CANADA MORTGAGE AND HOUSING CORPORATION

FIRST QUARTER
31 March 2022
(Unaudited)

Quarterly Financial Report

Canada

CMHC SCHL

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Management’s Discussion and Analysis

OVERVIEW

The following Management’s Discussion and Analysis (MD&A) of the financial position and results of operations as approved by the Audit Committee on 26 May 2022 is prepared for the first quarter ended 31 March 2022 and is intended to provide readers with an overview of our performance including comparatives against the same three month period in 2021. This MD&A should be read in conjunction with the unaudited quarterly consolidated financial statements as well as the 2021 Annual Report. The unaudited quarterly consolidated financial statements have been prepared in accordance with International Accounting Standard 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 Ernst & Young LLP. All amounts are expressed in millions of Canadian dollars, unless otherwise stated.

Information related to our significant accounting policies, judgments and estimates can be found in our 2021 Annual Report as well as in Note 4 of these unaudited quarterly consolidated financial statements. Disruptions related to the global COVID-19 pandemic, the escalating conflict between Ukraine and the Russian Federation, and high inflationary pressures in early 2022 has led to additional measurement uncertainty when making judgments and developing assumptions used in estimates. Except for these matters, there have been no material changes to our significant accounting policies, judgments or estimates to the end of the first quarter of 2022.

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 2022” section 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 QFR can be found in the Glossary for Non-IFRS Financial Measures section of the 2021 Annual Report.

THE OPERATING ENVIRONMENT AND OUTLOOK FOR 2022

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

Economic conditions and housing indicators

As of the first quarter of 2022, Canada's economic activity remains strong, supported by high vaccination rates, the removal of pandemic restrictions, robust foreign demand and high commodity prices. Tight labour market conditions, continuing supply chain constraints and strong consumer demand point to a Canadian economy performing at or above its capacities.

In 2021, Canada's economy rebounded with a real annual growth rate of 4.6 per cent, following a 5.2 per cent decline in 2020. High growth is expected to endure in 2022 at 4.2 per cent[1]. Still accommodative monetary and fiscal policies will continue supporting the economy. Consumers are likely to lead growth due to pent-up demand, elevated savings accumulated during the pandemic, increased consumer confidence and strong wage growth from an improving and tightening labour market. Business investment is also expected to grow strongly. High commodity prices, especially in energy markets, and robust foreign demand will support Canada's export recovery.

The Canadian labour market has surpassed pre-pandemic levels by most measures, including employment level, unemployment rates, and hours worked for both total and weekly average per worker. Labour market conditions have been tightening, pushing wage growth close to pre-pandemic levels.

Record levels of housing prices seen in 2021 continued to be broken in early 2022. Canada's MLS® price averaged a record high of $784,853 during the first three months of 2022. This represents an 18 per cent increase from the same period in 2021. Low listings have been seen across the country leading to a phenomenon of record price levels paired with marginal cooling of sales, which comes off a record sales level set in 2021. MLS® sales decreased by 11 per cent to 670,720 seasonally adjusted annualized rate (SAAR) units in the first three months of 2022 relative to the same period in 2021. Similarly, housing starts decreased by 21 per cent to 243,585 SAAR units during the first three months of 2022 relative to the same period in 2021. Despite this decline in sales and starts, they remain at historically elevated levels due to still low borrowing costs, high disposable incomes, buyer preferences for more living space, and limited supply.

High levels of uncertainty remain for Canada's housing market. Upside risks include an economic boom derived from increased consumer confidence combined with faster resolution of global supply chain disruptions, low mortgage rates, high immigration, and a continued preference for larger units under enduring remote work schemes. Downside risks include consumer hesitancy, stronger-than-expected inflationary pressures leading to higher interest and mortgage rates, and elevated geopolitical risk, particularly related to the ongoing conflict between Ukraine and the Russian Federation. Household debt to disposable income ratios have also returned to elevated levels; in the fourth quarter of 2021, they registered at a record high of 186 per cent. Going forward, CMHC will continue to monitor for signs of increased housing market vulnerability.

In the first quarter of 2022, these economic conditions have had a significant impact on our financial results, as discussed below under "Financial Results".

[1] Bank of Canada, Monetary Policy Report April 2022

Federal Budget 2022

In Budget 2022, the Government of Canada announced new investments in housing and adjustments to existing housing programs.

The Budget proposes new housing investments to be delivered by CMHC, including:

- $4 billion over five years, starting in 2022-23, to launch a new Housing Accelerator Fund with a target of creating 100,000 net new housing units. The fund is to be flexible to the needs and realities of cities and communities and could include support such as an annual per-door incentive for municipalities or up-front funding for investments in municipal housing planning and delivery processes that speed up housing development;
- $1.5 billion over two years, starting in 2022-23, to extend the Rapid Housing Initiative (RHI), which will address the urgent housing needs of vulnerable Canadians by providing them with adequate affordable housing in short order. This new funding is expected to create at least 6,000 new affordable housing units, with at least 25 per cent of funding going toward women-focused housing projects;
- $300 million over five years, starting in 2022-23, to co-develop and launch a Urban, Rural and Northern Indigenous Housing Strategy;
- An additional $458.5 million, starting in 2022-23, to provide low-interest loans and grants to low-income housing providers as part of the low-income stream of the Canada Greener Homes Loan Program announced in Budget 2021;
- An additional $26 million to support homeowners in Quebec whose homes require remediation from damages to foundations caused by the mineral pyrrhotite;
- $5 million over two years, starting in 2022-23, to engage with provinces and territories over the next year to develop and implement a Home Buyers' Bill of Rights and bring forward a national plan to end blind bidding; and
- $475 million in 2022-23 to provide a one-time $500 payment to those facing housing affordability challenges.

Budget 2022 also proposes to adjust existing National Housing Strategy (NHS) programs as follows:

- To advance $2.9 billion in funding under the National Housing Co-Investment Fund (NHCF). This will accelerate the creation of up to 4,300 new units and the repair of up to 17,800 units for the Canadians who need them most.
- To reform the Rental Construction Financing initiative (RCFi) by strengthening its affordability and energy efficiency requirements. Developers who significantly exceed these requirements and build highly affordable and energy efficient units will be eligible to have a portion of their repayable loans converted to non-repayable loans. The initiative will target a goal of having at least 40 per cent of the units it supports provide rent equal to or lower than 80 per cent of the average market rent in their local community;
- To provide $200 million in support under the Affordable Housing Innovation Fund, which encourages new funding models and innovative building techniques in the affordable housing sector, to help develop and scale up rent-to-own projects across Canada;
- To reallocate $500 million in funding from the NHCF to launch a new Co-operative Housing Development Program aimed at expanding co-op housing in Canada, and to reallocate $1 billion in loans from the RCFi to support co-op housing projects. With the largest investment in building new co-op housing for more than 30 years, an estimated 6,000 units will be constructed; and
- To extend the First-Time Home Buyers Incentive until 31 March 2025, including exploring options to make the program more flexible and responsive to the needs of first-time homebuyers, including single-led households.

CMHC must seek authorities for initiatives and funding announced in Budget 2022. We are determining the timing for the launch of these initiatives. We anticipate that the impacts of these initiatives on CMHC's financial statements will start in the first quarter of 2023.

In addition, the following items announced in Federal Budget 2021 are expected to have impacts to CMHC`s financial statements in 2022:

- The launch of the Canada Greener Homes Loan (CGHL) scheduled for spring 2022. Budget 2021 announced $4.4 billion over 5 years for this program to help up to 200,000 homeowners complete deep home retrofits through interest-free loans of up to $40,000. Loans will be available to homeowners and landlords who undertake retrofits identified through an authorized EnerGuide energy assessment.We obtained financial authorities for this initiative in 2021.
- The renewal and expansion of the Affordable Housing Innovation Fund, for which Budget 2021 announced $600 million over seven years. This program encourages new funding models and innovative building techniques in the affordable housing sector.
- $315.4 million over seven years through the Canada Housing Benefit (CHB) to increase direct financial assistance for low-income women and children fleeing violence to help with their rent payments.

We continue to deliver Canada's 10-year, $72+ billion National Housing Strategy (NHS), which is giving more Canadians a place to call home. The NHS is a comprehensive plan that covers the entire housing continuum, from shelters and transitional housing, to community and affordable housing, to market rental and homeownership. Dynamic and adaptable, it is designed to evolve as needed to better respond to the changing housing needs of Canadians.

We report progress on the achievement of NHS targets quarterly at **www.placetocallhome.ca**.

Office of the Superintendent of Financial Institutions (OSFI) developments

Consultation on pension investment risk management

In March 2022, OSFI released a consultation paper on pension investment risk management, which introduces principles for the management of investment risk that OSFI believes are relevant for federally regulated pension plans. These expectations cover four areas: independent risk oversight, risk appetite and risk limits, portfolio and risk reporting, and valuation policies and processes. We are currently reviewing the consultation paper, for which the deadline to provide comments is 13 May 2022. After considering any feedback received, OSFI will communicate its proposal for future investment risk management initiatives in the fourth quarter of 2022. We do not expect this proposal to have a direct impact on our financial statements, but, as the CMHC pension plan sponsor, we will closely monitor any developments.

