

CANADA MORTGAGE AND HOUSING CORPORATION

2011-2015 Summary of the Corporate Plan

Including summaries of the following: 2011 Operating Budget and amendment thereto,
2011 Capital Budget for Furniture, Equipment and Business Premises,
2011 Capital Budget for Loans and Investments and amendment thereto

AT THE HEART OF HOUSING



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2011-2015 Summary of the Corporate Plan

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FOREWORD

This Summary of Canada Mortgage and Housing Corporation's (CMHC's) 2011-2015 Corporate Plan has been prepared in accordance with section 125 of the *Financial Administration Act* (FAA). It gives an overview of the Corporation's mandate and business structure, analyzes the expected operating environment and sets out CMHC's corporate objectives and strategic priorities for the next five years. The Summary demonstrates how the Corporation intends to achieve these objectives and measure its performance. It also shows how CMHC will manage the public assets entrusted to the Corporation through the presentation of its Financial Plan and resource needs.



Minister of Human Resources and Skills Development
Minister designated for the purposes of the
Canada Mortgage and Housing Corporation Act
and the *National Housing Act*



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CHAPTER I | Introduction

Since 1946, Canada Mortgage and Housing Corporation (CMHC), as Canada's national housing agency, has played a vital role in helping Canadians access affordable, better quality housing. In 2011, the first year of this Plan, CMHC will mark its 65th anniversary of being ***At the Heart of Housing***. Following decades of federal investments and strong oversight, Canada has built a reputation for having one of the best housing systems in the world. CMHC has played a pivotal role in many aspects of this system. Today, the Corporation continues to:

- provide federal investments in housing programs for lower-income Canadians and for First Nation communities
- facilitate access to homeownership and rental housing through mortgage loan insurance products that help finance housing throughout Canada
- reduce mortgage costs for Canadian homebuyers by ensuring a reliable supply of low-cost mortgage funds to financial institutions, enhancing the competitiveness of the mortgage market and providing investors with opportunities to invest in high quality secure investments through the securitization guarantee programs
- be a trusted source of housing information and market analysis
- promote Canadian housing exports around the world, generating additional sales and jobs in Canada.

Under the direction of the Board of Directors, CMHC's 2011-2015 Corporate Plan has been prepared following an examination of the operating environment and taking into account Government priorities. This Summary outlines our objectives and strategic priorities as well as our Financial Plan, Operating and Capital Budgets, and borrowing and investment activities.

As Canada continues on the road towards economic recovery and CMHC completes the delivery of some \$2 billion in one-time investments in social housing and up to \$2 billion in low-cost loans to municipalities for housing-related infrastructure, under *Canada's Economic Action Plan* (CEAP), our steadfast commitment to help Canadians meet their housing needs will allow us to successfully pursue the challenges and opportunities ahead.

Canadians can also continue to count on our commitment to be responsible with the resources entrusted to us by Parliament and to manage our mortgage loan insurance and securitization guarantee programs prudently to help ensure the stability of Canada's housing finance system.

CMHC is governed by a Board of Directors and is accountable to Parliament through the Minister of Human Resources and Skills Development. This Summary of the 2011-2015 Corporate Plan is tabled in Parliament. All Canadians are invited to learn more about the Corporation and its activities through this Summary and other information on its website at www.cmhc.ca

CHAPTER II

Objectives and Strategic Priorities



■ THE CORPORATE PLAN FRAMEWORK

CMHC's three corporate objectives and seven strategic priorities represent the framework within which CMHC plans its activities, measures its performance and allocates its resources. This framework is in alignment with CMHC's Program Activity Architecture (PAA) which is part of the Government's expenditure management system. With the exception of strategic priorities 2.1 and 2.2, which are operated on a commercial basis at no cost to Canadian taxpayers, all strategic priorities are funded by the Government of Canada through Parliamentary appropriations.

For each strategic priority, this chapter discusses the directions for 2011, related key initiatives, and indicates how we intend to measure our performance.

CMHC, on behalf of the Government of Canada, will deliver approximately \$2,286 million in Parliamentary appropriations from January 1, 2011 to December 31, 2011 to support various housing programs under strategic priorities 1.1, 1.2, 2.3, 3.1 and 3.2 (includes funding for the housing programs discussed below).

This funding also includes investments in social housing made through *Canada's Economic Action Plan* (CEAP) which is scheduled to expire at the end of March 2011.

Since the preparation of CMHC's 2011-2015 Corporate Plan, the Government of Canada approved continued funding for housing and homelessness programs (referred to herein as "H&H extension"). For CMHC, funding for housing programs was approved at \$253.1 million for each fiscal year from 2011-12 to 2013-14. Unless otherwise indicated, this Summary reflects the H&H extension, including the Government's approval of amendments to CMHC's Operating Budget and Capital Budget for Loans and Investments and summaries of these budgets are included in this document.

The following table shows CMHC's adjusted Parliamentary appropriations levels on a fiscal basis once the \$253.1 million extension aforementioned is included and CEAP funding expires:

\$ Millions	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Current levels	3,036.3	1,907.4	1,868.3	1,893.9	1,863.3	1,867.8
CEAP funding included above	914.8	3.2	4.7	5.1	5.1	5.1
Current level excluding CEAP	2,121.5	1,904.2	1,863.6	1,888.8	1,858.2	1,862.7
Add						
H&H extension	N/A	253.1	253.1	253.1	N/A	N/A
Adjusted Appropriation levels	2,121.5	2,157.3	2,116.7	2,141.9	1,858.2	1,862.7

As the table illustrates, CMHC appropriation levels will be returning to pre-CEAP levels beginning in 2011-12.

