FIRST QUARTER
31 MARCH 2025
(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 21 May 2025 is prepared for the first quarter ended 31 March 2025 and is intended to provide readers with an overview of our performance including comparatives against the same quarter in 2024. This MD&A should be read in conjunction with the unaudited quarterly consolidated financial statements. Since the Government of Canada dissolved Parliament pursuant to the 28 April 2025 federal election, our 2024 Annual Report can only be tabled once Parliament resumes. Our 2024 Annual Report will be made publicly available only after it has been laid before each House of Parliament, which will occur within 15 sitting days once the new Parliament is in session. 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. All amounts are expressed in millions of Canadian dollars, unless otherwise stated.

Information related to our significant accounting policies, judgments and estimates, and key risks have been included in the unaudited quarterly consolidated financial statements. The previously stated information will also be found in our 2024 Annual Report once it becomes publicly available, as stated above. The current evolving geopolitical environment has led to additional estimation uncertainty when making judgments and developing assumptions used in estimates. We have included additional information in Note 4 of our unaudited quarterly consolidated financial statements.

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 2025" 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.

The Operating Environment and Outlook for 2025

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

Economic conditions and housing indicators

Canada's economy entered 2025 with momentum. Lower interest rates fueled consumer demand, and strong population growth carried over from late 2024. This would imply growth in the real gross domestic product in the first quarter of this year. However, during the quarter, rising global trade tensions produced conflicting signals that significantly increased stock market volatility.

In March, the United States imposed a 25% tariff on Canadian steel and aluminum, as well as on Canadian-made vehicles. These actions lowered both consumer and business confidence to a 25-year low, leading to weaker spending, lower investment, and slower hiring. If trade tensions continue or worsen, the economic outlook will likely deteriorate further. The consequences of a volatile macroeconomic environment, including higher tariffs, make it difficult to forecast.

By March, signs of a slowing economy emerged as uncertainty and weaker confidence began to weigh on growth. Employment fell by 0.2% in March, the first monthly decline of this magnitude in over three years, driven mainly by a drop in full-time jobs.

Inflation remained within the Bank of Canada's target in early 2025. Following 175 basis points of rate cuts in 2024, the Bank reduced its policy rate by another 50 basis points in the first quarter of 2025. These additional cuts reflect the central bank's monetary policy of reducing the drag on economic activity amidst ongoing uncertainty.

The housing market also lost momentum. In the first quarter of 2025, housing starts averaged 223,000 SAAR (seasonally adjusted annual rate) units, down 9% compared with the same period in 2024. MLS® home prices averaged $668,000, a 2% decline from the same period a year earlier. MLS® sales averaged 453,000 SAAR units, down 6% from the first quarter of 2024.

These economic conditions, including uncertainty over foreign trade, continue to have a significant impact on our financial results. Although interest rates have continued to decline resulting in unrealized gains on our investments, higher average interest rates as a result of interest rates as a result of increases over the last few years has led to higher investment and interest income in the first quarter of 2025. As discussed above, as interest rates begin to decrease transactional homeowner unit volumes have started to recover compared to prior year. Additionally, our arrears remain low, resulting in low levels of claims paid. These impacts are discussed further in the "Financial Results" section below.

Risk Management

Our Enterprise Risk Management Framework (ERMF) is crucial to our proactive risk management practice. It helps us effectively identify and manage current and emerging risks in the financial system that affect housing and CMHC.

It also helps ensure our risk management activities are comprehensive and play an integral part in strategy formulation as well as day-to-day business activities and decision-making. In these ways, it reinforces an effective risk culture across the organization and, ultimately, helps us to achieve our strategic and business objectives.

Risk Environment and Profile

Overall, financial risks have increased due to rising capital requirements and the widespread impact from the imposition of trade tariffs on Canadian goods. Credit risk and liquidity risk remain low and stable, supported by strong credit quality for both cash equivalents and investment securities. Market risk is consistent with established risk limits and tolerances, as the diversification of our investment portfolios continues to provide resiliency and mitigate the impact of uncertain market and economic conditions. Transactional homeowner insurance risk remains within limits and arrears remain low. However, as losses on claims vary from quarter to quarter, primarily as a result of economic conditions, impacts from trade tariffs or other actions could potentially result in higher future claims. Multi-unit insurance risk remains moderate, as we continue to monitor the financial impacts of our product distribution. Capital adequacy risk has risen from moderate to high due to high multi-unit volumes and the upcoming transition to the new Multi-Unit MICAT framework taking effect January 1, 2026.

To date, we have suspended dividends in anticipation of the additional capital required as part of the transition to the new Multi-Unit MICAT framework and are evaluating other actions to maintain capital levels consistent with our capital targets.

Our strategic risks are being effectively managed within risk tolerances. CMHC continues to conduct stress testing activities and monitor its mortgage insurance portfolio in consideration of the large number of borrowers who will renew mortgages at higher rates this year and the political and economic uncertainty that exists in its operating environment (e.g., the impact on housing affordability of possible protectionist policies, such as trade tariffs).

Within operational risk, cyber, third party, operational resilience, and data governance risks continue to be key risks for the corporation. Various transformative programs and initiatives are ongoing to strengthen our control environment in these areas while ensuring increased operational efficiency and optimized risk management practices and oversight. In addition, we have continued to update our risk management practices, policies, and tools to align with industry standards, legislative requirements, and regulatory guidelines.

ORSA and Stress Testing

CMHC conducts an Own Risk and Solvency Assessment (ORSA), which enables the company to better understand the interrelationships between our risk profile and our capital needs. Through this process, we assess risks quantitively and evaluate our capital needs and solvency position to set internal capital targets.

We also conduct Corporate-Wide Stress Testing (CWST), a quantitative assessment of capital sufficiency under specific adverse economic and financial conditions. CWST evaluates the mortgage insurance, Securitization, and investment portfolios, based on selected adverse scenarios (such as a deep or severe economic recession). Through the CWST program, we can determine if actions need to be taken by management to maintain sufficient capital.

The 2024 ORSA and Stress Testing exercise confirmed that, despite uncertainties in the Canadian economy, CMHC remains adequately capitalized to withstand financial stress, even under the extreme hypothetical market shocks assumed in the exercises. The 2024 ORSA and Stress Testing exercise was performed using information available in mid-2024. Subsequent to this exercise, we have experienced continued growth in our multi-unit Insurance business and OSFI has confirmed the introduction of a new Multi-Unit MICAT Framework. As noted above, in light of these two drivers, we are evaluating various actions to maintain capital levels consistent with targets.

Federal Budgets (Fall Economic Statement 2024)

On December 16, 2024, the Government of Canada released its 2024 Fall Economic Statement (FES) which implicates CMHC, including:

- doubling the loan limit for the Canada Secondary Suite Loan Program to $80,000;
- accelerating $2 billion in low-cost financing through the Apartment Construction Loan Program (ACLP);
- exploring options for using mortgage loan insurance to support the construction of more two-to-four-unit homes;
- making $50 million over two years available starting in 2025-26 through the Affordable Housing Fund (AHF) for affordable housing providers to use for pre-development work;
- accelerating $50 million from the AHF's Rapid Housing Stream in 2025-26 to build more women's shelter spaces;
- providing $362.7 million over five years, starting in 2028-29, to extend the Federal Community Housing Initiative; and
- delivering an additional $600 million in interest-free loans to support 15,000 to 24,000 more homeowners through the Canada Greener Homes Loan (CGHL) Program.

In February 2025, CMHC obtained financial authorities for the additional $600 million in interest-free loans in CGHL, as well as the AHF and ACLP movements announced above and $9.6 million for Flood Insurance. CMHC obtained financial authorities for the Canada Secondary Suite Loan Program in December 2024. The effects of these programs will be reflected in future financial results and for the remaining programs, subsequent to obtaining the requisite financial authorities.

Progress on the achievement of National Housing Strategy (NHS) targets are reported quarterly at the Housing, Infrastructure and Communities Canada (HICC) website.

Other updates

Climate Related Financial Disclosures

The Climate Risk Management and Disclosures Project is improving practices to manage climate risks and opportunities.

In the first quarter of 2025, we focused on creating and documenting processes to identify and assess climate risks at the enterprise level, which will help guide current and evolving sector-level practices.

In March 2025, OSFI updated Guideline B-15: Climate Risk Management (Guideline B-15) to align with the Canadian Sustainability Standards Board's final standards. These updates provide transitional relief for Scope 3 greenhouse gas emissions (GHG) and industry-based metrics by revising the reporting date to fiscal year 2028. We aim to continue gathering data on CMHC's greenhouse gas emissions and are assessing the impact of the new Guideline B-15 timelines on our workplan.

We actively monitor evolving climate risk management standards and adjust our plans as needed.

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

Update since Q3 2024 OFSI Consultations and Guidelines

The following announcements by the Office of the Superintendent of Financial Institutions (OFSI) took place in Q4 2024, which affect CMHC:

Minimum Qualifying Rate (MQR)

Effective 21 November 2024, OSFI announced that it no longer requires a set MQR for uninsured straight switches at renewal. This applies when a borrower switches their uninsured mortgage from one federally regulated lender to another with no increase to the amortization period, nor the loan amount. While this is mainly applicable to Lenders, CMHC must continue to apply Guideline B-20, sound mortgage underwriting principles.

Regulatory Notice on Culture Risk Management

On 21 November 2024, OSFI released this Regulatory Notice, effective immediately. This notice sets expectations for managing culture risk in areas of governance and enterprise-wide culture management. OSFI will use regulatory judgement as to when they will start testing/performing industry reviews. This is a regulatory notice, which is considered quick and temporary guidance to be repealed or included in a guideline in the future. The future state is to be determined.

A previous consultation process in Q2 2023 revealed that CMHC is adequately aligned with these expectations.

International Financial Reporting Standard (IFRS) 17 Guideline

On 21 November 2024, OSFI published this Guideline which replaces the IFRS 17 Advisory and brings together existing accounting expectations, removes redundant information, clarifies accounting expectations and addresses specific comparability concerns. There was no new guidance added.

Q1 2025 OSFI Consultations and Guidelines

In the first quarter of 2025, the following updates occurred:

Mortgage Insurer Capital Adequacy Test (MICAT)

On 1 January 2025, OSFI's MICAT 2025 Guideline came into effect. The revised MICAT reflects changes made to the multi-unit residential mortgage insurance capital requirements for liabilities for remaining coverage that will be implemented on 1 January 2026. The capital required for multi-unit residential mortgage in-force insurance policies effective on or before 31 December 2025 are subject to transition rules from 1 January 2026 to 1 January 2030. As a result, our capital requirements for multi-unit are projected to increase over the next five years.

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 these unaudited quarterly consolidated financial statements. The only notable change is stated below.

IFRS 18 Presentation and Disclosure in the Financial Statements – effective date of 1 January 2027

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in the Financial Statements*, which will replace IAS 1 *Presentation of Financial Statements*, effective 1 January 2027. IFRS 18 will not affect how our financial performance is measured but will affect the presentation of our financial statements and our disclosure requirements for some of our Notes to Consolidated Financial Statements. Under IFRS 18, there will be a revised Statement of Income and Comprehensive Income presentation and additional disclosure requirements including management performance measures.

We have assembled a project team dedicated to analyzing and implementing the new accounting standard, and development of a detailed project plan is underway. We are currently assessing the potential impact of this new standard on our consolidated financial statements.

Financial Results

Key Financial Highlights

Condensed consolidated balance sheets

As at 31 March 2025 and 31 December 2024

	Housing Programs Activity		Mortgage Insurance Activity		Securitization Activity		Eliminations		Total	
(in millions)	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Total assets	26,211	23,913	20,937	20,666	289,530	283,360	(631)	(584)	336,047	327,355
Total liabilities	25,391	23,096	9,310	9,389	287,361	281,424	(630)	(588)	321,432	313,321
Total equity of Canada	820	817	11,627	11,277	2,169	1,936	(1)	4	14,615	14,034

Total equity of Canada has increased by $581 million (4%) primarily due to comprehensive income of $581 million.

Total assets increased by $8,692 million (3%) primarily due to:

- An increase in loans at amortized cost of $6,377 million (2%) as new issuances of CMB program loans due to the CMB expansion announced in September 2023 exceeded maturities by $5,311 million (2%), as well as $1,068 million of additional loans under the Apartment Construction Loan Program (ACLP), Affordable Housing Fund (AHF) and Canada Greener Homes Loan (CGHL) programs.
- An increase in Due from Government of Canada of $1,272 million (719%) driven mainly by significant housing programs expenses at the end of the government fiscal year.
- An increase in accrued interest receivable of $695 million (62%) related to CMB program loans primarily driven by higher volumes, higher average interest rates and timing, as larger coupon payments are received in the second and fourth quarters of the year.
- An increase in cash and cash equivalents of $379 million (23%) mainly attributable to net new borrowings in lending programs.

Total liabilities increased by $8,111 million (3%) mainly driven by $6,739 million (2%) of higher borrowings at amortized cost of CMB and increased borrowings from the Government of Canada to fund housing program loans as noted above. In addition, accounts payable and other liabilities increased $812 million (117%) mainly attributed to higher accruals at the end of the government fiscal year, and accrued interest payable increased by $687 million (66%) due to higher volumes, average interest rates and timing as explained above.

Condensed consolidated statements of income and comprehensive income

Three months ended 31 March

	Housing Programs Activity		Mortgage Insurance Activity		Securitization Activity		Eliminations		Total	
(in millions)	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Government funding	2,658	2,000	-	-	-	-	-	-	2,658	2,000
Housing programs expenses	(2,561)	(1,920)	-	-	-	-	-	-	(2,561)	(1,920)
Premiums and fees earned	-	-	10	9	239	218	-	-	249	227
Insurance service result	-	-	281	244	-	-	-	-	281	244
Operating expenses	(83)	(95)	(46)	(48)	(17)	(17)	-	-	(146)	(160)
All other income[1]	(8)	18	68	57	40	33	-	1	100	109
Income (loss) before income taxes	**6**	**3**	**313**	**262**	**262**	**234**	**-**	**1**	**581**	**500**
Income taxes	(4)	(2)	(77)	(66)	(66)	(58)	-	-	(147)	(126)
Net income (loss)	**(2)**	**1**	**236**	**196**	**196**	**176**	**-**	**1**	**434**	**374**
Other comprehensive income (loss)	1	57	114	8	37	(27)	(5)	2	147	40
Comprehensive income (loss)	**3**	**58**	**350**	**204**	**233**	**149**	**(5)**	**3**	**581**	**414**

[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.

Government funding and housing programs expenses have increased compared to the same quarter last year, mainly driven by an increase of $447 million for the Housing Accelerator Fund program, $295 million for the Canada Community Housing Initiative, partially offset by a decrease of $85 million for the Affordable Housing Fund (AHF). Due to the nature of many housing programs, funding patterns may vary significantly year over year.

Total income before income taxes increased by $81 million (16%) from the same quarter last year mainly due to:

- An increase in insurance service result of $37 million (15%) mainly due to higher multi-unit volumes compared to the same quarter of last year, and a decrease in insurance service expense, as a result of lower multi-unit arrears compared to the same quarter of last year which saw increases in multi-unit arrears.
- An increase of $22 million (10%) in guarantee fees earned in the Securitization Activity due to price increases in guarantee fee rates in recent years and higher National Housing Act Mortgage Backed Securities (NHA MBS) and CMB annual issuance limits, which have resulted in higher volumes in the quarter compared to the same quarter of last year.

Other comprehensive income (OCI), net of tax, increased by $107 million (268%) from the same quarter last year mainly due to lower interest rates in the first quarter of 2025, which led to an increase in unrealized gains on investments of $261 million (297%), a decrease in remeasurement gains on the net defined benefit plans of $113 million (98%) and an increase in insurance finance expense for contracts issued of $41 million (135%).