Guideline on capital, leverage and liquidity returns assurance

In April 2021, OSFI released a discussion paper on assurance expectations for capital, leverage and liquidity returns to further improve the consistency, accuracy, and timeliness of risk assessments in federally regulated insurers and deposit-taking institutions. In March 2022, OSFI released a draft guideline for public comment based on the discussion paper on capital, leverage and liquidity returns assurance. The guideline seeks to better inform auditors and institutions on the work to be performed on regulatory returns in an effort to enhance and align OSFI's assurance expectations across all federally regulation financial institutions (FRFIs). OSFI expects review and senior management attestation on the accuracy and completeness of the MICAT Cover schedule on a quarterly basis, beginning fiscal 2023. In addition, OSFI expects internal auditors to evaluate and opine on the effectiveness of the processes and internal controls in place for the MICAT, including related systems effective beginning fiscal 2023, at least once every three year. Lastly, beginning fiscal 2024 on an annual basis, OSFI expects external auditors to evaluate and opine on whether the material risk components in both the numerator and denominator of the ratios listed on page 10.10 of the MICAT schedule at the year-end reporting date have been prepared in accordance with the appropriate regulatory framework and are free of material misstatements. CMHC is preparing a response to provide further comments to OSFI by the deadline of May 31, 2022.

Consultation on third-party risk management through a revised Guideline B-10

In April 2022, OSFI released a revised draft guideline B-10 setting their expectations around enhanced third-party risk management for public consultation. The draft guideline recognizes that the financial industry has been leveraging third-party agreements for a long time to seek efficiency, innovation, and other process improvement objectives. A more comprehensive set of third-party risks is captured within this recent draft with the objective of enhancing operational and financial resilience. CMHC is reviewing the draft and assessing the need to provide feedback to OSFI before the proposed deadline of July 27, 2022.

Updates on future changes to accounting standards

IFRS 17 Insurance Contracts – effective date of 1 January 2023

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, which will replace IFRS 4 *Insurance Contracts*. We have a multi-disciplinary team dedicated to this new accounting standard and continue to progress toward implementing it. We have included additional information in Note 3 of our unaudited quarterly consolidated financial statements.

On 28 May 2021, the Department of Finance launched an industry consultation on tax implications resulting from the implementation of IFRS 17. In its news release announcing the consultation, the Department of Finance indicated that it would not consider the contractual service margin (CSM) to be a deductible reserve for tax purposes; its conclusion would therefore create a current tax liability for insurance providers.

Budget 2022 proposes legislative amendments to tax currently the CSM at 90% and allow a deferral of 10%, effective in 2023. Furthermore the CSM recognized on transition to IFRS 17 would be brought into taxable income over a five year period. We are currently assessing the impact on our financial results and pricing.

Information relating to all other standards issued by the International Accounting Standards Board (IASB) that may or will affect us can be found in Note 3 of our audited consolidated financial statements for the year ended 31 December 2021.

FINANCIAL RESULTS

Key financial highlights

Condensed consolidated balance sheet

As at 31 March 2022 and 31 December 2021	Assisted Housing Activity		Mortgage Insurance Activity		Mortgage Funding Activity		Eliminations		Total	
(in millions)	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Total assets	14,814	13,749	18,227	18,409	267,549	269,111	(919)	(912)	299,671	300,357
Total liabilities	14,119	13,180	8,054	7,257	266,125	267,596	(911)	(886)	287,387	287,147
Total equity of Canada	695	569	10,173	11,152	1,424	1,515	(8)	(26)	12,284	13,210

We have declared $995 million of dividends since the end of 2021. This, partially offset by comprehensive income of $69 million, led our total equity of Canada to decrease by $926 million.

Our total assets decreased by $686 million (0.2%) primarily due to:

- A decrease in loans at amortized cost as the maturities of Canada Mortgage Bonds (CMB) exceeded new issuances in the quarter. In addition, we are no longer issuing loans under the Insured Mortgage Purchase Program (IMPP) and existing IMPP loans continue to be repaid.
- A decrease to investment securities measured at fair value through other comprehensive income as a result of higher interest rates in the quarter.
- This decrease was partially offset by increased NHS program activity particularly in RCFi and NHCF, which increased investments and loans at amortized cost. There was also a defined benefit plans asset recognized in the quarter, resulting from the increase in the discount rate used to measure the pension obligation.

Our total liabilities increased by $240 million (0.1%) mainly due to an increase in dividends payable as our declaration in March was paid in April, as well as increased NHS activity which increased borrowings at amortized cost. This was partially offset by lower borrowings at amortized cost due to CMB and IMPP and the decrease in the defined benefit plans liability, as explained above.

Condensed consolidated statements of income and comprehensive income

Three months ended 31 March	Assisted Housing Activity		Mortgage Insurance Activity		Mortgage Funding Activity		Eliminations		Total	
(in millions)	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Government funding for housing programs	1,655	1,392	-	-	-	-	-	-	1,655	1,392
Premiums and fees earned	-	-	350	347	194	172	-	-	544	519
All other income[1]	9	23	45	91	16	36	5	4	75	154
Total revenues and government funding	**1,664**	**1,415**	**395**	**438**	**210**	**208**	**5**	**4**	**2,274**	**2,065**
Housing programs	1,585	1,315	-	-	-	-	-	-	1,585	1,315
Insurance claims	-	-	(2)	(185)	-	-	-	-	(2)	(185)
Operating expenses	71	78	76	87	19	20	-	-	166	185
Total expenses	**1,656**	**1,393**	**74**	**(98)**	**19**	**20**	**-**	**-**	**1,749**	**1,315**
Income taxes	2	3	80	133	48	47	1	1	131	184
Net income	**6**	**19**	**241**	**403**	**143**	**141**	**4**	**3**	**394**	**566**
Other comprehensive income (loss)	120	141	(370)	(151)	(89)	(89)	14	5	(325)	(94)
Comprehensive income	**126**	**160**	**(129)**	**252**	**54**	**52**	**18**	**8**	**69**	**472**

[1] *Includes net interest income, investment income, net gains (losses) on financial instruments and other income.*

Our total revenues and government funding increased by $209 million (10%) mainly due to:

- An increase of $263 million (19%) in government funding for housing programs, driven mainly by $290 million for the RHI and $59 million for Provincial/Territorial (PT) NHS initiatives including the Canada Community Housing Initiative and Canada Housing Benefit (CHB). This was partially offset by a decrease of $69 million in the PT Priority Funding compared to the same quarter of last year.
- An increase of $62 million in net gains (losses) on financial instruments as investments sold in the first quarter of 2022 resulted in a realized loss compared to a gain in the same period last year.

Total expenses increased by $434 million (33%) mainly due to:

- The increase in government funding for housing programs as described above, resulting in an increase in housing programs expenses.
- An increase of $183 million (99%) in insurance claims. While claims in the quarter continue to be low and the provision for claims has decreased, there was a larger decrease in the same quarter of last year when we reduced the provision for claims as a result of favourable economic conditions as the economy recovered from COVID-19.

Other comprehensive income, net of tax, decreased by $231 million (246%) mainly due to:

- A significantly larger increase in bond yields in the current quarter, compared to the same quarter last year. This resulted in an increase of $237 million (69%) in net unrealized losses from debt instruments held at fair value through other comprehensive income.

Financial metrics and ratios

Mortgage Insurance

(in millions, unless otherwise indicated)	Insurance-in-force ($B)		Insured volumes (units)		Insured volumes ($)		Premiums and fees received[1]		Claims paid[2]	
	As at		Three months ended							
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021
Transactional homeowner	187	193	12,438	11,734	4,211	3,354	149	117	11	21
Portfolio	89	94	2,050	730	581	210	2	1	-	3
Multi-unit residential	118	114	41,789	35,662	7,932	5,554	248	213	-	10
Total	**394**	**401**	**56,277**	**48,126**	**12,724**	**9,118**	**399**	**331**	**11**	**34**

[1] *Premiums and fees received may not equal premiums and fees deferred on contracts written during the period due to timing of receipts.*

[2] *Claims paid refers to the net cash amounts paid out on insurance claims. This amount does not include social housing mortgages and index-linked mortgage claims.*

Insurance-in-force decreased by $7 billion (2%) due to run-off of existing policies-in-force being higher than new volumes insured. New loans insured were $13 billion, while estimated loan amortization and pay-downs were $20 billion.

In response to the COVID-19 pandemic, we tightened our mortgage insurance eligibility rules in July 2020. Those tighter restrictions were lifted July 2021 as we re-established our pre-COVID underwriting guidelines and practices. As a result, this contributed to transactional homeowner volumes increasing by 704 units (6%) and portfolio unit volumes increasing by 1,320 units (181%). In addition, multi-unit residential volumes increased by 6,127 units (17%) as there was a large portion of new construction projects that were started in late 2019 and early 2020, due to low vacancy rates and low interest rates, that came to completion and were insured during the quarter.