The following summarizes CMHC's Operating Budget and staff resources (S/Ys) by strategic priority for 2011. Additional details on CMHC's budgets and resource requirements are presented in later chapters of this Summary.

		Operating Budget (\$ Millions)	Staff- Years
Objective 1: Help Canadians in need			
1.1	Help Canadians in need access affordable, sound and suitable housing	72.8	430
1.2	Support Aboriginal Canadians to improve their living conditions	21.2	135
Objective 2: Facilitate access to more affordable, better quality housing for all Canadians			
2.1	Ensure Canadians have access to mortgage loan insurance products and tools that meet their needs	195.7	990
2.2	Enhance the supply of low-cost funds for mortgage lending by expanding the securitization program	11.3	64
2.3	Provide comprehensive, timely and relevant information to enable Canadian consumers as well as the housing sector to make informed decisions	50.2	313
Objective 3: Ensure the Canadian housing system remains one of the best in the world			
3.1	Promote sustainable housing and communities	8.4	52
3.2	Support and promote Canada's world-class housing products, services and system internationally	13.3	56
TOTAL (2011 Amended Plan)		372.9	2,040

■ UPDATE ON THE PLANNING ENVIRONMENT

CMHC's directions for the upcoming planning period take into account the planning environment at mid-year 2010 and forecasts for 2011 available at that time. The following are the key macroeconomic indicators and housing market assumptions used in the development of this Plan. Some indicators have been updated since.

Macroeconomic indicators

At mid-year 2010, the Canadian economy continued to emerge from the economic downturn of 2009. The June Consensus Forecast had predicted growth of 3.5% in 2010 and 2.9% in 2011; however, by October 2010, the forecast stood at 3.0% for 2010 and 2.4% in 2011.

All of the 417,400 jobs lost between October 2008 and July 2009 have been recovered. The unemployment rate is expected to be 8% in 2010 and 7.8% in 2011. This compares favourably to the 8.3% unemployment rate for 2009, but is still higher than the pre-downturn rate of 6.1% experienced in 2008. The economic slowdown is reflected in the employment figures. While employment growth averaged 51,000 per month over the first half of 2010, monthly gains have averaged 5,700 in the ensuing four months.

Inflationary pressures remained modest during the first half of 2010. In September 2010, the Consumer Price Index (CPI) was up 1.9% year-over-year, only slightly higher than the CPI rate of 1.4% as of May 2010. The year-over-year inflation rate rose to 2.4% in October 2010. The Bank of Canada's target range is 1% to 3%.

On October 19, 2010, the Bank of Canada did not change the target for the overnight rate. It remains at 1.00%. The Bank of Canada has now paused its interest rate increases after moving the target for the overnight rate upwards at three consecutive meetings. The Bank noted that while the economic recovery is progressing, it is slower than it had previously expected.

The overnight rate directly impacts shorter-term mortgage rates and variable rates and has an indirect impact on longer-term mortgage rates. As a result, Canadian mortgage rates are expected to rise from their current historically low levels. Posted mortgage rates are expected to remain flat through the second half of 2010 and in 2011. For 2011, the one-year posted mortgage rate is now forecast to be in the 2.7% to 3.7% range, while three- and five-year posted mortgage rates are forecast to be in the 3.5% to 6.0% range.

New housing starts

In 2011, the forecast for total housing starts is 174,800. After a strong beginning in 2010, single housing starts started to moderate in the second half of the year. At mid-year, the forecast for single starts was 96,100. The forecast as of the 4th quarter was 92,400. The forecast for multiple starts has been revised up to 93,800 compared to our mid-year point forecast of 85,900.

Units	2009 Actual	2010 Forecast		2011 Forecast	
		At mid-year	Update	At mid-year	Update
Single-detached starts	75,659	96,100	92,400	88,200	84,100
Multiple starts	73,422	85,900	93,800	91,400	90,700
Total housing starts	149,081	182,000	186,200	179,600	174,800

Resale market

After strong growth in 2009, MLS® sales have begun to decline. National sales of existing homes through the MLS® are forecast to go from 464,730 transactions in 2009 to 440,300 transactions in 2010 and 438,400 transactions in 2011.

The average MLS® price for Canada is expected to move up from \$320,362 in 2009 to \$336,800 in 2010. For 2011, the average MLS® price is expected to increase modestly to \$339,800.

	2009 Actual	2010 Forecast		2011 Forecast	
		At mid-year	Update	At mid-year	Update
Total MLS® sales (units)	464,730	497,300	440,300	473,500	438,400
Average MLS® selling price (\$)	320,362	343,700	336,800	350,800	339,800

■ OBJECTIVE 1: HELP CANADIANS IN NEED

OVERVIEW

Under objective 1, CMHC pursues two strategic priorities. Under strategic priority 1.1, CMHC provides federal funding in support of social housing and the renovation of housing for low-income families living off reserve. In many cases, provinces and territories administer the funding or deliver the programs pursuant to housing agreements with CMHC. Under strategic priority 1.2, CMHC works with First Nations on reserve to develop additional rental units and to renovate existing homes. Also in support of strategic priorities 1.1 and 1.2, CMHC will be completing delivery of social housing initiatives and lending under the Municipal Infrastructure Lending Program (MILP) funded through *Canada's Economic Action Plan* (CEAP) by the end of March 2011. CMHC research, information transfer, and advice provided to affordable housing groups also help Canadians in housing need both on and off reserve.