Financial Metrics and Ratios

Mortgage Insurance

(in millions, unless otherwise indicated)	Insurance-in-force ($B) As at 31 March 2025	Insurance-in-force ($B) As at 31 December 2024	Contractual Service Margin (CSM) As at 31 March 2025	Contractual Service Margin (CSM) As at 31 December 2024
Transactional homeowner	160	162	2,086	2,059
Portfolio	62	65	60	65
Multi-unit residential	220	213	3,492	3,395
Total	**442**	**440**	**5,638**	**5,519**

Insurance-in-force (IIF) increased by $2 billion due to new volumes insured exceeding the run-off of existing policies-in-force. New loans insured were $17 billion, while estimated loan amortization and pay-downs were $15 billion. Our total IIF is compliant with the $800 billion limit set by the Government of Canada.

CSM increased by $119 million (2%) as our new business underwritten continues to outpace the recognition of earned profit, primarily due to continued high demand for our multi-unit products.

Three months ended 31 March

	Insured volumes (units)		Insured volumes ($)		Premiums and fees received[1]		Claims paid[2]	
(in millions, unless otherwise indicated)	2025	2024	2025	2024	2025	2024	2025	2024
Transactional homeowner	10,030	7,295	3,843	2,510	135	88	7	6
Portfolio	747	1,991	192	521	1	2	1	-
Multi-unit residential	55,383	63,256	14,171	13,861	421	311	-	-
Total	**66,160**	**72,542**	**18,206**	**16,892**	**557**	**401**	**8**	**6**

[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.

Transactional homeowner unit volumes increased by 37 percent compared to the same period last year, which is supported by decreasing interest rates, which lower the cost of borrowing as well as a mortgage rule change, which now allows 30-year insured mortgage amortization. Portfolio unit volumes decreased due to fewer large pools insured compared to last year. Multi-unit residential unit volumes decreased due to less refinancing, partially offset by an increase in new construction and purchased units insured.

Total insured dollars increased, driven primarily by the increase in homeowner unit volumes, as explained previously, and a slightly higher average loan-to-value ratio on homeowner loans insured, leading to higher average insured dollars per unit. Multi-unit residential insured dollars increased by 2% despite lower insured volumes, which is due to a larger proportion of high loan-to-value (LTV) ratio loans compared to prior year. Also, due to a high volume of applications submitted prior to our 2023 price increase for the MLI Select product, our processing delays were extended. The price increase was then not fully reflected until the second quarter of 2024. The overall increase in multi-unit residential and transactional homeowner is partially offset by the decrease in portfolio volumes as explained previously.

Premiums and fees are higher compared to prior year due to multi-unit and homeowner volumes as explained above.

For homeowner and portfolio, claims paid remain low even if they have slightly increased 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 as well as generally lower unemployment rates which has slowed down potential claims. Similar to prior year, there have been no multi-unit claims.

	Three months ended 31 March	
(in percentages)	2025	2024
Insurance service expense ratio[1]	5.7	14.1
Operating expense ratio	15.4	16.9
Combined ratio	21.1	31.0
Initial contractual service margin ratio	62.0	59.9
Severity ratio	25.6	27.5
Return on equity	8.2	7.6
Return on required equity	9.4	8.4

[1] Insurance service expense ratio on transactional homeowner and portfolio products excluding multi-unit residential was 13.2% for the three months ended 31 March 2025 (11.9% for the three months ended 31 March 2024).

The insurance service expense ratio and combined ratio decreased due to decreasing multi-unit arrears volumes.

The operating expense ratio decreased from the same quarter in the prior year primarily due to increased insurance revenues primarily due to continued high demand for our multi-unit products.

The initial contractual service margin ratio increased mainly due to growth in transactional homeowner and multi-unit premiums as described previously while acquisition costs have remained stable.

The severity ratio decreased due to stronger sales proceeds as more equity has built up in Canada in homes in Canada due to home price appreciation in recent years.

The return on equity ratio and return on required equity ratio increased mainly due to higher insurance service result as explained in the Key Financial Highlights section above. The increases in these ratios are partially offset by higher average equity and higher required capital respectively as we continue to retain capital to support multi-unit insurance business growth.

	As at 31 March 2025		As at 31 December 2024	
	No. of delinquent loans	Arrears rate	No. of delinquent loans	Arrears rate
Transactional homeowner	2,861	0.38%	2,920	0.38%
Portfolio	821	0.17%	797	0.16%
Multi-unit residential	163	0.42%	129	0.35%
Total	**3,845**	**0.30%**	**3,846**	**0.30%**

The arrears rate includes all loans more than 90 days past due for homeowner and portfolio insurance products and 30 days past due for multi-unit insurance products as a percentage of outstanding insured loans. Reported delinquencies remain low in all regions.

Securitization

	Total guarantees-in-force ($B) As at	
	31 March 2025	31 December 2024
National Housing Act Mortgage-Backed Securities (NHA MBS)	279	277
CMB	282	276
Total	**561**	**553**

Total guarantees-in-force represents the maximum principal obligation related to our timely payment guarantee. Guarantees-in-force (GIF) have increased by $8 billion (1%) since 2024, as new guarantees exceeded maturities, principal run-off and prepayments. This is mainly due to a lower prepayment rate in the first quarter of 2025 and a higher CMB annual issuance limit effective since the fourth quarter of 2023. Our total GIF is compliant with the $800 billion limit set by the Government of Canada.

Three months ended 31 March

	New securities guaranteed ($B)		Guarantee and application fees received[1]	
(in millions, unless otherwise indicated)	2025	2024	2025	2024
NHA MBS	38	36	170	162
CMB	16	16	64	69
Total	**54**	**52**	**234**	**231**

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

New securities guaranteed and fees received increased compared to last year. This is largely due to higher NHA MBS volumes in the first quarter of 2025 compared to last year, partially offset by lower CMB fees from shorter average terms of new CMB securities guaranteed.

	Three months ended 31 March	
(in percentages)	2025	2024
Operating expense ratio	5.4	5.9
Return on equity	38.2	48.2

The operating expense ratio is lower 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 fee.

The return on equity is lower due to higher average equity this quarter as the dividend remains suspended.

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.

Three months ended 31 March

(in millions)	2025	2024
Amounts provided for housing programs:		
Amounts authorized in 2024-25 (2023-24)		
Main estimates	5,628	5,105
Supplementary estimates A[1,2]	199	1,004
Supplementary estimates B[1,3,5]	742	394
Supplementary estimates C[1,4,6]	-	91
Total fiscal year government funding	**6,569**	**6,594**
Less: portion recognized in calendar 2024 (2023)	(2,782)	(3,455)
Less: government funding lapsed for 2024-25 (2023-24)	(892)	(919)
Less: frozen allotment	(208)	(170)
2024-25 (2023-24) government funding recognized in 2025 (2024)	**2,687**	**2,050**
Amounts authorized in 2025-26 (2024-25)		
Main estimates[7]	-	5,628
Supplementary estimates A[1,2]	-	199
Supplementary estimates B[1,3]	-	742
Supplementary estimates C[1,4,6]	-	-
Total fiscal year government funding	**-**	**6,569**
Less: portion to be recognized in subsequent quarters	-	(5,469)
Less: forecasted lapse for 2025-26 (Actual lapse in 2024-25)	-	(892)
Less: frozen allotment	-	(208)
2025-26 (2024-25) government funding recognized in 2025 (2024)	**-**	**-**
Total government funding – Three months ended 31 March	**2,687**	**2,050**

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

[2] Approved 2024-25 supplementary estimates A for Urban, Rural and Northern Indigenous Housing Strategy (URN) and transfer to Housing, Infrastructure and Communities Canada to support the transition of leadership for housing policy and program development (2023-24 for Housing Accelerator Fund (HAF) and Granville Island),

[3] Approved 2024-25 supplementary estimates B for Provincial and Territorial Initiatives, Canada Housing Benefit (CHB), HAF, Affordable Housing Fund (AHF), Apartment Construction Loan Program (ACLP), Co-operative Housing Development Program (CHDP), Federal Lands Initiative, Canada Greener Homes Loan Program, First Time Home Buyer Incentive, and Shelters and transition houses for Indigenous women, children and 2SLGBTQQIA+ people, (2023-24 for AHF, Pyrrhotite, ACLP, RHI, Natural disaster resilience, Emergency shelter for women and girls, URN, and CECRA).

[4] Approved 2023-24 supplementary estimates C for CHB.

[5] We exclude funding received in 2023-24 for the Granville Island Emergency Relief Fund from our consolidated financial statements as we do not control the activities of Granville Island.

[6] 2024-25 Supplementary estimates C was not tabled due to prorogation of Parliament.

[7] 2025-26 Main estimates have not yet been tabled as Parliament was dissolved on 23 March 2025. Beginning 1 April 2025, CMHC will rely on Governor General Special Warrants for appropriation authorities until Parliament reconvenes.

Capital Management

Frameworks

For our Housing Programs Activity, we maintain a reserve fund pursuant to Section 29 of the CMHC Act which includes profits of the Corporation, after providing for all matters, that in the opinion of the Board of Directors, are required to carry out the purposes of the Corporation. Aside from the reserve fund, we do not hold capital for our Housing Programs activities, as they do not present material financial risks that are not already otherwise mitigated.

For our Mortgage Insurance Activity, our capital management framework follows OSFI regulations with respect to the use of the MICAT as our Own Risk and Solvency Assessment (ORSA) economic capital is lower than OSFI's regulatory capital requirements.

With respect to our Securitization 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 2024, 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 Securitization for 2025. For Securitization, the Board approved an increase of the economic capital required at the operating level from $2.2 billion to $2.6 billion, effective 1 January 2025. However, this is not expected to have an impact on our economic capital available to economic capital required ratio for this year, as our liquidity target is higher.

Ratios

The following table presents our capital management ratios.

(in percentages)	As at 31 March 2025	As at 31 December 2024
Mortgage Insurance: Capital available to minimum capital required (MICAT)	193	188
Securitization: Economic capital available to economic capital required	134	127

The suspension of all dividends to the Government of Canada remains in effect as we continue to retain capital for multi-unit growth.

The Mortgage Insurance capital available to minimum capital required ratio increased mainly due to the increase in capital available that was generated from our comprehensive income.

The Securitization capital available to capital required ratio increased compared to last year, mainly due to higher economic capital available resulting from the dividend suspension.

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)	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Consolidated Results								
Total assets	336,047	327,355	323,693	311,253	312,424	299,569	294,821	302,978
Total liabilities	321,432	313,321	309,835	298,102	299,592	287,006	282,787	291,078
Total equity of Canada	14,615	14,034	13,858	13,151	12,832	12,563	12,034	11,900
Total revenues and government funding	3,288	1,522	1,533	1,280	2,581	1,937	1,899	1,027
Total expenses (including income taxes)	2,854	1,132	1,167	916	2.207	1,619	1,541	724
Net income	434	390	366	364	374	318	358	303
Programs								
Government funding	2,658	918	980	708	2,000	1,450	1,345	563
Net income (loss)	2	(1)	(1)	(17)	1	(8)	(12)	(2)
Total equity of Canada	820	817	860	863	872	814	887	864
Mortgage Insurance								
Insurance-in-force ($B)[1]	442	440	431	424	418	414	405	403
Total insured volumes[2]	18,206	23,643	21,535	23,090	16,892	18,709	19,297	17,170
Premiums and fees received	557	690	582	616	401	423	434	436
Insurance revenue	298	285	256	262	284	266	260	248
Claims paid	8	15	15	9	6	15	7	11
Insurance service expense	17	47	45	5	40	53	23	23
Net income	236	200	182	216	196	156	202	142
Arrears rate	0.30%	0.30%	0.30%	0.28%	0.29%	0.29%	0.28%	0.25%
Insurance service expense ratio	5.7%	16.5%	17.6%	1.9%	14.1%	19.9%	8.8%	9.3%
Operating expense ratio	15.4%	17.5%	18.8%	19.1%	16.9%	18.8%	15.4%	17.3%
Combined ratio	21.1%	34.0%	36.4%	21.0%	31.0%	38.7%	24.2%	26.6%
Initial contractual service margin ratio[4]	62.0%	63.4%	61.8%	62.5%	59.9%	62.7%	68.0%	66.0%
Severity ratio	25.6%	26.6%	28.6%	28.0%	27.5%	26.7%	24.9%	27.4%
Return on equity	8.2%	7.1%	6.6%	8.2%	7.6%	6.2%	8.3%	5.8%
Return on required equity	9.4%	8.0%	7.4%	9.1%	8.4%	6.7%	8.9%	6.1%
Capital available to minimum capital required (% MICAT)	193%	188%	191%	186%	185%	185%	177%	172%
% Estimated outstanding Canadian residential mortgages with CMHC insurance coverage ($)	19.6%	19.8%	19.5%	19.5%	19.4%	19.3%	19.0%	19.1%
Securitization Mortgage Funding								
Guarantees-in-force ($B)[1]	561	553	539	528	524	508	493	488
Securities guaranteed ($B)	54	51	60	52	52	55	51	47
Guarantee and application fees received	234	330	273	229	231	303	231	209
Guarantee and application fees earned	239	235	226	222	218	211	209	206
Net income	196	189	185	164	176	168	165	161
Operating expense ratio	5.4%	5.9%	5.9%	6.0%	5.9%	7.0%	6.3%	6.6%
Return on equity	38.2%	41.0%	45.0%	44.7%	48.2%	48.0%	49.0%	47.4%
Economic capital available to economic capital required[3]	134%	127%	120%	111%	109%	109%	102%	102%
% Estimated outstanding Canadian residential mortgages with CMHC securitization guarantee ($)	25.0%	24.9%	24.4%	24.4%	24.4%	23.8%	23.3%	23.2%

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

[2] Total insured volumes have been updated from previously published reports, resulting in a decrease of 5% in Q2 2023.

[3] In 2023, the capital required in the Securitization ratio was updated to consider the minimum liquidity target.

[4] The Initial contractual service margin ratio has been updated from previously published reports, resulting in an increase between 9.9% to 13.9% in the quarters Q2 2023 and Q3 2023.

Unaudited Quarterly Consolidated Financial Statements

Contents

Management's Responsibility for Financial Reporting

Period ended 31 March 2025

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.

