 March	
(in millions of Canadian dollars)	**Notes**	2016	2015
Cash flows provided by (used in) operating activities			
Net income		313	342
Adjustments to determine net cash flows provided by (used in) operating activities			
Amortization of premiums and discounts on financial		52	32
Deferred income taxes		(1)	(8)
Change in fair value of financial instruments carried at fair value	7	(2)	18
Net (gain) loss on financial instruments	7	29	(5)
Accrued interest receivable		(611)	(620)
Derivatives		(7)	(28)
Due from the Government of Canada		(286)	(148)
Accounts receivable and other assets		100	(10)
Accrued interest payable		607	604
Accounts payable and other liabilities		29	(182)
Defined benefit plans liability		(6)	(9)
Provision for claims		(2)	(6)
Unearned premiums and fees		(109)	(157)
Other		(8)	(5)
Loans	9		
Repayments		4,816	12,094
Disbursements		(9,282)	(9,081)
Borrowings	10		
Repayments		(5,476)	(13,052)
Issuances		9,866	10,340
		22	119
Cash flows provided by (used in) investing activities			
Investment securities			
Sales and maturities		1,494	3,190
Purchases		(1,863)	(3,401)
Investment property			
Additions		(1)	-
Securities purchased under resale agreements		35	(235)
Securities sold under repurchase agreements		(200)	(105)
		(535)	(551)
Decrease in cash and cash equivalents		(513)	(432)
Cash and cash equivalents			
Beginning of period		2,020	2,169
End of period		1,507	1,737
Represented by			
Cash		-	(3)
Cash equivalents		1,507	1,740
		1,507	1,737
Supplementary disclosure of cash flows from operating activities			
Amount of interest received during the period		759	863
Amount of interest paid during the period		565	696
Amount of dividends received during the period		10	9
Amount of income taxes paid during the period		-	423

The accompanying notes are an integral part of these quarterly consolidated financial statements.

Notes to Unaudited Quarterly Consolidated Financial Statements

CMHC was established in Canada as a Crown corporation in 1946 by the *Canada Mortgage and Housing Corporation Act* (CMHC Act) to carry out the provisions of the *National Housing Act* (NHA). We are also subject to Part X of the *Financial Administration Act* (FAA) by virtue of being listed in Part I of Schedule III, wholly owned by the Government of Canada (Government), and an agent Crown corporation. Our Corporation's National Office is located at 700 Montreal Road, Ottawa, Ontario, Canada, K1A 0P7.

These consolidated financial statements are as at and for the three months ended 31 March 2016 and were approved and authorized for issue by our Audit Committee on 24 May 2016.

1. Basis of Presentation and Significant Accounting Policies

Our unaudited quarterly consolidated financial statements have been prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* (IAS 34) and do not include all of the information required for full annual consolidated financial statements. They should be read in conjunction with our audited consolidated financial statements for the year ended 31 December 2015. These unaudited quarterly consolidated financial statements follow the same accounting policies and methods of application as disclosed in Note 2 of our audited consolidated financial statements for the year ended 31 December 2015.

Seasonality

Our mortgage loan insurance business is exposed to some seasonal variation. While premiums earned, net realized gains (losses) and net unrealized gains (losses) vary from quarter to quarter as underlying balances change, premiums received for some insurance products vary each quarter because of seasonality in housing markets. Variations are driven by the level of mortgage originations and related mortgage policies written, which, for purchase transactions, typically peak in the spring and summer months. Losses on claims vary from quarter to quarter primarily as the result of prevailing economic conditions as well as the characteristics of the insurance-in-force portfolio, such as size and age.

We have concluded that our business is not highly seasonal in accordance with IAS 34.

2. Changes in Accounting Policies

Current accounting policy changes

On 1 January 2016, we adopted the amendments to IAS 1 *Presentation of Financial Statements* (amendment to IAS 1). The amendments to IAS 1 are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements of International Financial Reporting Standards (IFRS), and do not affect recognition and measurement. The adoption of the amendments to IAS 1 did not have a material impact on the quarterly consolidated financial statements.

Future accounting policy changes

There were no new standards and amendments to existing standards issued by the International Accounting Standards Board (IASB) during the period that would affect CMHC in the future other than those disclosed in Note 3 of our audited consolidated financial statements for the year ended 31 December 2015.

3. Use of Judgments and Estimates

The preparation of financial statements requires Management to make various judgments, estimates and assumptions that can significantly affect the amounts recognized in the quarterly consolidated financial statements. Actual results may differ from these estimates. Where these differ, the impact will be recorded in future periods. These significant judgments and estimates were consistent with those disclosed in Note 4 of our audited consolidated financial statements as at and for the year ended 31 December 2015.