Strategic Priority 1.1

Help Canadians in need access affordable, sound and suitable housing

Based on the 2006 Census, 12.7%, or 1.5 million Canadian households cannot access adequate and suitable housing that costs less than 30% of their income. Helping Canadians in need access affordable, high quality housing is a collaborative effort on the part of both public and private sectors.

In 2009, \$1.7 billion in federal housing subsidies supported some 620,000 households. Most of these subsidies were committed under social housing programs that were active between 1946 and 1993, and some provinces and territories also contribute funding towards these programs. With the exception of the On-Reserve Non-Profit Rental Housing Program (see strategic priority 1.2), which is an ongoing program, no new commitments are being made under these programs. For the most part, provinces and territories administer federal funding under agreements with CMHC. Most project operating agreements are scheduled to expire within the next 15 years and all agreements will have expired by 2040. Upon the expiry of these agreements, mortgages on these projects are expected to be paid off, and obligations of third

party project owners and government funding agencies, as they pertain to project operating agreements, will have been fulfilled.

The future viability of some social housing projects once agreements expire is a concern for many stakeholders. Provinces, territories and CMHC have formed a working group to assess the future viability of the existing social housing projects. The working group is undertaking a detailed analysis of the operating revenues, expenses and annualized capital needs for projects whose operating subsidies expire concurrent with their mortgages being paid off. This analysis will provide a national picture of the viability of the overall social housing stock, and may also identify differences in viability among program or project types.

Under *Canada's Economic Action Plan* (CEAP), a one-time investment of more than \$2 billion over two years to build new and renovate existing social housing is being provided. Of this amount, \$1 billion will address the renovation and energy retrofit of existing social housing off-reserve. More than \$1.3 billion in federal CEAP funding is being

delivered by provinces and territories through amendments to existing agreements and is being cost-matched.

In September 2008, the Government of Canada also committed to a five-year investment of more than \$1.9 billion in housing and homelessness programming. In the fall of 2009, the Government engaged all provinces and territories as well as public and private stakeholders on how best to use federal housing and homelessness investments from 2011 to 2014. As a result, the Government of Canada is renewing the Homelessness Partnering Strategy at the current level of funding of \$134.8 million for the next three years. With respect to housing, the Government also approved continued program funding at current levels of \$253.1 million per fiscal year, and CMHC is working with provinces and territories on delivery arrangements to best meet the diverse housing needs of low-income Canadians.

Through its Affordable Housing Centre, CMHC promotes affordable housing by providing advice to non-profit housing groups and loans and contributions through Seed Funding and Proposal Development Funding (PDF) (see Glossary). We expect over 2,000 units to be facilitated by the Centre in 2011.

The Corporation's research and information transfer activities will continue to assist in the development of public policy. Better understanding housing need – characteristics of households experiencing housing need and for how long – informs decision-makers at all levels

of government, particularly those on the front lines of program design and delivery. Core housing need (see Glossary) estimates based on the 2006 Census¹ indicated that the incidence fell to 12.7% from 13.7% in 2001. Although experiencing a decline in their respective core need incidences between 2001 and 2006, renters, lone parents, non-family households, Aboriginals and seniors continue to have a higher incidence of core housing need than the average Canadian household. Recent immigrants also experience a much higher incidence of core housing need.

For several years, CMHC has been studying the dynamics of core housing need through Statistics Canada's Annual Survey of Labour and Income Dynamics (SLID). SLID enables the Corporation to monitor urban housing conditions in Census Metropolitan Areas (CMAs) and Census Agglomerations (CAs). The dynamics of core housing need – the movement of individuals into and out of core need – were analysed over the 2002-2004 and 2005-2007 periods. These estimates revealed that only one-quarter to one-third of Canadians who were in an urban household in core housing need at any time during these periods lived persistently (all three years) in a household in core housing need, while the remaining two-thirds to three-quarters did so occasionally (for one to two years). Through the *Canadian Housing Observer* and other publications, CMHC communicates the results of its analyses of core housing need estimates.

Key Initiatives in 2011

- As part of *Canada's Economic Action Plan*, administer or deliver federal funding for social housing initiatives and offer loans under the Municipal Infrastructure Lending Program until March 2011.
- Implement program delivery arrangements with provinces and territories for housing programs in the period March 2011 to March 2014.
- Continue to work with provinces and territories on the viability of existing social housing projects.
- Expand CMHC's online information product for new and prospective immigrants, *Settling in Canada*, to include more cities.

¹ Future estimates of core housing need will be based on Statistics Canada's National Household Survey.

PERFORMANCE MEASURES	2009 Actual	2010			2011 Plan
		Plan	Mid-year		
			Plan	Actual	
Housing program expenses excluding operating expenses (\$M)	2,505	3,001	1,552	1,439	2,286 ¹
Estimated number of households assisted through long-term social housing commitments	620,000	612,700	N/A	N/A	603,600 ²
Affordable housing units facilitated by CMHC's Affordable Housing Centre	3,160	2,105	N/A	1,850	2,140
Direct Lending (\$B)	1.03	1.14 to 1.23	0.71	0.76	1.37

¹ Includes all Parliamentary appropriations for activities under strategic priorities 1.1, 1.2, 2.3, 3.1 and 3.2, including CEAP-related expenditures. Reflects the housing portion of the housing and homelessness funding (H&H extension) which was authorized subsequent to the approval of the 2011-2015 Corporate Plan (\$253.1 million per fiscal year from 2011-12 to 2013-14).