Coleen Volk, CPA
President and Chief Executive Officer

Michel Tremblay, CPA
Chief Financial Officer and Senior Vice President, Corporate Services

21 May 2025

Consolidated Balance Sheet

(in millions of Canadian dollars)	Notes	As at 31 March 2025	As at 31 December 2024
Assets			
Cash and cash equivalents	20	2,034	1,655
Securities purchased under resale agreements		460	950
Income taxes receivable		60	-
Accrued interest receivable		1,812	1,117
Investment securities:			
Fair value through profit or loss	10	56	57
Fair value through other comprehensive income	10,11	23,541	23,287
Amortized cost	10,11	3,725	3,569
Derivatives		4	-
Due from the Government of Canada	6	1,449	177
Loans:	12		
Fair value through profit or loss		510	521
Amortized cost		300,905	294,528
Accounts receivable and other assets		485	476
Investment property		397	396
Defined benefit plans asset		196	199
Deferred income tax assets		413	423
		336,047	**327,355**
Liabilities			
Accounts payable and other liabilities		1,505	693
Income taxes payable		-	229
Accrued interest payable		1,730	1,043
Derivatives		76	205
Insurance contract liabilities	7	8,685	8,455
Borrowings:	13		
Fair value through profit or loss		122	148
Amortized cost		306,064	299,325
Defined benefit plans liability		181	180
Unearned premiums and fees		3,069	3,043
		321,432	**313,321**
Commitments and contingent liabilities	20		
Equity of Canada	9		
Contributed capital		25	25
Accumulated other comprehensive income (loss)		55	(90)
Reserve fund		125	172
Retained earnings		14,410	13,927
		14,615	**14,034**
		336,047	**327,355**

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 31 March 2025	Three months ended 31 March 2024
Interest income		2,079	1,997
Interest expense		(2,031)	(1,966)
Net interest income		**48**	**31**
Insurance revenue	7	298	284
Insurance service expense		(17)	(40)
Insurance service result		**281**	**244**
Investment income		202	176
Net losses on financial instruments	14	(76)	(33)
Insurance finance expense for contracts issued		(80)	(57)
Net financial result		**46**	**86**
Government funding	6	2,658	2,000
Housing programs expenses	6	(2,561)	(1,920)
Premiums and fees earned		249	227
Operating expenses		(146)	(160)
Other income (loss)		3	(7)
Self-insurance service income (expenses)		3	(1)
Income before income taxes		**581**	**500**
Income taxes	18	(147)	(126)
Net income		**434**	**374**
Other comprehensive income (loss), net of tax			
Items that may be subsequently reclassified to net income (loss)			
Net unrealized gains (losses) from debt instruments held at fair value through other comprehensive income		165	(98)
Reclassification of losses on debt instruments held at fair value through other comprehensive income on disposal in the year		8	10
Insurance finance income (expense) for contracts issued		(28)	13
Total items that may be subsequently reclassified to net income		**145**	**(75)**
Items that will not be subsequently reclassified to net income			
Remeasurement gains on defined benefit plans	17,18	2	115
Total other comprehensive income, net of tax		**147**	**40**
Comprehensive income		**581**	**414**

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

Consolidated Statement of Equity of Canada

(in millions of Canadian dollars)	Notes	Three months ended 31 March 2025	Three months ended 31 March 2024
Contributed capital		**25**	**25**
Accumulated other comprehensive income (loss)			
Fair value reserve balance at beginning of period		(126)	(421)
Other comprehensive income (loss) – fair value		173	(88)
Fair value reserve balance at end of period		47	(509)
Opening insurance finance reserve		36	100
Other comprehensive income (loss) – insurance finance reserve		(28)	13
Insurance finance reserve balance at end of period		8	113
Balance at end of period		**55**	**(396)**
Reserve fund			
Balance at the beginning of period		172	72
Net income (loss)		(47)	22
Balance at end of period		**125**	**94**
Retained earnings			
Opening retained earnings		13,927	12,787
Net income		481	352
Other comprehensive income		2	115
Dividends	9	-	(145)
Total retained earnings		**14,410**	**13,109**
Equity of Canada	9	**14,615**	**12,832**

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

Consolidated Statement of Cash Flows

(in millions of Canadian dollars)	Notes	Three months ended 31 March 2025	2024
Cash flows from (used in) operating activities			
Net income		434	374
Adjustments to determine net cash flows from operating activities			
Amortization of premiums and discounts on financial instruments		(29)	(12)
Net (gains) losses on financial instruments		196	(111)
Capitalized interest	12	(38)	(32)
Deferred income taxes	18	(8)	(75)
Depreciation, amortization and impairment of fixed and intangible assets		8	10
Changes in operating assets and liabilities			
Derivatives		(133)	150
Accrued interest receivable		(695)	(816)
Due from the Government of Canada		(1,291)	(899)
Accounts receivable and other assets		(12)	10
Accounts payable and other liabilities		846	554
Income taxes payable/receivable		(321)	(388)
Accrued interest payable		687	810
Insurance contract liabilities		175	76
Defined benefit plans		5	4
Unearned premiums and fees		26	33
Other		2	(4)
Loans	12		
Repayments		10,424	5,617
Disbursements		(16,748)	(16,652)
Borrowings	13		
Repayments		(14,688)	(8,657)
Issuances		21,422	20,267
		262	259
Cash flows from (used in) investing activities			
Investment securities			
Sales and maturities		3,715	2,582
Purchases		(3,933)	(2,324)
Foreign currency forward contract maturities			
Receipts		41	125
Disbursements		(194)	(92)
Investment property			
Additions		1	-
Securities purchased under resale agreements		490	140
Property and equipment and intangible asset acquisitions		(3)	(14)
		117	417
Cash flows used in financing activities			
Dividends paid		-	(145)
Change in cash and cash equivalents		379	531
Cash and cash equivalents			
Beginning of period		1,655	1,939
End of period		2,034	2,470
Represented by			
Cash		95	189
Cash equivalents		1,939	2,281
		2,034	2,470
Supplementary disclosure of cash flows from operating activities			
Amount of interest received during the period		1,567	1,472
Amount of interest paid during the period		1,410	1,327
Amount of income taxes paid during the period		476	590

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

Notes to Unaudited Quarterly Consolidated Financial Statements

1. Corporate Information

Canada Mortgage and Housing Corporation (CMHC, we, or us) was established in Canada as a Crown corporation in 1946 by the *Canada Mortgage and Housing Corporation Act* (CMHC Act) to carry out the provisions of the *National Housing Act* (NHA). We are also subject to Part X of the *Financial Administration Act* by virtue of being listed in Part 1 of Schedule III, wholly owned by the Government of Canada (Government), and an agent Crown corporation. Our National Office is located at 700 Montreal Road, Ottawa, Ontario, Canada, K1A 0P7.

These unaudited quarterly consolidated financial statements are as at and for the three months ended 31 March 2025 and were approved and authorized for issue by our Audit Committee on 21 May 2025.

2. Basis of Preparation and Material Accounting Policy Information

Basis of preparation

Our unaudited quarterly consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). We have applied the same accounting policies consistently to all periods presented.

Measurement basis

Our unaudited quarterly consolidated financial statements have been prepared on a going concern basis using a historical cost basis except for the following items in the consolidated balance sheet:

- Financial assets at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI), as well as liabilities at FVTPL, are measured at fair value;
- Investment property is measured at fair value;
- Insurance contract liabilities are measured at current value; and
- Defined benefit assets and liabilities for post-employment benefit plans are recognized at the present value of the defined benefit obligations, net of the fair value of plan assets.

Functional currency

Our unaudited quarterly consolidated financial statements are stated in millions of Canadian dollars, unless otherwise indicated, which is our functional currency.

Material accounting policy information

The following summarizes the material accounting policy information we use in the preparation of our unaudited quarterly consolidated financial statements.

Basis of consolidation

We consolidate our accounts with those of Canada Housing Trust (CHT), as we control its activities as described in Note 4. Inter-segment balances and transactions have been eliminated.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date. Exchange gains and losses resulting from the translation of foreign denominated balances are included in net gains (losses) on financial instruments. Purchases and sales of foreign securities and the related income are translated into Canadian dollars at the exchange rates prevailing on the respective settlement dates of the transactions.

Government funding and housing programs expenses

Government funding

Government funding is recognized when there is reasonable assurance that it will be received, and all attached conditions will be complied with. This is generally achieved when the recipient meets specific program criteria which permits us to make the related claim to the Government.

Government funding earned, but not yet received, is included in due from the Government of Canada.

Housing programs expenses

Housing programs expenses are recorded on an accrual basis and those incurred, but not yet paid, are included in accounts payable and other liabilities.

Costs to deliver housing programs are included in operating expenses.

Amounts advanced from us to proponents for which the relevant program expenses have not yet been incurred are recorded in Accounts Receivable and Other Assets.

Mortgage insurance

Insurance contract classification

We accept significant insurance risk in issuing our mortgage insurance contracts as the lender faces uncertainty with regards to potential borrower default on a mortgage and therefore pays a mortgage insurance premium to transfer the insurance risk to us. Our exposure to this risk, which consists of the outstanding mortgage balance less the estimated sales price of the insured property, forms the basis of our coverage units for purposes of recognizing the contractual service margin (CSM).

Self-insurance

For certain housing programs, we receive a premium related to an insurance contract in which we are the lender for a portion of the life of the insured loan. During the period we are the lender, we are self-insuring and therefore, there is no insurance contract as we are not exposed to significant insurance risk. The related premiums are due at the inception of the self-insurance contract and are deferred and included in unearned premiums and fees. The unearned premiums are recognized as revenue and recorded in premiums and fees earned over the period covered by the self-insurance contract using earning factors which reflect historical claim occurrence patterns.

We recognize a provision for incurred claims, in accounts payable and other liabilities, during the self-insurance period. The provision is an estimate of expected claims net of the related expected property sale proceeds, for defaults on insurance contracts that have occurred on or before the balance sheet date. This provision includes claims that have been incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and claims in process (CIP). The provision takes into consideration the time value of money and includes an explicit provision for adverse deviation. A change in the estimated provision for claims is recorded in self-insurance service expense in the period in which it occurs.

When we are no longer the lender, there is no longer self-insurance, as we accept significant insurance risk from the policyholder at this point. Therefore, the carrying amount in unearned premiums and fees for the self-insurance contract is de-recognized and accounted for as a premium transfer to the newly recognized insurance contract.

If the amount of transferred premium is less than the fulfilment cash flows of the insurance contract, a loss is recognized immediately in insurance service expense. If the difference results in a gain, the gain will form part of the CSM which will be earned over the remaining coverage period of the insurance contract.

Recognition

We recognize groups of insurance contracts from the earliest of the date of when the mortgage insurance premium is received or when the contract is reported as in-force by the lender as this represents the earliest point we have a substantive obligation to provide the lender with coverage for insurance risk.

Contract boundary

We measure our groups of insurance contracts based on all cash flows included within the boundary of our insurance contracts. The cash flows which are directly related to fulfilling our insurance contracts include premiums, fees, insurance acquisition cash flows, claims and other insurance service expenses, and estimated borrower judgment recoveries (BJR). Our contract boundary starts when the funds for the mortgage are advanced to the borrower. Our contract boundary ends when the insured mortgage is terminated either through repayment of the outstanding mortgage, when a claim is paid or on certain mortgage modifications. We do not have the ability to re-price our mortgage insurance contracts once they have been written.

Level of aggregation

We aggregate our insurance contracts into portfolios based on similar risks and how we manage them. Our three main product lines, transactional homeowner insurance, portfolio insurance and multi-unit residential insurance, are exposed to the same risk, being borrower default. However, each of our products is managed separately with unique pricing and product designs to achieve business and policy objectives.

Our portfolios are further divided based on expected profitability at inception into three categories:

- contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently;
- contracts that are onerous on initial recognition; and
- remaining contracts in the portfolio.

Each insurance contract group is then further aggregated by quarterly cohort of issue which represents the level at which our recognition and measurement of our accounting policies are applied. For further details on the estimates used to aggregate our insurance contracts see Note 4.

Initial recognition

We use the general measurement model to measure the liability for remaining coverage (LRC) of a group of insurance contracts at initial recognition at current value, as the total of the estimated future fulfilment cash flows that are within the boundary of our insurance contracts and a CSM representing unearned profit to be recognized as service is provided.

The LRC represents our obligation for insured events at the balance sheet date that have not yet occurred, and comprise all remaining expected future cash inflows and cash outflows under our groups of insurance contracts, including any CSM.

The liability for incurred claims (LIC) represents our obligation for insured events that have occurred. This includes insured events that have been incurred but for which claims are in process, claims that are IBNR, claims that are IBNER and expected BJR that are due. At initial recognition, the LIC is expected to be nil, as significant insured events have not occurred.

Fulfilment cash flows

The estimate of fulfilment cash flows is an unbiased probability-weighted estimate adjusted to reflect the time value of money and a risk adjustment for non-financial risk. We will consider all reasonable and supportable information available at the reporting date without undue cost or effort.

The fulfilment cash flows of our insurance contracts include:

Premiums

Mortgage insurance premiums are due at the inception of the mortgage insurance contract and result in a CSM if the premiums are greater than the fulfilment cash flows or an onerous contract (loss at inception) if less than the fulfilment cash flows. Any premium refunds paid in the period reduce the CSM or increase the loss on onerous contracts.

Fees

Application fees recover part or all acquisition costs associated with issuing mortgage insurance contracts related to multi-unit residential loans and are treated similarly to the mortgage insurance premiums at initial recognition.

Insurance acquisition cash flows

Insurance acquisition cash flows consist of:

- Policy issuance costs, such as internal salary and personnel costs that are directly attributable to the underwriting of insurance contracts;
- Fees paid to the Government of Canada to compensate for mortgage insurance risks. Fees are payable at a rate of 3.25% of premiums written during the period for all insurance contracts and an additional 0.1% on new portfolio insurance contracts written in the period; and
- an allocation of fixed and variable overheads that relate to salaries and benefits for different internal departments that are directly attributable to the underwriting of our insurance contracts.

Insurance acquisition cash flows reduce the CSM or increase the loss at inception of the insurance contract liabilities. They are subsequently amortized over the expected coverage period of our insurance contracts using the same coverage units used to recognize the CSM with equal offsetting amounts to insurance revenue and insurance service expense in the period.

We do not recognize a separate asset for any acquisition cash flows as all significant insurance acquisition cash flows are incurred in the same period in which the insurance contracts are issued and realized.

Claims and other insurance service expenses

Our claims and other insurance service expenses consist of:

- expected mortgage insurance claims where the insured loan balance, accrued interest and other settlement costs exceed the expected sale price of the insured property;
- claims handling or servicing costs; and
- an allocation of fixed and variable overheads that are directly attributable to fulfilling our insurance contracts.

The expected claims and other insurance service expenses are included in the fulfilment cash flows of the LRC on initial recognition of a group of insurance contracts and they reduce the CSM or increase the loss on an onerous group of insurance contracts.

Estimated borrower judgment recoveries

We estimate the BJR related to claims paid using historical data and assumptions related to past BJR received. Estimated BJR are included in the fulfilment cash flows of the LRC on initial recognition of a group of insurance contracts and will increase the CSM or reduce the loss on an onerous group of insurance contracts.

Subsequent measurement

We measure the CSM at the end of the period as the unearned profit relating to a group of insurance contracts that has not been recognized as it relates to the future services to be provided.

For a group of insurance contracts, the carrying amount of the CSM at the end of the reporting period equals the carrying amount at the beginning of the period adjusted for:

- the effects of new contracts issued in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates at initial recognition;
- changes in fulfilment cash flows that relate to future service to the extent that they do not create a loss component or those changes are allocated to existing loss components; and
- the amount recognized as insurance revenue reflecting the coverage provided on our insurance contracts in the period, determined by the allocation of the CSM remaining at the end of the reporting period over the current and future coverage units.
- the changes in fulfilment cash flows relating to future service that adjust the CSM comprise: changes in estimates of the present value of future cash flows in the LRC, except those relating to the time value of money; and changes in the risk adjustment for non-financial risk that relate to future service. Adjustments to the CSM, noted previously including the accretion of interest, are measured at the locked-in discount rates determined at initial recognition of the groups of insurance contracts.

At each reporting period, we decrease the fulfilment cash flows of the LRC for expected claims in the period and increase our LIC for our estimate of incurred claims, increasing both our insurance revenue and insurance service expense. The related release of the LRC and the recorded LIC will not match as there are differences between expected claims from the prior reporting period as compared to our estimate for actual incurred claims in the period and due to a lower risk adjustment in our LIC, as the risk of uncertainty of the amount and timing of cash flows is lower.

We measure the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of:

- the LRC excluding loss components, comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date;
- the LRC related to the loss components; and
- the LIC that comprises the fulfilment cash flows related to current and past service allocated to the group insurance contracts at that date.

Changes in the LIC that relate to current or past services are recorded in insurance service expense in the period. For further details on how we determine the LIC see Note 4.

Insurance revenue

The amount of insurance revenue recognized in the period reflects the insurance coverage provided on our insurance contracts in the period.

The insurance revenue to be recognized in the period for a group of insurance contracts is comprised of:

- expected incurred claims and other insurance service expenses, excluding any amounts allocated to the loss component of the LRC;
- the change in the risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the LRC;
- the CSM to be recognized for the coverage provided; and
- the recovery of insurance acquisition cash flows.