4. Segmented Information

The quarterly consolidated financial statements include the Assisted Housing, Mortgage Loan Insurance and Securitization Activities, each of which provides different programs in support of our objectives. The accounts for Canada Housing Trust (CHT), a separate legal entity, are included within the Securitization Activity. The financial results of each activity are determined using the accounting policies described in Note 2 of our audited consolidated financial statements for the year ended 31 December 2015. The Assisted Housing Activity includes certain corporate items that are not allocated to each activity. Revenues are attributed to, and assets are located in, Canada.

Revenues for the reportable segments are generated as follows:

- Assisted Housing revenues are earned from parliamentary appropriations and interest income on loans;
- Mortgage Loan Insurance revenues are earned from premiums, fees and investment income; and
- Securitization revenues are earned from guarantee and application fees, investment income and interest income on loans.

Three months ended 31 March	**Assisted Housing**		**Mortgage Loan Insurance**		**Securitization**		**Eliminations**		**Total**	
(in millions)	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Interest income	113	128	-	-	1,042	1,146	-	(1)	1,155	1,273
Interest expense	110	128	-	-	1,039	1,143	(26)	(19)	1,123	1,252
Net interest income	3	-	-	-	3	3	26	18	32	21
Non-interest income and parliamentary appropriations										
Parliamentary appropriations for housing programs	589	630	-	-	-	-	-	-	589	630
Premiums and fees earned	-	-	368	375	71	60	-	-	439	435
Investment income	-	-	144	137	11	10	(18)	(12)	137	135
Net realized gains (losses)	-	-	2	4	-	1	(31)	-	(29)	5
Net unrealized gains	6	6	1	1	-	-	-	1	7	8
Other income	6	4	-	-	19	17	-	-	25	21
Total income and parliamentary appropriations	**604**	**640**	**515**	**517**	**104**	**91**	**(23)**	**7**	**1,200**	**1,255**
Non-interest expenses										
Housing programs	589	630	-	-	-	-	-	-	589	630
Insurance claims	-	-	102	87	-	-	-	-	102	87
Operating expenses	3	5	66	56	28	26	-	-	97	87
	592	635	168	143	28	26	-	-	788	804
Income before income taxes	**12**	**5**	**347**	**374**	**76**	**65**	**(23)**	**7**	**412**	**451**
Income taxes	2	-	84	91	19	16	(6)	2	99	109
Net income (loss)	**10**	**5**	**263**	**283**	**57**	**49**	**(17)**	**5**	**313**	**342**
Total income and parliamentary appropriations	604	640	515	517	104	91	(23)	7	1,200	1,255
Inter-segment income[1]	-	-	(49)	(12)	26	19	23	(7)	-	-
External revenues and parliamentary appropriations	604	640	466	505	130	110	-	-	1,200	1,255

[1] *Inter-segment income relates to the Mortgage Loan Insurance Activity that recognizes revenues from investing in Canada Mortgage Bonds.*

As at 31 March 2016 and 31 December 2015	Assisted Housing		Mortgage Loan Insurance		Securitization		Eliminations[1]		Total	
(in millions)	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Assets										
Cash and cash equivalents	840	1,184	657	834	10	2	-	-	1,507	2,020
Securities purchased under resale agreements	-	35	-	-	-	-	-	-	-	35
Investment securities										
Designated at fair value through profit or loss	1,268	1,255	91	90	1	1	(300)	(199)	1,060	1,147
Available for sale	-	-	23,324	23,019	2,796	2,680	(3,881)	(3,531)	22,239	22,168
Loans										
Designated at fair value through profit or loss	4,776	4,955	-	-	-	-	-	-	4,776	4,955
Loans and receivables	3,977	4,091	-	-	220,382	215,622	-	-	224,359	219,713
Accrued interest receivable	129	188	183	143	1,015	374	(22)	(11)	1,305	694
Derivatives	123	117	-	-	-	-	-	-	123	117
Due from the Government of Canada	447	161	-	-	-	-	-	-	447	161
Investment property	156	156	103	102	-	-	-	-	259	258
Accounts receivable and other assets	186	40	524	736	4	63	-	-	714	839
	11,902	12,182	24,882	24,924	224,208	218,742	(4,203)	(3,741)	256,789	252,107
Liabilities										
Securities sold under repurchase agreements	-	-	497	697	-	-	-	-	497	697
Borrowings										
Designated at fair value through profit or loss	6,814	7,091	-	-	-	-	(3)	(13)	6,811	7,078
Other financial liabilities	4,102	4,194	-	-	220,382	215,622	(3,966)	(3,542)	220,518	216,274
Accrued interest payable	94	106	-	-	996	366	(22)	(11)	1,068	461
Derivatives	30	31	-	-	-	-	-	-	30	31
Accounts payable and other liabilities	455	364	52	96	9	27	-	-	516	487
Defined benefit plans liability	214	179	325	263	8	3	-	-	547	445
Provision for claims	-	-	706	708	-	-	-	-	706	708
Unearned premiums and fees	-	-	5,306	5,432	814	797	-	-	6,120	6,229
Deferred income tax liabilities	17	15	51	69	24	20	(55)	(46)	37	58
	11,726	11,980	6,937	7,265	222,233	216,835	(4,046)	(3,612)	236,850	232,468
Equity of Canada	176	202	17,945	17,659	1,975	1,907	(157)	(129)	19,939	19,639
	11,902	12,182	24,882	24,924	224,208	218,742	(4,203)	(3,741)	256,789	252,107