Insured dollars increased by $3.6 billion (40%) from the same period last year, driven equally by the increase in units across all products as well as increases in the average loan size due to rising house prices and higher construction costs.

Higher insured dollars in transactional homeowner and multi-unit as explained above accounts for the majority of the $68 million (21%) increase in total premiums and fees received. This is partially offset by a lower average premium rate in multi-unit as a higher proportion were in the lower loan-to-value-ratio categories which carry a lower premium rate.

Lower claims paid is mainly due to the absence of large multi-unit claims during the period as well as a decrease in transactional homeowner claims due to lenders recovering sufficient funds from the sale of the properties to cover losses as a result of increasingly strong economic conditions as outlined in "The Operating Environment and Outlook for 2022" above.

	Three months ended 31 March	
(in percentages)	**2022**	**2021**
Loss ratio[1,2]	(0.6)	(53.3)
Operating expense ratio	21.7	25.1
Combined ratio	21.1	(28.2)
Severity ratio	27.0	31.8
Return on equity	9.0	13.1
Return on required equity	11.3	16.7

[1] *Loss ratio on transactional homeowner and portfolio products excluding multi-unit residential was (1.4)% for the three months ended 31 March 2022 ((69.9)% for the three months ended 31 March 2021).*

[2] *The loss ratio is calculated based on the insurance claims expense incurred over the period, which is estimated based on actuarial modelling of projected economic variables.*

The loss ratio and combined ratio increased mainly due to higher insurance claims expenses, as a result of a smaller release of the provision when compared to the same period last year. In the same period last year we greatly reduced the claim provision as explained in the "Condensed consolidated statements of income and comprehensive income" section above.

The operating expense ratio decrease is mostly attributable to lower information technology costs.

The severity ratio decreased due to the prior year having a large multi-unit claim that negatively impacted the severity ratio during that period.

The return on equity and return on required equity ratios decreased due to lower annualized net income as a result of higher claims expense than the same period last year. The return on equity decrease is partially offset by a decreased average equity as a result of the dividend of $850 million declared in March 2022.

	As at 31 March 2022		**As at 31 December 2021**	
	No. of delinquent loans	**Arrears rate**	**No. of delinquent loans**	**Arrears rate**
Transactional homeowner	3,314	0.36%	3,573	0.38%
Portfolio	884	0.13%	956	0.14%
Multi-unit residential	155	0.58%	126	0.48%
Total	4,353	0.27%	4,655	0.28%

The arrears rate includes all loans more than 90 days past due as a percentage of outstanding insured loans. There were lower reported delinquencies in most of the regions, which is consistent with strong economic conditions.

Mortgage Funding

(in millions, unless otherwise indicated)	Total guarantees-in-force ($B) As at 31 March 2022	Total guarantees-in-force ($B) As at 31 December 2021	New securities guaranteed ($B) Three months ended 31 March 2022	New securities guaranteed ($B) Three months ended 31 March 2021	Guarantee and application fees received[1] Three months ended 31 March 2022	Guarantee and application fees received[1] Three months ended 31 March 2021
National Housing Act Mortgage Backed Securities (NHA MBS)	203	202	33	28	177	149
CMB	257	259	10	10	42	42
Total	**460**	**461**	**43**	**38**	**219**	**191**

[1] *Guarantee and application fees received for NHA MBS; guarantee fees received for CMB.*

Total guarantees-in-force represents the maximum principal obligation related to our timely payment guarantee.

New securities guaranteed increased by $5 billion (13%) as the market adapts to the price increases that went into effect 1 January 2021, which caused a decrease in new securities guaranteed in the first quarter of 2021.

Guarantee and application fees received increased by $28 million (15%) as a result of the higher volumes guaranteed as there were no pricing changes in 2022.

(in percentages)	Three months ended 31 March 2022	Three months ended 31 March 2021
Operating expense ratio	7.4	8.9
Return on equity	38.9	25.2

The decrease in the operating expense ratio was driven by an increase in earned guarantee and application fees due to increased volumes, as explained above, as well as price increases in recent years.

Return on equity increased primarily as a result of a decrease in average equity as we resumed dividend declarations starting in 2021. The equity balance as at 31 December 2020 was $1.4 billion greater than the balance as at 31 December 2021, with the reduction primarily attributed to the dividends paid throughout 2021.

Government Funding for Housing Programs

The following table reconciles the amount of government funding for housing programs authorized by Parliament as available to us during the Government's fiscal year (31 March) with the total amount we recognized in our calendar year.

	Three months ended 31 March	
(in millions)	**2022**	**2021**
Amounts authorized in 2021/22 (2020/21)		
Main estimates	3,259	2,920
Supplementary estimates A[1,2,5]	1,800	3,039
Supplementary estimates B[1,3,5]	44	873
Supplementary estimates C[1,4,5]	41	(812)
Less: portion recognized in calendar 2021 (2020)	(2,367)	(4,064)
Less: government funding lapsed for 2021/22 (2020/21)	(1,049)	(238)
Less: frozen allotment	(53)	(252)
2021/22 (2020/21) government funding for housing programs funded in 2022 (2021)	**1,675**	**1,466**
Amounts authorized in 2022/23 (2021/22)		
Main estimates	3,549	3,259
Supplementary estimates A[1,2,5]	-	1,800
Supplementary estimates B[1,3,5]	-	44
Supplementary estimates C[1,4, 5]	-	41
Total fiscal year government funding for housing programs	**3,549**	**5,144**
Less: portion to be recognized in subsequent quarters	(3,549)	(4,095)
Less: government funding lapsed for 2022/23 (2021/22)	n/a	(1,049)
2022/23 (2021/22) government funding for housing programs funded in 2022 (2021)	**-**	**-**
Total government funding for housing programs funded – three months ended 31 March	**1,675**	**1,466**

1 *Supplementary estimates are additional government funding voted on by Parliament during the Government's fiscal year.*

2 *Approved 2021/22 supplementary estimates A for RHI, NHCF, Canada Greener Homes Loan Program, Granville Island Emergency Relief Fund, Canada Emergency Commercial Rent Assistance (CECRA), CHB and funding to support youth (2020/21 for CECRA, Housing Supply Challenge and funding to respond to the National Inquiry into Missing and Murdered Indigenous Women and Girls' Final Report: Reclaiming Power and Place Assistance).*

3 *Approved 2021/22 supplementary estimates B for RCFi (2020/21 RHI, Affordable Housing Innovation Fund, Federal, Provincial and Territorial initiatives and other NHS initiatives).*

4 *Approved 2021/22 Supplementary estimates C increase of $41 million for the construction and operation of shelters and transition houses for Indigenous women, children, 2SLGBTQQIQ+ people, CHB, Federal Community Housing Initiative (FCHI), Research and Data Initiative (2020/21 increase of $19 million for COVID-19 programs including CECRA, RHI, Housing Internship for Indigenous Youth, and Granville Island Emergency Relief Fund, and a reduction of $831 million as part of the Fall Economic Statement for CECRA).*

5 *We exclude funding received for the Granville Island Emergency Relief Fund from our consolidated financial statements as we do not control the activities of Granville Island.*

Capital Management

Frameworks

For our Assisted Housing Activity, we maintain a reserve fund pursuant to Section 29 of the *CMHC Act*. A portion of the Lending programs' earnings is 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. Unrealized fair value market fluctuations and remeasurement losses on defined benefit plan liabilities are absorbed in retained earnings. Aside from the reserve fund, we do not hold capital for our Assisted Housing activities, as they do not present material financial risks to us that have not already been mitigated.

For our Mortgage Insurance Activity, our capital management framework follows OSFI regulations with respect to the use of the MICAT, since our economic capital is lower than OSFI's regulatory capital requirements. Therefore, regulatory capital is the binding constraint for required capital.

With respect to our Mortgage Funding Activity, our capital management framework follows industry best practices and incorporates regulatory principles from OSFI, including those set out in OSFI's E19 – Own Risk and Solvency Assessment guideline, and those of the Basel Committee on Banking Supervision. Our capital adequacy assessment uses an integrated approach to evaluate our capital needs from both a regulatory and economic capital basis to establish capital targets that take into consideration our strategy and risk appetite.

In August 2021, our Board of Directors approved maintaining the internal targets and operating levels of 155% and 165% respectively for Mortgage Insurance and 105% and 110% for Mortgage Funding. For Mortgage Funding, the Board approved a reduction of the economic capital required at the operating level from $3 billion to $2.7 billion, effective 1 January 2022.

Ratios

The table below presents our capital management ratios.

	As at	
(in percentages)	**31 March 2022**	**31 December 2021**
Mortgage Insurance: capital available to minimum capital required (MICAT)	192%	213%
Mortgage Funding: capital available to capital required[1]	148%	136%

[1] Represents the capital available to capital required from an economic viewpoint.