² Includes households assisted on reserve under strategic priority 1.2.

EXPECTED OUTCOMES		
Immediate Low-income Canadians have greater access to affordable, sound and suitable housing stock that meets health and safety standards. For seniors and persons with disabilities, assistance extends independent living.	Intermediate Governments and other organizations have information to better assess policy options related to housing for Canadians in need. Industry adopts best practices in areas where CMHC undertakes research.	Long-term Individuals and families have a more stable foundation for accessing opportunities and improving their quality of life. Communities benefit from greater stability and prosperity.

At mid-year 2010, the Corporation was meeting its targets under this strategic priority.

CMHC will continue to deliver housing initiatives under *Canada's Economic Action Plan* until its expiry on March 31, 2011. As reported in the *Sixth Report to Canadians on Canada's Economic Action Plan* released in September 2010, federal funding for the two years of this program has been fully committed. Underway or completed are the renovation of 6,533 existing social housing projects administered

by provinces and territories and 1,109 projects administered by CMHC, and 285 new social housing projects for low-income seniors and persons with disabilities.

Up to an additional \$2 billion in low-cost loans to municipalities has also been made available, through CMHC, under the Municipal Infrastructure Lending Program. The *Sixth Report to Canadians* reported that CMHC had approved 179 loans under the program.

Strategic Priority 1.2

Support Aboriginal Canadians to improve their living conditions

Canada's growing Aboriginal population of over one million, 300,000 of whom live on reserve, face unique challenges when it comes to meeting their housing needs. About 34% of households on reserve do not have homes that meet suitability and/or adequacy standards. (See Core Housing Need in Glossary.)

Remote locations and the difficulty in securing private financing are among the challenges faced by First Nation communities.

CMHC has had a long-standing role working with Indian and Northern Affairs Canada (INAC) and First Nations to improve housing conditions on reserve. In 2009, over 29,000 rental units on reserve received federal subsidies on a continuing basis. In 2011, CMHC will commit funding for an additional 620 units (see Performance Measures). First Nation housing will also benefit from CMHC's family of

on-reserve renovation programs (see Glossary) which were renewed for the final three years (March 2011 to March 2014) of the federal government's five-year \$1.9 billion commitment to housing and homelessness programs.

CMHC has a role to play in facilitating private financing on reserve through loan insurance and other initiatives such as the First Nations Market Housing Fund. The Fund was set up by the Government of Canada in 2008 to backstop private loans on reserve. CMHC has been engaged to administer its operations.

CMHC will also continue to undertake research and information transfer activities aimed at developing cost effective housing for northern and remote communities and to promote the social and economic benefits of housing in this region and support the National Strategy to Address Mold in First Nation communities.

Key Initiative in 2011

- Complete the delivery of social housing initiatives on reserve and in the North as part of *Canada's Economic Action Plan* by March 2011.

PERFORMANCE MEASURES	2009 Actual	2010			2011 Plan
		Plan	Mid-year		
			Plan	Actual	
New units committed under the On-Reserve Non-Profit Rental Housing Program	822	697	388	372	620
Per cent of housing programs and services delivered through First Nations or Aboriginal organizations	91.4	80	80	92.1	85
Market-based on-reserve units facilitated through insured financing or Aboriginal capacity support	245	170	N/A ¹	16	125
¹ This performance measure was amended in August 2010 by the Board of Directors and now captures finalized homeowner and rental loans facilitated. Notwithstanding the change in definition, CMHC anticipates full achievement of target by year end.					
EXPECTED OUTCOMES					
Immediate First Nation members living on reserve and low-income Canadians in the North who are predominantly Aboriginal have greater access to affordable, sound and suitable housing that meets health and safety standards. For seniors and persons with disabilities, assistance extends independent living.	Intermediate Increased homeownership on reserve allows First Nation households to participate more fully in the economic, social and cultural spheres of their communities. First Nations have the capacity to develop, maintain and manage their own housing on reserve.		Long-term Individuals living on reserve have a stable foundation for accessing opportunities and improving their quality of life. First Nation members gain greater financial security and health through increased homeownership on reserve. On reserve communities benefit from greater stability and prosperity. Governments and First Nations have information to better assess policy options related to housing for First Nation members.		

CMHC will continue to deliver housing initiatives under *Canada's Economic Action Plan* until its expiry on March 31, 2011. As reported in the *Sixth Report to Canadians on Canada's Economic Action Plan* released in September 2010, federal

funding for the two years of this program has been fully committed. As of September 2010, projects were underway in over 495 First Nation communities, and 186 projects were underway or completed in the North.

■ OBJECTIVE 2: FACILITATE ACCESS TO MORE AFFORDABLE, BETTER QUALITY HOUSING FOR ALL CANADIANS

OVERVIEW

Under objective 2, CMHC pursues three strategic priorities in order to facilitate access to more affordable, better quality housing for all Canadians.

Under strategic priority 2.1, CMHC plays an important role in ensuring that Canadians in all parts of the country have access to mortgage financing for a broad range of housing. CMHC is the only insurer of certain types of housing such as large multi-unit projects and nursing homes, and continues to serve markets that are less well-served or not served by private insurers.

Under strategic priority 2.2, CMHC's securitization guarantee programs help reduce mortgage costs for Canadian homebuyers by ensuring a reliable supply of low-cost funds to financial institutions, enhancing the competitiveness of the mortgage market and providing investors with opportunities to invest in high quality secure investments associated with Canadian insured residential mortgages. Both the insurance and securitization businesses are run on a commercial basis, at no cost to Canadian taxpayers. The premiums and fees collected through these activities are designed to fully cover projected business requirements, including future claims and other liabilities.

