THIRD QUARTER
30 SEPTEMBER 2023
(UNAUDITED)

Quarterly Financial Report

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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 22 November 2023, is prepared for the third quarter ended 30 September 2023 and is intended to provide readers with an overview of our performance including comparatives against the same three and nine month periods in 2022. This MD&A should be read in conjunction with the unaudited quarterly consolidated financial statements as well as the 2022 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 2022 Annual Report as well as in Note 4 of these unaudited quarterly consolidated financial statements. Except for the adoption of International Financial Reporting Standards (IFRS) 17 *Insurance Contracts* (IFRS 17), as disclosed in note 3 of our unaudited quarterly financial statements, there have been no material changes to our significant accounting policies, judgments or estimates to the end of the third quarter of 2023. As required by IFRS 17, we have restated our 2022 comparative results leading to the restatement of certain amounts and metrics in the MD&A.

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 2023" 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 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 2022 Annual Report.

The Operating Environment and Outlook for 2023

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

Economic conditions and housing indicators

With households still adjusting to the higher interest rate environment, economic growth in Canada has continued to ease over the first half of 2023 and is expected to remain subdued through the remainder of the year. On an annual average basis, this implies growth in real gross domestic product (GDP) of 1.1% in 2023 and 0.6% in 2024, according to the October 2023 Industry Consensus[1].

Canadian economic activity was flat during the second quarter of 2023, as nominal GDP growth was largely offset by inflation. While inflation has declined from its peak, its downward trend is slowing. Consumer price index (CPI) inflation was 3.8% in September, down from a high of 8.1% last year. To bring inflation down, the Bank of Canada has continued to raise its policy rate further throughout the year to 5% in July. As the impacts of higher interest rates spread through the economy, household consumption growth is decelerating toward a more sustainable pace. Meanwhile, household disposable income increased at more than double the pace of consumption. As a result, the household savings rate moved higher in the second quarter to 5.1% from 3.7% in the first quarter, above its 3.4% average in the decade to 2020. Furthermore, interest rates on long term Government of Canada bonds have increased from 3.2% to 3.8% this year so far.

Stronger disposable income was also a key factor contributing to the improvement in the ratio of household debt to disposable income. Disposable income was 2.6% higher in the second quarter of 2023 compared with the previous quarter, while debt edged up by 0.6%. Overall, the ratio has decreased to a seasonally-adjusted 181% in the second quarter from 184% in the first quarter. This means that for every dollar of disposable income, there was $1.81 in household debt. However, looking ahead, the ratio is expected to edge higher before stabilizing, as the share of income spent on interest payments at current rates is expected to continue to rise as homeowners renew their mortgages.

Labour market conditions remain tight and some firms are still facing challenges finding workers. The employment rate (62%) in September was little changed, up from 61.9% in August. The unemployment rate (5.5%) held steady in September for the third consecutive month, near its all-time low of 4.9%. Wage growth has stayed in a range of 4% to 5% since 2022, considerably higher than the 2.3% average over the past decade.

Following years of strong activity, Canada's housing market started to show signs of moderation in 2023, partly reflecting the degree to which valuations have been out of line with fundamentals. Taken together, rising interest rates and a slowing economy should remain key contributors to subdued sales activity and price growth in the near term.

All this put Canada's average MLS® price near $679,553 during the first three quarters of 2023, a drop of 5.3% from the same period a year earlier, marking the largest decline in home prices in recent history. On a seasonally-adjusted basis, MLS® sales activity dropped 14.9% to 447,280 units[2] over the same period. This would also be the highest drop in sales observed since the mid-1990s. On the supply side, interest rate pressures and building constraints continued to curb new construction activity. National housing starts posted a drop of 8% to 243,703 units[3] over the period in 2023, just below 2021 and 2022 levels.

[1] Consensus Economics survey of private sector forecasters, as of October 2023.

[2] Seasonally adjusted and annualized rates (SAAR)

[3] Seasonally adjusted and annualized rates (SAAR)

These economic conditions continue to have a significant impact on our financial results and our ability to meet the outcomes of our programs, as well as the federal budget initiatives announced in 2022 and 2023. The movements in interest rates continue to result in volatility in our investments and defined benefit plans, with the increase in interest rates in the second and third quarters of 2023 offsetting the stronger investment performance and lower discount rates in the first quarter of 2023. Higher house prices and mortgage rates have resulted in lower transactional homeowner unit volumes consistent with the decreases in MLS® sales noted above. Additionally, our arrears remain low which is resulting in low levels of claims paid. These impacts are discussed further in the "Financial Results" section below. These economic conditions will impact our ability to achieve our corporate performance targets related to the programs noted above.

Risk Management

There have been no significant changes in our risk profile since our most recent 2022 Annual Report that require additional interim disclosure.

Overall, financial risks remain low and within risk tolerances. Credit risk and liquidity risk remain low and stable. Our investment portfolios remain stable despite uncertain market and economic conditions, due to strong credit ratings and sector diversification. Insurance risk remains stable as arrears remain near historical lows.

For more details, please refer to our 2022 Annual Report.

Federal Budgets (2022 and 2023)

Update since Q2 2023

Budget 2022 included $4 billion over five years, starting in 2022-23, for a new Housing Accelerator Fund, that provides incentive funding to local governments encouraging initiatives aimed at increasing housing supply. The Housing Accelerator Fund's application portal opened on July 4, 2023, and has since closed. The first agreement, with the City of London, was announced September 13, 2023. On September 14, 2023, the Prime Minister announced that local governments will be required to end exclusionary zoning and encourage building apartments near public transit in order to have Housing Accelerator Fund applications approved.

Budget 2022 included $1.5 billion for a third round of the Rapid Housing Initiative (RHI), which addresses the urgent housing needs of people who are made vulnerable and prioritized under the National Housing Strategy. As of the third quarter of 2023, these funds are fully committed.

Refer to the previous quarterly financial report for details on all other Budget 2022 and 2023 items for which we have obtained financial authorities.

We continue to deliver Canada's National Housing Strategy (NHS), which is giving more people in Canada a place to call home. This comprehensive plan 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 people in Canada. The successful delivery of the NHS contributes significantly to our strategic results and outcomes.

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

Other updates

Increased Annual Limit on the Canada Mortgage Bond Program

On 26 September 2023, the Deputy Prime Minister and Minister of Finance announced the annual limit for Canada Mortgage Bonds (CMB) is being increased from $40 billion to up to $60 billion. This change is the next step in the government's plan to build more homes, faster, and will unlock low-cost financing for multi-unit rental construction, by ensuring builders have low-cost financing required to build more rental projects with the increased amount designated for funding mortgage loans on multi-unit projects insured by CMHC. This new measure will help to build up to 30,000 more rental apartments per year, which may further increase the growth in our Multi-unit volumes. An additional $5 billion of CMB is expected to be issued out of the $20 billion limit increase in the fourth quarter of 2023.

Enhanced GST Rental Rebate to build more apartments for renters

On 14 September 2023, the Prime Minister announced that the government will introduce legislation to enhance the Goods and Services Tax (GST) Rental Rebate on new purpose-built rental housing, to incentivize construction of much-needed rental homes for Canadians. To build more rental housing, the removal of GST will apply to new purpose-built rental housing, such as apartment buildings, student housing, and senior residences built specifically for long-term rental accommodation.

The enhanced GST Rental Rebate for purpose-built rental housing will be effective as of 14 September 2023, subject to the passage of implementing legislation. This legislation is expected to increase volumes in our Multi-Unit Insurance business, however the magnitude is not currently known.

Draft Tax Legislation on Excessive Interest and Financing Expenses Limitation

On 4 August 2023, the Department of Finance released for public comment revised legislative proposals on the proposed Excessive Interest and Financing Expenses Limitation (EIFEL) legislation to take into account comments received since the initial release on February 4, 2022 and subsequent revisions released on November 3, 2022. The EIFEL rules are aimed at limiting the amount of interest and other financing expenses that businesses may deduct for income tax purposes based on a proportion of earnings, interest, taxes, depreciation and amortization. The proposed legislation is broadly in line with the recommendations in the Action 4 report set out by the Organization for Economic Cooperation and Development in respect of its Base Erosion and Profit Shifting Initiative. Based on the latest updates, the EIFEL rules are now proposed to apply in respect of taxation years beginning on or after 1 October 2023, rather than 1 January 2023, as initially proposed. Based on the latest draft legislation, no impact on CMHC or CHT is anticipated.

Climate Related Financial Disclosures

The Climate Risk Management Project continues to enhance our climate risk and opportunities management practices and processes.

In Q3, we continued to integrate assessing climate-related risks in our operations, defined climate risk literacy sessions, to be held in Q4, for our executive committee and board audit and risk committees. These sessions will increase awareness and knowledge of current climate risk standards and continuing to equip members in fulfilling their existing committee roles in risk management.

We continue to monitor the evolution of climate risk management standards and adapt our planned activities accordingly. Our disclosures are based on recommendations issued by Task Force on Climate-Related Financial Disclosures and will evolve over time as we work towards compliance with OSFI Guideline B-15 Climate Risk Management. Although we are not currently required to report against requirements issued by the International Sustainability Standards Board, we are monitoring developments at the international level for potential future impacts on our climate related financial disclosures.

Updates from the Office of the Superintendent of Financial Institutions (OSFI)

The following new guidelines/consultations occurred in the third quarter of 2023:

OSFI's response to Guideline B-20 consultation feedback

On October 16, 2023, OSFI published the results and next steps of its public consultation on Guideline B-20: Residential Mortgage Underwriting Practices and Procedures focused on debt serviceability measures. This Guideline articulates fundamental principles for sound residential mortgage underwriting relating to governance, oversight mechanisms, underwriting processes and credit decisions, effective risk management and disclosure and supervisory requirements.

As outlined in the consultation, the Minimum Qualifying Rate (MQR) has helped manage risks related to debt serviceability, especially as mortgage interest rates have risen sharply. OSFI believes additional measures are needed to mitigate the underlying vulnerability of a buildup in highly indebted borrowers.

As such, OSFI will pursue targeted supervisory actions that will aim to limit federally regulated financial institutions' (FRFIs) individual exposures to high household indebtedness over time. These actions will take into account the size, nature, complexity, and risk profile of each FRFI, balancing sound risk management against the need for FRFIs to compete effectively and take reasonable risks. OSFI will continue reviewing its expectations relating to real estate secured lending through 2023 to 2024.

Mortgage Insurer Capital Adequacy Test (MICAT) 2024

On October 20, 2023, OSFI published the Mortgage Insurer Capital Adequacy Test (MICAT) 2024 guideline. This revised guideline builds on MICAT 2023 and reflects two key revisions, including:

- incorporating the Advisory into the MICAT 2024 guideline clarifying the maximum remaining amortization in the requirements calculations. When the guideline comes into effect on January 1, 2024, that Advisory will be repealed, and
- An increase to the maximum loan-to-value (LTV) to 105% from 100% in the requirements calculations.

We do not expect the amendments to have a material impact on our MICAT ratio.

Consultation on draft Guideline E-21, operational resilience and operational risk management

On October 13, 2023, OSFI published a draft revised Guideline E-21 for consultation. The revised guideline sets out OSFI's regulatory expectations for FRFIs to enhance their operational resilience and management of operational risks. The revised Guideline sets expectations for operational resilience to strengthen FRFIs' ability to prepare for and recover from severe disruptive events, modernizes OSFI's expectation for operational risk management and contributres to FRFIs' integrity and security. Consultations are expected to be held until February 2024, with the release of a final guideline expected in the fourth quarter of 2024.

OSFI's New Supervisory Framework

OSFI's new supervisory framework for FRFIs and pension plans will become effective in April 2024. The renewal of the supervisory framework is part of the Blueprint transformation program and will be the first comprehensive update in almost 25 years.

The supervisory framework guides oversight of financial institutions with a primary goal to protect depositors, policyholders, and pension plan members from loss. The new framework will apply to both financial institutions and pension plans and recognizes the specific nature of the different industries OSFI regulates.

OSFI will publish more information about the new framework in early 2024. In addition, they will hold webinars for regulated financial institutions in November 2023 and for pension plan stakeholders in spring 2024.

Consultation on Integrity and Security, Including Foreign Interference

On June 22, 2023, Parliament passed Bill C-47, the Budget Implementation Act (BIA), which expands the OSFI's mandate and adds to the suite of compliance and intervention tools available to the Superintendent and the Minister of Finance. These changes will enhance the strong oversight of FRFIs that underpins a sound and stable Canadian financial system. Starting January 1, 2024, FRFIs will be required to have and adhere to adequate policies and procedures to protect themselves from threats to their integrity and security, including foreign interference. OSFI will examine each FRFI's policies and procedures to determine if they are adequate. We will annually report on these examinations to the Minister of Finance.

The final guideline on integrity and security is expected to be released in January 2024.

Updates on current and future changes to accounting standards

Information relating to all standards issued by the International Accounting Standards Board (IASB) that may affect us can be found in Note 3 of our audited consolidated financial statements for the year ended 31 December 2022 and in Note 3 of these unaudited quarterly consolidated financial statements.

IFRS 17 Insurance contracts – effective date of 1 January 2023

We adopted IFRS 17 Insurance contracts, which replaces IFRS 4 Insurance contracts on 1 January 2023. As the adoption of IFRS 17 has been applied retrospectively, we have restated the 2022 comparative results, where applicable, within this quarterly financial report.