Our MICAT ratio decreased by 21 percentage points mainly due to the decrease in available capital, driven both by the declaration of $850 million of dividends in the quarter, as well as by rising interest rates, which reduced the value of our investment securities.

Our Mortgage Funding capital available to capital required ratio increased by 12 percentage points mainly due to the reduction of the economic capital required at the operating level as explained above.

Refer to Note 9 – Capital Management of the unaudited quarterly consolidated financial statements for further disclosure on capital management.

RISK MANAGEMENT

In the first quarter of 2022, our top corporate risks remain similar to those disclosed in our 2021 Annual Report:

- Strategy Execution – Internal and external factors are impacting strategic execution. However, we are maturing our capabilities and management systems to manage the risk.
- People Risk - Challenging labour market condition and Budget 2022 have elevated our workforce risks. We are implementing short term and long-term mitigation actions related to our staffing processes and talent acquisition to alleviate the risk.
- Information Security and Privacy - Efforts are underway to further align data, cyber security, and privacy in order to mitigate related operational risks, improve business process efficiency, security and risk management.

In addition, we are monitoring the emerging risks including housing demand and supply mismatch, persistent inflation, potential housing market corrections which could result from rate increases, and geopolitical tensions which exacerbate the risk of cyber attack and threaten economic growth. Other risks that we are monitoring include post-pandemic talent acquisiton, as well as increasing frequency and intensity of physical climate risk, which challenge housing supply. These emerging risks amplify our corporate risk.

HISTORICAL QUARTERLY INFORMATION

(in millions, unless otherwise indicated)	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Consolidated Results								
Total assets	299,671	300,357	300,457	295,629	307,624	300,970	303,227	294,167
Total liabilities	287,387	287,147	287,206	282,402	294,472	284,395	287,196	278,473
Total equity of Canada	12,284	13,210	13,251	13,227	13,152	16,575	16,031	15,694
Total revenues and government funding	2,274	1,956	1,076	1,199	2,065	2,029	2,682	1,781
Total expenses (including income taxes)	1,880	1,472	662	739	1,499	1,640	2,346	1,215
Net income	394	484	414	460	566	389	336	566
Assisted Housing								
Government funding for housing programs	1,655	1,277	452	547	1,392	1,372	1,977	629
Net income (loss)	6	38	10	24	19	22	15	25
Total equity of Canada	695	569	547	507	492	332	287	268
Mortgage Insurance								
Insurance-in-force ($B)[3]	394	401	404	409	422	431	438	433
Total insured volumes[1]	12,724	18,659	13,356	15,392	9,118	19,494	19,617	26,939
Premiums and fees received	399	547	417	508	331	518	570	573
Premiums and fees earned	350	353	350	349	347	344	347	346
Claims paid	11	30	45	30	34	23	20	34
Insurance claims expense	(2)	(57)	(12)	(63)	(185)	(113)	171	292
Net income	241	302	265	315	403	342	192	400
Arrears rate	0.27%	0.28%	0.29%	0.31%	0.34%	0.34%	0.34%	0.34%
Loss ratio	(0.6)%	(16.1)%	(3.4)%	(18.1)%	(53.3)%	(32.9)%	49.3%	84.3%
Operating expense ratio	21.7%	23.0%	21.1%	23.4%	25.1%	29.4%	19.2%	21.3%
Combined ratio	21.1%	6.9%	17.7%	5.3%	(28.2)%	(3.5)%	68.5%	105.6%
Severity ratio	27.0%	28.4%	30.8%	27.8%	31.8%	27.0%	31.0%	28.9%
Return on equity	9.0%	10.1%	9.5%	11.3%	13.1%	10.4%	5.9%	13.2%
Return on required equity	11.3%	14.0%	12.0%	13.5%	16.7%	10.5%	7.7%	14.9%
Capital available to minimum capital required (% MICAT)	192%	213%	209%	201%	191%	234%	233%	231%
% Estimated outstanding Canadian residential mortgages ($) with CMHC insurance coverage	23.3%	24.1%	23.1%	24.2%	24.8%	26.2%	25.9%	25.8%
Mortgage Funding								
Guarantees-in-force ($B)[3]	460	461	460	461	479	489	500	516
Securities guaranteed ($B)	43	48	51	46	38	52	43	84
Guarantee and application fees received	219	338	250	229	191	241	186	323
Guarantee and application fees earned	194	189	179	176	172	172	165	170
Net income	143	139	139	126	141	135	130	143
Operating expense ratio	7.4%	7.7%	7.6%	8.5%	8.9%	8.8%	7.0%	9.0%
Return on equity	38.9%	36.6%	36.4%	32.2%	25.2%	18.9%	19.1%	21.9%
Capital available to capital required[2]	148%	136%	130%	129%	128%	176%	233%	223%
% Estimated outstanding Canadian residential mortgages ($) with CMHC securitization guarantee	23.3%	24.1%	26.3%	27.2%	28.6%	29.5%	29.3%	30.6%

[1] Total insured volumes include portfolio substitutions.

[2] Prior to implementing the updated economic capital methodology for Mortgage Funding on 25 November 2020, this ratio was calculated using the Capital Floor methodology when determining required capital.

[3] Our total exposure is less than the sum of these figures because we insure a portion of the instruments included in guarantees-in-force.

Unaudited Quarterly Consolidated Financial Statements

CONTENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Period ended 31 March 2022

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.

Romy Bowers

President and Chief Executive Officer

Michel Tremblay, CPA, CA

Chief Financial Officer and Senior Vice President, Corporate Services

26 May 2022

CONSOLIDATED BALANCE SHEET

(in millions of Canadian dollars)	Notes	As at 31 March 2022	As at 31 December 2021
Assets			
Cash and cash equivalents	20	2,107	1,525
Accrued interest receivable		1,225	720
Investment securities:			
Fair value through profit or loss	10	178	289
Fair value through other comprehensive income	10, 11	18,915	19,982
Amortized cost	10, 11	3,173	2,817
Derivatives		58	31
Due from the Government of Canada	6	785	363
Loans:	12		
Fair value through profit or loss		470	500
Amortized cost		271,026	272,781
Accounts receivable and other assets		1,170	1,035
Investment property		314	314
Defined benefit plans asset		250	-
		299,671	300,357
Liabilities			
Accounts payable and other liabilities		974	650
Accrued interest payable		1,121	612
Dividends payable		995	-
Derivatives		25	50
Provision for claims	7	287	310
Borrowings:	13		
Fair value through profit or loss		444	475
Amortized cost		274,343	275,869
Defined benefit plans liability		197	250
Unearned premiums and fees	7, 8	8,764	8,684
Deferred income tax liabilities		237	247
		287,387	287,147
Commitments and contingent liabilities	20		
Equity of Canada	9		
Contributed capital		25	25
Accumulated other comprehensive income (loss)		(448)	131
Retained earnings		12,707	13,054
		12,284	13,210
		299,671	300,357

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

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

		Three months ended 31 March	
(in millions of Canadian dollars)	Notes	2022	2021
Interest income		1,131	1,120
Interest expense		1,133	1,117
Net interest income (loss)		(2)	3
Government funding for housing programs	6	1,655	1,392
Premiums and fees earned	7, 8	544	519
Investment income		82	89
Net gains (losses) on financial instruments	14	(7)	55
Other income		2	7
Total revenues and government funding		2,274	2,065
Non-interest expenses			
Housing programs	6	1,585	1,315
Insurance claims		(2)	(185)
Operating expenses		166	185
Total expenses		1,749	1,315
Income before income taxes		525	750
Income taxes	18	131	184
Net income		394	566
Other comprehensive income (loss), net of tax			
Items that will be subsequently reclassified to net income			
Net unrealized losses from debt instruments held at fair value through other comprehensive income	18	(580)	(343)
Reclassification of losses (gains) on debt instruments held at fair value through other comprehensive income on disposal in the period	18	1	(9)
Total items that will be subsequently reclassified to net income		(579)	(352)
Items that will not be subsequently reclassified to net income			
Remeasurement gains on defined benefit plans	17, 18	254	258
Total items that will not be subsequently reclassified to net income		254	258
Total other comprehensive income (loss), net of tax		(325)	(94)
Comprehensive income		69	472

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

CONSOLIDATED STATEMENT OF EQUITY OF CANADA

(in millions of Canadian dollars)	Notes	Three months ended 31 March 2022	2021
Contributed capital		25	25
Accumulated other comprehensive income (loss)			
Balance at beginning of period		131	607
Other comprehensive income (loss)		(579)	(352)
Balance at end of period		(448)	255
Retained earnings			
Balance at beginning of period		13,054	15,943
Net income		394	566
Other comprehensive income		254	258
Dividends	9	(995)	(3,895)
Balance at end of period		12,707	12,872
Equity of Canada		12,284	13,152