Onerous contracts and loss components

If there is an onerous group of insurance contracts on initial recognition, a loss is immediately recognized in insurance service expense resulting in no CSM for the group and the carrying amount of the insurance contract liability equal to the fulfilment cash flows. A loss component for the LRC is recognized representing the excess of the fulfilment cash flows above the cash inflows.

The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to:

- the loss component; and
- the LRC, excluding the loss component.

Subsequent changes in fulfilment cash flows that relate to current service represent the release of expected incurred claims and the release of the risk adjustment for non-financial risk. The loss component is also updated for subsequent changes in the fulfilment cash flows that relate to future service. Changes in fulfilment cash flows that relate to future service can increase, decrease or cause the amount of loss component to be nil, resulting in the emergence of a CSM.

The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of groups of insurance contracts. We have defined the systematic allocation as the relative percentage of the loss component at the beginning of the period to the total LRC at the initial discount rate.

Risk adjustments for non-financial risk

We disaggregate changes in the risk adjustment for non-financial risk between insurance revenue and insurance finance expense. The impact of the time value of money is reflected in insurance finance expense. For further details on the estimates and assumptions used to calculate the risk adjustment for non-financial risk see Note 4.

Insurance finance expenses – discount rates

Insurance finance expenses reflect the change in the carrying amount of our groups of insurance contracts arising from the effect of the time value of money and changes in the time value of money.

We disaggregate insurance finance expenses on our insurance contract liabilities between income and other comprehensive income. The impact of changes in discount rates on the value of our insurance contract liabilities is reflected in insurance finance expense, in other comprehensive income, to minimize accounting mismatches between the accounting for financial assets and insurance contract liabilities. The financial assets backing our insurance contract liabilities are primarily measured at fair value through other comprehensive income.

We systematically allocate the total insurance finance expense over the duration of the group of insurance contracts into income using discount rates determined on initial recognition of the group of insurance contracts. For further details on the estimates and assumptions used to determine discount rates see Note 4.

De-recognition and modification of insurance contracts

Insurance contracts are de-recognized when the rights and obligations relating to the insurance contract are extinguished or if the terms are modified in a way that significantly change the measurement of the insurance contract had the new terms always existed. When the de-recognition criteria are met, the initial contract is de-recognized and a new contract based on the modified terms is recognized. If the modification does not result in de-recognition, then the modification is treated as a change in estimates of fulfilment cash flows.

Timely payment guarantees (TPG)

Classification

Financial guarantee contracts are defined as contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. We classify the TPG for National Housing Act Mortgage-Backed Securities (NHA MBS) and Canada Mortgage Bonds (CMB) as financial guarantee contracts. Such contracts remain financial guarantee contracts until all rights and obligations are extinguished or expire.

Recognition and measurement

TPG and application fees are initially recognized in unearned premiums and fees at fair value (the premium received). Subsequently, they are measured at the higher of i) the amount initially recognized less the amortization of guarantee and application fee revenue; and ii) the amount of the allowance for expected credit losses (ECL). The fees are recognized into premiums and fees earned on a straight-line basis over the expected life (typically the contractual life) of the related NHA MBS or CMB. All fees are received within five business days after the invoice date.

Government of Canada guarantee fees for risk exposure

We pay guarantee fees to the Department of Finance on an annual basis to compensate for its exposure to the risks arising from the guarantee. These fees are deferred in accounts receivable and other assets when the guarantee is issued, and amortized to operating expenses on a straight-line basis over the period covered by the guarantee. These fees are payable at a rate of 0.075% of CMB issuances.

Financial instruments

Classification and measurement of debt instruments

The classification and measurement of debt instruments are based on the business model for managing the assets and whether contractual cash flows are solely payments of principal and interest (SPPI).

Business model assessment

The business model reflects how we manage assets to generate cash flows, that is, whether the objective is solely to collect contractual cash flows, or to collect both contractual cash flows and cash flows arising from the sale of assets.

We assess our business models at a level that reflects how our financial instruments are managed to achieve our business objectives. This assessment begins at the operating segment level, and where applicable, by sub-portfolios of instruments that are managed together within a particular activity to achieve common business objectives. We perform our business model assessment based on the following main criteria:

- Strategic objectives of the business model and how these objectives are carried out in practice;
- How performance of the business model is evaluated and reported to key management personnel;
- The risks that affect the performance of the business model and how we manage those risks. Key risks include market and credit risks as described in detail in Notes 15 and 16 respectively;
- How managers of the business model are compensated;
- The frequency, value and timing of historical sales activity and expectations for future sales activities.

SPPI Assessment

We assess whether the cash flows of our debt instruments meet the SPPI criteria based on the asset's contractual terms. For this assessment, we define principal, as the fair value of the asset upon initial recognition and interest, as consideration for the time value of money, the credit risk of the transaction and for other lending risks and costs as well as a profit margin.

Contractual terms that introduce exposure to risk or volatility to the contractual cash flows that are inconsistent with a basic lending agreement do not satisfy the SPPI requirement.

Classification and measurement of financial instruments

We use settlement date accounting for purchases and sales of financial assets and financial liabilities, and we recognize realized gains and losses on sales on a weighted average cost basis. The following table presents a description of our financial instruments along with their classification under IFRS 9 and the criteria for classifying them as such:

Classification	Financial Instruments (Activity)[1]	Description	Criteria and accounting treatment
Financial assets at amortized cost	Cash and cash equivalents (HP, MI, MF)	Highly liquid investments with a term to maturity of 98 days or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.	We classify financial assets at amortized cost if we hold them with the objective to collect contractual cash flows and are SPPI. Initially measured at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest rate method (EIRM), net of an allowance for ECL. Interest income is recognized using the EIRM in interest income in HP and MF (CMB and IMPP loans), and investment income in MI and MF (cash). ECL are recognized in net gains (losses) on financial instruments in HP and MI. Gains and losses arising on de-recognition are recognized directly in net gains (losses) on financial instruments, together with foreign exchange gains and losses. For certain lending program loans originated from 1946 to 1984 through provisions of the NHA, interest rate losses from the loans having lower interest rates than the related borrowings are reimbursed through government funding. In assessing the fair value of these loans at initial recognition, the continued receipt of the government funding in the future is assumed.
	Securities purchased under resale agreements (Reverse Repurchase Agreements) (HP, MI)	Purchase of securities, typically Government treasury bills or bonds, with the commitment to resell the securities to the original seller at a specified price and future date in the near term.	
	Accrued interest receivable (HP, MI, MF)	Interest earned on financial assets, but not yet collected.	
	Investment securities (HP)	Corporate, Federal, Provincial and Sovereign debt instruments.	
	Loans – CMB Program and Insured Mortgage Purchase Program (IMPP) (MF)	Amounts due from Canadian financial institutions as a result of the sale of their beneficial interest in NHA MBS to CHT (for the CMB Program) or CMHC (for the IMPP).	
	Loans – Lending Programs (HP)	Loans not economically hedged within our HP Activity.	
	Loans (MI)	Mortgages or loans (workouts) that benefit from the MI-supported default management activities that enable borrowers to work through their financial difficulties.	

Classification	Financial Instruments (Activity)[1]	Description	Criteria and accounting treatment
Debt instruments at FVOCI	Cash and cash equivalents (MI, MF)	Highly liquid investments with a term to maturity of 98 days or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.	We classify financial assets at FVOCI if we hold them with the objective to collect contractual cash flows or to sell the assets and are SPPI. Initially recognized at fair value plus transaction costs and subsequently measured at fair value. Unrealized gains and losses arising from changes in fair value are recorded in other comprehensive income (OCI) until the financial asset is de-recognized at which point, cumulative gains or losses previously recognized in OCI are reclassified from AOCI to net gains (losses) on financial instruments. Unrealized foreign exchange gains (losses) are recognized in net gains (losses) on financial instruments. Interest income is recognized using the EIRM in investment income. The cumulative ECL allowance on financial assets held at FVOCI is recorded in OCI and does not reduce the carrying amount of the financial asset. The change in the ECL allowance is recognized in net gains (losses) on financial instruments.
	Investment Securities – debt instruments (MI, MF)	Corporate, Federal, Provincial and Sovereign debt instruments.	
Financial assets at FVTPL	Cash equivalents, loans, investment securities designated at FVTPL (HP)	For certain portfolios of loans and associated borrowings originated prior to August 2016, the HP Activity uses derivatives to manage refinancing and reinvestment risks, as well as mismatches between the timing of receipts from assets and payments of liabilities. These assets form part of the lending economic hedging structure and are designated at FVTPL.	We classify financial assets at FVTPL if they do not meet the criteria for classification as financial assets at amortized cost, or financial assets at FVOCI. Includes derivatives or instruments that have been irrevocably designated upon initial recognition as at FVTPL to eliminate or significantly reduce an accounting mismatch that would otherwise arise from not classifying them in this category. Initially recognized and subsequently measured at fair value. Unrealized gains and losses arising from changes in fair value and gains and losses realized on disposition are recorded in net gains (losses) on financial instruments. Transaction costs are recognized in net gains (losses) on financial instruments as incurred. Interest income and dividend income are recognized in investment income in MI. Interest income in HP is recognized in interest income. ECL are not recognized on financial instruments measured at FVTPL.
	Derivatives – Interest rate swaps (HP), Foreign Exchange (FX) contracts (MI) and First-Time Home Buyer Incentive (FTHBI) loan derivative (HP)	Interest rate swaps are used in our lending economic hedging structure. Foreign exchange contracts are used to mitigate foreign exchange risks on U.S. dollar-denominated debt instruments. The FTHBI loan derivative is used to recognize the payable to, or receivable from, the Government of Canada when there are underlying loan gains or losses.	
	Investment Securities – Limited partnership units (MI)	Canadian real estate investment trust equity investments. All mandatorily classified at FVTPL.	
	Investment Securities – debt instruments (MI)	Certain asset-backed securities whose contractual cash flows do not give rise to cash flows that are SPPI.	
	Loans – (HP, MI)	Loans including those with interest adjustment clauses, those for which we only expect to recover the value of the underlying collateral, and those that are economically hedged.	

Classification	Financial Instruments (Activity)[1]	Description	Criteria and accounting treatment
Financial liabilities at FVTPL	Borrowings from the Government of Canada – Lending programs (HP)	Borrowings that are economically hedged as part of our lending hedging structure. We may irrevocably designate a financial liability as at FVTPL upon initial recognition if doing so eliminates or reduces significantly an accounting mismatch, or its performance is evaluated on a fair value basis in accordance with risk management policies.	Unrealized gains and losses arising from changes in fair value are recognized in net gains (losses) on financial instruments except for changes in fair value attributable to our own credit risk for financial liabilities designated at FVTPL. These changes are recognized in OCI unless doing so would create an accounting mismatch, in which case, the entire fair value change is presented in net gains (losses) on financial instruments.
Financial liabilities at amortized cost	Accrued interest payable (HP, MF)	Interest expense incurred on borrowings and other financial obligations, but not yet paid.	Financial liabilities are classified at amortized cost, unless they have been classified at FVTPL. Initially recognized at fair value plus transaction costs and subsequently measured at amortized cost using the EIRM, with interest expense recorded in interest expense in HP and MF and investment income in MI.
	Borrowings – CMB (MF)	Interest-bearing bullet bonds issued by CHT that we guarantee. See after this table for further details about CMB.	
	Borrowings from the Government of Canada – Lending Programs (HP)	Borrowings incurred to fund loans in the HP Activity that are not part of the lending hedging structure.	
	Borrowings from the Government of Canada – IMPP (MF)	Amortizing borrowings incurred to fund loans under the IMPP.	
	Securities sold under repurchase agreements (MI)	Sale of securities with the commitment to repurchase the securities from the original buyer at a specified price and future date in the near term. The securities sold are pledged as collateral and are presented as investments in the consolidated balance sheet. Proceeds received from these agreements may be used for liquidity purposes or invested in Reverse Repurchase Agreements or cash equivalents for the purpose of generating additional income.	

[1] *Denotes in which Activity we hold the instruments: Housing Programs, Mortgage Insurance, or Securitization.*

Initial measurement of financial instruments

When a financial instrument's fair value at initial recognition differs from its transaction price, we recognize the resulting gain or loss as follows:

When the instrument's fair value is determined using significant observable inputs, we immediately recognize the gain or loss in net gains (losses) on financial instruments and subsequently amortize it into interest income, for loans, or interest expense, for borrowings, using the EIRM. This is the case for all funds we borrow from the Government for Lending programs under the Crown Borrowing Program (CBP), as well as certain Lending program loans. See Note 14 for information on the amounts of these gains or losses.

When the instrument's fair value is determined using significant unobservable inputs, we defer and amortize the gain or loss into net gains (losses) on financial instruments and interest income using the EIRM. This is the case for certain Lending program loans. See Note 14 for information on the amounts of these deferred gains or losses which are recorded within Loans.

Measurement of expected credit losses

Expected credit losses are defined as the difference between all contractual cash flows due in accordance with the contract, and the cash flows that we expect to receive (cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired assets). ECL are the weighted average of expected credit losses determined by evaluating a range of possible outcomes using reasonable, supportable information about past events and current and forecasted future economic conditions.

We have an impairment model to determine the allowance for ECL on our debt securities classified as amortized cost or FVOCI and our financial guarantee contracts. We determine an allowance for ECL at initial recognition of the financial instrument (or the date we become party to a financial guarantee) that is updated at each balance sheet date throughout the life of the instrument.

The ECL allowance is based on the ECL over the life of the financial instrument (lifetime ECL), unless there has been no significant increase in credit risk (SICR) since initial recognition, in which case the ECL allowance is measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months (12-month ECL). ECL are determined based on three main drivers: probability of default, loss given default and exposure at default.

- **Probability of default (PD):** A point-in-time estimate of the likelihood of default either over the next 12 months (12-month ECL) or over the remaining life of the instrument (lifetime ECL). Our PDs are determined by mapping internal credit ratings to point-in-time PD tables based on statistical models derived from a large data set of publicly traded entities.
- **Loss given default (LGD):** The percentage of the gross carrying amount of the instrument that will be lost on default at a given point in time. It is determined by taking the difference between contractual cash flows due and those expected to be received, including the realization of collateral, and comparing this value to the gross carrying amount.
- **Exposure at default (EAD):** The gross carrying amount of the instrument at a given point in time, which is calculated as the present value of the outstanding contractual cash flows using the EIRM.

The ECL is calculated using a scenario-based approach where, for each scenario, the PD, LGD and EAD are projected for each individual exposure at each cash flow date over the next 12 months (12-month ECL) or remaining life of the instrument (lifetime ECL). The components are multiplied together at each future date and discounted back using the original effective interest rate to the reporting date and summed. A probability-weighted average ECL is then determined across the multiple scenarios. We model all ECL at the individual instrument level.

Significant increase in credit risk

We have established a policy to perform an assessment at each balance sheet date of whether the instrument's credit risk has increased significantly since initial recognition (or the date we become party to a financial guarantee). Based on this assessment, we group the instruments into the following categories:

- **Stage 1:** Instruments that have not experienced a SICR since initial recognition. ECL are recognized based on 12-month ECL and interest revenue is calculated on the gross carrying amount of the asset;
- **Stage 2:** Instruments that have experienced a SICR since initial recognition, but are not considered credit impaired. In subsequent periods, if the credit risk of an instrument has improved such that there is no longer a SICR since initial recognition, the ECL allowance will revert to stage 1. ECL are recognized based on lifetime ECL and interest revenue is calculated on the gross carrying amount of the asset;
- **Stage 3:** Instruments that are considered credit-impaired as one or more events that have a detrimental impact on estimated future cash flows have occurred. ECL are recognized based on lifetime ECL;
- Purchased or originated credit-impaired (POCI) – instruments that are credit impaired on initial recognition. ECL are recognized based on lifetime ECL.