[1] *The balance sheet Eliminations remove inter-segment holdings of Canada Mortgage Bonds and Capital Market Borrowings, as well as inter-segment accrued interest receivable/payable.*

5. Mortgage Loan Insurance

Unearned premiums and fees

The following table presents the changes in the unearned premiums and fees balance.

	Three months ended 31 March	
(in millions)	**2016**	**2015**
Balance at beginning of period	5,432	5,575
Premium deferred on contracts written in the period	236	216
Premiums earned in the period	(361)	(370)
Application fees deferred on contracts written in the period	3	3
Application fees earned in the period	(4)	(2)
Balance at end of period	**5,306**	**5,422**

Provision for claims

The provision for claims includes amounts set aside for incurred but not reported (IBNR) claims, claims in process (CIP) and for Social Housing Mortgage and Index Linked Mortgage claims (SH and ILM). The following table presents the changes in the provision for claims balance.

	Three months ended 31 March					
	2016			2015		
(in millions)	**IBNR and CIP**	**SH and ILM**	**Total**	**IBNR and CIP**	**SH and ILM**	**Total**
Balance at beginning of period	485	223	708	551	227	778
Claims paid and related expenses during the period	(104)	-	(104)	(92)	(1)	(93)
Insurance claims expenses during the period	101	1	102	83	4	87
Balance at end of period	**482**	**224**	**706**	**542**	**230**	**772**

Insurance policy liability adequacy

Liability adequacy tests are performed quarterly and are also performed on an annual basis as part of the actuarial valuation. Premium liabilities represent a provision for future claims and expenses which are expected to arise from the unearned portion of the policies in-force. Thus, this provision is for claims that have not yet occurred and therefore, covers the period from the date of the valuation to the date of default (the assumed claim occurrence date).

The liability adequacy test for the Corporation, as at 31 March 2016, has identified that no provision for premium deficiency is required.

6. Parliamentary Appropriations and Housing Programs Expenses

We receive parliamentary appropriations to fund the following program expenditures, including operating expenses of $33 million (three months ended 31 March 2015 – $29 million), in support of Housing Programs.

	Three months ended 31 March	
(in millions)	**2016**	**2015**
Funding under long-term commitments for existing social housing	461	441
Funding for new commitments of affordable housing	111	176
Housing support	5	3
Market analysis information	4	6
Housing policy, research and information transfer	8	4
Total	**589**	**630**

The following table presents the changes in the Due from the Government of Canada account. The outstanding balance as at 31 March is mainly composed of Housing Programs expenses incurred but not yet reimbursed.

	Three months ended 31 March	
(in millions)	**2016**	**2015**
Balance at beginning of period	161	285
Total appropriations recognized in revenues during the period	589	630
Total appropriations received during the period	(303)	(485)
Third party reimbursements in excess of remittance to Government of Canada	-	3
Balance at end of period	**447**	**433**

7. Fair Value Measurement

We measure certain financial instruments and non-financial assets at fair value and disclose the fair value of certain other items. Fair value is determined using a consistent measurement framework.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Fair value measurement of non-financial assets (i.e., non-current assets held for sale and investment property) takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. For financial instruments, accrued interest is separately recorded and disclosed.

Fair value hierarchy

The methods and assumptions used in determining fair value are the same as those used in the preparation of our audited consolidated financial statements for the year ended 31 December 2015. These methods make maximum use of relevant observable inputs and minimize the use of unobservable inputs. Fair value measurements are classified in a fair value hierarchy as level 1, 2 or 3 according to the observability of the most significant inputs used in making the measurements.