Financial statement line items on the consolidated balance sheet have changed with the provision for claims replaced by insurance contract liabilities, which now also includes unearned premiums and fees from insurance contracts. In addition, amounts related to deferred acquisition costs, deferred government of Canada fees, estimated borrower judgement recoveries, and premiums receivable are now recorded within insurance contract liabilities instead of accounts receivable and other assets. Government of Canada fees payable, previously recorded in accounts payable and other liabilities, is also recorded in insurance contract liabilities.

Financial statement line item descriptions on the consolidated statement of income and comprehensive income have changed with insurance claims expense removed and self-insurance service expense added. IFRS 17 also requires us to present the following financial statement line items: insurance revenue, insurance service expenses, insurance service result and insurance finance expense for contracts issued.

With the adoption of IFRS 17, we have also adopted new performance metrics as follows:

- **Insurance service expense ratio:** Replacing the loss ratio, this metric measures the ratio between insurance service expense over insurance revenues.
- **Contractual Service Margin (CSM):** Represents the expected future profit of our insurance contract liabilities.
- **Initial CSM ratio:** Represents the estimated embedded profit of premiums received on insurance contracts in the period.

We are expecting both our return on equity and return on required equity to be 2%-5% lower on average subsequent to the adoption of IFRS 17 mainly due to slower recognition patterns of premiums received based on new recognition methodologies required by IFRS 17.

Financial Results

Key financial highlights

Condensed consolidated balance sheets

As at 30 September 2023 and 31 December 2022

	Assisted Housing Activity		Mortgage Insurance Activity		Mortgage Funding Activity		Eliminations		Total	
(in millions)	2023	2022	2023	2022 (restated)	2023	2022	2023	2022	2023	2022 (restated)
Total assets	18,838	17,642	17,249	16,766	259,515	263,752	(781)	(992)	294,821	297,168
Total liabilities	17,951	16,796	7,453	6,996	258,188	262,421	(805)	(1,006)	282,787	285,207
Total equity of Canada	887	846	9,796	9,770	1,327	1,331	24	14	12,034	11,961

Total equity of Canada has increased by $73 million (1%) primarily due to comprehensive income of $1,008 million in 2023, partially offet by $935 million of dividends declared and paid.

Total assets decreased by $2,347 million (1%) primarily due to:

- A decrease in loans at amortized cost of $2,910 million (1%) as maturities of CMB program loans exceeded new issuances resulting in $4,761 million (2%) decreased loans. The decrease in loans at amortized cost is partially offset by $1,857 million (19%) of additional loans under the Rental Construction Financing Initiative (RCFi), National Housing Co-Investment Fund (NHCF) and Canada Greener Homes Loan (CGHL) programs.
- A decrease in accounts receivable and other assets of $384 million (41%) primarily driven by lower advances for the One-time top-up to the Canada Housing Benefit (CHB), as well as a taxes payable balance for this period compared to a large taxes receivable balance at 2022 year-end due to large fair value losses currently deductible for tax for that year.
- These decreases were partially offset by an increase in accrued interest receivable of $578 million (66%) primarily driven by higher interest rates and timing, as larger coupon payments are received in the second and fourth quarters of the year. The decrease in total assets is also offset by an increase in investment securities at fair value through other comprehensive income (FVOCI) of $495 million (3%) mainly due to a higher portfolio balance in the Mortgage Insurance Activity as a result of the suspension of the dividend, partially offset by losses on investments as interest rates have increased.

Total liabilities decreased by $2,420 million (1%) mainly driven by lower borrowings at amortized cost of CMB as noted above. This is partially offset by increased borrowings from the Government of Canada to fund NHS program loans, an increase in accrued interest payable of $565 million (69%) due to higher interest rates and timing as explained above, as well as an increase of $343 million (5%) in insurance contract liabilities mainly attributed to new business underwritten in 2023.

Condensed consolidated statements of income and comprehensive income

Three months ended 30 September

(in millions)	Assisted Housing Activity 2023	Assisted Housing Activity 2022	Mortgage Insurance Activity 2023	Mortgage Insurance Activity 2022 (restated)	Mortgage Funding Activity 2023	Mortgage Funding Activity 2022	Eliminations 2023	Eliminations 2022	Total 2023	Total 2022 (restated)
Government funding	1,345	454	-	-	-	-	-	-	1,345	454
Housing programs	(1,275)	(377)	-	-	-	-	-	-	(1,275)	(377)
Premiums and fees earned	-	-	9	6	209	189	-	-	218	195
Insurance service result	-	-	237	278	-	-	-	-	237	278
Operating expenses	(90)	(79)	(40)	(41)	(15)	(15)	-	-	(145)	(135)
All other income[1]	6	34	62	55	26	15	5	5	99	109
Income (loss) before income taxes	**(14)**	**32**	**268**	**298**	**220**	**189**	**5**	**5**	**479**	**524**
Income taxes	2	(9)	(66)	(76)	(55)	(47)	(2)	(1)	(121)	(133)
Net income (loss)	**(12)**	**23**	**202**	**222**	**165**	**142**	**3**	**4**	**358**	**391**
Other comprehensive income (loss)	35	(5)	(67)	(136)	(50)	(9)	3	2	(79)	(148)
Comprehensive income	**23**	**18**	**135**	**86**	**115**	**133**	**6**	**6**	**279**	**243**

[1] Includes net interest income (loss), investment income, net gains/(losses) on financial instruments, insurance finance expense for contracts issued, other income (loss) and self-insurance service income.

Quarter to date (QTD) 2023 vs QTD 2022

Total income before income taxes decreased by $45 million (9%) from the same quarter last year mainly due to:

- An increase in housing programs expense of $898 million (238%), partially offset by an increase of $891 million (196%) in government funding. The increase was driven mainly by $824 million for Rapid Housing Initiative (RHI) and $35 million for NHCF. Due to the nature of many NHS programs, funding patterns are expected to vary significantly year over year.
- An increase in net losses on financial instruments of $43M (143%) primarily due to decreases in borrowing issuances for RCFi as we borrow at below market rates which leads to gains at time of borrowing, as well as losses on loans issued below market value in the NHCF and CGHL portfolios, as more loans were issued in the third quarter of 2023 compared to the same quarter in 2022 for these programs.
- A decrease in insurance service result of $41 million (15%) mainly due to higher insurance service expense in the period compared to the same three-month period last year where lower arrears volume, better than expected economic conditions and updates to model assumptions subsequent to the transition to IFRS 17 on 1 January 2022 led to a large release in the estimate of our liabilities for incurred claims.
- This was partially offset by an increase of $20 million (11%) in guarantee fees earned in the Mortgage Funding Activity due to price increases in recent years.

Other comprehensive income (OCI), net of tax, increased by $69 million (47%) from the same quarter last year mainly due to:

- An increase in remeasurement gains of the net defined benefit plans of $83 million (755%), as the discount rate used to remeasure the pension obligation increased in the quarter compared to no change in the rate for the same quarter of last year. There was also an increase in insurance finance income for contracts issued of $37 million (195%) as interest rates increased more significantly compared to the same quarter of last year.
- This is partially offset by an increase in unrealized losses on investments of $51 million (33%) from the same period last year due to more significant increases in bond yields in the current quarter compared to the same quarter of last year.

Nine months ended 30 September

(in millions)	Assisted Housing Activity 2023	Assisted Housing Activity 2022	Mortgage Insurance Activity 2023	Mortgage Insurance Activity 2022 (restated)	Mortgage Funding Activity 2023	Mortgage Funding Activity 2022	Eliminations 2023	Eliminations 2022	Total 2023	Total 2022 (restated)
Government funding	4,044	2,598	-	-	-	-	-	-	4,044	2,598
Housing programs	(3,776)	(2,386)	-	-	-	-	-	-	(3,776)	(2,386)
Premiums and fees earned	-	-	24	17	616	563	-	-	640	580
Insurance service result	-	-	672	768	-	-	-	-	672	768
Operating expenses	(298)	(221)	(122)	(128)	(49)	(52)	-	-	(469)	(401)
All other income[1]	19	96	121	117	69	38	10	17	219	268
Income (loss) before income taxes	**(11)**	**87**	**695**	**774**	**636**	**549**	**10**	**17**	**1,330**	**1,427**
Income taxes	(1)	(23)	(175)	(192)	(159)	(137)	(3)	(4)	(338)	(356)
Net income (loss)	**(12)**	**64**	**520**	**582**	**477**	**412**	**7**	**13**	**992**	**1,071**
Other comprehensive income (loss)	53	166	6	(613)	(46)	(160)	3	23	16	(584)
Comprehensive income	**41**	**230**	**526**	**(31)**	**431**	**252**	**10**	**36**	**1,008**	**487**

[1] Includes net interest income (loss), investment income, net gains/(losses) on financial instruments, insurance finance expense for contracts issued, other income (loss) and self-insurance service income.

Year to Date (YTD) 2023 vs YTD 2022

Total income before income taxes decreased by $97 million (7%) from the same nine-month period last year mainly due to:

- An increase in housing programs expense of $1,390 million (58%) driven mainly by $629 million for RHI, $456 million for NHCF, $90 million for CHB, $257 million for the One-time top-up to the CHB, $38M for Canada Community Housing Initiative, and $29 million for Federal Community Housing Initiative. These increases are partially offset by a decrease in RCFi of $187 million. Due to the nature of many NHS programs, funding patterns are expected to vary significantly year over year.
- A decrease in net gains on financial instruments of $172 million (277%), primarily due to decreases in borrowing issuances for RCFi as we borrow at below market rates which leads to gains at time of borrowing, as well as losses on loans issued below market value in the NHCF and CGHL portfolios, as more loans were issued in 2023 compared to the same period of last year for these programs.
- A decrease of $96 million (13%) in the insurance service result mainly due to higher insurance service expense in the period compared to the same nine-month period last year where lower arrears volume, better than expected economic conditions and updates to model assumptions subsequent to the transition to IFRS 17 on 1 January 2022 led to a large release in the estimate of our liabilities for incurred claims.
- An increase of $68 million (17%) in operating expenses driven mainly by $40 million of administration expenses to run the One-time top-up to the CHB, and $23 million for CGHL as the program was launched in the third quarter of last year.
- The decrease in total income before taxes was partially offset by an increase of $1,446 million (56%) in government funding resulting from higher spend as described previously, increases in investment income of $115 million (42%) and net interest income of $78 million (1,300%) due to higher interest rates, and an increase of $53 million (9%) in guarantee fees earned mainly due to price increases in recent years in the Mortgage Funding Activity.

Other comprehensive income (OCI), net of tax, increased by $600 million (103%) from the same nine-month period last year due to economic movements.

- A decrease in net unrealized losses on investments of $1,005 million (90%) from the same period last year, mostly due to more significant increases in bond yields in the first half of 2022 leading to large unrealized losses compared to this year.
- The increase is partially offset by a decrease in remeasurement gains of the net defined benefit plans of $249 million (71%) mainly as a result of the larger increase in the discount rate used to remeasure the pension obligation over the nine months period in 2022 compared to the same period in 2023. There was also a decrease in insurance finance income for insurance contracts issued of $156 million (86%) as interest rates increased more significantly in prior year compared to the same period in the current year.

Financial metrics and ratios

Mortgage Insurance

	Insurance-in-force ($B)		Contractual Service Margin	
(in millions, unless otherwise indicated)	**As at 30 September 2023**	**As at 31 December 2022**	**As at 30 September 2023**	**As at 31 December 2022**
Transactional homeowner	172	179	2,115	1,938
Portfolio	79	84	86	94
Multi-unit residential	154	136	2,674	2,515
Total	**405**	**399**	**4,875**	**4,547**

Insurance-in-force increased by $6 billion due to new volumes insured exceeding the run-off of existing policies-in-force. New loans insured were $50 billion, while estimated loan amortization and pay-downs were $44 billion.

CSM increased by $328 million (7%) due to $577 million of additional CSM on new business underwritten in the period, $168 million changes in estimates of future cash flows, and $87 million interest accretion offset by a decrease of $504 million due to earned CSM. The favourable change in estimates is mainly due to better than expected house price assumptions.

Three months ended 30 September

	Insured volumes (units)		Insured volumes ($)		Premiums and fees received[1]		Claims paid[2]	
(in millions, unless otherwise indicated)	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Transactional homeowner	15,623	17,383	5,405	5,990	189	212	6	17
Portfolio	13,147	14,691	3,387	3,999	13	10	1	2
Multi-unit residential[3]	51,443	43,457	10,505	7,278	232	194	-	-
Total	**80,213**	**75,531**	**19,297**	**17,267**	**434**	**416**	**7**	**19**

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

[2] Claims paid refers to the net cash amounts paid out on settlement of the claims excluding claims administration expenses.

[3] Multi-unit residential insured volumes ($) have been adjusted, which resulted in a decrease of $760 million to our 2022 comparative.