Interest revenue on stage 3 or POCI financial instruments is calculated based on the net carrying amount of the asset, which is the gross carrying amount, net of the loss allowance.

For instruments that we assess as having low credit risk at the reporting date, we applied the low credit risk exemption (stage 1) and have presumed that credit risk has not increased significantly since initial recognition. We use internal credit ratings based on internal assessments of counterparty creditworthiness at the reporting date to assess whether the instrument has low credit risk. For externally-managed investment portfolios, a credit rating for each instrument is based on ratings available from credit rating agencies. We consider an instrument to have low credit risk when our internal rating is BBB- or higher.

We apply a backstop to all financial instruments for which the counterparty is more than 30 days past due on its contractual payments, whereby we consider the instrument to have experienced a SICR.

We consider an instrument in default for the purpose of measuring ECL, which is fully aligned with the definition of credit-impaired, when it meets the following criteria:

- Observable data exists that has a detrimental impact on the estimated future cash flows such as:
  - significant financial difficulty of the issuer;
  - the granting of a new loan to assist the borrower to work through financial difficulties;
  - it becomes probable that the issuer will enter bankruptcy or other financial reorganization, and
  - the disappearance of an active market due to financial difficulties.
- Borrower becomes 90 days past due on its contractual payments.

An instrument is no longer considered impaired when all past due amounts, including interest, have been recovered and it is determined that the principal and interest are fully collectable in accordance with the original contractual terms of the instrument. We write off instruments, either partially or in full, against the related ECL allowance when we judge that there is no realistic prospect of future recovery.

In addition to the 30-day backstop, we apply the following policies in determining whether there has been a SICR on our financial instruments subject to ECL:

Debt instruments at amortized cost / FVOCI

Our credit risk policies restrict the amount of investments in debt instruments that have an internal rating lower than BBB-. All other instruments are presumed to have low credit risk and we have applied the low credit risk exemption (stage 1) on those instruments.

Loans under CMB program and the IMPP

Loans under the CMB program and under the IMPP represent amounts due from Canadian financial institutions as a result of the sale of their beneficial interest in NHA MBS securities to us. The loans are collateralized by the NHA MBS through swap counterparties, as well as associated reinvestment securities in the case of the CMB program only, acquired in the transactions. The NHA MBS, reinvestment assets and swaps represent the sole source of repayment on the loans, and thus directly affect the probability of a default occurring. Therefore, our assessment of SICR is based on the credit risk of these supporting assets. The supporting assets are held in our name and are limited to NHA MBS, which consists of pools of insured mortgages, and reinvestment assets rated R-1 (high) or AAA (under the CMB program only) and swap counterparties with a minimum rating of BBB+ (under the CMB program) or A- (under the IMPP). As such, all loans under the CMB program and the IMPP are presumed to have low credit risk and we have applied the low credit risk exemption (stage 1). We also do not recognize a separate ECL for these loans because the credit risk arising from loans under the CMB program and the IMPP is already reflected in the credit risk of the NHA MBS and CMB TPGs as discussed under the Financial guarantees section.

Housing Programs Activity loans / Mortgage Insurance Activity loans

Loans that are insured under the Mortgage Insurance Activity are presumed to have no credit risk as they are fully insured. Loans with an internal rating of BBB- or higher are presumed to have low credit risk and the low credit risk exemption has been applied (stage 1). These loans consist of those issued to municipalities, as well as loans indemnified by provinces and territories through provisions under Social Housing Agreements (SHA) and loans guaranteed by the Government of Canada, where the credit rating of the province or territory and Government of Canada is considered in the SICR assessment. For loans indemnified by provinces and territories, this credit enhancement is relevant to assessing changes in credit risk since it directly impacts the PD. The province or territory is responsible for collecting loan payments from the borrower and, in turn, makes all payments to us directly in accordance with the contractual terms of the loan on behalf of the borrower. These payments are made to us, irrespective of the borrower's payment status. For loans guaranteed by the Government of Canada, this credit enhancement is relevant to assessing changes in credit risk as the Government of Canada has explicitly guaranteed all losses on these loans. Any credit loss arising from a deficiency in collecting an amount due from the borrower would be covered by the Government of Canada as they bear all responsibility for a loan loss under this guarantee.

All remaining loans issued under our Housing Programs or Mortgage Insurance activities have not been internally rated and therefore the low credit risk presumption is not used. Our SICR assessment of these loans is primarily based on days past due, as this is a historically reliable indicator of loan credit quality and performance status. Following are the staging criteria:

- **Stage 1:** All current loans to 30 days past due.
- **Stage 2:** Loans between 30 and 90 days past due.
- **Stage 3:** Loans more than 90 days past due. Also, a loan that is not past due but has been issued a workout loan to assist with financial difficulties is considered credit impaired irrespective of days past due.

If exceptional loan payment deferrals are granted, the circumstances under which they are granted are assessed to determine if their impact on days past due should result in a transfer between stages. When deferrals are the result of circumstances outside a borrower's control, the deferral will not be treated as additional days past due and should not, in itself, result in a stage transfer.

Under the terms of certain construction loans issued by our Housing Programs Activity or workout loans issued by our Mortgage Insurance Activity, there may be a period of time where the loan has been advanced but is not under repayment and therefore days past due cannot be used in the SICR assessment. For these loans that are not under repayment, we assess SICR by applying the following criteria:

- Days past due on loans issued by the same borrower;
- Collective assessment by reviewing past due status of borrowers with shared credit risk characteristics;
- Qualitative assessment of specific indicators of the construction project such as: project delays, performance against budget and remaining costs to complete.

Financial guarantees

Under the NHA MBS program, a financial institution (the "NHA MBS issuer") creates a pool of insured mortgages and sells the pool to investors. The underlying pool of mortgages is designed to provide sufficient cash flows to fund the NHA MBS. The issuer is obligated to fund any cash flow shortfalls that may arise, thus exposing us to credit risk with the underlying pool of mortgages serving as a credit enhancement. Our assessment of SICR is therefore based on both the credit risk of the issuer and the credit risk of the pool of mortgages underlying the NHA MBS. The pool of mortgages is considered low credit risk since only mortgages that we or approved private mortgage insurers insure are eligible to be pooled in NHA MBS. The credit risk of the issuer is managed through due diligence in approving new issuers, ongoing monitoring of issuer credit quality and program compliance. We have further mitigated issuer credit risk by having been assigned all rights, title and interest in the underlying mortgages so that we have access to principal and interest payments in the event of issuer default.

Under the CMB program, the credit risk exposures are, by design, the CMB loans that are the sole source of funds to fulfill CHT's CMB obligations. As previously discussed, the NHA MBS that are secured by pools of insured mortgages, reinvestment assets and swaps represent the sole source of repayment on the loans. The SICR assessment for the CMB guarantee is based on the credit risk of these supporting assets, all of which have been assessed as low credit risk.

We have assessed the TPG under both the NHA MBS and CMB programs as having low credit risk and we therefore apply the low credit risk exemption (stage 1).

Forward-looking macroeconomics variables

We have incorporated forward-looking economic information into our ECL by performing the calculation under multiple scenarios resulting in a probability-weighted average ECL based on the weightings of each scenario. We use three sets of economic forecasts for all instruments representing a baseline, upside and downside scenario.

We performed an economic variable selection process to identify the sets of macroeconomic variables that had the highest correlation with our portfolios. This process resulted in using different sets of economic variables depending on the geographic and industry sector of the exposure. The following variables are included: unemployment rates, oil prices, 10-year corporate bond spreads, and equity index values.

All macroeconomic variables are projected over a five-year period, with ECL subsequently reverting to long-run averages. We base our forecasts and scenario weightings on forecasted macroeconomic inputs published by third parties that are reviewed and approved by our Chief Economist.

Financial liabilities at amortized cost

Canada Mortgage Bonds

CMB are interest-bearing bullet bonds issued by CHT that we guarantee. Coupon payments are made semi-annually for fixed rate CMB and quarterly for floating rate CMB. Principal repayments on the bonds are made at maturity. The approved MBS Issuers reimburse CHT for the cost of arranging financing, including the fees paid to underwriters and others for the distribution of CMB. Transaction costs directly attributable to the issuance of CMB, net of reimbursements thereof, are included in the amount initially recognized and amortized to interest expense using the EIRM.

We may purchase and resell CMB in the market for investment purposes. Purchases are treated as retirements of debt with the difference between the purchase price and the carrying value of the CMB being recognized as a gain or loss in net gains (losses) on financial instruments. Subsequent sales are treated as re-issuance of the debt with gains and losses deferred and amortized over the remaining life of the CMB sold. When we hold a CMB to maturity or acquire CMB in the primary market, the related cash flows are excluded from the consolidated statement of cash flows as they are not considered external cash flows to the consolidated entity.

CMB program and IMPP

Loans under the CMB program and under the IMPP represent amounts due from Canadian financial institutions as a result of the sale of their beneficial interest in NHA MBS securities to us. These loans are funded by the issuance of CMB (CMB program) or borrowings from the Government of Canada (IMPP). There are both fixed and floating rate loans in this category. Under the CMB program, principal is due at maturity, and under the IMPP, principal is due monthly (amortizing).

Under these arrangements, substantially all the risks and rewards of the NHA MBS are retained by the issuers through swap agreements with us and CHT. Consequently, the NHA MBS that are secured by pools of insured mortgages, and the reinvestment securities under the CMB program, serve as collateral to the loans and are not recognized in the consolidated balance sheet. This collateral is, however, held in our name and represents the sole source of principal repayments for the loans and as previously discussed the collateral is presumed to have low credit risk. The amount due from the swap counterparties represents the interest earned on the loans and is recognized in interest income.

Investment property

Investment properties are properties held to earn rental income or for capital appreciation, or both. Investment properties are initially recognized at cost plus transaction costs and subsequent to initial recognition, they are measured at fair value. Gains or losses arising from changes in fair value are recognized in other income in the period in which they arise.

Pension and other post-employment benefits

We have a number of benefit arrangements which provide pension and other post-employment benefits to eligible employees. These include a federally regulated pension plan (Pension Plan), an unregistered supplemental pension plan (Supplemental Plan) and other non-pension post-employment defined benefits consisting mainly of life and medical insurance. The Supplemental Plan offers benefits in excess of statutory limits as defined under the Income Tax Act (ITA).

The Pension Plan is subject to the federal Pension Benefits Standards Act, 1985 (PBSA) and its regulations and to the ITA. The Pension Plan is registered with the Office of the Superintendent of Financial Institutions (OSFI) and the Canada Revenue Agency (CRA).

Defined benefits plans

The defined benefit plans include the Pension Plan and the Supplemental Plan as well as the other post-employment benefits (OPEB). The benefits available under both the Pension Plan and the Supplemental Plan are based on length of service and average annual salary.

The net defined benefit liability recognized is the present value of the obligations under the defined benefit plans less the fair value of the assets of those plans. The defined benefit plan assets are limited to the present value of any economic benefits available in the form of reductions in future contributions to these plans.

Net benefit costs of the plans include the current service costs and the interest cost on the defined benefit obligation net of the interest income on the plan assets and the gain or loss on curtailment. Net benefit costs are included in operating expenses.

Remeasurement gains and losses on defined benefit plans include actuarial gains and losses and changes in the return on plan assets (excluding net interest). They are recognized in OCI as incurred and then flow into retained earnings and are not reclassified to profit or loss in subsequent periods.

Income taxes

We are a prescribed federal Crown corporation under Reg. 7100 of the ITA and are subject to federal income tax as a prescribed corporation for purposes of subsection 27(2) of the ITA. We are not subject to provincial income tax. CHT is subject to federal and provincial income taxes on the amount of taxable income for the period and is permitted a deduction for all amounts paid or payable to CHT's beneficiaries in determining income for tax purposes. As all taxable income was distributed to the beneficiaries, no provision for income taxes has been reflected for CHT.

We use the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized based on the estimated tax effect of temporary differences between the carrying value of assets and liabilities on the financial statements and their respective tax bases. We use substantively enacted income tax rates at the balance sheet date that are expected to be in effect when the asset is realized or the liability is settled. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Related party transactions

Except for funds borrowed from the Government for Lending programs under the CBP, related party transactions are made on terms equivalent to those that prevail in arm's length transactions. Funds borrowed under the CBP, which we include in borrowings at amortized cost and borrowings designated at FVTPL, are at below market rates. In turn, this allows us to issue loans at favorable rates, which reduces the Government's cost to subsidize social housing. Borrowings at below market rates generate gains, which we recognize in net gains (losses) on financial instruments at the borrowing date, as discussed previously under Initial measurement of financial instruments.

Seasonality

We have concluded that our business is not highly seasonal in accordance with IAS 34; however, we are exposed to some seasonal variation. Premiums received for some insurance products in our Mortgage Insurance Activity, 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 Securitization 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. In the Housing Programs Activity, we see higher volumes in the first quarter of each year as this is the Government of Canada's fiscal year end.

3. Current and Future Accounting Changes

Current accounting changes

There were no new or amended standards issued by the International Accounting Standards Board (IASB) that we adopted during the period that had a material impact on our unaudited quarterly consolidated financial statements.

Future accounting changes

Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 – effective date of 1 January 2026

In May 2024, the IASB issued amendments to the classification and measurement requirements in IFRS 9 *Financial Instruments and IFRS 7 Financial Instruments Disclosures*. The objective of the amendments is to address diversity in accounting practice by making the requirements more understandable and consistent. The amendments are required to be implemented by 1 January 2026.

The amendments include changes to classification and measurement requirements under IFRS 9 for the de-recognition of financial liabilities and additional guidance to assess the contractual cash flow characteristics of financial assets with environmental, social and governance (ESG)-linked, non-recourse and contractually linked features. The proposed amendments to IFRS 7 include additional disclosure requirements for investments in equity instruments held at FVOCI and financial instruments with contingent events.

We are currently assessing the impact on our consolidated financial statements.

IFRS 18 Presentation and Disclosure in the Financial Statements – effective date of 1 January 2027

In April 2024, the International Accounting Standards Board (IASB) issued IFRS 18 *Presentation and Disclosure in Financial Statements* (IFRS 18), which will replace IAS 1 *Presentation of Financial Statements*.

The objective of IFRS 18 is to improve how information is communicated in the financial statements, with a focus on information in the Statement of Income and Comprehensive Income. IFRS 18 is required to be implemented by 1 January 2027.

IFRS 18 will include requirements for additional defined subtotals in the statement of income and comprehensive income (classifying the results between operating, investing, and financing), disclosures about management performance measures, and revised requirements for aggregation and disaggregation of information.

We are currently assessing the impact on our consolidated financial statements.

4. Critical Judgments in Applying Accounting Policies and Making Estimates

Judgment in applying accounting policies

We have made the following judgments, which have the most significant effect on the amounts recognized in our unaudited quarterly consolidated financial statements.

Consolidation

We apply significant judgment in assessing whether the substance of our relationship with CHT indicates that we control CHT. We guarantee the timely payment of principal and interest on the CMB, and choose when to provide that guarantee. CHT cannot undertake new business (e.g. issue new bonds) without the benefit of a guarantee, and we are currently its only available guarantor. Within that context, we have direct influence over the activities of CHT and can use this influence to manage our exposure to CHT.

De-recognition

In assessing whether transfers of NHA MBS from Issuers to CHT under the CMB program, and to us under the IMPP, qualify for de-recognition, significant judgment is applied in determining whether substantially all the risks and rewards of ownership of the NHA MBS have been transferred. We have determined that the issuers of NHA MBS to CHT or to us, fail to meet the de-recognition criteria as they retain the risk and rewards of the NHA MBS through swap agreements. As a result, we do not recognize the underlying NHA MBS in the consolidated balance sheet, but rather account for the transfers as loans.

Estimation Uncertainty

The related economic and market uncertainties including enacted trade tariffs, have caused a heightened level of estimation uncertainty for CMHC.