Level 1
Assets and liabilities that are measured based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market is one where transactions are occurring with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2
Assets and liabilities that are measured based on observable inputs other than level 1 prices. Level 2 inputs include prices obtained from third-party pricing services based on independent dealer quotes for identical assets or liabilities in markets that are not considered sufficiently active. Level 2 also includes fair values obtained by discounting expected future cash flows, making maximum use of directly or indirectly observable market data such as yield curves and implied forward curves constructed from benchmark interest rates and credit spreads of identical or similar assets or liabilities.

Level 3
Assets and liabilities not quoted in active markets that are measured using valuation techniques. Where possible, inputs to the valuation techniques are based on observable market data such as yield curves and implied forward curves constructed from benchmark interest rates and credit spreads of similar assets or liabilities. Where observable inputs are not available, unobservable inputs are used. For level 3 assets and liabilities, unobservable inputs are significant to the overall measurement of fair value.

Comparison of carrying and fair values of financial instruments

The following table compares the carrying and fair values of financial instruments, except where the carrying value is a reasonable approximation of fair value. Carrying value is the amount at which an item is measured in the quarterly consolidated balance sheets.

	Carrying value					
(in millions)	Amortized cost	Fair value through net income	Fair value through OCI	Total	Fair value	Fair value over (under) carrying value
				As at 31 March 2016		
Financial assets						
Cash and cash equivalents[1]	497	841	169	1,507	1,507	-
Investment securities						
Designated at fair value through profit or loss	-	1,060	-	1,060	1,060	-
Available for sale	-	-	22,239	22,239	22,239	-
Loans						
Designated at fair value through profit or loss	-	4,776	-	4,776	4,776	-
Loans and receivables[2]	224,359	-	-	224,359	232,273	7,914
Derivatives	-	123	-	123	123	-
Financial liabilities						
Borrowings						
Designated at fair value through profit or loss	-	6,811	-	6,811	6,811	-
Other financial liabilities[3]	220,518	-	-	220,518	228,508	7,990
Derivatives	-	30	-	30	30	-
				As at 31 December 2015		
Financial assets						
Cash and cash equivalents[1]	697	1,186	137	2,020	2,020	-
Investment securities						
Designated at fair value through profit or loss	-	1,147	-	1,147	1,147	-
Available for sale	-	-	22,168	22,168	22,168	-
Loans						
Designated at fair value through profit or loss	-	4,955	-	4,955	4,955	-
Loans and receivables[2]	219,713	-	-	219,713	227,168	7,455
Derivatives	-	117	-	117	117	-
Financial liabilities						
Borrowings						
Designated at fair value through profit or loss	-	7,078	-	7,078	7,078	-
Other financial liabilities[3]	216,274	-	-	216,274	223,829	7,555
Derivatives	-	31	-	31	31	-

[1] *Of the total cash and cash equivalents, $841 million (31 December 2015 – $1,186 million) is classified as designated at fair value through profit or loss, $169 million (31 December 2015 – $137 million) is classified as available for sale, and $497 million (31 December 2015 – $697 million) is classified as held to maturity.*

[2] *The fair value of loans and receivables is categorized as level 2.*

[3] *$222,814 million (31 December 2015 – $218,045 million) fair value determined based on level 1 criteria, $5,694 million (31 December 2015 – $5,784 million) fair value determined based on level 2 criteria.*

Fair value hierarchy for items carried at fair value

The following tables present the fair value hierarchy for assets and liabilities measured at fair value in the quarterly consolidated balance sheets.

	As at 31 March 2016					
	Items carried at fair value				Items not carried at fair value	Total
(in millions)	Level 1	Level 2	Level 3	Total		
Assets						
Cash and cash equivalents						
Cash	-	-	-	-	-	-
Interest bearing deposits with banks	-	667	-	667	61	728
Corporate/other entities	-	208	-	208	45	253
Government of Canada	30	-	-	30	-	30
Provinces/municipalities	-	105	-	105	391	496
Total cash and cash equivalents	30	980	-	1,010	497	1,507
Investment securities						
Designated at fair value through profit or loss						
Fixed income						
Corporate/other entities	-	102	165	267	-	267
Provinces/municipalities	-	472	-	472	-	472
Sovereign and related entities	-	321	-	321	-	321
Total designated at fair value through profit or loss	-	895	165	1,060	-	1,060
Available for sale						
Fixed income						
Corporate/other entities	-	10,497	-	10,497	-	10,497
Government of Canada	3,524	49	-	3,573	-	3,573
Provinces/municipalities	-	6,641	-	6,641	-	6,641
Sovereign and related entities	-	359	-	359	-	359
Equities – Canadian	1,129	-	40	1,169	-	1,169
Total available for sale	4,653	17,546	40	22,239	-	22,239
Loans						
Designated at fair value through profit or loss	-	4,776	-	4,776	-	4,776
Derivatives	-	123	-	123	-	123
Investment property	-	-	259	259	-	259
Assets not carried at fair value	-	-	-	-	226,825	226,825
Total assets	**4,683**	**24,320**	**464**	**29,467**	**227,322**	**256,789**
Liabilities and equity of Canada						
Borrowings						
Designated at fair value through profit or loss	281	6,530	-	6,811	-	6,811
Derivatives	-	30	-	30	-	30
Liabilities and equity of Canada not carried at fair value	-	-	-	-	249,948	249,948
Total liabilities and equity of Canada	**281**	**6,560**	**-**	**6,841**	**249,948**	**256,789**