Under strategic priority 2.3, CMHC housing market analysis, research and information transfer activities enable individual Canadians as well as the housing industry to make informed housing and business decisions.

Strategic Priority 2.1

Ensure Canadians have access to mortgage loan insurance products and tools that meet their needs

Since 1954, the Corporation's role in providing mortgage loan insurance has helped shape the housing finance system in Canada and has been instrumental in underpinning its strength in both good and bad economic times. The Canadian system serves as a model for many countries around the world exploring best practices as it did during the 2008 financial crisis and the economic downturn. By law, federally-regulated lenders must insure residential loans when borrowers have down payments of less than 20%. This insurance

is available from CMHC and private mortgage insurers and protects lenders against losses in the event of borrower default. Changes to the rules and regulations governing mortgage lending and insurance introduced over the past two years by the federal government were designed to strengthen Canada's housing finance system by increasing transparency in the industry and improving borrowers' ability to meet their financial obligations.

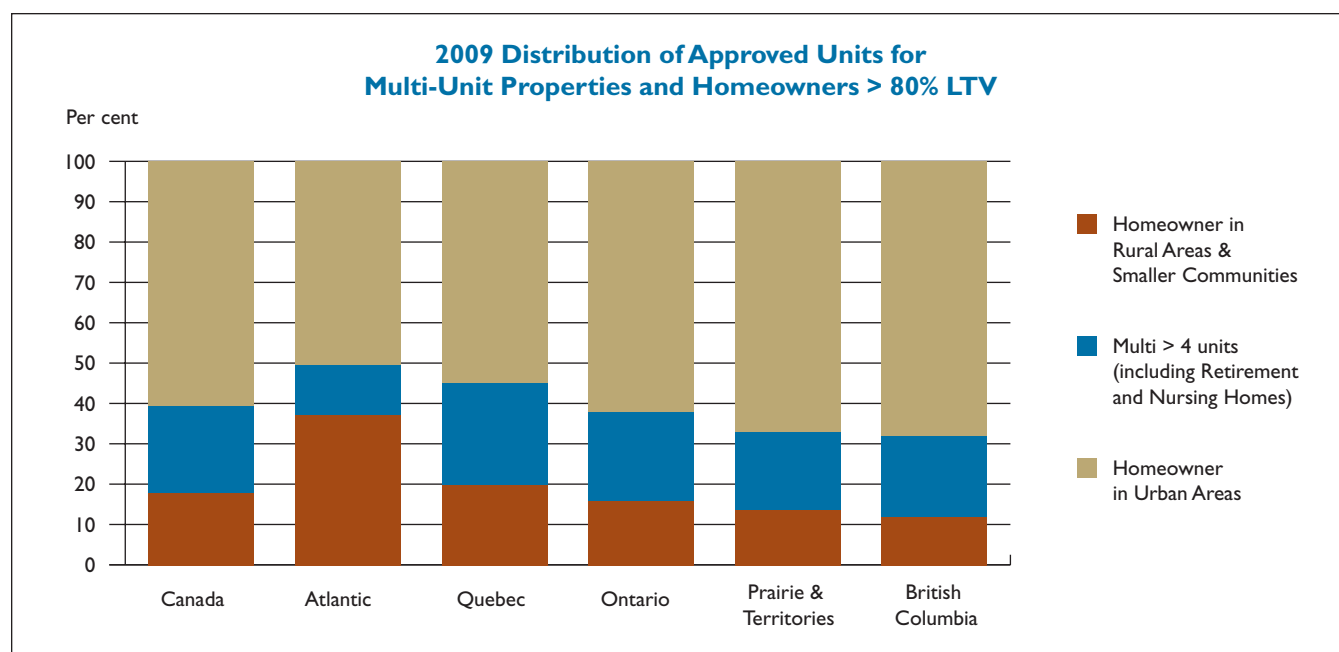
CMHC's projected mortgage loan insurance volumes and planned activities take into consideration the general health of the economy and housing markets as well as the competitive mortgage insurance environment.

Historically low interest rates contributed to a rebound in housing markets in the first half of 2010. Anticipated interest rate increases and the introduction of the HST in Ontario and British Columbia were also factors that contributed to the increase in demand during the first half of the year. However, activity in the second half of 2010 moderated. Our forecasts for 2011 are for demand to continue to moderate. Planned insured volumes for 2011 of 706,664 are, therefore, below the planned volumes for 2010 of 831,082.

CMHC's public mandate sets it apart from private sector insurers. CMHC has a mandate to provide qualified Canadians with access to all forms of housing – homeownership, rental, and housing in rural areas