Nine months ended 30 September

(in millions, unless otherwise indicated)	Insured volumes (units) 2023	Insured volumes (units) 2022	Insured volumes ($) 2023	Insured volumes ($) 2022	Premiums and fees received[1] 2023	Premiums and fees received[1] 2022	Claims paid[2] 2023	Claims paid[2] 2022
Transactional homeowner	36,454	51,564	12,246	17,626	429	632	32	39
Portfolio	21,528	25,238	5,606	7,062	20	26	3	5
Multi-unit residential[3]	156,419	130,296	29,911	21,411	685	663	2	-
Total	**214,401**	**207,098**	**47,763**	**46,099**	**1,134**	**1,321**	**37**	**44**

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

[2] Claims paid refers to the net cash amounts paid out on settlement of the claims excluding claims administration expenses.

[3] Multi-unit residential insured volumes ($) have been adjusted, which resulted in a decrease of $3,042 million to our 2022 comparative.

Q3 2023 vs Q3 2022 and YTD 2023 vs YTD 2022

Transactional homeowner unit volumes decreased across all provinces as high house prices and rising interest rates put downward pressure on insured volumes. Portfolio unit volumes decreased due to fewer large pools insured as well as smaller lenders submitting smaller sized pools overall compared to last year. The increase in multi-unit residential unit volumes is driven by an increase in new construction units insured, especially in the MLI Select product which focuses on affordability, accessibility, and climate compatibility.

Total insured dollars increased, driven primarily by the increases in multi-unit residential, which are the result of the increases in unit volumes as explained previously and an increase in the cost per unit due to a larger proportion of high LTV ratio loans compared to prior year which is also due to the MLI Select product which allows for higher LTV loans. The increase in multi-unit residential is partially offset by the decrease in transactional homeowner unit volumes due to the reasons explained previously.

The decrease in premiums and fees received related to transactional homeowner is driven by lower transactional homeowner volumes as explained above. Multi-unit premiums have increased compared to prior year which is driven by the high volume of MLI Select loans.

Claims paid remain low and have decreased slightly compared to prior year. The low level of claims is the result of home price appreciation in recent years where additional equity has built up in homes throughout Canada which has slowed down potential claims.

(in percentages)	Three months ended 30 September 2023	Three months ended 30 September 2022 (restated)	Nine months ended 30 September 2023	Nine months ended 30 September 2022 (restated)
Insurance service expense ratio[1,2]	8.8%	(32.4)%	8.9%	(19.3%)
Operating expense ratio	15.4%	19.5%	16.5%	19.9%
Combined ratio	24.2%	(12.9)%	25.5%	0.6%
Initial contractual service margin ratio	58.1%	73.1%	54.1%	72.6%
Severity ratio	24.9%	29.6%	29.9%	28.3%
Return on equity	8.3%	9.0%	7.1%	7.4%
Return on required equity	8.9%	10.1%	7.7%	8.8%

[1] On adoption of IFRS 17 the loss ratio that was calculated previously under IFRS 4 was replaced by this ratio.

[2] Insurance service expense ratio on transactional homeowner and portfolio products excluding multi-unit residential was 4.6% and 7.6% for the three and nine months ended 30 September 2023, respectively ((50.8)% and (35.3)% for the three and nine months ended 30 September 2022).

Q3 2023 vs Q3 2022 and YTD 2023 vs YTD 2022

The insurance service expense ratio and combined ratio increased mainly due to a higher insurance service expense in 2023 due to the reversal of the liability for incurred claims in 2022 due to lower arrears volume, better than expected economic conditions and updates to model assumptions subsequent to the transition to IFRS 17 on 1 January 2022.

The operating expense ratio decrease is mainly attributable to higher earned CSM.

The initial contractual service margin ratio decreased mainly due to increased volumes of the MLI Select product, which has a lower initial contractual service margin as result of its lower premium.

The severity ratio decreased compared to the same 3 month period last year due to stronger sales proceeds in relation to the gross claim amount. However, the year to date severity ratio has increased compared to prior year as the average home price has dropped compared to last year.

The return on equity ratio decreased due to a decrease in net income mainly driven by the increase in insurance claims expense, as explained previously, partially offset by higher insurance revenues due to higher earned CSM.

The decrease on return on required equity ratio is due to lower net income mainly driven by the increase in insurance claims expense, as explained previously, as well as an increase in capital required due to the growth in our Multi-unit residential business.

	As at 30 September 2023		As at 31 December 2022	
	No. of delinquent loans	Arrears rate	No. of delinquent loans	Arrears rate
Transactional homeowner	2,914	0.35%	2,920	0.34%
Portfolio	941	0.16%	836	0.14%
Multi-unit residential	97	0.32%	108	0.38%
Total	**3,952**	**0.28%**	**3,864**	**0.25%**

The arrears rate includes all loans more than 90 days past due as a percentage of outstanding insured loans. Reported delinquencies remain low in all regions, which is consistent with strong economic conditions. There was a slight increase in the arrears rate mainly due to increased delinquencies in Ontario and Quebec.

Mortgage Funding

	Total guarantees-in-force ($B) As at	
	30 September 2023	31 December 2022
National Housing Act Mortgage-Backed Securities (NHA MBS)	243	216
CMB	250	255
Total	**493**	**471**

Total guarantees-in-force represents the maximum principal obligation related to our timely payment guarantee. Guarantees-in-force were $493 billion as at 30 September 2023, an increase of $22 billion (5%) as new guarantees exceeded maturities, principal run-off and prepayments. Recent increases in interest rates have slowed down the housing market leading to lower prepayment rates.

Three months ended 30 September

(in millions, unless otherwise indicated)	New securities guaranteed ($B)		Guarantee and application fees received[1]	
	2023	2022	2023	2022
NHA MBS	42	41	189	186
CMB	9	9	42	41
Total	**51**	**50**	**231**	**227**

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

Nine months ended 30 September

(in millions, unless otherwise indicated)	New securities guaranteed ($B)		Guarantee and application fees received[1]	
	2023	2022	2023	2022
NHA MBS	111	107	504	536
CMB	30	30	128	125
Total	**141**	**137**	**632**	**661**

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

Q3 2023 vs Q3 2022 and YTD 2023 vs YTD 2022

New securities guaranteed increased compared to last year, while guarantee fees received decreased. This is due to a higher proportion of affordability-linked pools and a lower average term on new issuances, both resulting in lower fee rates.

(in percentages)	Three months ended		Nine months ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
Operating expense ratio	6.3	7.3	6.6	7.5
Return on equity	49.0	42.4	48.0	38.6

Q3 2023 vs Q3 2022 and YTD 2023 vs YTD 2022

Operating expense ratio is lower and the return on equity is higher than last year, mainly due to an increase in guarantee and application fees earned as older pools with lower fees are fully recognized and are replaced with new pools with a higher associated fees.

Government Funding

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

Nine months ended 30 September

(in millions)	2023	2022
Amounts authorized in 2022/23 (2021/22)		
Main estimates	3,549	3,259
Supplementary estimates A[1,2,5]	46	1,800
Supplementary estimates B[1,3,5]	693	44
Supplementary estimates C[1,4,5]	1,119	41
Total fiscal year government funding	**5,407**	**5,144**
Less: portion recognized in calendar 2022 (2021)	(2,129)	(2,367)
Less: government funding lapsed for 2022/23 (2021/22)[6]	(1,197)	(1,049)
Less: frozen allotment	(48)	(53)
2022/23 (2021/22) government funding recognized in 2023 (2022)	**2,033**	**1,675**
Amounts authorized in 2023/24 (2022/23)		
Main estimates	5,105	3,549
Supplementary estimates A[1,2,5]	1,004	46
Supplementary estimates B[1,3,5]	-	693
Supplementary estimates C[1,4,5]	-	1,119
Total fiscal year government funding	**6,109**	**5,407**
Less: portion to be recognized in subsequent quarters	(3,993)	(3,176)
Less: forecasted lapse for 2023/24 (Actual lapse in 2022/23)	-	(1,197)
Less: frozen allotment	(150)	(48)
2023/24 (2022/23) government funding recognized in 2023 (2022)	**1,966**	**986**
Total government funding – Nine months ended 30 September	**3,999**	**2,661**

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

[2] Approved 2023/24 supplementary estimate A for HAF and Granville Island. (2022/23 for RHI, and Granville Island Emergency Relief Fund. 2021/22 for RHI, NHCF, CGHL, Granville Island Emergency Relief Fund, Canada Emergency Commercial Rent Assistance (CECRA), CHB and funding to support youth).

[3] Approved 2022/23 supplementary estimate B for RHI, Affordable Housing Innovation Fund, Federal Lands initiative, RCFi, pyrrhotite, NHCF, First-Time Home Buyer Incentive (FTHBI), Urban, Rural and Northern Indigenous Housing Strategy, CECRA, Emergency shelter for women and girls, CHB, CHB for women and children fleeing violence, and for Research and Data Initiative. (2021/22 for RCFi).

[4] Approved 2022/23 supplementary estimates C for CGHL and Home Buyer's Bill of Rights. (2021/22 for the construction and operation of shelters and transition houses for Indigenous women, children, 2SLGBTQQ/Q+ people, CHB, Federal Community Housing Initiative (FCHI), Research and Data Initiative).

[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.

[6] Total government funding lapsed for 2022/23 includes $631 million lapse of statutory authorities for the One-time top-up to the Canada Housing Benefit.

Capital Management

Frameworks

For our Assisted Housing Activity, we maintain a reserve fund pursuant to Section 29 of the *CMHC Act* to address interest rate risk exposure on pre-payable loans as well as credit risk exposure on unsecured loans. Lending programs' earnings are retained in this reserve fund except for the unrealized fair value fluctuations as well as remeasurement gains and losses on defined benefit plans. Unrealized fair value market fluctuations and remeasurement losses on defined benefit plan are absorbed in retained earnings until the time they are realized. 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 we do not already otherwise mitigate.

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

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 2023, 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 2024. For Mortgage Funding, the Board approved an increase of the economic capital required at the operating level from $1.8 billion to $2.2 billion, effective 1 January 2024.

Ratios

The following table presents our capital management ratios.

(in percentages)	As at 30 September 2023	As at 31 December 2022 (restated)
Mortgage Insurance: Capital available to minimum capital required (MICAT)	177	175
Mortgage Funding: Economic capital available to capital required[1]	102	149

[1] In 2023, the capital required in the Mortgage Funding ratio has been updated to consider the liquidity target which would have resulted in a decrease of 47 percentage points in our 2022 comparative ratio.

The Mortgage Insurance capital available to minimum capital required ratio increased slightly as comprehensive income generated exceeded dividends declared during the year.

The implementation of IFRS 17 had an immaterial impact on capital available as at 31 December 2022 (see Note 9 of the unaudited quarterly consolidated financial statements). On transition to IFRS 17, at 1 January 2022, our equity increased by $64 million (see Note 3 of the unaudited quarterly consolidated financial statements). During 2022, the impact to equity due to reporting under IFRS 17 vs IFRS 4, was a decrease of $70 million, resulting in a net change of $6 million to capital available as at 31 December 2022. IFRS 17 did not have an impact on appropriated capital in 2022 as MICAT requirements reflecting IFRS 17 were effective as of 1 January 2023. As a result, the MICAT ratio was unchanged as at 31 December 2022.

As noted under Financial Metrics and Ratios, our Multi-Unit Insurance has seen an increase in insured units and dollars, a trend observed over recent quarters. On August 24, 2023, our Board of Directors decided to temporarily suspend our dividends to the Government of Canada to retain capital for multi-unit growth.

Mortgage Funding capital available to capital required ratio decreased compared to last year, as we updated our methodology to consider the liquidity target requirement.