	As at 31 December 2015					
	Items carried at fair value				Items not carried at fair value	
(in millions)	Level 1	Level 2	Level 3	Total		Total
Assets						
Cash and cash equivalents						
Cash	(1)	-	-	(1)	-	(1)
Interest bearing deposits with banks	-	1,108	-	1,108	55	1,163
Corporate/other entities	-	40	-	40	65	105
Government of Canada	97	-	-	97	-	97
Provinces/municipalities	-	79	-	79	577	656
Total cash and cash equivalents	96	1,227	-	1,323	697	2,020
Investment securities						
Designated at fair value through profit or loss						
Fixed income						
Corporate/other entities	-	62	164	226	-	226
Provinces/municipalities	-	600	-	600	-	600
Sovereign and related entities	-	321	-	321	-	321
Total designated at fair value through profit or loss	-	983	164	1,147	-	1,147
Available for sale						
Fixed income						
Corporate/other entities	-	10,411	-	10,411	-	10,411
Government of Canada	3,717	50	-	3,767	-	3,767
Provinces/municipalities	-	6,518	-	6,518	-	6,518
Sovereign and related entities	-	354	-	354	-	354
Equities – Canadian	1,084	-	34	1,118	-	1,118
Total available for sale	4,801	17,333	34	22,168	-	22,168
Loans						
Designated at fair value through profit or loss	-	4,955	-	4,955	-	4,955
Derivatives	-	117	-	117	-	117
Investment property	-	-	258	258	-	258
Assets not carried at fair value	-	-	-	-	221,442	221,442
Total Assets	**4,897**	**24,615**	**456**	**29,968**	**222,139**	**252,107**
Liabilities and equity of Canada						
Borrowings						
Designated at fair value through profit or loss	739	6,339	-	7,078	-	7,078
Derivatives	-	31	-	31	-	31
Liabilities and equity of Canada not carried at fair value	-	-	-	-	244,998	244,998
Total liabilities and equity of Canada	**739**	**6,370**	**-**	**7,109**	**244,998**	**252,107**

Transfers between fair value hierarchy levels

For assets and liabilities measured at fair value in the quarterly consolidated financial statements on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Transfers may occur between levels of the fair value hierarchy as a result of changes in the availability of quoted market prices or observable market inputs. Transfers between levels are deemed to occur at the beginning of the quarter in which the transfer occurs. There were no transfers during the three months ended 31 March 2016 (three months ended 31 March 2015 – nil).

Change in fair value measurement for items classified as level 3

The following tables present the change in fair value for items measured at fair value and classified as level 3.

	Three months ended 31 March 2016				
(in millions)	1 January 2016	Purchases	Unrealized gains in net income[1,3]	Unrealized gains in OCI[2]	Balance at end of period
Investment securities					
Designated at fair value through profit or loss					
Asset-backed securities	164	-	1	-	165
Available for sale					
Limited partnership investment	34	-	-	6	40
Total investment securities	**198**	**-**	**1**	**6**	**205**
Investment property	**258**	**1**	**-**	**-**	**259**
Total	**456**	**1**	**1**	**6**	**464**

1 *Included in net unrealized gains for investment securities; other income for investment property.*
2 *Included in net unrealized gains.*
3 *Comprises unrealized gains relating to assets held at 31 March 2016.*

	Three months ended 31 March 2015				
(in millions)	1 January 2015	Purchases	Unrealized gains in net income[1,3]	Unrealized gains in OCI[2]	Balance at end of period
Investment securities					
Designated at fair value through profit or loss					
Asset-backed securities	159	-	2	-	161
Available for sale					
Limited partnership investment	19	-	-	5	24
Total investment securities	**178**	**-**	**2**	**5**	**185**
Investment property	**247**	**-**	**-**	**-**	**247**
Total	**425**	**-**	**2**	**5**	**432**