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Canadian dollars)	Notes	Three months ended 31 March 2022	2021
Cash flows from operating activities			
Net income		394	566
Adjustments to determine net cash flows from operating activities			
Amortization of premiums and discounts on financial instruments		34	38
Net losses (gains) on financial instruments		51	(189)
Deferred income taxes	18	25	(22)
Depreciation, amortization and impairment of property and equipment and intangible assets		6	30
Changes in operating assets and liabilities			
Derivatives		(52)	124
Accrued interest receivable		(505)	(512)
Due from the Government of Canada		(494)	(629)
Accounts receivable and other assets		-	75
Accounts payable and other liabilities		388	515
Accrued interest payable		509	530
Provision for claims		(23)	(214)
Defined benefit plans liability		(2)	6
Unearned premiums and fees		80	9
Other		(5)	(1)
Loans repayments	12	12,544	4,924
Loans disbursements	12	(10,754)	(10,471)
Borrowings repayments	13	(15,914)	(5,858)
Borrowings issuances	13	14,400	11,667
		682	588
Cash flows from investing activities			
Investment securities			
Sales and maturities		3,787	5,537
Purchases		(3,863)	(4,601)
Foreign currency forward contract maturities			
Receipts		69	206
Disbursements		(72)	(31)
Securities purchased under resale agreements		-	174
Property and equipment and intangible asset acquisitions		(21)	(35)
		(100)	1,250
Change in cash and cash equivalents		582	1,838
Cash and cash equivalents			
Beginning of period		1,525	2,301
End of period		2,107	4,139
Represented by			
Cash		120	76
Cash equivalents		1,987	4,063
		2,107	4,139
Supplementary disclosure of cash flows from operating activities			
Amount of interest received during the period		893	875
Amount of interest paid during the period		788	736
Amount of dividends received during the period		1	-
Amount of income taxes paid during the period		93	146

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

NOTES TO UNAUDITED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Canada Mortgage and Housing Corporation (CMHC, we, or us) 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* by virtue of being listed in Part 1 of Schedule III, wholly owned by the Government of Canada (Government), and an agent Crown corporation. Our National Office is located at 700 Montreal Road, Ottawa, Ontario, Canada, K1A 0P7.

These unaudited quarterly consolidated financial statements are as at and for the three months ended 31 March 2022 and were approved and authorized for issue by our Audit Committee on 26 May 2022.

2. Basis of Preparation and Significant Accounting Policies

Our unaudited quarterly consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* (IAS 34) and do not include all of the information required for full annual consolidated financial statements. We 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 2021 and these unaudited quarterly consolidated financial statements should be read in conjunction with those financial statements.

Seasonality

We have concluded that our business is not highly seasonal in accordance with IAS 34; however, our Mortgage Insurance business is exposed to some seasonal variation. 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. Insurance 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.

3. Current and future accounting changes

Current accounting changes

We actively monitor new standards and amendments to existing standards that have been issued by the IASB. There were no new or amended standards issued by the IASB that had an impact on our quarterly consolidated financial statements.

Future accounting changes

There have been no new standards or amendments to existing standards issued by the IASB that would affect us in the future other than those disclosed in Note 3 of our audited consolidated financial statements for the year ended 31 December 2021 and as follows.

IFRS 17 Insurance Contracts – effective date of 1 January 2023

In May 2017, the IASB issued International Financial Reporting Standard (IFRS) 17 Insurance Contracts (IFRS 17), which will replace IFRS 4 Insurance Contracts.

In June 2020, the IASB amended IFRS 17 to address concerns and implementation challenges raised by stakeholders. The most notable amendment to us is that the IASB deferred the effective date by two years, to 1 January 2023. The other amendments will not have an impact on our implementation.

IFRS 17 allows the redesignation of financial asset classifications at the date of initial application of IFRS 17. We do not anticipate making any changes to the classification of our financial assets upon adoption.

Under IFRS 17, insurance contract liabilities will include the present value of future insurance cash flows, adjusted for risk, as well as a contractual service margin and deferred acquisition costs, which will be released over the coverage period. Contractual service margin will represent the difference between the premium received at inception and the present value of the risk-adjusted cash flows (i.e. profit to be earned in the future). If this difference is negative at inception, the insurance contract would be considered onerous and the difference immediately recorded in income. There are also revised presentation and disclosure requirements.

IFRS 17 is to be applied retrospectively, unless it is impracticable to do so. Based on availability of data and to not make use of hindsight, we have determined that we are only able to retrospectively apply IFRS 17 starting on 1 January 2021. We have made the decision to apply the fair value approach for prior periods. Under the fair value approach, we will determine the fair value of our insurance contracts underwritten prior to 1 January 2021 as at the transition date, 1 January 2022.

The implementation of IFRS 17 is a significant project for us and is supported by a formal governance structure which includes a project steering committee, a technical steering committee and a multidisciplinary team dedicated to analyzing and implementing the new accounting standard. Our project steering committee provides oversight on project status, budget, and resources and a dedicated technical steering committee was created to review, challenge, and approve key areas related to the technology implementation.

Our project plan includes the following phases: (a) Initiation and planning; (b) Future state assessment; (c) Design and implementation of technology; (d) Testing; (e) Deployment of technology; and (f) Parallel reporting. We are on track with the overall project timelines. Phases (a) to (e) have been completed, while parallel reporting is in progress. We plan to complete our Parallel reporting runs for the 2021 and Q1 to Q3 2022 reporting periods by the end of the year.

4. Critical Judgments in Applying Accounting Policies and Making Estimates

The preparation of financial statements in accordance with IFRS requires us to make various judgments, estimates and assumptions that can significantly affect the amounts recognized in the financial statements. Actual results may differ from these estimates. Where these differ, the impact will be recorded in future periods. We have disclosed key assumptions concerning the future and other important sources of estimation uncertainty at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, in Note 4 of our audited consolidated financial statements for the year ended 31 December 2021. Notable changes to the key judgments and estimates since then are reflected below.

Judgments and estimates in applying accounting policies

Provision for claims

We have revised our estimate of the provision for claims at 31 March 2022 to reflect updated arrears information and economic assumptions available at the balance sheet date. The provision for claims reflects only incurred losses up to 31 March 2022 and does not reflect any losses on claims that may occur in future periods.

We consider a number of scenarios when establishing a reasonable range for the provision for claims and our final estimate at 31 March 2022 reflects the following key economic assumptions for the next 18 months: average unemployment rate of 6.3% and increase in house price index of 6.0% compared to 31 March 22. See Note 7 for more information on the provision for claims.

Financial instruments

In early 2022, the escalating conflict between Ukraine and the Russian Federation has resulted in significant volatility and uncertainty in financial markets. The North Atlantic Treaty Organization (NATO), European Union (EU) and G7 member countries, including Canada, have imposed severe and coordinated sanctions against Russia. While we do not hold Ukraine or Russian Federation securities in our portfolio, the escalating conflict has impacted market volatility in the short term, which may indirectly impact our estimates for economic variables that are used in our expected credit loss calculation.

Pension and other post-employment benefits

The surge in inflation in the first quarter of 2022 has also increased uncertainty around our long-term inflation assumption for our defined benefit plans. Although we have not changed our assumption from 2021 as our long-term view of inflation has not changed, the current environment increases the uncertainty around our estimate. See Note 17 for more information on the valuation of our pension and other post-employment benefits obligations.

5. Segmented Information

The quarterly consolidated financial statements include the Assisted Housing (AH), Mortgage Insurance (MI) and Mortgage Funding (MF) segments, each of which provides different products and programs in support of our objectives. We include the accounts for Canada Housing Trust (CHT), a separate legal entity, within the Mortgage Funding reportable segment. We determine the financial results of each segment using the accounting policies described in Note 2 of our audited consolidated financial statements for the year ended 31 December 2021. For all segments, revenues are attributed to, and assets are located in, Canada.

We generate revenues for the reportable segments as follows:

- Assisted Housing revenues include government funding and interest income on loans and investments;
- Mortgage Insurance revenues include premiums, fees and investment income; and
- Mortgage Funding revenues include guarantee and application fees, investment income and interest income on loans.