As a result of the market uncertainty, we have seen increases in our expected credit losses on debt securities classified as amortized cost or FVOCI and our loans at amortized cost as our revised economic scenarios reflect a higher probability of losses in the next 12 months. Refer to the discussion below on expected credit losses.

As at 31 March 2025, we have not observed an impact to our liability for incurred claims or insurance service expense as there have not been significant increases in the unemployment rate or decreases in house prices. In addition, our revised economic scenarios have not had an impact on the liability for remaining coverage, namely, we have not observed an impact to our contractual service margin. We generally expect forward looking volatility in these estimates to be higher than recent quarters and may change from quarter to quarter.

Use of estimates

In preparing our unaudited quarterly consolidated financial statements, we are required to make estimates that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the following sections. We based our estimates on information available when the unaudited quarterly consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond our control. Such changes are reflected in the estimate when they occur.

Insurance contract liabilities

Insurance contract liabilities are estimated 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

The arrears rate is 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 and is 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 and housing repeat-sales 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, could increase or decrease the fulfilment cash flow which will impact future profits. An increase (decrease) in unemployment rate (UR) or a decrease (increase) in the housing repeat-sales price index (RPI) will increase (decrease) claims. Refer to Note 7 for more details on these assumptions.

Determining the LRC and LIC involves the risk that the actual results will deviate, and in certain cases significantly, from the estimates made.

The LIC reflects claims that have been IBNR, CIP, IBNER and reduced by 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 cured. 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 fulfilment cash flows included in the LRC relate to future claims that are derived from simulations that project the lifecycle of mortgages. This includes considerations such as mortgage renewals, prepayments, and variable rate versus fixed rate mortgages. These 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:

	31 March 2025	31 December 2024
Claim frequency[1]	0.8%	0.8%
Claim severity[2]	45.9%	45.2%
Unemployment rate[3]	5.9%	5.9%
Repeat-sales price index[3]	511	509

[1] The weighted average assumption 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.

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 the amount we would pay to remove the uncertainty that the future cash outflows 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.

We target an overall confidence level for both the LRC and LIC to be within the range of 85%-90%. As at 31 March 2025, the risk adjustment for our insurance contracts corresponds to a 87% confidence (87% at December 31 2024) vel for both the LRC and LIC.

The risk adjustment is reassessed annually during the fourth quarter as part of the year-end valuation process. Throughout the year, we monitor actual claim experience and economic indicators. If evidence justifies a revision before the next scheduled reassessment, adjustments to the risk adjustment may be made accordingly.

Discount rate

Fulfilment cashflows are determined by discounting the expected future cash flows using a bottom-up approach, starting with a risk-free curve and applying 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 31 March 2025 and 31 December 2024 are listed below:

Portfolio duration

	1–5 years		5–10 years		10–15 years		15–20 years		20–25 years		over 25 years	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Discount rates	3.7%	4.0%	4.3%	4.5%	4.8%	4.9%	5.0%	5.1%	5.0%	5.1%	5.0%	5.0%

Coverage units

The CSM is a component of the LRC 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 group of insurance contracts are reassessed at the end of each reporting period to reflect changes 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);
- product type (affordable, market, purchase, refinance, new construction);
- credit score band;
- region or province; and
- property type (standard, student, retirement, supportive, single room).

This assessment is performed on a quarterly basis.

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.

As interest rates decline, we observed a continued decrease in the number of negatively amortizing variable rate mortgage (VRM) loans. This downward trend in VRM loans at maximum amortization is expected to persist in the coming quarters as these loans gradually revert to their original amortization schedules. However, until the number of these loans returns to pre-interest rate increase levels, they will continue to impact our required capital. At the balance sheet date, we estimate that the MICAT would be two percentage points higher (31 December 2024 - three points higher) if these VRM loans were not negatively amortizing.

Valuation of pension benefit obligation

The current service cost of the defined benefit pension plan and the present value of the pension obligation are determined based on actuarial valuations. The actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, mortality rates and inflation. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at least annually.

The assumption most sensitive to change is the discount rate. In determining the appropriate discount rate, we consider the interest rates of Canadian dollar corporate bonds with an ‘AA’ rating and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The mortality rate is based on publicly available Public Sector mortality tables for Canada as we have determined they are representative of our workforce. In assessing the recoverability of the defined benefit plan assets, we have applied assumptions to determine the maximum future economic benefit available from a reduction in future contributions. This is determined by the difference between the present value of employer current service costs and the present value of the projected employer minimum funding requirements (MFR). In determining the MFR we have applied assumptions around discount rates (5.95% on a going concern basis and 4.25% on a solvency basis per year) and projected future asset returns (6.5% per year).

Expected credit losses

Our methodology for the estimation of expected credit losses (ECL) on debt securities classified as amortized cost or FVOCI and our loans at amortized cost includes different economic scenarios (baseline, optimistic and pessimistic) that are based on forecasted macro-economic inputs published by third parties and reviewed and approved by our Deputy Chief Economist. The significant inputs to the ECL model include forecasted Canadian and US equity markets, unemployment rates, credit spreads, oil price and volatility index (VIX). We assign a weight to the different scenarios for the purpose of calculating the ECL provisions. The appropriate weight assigned to each economic scenario is determined by our Deputy Chief Economist. The ECL at 31 March 2025 were calculated using a 40% weighting to the pessimistic scenario, 45% weighting to the baseline and 15% weight to the optimistic scenario (31 December 2024 – 40% pessimistic, 45% baseline and 15% optimistic). The revised scenarios, reflect a higher probability of losses in the next 12 months compared to 31 December 2024. See Notes 11 and 12 for more information on expected credit losses.

5. Segmented Information

The unaudited quarterly consolidated financial statements include the Housing Programs (HP), Mortgage Insurance (MI) and Securitization (SEC) 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 Securitization reportable segment. We determine the financial results of each segment using the accounting policies previously described in Note 2. For all segments, revenues are attributed to, and assets are located in, Canada.

We generate revenues for the reportable segments as follows:

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

Three months ended 31 March

	Housing Programs Activity		Mortgage Insurance Activity		Securitization Activity		Eliminations		Total	
(in millions)	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Interest income	214	165	-	-	1,865	1,833	-	(1)	2,079	1,997
Interest expense	(173)	(141)	-	-	(1,861)	(1,830)	3	5	(2,031)	(1,966)
Net interest income	**41**	**24**	**-**	**-**	**4**	**3**	**3**	**4**	**48**	**31**
Insurance revenue	-	-	298	284	-	-	-	-	298	284
Insurance service expense	-	-	(17)	(40)	-	-	-	-	(17)	(40)
Insurance service result	**-**	**-**	**281**	**244**	**-**	**-**	**-**	**-**	**281**	**244**
Investment income (losses)	-	-	174	153	33	26	(5)	(3)	202	176
Net gains (losses) on financial instruments	(49)	(6)	(28)	(27)	(1)	-	2	-	(76)	(33)
Insurance finance expense for contracts issued	-	-	(80)	(57)	-	-	-	-	(80)	(57)
Net financial result	**(49)**	**(6)**	**66**	**69**	**32**	**26**	**(3)**	**(3)**	**46**	**86**
Government funding	2,658	2,000	-	-	-	-	-	-	2,658	2,000
Housing programs expenses	(2,561)	(1,920)	-	-	-	-	-	-	(2,561)	(1,920)
Premiums and fees earned	-	-	10	9	239	218	-	-	249	227
Operating expenses	(83)	(95)	(46)	(48)	(17)	(17)	-	-	(146)	(160)
Other income	-	-	(1)	(11)	4	4	-	-	3	(7)
Self-insurance service income (expenses)	-	-	3	(1)	-	-	-	-	3	(1)
Income before income taxes	**6**	**3**	**313**	**262**	**262**	**234**	**-**	**1**	**581**	**500**
Income taxes	(4)	(2)	(77)	(66)	(66)	(58)	-	-	(147)	(126)
Net income	**2**	**1**	**236**	**196**	**196**	**176**	**-**	**1**	**434**	**374**
Other comprehensive income (loss)	1	57	114	8	37	(27)	(5)	2	147	40
Comprehensive income (loss)	**3**	**58**	**350**	**204**	**233**	**149**	**(5)**	**3**	**581**	**414**
Total revenues and government funding[1]	2,650	2,018	356	311	279	251	-	1	3,285	2,581
Less Inter-segment income (loss)[2]	-	1	3	3	(3)	(5)	-	1	-	-
External revenues and government funding	2,650	2,017	353	308	282	256	-	-	3,285	2,581

[1] Includes net interest income, insurance service result, net financial result, government funding, premiums and fees earned and other income.

[2] Inter-segment income (loss) relates to the following:
- Housing Programs recognizes interest income from investing in holdings of CMB;
- Mortgage Insurance recognizes investment income from investing in holdings of CMB; and
- Within Securitization, CHT recognizes interest expense on CMB held by Housing Programs and Mortgage Insurance.

As at 31 March 2025 and 31 December 2024

	Housing Programs Activity		Mortgage Insurance Activity		Securitization Activity		Eliminations[1]		Total	
(in millions)	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Assets										
Cash and cash equivalents	1,705	1,388	326	262	3	5	-	-	2,034	1,655
Securities purchased under resale agreements	460	950	-	-	-	-	-	-	460	950
Income taxes receivable	(3)	-	72	-	(9)	-	-	-	60	-
Accrued interest receivable	61	74	142	123	1,613	921	(4)	(1)	1,812	1,117
Investment securities:										
Fair value through profit or loss	-	-	56	57	-	-	-	-	56	57
Fair value through other comprehensive income	-	-	19,405	19,298	4,691	4,499	(555)	(510)	23,541	23,287
Amortized cost	3,800	3,644	-	-	-	-	(75)	(75)	3,725	3,569
Derivatives	-	-	4	-	-	-	-	-	4	-
Due from the Government of Canada	1,449	177	-	-	-	-	-	-	1,449	177
Loans:										
Fair value through profit or loss	490	502	20	19	-	-	-	-	510	521
Amortized cost	17,781	16,713	22	24	283,102	277,791	-	-	300,905	294,528
Accounts receivable and other assets	86	90	282	265	117	121	-	-	485	476
Investment property	397	396	-	-	-	-	-	-	397	396
Defined benefit plans asset	83	85	106	107	7	7	-	-	196	199
Deferred income tax assets	(98)	(106)	502	511	6	16	3	2	413	423
	26,211	**23,913**	**20,937**	**20,666**	**289,530**	**283,360**	**(631)**	**(584)**	**336,047**	**327,355**
Liabilities										
Accounts payable and other liabilities	1,382	530	109	115	14	48	-	-	1,505	693
Income taxes payable	-	3	-	204	-	22	-	-	-	229
Accrued interest payable	150	147	-	-	1,584	897	(4)	(1)	1,730	1,043
Derivatives	71	70	5	135	-	-	-	-	76	205
Insurance contract liabilities	-	-	8,685	8,455	-	-	-	-	8,685	8,455
Borrowings:										
Fair value through profit or loss	122	148	-	-	-	-	-	-	122	148
Amortized cost	23,588	22,121	-	-	283,102	277,791	(626)	(587)	306,064	299,325
Defined benefit plans liability	78	77	97	97	6	6	-	-	181	180
Unearned premiums and fees	-	-	414	383	2,655	2,660	-	-	3,069	3,043
	25,391	**23,096**	**9,310**	**9,389**	**287,361**	**281,424**	**(630)**	**(588)**	**321,432**	**313,321**
Equity of Canada	**820**	**817**	**11,627**	**11,277**	**2,169**	**1,936**	**(1)**	**4**	**14,615**	**14,034**
	26,211	**23,913**	**20,937**	**20,666**	**289,530**	**283,360**	**(631)**	**(584)**	**336,047**	**327,355**

[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 31 March	
(in millions)	2025	2024
Assistance for housing needs	1,272	1,074
Financing for housing	619	643
Housing expertise and capacity development	796	333
Total	**2,687**	**2,050**
Net change in government funding deferred in the period	(29)	(50)
Total government funding recognized[1]	**2,658**	**2,000**
Operating expenses recovery	(75)	(88)
Expected credit loss (recovery)	(22)	7
Capital expenditures recovery[2]	-	1
Total housing programs expenses recognized	**2,561**	**1,920**

[1] Total government funding recognized does not include gains resulting from below market rate funds borrowed under the Crown Borrowing Program, which are recognized in net gains (losses) on financial instruments. These gains totaled $33 million for the three months ended 31 March 2025 (three months ended 31 March 2024 – $43 million).

[2] Relates to housing programs expenses in which the appropriations are deducted from the carrying amount of the related capital expenditures.

The following table presents the change in the due from (to) the Government of Canada account. The outstanding balance as at 31 March 2025 is mainly composed of Housing Programs expenses incurred but not yet reimbursed.

(in millions)	As at 31 March 2025	As at 31 December 2024
Balance at beginning of the year	177	240
Total government funding	2,687	4,832
Government funding received during the period	(1,438)	(4,885)
Third party remittances from (owing to) the Government of Canada	(5)	(14)
Balance at end of period before prior/future period adjustments	**1,421**	**173**
Net change in One-time top-up to the Canada Housing Benefit advances	-	24
Net change in prior period adjustments	28	(20)
Balance at end of period	**1,449**	**177**

7. Mortgage Insurance

Overview of insurance contracts

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

(in millions)	As at 31 March 2025	As at 31 December 2024
Insurance contracts		
Transactional homeowner	3,347	3,312
Portfolio	95	103
Multi-unit residential	5,243	5,040
Total insurance contract liabilities	**8,685**	**8,455**

Insurance contracts by remaining coverage and incurred claims

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

As at 31 March 2025

(in millions)	LRC	LIC	Total
Insurance contract liabilities at beginning of year	**8,204**	**251**	**8,455**
Insurance revenue			
Contracts under the fair value approach	(109)	-	(109)
Other contracts	(189)	-	(189)
	(298)	**-**	**(298)**
Insurance service expenses			
Incurred claims and other insurance expenses	-	63	63
Amortization of insurance acquisition cash flows	15	-	15
Changes to the liabilities for incurred claims	-	(61)	(61)
	15	**2**	**17**
Insurance service result	**(283)**	**2**	**(281)**
Total finance expense from insurance contracts	116	3	119
Total changes in the statement of income and comprehensive income before income taxes	**(167)**	**5**	**(162)**
Cash flows			
Premiums received	486	-	486
Claims and other insurance service expense paid	-	(9)	(9)
Insurance acquisition cash flows	(85)	-	(85)
Total cash flows	**401**	**(9)**	**392**
Insurance contract liabilities at end of period	**8,438**	**247**	**8,685**

As at 31 December 2024

(in millions)	LRC	LIC	Total
Insurance contract liabilities at beginning of year	**6,876**	**203**	**7,079**
Insurance revenue			
Contracts under the fair value approach	(464)	-	(464)
Other contracts	(623)	-	(623)
	(1,087)	**-**	**(1,087)**
Insurance service expenses			
Incurred claims and other insurance expenses	-	193	193
Amortization of insurance acquisition cash flows	51	-	51
Changes to the liabilities for incurred claims	-	(107)	(107)
	51	**86**	**137**
Insurance service result	**(1,036)**	**86**	**(950)**
Total finance expense from insurance contracts	337	11	348
Total changes in the statement of income and comprehensive income before income taxes	**(699)**	**97**	**(602)**
Cash flows			
Premiums received	2,155	-	2,155
Claims and other insurance service expense paid	-	(49)	(49)
Insurance acquisition cash flows	(128)	-	(128)
Total cash flows	**2,027**	**(49)**	**1,978**
Insurance contract liabilities at end of period	**8,204**	**251**	**8,455**

As at 31 March 2025 there were nil loss components (31 December 2024 – nil).