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

Historical Quarterly Information

(in millions, unless otherwise indicated)	Q3 2023	Q2 2023	Q1 2023	Q4 2022 (restated)[4]	Q3 2022 (restated)[4]	Q2 2022 (restated)[4]	Q1 2022 (restated)[4]	Q4 2021
Consolidated Results								
Total assets	294,821	302,978	304,372	297,168	304,050	297,594	299,160	300,357
Total liabilities	282,787	291,078	292,221	285,207	292,074	285,466	286,761	287,147
Total equity of Canada	12,034	11,900	12,151	11,961	11,976	12,128	12,399	13,210
Total revenues and government funding	1,899	1,027	2,642	1,378	1,035	996	2,178	1,956
Total expenses (including income taxes)	1,541	724	2,311	1,009	644	661	1,833	1,472
Net income	358	303	331	369	391	335	345	484
Assisted Housing								
Government funding	1,345	563	2,136	810	454	489	1,655	1,277
Net income (loss)	(12)	(2)	2	76	23	35	6	38
Total equity of Canada	887	864	872	846	799	781	695	569
Mortgage Insurance								
Insurance-in-force ($B)[2]	405	403	400	399	397	397	394	401
Total insured volumes[1,5]	19,297	17,170	11,296	16,338	17,267	17,188	11,644	17,358
Premiums and fees received	434	436	264	354	416	506	399	547
Premiums and fees earned	9	8	7	6	6	6	5	353
Insurance revenue	260	248	230	223	210	220	214	-
Claims paid	7	11	19	20	19	14	11	30
Insurance claims expense	-	-	-	-	-	-	-	(57)
Insurance service expense	(23)	(23)	(20)	(18)	68	(4)	60	-
Net income	202	142	176	145	222	168	192	302
Arrears rate	0.28%	0.25%	0.28%	0.25%	0.24%	0.25%	0.26%	0.28%
Loss ratio	-	-	-	-	-	-	-	(16.1)%
Insurance service expense ratio	8.8%	9.3%	8.7%	8.1%	(32.4)%	1.8%	(28.0)%	-
Operating expense ratio	15.4%	17.3%	17.0%	22.0%	19.5%	19.1%	21.0%	23.0%
Combined ratio	24.2%	26.6%	25.7%	30.1%	(12.9)%	20.9%	(7.0)%	6.9%
Initial contractual service margin ratio	58.1%	53.5%	48.3%	54.3%	73.1%	73.4%	71.2%	-
Severity ratio	24.9%	27.4%	33.0%	32.4%	29.6%	24.8%	27.0%	28.4%
Return on equity	8.3%	5.8%	7.2%	5.9%	9.0%	6.6%	7.1%	10.1%
Return on required equity	8.9%	6.1%	7.7%	6.3%	10.1%	7.8%	8.9%	14.0%
Capital available to minimum capital required (% MICAT)	177%	172%	176%	175%	184%	193%	194%	213%
% Estimated outstanding Canadian residential mortgages with CMHC insurance coverage	19.0%	19.1%	19.2%	19.2%	19.4%	19.9%	20.1%	21.0%
Mortgage Funding								
Guarantees-in-force ($B)[2]	493	488	481	471	463	456	460	461
Securities guaranteed ($B)	51	47	43	50	50	44	43	48
Guarantee and application fees received	231	209	192	301	227	215	219	338
Guarantee and application fees earned	209	206	201	193	189	180	194	189
Net income	165	161	151	144	142	127	143	139
Operating expense ratio	6.3%	6.6%	6.5%	7.5%	7.3%	7.9%	7.4%	8.2%
Return on equity	49.0%	47.4%	44.4%	39.0%	42.4%	36.8%	38.9%	36.6%
Economic capital available to capital required[3]	102%	102%	104%	149%	147%	146%	148%	136%
% Estimated outstanding Canadian residential mortgages with CMHC securitization guarantee	23.3%	23.2%	23.2%	22.9%	22.8%	22.9%	23.3%	24.1%

[1] Total insured volumes include portfolio substitutions.
[2] Our total exposure is less than the sum of these figures because we insure a portion of the instruments included in guarantees-in-force.
[3] In 2023, the capital required in the Mortgage Funding ratio has been updated to consider the minimum liquidity target.
[4] Figures have been restated to reflect the adoption of IFRS 17 effective 1 January 2022.
[5] Total insured volumes have been updated from previously published reports, resulting in a decrease of between 4% to 8% in the quarters Q4 2021 to Q2 2023.

Unaudited Quarterly Consolidated Financial Statements

Contents

Management's Responsibility for Financial Reporting

Period ended 30 September 2023

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

22 November 2023

Consolidated Balance Sheet

(in millions of Canadian dollars)	Notes	As at 30 September 2023	As at 31 December 2022 (restated)	As at 1 January 2022 (restated)
Assets				
Cash and cash equivalents	20	2,495	2,649	1,525
Securities purchased under resale agreements		620	650	-
Accrued interest receivable		1,456	878	720
Investment securities:				
Fair value through profit or loss	10	73	133	289
Fair value through other comprehensive income	10, 11	18,538	18,043	19,982
Amortized cost	10, 11	3,429	3,578	2,817
Derivatives		4	-	31
Due from the Government of Canada	6	144	-	363
Loans:	12			
Fair value through profit or loss		497	469	500
Amortized cost		266,297	269,207	272,781
Accounts receivable and other assets		557	941	535
Investment property		385	402	314
Defined benefit plans asset		326	218	-
		294,821	297,168	299,857
Liabilities				
Accounts payable and other liabilities		665	707	606
Accrued interest payable		1,383	818	612
Derivatives		66	87	50
Insurance contract liabilities	7	6,748	6,405	6,132
Due to the Government of Canada	6	-	6	-
Borrowings:	13			
Fair value through profit or loss		290	374	475
Amortized cost		270,638	273,770	275,869
Defined benefit plans liability		157	166	250
Unearned premiums and fees	7, 8	2,663	2,604	2,321
Deferred income tax liabilities		177	270	268
		282,787	285,207	286,583
Commitments and contingent liabilities	20			
Equity of Canada	**9**			
Contributed capital		25	25	25
Accumulated other comprehensive income or (loss)		(811)	(725)	130
Reserve fund		48	17	29
Retained earnings		12,772	12,644	13,090
		12,034	11,961	13,274
		294,821	297,168	299,857

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

Consolidated Statement of Income and Comprehensive Income

(in millions of Canadian dollars)	Notes	Three months ended 30 September 2023	Three months ended 30 September 2022 (restated)	Nine months ended 30 September 2023	Nine months ended 30 September 2022 (restated)
Interest income		1,820	1,427	5,221	3,778
Interest expense		(1,788)	(1,420)	(5,137)	(3,772)
Net interest income		**32**	**7**	**84**	**6**
Insurance revenue	7	260	210	738	644
Insurance service income (expense)		(23)	68	(66)	124
Insurance service result		**237**	**278**	**672**	**768**
Investment income		145	100	391	276
Net gains (losses) on financial instruments	14	(13)	30	(110)	62
Insurance finance expense for contracts issued	7	(47)	(29)	(127)	(82)
Net financial result		**85**	**101**	**154**	**256**
Government funding	6	1,345	454	4,044	2,598
Housing programs	6	(1,275)	(377)	(3,776)	(2,386)
Premiums and fees earned	7, 8	218	195	640	580
Operating expenses		(145)	(135)	(469)	(401)
Other income (loss)		(18)	-	(26)	1
Self-insurance service income		-	1	7	5
Income before income taxes		**479**	**524**	**1,330**	**1,427**
Income taxes	18	(121)	(133)	(338)	(356)
Net income		**358**	**391**	**992**	**1,071**
Other comprehensive income (loss), net of tax					
Items that will be subsequently reclassified to net income (loss)					
Net unrealized losses from debt instruments held at fair value through other comprehensive income		(216)	(151)	(176)	(1,111)
Reclassification of losses (gains) on debt instruments held at fair value through other comprehensive income on disposal in the year		9	(5)	64	(6)
Insurance finance income for contracts issued	7, 18	56	19	26	182
		(151)	(137)	(86)	(935)
Items that will not be subsequently reclassified to net income					
Remeasurement gains (losses) on defined benefit plans	17, 18	72	(11)	102	351
Total comprehensive income (loss), net of tax		**(79)**	**(148)**	**16**	**(584)**
Comprehensive income		**279**	**243**	**1,008**	**487**

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 30 September 2023	Three months ended 30 September 2022 (restated)	Nine months ended 30 September 2023	Nine months ended 30 September 2022 (restated)
Contributed capital		**25**	**25**	**25**	**25**
Accumulated other comprehensive income (loss)					
Fair value reserve balance at beginning of period		(805)	(830)	(900)	131
Other comprehensive loss – fair value		(207)	(156)	(112)	(1,117)
Fair value reserve balance at end of period		(1,012)	(986)	(1,012)	(986)
Opening insurance finance reserve		145	162	175	-
Impact of adopting IFRS 17	3	-	-	-	(1)
Restated opening insurance finance reserve		145	162	175	(1)
Other comprehensive income – insurance finance reserve		56	19	26	182
Insurance finance reserve balance at end of period		201	181	201	181
Balance at end of period		**(811)**	**(805)**	**(811)**	**(805)**
Reserve fund					
Balance at the beginning of period		47	19	17	29
Net income (loss)		1	(5)	31	(15)
Balance at end of period		**48**	**14**	**48**	**14**
Retained earnings					
Opening retained earnings		12,488	12,752	12,825	13,025
Impact of adopting IFRS 17	3	-	-	(181)	65
Restated opening retained earnings		12,488	12,752	12,644	13,090
Net income		357	396	961	1,086
Other comprehensive income (loss)		72	(11)	102	351
Dividends	9	(145)	(395)	(935)	(1,785)
Total retained earnings		**12,772**	**12,742**	**12,772**	**12,742**
Equity of Canada	9	**12,034**	**11,976**	**12,034**	**11,976**

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 30 September 2023	Three months ended 30 September 2022 (restated)	Nine months ended 30 September 2023	Nine months ended 30 September 2022 (restated)
Cash flows from (used in) operating activities					
Net income		358	391	992	1,071
Adjustments to determine net cash flows from operating activities					
Amortization of premiums and discounts on financial instruments		(1)	13	8	66
Net (gains) losses on financial instruments		(112)	(159)	76	(268)
Deferred income taxes	18	(49)	(32)	(83)	(65)
Depreciation, amortization and impairment of fixed and intangible assets		11	6	28	18
Net unrealized (gains) losses on investment property		17	-	17	-
Changes in operating assets and liabilities					
Derivatives		109	116	(25)	177
Accrued interest receivable		(587)	(612)	(578)	(593)
Due from the Government of Canada		180	68	(162)	(58)
Accounts receivable and other assets		(5)	83	358	136
Accounts payable and other liabilities		(80)	(109)	(29)	(43)
Accrued interest payable		597	641	565	634
Insurance contract liabilities		209	103	400	407
Defined benefit plans		3	12	3	16
Unearned premiums and fees		39	57	59	149
Other		-	5	(6)	2
Loans	12				
Repayments		19,973	5,288	35,824	28,857
Disbursements		(10,928)	(10,445)	(32,868)	(32,000)
Borrowings	13				
Repayments		(25,596)	(6,366)	(44,342)	(35,054)
Issuances		16,690	12,318	41,129	39,954
		828	1,378	1,366	3,406
Cash flows from (used in) investing activities					
Investment securities					
Sales and maturities		1,969	1,581	6,519	7,902
Purchases		(2,560)	(1,599)	(7,069)	(7,870)
Foreign currency forward contract maturities					
Receipts		92	96	224	254
Disbursements		(83)	(252)	(264)	(444)
Securities purchased under resale agreements		(221)	(630)	30	(630)
Property and equipment and intangible asset acquisitions		(6)	(4)	(25)	(51)
		(809)	(808)	(585)	(839)
Cash flows from (used in) financing activities					
Dividends paid		(145)	(395)	(935)	(1,785)
Change in cash and cash equivalents		(126)	175	(154)	782
Cash and cash equivalents					
Beginning of period		2,621	2,132	2,649	1,525
End of period		2,495	2,307	2,495	2,307
Represented by					
Cash		113	168	113	168
Cash equivalents		2,382	2,139	2,382	2,139
		2,495	2,307	2,495	2,307
Supplementary disclosure of cash flows from operating activities					
Amount of interest received during the period		1,405	1,079	5,305	3,948
Amount of interest paid during the period		1,318	970	4,992	3,625
Amount of dividends received during the period		1	-	2	3
Amount of income taxes paid during the period		-	80	58	293

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 nine months ended 30 September 2023 and were approved and authorized for issue by our Audit Committee on 22 November 2023.

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 and 3 of our consolidated financial statements for the year ended 31 December 2022 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 and Mortgage Funding Activities are exposed to some seasonal variation. Premiums received for some insurance products vary each quarter with the seasonality in housing markets. Variations are driven by the level of mortgage originations and related mortgage insurance 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. In our Mortgage Funding Activity, guarantee fees received on NHA MBS are generally higher in the last quarter of the year as more issuers guarantee higher fee pools above the Tier 1 threshold as they manage their liquidity and capital requirements.

3. Current and future accounting changes

Current accounting changes

We adopted IFRS 17 *Insurance contracts*, which replaces IFRS 4 *Insurance contracts* on 1 January 2023. IFRS 17 sets out the requirements for recognizing and measuring our insurance contract liabilities. We apply the accounting policies disclosed in Note 3 of our 31 December 2022 consolidated financial statements.

The following table summarizes the impacts of adopting IFRS 17 on our opening balance sheet as at January 1, 2022.

Financial statement line item (in millions $)	**IFRS 4 31 December 2021**	**Adjustments**	**IFRS 17 1 January 2022**
Accounts receivable and other assets	1,035	(500)	535
Accounts payable and other liabilities	650	(44)	606
Provision for claims	310	(310)	-
Insurance contract liabilities	-	6,132	6,132
Unearned premiums	8,684	(6,363)	2,321
Deferred income tax liabilities	247	21	268
Equity of Canada	13,210	64	13,274

The following table summarizes the nature of the IFRS 17 opening balance sheet adjustments as at 1 January 2022.

Adjustment	Description
Measurement of insurance contract liability under IFRS 17	We have recognized and measured each group of insurance contracts as if the standard had always applied and where impracticable we have applied the fair value approach. This has resulted in an increase in our insurance contract liabilities of $6,132 million and a corresponding decrease in retained earnings of $4,615 million (net of deferred taxes of $1,539 million).
Derecognition of existing balances that would not exist under IFRS 17	The following balances were derecognized: • Deferred acquisition costs, deferred Government of Canada fees, estimated borrower judgment recoveries, and premiums receivable, all of which, were previously recorded in accounts receivable and other assets of $500 million; • Government of Canada fees payable previously recorded in accounts payable and other liabilities of $61 million; • Unearned premiums and fees related to our Mortgage Insurance Activity of $6,363 million; and • Provision for claims of $310 million. The net of the above has resulted in an increase in retained earnings of $4,679 million (net of deferred taxes of $1,560 million) and an increase in accounts payable and other liabilities of $17 million related to unearned premiums for social housing and indexed-linked mortgages.