Three months ended 31 March	Assisted Housing Activity		Mortgage Insurance Activity		Mortgage Funding Activity		Eliminations		Total	
(in millions)	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Interest income	73	61	-	-	1,059	1,059	(1)	-	1,131	1,120
Interest expense	85	69	-	-	1,055	1,055	(7)	(7)	1,133	1,117
Net interest income (loss)	**(12)**	**(8)**	**-**	**-**	**4**	**4**	**6**	**7**	**(2)**	**3**
Government funding for housing programs	1,655	1,392	-	-	-	-	-	-	1,655	1,392
Premiums and fees earned	-	-	350	347	194	172	-	-	544	519
Investment income (losses)	-	-	73	75	10	16	(1)	(2)	82	89
Net gains (losses) on financial instruments	21	29	(27)	17	(1)	10	-	(1)	(7)	55
Other income (loss)	-	2	(1)	(1)	3	6	-	-	2	7
Total revenues and government funding	**1,664**	**1,415**	**395**	**438**	**210**	**208**	**5**	**4**	**2,274**	**2,065**
Non-interest expenses										
Housing programs	1,585	1,315	-	-	-	-	-	-	1,585	1,315
Insurance claims	-	-	(2)	(185)	-	-	-	-	(2)	(185)
Operating expenses	71	78	76	87	19	20	-	-	166	185
Total expenses	**1,656**	**1,393**	**74**	**(98)**	**19**	**20**	**-**	**-**	**1,749**	**1,315**
Income before income taxes	**8**	**22**	**321**	**536**	**191**	**188**	**5**	**4**	**525**	**750**
Income taxes	2	3	80	133	48	47	1	1	131	184
Net income	**6**	**19**	**241**	**403**	**143**	**141**	**4**	**3**	**394**	**566**
Total revenues and government funding	1,664	1,415	395	438	210	208	5	4	2,274	2,065
Less inter-segment income (loss)[1]	1	-	1	3	(7)	(7)	5	4	-	-
External revenues and government funding	1,663	1,415	394	435	217	215	-	-	2,274	2,065

[1] *Inter-segment income relates to the following:*

- *Assisted Housing recognizes interest income from investing in holdings of CMB;*
- *Mortgage Insurance recognizes investment income from investing in holdings of CMB; and*
- *Within Mortgage Funding, CHT recognizes interest expense on CMB held by Assisted Housing and Mortgage Insurance.*

6. Government Funding and Housing Programs Expenses

We used government funding to administer the following housing programs and operating expenses, as shown by core responsibility.

	Three months ended 31 March	
(in millions)	**2022**	**2021**
Assistance for housing needs	1,506	1,270
Financing for housing	119	151
Housing expertise and capacity development	50	45
Total	**1,675**	**1,466**
Net change in government funding deferred	(20)	(74)
Total government funding recognized[1,2]	**1,655**	**1,392**

1 *Includes operating expenses of $65 million and expected credit loss recovery of $5 million for the three months ended 31 March 2022 (three months ended 31 March 2021 – $76 million and $1 million respectively).*

2 *Total government funding recognized does not include gains resulting from below market rate funds borrowed under the Crown Borrowing Program, which are recognized in net gains (losses) on financial instruments. These gains totaled $35 million for the three months ended 31 March 2022 (three months ended 31 March 2021 – $29 million).*

The following table presents the change in the due from the Government of Canada account. The outstanding balance as at 31 March 2022 is mainly composed of housing programs expenses incurred but not yet reimbursed.

	Three months ended 31 March	
(in millions)	**2022**	**2021**
Balance at beginning of period	363	339
Total government funding	1,675	1,466
Government funding received during the period	(1,250)	(952)
Third party remittances to the Government of Canada	(1)	9
Balance at end of period before prior/future period adjustments	**787**	**862**
Net change in prior period adjustments	(2)	1
Balance at end of period	**785**	**863**

7. Mortgage 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)	**2022**	**2021**
Balance at beginning of period	6,500	6,129
Premiums deferred on contracts written in the period	395	330
Premiums earned in the period	(345)	(343)
Application fees deferred on contracts written in the period	9	7
Application fees earned in the period[1]	(4)	(4)
Balance at end of period	**6,555**	**6,119**

1 *Only includes earned application fees on multi-unit residential loans during the period. Application fee revenue earned on low loan-to-value transactional homeowner applications are earned as they are received.*

Provision for claims

The provision for claims includes amounts set aside for claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER), claims in process (CIP) and social housing and index-linked mortgages (SH and ILM).

Provision for claims comprises the following:

	As at	
(in millions)	**31 March 2022**	**31 December 2021**
Undiscounted estimated losses	270	287
Discounting	(10)	(6)
Discounted provision for adverse deviation	27	29
Total provision for claims	**287**	**310**

The following table presents the changes in the provision for claims balance.

	Three months ended 31 March	
(in millions)	**2022**	**2021**
Provision for claims, beginning of period	310	735
Net claims paid during the period	(11)	(34)
Provision for claims provided for and losses incurred during the period[1]	44	78
Unfavourable (favourable) development on prior period claims	(56)	(258)
Provision for claims, end of period	**287**	**521**

[1] *Included as part of insurance claims on the consolidated statements of income and comprehensive income. Provision for claims provided for and losses incurred may not equal insurance claims expense as certain expenses incurred do not impact the provision for claims.*

Insurance policy liability adequacy

A liability adequacy test on the premium liabilities and claim liabilities is performed quarterly. 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).

Our liability adequacy test for the period ended 31 March 2022 has identified that no premium deficiency reserve is required (31 December 2021 – nil).

8. Mortgage Funding

We guarantee the timely payment of principal and interest of CMB issued by CHT under the CMB program and NHA MBS issued by Approved Issuers on the basis of housing loans under the NHA MBS program and under the IMPP in the event that an issuer is unable to satisfy its obligations under these programs. In that circumstance, we will mitigate our loss by realizing on the collateral securing the obligations, consisting primarily of insured mortgage loans, under each of the programs.

At the balance sheet date, we have not received a claim, nor do we expect to receive a claim, in excess of the unearned guarantee fee on our timely payment guarantees (TPG). As such, no provision in addition to the remaining unearned premium is required.

The following table presents the changes in the unearned TPG fees balance.

	Three months ended 31 March					
	2022			**2021**		
(in millions)	**NHA MBS**	**CMB**	**Total**	**NHA MBS**	**CMB**	**Total**
Balance at beginning of period	1,617	567	2,184	1,341	551	1,892
TPG and application fees received in the period	177	42	219	149	42	191
TPG and application fees earned in the period	(158)	(36)	(194)	(135)	(37)	(172)
Balance at end of period	**1,636**	**573**	**2,209**	**1,355**	**556**	**1,911**

9. Capital Management

For capital management, we consider our capital available to be equal to the total equity of Canada less assets with a capital requirement of 100%.

Our primary objective with respect to capital management is to ensure that our commercial operations, being our Mortgage Insurance and Mortgage Funding Activities, have adequate capital to deliver their mandate while remaining financially self-sustaining and also to follow prudent business practices and guidelines existing in the private sector as appropriate. We voluntarily follow guidelines set out by the Office of the Superintendent of Financial Institutions (OSFI).

We perform an Own Risk & Solvency Assessment (ORSA), which is an integrated process that evaluates capital adequacy on both a regulatory and economic capital basis and is used to establish capital targets taking into consideration our strategy and risk appetite. Our 'Own View' of capital required is determined by identifying our risks and evaluating whether or not an explicit amount of capital is necessary to absorb losses from each risk. With the above we also meet the requirements of the CMHC Act and the NHA.

We set an internal target for our Mortgage Insurance Activity and our Mortgage Funding Activity at a level that is expected to cover all material risks. The internal target is calibrated using specified confidence intervals and is designed to provide an early indication of the need to resolve financial problems. Under our capital management policy, we operate at available capital levels above the internal target on all but unusual and infrequent occasions. Accordingly, we have established an operating level for our Mortgage Insurance Activity and our Mortgage Funding Activity in excess of our internal target. The operating level is calibrated using confidence intervals specified by our capital management policy and is designed to provide us with adequate time to resolve financial problems before available capital decreases below the internal target.

We declare dividends to the Government from our Mortgage Insurance and Mortgage Funding Activities, to the extent there are profits and retained earnings not allocated to reserves, capitalization or to meet our needs for purposes of the NHA, CMHC Act or any other purpose authorized by Parliament relating to housing. We declared dividends of $995 million during the three months ended 31 March 2022, which remained payable as at 31 March 2022 (three months ended 31 March 2021 – $3,895 million declared which remained payable as at 31 March 2021).

The components of consolidated capital available are presented below.

(in millions)	As at 31 March 2022	As at 31 December 2021
Contributed capital	25	25
Accumulated other comprehensive income	(448)	131
Appropriated retained earnings	9,546	9,299
Unappropriated retained earnings[1]	3,161	3,755
Total equity of Canada[2]	**12,284**	**13,210**
Less: assets with a capital requirement of 100%	(231)	(88)
Total capital available	**12,053**	**13,122**

[1] *Unappropriated retained earnings represents retained earnings in excess of our operating level for the Mortgage Insurance and Mortgage Funding Activities.*

[2] *Equity of Canada includes the impact of eliminations.*

Mortgage Insurance capital

The following table presents the components of capital available.