Insurance contracts by measurement components

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

As at 31 March 2025

			CSM		
(in millions)	Present value of future cash flows	Risk adjustment for non-financial risk	Contracts under the fair value approach	Other contracts	Total
Insurance contract liabilities at beginning of year	**1,614**	**1,322**	**2,144**	**3,375**	**8,455**
Changes that relate to current services					
CSM recognized for services provided	-	-	(76)	(116)	(192)
Change in the risk adjustment for non-financial risk	-	(24)	-	-	(24)
Experience adjustments	(4)	-	-	-	(4)
Changes that relate to future services					
Contracts initially recognized in the period	(397)	80	-	317	-
Changes in estimates that adjust the CSM	25	31	5	(61)	-
Changes that relate to past services					
Changes to the liabilities for incurred claims	(39)	(22)	-	-	(61)
Insurance service result	**(415)**	**65**	**(71)**	**140**	**(281)**
Total finance expense from insurance contracts	37	32	14	36	119
Total changes in the statement of income and comprehensive income before income taxes	**(378)**	**97**	**(57)**	**176**	**(162)**
Cash flows					
Premiums received	486	-	-	-	486
Claims and other insurance service expense paid	(9)	-	-	-	(9)
Insurance acquisition cash flows	(85)	-	-	-	(85)
Total cash flows	**392**	**-**	**-**	**-**	**392**
Insurance contract liabilities at end of period	**1,628**	**1,419**	**2,087**	**3,551**	**8,685**

As at 31 December 2024

(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	**1,178**	**1,071**	**2,318**	**2,512**	**7,079**
Changes that relate to current services					
CSM recognized for services provided	-	-	(301)	(391)	(692)
Change in the risk adjustment for non-financial risk	-	(128)	-	-	(128)
Experience adjustments	(23)	-	-	-	(23)
Changes that relate to future services					
Contracts initially recognized in the period	(1,676)	329	-	1,347	-
Changes in estimates that adjust the CSM	144	(6)	73	(211)	-
Changes that relate to past services					
Changes to the liabilities for incurred claims	(71)	(36)	-	-	(107)
Insurance service result	**(1,626)**	**159**	**(228)**	**745**	**(950)**
Total finance expense from insurance contracts	84	92	54	118	348
Total changes in the statement of income and comprehensive income before income taxes	**(1,542)**	**251**	**(174)**	**863**	**(602)**
Cash flows					
Premiums received	2,155	-	-	-	2,155
Claims and other insurance service expense paid	(49)	-	-	-	(49)
Insurance acquisition cash flows	(128)	-	-	-	(128)
Total cash flows	**1,978**	**-**	**-**	**-**	**1,978**
Insurance contract liabilities at end of year	**1,614**	**1,322**	**2,144**	**3,375**	**8,455**

8. Securitization

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 TPG fees balance.

	As at 31 March 2025			As at 31 December 2024		
(in millions)	NHA MBS	CMB	Total	NHA MBS	CMB	Total
Balance at beginning of year	1,932	728	2,660	1,874	624	2,498
TPG and application fees received in the period	170	64	234	801	262	1,063
TPG and application fees earned in the period	(197)	(42)	(239)	(743)	(158)	(901)
Balance at end of period	**1,905**	**750**	**2,655**	**1,932**	**728**	**2,660**

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 Securitization activities, have adequate capital to deliver their mandate while remaining financially self-sustaining and to follow prudent business practices, OSFI guidelines and other guidelines existing in the private sector as appropriate.

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 Securitization 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 Securitization 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 Securitization 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 did not declare or pay dividends during the three months ended 31 March 2025 (three months ended 31 March 2024 – $145 million declared which remained payable as at 31 March 2024).

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

(in millions)	As at 31 March 2025	As at 31 December 2023
Contributed capital	25	25
Accumulated other comprehensive income	55	(90)
Reserve fund	125	172
Appropriated retained earnings	10,783	10,861
Unappropriated retained earnings[1]	3,627	3,066
Total equity of Canada[2]	**14,615**	**14,034**
Less: regulatory deductions	(190)	(187)
Total capital available	**14,425**	**13,847**

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

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

Mortgage Insurance capital

The following table presents the components of capital available.

(in millions)	As at 31 March 2025	As at 31 December 2024
Appropriated capital[1]	9,757	9,721
Unappropriated capital	1,870	1,556
Total Mortgage Insurance capital	**11,627**	**11,277**
Less: regulatory deductions	(190)	(187)
Total Mortgage Insurance capital available	**11,437**	**11,090**
Internal target	155%	155%
Operating level	165%	165%
Capital available to minimum capital required (% MICAT)	193%	188%

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

Securitization capital

Securitization capital is appropriated for the guarantees provided by our NHA MBS and CMB programs. There is no regulatory capital, and the appropriated amount of capital is based on our ORSA. Effective 1 January 2025, the Board approved an increase of the economic capital required from $2.2 billion to $2.6 billion; as such, at 31 March 2025, required economic capital at the operating level is now $2.6 billion compared to $4.8 billion of assets available (31 December 2024 – $2.2 billion total assets required and $4.6 billion assets available). These amounts exclude assets and liabilities related to IMPP. Unappropriated capital is subject to a minimum liquidity requirement. The liquidity requirement ensures that our investment balance (cash, cash equivalents, investment securities and related accrued interest), along with our other borrowing capabilities, is sufficient to cover the largest exposure to a single counterparty. At 31 March 2025, our investment balance was $4.7 billion ($4.5 billion at 31 December 2024) and the liquidity requirement has resulted in a cap of $1.1 billion to our unappropriated capital. In 2025 and 2024, the binding constraint is the liquidity requirement.

The following table presents the components of the capital available.

(in millions, unless otherwise indicated)	As at 31 March 2025	As at 31 December 2024
Appropriated capital	1,046	1,010
Unappropriated capital	1,123	926
Total Securitization capital available	**2,169**	**1,936**
Economic capital available to economic capital required (%)	134%	127%

Housing Programs capital

Lending programs

We maintain a reserve fund pursuant to Section 29 of the CMHC Act, which includes the profits of the Corporation, after providing for all matters, that in the opinion of the Board of Directors, are required to carry out the purposes of the Corporation. The reserve fund is subject to a statutory limit of $240 million (2024 – $240 million). Should we exceed the statutory limit, we would be required to pay the excess to the Government.

Retained earnings comprises all other amounts comprising Housing Programs Equity of Canada that are not in the reserve fund, including unrealized fair value fluctuations as well as remeasurement gains and losses on defined benefit plans. The Housing Programs' portion of remeasurement gains and losses on defined benefit plans is recorded in retained earnings until it is reimbursed by Government through government funding for housing programs.

Aside from the reserve fund and retained earnings, we do not hold additional capital for our Housing Programs 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 31 March 2025	As at 31 December 2024
Reserve fund[1, 2]	128	174
Retained earnings	667	618
Total Lending programs capital available	**795**	**792**

[1] Excludes the impact of eliminations of $3 million (2024 - $2 million).

[2] During the quarter, $53 million has been reclassified from the reserve fund to retained earnings to better reflect the nature of certain items.

10. Fair Value Measurement

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.

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 31 March 2025			As at 31 December 2024		
(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]	3,725	3,751	26	3,569	3,580	11
Loans at amortized cost[3]	300,905	301,569	664	294,528	291,141	(3,387)
Financial liabilities						
Borrowings at amortized cost[4]	306,064	307,351	1,287	299,325	296,387	(2,938)

[1] Does not include cash and cash equivalents of $1,632 million (31 December 2024 - $1,303 million) and securities purchased under resale agreements of $460 million (31 December 2024 – $950 million) carried at amortized cost as the fair value of these financial instruments is equal to their carrying value.

[2] $858 million (31 December 2024 – $764 million) fair value categorized as Level 1 and $2,893 million (31 December 2024 - $2,816 million) fair value categorized as Level 2.

[3] $292,693 million (31 December 2024 – $282,837 million) fair value categorized as Level 2, $8,875 million (31 December 2024 – $8,304 million) fair value categorized as Level 3.

[4] $242,330 million (31 December 2024 – $240,490 million) fair value categorized as Level 1, $65,021 million (31 December 2024 – $55,897 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 31 March 2025				As at 31 December 2024			
(in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash equivalents								
Interest bearing deposits with banks	-	107	-	107	-	128	-	128
Federal government issued	25	265	-	290	-	207	-	207
Corporate/other entities	-	5	-	5	-	17	-	17
Total cash equivalents	25	377	-	402	-	352	-	352
Investment securities								
Fair value through profit or loss (FVTPL)								
Debt instruments								
Corporate/other entities	-	18	-	18	-	20	-	20
Equities								
Limited partnership units	-	-	38	38	-	-	37	37
Total at FVTPL	-	18	38	56	-	20	37	57
FVOCI								
Debt instruments								
Corporate/other entities	4,177	3,856	-	8,033	3,774	4,345	-	8,119
Federal government issued	9,103	1,922	-	11,025	7,440	3,290	-	10,730
Provinces/municipalities	4,069	161	-	4,230	3,974	159	-	4,133
Sovereign and related entities	214	39	-	253	258	47	-	305
Total at FVOCI	17,563	5,978	-	23,541	15,446	7,841	-	23,287
Loans designated at FVTPL	-	17	-	17	-	20	-	20
Loans mandatorily at FVTPL	-	11	482	493	-	12	489	501
Derivatives	-	4	-	4	-	-	-	-
Investment property	-	-	397	397	-	-	396	396
Total assets carried at fair value	**17,588**	**6,405**	**917**	**24,910**	**15,446**	**8,245**	**922**	**24,613**
Liabilities								
Borrowings designated at FVTPL	-	(122)	-	(122)	-	(148)	-	(148)
Derivatives	-	(5)	(71)	(76)	-	(136)	(69)	(205)
Total liabilities carried at fair value	**-**	**(127)**	**(71)**	**(198)**	**-**	**(284)**	**(69)**	**(353)**
Net assets at FV	**17,588**	**6,278**	**846**	**24,712**	**15,446**	**7,961**	**853**	**24,260**

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 three months ended 31 March 2025, there were $1,226 million of transfers from Level 2 to Level 1 and $620 million of transfers from Level 1 to Level 2 (during the twelve months ended 31 December 2024 – $3,269 million and $2,476 million, respectively).

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 2025	**37**	**489**	**396**	**(69)**	**853**
Purchases/issuances	-	2	1	-	3
Net gains (losses) in profit or loss[1,2]	1	2	-	(2)	1
Cash receipts on settlements/disposals	-	(11)	-	-	(11)
Fair value as at 31 March 2025	**38**	**482**	**397**	**(71)**	**846**
Fair value as at 1 January 2024	**51**	**446**	**398**	**(47)**	**848**
Purchases/issuances	-	61	-	-	61
Net gains (losses) in profit or loss[1,2]	(5)	22	(2)	(22)	(7)
Cash receipts on settlements/disposals	(9)	(40)	-	-	(49)
Fair value as at 31 December 2024	**37**	**489**	**396**	**(69)**	**853**

[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 31 March 2025, which may change materially in subsequent periods. The following table presents information about the significant unobservable inputs used in level 3 fair value measurements for items carried at fair value.

(in millions)	Valuation technique	Unobservable inputs
Investment securities		
Equities at FVTPL – Limited partnership units	Share of partnership equity	Reported partnership equity
Loans at FVTPL		
MI Activity workout loans	Discounted cash flow	Loss rate
MI Activity mortgage assignments	Market approach	Value per square foot
HP Activity loans – FTHBI	Market approach	Repeat-sales price index
Total loans at FVTPL		
Investment property		
HP Activity	Discounted cash flow	Estimated rental value per square foot
		Discount rate
	Market approach	Value per square foot
Total investment property		
FTHBI loan derivative	Market approach	Repeat-sales price index
Total Level 3 items carried at fair value		

Level 3 sensitivity analysis

Investment property

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

11. Investment Securities

Credit quality

The following table presents the credit quality of our cash equivalents and investment securities based on our internal credit rating system. Amounts in the table represent the gross carrying amounts.

	Credit Rating[1]											
	As at 31 March 2025						As at 31 December 2024					
(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
Cash equivalents	514	532	893	-	-	1,939	365	567	659	-	-	1,591
Investment securities[2]												
FVTPL	18	-	-	-	-	18	20	-	-	-	-	20
FVOCI	11,755	4,182	4,887	2,655	62	23,541	11,500	4,187	4,837	2,698	65	23,287
Amortized cost	1,377	1,657	691	-	-	3,725	1,321	1,684	564	-	-	3,569

[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.

[2] Includes fixed income investments.

Expected credit losses

The ECL allowance for debt instruments held at FVOCI and amortized cost was $17 million at 31 March 2025 (31 December 2024 – $4 million) with a corresponding loss of $13 million recognized in net gains (losses) on financial instruments during the three months ended 31 March 2025 (three months ended 31 March 2024 – $7 million gain).

12. Loans

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

Three months ended 31 March 2025

		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	502	(12)	-	2	-	-	-	(2)	490
MI Activity loans	19	(1)	2	-	-	-	-	-	20
Total at FVTPL	**521**	**(13)**	**2**	**2**	**-**	**-**	**-**	**(2)**	**510**
Amortized cost									
CMB program loans	277,456	(9,844)	15,468	-	16	-	-	-	283,096
Lending programs[2]	16,713	(226)	1,278	(26)	12	(10)	38	2	17,781
IMPP loans	335	(329)	-	-	-	-	-	-	6
MI Activity loans	24	(12)	-	-	3	7	-	-	22
Total amortized cost	**294,528**	**(10,411)**	**16,746**	**(26)**	**31**	**(3)**	**38**	**2**	**300,905**
Total	**295,049**	**(10,424)**	**16,748**	**(24)**	**31**	**(3)**	**38**	**-**	**301,415**

[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.

[2] Fair value changes for loans at amortized cost relate to losses recognized immediately upon initial advance of loans issued below market value.

Twelve months ended 31 December 2024

		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	494	(42)	45	23	-	-	-	(18)	502
MI Activity loans	18	(15)	16	-	-	-	-	-	19
Total at FVTPL	**512**	**(57)**	**61**	**23**	**-**	**-**	**-**	**(18)**	**521**
Amortized cost									
CMB program loans	255,130	(37,925)	60,203	-	48	-	-	-	277,456
Lending programs[2]	12,616	(693)	4,776	(178)	32	7	135	18	16,713
IMPP loans	2,866	(2,531)	-	-	-	-	-	-	335
MI Activity loans	38	(26)	-	-	11	1	-	-	24
Total amortized cost	**270,650**	**(41,175)**	**64,979**	**(178)**	**91**	**8**	**135**	**18**	**294,528**
Total	**271,162**	**(41,232)**	**65,040**	**(155)**	**91**	**8**	**135**	**-**	**295,049**

[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.

[2] Fair value changes for loans at amortized cost relate to losses recognized immediately upon initial advance of loans issued below market value.

We are assured collection of principal and accrued interest on 99% (31 December 2024 – 99%) of our loans by various levels of government, CMHC mortgage insurance or by investment grade collateral representing the sole source of repayment on our loans under the CMB program and IMPP.

Expected credit losses

Total undrawn loan commitments outstanding at 31 March 2025 were $13,499 million (31 December 2024 – $10,632 million), of which $13,153 million are subject to 12-month ECL (31 December 2024 – $10,235 million) and $nil million (31 December 2024 – $1 million) are commitments outstanding on purchased or originated credit impaired loans.

At 31 March 2025, the ECL on undrawn loan commitments was $22 million (31 December 2024 – $11 million), and the ECL on loans was $52 million (31 December 2024 – $49 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.