1 *Included in net unrealized gains for investment securities; other income for investment property.*
2 *Included in net unrealized gains from available for sale financial instruments.*
3 *Comprises unrealized gains relating to assets held at 31 March 2015.*

Unobservable inputs for items classified as level 3

The valuation of items classified as level 3 use unobservable inputs, changes in which may significantly affect the measurement of fair value. Valuations were based on assessments of the prevailing conditions at 31 March 2016, which may change materially in subsequent periods. The following table presents quantitative information about the significant unobservable inputs used in level 3 fair value measurements for items carried at fair value.

	31 March 2016				31 December 2015	
(in millions, unless otherwise indicated)	**Asset fair value**	**Valuation technique**	**Unobservable inputs**	**Weighted average input/range**	**Asset fair value**	**Weighted average input/range**
Investment securities						
Designated at fair value through profit or loss						
Asset-backed securities	165	Discounted cash flow	Risk premium	1.4%	164	1.4%
Available for sale						
Limited partnership investment	40	Share of partnership equity	Reported partnership equity	n.a.	34	n.a.
Total investment securities	**205**				**198**	
Investment property						
Investment property held by Mortgage Loan Insurance Activity	103	Discounted cash flow	Estimated rental value per square foot	$4 - $37	102	$4 - $37
			Discount rate	7.0% - 8.0%		7.0% - 8.0%
Investment property held by Assisted Housing Activity	17	Discounted cash flow	Estimated rental value per square foot	$22 - $148	17	$22 - $148
			Discount rate	4.0% - 5.8%		4.0% - 5.8%
	139	Market approach	Value per square foot	$0 - $325	139	$0 - $325
Total investment property	**259**				**258**	
Total level 3 items carried at fair value	**464**				**456**	

Level 3 sensitivity analysis

Investment securities

For the asset-backed securities classified as level 3, increases (decreases) in the unobservable risk premiums included in the discount rates used to calculate fair value would result in a decrease (increase) in the fair value measurement. We assessed the impact of a change in risk premium by 100 bps to income before income taxes and determined that it was immaterial as at the end of the period.

Investment property

For investment property, increases (decreases) in estimated rental value per square foot could result in a significantly higher (lower) fair value of the properties. Increases (decreases) in discount rates could result in a significantly lower (higher) fair value.

Gains and losses from financial instruments

The following table presents the net realized gains (losses) related to financial instruments.

(in millions)	Three months ended 31 March 2016	2015
Investment securities – available for sale	2	5
Borrowings – other financial liabilities[1]	(31)	-
Total	**(29)**	**5**

[1] *Comprises losses incurred on the retirement of CMB.*

The net unrealized gains (losses) arising from changes in fair value related to financial instruments classified as held for trading (HFT) and those designated at fair value through profit or loss (FVTPL) are presented in the following table.

(in millions)	Three months ended 31 March 2016	2015
Held for trading		
Derivatives	5	26
Total held for trading	**5**	**26**
Designated at fair value through profit or loss		
Investment securities	-	10
Loans	(6)	43
Borrowings	8	(71)
Total designated at fair value through profit or loss	**2**	**(18)**
Total	**7**	**8**

8. Investment Securities

Investment securities include fixed income and equity securities. The following table shows the cumulative unrealized gains (losses) on investment securities recorded at fair value.

	As at					
	31 March 2016				31 December 2015	
(in millions)	Amortized cost[1]	Gross cumulative unrealized gains	Gross cumulative unrealized losses	Fair value	Amortized cost[1]	Fair value
Investment securities						
Fixed income						
Designated at fair value through profit or loss	982	78	-	1,060	1,069	1,147
Available for sale	20,313	774	(17)	21,070	20,342	21,050
Equities						
Available for sale	726	443	-	1,169	726	1,118

[1] *Amortized cost for Equities is acquisition cost less impairment losses, if any.*

We have investment securities of $497 million (31 December 2015 – $698 million) that are part of securities sold under repurchase agreements with terms that do not exceed 93 days. We continue to earn investment income and recognize in other comprehensive income (loss) changes in fair values on these investment securities during the period.

The cumulative unrealized loss from available for sale (AFS) fixed income and equity investments of $17 million (31 December 2015 – $18 million) is included in accumulated other comprehensive income (AOCI) and has not been recognized as an impairment loss in net income.