Future accounting changes

There have been no new standards issued by the the International Accounting Standards Board (IASB) that would affect us in the future.

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 31 December 2022 consolidated financial statements. Notable changes to the key estimates are reflected below.

Use of estimates and assumptions

Insurance contract liabilities

Insurance contract liabilities are determined using deterministic cashflow models that consider a range of possible economic conditions. The following assumptions are used when calculating cash flows within the boundary of insurance contract liabilities:

Claim frequency

Arrears rate and claim rate

Arrears rate determined by loans that are more than 90 days past due for our homeowner and portfolio insurance products and 30 days past due for multi-unit insurance products are a key determinant of future claims. A claim occurs when a borrower has defaulted on the loan and the lender has completed the foreclosure. The arrears and claim rate assumptions are based on our own experience and expectations.

An increase (decrease) in expected arrears or claim rates will increase (decrease) the expected claim cost which will reduce (increase) future profits.

Termination rate

A termination occurs when an insurance contract is no longer in-force and there is no reported claim. Termination rate assumptions are based on historical experience and are adjusted, when appropriate, to reflect revised expectations.

An increase (decrease) in expected termination rates will reduce (increase) the expected claim frequency which will increase (decrease) future profits.

Cure rate

A loan is cured from arrears when the borrower pays all the past due amounts. Cure rate assumptions are based on historical experience and are adjusted when appropriate to reflect revised expectations.

An increase (decrease) in expected cure rates will reduce (increase) the expected claim frequency which will increase (decrease) future profits.

Claim severity

Loss given default (LGD)

LGD represents the estimated net cash outflow when a default occurs and is based on historical experience and adjusted, when appropriate, to reflect revised expectations.

An increase (decrease) in loss given default will increase (decrease) the fulfilment cash flow which will reduce (increase) future expected profits.

Economic conditions (unemployment rate, mortgage rates and repeat price index)

The economic conditions are non-financial assumptions used to project future claim levels. Changes in these assumptions, which impact both claim frequency and claim severity, and could increase or decrease the fulfilment cash flow which will impact future profits. An increase in unemployment and mortgage rates and a decrease in repeat price index will increase claims.

Determining the liabilities for remaining coverage and incurred claims involves the risk that the actual results will deviate, and in certain cases significantly, from the estimates made.

The liability for incurred claims (LIC) reflects claims that have been incurred but not reported (IBNR), claims in process (CIP), incurred but not enough reported (IBNER) and reduced by borrower judgment recoveries (BJR). The estimate for IBNR is based on loans that are reported in arrears and an estimate of loans that are not yet reported in arrears (pure IBNR) at the valuation date and the probability of those loans going to claim without subsequently becoming re-performing. The CIP are estimated by multiplying the insured loan amounts by the claim severity. The estimate for IBNER is estimated from the payment pattern of the supplementary amounts on open claims. The estimate for BJR is determined based on historical information on BJR received related to claims paid. The liability for incurred claims is discounted to the balance sheet date consistent with our policy on discount rates.

The fulfilment cash flows included in the liabilities for remaining coverage (LRC) relate to future claims and are subject to a greater degree of uncertainty than the LIC.

The following table sets out the weighted average percentage used for each previously noted assumption:

	30 September 2023	31 December 2022
Claim frequency[1]	0.7%	0.7%
Claim severity[2]	44.4%	42.2%
Unemployment rate[3]	6.3%	5.8%
Mortgage rates[3]	6.3% for 5-year term	5.8% for 5-year term
Repeat price index/House Price Index[3,4]	525	497

[1] Includes the weighted average arrears, claims, termination and cure rate. Reflects the probability of a loan going from healthy to claim during its life.

[2] Reflects net claim, including expenses as a percentage of the insured loan amount, when a loan defaults.

[3] Refers to national ten year average projected rates.

[4] The repeat price index was used to measure underlying housing prices beginning in 2023 Q2 rather than the housing price index as it is more aligned with the demographics of the underlying loans under contract.

Risk adjustment

The risk adjustment for non-financial risk represents the compensation required for bearing the uncertainty of the amount and timing of the cash flows of groups of insurance contracts and covers insurance risk, lapse risk and expense risk. The risk adjustment reflects an amount we would pay to remove the uncertainty that the future cash out flows will exceed our best estimate of our insurance contract liabilities. We have estimated our risk adjustment for non-financial risk using a cost of capital approach for the LRC and the quantile approach for the LIC. The cost of capital approach requires us to estimate the fulfilment cash flows, and the required capital at each future date following regulatory capital requirements. A cost of capital rate is applied to the additional capital requirement in future reporting periods. The cost of capital represents the return required to compensate for exposure to the non-financial risk and is set at 6% per annum. The quantile approach requires us to estimate a distribution of the fulfillment cash flows and select a confidence level that reflects our risk appetite.

The risk adjustment for our insurance contracts corresponds to an 85% confidence level.

Discount rate

Fulfilment cashflows are determined by discounting the expected future cash flows using a bottom up approach, where the discount curve uses a risk free curve, plus an illiquidity premium. The risk-free curve is determined by reference to the Government of Canada yield curve. The illiquidity premium is determined by reference to observable market rates of A-rated and BBB-rated investment grade bonds, plus a constant illiquidity premium factor of 0.5%.

The weighted average discount rates applied for discounting of future cash flows as at 30 September 2023 and 31 December 2022 are listed below:

	Portfolio duration											
	1-5 years		5-10 years		10-15 years		15-20 years		20-25 years		over 25 years	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Discount rates	6.0%	5.3%	5.9%	5.1%	5.8%	5.3%	5.8%	5.4%	5.8%	5.4%	5.6%	5.0%

Coverage units

The CSM is a component of our insurance contract liabilities and represents the unearned profit to be recognized as insurance coverage is provided.

An amount of the CSM by group of insurance contracts is recognized as insurance revenue each quarter reflecting the services provided during the period.

The amount of CSM recognized is determined by:

- identifying the coverage units applicable to groups of insurance contracts;
- allocating the CSM at the end of the period equally to each coverage unit provided in the current period and expected to be provided in future periods; and
- recognizing, in insurance revenue, the amount allocated to coverage units provided in the period.

The number of coverage units in a group is the total coverage expected to be provided by the insurance contracts in the group, determined by considering the quantity of the benefits provided and the expected duration of the coverage. The quantity of benefits expected to be provided to the policyholder at the end of each period is the outstanding mortgage balance, including accrued interest and customary settlement costs, less the estimated sales price of the insured property securing the mortgage. This is calculated based on a historical average LGD (claim severity), given a loan is in arrears. The total coverage units of each of our groups of insurance contracts are reassessed at the end of each reporting period to reflect changes in our estimates of expected LGD. The coverage units are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

Level of aggregation – grouping criteria

Once insurance contracts are aggregated into portfolios based on mortgage insurance products, expected profitability is used to further disaggregate the insurance contracts into those contracts that are onerous, those that have no significant chance of becoming onerous subsequently and a remaining other group of contracts within the portfolio.

To assess expected profitability, the following characteristics are used:

- pricing levels (loan-to-value band)
- the most significant insurance contract characteristics that impact the performance of an insurance contract are:
  - product type
  - credit score band
  - region or province
  - housing and property types

Mortgage Insurer Capital Adequacy Test (MICAT)

Insurance-in-force (IIF) is a key input in determining our MICAT ratio and is subject to estimation. Due to availability of data, IIF used in the MICAT is the higher of 1) a projection reflecting an estimate of new business, terminations and claims from our most recent previous quarter-end; and 2) our actual IIF as reported by lenders for the previous quarter-end. Changes in underwriting requirements, regulatory environment and market trends can add volatility to our estimate.

Lenders have been reporting temporarily extended amortizations on variable rate mortgages (VRMs) that do not have payments that automatically adjust with interest rates. OSFI's MICAT calculation specifies that a maximum amortization period of 40 years should be used in determining capital required. Our required capital calculation uses the maximum amortization period of 40 years for most VRM loans. We estimated using our Q4 2022 IIF that our MICAT ratio would be 8-13% higher if it were not for the increased capital required for VRM loans with temporarily extended amortizations. In 2023 many VRM loans have been transitioning to fixed or adjustable interest rate types. These loans amortize on conventional schedules so our required capital calculation does not use the maximum 40 year amortization period. As a result our required capital for VRMs overall has decreased by 3% in 2023. We continue to monitor the effect of rising rates on our total IIF and on variable rate mortgages.

5. Segmented Information

The unaudited 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 Notes 2 and 3 of our audited consolidated financial statements for the year ended 31 December 2022. 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 insurance revenues, premiums, fees and investment income; and
- Mortgage Funding revenues include guarantee and application fees, investment income and interest income on loans.

Three months ended 30 September

(in millions)	Assisted Housing Activity 2023	Assisted Housing Activity 2022	Mortgage Insurance Activity 2023	Mortgage Insurance Activity 2022 (restated)	Mortgage Funding Activity 2023	Mortgage Funding Activity 2022	Eliminations 2023	Eliminations 2022	Total 2023	Total 2022 (restated)
Interest income	152	101	-	-	1,670	1,328	(2)	(2)	1,820	1,427
Interest expense	(125)	(101)	-	-	(1,669)	(1,327)	6	8	(1,788)	(1,420)
Net interest income	**27**	**-**	**-**	**-**	**1**	**1**	**4**	**6**	**32**	**7**
Insurance revenue	-	-	260	210	-	-	-	-	260	210
Insurance service income (expense)	-	-	(23)	68	-	-	-	-	(23)	68
Insurance service result	**-**	**-**	**237**	**278**	**-**	**-**	**-**	**-**	**237**	**278**
Investment income (losses)	-	-	122	91	25	13	(2)	(4)	145	100
Net gains (losses) on financial instruments	(5)	35	(10)	(8)	(1)	-	3	3	(13)	30
Insurance finance expense for contracts issued	-	-	(47)	(29)	-	-	-	-	(47)	(29)
Net financial result	**(5)**	**35**	**65**	**54**	**24**	**13**	**1**	**(1)**	**85**	**101**
Government funding	1,345	454	-	-	-	-	-	-	1,345	454
Housing programs	(1,275)	(377)	-	-	-	-	-	-	(1,275)	(377)
Premiums and fees earned	-	-	9	6	209	189	-	-	218	195
Operating expenses	(90)	(79)	(40)	(41)	(15)	(15)	-	-	(145)	(135)
Other income (loss)	(16)	(1)	(3)	-	1	1	-	-	(18)	-
Self-insurance service income	-	-	-	1	-	-	-	-	-	1
Income (loss) before income taxes	**(14)**	**32**	**268**	**298**	**220**	**189**	**5**	**5**	**479**	**524**
Income tax recoveries (expenses)	2	(9)	(66)	(76)	(55)	(47)	(2)	(1)	(121)	(133)
Net income (loss)	**(12)**	**23**	**202**	**222**	**165**	**142**	**3**	**4**	**358**	**391**
Total revenues and government funding[2]	1,351	488	308	338	235	204	5	5	1,899	1,035
Less Inter-segment income (loss)[1]	2	2	(1)	1	(6)	(8)	5	5	-	-
External revenues and government funding	1,349	486	309	337	241	212	-	-	1,899	1,035

[1] Inter-segment income (loss) 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.

[2] Includes net interest income (loss), insurance service result, net financial result, government funding, premiums and fees earned and other income.

Nine months ended 30 September

	Assisted Housing Activity		Mortgage Insurance Activity		Mortgage Funding Activity		Eliminations		Total	
(in millions)	2023	2022	2023	2022 (restated)	2023	2022	2023	2022	2023	2022 (restated)
Interest income	414	252	-	-	4,813	3,530	(6)	(4)	5,221	3,778
Interest expense	(351)	(273)	-	-	(4,805)	(3,522)	19	23	(5,137)	(3,772)
Net interest income (loss)	**63**	**(21)**	**-**	**-**	**8**	**8**	**13**	**19**	**84**	**6**
Insurance revenue	-	-	738	644	-	-	-	-	738	644
Insurance service income (expense)	-	-	(66)	124	-	-	-	-	(66)	124
Insurance service result	**-**	**-**	**672**	**768**	**-**	**-**	**-**	**-**	**672**	**768**
Investment income (losses)	-	-	333	248	65	34	(7)	(6)	391	276
Net gains (losses) on financial instruments	(31)	117	(75)	(49)	(8)	(10)	4	4	(110)	62
Insurance finance expense for contracts issued	-	-	(127)	(82)	-	-	-	-	(127)	(82)
Net financial result	**(31)**	**117**	**131**	**117**	**57**	**24**	**(3)**	**(2)**	**154**	**256**
Government funding	4,044	2,598	-	-	-	-	-	-	4,044	2,598
Housing programs	(3,776)	(2,386)	-	-	-	-	-	-	(3,776)	(2,386)
Premiums and fees earned	-	-	24	17	616	563	-	-	640	580
Operating expenses	(298)	(221)	(122)	(128)	(49)	(52)	-	-	(469)	(401)
Other income (loss)	(13)	-	(17)	(5)	4	6	-	-	(26)	1
Self-insurance service income	-	-	7	5	-	-	-	-	7	5
Income (loss) before income taxes	**(11)**	**87**	**695**	**774**	**636**	**549**	**10**	**17**	**1,330**	**1,427**
Income taxes	(1)	(23)	(175)	(192)	(159)	(137)	(3)	(4)	(338)	(356)
Net income (loss)	**(12)**	**64**	**520**	**582**	**477**	**412**	**7**	**13**	**992**	**1,071**
Total revenues and government funding[2]	4,063	2,694	810	897	685	601	10	17	5,568	4,209
Less Inter-segment income (loss)[1]	6	1	3	5	(19)	(23)	10	17	-	-
External revenues and government funding	4,057	2,693	807	892	704	624	-	-	5,568	4,209

[1] Inter-segment income (loss) 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.