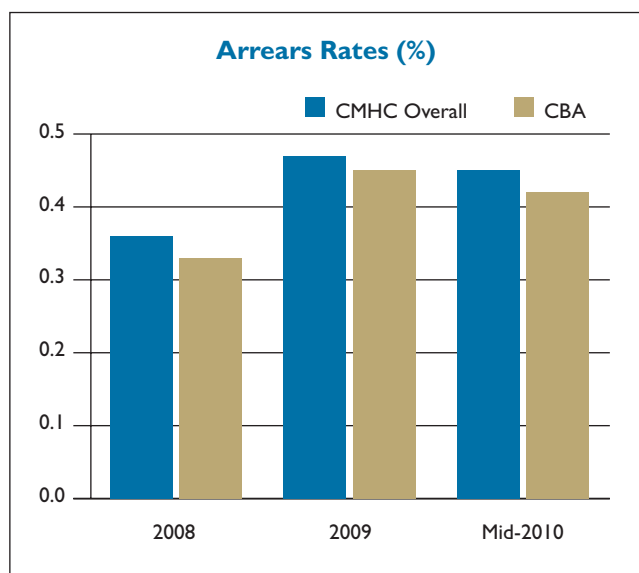
and smaller markets. We are the only mortgage loan insurer for large multi-unit properties (including nursing and retirement homes), and the primary insurer for housing in rural areas and smaller markets, and our level of profitability will vary as a result. These markets represented close to 40% of our high ratio business in 2009. At the end of 2009, and at mid-year 2010, we were exceeding our target of 33% for these types of loans.

Private sector mortgage insurers have the ability to select the markets they operate in, and not serve those areas of the country or housing forms they deem less profitable. The 10% difference in the government guarantee between CMHC and private insurers compensates CMHC for this difference. So, while the level of guarantee is not equal, it is only one element of ensuring a level playing field between public and private insurers.



While the economic downturn increased the number of Canadian homeowners experiencing financial difficulties, our work-out tools and support provided to lenders helps CMHC-insured borrowers through difficult economic times.

One measure of portfolio risk is the arrears rate. CMHC calculates the arrears rate as the ratio of all loans that are more than 90 days past due to the number of outstanding insured loans. The ratio includes all arrears whether or not legal action has been initiated by the lender, and whether or not work-outs have been approved by CMHC. The base represents outstanding insured loans. The CMHC ratio is the same as that used by the Canadian Bankers Association (CBA) for reporting arrears rates at an industry level. Some other published industry measures remove some arrears or use all insured loans, whether currently outstanding or not, as a base. The CMHC arrears rate, while more conservative than these other measures, provides a more meaningful representation of the possible impact on the business.



CMHC's mortgage arrears rates are in line with the industry trend as reported by the CBA. As employment levels continue to improve, CMHC expects arrears to moderate throughout 2011. Due to the lag between arrears and claims, claims levels are expected to remain somewhat elevated but near historic norms in 2011.

The profile of CMHC's insurance-in-force based on 2009 data demonstrates the nature and level of risk associated with CMHC's mortgage loan insurance business.

CMHC's insurance-in-force in 2009 was \$473 billion with the risk exposure mitigated in a variety of ways. Consistent with its mandate, CMHC does business in all Canadian markets, spreading its risk nationwide in all provinces and territories with differing economic outlooks.

	Insurance-in-Force 2009	Premiums and Fees Received 2009
Total (\$ billions)	472.6	2.464
Homeowner (per cent)	94	88
Multi-unit > 4 units (per cent)	6	12

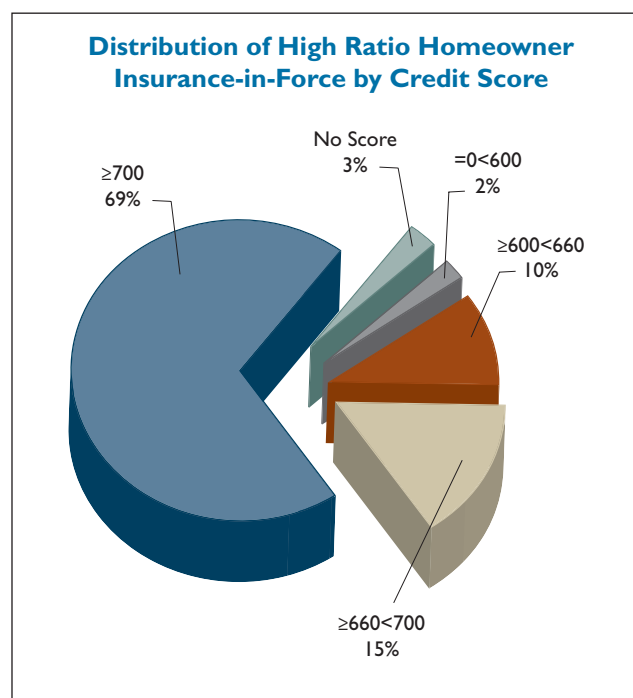
While some borrowers choose amortization periods greater than 25 years, the average amortization period for all CMHC-insured homeowner loans at initiation is 24 years; the average for CMHC's rental business is 25 years.

Distribution of Insurance-in-Force by Province/Territory (%)	Homeowner	Multi-unit > 4 units	Overall
Ontario	44	37	44
British Columbia	16	14	16
Alberta	15	16	15
Quebec	15	28	16
Nova Scotia	2	4	2
Saskatchewan	2	0.3	2
Manitoba	2	0.3	2
New Brunswick	1	0.1	1
Newfoundland and Labrador	1	0.1	1
Prince Edward Island	0.3	0.1	0.2
Territories	0.3	0.1	0.3

CMHC's analysis shows that, for the most part, borrowers are well-positioned to handle increases in mortgage payments should interest rates rise. For example, 50% of CMHC insured high ratio borrowers accelerate their periodic mortgage payments which shortens the overall amortization period and contributes to a faster build-up of equity in the home and less interest paid over time. At the end of 2009, the average homeowner insured by CMHC had 46% equity in their home. About 80% of borrowers with high ratio loans approved in 2009 chose fixed rate mortgages and 82% chose terms of more than three years, thereby limiting the impact from possible increases in interest rates.