During the three months ended 31 March 2016, there were no impairment losses (three months ended 31 March 2015 – nil) recognized in net realized gains (losses) and no reversals of previously realized fixed income investment security impairments occurred during the period.

9. Loans

The following table presents repayments and disbursements for Loans.

	Three months ended 31 March			
	2016		2015	
(in millions)	**Repayments**	**Disbursements**	**Repayments**	**Disbursements**
Designated at fair value through profit or loss				
Lending programs	150	28	159	22
Total designated at fair value through profit or loss	**150**	**28**	**159**	**22**
Loans and receivables				
Loans under the IMPP	-	-	2,025	-
Loans under the CMB program	4,500	9,252	9,750	9,058
Lending programs	166	2	160	1
Total loans and receivables	**4,666**	**9,254**	**11,935**	**9,059**
Total	**4,816**	**9,282**	**12,094**	**9,081**

For loans designated at FVTPL, there were no changes in fair value attributable to changes in credit risk. We are assured collection of principal and accrued interest on 99% (31 December 2015 – 99%) of our loans.

Uninsured loans are assessed on a regular basis to determine if an allowance for credit losses is necessary. As at 31 March 2016, an impairment allowance of $23 million has been recorded (31 December 2015 – $23 million).

10. Borrowings

The following table presents repayments and issuances for Borrowings.

	Three months ended 31 March			
	2016		2015	
(in millions)	**Repayments**	**Issuances**	**Repayments**	**Issuances**
Designated at fair value through profit or loss				
Capital market borrowings	465	-	-	-
Borrowings from the Government of Canada	418	614	1,164	1,282
Total designated at fair value through profit or loss	**883**	**614**	**1,164**	**1,282**
Other financial liabilities				
Canada mortgage bonds	4,500	9,252	9,750	9,058
Borrowings from the Government of Canada	93	-	2,138	-
Total other financial liabilities	**4,593**	**9,252**	**11,888**	**9,058**
Total	**5,476**	**9,866**	**13,052**	**10,340**

11. Market Risk

Market risk is the risk of adverse financial impacts arising from changes in underlying market factors, including interest rates, foreign exchange rates, and equity prices.

Value at risk (VaR)

Market risk for investment securities in the Mortgage Loan Insurance and Securitization Activities is evaluated through the use of VaR models. VaR is a statistical technique used to measure the maximum potential loss of an investment portfolio over a specified holding period with a given level of confidence.

The VaR for the Mortgage Loan Insurance and Securitization Activities as at 31 March 2016, calculated with 95% confidence over a 22 business day holding period is outlined in the table below. VaR is presented separately for individual market risk factors and for the total portfolio. The effect of diversification results from the fact that market risks are not perfectly correlated and, consequently, there is a benefit from investment diversification. The VaR figures are based on one-year of historical prices and correlations of bond and equity markets and 26 weeks of volatility.

	As at	
(in millions)	**31 March 2016**	**31 December 2015**
Investment securities:		
Available for sale		
Interest rate risk	274	267
Equity risk	81	69
Effect of diversification	(93)	(77)
Total VaR	**262**	**259**

Interest rate sensitivity

Market risk for the Assisted Housing Activity portfolio of loans, investments, borrowings and swaps is evaluated by measuring their sensitivity to changes in interest rates.

For the Assisted Housing Activity's financial instruments designated at FVTPL and HFT, we assessed the impact of a 200 bps shift in interest rates as immaterial as at 31 March 2016.

The Assisted Housing Activity's loans and borrowings measured at amortized cost are also exposed to interest rate risk. The net impact of a shift in interest rates on their fair value from a disclosure perspective is presented below.

	As at			
	31 March 2016		**31 December 2015**	
	Interest rate shift		**Interest rate shift**	
(in millions)	**-200 bps**	**+200 bps**	**-200 bps**	**+200 bps**
Increase (decrease) to fair value of net assets[1]	(67)	64	(73)	65

[1] *The changes in fair value of net assets resulting from interest rate shifts presented in this table would not be recognized in comprehensive income as the underlying financial instruments are measured at amortized cost.*

The Assisted Housing Activity's net interest income is also sensitive to interest rate movements. The maximum negative exposure of net interest income, which is limited by our policy to $1.5 million, is $ 0.3 million at 31 March 2016 (31 December 2015 – $0.8 million). This is calculated with 95% confidence over a one-year period.

12. Credit Risk

Credit risk is the potential for financial loss arising from failure of a borrower or an institutional counterparty to fulfill its contractual obligations. Full descriptions of credit risks related to our financial instruments are disclosed in Note 22 of our audited consolidated financial statements for the year ended 31 December 2015. There has been no change to the nature of the risk for the three month period ended 31 March 2016.