[2] Includes net interest income (loss), insurance service result, net financial result, government funding, premiums and fees earned and other income.

As at 30 September 2023 and 31 December 2022

(in millions)	Assisted Housing Activity 2023	Assisted Housing Activity 2022	Mortgage Insurance Activity 2023	Mortgage Insurance Activity 2022 (restated)	Mortgage Funding Activity 2023	Mortgage Funding Activity 2022	Eliminations[1] 2023	Eliminations[1] 2022	Total 2023	Total 2022 (restated)
Assets										
Cash and cash equivalents	1,968	2,070	524	576	3	3	-	-	2,495	2,649
Securities purchased under resale agreements	620	650	-	-	-	-	-	-	620	650
Accrued interest receivable	74	88	111	88	1,276	704	(5)	(2)	1,456	878
Investment securities:										
Fair value through profit or loss	-	33	73	100	-	-	-	-	73	133
Fair value through other comprehensive income	-	-	15,509	15,074	3,513	3,442	(484)	(473)	18,538	18,043
Amortized cost	3,721	4,095	-	-	-	-	(292)	(517)	3,429	3,578
Derivatives	-	-	4	-	-	-	-	-	4	-
Due from the Government of Canada	144	-	-	-	-	-	-	-	144	-
Loans:										
Fair value through profit or loss	480	455	17	14	-	-	-	-	497	469
Amortized cost	11,664	9,807	42	48	254,591	259,352	-	-	266,297	269,207
Accounts receivable and other assets	(356)	(49)	792	746	121	244	-	-	557	941
Investment property	385	402	-	-	-	-	-	-	385	402
Defined benefit plans asset	138	91	177	120	11	7	-	-	326	218
	18,838	**17,642**	**17,249**	**16,766**	**259,515**	**263,752**	**(781)**	**(992)**	**294,821**	**297,168**
Liabilities										
Accounts payable and other liabilities	412	591	254	85	(1)	31	-	-	665	707
Accrued interest payable	132	124	-	-	1,256	696	(5)	(2)	1,383	818
Derivatives	49	41	17	46	-	-	-	-	66	87
Insurance contract liabilities	-	-	6,748	6,405	-	-	-	-	6,748	6,405
Due to Government of Canada	-	6	-	-	-	-	-	-	-	6
Borrowings:										
Fair value through profit or loss	290	374	-	-	-	-	-	-	290	374
Amortized cost	16,852	15,424	-	-	254,591	259,352	(805)	(1,006)	270,638	273,770
Defined benefit plans liability	67	69	85	91	5	6	-	-	157	166
Unearned premiums and fees	-	-	257	214	2,406	2,390	-	-	2,663	2,604
Deferred income tax liabilities	149	167	92	155	(69)	(54)	5	2	177	270
	17,951	**16,796**	**7,453**	**6,996**	**258,188**	**262,421**	**(805)**	**(1,006)**	**282,787**	**285,207**
Equity of Canada	**887**	**846**	**9,796**	**9,770**	**1,327**	**1,331**	**24**	**14**	**12,034**	**11,961**
	18,838	**17,642**	**17,249**	**16,766**	**259,515**	**263,752**	**(781)**	**(992)**	**294,821**	**297,168**

[1] The balance sheet eliminations remove inter-segment holdings of CMB and inter-segment receivables/payables.

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 30 September		Nine months ended 30 September	
(in millions)	2023	2022	2023	2022
Assistance for housing needs	1,141	339	2,989	2,198
Financing for housing	205	109	871	358
Housing expertise and capacity development	47	30	139	105
Total	**1,393**	**478**	**3,999**	**2,661**
Net change in government funding deferred in the period	(48)	(24)	45	(63)
Total government funding recognized[1,2]	**1,345**	**454**	**4,044**	**2,598**

[1] Includes recoveries of operating expenses of $74 million and $265 million and expected credit (loss) recovery of $(4) million and $3 million for the three and nine months ended 30 September 2023 (three and nine months ended 30 September 2022 – $74 million and $204 million, and $3 million and $8 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 totalled $29 million and $63 million for the three and nine months, respectively, ended 30 September 2023 (three and nine months ended 30 September 2022 – $48 million and $148 million).

The following table presents the change in the due from (to) the Government of Canada account. The outstanding balance as at 30 September 2023 is mainly composed of housing programs expenses incurred but not yet reimbursed.

(in millions)	As at 30 September 2023	As at 31 December 2022
Balance at beginning of the year	(6)	363
Total government funding	3,999	3,804
Government funding received during the period	(4,010)	(3,872)
Third party remittances from (owing to) the Government of Canada	(6)	(2)
Balance at end of period before prior/future period adjustments	**(23)**	**293**
Net change in One-time top-up to the Canada Housing Benefit advances	157	(263)
Net change in prior period adjustments	10	(36)
Balance at end of period	**144**	**(6)**

7. Mortgage Insurance

Overview of insurance contracts

The following table presents the insurance contract liabilities by portfolio at period end.

(in millions)	As at 30 September 2023	As at 31 December 2022
Insurance contracts		
Transactional homeowner	3,104	3,082
Portfolio	133	148
Multi-unit residential	3,511	3,175
Total insurance contract liabilities	**6,748**	**6,405**

Insurance revenue

The following table presents the breakdown of insurance revenue recognized in the period.

Three months ended 30 September

(in millions)	2023	2022
Amounts relating to changes in the liability for remaining coverage		
CSM recognized for services provided	178	132
Change in the risk adjustment for non-financial risk	34	33
Expected incurred claims and other insurance expenses	38	39
Recovery of insurance acquisition cash flows	10	6
Total insurance revenue	**260**	**210**

Nine months ended 30 September

(in millions)	2023	2022
Amounts relating to changes in the liability for remaining coverage		
CSM recognized for services provided	504	400
Change in the risk adjustment for non-financial risk	96	104
Expected incurred claims and other insurance expenses	109	124
Recovery of insurance acquisition cash flows	29	16
Total insurance revenue	**738**	**644**

Insurance finance expenses

The following table presents the net financial result, specifically the relationship between insurance finance expenses and investment returns on assets.

Three months ended 30 September

(in millions)	**2023**	2022
Investment income	122	91
Net gains (losses) on financial instruments	(10)	(8)
Amounts recognized in other comprehensive income	(209)	(204)
Total investment return	**(97)**	**(121)**
Interest accreted on insurance contracts using locked-in rate	(47)	(29)
Impact of changes in interest rates in other comprehensive income	74	25
Total finance (expense) income from insurance contracts	**27**	**(4)**
Total net financial result	**(70)**	**(125)**
Represented by:		
Amounts recognized in net income before income taxes	65	54
Amounts recognized in OCI before income taxes	(135)	(179)

Nine months ended 30 September

(in millions)	**2023**	2022
Investment income	333	248
Net gains (losses) on financial instruments	(75)	(49)
Amounts recognized in other comprehensive income	(88)	(1,293)
Total investment return	**170**	**(1,094)**
Interest accreted on insurance contracts using locked-in rate	(127)	(82)
Impact of changes in interest rates in other comprehensive income	34	242
Total finance (expense) income from insurance contracts	**(93)**	**160**
Total net financial result	**77**	**(934)**
Represented by:		
Amounts recognized in net income before income taxes	131	117
Amounts recognized in OCI before income taxes	(54)	(1,051)

Insurance contracts by remaining coverage and incurred claims

The following tables present the reconciliation of insurance contract liabilities by LRC and LIC.

As at 30 September 2023

(in millions)	LRC	LIC	Total
Insurance contract liabilities at beginning of year	**6,229**	**176**	**6,405**
Insurance revenue			
Contracts under the fair value approach	(396)	-	(396)
Other contracts	(342)	-	(342)
	(738)	**-**	**(738)**
Insurance service expenses			
Incurred claims and other insurance expenses	-	111	111
Amortization of insurance acquisition cash flows	29	-	29
Changes to the liabilities for incurred claims	-	(74)	(74)
	29	**37**	**66**
Insurance service result	**(709)**	**37**	**(672)**
Insurance finance expenses	91	2	93
Total changes in the statement of income and comprehensive income before income taxes	**(618)**	**39**	**(579)**
Cash flows			
Premiums received	1,076	-	1,076
Claims and other insurance service expense paid[1]	-	(43)	(43)
Insurance acquisition cash flows	(111)	-	(111)
Total cash flows	**965**	**(43)**	**922**
Insurance contract liabilities at end of period	**6,576**	**172**	**6,748**

[1] Includes $8 million of claims administration expense, $11 million of initial provision for properties that we obtained in the year through default management activities, and excludes $13 million of losses on subsequent disposal of the properties which are recorded in other income as they are no longer subject to insurance risk.

As at 31 December 2022

(in millions)	LRC	LIC	Total
Insurance contract liabilities at beginning of year	**5,749**	**383**	**6,132**
Insurance revenue			
Contracts under the fair value approach	(586)	-	(586)
Other contracts	(281)	-	(281)
	(867)	**-**	**(867)**
Insurance service expenses			
Incurred claims and other insurance expenses	-	225	225
Amortization of insurance acquisition cash flows	24	-	24
Changes to the liabilities for incurred claims	-	(355)	(355)
	24	**(130)**	**(106)**
Insurance service result	**(843)**	**(130)**	**(973)**
Insurance finance expenses (income)	(122)	2	(120)
Total changes in the statement of income and comprehensive income before income taxes	**(965)**	**(128)**	**(1,093)**
Cash flows			
Premiums received	1,567	-	1,567
Claims and other insurance service expense paid[1]	-	(79)	(79)
Insurance acquisition cash flows	(122)	-	(122)
Total cash flows	**1,445**	**(79)**	**1,366**
Insurance contract liabilities at end of period	**6,229**	**176**	**6,405**

[1] Includes $9 million of claims administration expense, $26 million of initial provision for properties that we obtained in the year through default management activities, and excludes $20 million of losses on disposal of the properties which are recorded in other income as they are no longer subject to insurance risk.

As at 30 September 2023 there were nil loss components (31 December 2022 – nil).

Insurance contracts by measurement components

The following tables present the reconciliation of insurance contract liabilities by measurement component.

As at 30 September 2023

(in millions)	Present value of future cash flows	Risk adjustment for non-financial risk	CSM: *Contracts under the fair value approach*	CSM: *Other contracts*	Total
Insurance contract liabilities at beginning of year	**1,038**	**820**	**2,597**	**1,950**	**6,405**
Changes that relate to current services					
CSM recognized for services provided	-	-	(262)	(242)	(504)
Change in the risk adjustment for non-financial risk	-	(79)	-	-	(79)
Experience adjustments	(15)	-	-	-	(15)
Changes that relate to future services					
Contracts initially recognized in the period	(779)	202	-	577	-
Changes in estimates that adjust the CSM	(95)	(73)	67	101	-
Changes that relate to past services					
Changes to the liabilities for incurred claims	(55)	(19)	-	-	(74)
Insurance service result	**(944)**	**31**	**(195)**	**436**	**(672)**
Insurance finance expenses	5	1	40	47	93
Total changes in the statement of income and comprehensive income before income taxes	**(939)**	**32**	**(155)**	**483**	**(579)**
Cash flows					
Premiums received	1,076	-	-	-	1,076
Claims and other insurance service expense paid[1]	(43)	-	-	-	(43)
Insurance acquisition cash flows	(111)	-	-	-	(111)
Total cash flows	**922**	**-**	**-**	**-**	**922**
Insurance contract liabilities at end of period	**1,021**	**852**	**2,442**	**2,433**	**6,748**

[1] Includes $8 million of claims administration expense, $11 million of initial provision for properties that we obtained in the year through default management activities, and excludes $13 million of losses on disposal of the properties which are recorded in other income as they are no longer subject to insurance risk.

As at 31 December 2022

(in millions)	Present value of future cash flows	Risk adjustment for non-financial risk	CSM: Contracts under the fair value approach	CSM: Other contracts	Total
Insurance contract liabilities at beginning of year	**1,268**	**976**	**2,704**	**1,184**	**6,132**
Changes that relate to current services					
CSM recognized for services provided	-	-	(332)	(214)	(546)
Change in the risk adjustment for non-financial risk	-	(94)	-	-	(94)
Experience adjustments	22	-	-	-	22
Changes that relate to future services					
Contracts initially recognized in the period	(1,254)	176	-	1,078	-
Changes in estimates that adjust the CSM	(33)	(17)	178	(128)	-
Changes that relate to past services					
Changes to the liabilities for incurred claims	(228)	(127)	-	-	(355)
Insurance service result	**(1,493)**	**(62)**	**(154)**	**736**	**(973)**
Insurance finance expenses (income)	(103)	(94)	47	30	(120)
Total changes in the statement of income and comprehensive income before income taxes	**(1,596)**	**(156)**	**(107)**	**766**	**(1,093)**
Cash flows					
Premiums received	1,567	-	-	-	1,567
Claims and other insurance service expense paid[1]	(79)	-	-	-	(79)
Insurance acquisition cash flows	(122)	-	-	-	(122)
Total cash flows	**1,366**	**-**	**-**	**-**	**1,366**
Insurance contract liabilities at end of year	**1,038**	**820**	**2,597**	**1,950**	**6,405**

[1] Includes $9 million of claims administration expense, $26 million of initial provision for properties that we obtained in the year through default management activities, and excludes $20 million of losses on disposal of the properties which are recorded in other income as they are no longer subject to insurance risk.