(in millions, unless otherwise indicated)	As at 31 March 2022	As at 31 December 2021
Appropriated capital[1]	8,553	8,574
Unappropriated capital	1,620	2,578
Total Mortgage Insurance capital	**10,173**	**11,152**
Less: assets with a capital requirement of 100%	(231)	(88)
Total Mortgage Insurance capital available	**9,942**	**11,064**
Internal target	155%	155%
Operating level	165%	165%
Capital available to minimum capital required (% MICAT)	192%	213%

[1] *We appropriate retained earnings and AOCI at our operating level of 165% of MICAT.*

Mortgage Funding capital

Mortgage Funding capital is appropriated for the guarantees provided by our NHA MBS and CMB programs. There is no regulatory capital and the appropriated amount of capital is based on the economic capital methodology as outlined in the most recent annual report. The Board approved a reduction of the economic capital required (total asset required at 110%) from $3 billion to $2.7 billion, effective 1 January 2022, which compares to $3.8 billion of assets available as at 31 March 2022 (31 December 2021 – $3 billion total assets required and $3.7 billion assets available). These amounts exclude assets and liabilities related to IMPP. Appropriated capital is determined by deducting unearned guarantee and application fees from the total asset required.

The following table presents the components of the capital available.

	As at	
(in millions, unless otherwise indicated)	**31 March 2022**	**31 December 2021**
Appropriated capital[1]	491	816
Unappropriated capital	933	699
Total Mortgage Funding capital available	**1,424**	**1,515**
Economic capital available to economic capital required	148%	136%

[1] *We appropriate retained earnings and AOCI at the operating level of accounting capital required (as defined above), which is set at 110% of our capital needs determined by ORSA less unearned guarantee and application fees. Our internal target is set at 105% of our 'Own View' of capital needs less unearned premium and fees.*

Assisted Housing capital

Lending programs

We maintain a reserve fund pursuant to Section 29 of the CMHC Act. A portion of the Lending programs' earnings is 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 (2021 – $240 million), which we have determined through our ORSA to be in a reasonable range. Should we exceed the statutory limit, we would be required to pay the excess to the Government. Aside from the reserve fund, we do not hold capital for our Assisted Housing activities, as they do not present material financial risks for us that we do not already otherwise mitigate.

Unrealized fair value fluctuations as well as remeasurement gains and losses on defined benefit plans are absorbed in retained earnings. The Housing programs' portion of remeasurements is recorded in retained earnings until it is reimbursed by the Government through government funding for housing programs.

The following table presents the components of the capital available.

	As at	
(in millions)	**31 March 2022**	**31 December 2021**
Reserve fund	33	41
Retained earnings	637	503
Total Lending programs capital available	**670**	**544**

Housing programs

We do not hold additional capital for Housing programs as this activity does not present risks that would require us to set capital aside.

10. Fair Value Measurement

We measure certain financial instruments and non-financial assets at fair value in the consolidated balance sheet 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. 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.

Change in fair value measurement for items classified as level 3

The following table presents the change in fair value for items carried at fair value and classified as level 3.

(in millions)	Investment securities - FVTPL	Investment securities - FVOCI	Loans - FVTPL	Investment property	Derivatives	Total
Fair value as at 1 January 2022	**79**	**-**	**298**	**314**	**(31)**	**660**
Purchases/issuances	1	-	16	-	-	17
Net gains in net income[1,2]	3	-	(9)	-	9	3
Level transfers	-	-	-	-	-	-
Cash receipts on settlements/disposals	-	-	(13)	-	-	(13)
Fair value as at 31 March 2022	**83**	**-**	**292**	**314**	**(22)**	**667**
Fair value as at 1 January 2021	**81**	**-**	**189**	**281**	**-**	**551**
Purchases/issuances	1	7	20	-	-	28
Net gains in net income[1,2]	1	-	8	-	-	9
Level transfers	-	10	-	-	-	10
Cash receipts on settlements/disposals	-	-	(8)	-	-	(8)
Fair value as at 31 March 2021	**83**	**17**	**209**	**281**	**-**	**590**

[1] *Included in net gains (losses) on financial instruments for investment securities; other income for investment property.*

[2] *Solely relates to unrealized gains for assets held at the end of the respective periods.*

Unobservable inputs for items classified as Level 3

The valuations 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 2022, which may change materially in subsequent periods. The techniques and unobservable inputs used in valuing the items classified as Level 3 at 31 March 2022 did not materially change from 31 December 2021. The sensitivity of the fair value of items classified as Level 3 to changes in unobservable inputs remained as disclosed in the audited consolidated financial statements for the year ended 31 December 2021.

11. Investment Securities

Credit quality

The following table presents the credit quality of debt instruments held at FVOCI and at amortized cost, all of which have an ECL allowance based on 12-month ECL. Credit ratings are based on our internal credit rating system and amounts in the table represent the gross carrying amounts of the financial assets.

	As at											
	31 March 2022						31 December 2021					
(in millions)	AAA	AA- to AA+	A- to A+	BBB- to BBB+	Lower than BBB-	Total	AAA	AA- to AA+	A- to A+	BBB- to BBB+	Lower than BBB-	Total
Investment securities[1]												
FVOCI	9,119	3,381	3,921	2,418	76	18,915	9,592	3,640	4,102	2,553	95	19,982
Amortized Cost	1,163	1,159	851	-	-	3,173	1,412	530	875	-	-	2,817

[1] *The internal credit ratings are based upon internal assessments of counterparty creditworthiness. These ratings correspond to those provided by credit rating agencies except in cases where stand-alone ratings exist. A counterparty internal credit rating cannot be higher than the highest stand-alone rating from any of the agencies. A stand-alone rating removes the assumption of government support from the rating.*

Expected credit losses

The ECL allowance for debt instruments held at FVOCI and amortized cost was $11 million at 31 March 2022 (31 December 2021 – $12 million) with a corresponding gain of $1 million recognized in net gains (losses) on financial instruments during the three months ended 31 March 2021 (three months ended 31 March 2021 – $3 million in net gains).

12. Loans

The following table presents the cash flows and non-cash changes for loans.

		Three months ended 31 March							
		Cash flows		Non-cash changes					
(in millions)	Balance at beginning of period	Repayments	Disbursements	Fair value changes	Accretion	ECL	Capitalized interest	Transfers[1]	Balance at end of period
2022									
FVTPL									
Lending programs	480	(19)	13	(14)	-	-	-	(4)	456
MI Activity loans	20	(9)	3	-	-	-	-	-	14
Total at FVTPL	**500**	**(28)**	**16**	**(14)**	**-**	**-**	**-**	**(4)**	**470**
Amortized cost									
CMB program loans	260,587	(12,150)	10,235	-	11	-	-	-	258,683
Lending programs	7,897	(168)	503	-	-	(3)	8	4	8,241
IMPP loans	4,234	(190)	-	-	-	-	-	-	4,044
MI Activity loans	63	(8)	-	-	2	1	-	-	58
Total amortized cost	**272,781**	**(12,516)**	**10,738**	**-**	**13**	**(2)**	**8**	**4**	**271,026**
Total	**273,281**	**(12,544)**	**10,754**	**(14)**	**13**	**(2)**	**8**	**-**	**271,496**
2021									
FVTPL									
Lending programs	719	(22)	15	(1)	-	-	-	(130)	581
MI Activity loans	24	(7)	6	-	-	-	-	-	23
Total at FVTPL	**743**	**(29)**	**21**	**(1)**	**-**	**-**	**-**	**(130)**	**604**
Amortized cost									
CMB program loans	258,962	(4,409)	9,993	-	10	-	-	-	264,556
Lending programs	6,160	(228)	456	-	-	4	4	130	6,526
IMPP loans	5,248	(250)	-	-	-	-	-	-	4,998
MI Activity loans	80	(8)	1	-	1	4	-	-	78
Total amortized cost	**270,450**	**(4,895)**	**10,450**	**-**	**11**	**8**	**4**	**130**	**276,158**
Total	**271,193**	**(4,924)**	**10,471**	**(1)**	**11**	**8**	**4**	**-**	**276,762**

[1] *Transfers are matured loans that have been renewed where the new loans are no longer part of a portfolio of economically hedged loans and borrowings and therefore classified at amortized cost.*

We are assured collection of principal and accrued interest on 99% (31 December 2021 – 99%) of our loans by various levels of government, CMHC mortgage insurance or by investment grade collateral representing the sole source of repayment on our loans under the CMB program and IMPP.

Expected credit losses

Total undrawn loan commitments outstanding at 31 March 2022 were $6,882 million (31 December 2021 – $7,250 million), of which $6,406 million are subject to 12-month ECL (31 December 2021 – $6,789 million) and $6 million (31 December 2021 – $6 million) are commitments outstanding on purchased or originated credit impaired loans.

At 31 March 2022, the ECL on undrawn loan commitments was $14 million (31 December 2021 – $15 million), and the ECL on loans was $82 million (31 December 2021 – $80 million). We recognize changes in ECL in net gains (losses) on financial instruments for Lending program loans and in insurance claims expense for MI Activity loans.

13. Borrowings

The following table presents the cash flows and non-cash changes for borrowings.