Under the CMB program, we are exposed to credit risk in the event of default by one of our swap counterparties. This risk is mitigated by transacting with highly rated swap counterparties and collateralization requirements based on credit ratings. The fair value of total loan collateral held under the CMB program was $226,961 million, 103.0% of loan carrying value, as at 31 March 2016 (31 December 2015 - $221,641 million, 102.8% of carrying value). This includes the fair value of swap collateral held and the fair value of *National Housing Act* Mortgage-Backed Securities (NHA MBS) and reinvestment securities sold by Canadian financial institutions to us.

13. Pension and Other Post-employment Benefits

Expense, remeasurements and contributions for the defined benefit plans for the three month period ended 31 March are presented in the table below.

	Pension plans		**Other post-employment plans**	
(in millions)	**2016**	**2015**	**2016**	**2015**
Current service cost	8	8	-	1
Net interest expense	3	3	1	2
Expense recognized in net income	**11**	**11**	**1**	**3**
Net actuarial losses arising from changes in financial assumptions	(88)	(151)	(6)	(19)
Return on plan assets (excluding amounts included in net interest expense)	(15)	53	-	-
Net remeasurements recognized in other comprehensive income (loss)[1]	**(103)**	**(98)**	**(6)**	**(19)**
CMHC's contributions	18	21	1	2
Employee contributions	3	3	-	-
Total contributions	**21**	**24**	**1**	**2**

[1] *The defined benefit plans are remeasured on a quarterly basis for changes in the discount rate and for actual asset returns. All other actuarial assumptions are updated at least annually.*

We remeasure our defined benefit obligations and the fair value of plan assets at interim periods. The discount rate is determined in accordance with guidance issued by the Canadian Institution of Actuaries by reference to Canadian AA-Corporate bonds with terms to maturity approximating the duration of the obligation.

Expenses for the defined contribution plan were $0.7 million for the three months ended 31 March 2016 (three months ended 31 March 2015 - $0.4 million).

14. Income Taxes

The following table presents the components of income tax.

	Three months ended 31 March	
(in millions)	**2016**	**2015**
Current income tax expense	100	117
Deferred income tax expense	(1)	(8)
Total income tax expense included in net income	**99**	**109**
Income tax expense (recovery) on other comprehensive income (loss)		
Net unrealized gains on available for sale financial instruments	26	102
Reclassification of prior years' net unrealized gains realized in the period	-	(1)
Remeasurements of the net defined benefit plans	(20)	(21)
Total income tax expense included in other comprehensive income (loss)	**6**	**80**
Total	**105**	**189**

15. Related Party Transactions

We pay the Government fees in recognition of its financial backing of the Mortgage Loan Insurance and Securitization activities. The fees, which are recorded in operating expenses, amounted to $5 million (three months ended 31 March 2015 – $3 million) for the Mortgage Loan Insurance Activity and $4 million (three months ended 31 March 2015 – $3 million) for the Securitization Activity.

All other material related party transactions and outstanding balances are disclosed in relevant notes.

16. Commitments and Contingent Liabilities

Under Section 11 of the NHA, the total of outstanding insured amounts of all insured loans may not exceed $600 billion (31 December 2015 – $600 billion). At 31 March 2016, insurance-in-force, which represents the risk exposure of the Mortgage Loan Insurance Activity, totalled $520 billion (31 December 2015 – $526 billion).

Under Section 15 of the NHA, the aggregate outstanding amount of principal guarantees may not exceed $600 billion (31 December 2015 – $600 billion). At 31 March 2016, guarantees-in-force, which represents the risk exposure of the Securitization Activity, totalled $429 billion (31 December 2015 - $431 billion).

There are legal claims of $22 million (31 December 2015 – $21 million) against CMHC. Due to the uncertainty of the outcome of these claims, no provision for loss has been recorded. We do not expect the ultimate resolution of any of the proceedings to which we are party to have a significant adverse effect on our financial position.

17. Reclassifications and Comparative Figures

Comparative information in the consolidated statements of cash flows have been reclassified to reflect adjustments made within the current year's presentation of cash flows provided by (used in) operating activities section.

Certain other comparative figures in the consolidated statements of income and comprehensive income have also been provided to conform to the current year's presentation.

CANADA MORTGAGE AND HOUSING CORPORATION

700 Montreal Road

Ottawa, Ontario

K1A 0P7

Available on CMHC's website at www.cmhc.ca or by calling 1-800-668-2642