Effect of new business recognized in the period

The following table presents effects of insurance contracts initially recognized in the period.

(in millions)	Nine months ended 30 September 2023	Twelve months ended 31 December 2022
Estimates of the present value of future cash outflows, excluding insurance acquisition cash flows	204	187
Estimates of insurance acquisition cash flows	83	122
Estimate of the present value of future cash outflows	287	309
Estimate of the present value of future cash inflows	(1,066)	(1,563)
Risk adjustment for non-financial risk	202	176
CSM	**577**	**1,078**

Contractual service margin

The following table presents when the CSM as at September 30, 2023 is expected to be recognized into income in future years.

(in millions)	Within 1 year	1 to 5 years	5 to 10 years	More than 10 years
Insurance contracts	654	1,645	1,117	1,459

Self-insurance products and other application fees

The following table presents the composition of premiums and fees earned for our self-insurance product and other application fees.

	Three months ended 30 September		Nine months ended 30 September	
(in millions)	2023	2022	2023	2022
Earned premiums	6	4	18	11
Earned application fees[1]	3	2	6	6
Total	**9**	**6**	**24**	**17**

[1] Includes low loan-to-value transactional homeowner applications fees which are earned when received and application fees earned on our self-insurance product.

The following table presents the changes in the unearned premiums and fees balance for our self-insured products.

(in millions)	As at 30 September 2023	As at 31 December 2022
Balance at beginning of year	214	137
Premiums and fees deferred on self-insured products in the period	62	92
Premiums and fees earned on self-insured products in the period	(19)	(15)
Balance at end of period	**257**	**214**

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 Insured Mortgage Purchase Program (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 premiums and fees balance.

	As at 30 September 2023			As at 31 December 2022		
(in millions)	NHA MBS	CMB	Total	NHA MBS	CMB	Total
Balance at beginning of year	1,809	581	2,390	1,617	567	2,184
TPG and application fees received in the period	504	128	632	798	164	962
TPG and application fees earned in the period	(502)	(114)	(616)	(606)	(150)	(756)
Balance at end of period	**1,811**	**595**	**2,406**	**1,809**	**581**	**2,390**

9. Capital Management

For capital management, we consider our capital available to be equal to the total equity of Canada less regulatory deductions.

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 to follow prudent business practices and guidelines existing in the private sector as appropriate. We voluntarily follow guidelines set out by 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 needs 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 this, 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 and paid dividends of $145 million and $935 million for the three and nine months ended 30 September 2023, respectively (three and nine months ended 30 September 2022 – $395 and $1,785 million).

The components of consolidated capital available are presented in the following table.

(in millions)	As at 30 September 2023	As at 31 December 2022 (restated)[3]
Contributed capital	25	25
Accumulated other comprehensive income	(811)	(725)
Reserve fund	48	17
Appropriated retained earnings	11,126	11,004
Unappropriated retained earnings[1]	1,646	1,640
Total equity of Canada[2]	**12,034**	**11,961**
Less: regulatory deductions	(225)	(185)
Total capital available	**11,809**	**11,776**

[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.

[3] On transition to IFRS 17, total equity of Canada decreased by $6 million.

Mortgage Insurance capital

The following table presents the components of capital available.

(in millions, unless otherwise indicated)	As at 30 September 2023	As at 31 December 2022 (restated)
Appropriated capital[1]	8,922	9,039
Unappropriated capital	874	731
Total Mortgage Insurance capital	**9,796**	**9,770**
Less: regulatory deductions	(225)	(185)
Total Mortgage Insurance capital available	**9,571**	**9,585**
Internal target	155%	155%
Operating level	165%	165%
Capital available to minimum capital required (% MICAT)[2]	177%	175%

[1] We appropriate retained earnings and accumulated other comprehensive income (AOCI) at the operating level of 165% of MICAT.

[2] On transition to IFRS 17, unappropriated capital decreased by $6 million which has not impacted the MICAT ratio.

Mortgage Funding capital

Mortgage Funding capital is appropriated primarily 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 $2.7 billion to $1.8 billion, effective 1 January 2023, which compares to $3.7 billion of assets available as at 30 September 2023 (31 December 2022 – $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, subject to a minimum liquidity target.

The following table presents the components of the capital available.

(in millions, unless otherwise indicated)	As at 30 September 2023	As at 31 December 2022
Appropriated capital	1,327	1,177
Unappropriated capital	-	154
Total Mortgage Funding capital available	**1,327**	**1,331**
Economic capital available to capital required[1]	102%	149%

[1] In 2023, the capital required in the Mortgage Funding ratio has been updated to consider the liquidity target which would have resulted in a decrease of 47 percentage points in our 2022 comparative ratio.

Assisted Housing capital

Lending programs

We maintain a reserve fund pursuant to Section 29 of the CMHC Act, to address interest rate risk exposure on pre-payable loans as well as credit risk exposure on unsecured loans. Lending programs' earnings are retained in this reserve fund except for the unrealized fair value fluctuations as well as remeasurement gains and losses on defined benefit plans. The reserve fund is subject to a statutory limit of $240 million (2022 – $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.

The following table presents the components of the capital available.

(in millions)	As at 30 September 2023	As at 31 December 2022
Reserve fund[1]	53	23
Retained earnings	809	798
Total Lending programs capital available	**862**	**821**

[1] Excludes the impact of eliminations of $5 million (2022 - $6 million).

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.

Fair value hierarchy

The methods used to measure fair value 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.

Level 2: Assets and liabilities that are measured based on observable inputs other than Level 1 prices. Level 2 inputs include prices obtained from markets that are not considered sufficiently active, and fair values obtained by discounting expected future cash flows, making maximum use of directly or indirectly observable market data.

Level 3: Assets and liabilities not quoted in active markets that are measured using valuation techniques. 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.

We have processes and controls in place to ensure fair value is appropriately measured. The valuation of financial instruments is performed by the Systems and Analytics Division (SAD) of the Investments and Treasury group. SAD has developed models and methodologies to determine fair value of financial instruments not quoted in active markets which are reviewed and monitored on an ongoing basis. All valuations are subject to independent price verification (IPV) managed by the sector of the Chief Risk Officer. IPV is a process where valuations are independently verified against external market prices and other relevant market data on an ongoing basis.

Generally, the unit of account for a financial instrument is the individual instrument, and valuation adjustments are applied at an individual instrument level, consistent with that unit of account.

For investment property, fair value is determined by independent external property appraisers who hold recognized and relevant professional qualifications and have recent relevant experience and our internal appraisers on a rotating basis.

Comparison of carrying and fair values for financial instruments not carried at fair value

The following table compares the carrying and fair values of financial instruments not carried at fair value. Carrying value is the amount at which an item is measured in the consolidated balance sheet.

	As at 30 September 2023			As at 31 December 2022		
(in millions)	Carrying value	Fair value	Fair value over (under) carrying value	Carrying value	Fair value	Fair value over (under) carrying value
Financial assets[1]						
Investments at amortized cost[2]	3,429	3,315	(114)	3,578	3,464	(114)
Loans at amortized cost[3]	266,297	247,725	(18,572)	269,207	254,629	(14,578)
Financial liabilities						
Borrowings at amortized cost[4]	270,638	251,714	(18,924)	273,770	258,915	(14,855)

[1] Does not include cash and cash equivalents of $1,811 million (31 December 2022 - $1,924 million) and securities purchased under resale agreements of $620 million (31 December 2022 – $650 million) carried at amortized cost as the fair value of these financial instruments is equal to their carrying value.

[2] $596 million (31 December 2022 – $608 million) fair value categorized as Level 1 and $2,719 million (31 December 2022 - $2,856 million) fair value categorized as Level 2.

[3] $242,302 million (31 December 2022 – $250,204 million) fair value categorized as Level 2, $5,423 million (31 December 2022 – $4,425 million) fair value categorized as Level 3.

[4] $171,468 million (31 December 2022 – $156,522 million) fair value categorized as Level 1, $80,246 million (31 December 2022 – $102,393 million) fair value categorized as Level 2.

Fair value hierarchy for items carried at fair value

The following table presents the fair value hierarchy for assets and liabilities carried at fair value in the consolidated balance sheet.

	As at 30 September 2023				As at 31 December 2022			
(in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash equivalents								
Interest bearing deposits with banks	-	230	-	230	-	240	-	240
Federal government issued	249	191	-	440	183	262	-	445
Corporate/other entities	-	14	-	14	-	40	-	40
Total cash equivalents	249	435	-	684	183	542	-	725
Investment securities								
FVTPL								
Debt instruments								
Corporate/other entities	-	19	-	19	-	22	-	22
Provinces/municipalities	-	-	-	-	-	25	-	25
Sovereign and related entities	-	-	-	-	-	8	-	8
Equities								
Limited partnership units	-	-	54	54	-	-	78	78
Total at FVTPL	-	19	54	73	-	55	78	133
FVOCI								
Debt instruments								
Corporate/other entities	2,471	4,510	-	6,981	2,110	5,106	-	7,216
Federal government issued	7,820	348	-	8,168	7,057	618	-	7,675
Provinces/municipalities	2,528	511	-	3,039	2,421	515	-	2,936
Sovereign and related entities	278	72	-	350	122	94	-	216
Total at FVOCI	13,097	5,441	-	18,538	11,710	6,333	-	18,043
Loans designated at FVTPL	-	70	-	70	-	112	-	112
Loans mandatorily at FVTPL	-	12	415	427	-	13	344	357
Derivatives	-	4	-	4	-	-	-	-
Investment property	-	-	385	385	-	-	402	402
Total assets carried at fair value	**13,346**	**5,981**	**854**	**20,181**	**11,893**	**7,055**	**824**	**19,772**
Liabilities								
Borrowings designated at FVTPL	-	(290)	-	(290)	-	(374)	-	(374)
Derivatives	-	(24)	(42)	(66)	-	(53)	(34)	(87)
Total liabilities carried at fair value	**-**	**(314)**	**(42)**	**(356)**	**-**	**(427)**	**(34)**	**(461)**
Net assets at FVTPL	**13,346**	**5,667**	**812**	**19,825**	**11,893**	**6,628**	**790**	**19,311**

Transfers between fair value hierarchy levels

For assets and liabilities measured at fair value on a recurring basis, we determine if reclassifications have occurred between levels in the hierarchy by re-assessing categorization at each balance sheet date. Transfers are dependent on internal classification criteria that are based on variables such as observability of prices and market trading volumes considered as at each balance sheet date. Transfers between levels are deemed to occur at the beginning of the quarter in which the transfer occurs. During the nine months ended 30 September 2023, there were $1,984 million of transfers from Level 2 to Level 1 (31 December 2022 - $2,645 million), $2,170 million of transfers from Level 1 to Level 2 (31 December 2022 – $4,830 million) and nil of transfers from level 2 to level 3 (31 December 2022 - nil).

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	Loans – FVTPL	Investment property	Derivatives	Total
Fair value as at 1 January 2023	**78**	**344**	**402**	**(34)**	**790**
Purchases/issuances	-	83	-	-	83
Net gains (losses) in profit or loss[1,2]	3	8	(17)	(8)	(14)
Cash receipts on settlements/disposals	(27)	(20)	-	-	(47)
Fair value as at 30 September 2023	**54**	**415**	**385**	**(42)**	**812**
Fair value as at 1 January 2022	**79**	**298**	**314**	**(31)**	**660**
Purchases/issuances	3	86	-	-	89
Net gains (losses) in profit or loss[1,2]	1	2	88	(3)	88
Cash receipts on settlements/disposals	(5)	(42)	-	-	(47)
Fair value as at 31 December 2022	**78**	**344**	**402**	**(34)**	**790**

[1] Included in net gains (losses) on financial instruments for investment securities, loans and derivatives; 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 valuation of instruments 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 30 September 2023, which may change materially in subsequent periods. The techniques and unobservable inputs used in valuing the items classified as Level 3 at 30 September 2023 did not materially change from 31 December 2022. 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 2022.

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 expected credit loss (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 30 September 2023						As at 31 December 2022					
(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	9,022	3,589	3,619	2,242	66	18,538	7,972	3,962	3,801	2,238	70	18,043
Amortized cost	1,571	1,571	287	-	-	3,429	1,410	1,664	504	-	-	3,578

[1] The internal credit ratings are based upon internal assessments of the 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 $20 million at 30 September 2023 (31 December 2022 – $14 million) with a corresponding gain of $2 million and a loss of $6 million recognized in net gains (losses) on financial instruments during the three and nine months ended 30 September 2023, respectively (three and nine months ended 30 September 2022 – $8 million loss and $7 million loss).