Three months ended 31 March 2025

		Cash flows		Non-cash changes			
(in millions)	Balance at beginning of period	Issuances	Repayments	Fair value changes	Accretion and other	Eliminations	Balance at end of period
Designated at FVTPL							
Borrowings from the Government of Canada – Lending programs	148	-	(27)	1	-	-	122
Amortized cost							
Canada mortgage bonds	276,869	15,468	(9,844)	-	16	(39)	282,470
Borrowings from the Government of Canada – Lending programs	22,121	5,954	(4,488)	(33)	34	-	23,588
Borrowings from the Government of Canada – IMPP	335	-	(329)	-	-	-	6
Total amortized cost	**299,325**	**21,422**	**(14,661)**	**(33)**	**50**	**(39)**	**306,064**
Total	**299,473**	**21,422**	**(14,688)**	**(32)**	**50**	**(39)**	**306,186**

Twelve months ended 31 December 2024

		Cash flows		Non-cash changes			
(in millions)	Balance at beginning of period	Issuances	Repayments	Fair value changes	Accretion and other	Eliminations	Balance at end of period
Designated at FVTPL							
Borrowings from the Government of Canada – Lending programs	219	-	(77)	6	-	-	148
Amortized cost							
Canada mortgage bonds	254,389	60,193	(37,765)	-	48	4	276,869
Borrowings from the Government of Canada – Lending programs	17,502	24,557	(19,930)	(140)	132	-	22,121
Borrowings from the Government of Canada – IMPP	2,866	-	(2,531)	-	-	-	335
Total amortized cost	**274,757**	**84,750**	**(60,226)**	**(140)**	**180**	**4**	**299,325**
Total	**274,976**	**84,750**	**(60,303)**	**(134)**	**180**	**4**	**299,473**

When we hold CMB to maturity or acquire CMB in the primary market, we exclude the related cash flows from the consolidated statement of cash flows. During the three months ended 31 March 2025, we have excluded nil (three months ended 31 March 2024 – 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 three months ended 31 March 2025 nil (three months ended 31 March 2024 – nil) 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 Housing Programs and Securitization activities.

For 2025, the limits on our short-term borrowings outstanding and long-term borrowings issued are $7 billion and $9.5 billion, respectively (31 December 2024 – $7 billion and $6.5 billion). Actual short-term borrowings outstanding as at 31 March 2025 were $2.4 billion (31 December 2024 – $2.2 billion). Actual long-term borrowings issued in the three months ended 31 March 2025 were $1.4 billion (31 December 2024 – $4.3 billion).

14. Financial Instruments Income and Expenses

Net gains and losses from financial instruments

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

	Three months ended 31 March	
(in millions)	**2025**	**2024**
Financial instruments designated at FVTPL		
Borrowings	(1)	(1)
Total financial instruments designated at FVTPL	**(1)**	**(1)**
Financial instruments mandatorily at FVTPL		
Equity securities	1	(2)
Derivatives	(21)	(117)
Loans	2	1
Total financial instruments mandatorily at FVTPL	**(18)**	**(118)**
Debt instruments held at FVOCI[1]	(6)	87
Loans – amortized cost[2]	(57)	(53)
Borrowings – amortized cost[3]	33	43
Expected credit recoveries on financial assets	(27)	9
Total	**(76)**	**(33)**

[1] Includes a foreign exchange gain of $3 million (three months ended 31 March 2024 – gain $117 million) resulting from translation of U.S. dollar-denominated debt instruments.

[2] Includes losses on loans recognized immediately upon initial advance of $26 million (three months ended 31 March 2024 – $40 million) and the amortization of deferred net losses of $31 million (three months ended 31 March 2024 – $13 million).

[3] Includes gains from the issuance of borrowings of $33 million (three months ended 31 March 2024 – $43 million).

Deferred losses on financial instruments

The following table presents the deferred net losses on financial instruments for certain Lending program loans held at amortized cost not recognized in the consolidated statement of income and comprehensive income.

	Three months ended 31 March	
(in millions)	2025	2024
Balance at beginning of the year	579	433
Deferred net losses on financial instruments in the period	57	48
Recognized net losses on financial instruments in the period	(31)	(13)
Balance at end of period	**605**	**468**

15. Market Risk

Market risk is the risk of adverse financial impacts arising from changes in underlying market factors, including interest rates and foreign exchange rates. Despite the ongoing economic uncertainty and changing market conditions, there were no material changes to our assessment and management of market risk in the three months ended 31 March 2025.

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 $4,473 million in debt instruments denominated in U.S. dollars as at 31 March 2025 (31 December 2024 – $4,548 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 Securitization 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 Securitization 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.

	Mortgage Insurance		Securitization	
(in millions)	31 March 2025	31 December 2024	31 March 2025	31 December 2024
Investment securities:				
CAD-denominated securities	164	163	75	72
USD-denominated securities	72	80	-	-
Effect of diversification	(6)	(8)	-	-
Total VaR	**230**	**235**	**75**	**72**

Interest rate sensitivity

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

For the Housing Programs Activity's financial instruments designated at FVTPL and derivatives, we assessed the net impact of a 200 bps shift in interest rates as immaterial as at 31 March 2025 after accounting for derivatives.

The Housing Programs Activity's investments, loans and borrowings measured at amortized cost are also exposed to interest rate risk. The net impact of a shift in interest rates on their fair value as at 31 March 2025 is presented in the following table.

	As at 31 March 2025 Interest rate shift		As at 31 December 2024 Interest rate shift	
(in millions)	-200 bps	+200 bps	-200 bps	+200 bps
Increase (decrease) in fair value of net assets[1]	(927)	767	(840)	695

[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 are exposed to credit risk from various sources including borrower default through mortgage insurance contracts and institutional counterparty credit risk arising from financial guarantees under the NHA MBS and CMB programs, lending arrangements, fixed income investments and derivative transactions. Under the CMB program and the IMPP, we are exposed to credit-related counterparty risk in the event of default of swap counterparties. This risk is mitigated by transacting with highly rated swap counterparties and collateralization requirements based on credit ratings. All swap counterparties must have a minimum credit rating of BBB+ (high) (CMB program), or A- (IMPP), or their equivalents, by at least two rating agencies.

We manage credit risk associated with fixed income investments and derivatives through policies which include minimum counterparty credit ratings and investment portfolio diversification limits by issuer, credit rating, term and by industry sector, and through legal agreements and collateralization requirements for derivatives.

Concentration risk

Concentration risk arises from holdings of financial instruments issued by entities that operate in the same sector or geographic area or engage in similar activities such that they may be affected similarly by changes in economic or other conditions.

Derivatives

We limit the credit risk associated with interest rate swaps and foreign currency forward contracts by dealing with counterparties whose credit ratings are in accordance with our Enterprise Risk Management Policies; through the use of International Swaps Derivatives Association (ISDA) master agreements for derivatives; and, where appropriate, through the use of ratings-based collateral thresholds in the Credit Support Annexes (CSA).

ISDA is a master agreement that sets out standard terms that apply to all transactions we entered with the counterparty. The ISDA outlines procedures and calculations of termination costs in the event of default by either party. The ISDA master agreements give us a legally enforceable right to settle all transactions covered by the agreement with the same counterparty on a net basis in the event of default. All derivative counterparties must have a minimum credit rating of A-, or its equivalent, from at least two rating agencies.

The CSA document, included in the ISDA master agreements, regulates the collateral requirements of derivative transactions and the terms under which collateral is transferred to mitigate credit risk. The CSA gives us the right, in the event of default, to liquidate collateral held and apply proceeds received from liquidation against amounts due from the counterparty. Collateral held to offset mark-to-market exposures is not used for any other purpose than to offset such exposure.

Securities purchased under resale agreements

By their nature, these balances have low credit risk given their short terms and are secured by the underlying securities purchased under the agreements and any incremental margin obtained from counterparties.

These transactions are subject to Global Master Repurchase Agreements which set out the standard terms of all repurchase agreements transacted with each counterparty. These agreements give us a legally enforceable right to settle all repurchase transactions with the same counterparty on a net basis in the event of default. These agreements also provide for the posting of margin by the counterparty when our exposure to that entity exceeds a certain ratings-based threshold. Securities held as eligible margin include debt obligations issued by or guaranteed by the Government, including Crown corporations and CHT. Margin securities should not be used for any other purpose than to offset such exposure. In the event of counterparty default, we have the right to liquidate these securities.

17. Pension and Other Post-Employment Benefits

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

Three months ended 31 March

	Pension plans		Other post-employment plans	
(in millions)	2025	2024	2025	2024
Current service cost	9	9	-	-
Net interest expense (income)	(3)	(1)	2	1
Expense recognized in net income	**6**	**8**	**2**	**1**
Net actuarial gains (losses) arising from changes in financial assumptions	-	104	-	3
Return on plan assets, excluding amounts included in net interest expense	2	29	-	-
Net remeasurements recognized in other comprehensive income (loss)[1]	**2**	**133**	**-**	**3**
CMHC's contributions	1	4	1	1
Employee contributions	5	5	-	-
Total contributions	**6**	**9**	**1**	**1**

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

We determine the discount rate in accordance with guidance issued by the Canadian Institute of Actuaries by reference to Canadian AA-rated corporate bonds with terms to maturity approximating the duration of the obligation. The discount rate we used to remeasure the defined benefit obligations at 31 March 2025 was 4.7% (31 December 2024 – 4.7%).

18. Income Taxes

The following table presents the components of income tax.

(in millions)	Three months ended 31 March 2025	2024
Current income tax expense	155	201
Deferred income tax relating to origination and reversal of temporary differences	(8)	(75)
Total income tax expense included in net income	**147**	**126**
Income tax expense (recovery) on other comprehensive income (loss)		
Net unrealized gains (losses) from FVOCI financial instruments	55	(33)
Reclassification of prior years' net unrealized losses realized in the period in net income	3	3
Insurance finance income (expense) for insurance contracts issued	(9)	5
Remeasurement gains on defined benefit plans	-	21
Total income tax expense (recovery) included in other comprehensive income (loss)	**49**	**(4)**
Total	**196**	**122**

19. Related Party Transactions

We defer and amortize fees paid to the Government in recognition of its financial backing of the Mortgage Insurance and Securitization Activities. In Mortgage Insurance, these fees are included in acquisition costs and 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 amortization amounts to $7 million for the three months ended 31 March 2025 (three months ended 31 March 2024 - $6 million). In Securitization, these fees, which are recorded in operating expenses, amount to $8 million for the three months ended 31 March 2025 (three months ended 31 March 2024 – $7 million). All other material related party transactions and outstanding balances are disclosed in relevant notes.

20. Commitments and Contingent Liabilities

As at 31 March 2025, we have $8,019 million in contractual financial obligations relating to Housing Programs which extend for periods up to 25 years and $182 million in other contractual obligations up to the year 2030 (31 December 2024 - $8,645 million and $190 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 31 March 2025	As at 31 December 2024
Affordable Rental Housing Innovation Fund	32	31
Apartment Construction Loan Program (ACLP)	876	657
Affordable Housing Fund (AHF)	462	577
Direct Lending (DL) – Economically Hedged	107	128
Total	**1,477**	**1,393**

Glossary

Arrears rate: The ratio (expressed as a percentage) of all loans that are typically more than 90 days past due to the number of outstanding insured loans.

Borrower defaults: Defaults from the mortgage insurance business occur when a borrower has missed the equivalent of at least one payment as at the reporting date.

Capital available to capital required: Under the Securitization activity, the ratio (expressed as a percentage) of capital available to capital required, where capital required is calculated by applying risk factors to asset and liability exposures using a framework developed in accordance with both regulatory and economic capital principles.

Capital available to minimum capital required: Under the Mortgage Insurance activity, the ratio (expressed as a percentage) of capital available to minimum capital required, where capital available is calculated as total equity adjusted for assets with a capital requirement of 100% and minimum capital required is calculated by applying risk factors to investment asset and liability exposures in accordance with guidelines established by the Office of the Superintendent of Financial Institutions.

Combined ratio: This ratio is the combination of the insurance service expense ratio and the operating expense ratio.

Contractual Service Margin (CSM): Represents the expected future profit of our insurance contract liabilities.

Guarantees-in-force: The total guarantees related to the timely payment of principal and interest of National Housing Act Mortgage-Backed Securities for investors in securities issued by approved issuers on the basis of housing loans through the National Housing Act Mortgage-Backed Securities program and the Canada Mortgage Bonds issued by the Canada Housing Trust.

Initial CSM ratio: Represents the estimated embedded profit of premiums received on insurance contracts in the period.

Insurance service expense ratio: Replacing the loss ratio, this metric measures the ratio between insurance service expense over insurance revenues.

Insurance-in-force: The total amount of outstanding loan balances covered by mortgage insurance policies at a specific period in time.

Main estimates: The main estimates present the government's spending plans for each federal organization and provide items that will be included in an appropriation bill.

Minimum Capital Test (MCT): The minimum capital required, calculated by applying risk factors to the Mortgage Insurance activity's assets and liabilities using a defined methodology prescribed by the Office of the Superintendent of Financial Institutions.

Mortgage Insurance Capital Adequacy Test (MICAT): The minimum capital required, calculated by applying a risk-based formula defined in the Office of the Superintendent of Financial Institutions Capital Adequacy Requirements Guideline for Canadian mortgage insurance companies.

Non-IFRS financial measures: We use a number of financial measures to assess our performance. Some are not calculated in accordance with International Financial Reporting Standards (IFRS), are not defined by IFRS and do not have standardized meaning that would ensure consistency and comparability with other institutions.

Operating budget ratio: The ratio (expressed as a percentage) of operating budget expenses for all of CMHC's activities (excluding Canada Housing Trust) during the period to premiums, fees, guarantee and application fees received, net interest income from lending programs and normalized government funding.

Operating expense ratio – mortgage insurance activity: The ratio (expressed as a percentage) of operating expenses during the period to insurance revenue during the period for the mortgage insurance activity.

Operating expense ratio – Securitization activity: The ratio (expressed as a percentage) of operating expenses during the period, exclusive of those related to the administration of the covered bond legal framework, to guarantee fees earned during the period.

Return on equity: The annualized net income divided by the average of the beginning and ending equity for the period, used to highlight operating performance.

Return on required equity: The annualized net income, adjusted to remove investment income earned on capital in excess of capital required, divided by the average required capital for the period.

Severity ratio: The ratio (expressed as a percentage) of insurance claims to the original insured loan amount for the claims paid in the period.

Other glossary terms

Affordability/affordable housing: In Canada, housing is generally considered affordable if it costs less than 30% of a household's before-tax income. Affordable housing can include housing provided by the private, public and non-profit sectors. It also includes all forms of housing tenure: rental, ownership and co-operative ownership, as well as temporary and permanent housing.

Approved issuer: A business organization that, having met the criteria established by CMHC, is approved to issue and administer guaranteed National Housing Act Mortgage-Backed Securities.

Canada Housing Trust: The Canada Housing Trust is a special-purpose trust that acquires interests in eligible insured housing loans, such as National Housing Act Mortgage-Backed Securities, and issues Canada Mortgage Bonds. The Canada Housing Trust also purchases highly rated investments and undertakes certain related financial hedging activities. We consolidate the accounts of Canada Housing Trust with our Securitization activity. Canada Housing Trust's assets and liabilities are neither owned by nor held for our benefit. The beneficiaries of the trust, after payment of all obligations, are one or more charitable organizations.

Housing programs expenses: All activities funded by the government under Assisted Housing and Market Analysis and Research activities.

Lending programs: Under the National Housing Act, and in support of Canada's National Housing Strategy, we provide loans and contributions to federally subsidized social housing sponsors, First Nations, provinces, territories and municipalities. We also provide non-subsidized housing support loans. Our loan portfolio is comprised of a mix of renewable and non-renewable loans which may be on or off-reserve. Direct Lending is the current borrowing initiative we use to refinance our renewable loans as well as to finance new commitments on-reserve. These loans can be financed at lower interest rates due to our status as a federal Crown corporation. As such, we are able to lower the cost of government assistance required for social housing projects. Direct Lending is operated on a planned break-even basis.

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