CMHC manages its risk through prudent underwriting practices. Canadian credit scores generally range between 300 and 900. The higher the score, the more evidence there is that borrowers are managing their financial obligations. The vast majority of CMHC high ratio homeowner business is with borrowers who have scores above 700, with an average credit score for CMHC's homeowner insurance-in-force of 718 in 2009, demonstrating a strong ability of insured borrowers to manage their debt.

The majority of CMHC insured mortgages have relatively low loan-to-value ratios with the average homeowner having about 46% equity in their home as previously mentioned.



Distribution of Homeowner Insurance-in-Force by Loan-To-Value (LTV) Ratio	Based on Original Property Value (%) ¹	Based on Updated Property Value (%) ²
≤ 80%	62	71
>80.01% ≤ 90%	21	16
>90.01% ≤ 95%	14	9
>95.01%	3	5
Average	61	54
¹ LTV based on the value of the property when the mortgage was originated. ² LTV based on the updated value of the property.		

The average homeowner outstanding loan amount per household of \$151,630 reflects the regular amortization of loan balances as well as accelerated payments made by borrowers.

Distribution of Insurance-in-Force by Average Loan Amount per Household (%)	Homeowner	Multi-unit > 4 units	Overall
Over \$550,000	4	0.1	4
\$400,000-\$550,000	7	0.2	6
\$250,000-\$400,000	25	1	24
\$100,000-\$250,000	50	16	48
\$60,000-\$100,000	9	32	11
Under \$60,000	5	51	8
Average Loan Amount per Household (\$)	151,630	47,705	133,442

The average price of homes insured in 2009 was 22.6% below the Canadian average, while the average household income for loans insured in 2009 was 14% higher than the national average.

	2009 Av. Price CMHC Insured (Purchase)	2009 MLS® Av. Sales Price	% Difference CMHC Av. Insured Price vs. Av. Market Price	2009 Av. HH Income (CMHC Insured Purchase)	Av. Household Income (2008 Statistics Canada)	% Difference CMHC Av. HH Income vs. Market Av. Income
CANADA	\$247,819	\$320,362	(22.6)	\$81,676	\$71,400	14.4
Halifax	\$213,874	\$237,214	(9.8)	\$80,290	\$65,900	21.8
Quebec City	\$189,849	\$212,198	(10.5)	\$74,505	\$67,700	10.1
Montreal	\$232,302	\$274,842	(15.5)	\$75,536	\$61,500	22.8
Ottawa	\$278,625	\$304,801	(8.6)	\$92,144	\$77,100	19.5
Toronto	\$330,160	\$396,154	(16.7)	\$89,248	\$87,400	2.1
Hamilton	\$248,202	\$290,946	(14.7)	\$81,160	\$81,100	0.1
Winnipeg	\$194,666	\$207,342	(6.1)	\$71,740	\$71,000	1.0
Calgary	\$344,383	\$385,882	(10.8)	\$93,333	\$89,700	4.1
Edmonton	\$305,304	\$320,378	(4.7)	\$92,367	\$84,400	9.4
Vancouver	\$388,761	\$592,441	(34.4)	\$93,711	\$77,100	21.5

CMHC also undertakes annual stress testing of its insurance business to evaluate how various economic and business scenarios could potentially affect its financial performance and capital levels. In 2010, testing confirmed that CMHC's mortgage loan insurance business is well positioned to weather severe economic and adverse business scenarios. (Also see Chapter IV: The Financial Plan.)

CMHC continues to look for ways to improve its ability to assess underwriting risks. CMHC will build on its industry-leading role in this regard, focusing on quality and excellence in all aspects of its operations, including technological innovations, risk modeling, business analytics and loan performance.

Key Initiatives in 2011

- Continue to refine risk management practices and processes including ongoing enhancements to **emili**, CMHC's electronic mortgage underwriting system.
- Enhance the use of business analytics to enable both lenders and CMHC to better manage their mortgage loan portfolios through enhanced reporting and performance measurement.
- Examine and revise business development activities as part of key account management strategies in response to changing client needs and new legislation and regulations.
- Continue to assist mortgage professionals to provide information and advice to borrowers on mortgages, homeownership and financial literacy through new on-line training tools and messaging.
- Explore new and enhanced products, policies and operations.

PERFORMANCE MEASURES	2009 Actual	2010			2011 Plan
		Plan	Mid-year		
			Plan	Actual	
Total insured volume (units) ¹	1,048,736	831,082	456,763	337,600	706,664
Total insured volume (\$M) ¹	154,899	122,909	67,551	51,622	120,826
Per cent of the total of rental and high ratio homeowner units approved to address less-served markets and/or to support specific government priorities	39.7	33	33	41.3	33
Operating expense ratio (per cent)	11.9	13.9	13.9	11.1	11.2

¹ CMHC revised its insurance volume-related performance measures in 2010. Previously, volume measures were based on approved applications. Revised measures are based on finalized loans for which premiums were received by CMHC.