		Three months ended 31 March					
		Cash flows		Non-cash changes			
(in millions)	**Balance at beginning of period**	**Issuances**	**Repayments**	**Fair value changes**	**Accretion and other**	**Eliminations**	**Balance at end of period**
2022							
Designated at FVTPL							
Borrowings from the Government of Canada – Lending programs	475	-	(19)	(12)	-	-	444
Amortized cost							
Canada mortgage bonds	259,714	10,229	(12,150)	-	11	(21)	257,783
Borrowings from the Government of Canada – Lending programs	11,921	4,171	(3,555)	(35)	14	-	12,516
Borrowings from the Government of Canada – IMPP	4,234	-	(190)	-	-	-	4,044
Total amortized cost	**275,869**	**14,400**	**(15,895)**	**(35)**	**25**	**(21)**	**274,343**
Total	**276,344**	**14,400**	**(15,914)**	**(47)**	**25**	**(21)**	**274,787**
2021							
Designated at FVTPL							
Borrowings from the Government of Canada – Lending programs	1,156	-	(291)	(8)	-	-	857
Amortized cost							
Canada mortgage bonds	258,592	9,993	(4,388)	-	10	(56)	264,151
Borrowings from the Government of Canada – Lending programs	8,529	1,674	(929)	(29)	5	-	9,250
Borrowings from the Government of Canada – IMPP	5,248	-	(250)	-	-	-	4,998
Total amortized cost	**272,369**	**11,667**	**(5,567)**	**(29)**	**15**	**(56)**	**278,399**
Total	**273,525**	**11,667**	**(5,858)**	**(37)**	**15**	**(56)**	**279,256**

When we hold CMB to maturity or acquire CMB in the primary market, we exclude the related cash flows from the consolidated statement of cash flows. During the three months ended 31 March 2022, we have excluded nil (three months ended 31 March 2021 – $21 million) of CMB maturities from repayments in the table above and from investment securities – sales and maturities in the consolidated statement of cash flows. We have also excluded during the three months ended 31 March 2022 $6 million (three months ended 31 March 2021 – nil) of CMB purchases in the primary market from issuances in the table above and from investment securities – purchases in the consolidated statement of cash flows.

Borrowing authorities

The Minister of Finance approves our Borrowing Plan annually and establishes limits and parameters for borrowings, namely capital market borrowings and borrowings from the Government of Canada in the Assisted Housing and Mortgage Funding activities.

For 2022, the limits on our short-term borrowings outstanding and long-term borrowings issued are $6 billion and $6.5 billion, respectively (2021 – $6 billion and $6.5 billion). Actual short-term borrowings outstanding as at 31 March 2022 were $351 million (31 December 2021 – $367 million). Actual long-term borrowings issued in the three months ended 31 March 2022 were $856 million (three months ended 31 March 2021 –$959 million).

14. Financial instruments income and expenses

Gains and losses from financial instruments

The following table presents the net gains (losses) related to financial instruments recognized in the consolidated statement of income and comprehensive income.

	Three months ended 31 March	
(in millions)	**2022**	**2021**
Financial instruments designated at FVTPL		
Investment securities	-	(1)
Loans	(3)	(3)
Borrowings	12	8
Total financial instruments designated at FVTPL	**9**	**4**
Financial instruments mandatorily at FVTPL		
Equity securities	3	1
Derivatives	49	50
Loans	(14)	2
Total financial instruments mandatorily at FVTPL	**38**	**53**
Debt instruments held at FVOCI[1]	(79)	(36)
Loans – amortized cost	(6)	-
Borrowings – amortized cost[2]	35	29
Expected credit recoveries (losses) on financial assets[3]	(4)	5
Total	**(7)**	**55**

1 *Includes a foreign exchange loss of $48 million (three months ended 31 March 2021 – loss $61 million) resulting from translation of U.S. dollar-denominated debt instruments.*

2 *Includes gains from the issuance of borrowings of $35 million (three months ended 31 March 2021 – $29 million).*

3 *Excludes a release of ECL on MI Activity loans at amortized cost during the three months ended 31 March 2022 of $1 million (three months ended 31 March 2021 – $5 million). These are presented in insurance claims expense.*

15. 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. Despite changes in economic and market conditions, there were no material changes to our assessment and management of market risk in the three months ended 31 March 2022.

Currency risk

We are exposed to currency risk from our holdings in foreign currency denominated investment securities. Our internal policies limit the amount of foreign currency investments and require full hedging of currency risk. We held $4,145 million in debt instruments denominated in U.S. dollars as at 31 March 2022 (31 December 2021 – $4,393 million), which we present as investment securities at FVOCI or at FVTPL.

Value at risk (VaR)

We evaluate market risk for investment securities in the Mortgage Insurance and Mortgage Funding Activities 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 Insurance and Mortgage Funding Activities calculated with 95% confidence over a 22 business day holding period is outlined in the table below. The VaR figures are based on one year of historical prices and correlations of bond markets and 26 weeks of volatility.

	As at	
(in millions)	**31 March 2022**	**31 December 2021**
Investment securities:		
Interest rate risk on debt instruments		
CAD-denominated securities	169	138
USD-denominated securities	62	53
Effect of diversification	(9)	(11)
Total VaR	**222**	**180**

Interest rate sensitivity

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

For the Assisted Housing Activity's financial instruments designated at FVTPL and derivatives, we assessed the net impact of a 200 bps shift in interest rates on fair value as immaterial as at 31 March 2022 after accounting for derivatives.

The Assisted Housing Activity's financial instruments measured at amortized cost are also exposed to interest rate risk. The net impact of a shift in interest rates on their fair value as at 31 March 2022 is presented below.

	As at			
	31 March 2022		**31 December 2021**	
	Interest rate shift		**Interest rate shift**	
(in millions)	**-200 bps**	**+200 bps**	**-200 bps**	**+200 bps**
Increase (decrease) in fair value of net assets[1]	(613)	493	(616)	517

[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.*

16. 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. We disclose full descriptions of credit risks related to our financial instruments and how we manage those risks in Note 19 of our audited consolidated financial statements for the year ended 31 December 2021. There has been no change in the nature of the risks and how we manage them in the three month period ended 31 March 2022.

17. Pension and Other Post-Employment Benefits

The following table presents the expenses, remeasurements and contributions for the defined benefit plans.

	Three months ended 31 March			
	Pension plans		Other post-employment plans	
(in millions)	**2022**	**2021**	**2022**	**2021**
Current service cost	15	17	-	-
Net interest expense	-	2	1	1
Expense recognized in net income	**15**	**19**	**1**	**1**
Net actuarial gains arising from changes in financial assumptions	430	373	17	17
Return on plan assets, excluding amounts included in net interest expense	(146)	(92)	-	-
Net remeasurements recognized in other comprehensive income (loss)[1]	**284**	**281**	**17**	**17**
CMHC's contributions[2]	17	13	1	1
Employee contributions	5	6	-	-
Total contributions	**22**	**19**	**1**	**1**

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

[2] *Includes solvency payments of $9.0 million for the three months ended 31 March 2022 (three months ended 31 March 2021 – $6.1 million).*

We determine the discount rate in accordance with guidance issued by the Canadian Institute of Actuaries by reference to Canadian AA-rated corporate bonds with terms to maturity approximating the duration of the obligation. The discount rate we used to remeasure the defined benefit obligations at 31 March 2022 was 4.0% (31 December 2021 – 3.0%).

18. Income Taxes

The following table presents the components of income tax.

	Three months ended 31 March	
(in millions)	**2022**	**2021**
Current income tax expense	106	206
Deferred income tax relating to origination and reversal of temporary differences	25	(22)
Total income tax expense included in net income	**131**	**184**
Income tax expense (recovery) on other comprehensive income (loss)		
Net unrealized losses from FVOCI financial instruments	(194)	(114)
Reclassification of prior years' net unrealized gains realized in the period in net income	-	(3)
Remeasurement gains on defined benefit plans	47	40
Total income tax expense (recovery) included in other comprehensive income (loss)	**(147)**	**(77)**
Total	**(16)**	**107**

19. Related Party Transactions

We defer and amortize the Government fees paid in recognition of its financial backing of the Mortgage Insurance and Mortgage Funding Activities. The fees, which are recorded in operating expenses, amount to $13 million for the three month period ended 31 March 2022 (three months ended 31 March 2021 – $12 million) for the Mortgage Insurance Activity and $8 million for the three month period ended 31 March 2022 (three months ended 31 March 2021 – $9 million) for the Mortgage Funding Activity.

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

20. Commitments and Contingent Liabilities

As at 31 March 2022, we have $7,653 million in contractual financial obligations relating to housing programs which extend for periods up to 25 years and $170 million in other contractual obligations up to the year 2027 (31 December 2021 - $8,292 million and $142 million, respectively).

We hold the following cash and cash equivalents that are intended for use as part of the respective programs:

	As at	
(in millions)	**31 March 2022**	**31 December 2021**
Affordable Rental Housing Innovation Fund	48	55
Rental Construction Financing initiative (RCFi)	341	242
National Housing Co-Investment Fund (NHCF)	260	308
Direct Lending – Economically Hedged	226	130
Total	**875**	**735**

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