12. Loans

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

Nine months ended 30 September 2023

		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
FVTPL									
Lending programs	455	(37)	73	9	-	-	-	(19)	481
MI Activity loans	14	(8)	10	-	-	-	-	-	16
Total at FVTPL	**469**	**(45)**	**83**	**9**	**-**	**-**	**-**	**(19)**	**497**
Amortized cost									
CMB program loans	255,903	(34,931)	30,518	-	35	-	-	-	251,525
Lending programs	9,807	(432)	2,267	(56)	-	1	58	19	11,664
IMPP loans	3,449	(383)	-	-	-	-	-	-	3,066
MI Activity loans	48	(33)	-	-	12	15	-	-	42
Total amortized cost	**269,207**	**(35,779)**	**32,785**	**(56)**	**47**	**16**	**58**	**19**	**266,297**
Total	**269,676**	**(35,824)**	**32,868**	**(47)**	**47**	**16**	**58**	**-**	**266,794**

[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.

Twelve months ended 31 December 2022

		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
FVTPL									
Lending programs	480	(61)	65	(5)	-	-	-	(24)	455
MI Activity loans	20	(25)	19	-	-	-	-	-	14
Total at FVTPL	**500**	**(86)**	**84**	**(5)**	**-**	**-**	**-**	**(24)**	**469**
Amortized cost									
CMB program loans	260,587	(44,848)	40,119	-	45	-	-	-	255,903
Lending programs	7,897	(589)	2,436	(3)	-	(5)	47	24	9,807
IMPP loans	4,234	(785)	-	-	-	-	-	-	3,449
MI Activity loans	63	(36)	2	-	6	13	-	-	48
Total amortized cost	**272,781**	**(46,258)**	**42,557**	**(3)**	**51**	**8**	**47**	**24**	**269,207**
Total	**273,281**	**(46,344)**	**42,641**	**(8)**	**51**	**8**	**47**	**-**	**269,676**

[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 2022 – 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 30 September 2023 were $8,204 million (31 December 2022 – $8,885 million), of which $7,741 million are subject to 12-month ECL (31 December 2022 – $8,362 million) and $1 million (31 December 2022 – $2 million) are commitments outstanding on purchased or originated credit impaired loans.

At 30 September 2023, the ECL on undrawn loan commitments was $16 million (31 December 2022 – $15 million), and the ECL on loans was $56 million (31 December 2022 – $72 million). We recognize changes in ECL in net gains (losses) on financial instruments.

13. Borrowings

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

Nine months ended 30 September 2023

(in millions)	Balance at beginning of period	Cash flows: Issuances	Cash flows: Repayments	Non-cash changes: Fair value changes	Non-cash changes: Accretion and other	Non-cash changes: Eliminations	Balance at end of period
Designated at FVTPL							
Borrowings from the Government of Canada – Lending programs	374	-	(87)	3	-	-	290
Amortized cost							
Canada mortgage bonds	254,897	30,507	(34,683)	-	35	(36)	250,720
Borrowings from the Government of Canada – Lending programs	15,424	10,622	(9,189)	(63)	58	-	16,852
Borrowings from the Government of Canada – IMPP	3,449	-	(383)	-	-	-	3,066
Total amortized cost	**273,770**	**41,129**	**(44,255)**	**(63)**	**93**	**(36)**	**270,638**
Total	**274,144**	**41,129**	**(44,342)**	**(60)**	**93**	**(36)**	**270,928**

Twelve months ended 31 December 2022

(in millions)	Balance at beginning of period	Cash flows: Issuances	Cash flows: Repayments	Non-cash changes: Fair value changes	Non-cash changes: Accretion and other	Non-cash changes: Eliminations	Balance at end of period
Designated at FVTPL							
Borrowings from the Government of Canada – Lending programs	475	-	(80)	(21)	-	-	374
Amortized cost							
Canada mortgage bonds	259,714	40,081	(44,520)	-	45	(423)	254,897
Borrowings from the Government of Canada – Lending programs	11,921	13,794	(10,168)	(175)	52	-	15,424
Borrowings from the Government of Canada – IMPP	4,234	-	(785)	-	-	-	3,449
Total amortized cost	**275,869**	**53,875**	**(55,473)**	**(175)**	**97**	**(423)**	**273,770**
Total	**276,344**	**53,875**	**(55,553)**	**(196)**	**97**	**(423)**	**274,144**

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 nine months ended 30 September 2023, we have excluded $248 million (nine months ended 30 September 2022 - nil) of CMB maturities from repayments in the previous table and from investment securities – sales and maturities in the consolidated statement of cash flows. We have also excluded during the nine months ended 30 September 2023 $11 million (nine months ended 30 September 2022 - $28 million) of CMB purchases in the primary market from issuances in the previous table 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 2023, the limits on our short-term borrowings outstanding and long-term borrowings issued are $6.5 billion and $6.5 billion, respectively (31 December 2022 – $6.0 billion and $6.5 billion). Actual short-term borrowings outstanding as at 30 September 2023 were $779 million (31 December 2022 – $395 million). Actual long-term borrowings issued in the nine months ended 30 September 2023 were $1.7 billion (31 December 2022 – $4.5 billion).

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 30 September		Nine months ended 30 September	
(in millions of Canadian dollars)	2023	2022 (restated)	2023	2022 (restated)
Financial instruments designated at FVTPL				
Loans	-	-	1	(5)
Borrowings	(2)	3	(3)	21
Total financial instruments designated at FVTPL	**(2)**	**3**	**(2)**	**16**
Financial instruments mandatorily at FVTPL				
Equity securities	1	-	4	3
Derivatives	(100)	(271)	(15)	(368)
Loans	7	4	8	(5)
Total financial instruments mandatorily at FVTPL	**(92)**	**(267)**	**(3)**	**(370)**
Debt instruments held at FVOCI[1]	81	264	(87)	293
Loans – amortized cost	(39)	(10)	(90)	(19)
Borrowings – amortized cost[2]	29	50	63	150
Expected credit recoveries (losses) on financial assets	10	(10)	9	(8)
Total	**(13)**	**30**	**(110)**	**62**

[1] Includes a foreign exchange gain during the three months and loss during the nine months ended 30 September 2023 of $97 million and $8 million (three and nine months ended 30 September 2022 – $293 million gain and $389 million gain) resulting from translation of U.S. dollar-denominated debt instruments.

[2] Includes gains from the issuance of borrowings during the three and nine months ended 30 September 2023 of $29 million and $63 million (three and nine months ended 30 September 2022 – $48 million and $148 million).

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 nine months ended 30 September 2023.

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 $4,073 million in debt instruments denominated in U.S. dollars as at 30 September 2023 (31 December 2022 – $4,060 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 following table. The VaR figures are based on one year of historical prices and correlations of bond markets and 26 weeks of volatility.

(in millions)	As at 30 September 2023	As at 31 December 2022
Investment securities:		
Interest rate risk on debt instruments		
CAD-denominated securities	241	265
USD-denominated securities	82	83
Effect of diversification	(1)	(8)
Total VaR	**322**	**340**

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 30 September 2023 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 30 September 2023 is presented in the following table.

	As at 30 September 2023 Interest rate shift		As at 31 December 2022 Interest rate shift	
(in millions)	-200 bps	+200 bps	-200 bps	+200 bps
Increase (decrease) in fair value of net assets[1]	(654)	537	(774)	631

[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 2022. There has been no significant change in the nature of the risks and how we manage them in the three and nine month periods ended 30 September 2023.

17. Pension and Other Post-Employment Benefits

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

Three months ended 30 September

	Pension plans		Other post-employment plans	
(in millions)	**2023**	**2022**	**2023**	**2022**
Current service cost	7	13	-	-
Net interest expense (income)	(1)	1	1	1
Expense recognized in net income	**6**	**14**	**1**	**1**
Net actuarial gains arising from changes in financial assumptions	236	-	8	-
Return on plan assets, excluding amounts included in net interest expense	(159)	(14)	-	-
Net remeasurements recognized in other comprehensive income (loss)[1]	**77**	**(14)**	**8**	**-**
CMHC's contributions	4	2	-	1
Employee contributions	6	5	-	-
Total contributions	**10**	**7**	**-**	**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.

Nine months ended 30 September

	Pension plans		Other post-employment plans	
(in millions)	**2023**	**2022**	**2023**	**2022**
Current service cost	24	40	-	-
Net interest expense (income)	(5)	2	4	3
Expense recognized in net income	**19**	**42**	**4**	**3**
Net actuarial gains arising from changes in financial assumptions	150	798	4	35
Return on plan assets, excluding amounts included in net interest expense	(34)	(417)	-	-
Net remeasurements recognized in other comprehensive income[1]	**116**	**381**	**4**	**35**
CMHC's contributions[2]	18	26	2	3
Employee contributions	20	19	-	-
Total contributions	**38**	**45**	**2**	**3**

[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 nil for the nine months ended 30 September 2023 (Nine months ended 30 September 2022 - $5 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 30 September 2023 was 5.6% (31 December 2022 – 5.1%).

18. Income Taxes

The following table presents the components of income tax.

(in millions)	Three months ended 30 September 2023	Three months ended 30 September 2022 (restated)	Nine months ended 30 September 2023	Nine months ended 30 September 2022 (restated)
Current income tax expense	170	165	421	421
Deferred income tax relating to origination and reversal of temporary differences	(49)	(32)	(83)	(65)
Total income tax expense included in net income	**121**	**133**	**338**	**356**
Income tax expense (recovery) on other comprehensive income (loss)				
Net unrealized losses from FVOCI financial instruments	(71)	(51)	(58)	(366)
Reclassification of prior years' net unrealized losses (gains) realized in the period in net income	3	(2)	21	(2)
Insurance finance income for insurance contracts issued	18	6	8	60
Remeasurement gains (losses) on defined benefit plans	13	(3)	18	65
Total income tax recovery included in other comprehensive loss	**(37)**	**(50)**	**(11)**	**(243)**
Total	**84**	**83**	**327**	**113**

The following tables present the tax-effected temporary differences which result in deferred income tax assets and liabilities.

(in millions)	As at December 31, 2022 (restated)	Change through consolidated net income	Change through consolidated OCI	Change through consolidated retained earnings	As at September 30, 2023
Deferred income tax assets					
Fair value of financial instruments	10	8	27	-	45
Net realized losses on borrowings	18	(4)	-	-	14
Self insurance	6	9	-	-	15
Insurance contract liabilities	3	63	-	1	67
Total deferred income tax assets	**37**	**76**	**27**	**1**	**141**
Deferred income tax liabilities					
Post-employment benefits	(6)	-	(18)	-	(24)
Additional policy reserve	(173)	-	-	-	(173)
Fair value of investment properties	(93)	5	-	-	(88)
Other	(35)	2	-	-	(33)
Total deferred income tax liabilities	**(307)**	**7**	**(18)**	**-**	**(318)**
Net deferred income tax liabilities	**(270)**	**83**	**9**	**1**	**(177)**

(in millions)	As at January 1, 2022 (restated)	Change through consolidated net income	Change through consolidated OCI	Change through consolidated retained earnings	As at December 31, 2022 (restated)
Deferred income tax assets					
Fair value of financial instruments	(53)	(21)	84	-	10
Net realized losses on borrowings	23	(5)	-	-	18
Self Insurance	7	(1)	-	-	6
Insurance contract assets (liabilities)	(18)	82	(61)	-	3
Total deferred income tax assets (liabilities)	**(41)**	**55**	**23**	**-**	**37**
Deferred income tax liabilities					
Post-employment benefits	46	3	(55)	-	(6)
Additional policy reserve	(171)	-	-	(2)	(173)
Fair value of investment properties	(71)	(22)	-	-	(93)
Other	(31)	(4)	-	-	(35)
Total deferred income tax liabilities	**(227)**	**(23)**	**(55)**	**(2)**	**(307)**
Net deferred income tax liabilities	**(268)**	**32**	**(32)**	**(2)**	**(270)**

The deferred income tax assets have been recognized in full as it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

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. In Mortgage Insurance, these fees will reduce the CSM on initial recognition and are subsequently amortized over the expected coverage period of our insurance contracts with equal offsetting amounts to insurance revenue and insurance service expenses in the period. This amounts to $5 million and $13 million for the three and nine months ended 30 September 2023 (three and nine months ended 30 September 2022 - $3 million and $7 million). In Mortgage Funding, these fees, which are recorded in operating expenses, amount to $8 million and $23 million for the three and nine month period ended 30 September 2023 (three and nine months ended 30 September 2022 – $8 million and $23 million). All other material related party transactions and outstanding balances are disclosed in relevant notes.

20. Commitments and Contingent Liabilities

As at 30 September 2023, we have $7,347 million in contractual financial obligations relating to housing programs which extend for periods up to 25 years and $402 million in other contractual obligations up to the year 2028 (31 December 2022 - $7,514 million and $379 million, respectively).

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

(in millions)	As at 30 September 2023	As at 31 December 2022
Affordable Rental Housing Innovation Fund	36	46
Rental Construction Financing initiative (RCFi)	923	694
National Housing Co-Investment Fund (NHCF)	433	643
Direct Lending (DL) – Economically Hedged	230	240
Total	**1,622**	**1,623**

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