EXPECTED OUTCOMES

<p>Immediate</p> <p>Lenders are protected from losses due to borrower default and are able to provide mortgage financing, and provide it at competitive rates, because of CMHC mortgage loan insurance.</p> <p>Canadians across the country not served or under-served by private mortgage loan insurers can better access housing of choice.</p> <p>Portfolio insurance increases the efficiency of capital management for lenders and increases the competitiveness of small lenders. In combination with securitization, it also increases the availability of mortgage funding in Canada.</p>	<p>Intermediate</p> <p>A healthy housing market, which includes new construction as well as renovation activity, contributes to job creation and economic growth.</p> <p>The provision of insurance for rental housing and condominium construction promotes affordable housing and supports tenure options.</p>	<p>Long-term</p> <p>Canadians who choose homeownership can increase their financial security.</p> <p>Rental housing is supported, increasing the percentage of Canadians able to provide for their own housing needs without any government assistance.</p>
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Strategic Priority 2.2

Enhance the supply of low-cost funds for mortgage lending by expanding the securitization program

CMHC's securitization programs guarantee the timely payment of interest and principal of *National Housing Act* Mortgage-Backed Securities (NHA MBS) issued by financial institutions and of Canada Mortgage Bonds (CMB) issued by the Canada Housing Trust (CHT). The Corporation's securitization programs help ensure that a steady supply of low-cost mortgage funds is available for mortgage lending and provide investors with opportunities to hold high quality, secure investments in Canadian residential mortgages.

These programs have proven to be critical components of Canadian financial institutions' diversified funding platforms. The programs' importance as reliable funding vehicles was demonstrated in the recent financial and liquidity crisis. When markets were closed to Canadian financial institutions, financial institutions, big and small, turned to CMHC's securitization programs to increase their liquidity and to help raise funds for lending. CMHC's securitization programs responded with expanded issuances. In 2008, these programs provided approximately \$104.6 billion (CMB \$43.5 billion; market NHA MBS \$61.1 billion) in funding to Canadian financial institutions. In 2009, \$135.4 billion (CMB \$46.9 billion; market NHA MBS \$88.5 billion) in funding was provided.

In addition, at the onset of the global liquidity crisis and in order to maintain the availability of longer-term credit in Canada, the federal government established the Insured Mortgage Purchase Program (IMPP) (see Glossary) under which CMHC purchased NHA MBS backed by insured mortgages from Canadian lenders. In March 2010 when the IMPP ended, approximately \$69 billion of the earmarked \$125 billion in funding was provided.

In 2010, CMHC began work to assess possible new product directions in response to consultations with the lending and investment industry. These include a foreign currency CMB and multi-seller NHA MBS pools. CMHC will finalize its work in these areas in 2011 and bring forward recommendations as appropriate.

Going forward, a number of emerging issues could potentially impact CMHC's securitization activities. These include the adoption of International Financial Reporting Standards (IFRS) and its impact on capital requirements for federally-regulated financial institutions. Changes to the capital framework under the Basel Committee on Banking Supervision may also affect lenders' capital requirements and securitization activities.

The change from Canadian Generally Accepted Accounting Principles (GAAP) to IFRS on January 1, 2011 will have implications for mortgage lenders. Currently, most mortgage securitization structures in the Canadian market meet de-recognition standards under GAAP and, therefore, mortgages that are securitized are not included in lenders' balance sheets. Under IFRS, de-recognition of securitized mortgages is harder to obtain, meaning that mortgage lenders may be required to include securitized mortgages on their balance sheets upon their conversion to IFRS in 2011. The Office of the Superintendent of Financial Institutions (OSFI) advisory bulletin on the conversion to IFRS by federally regulated entities indicated that, after March 31, 2010, securitized assets will be included in the capital ratios of financial institutions if CMHC's securitization programs do not obtain de-recognition under IFRS.

CMHC will continue to monitor the impact of IFRS on its securitization programs and make product and program recommendations where required.

In response to the financial system crisis and in order to improve the resiliency of the financial sector, the Basel Committee on Banking Supervision proposed in December 2009 a number of fundamental reforms to the international regulatory framework. In December 2010, the Basel Committee issued the Basel III rules which sets the framework for higher and better quality capital and risk coverage, as well as providing information on the timing of the transition to Basel III.

The lending industry is also seeking to diversify its sources of funding. Five major Canadian banks have now issued covered bonds, which are an important addition to their wholesale funding platform. The federal government's support for covered bond legislation will improve the legal certainty for investors and overall performance.

Key Initiatives in 2011

- Continue to analyze and develop product/policy recommendations following review of the impact of the adoption of IFRS and other regulatory changes on CMHC's CMB and NHA MBS securitization programs, and prepare a strategic plan of action for consideration and implementation.
- In response to the growing importance of market NHA MBS in financial institutions' funding strategies, prepare a strategic plan to further promote the NHA MBS market.
- Continue to monitor and engage in initiatives affecting securitization and housing finance and assist in keeping the Canadian housing finance industry informed of new developments.

PERFORMANCE MEASURES	2009 Actual	2010			2011 Plan
		Plan	Mid-year		
			Plan	Actual	
Annual securities guaranteed (\$M): <ul style="list-style-type: none">■ Market NHA MBS■ CMB■ NHA MBS for IMPP	135,447 55,123 46,925 33,399	66,000 12,000 48,000 6,000	36,000 6,000 24,000 6,000	43,695 20,569 19,430 3,696	52,000 20,000 32,000 0 ¹
Operating expense ratio (per cent)	3.9	<9	<9	4.0	<9
¹ IMPP ended March 31, 2010.					
EXPECTED OUTCOMES					
Immediate Increased integration of mortgage market lending with capital market lending leads to greater efficiency and lower costs for lenders. Enhance competitive position of small lenders in the mortgage market. Canadians continue to be able to access low-cost financing for their homes.	Intermediate A stable and resilient Canadian housing finance system.		Long-term Financial institutions have access to robust wholesale housing finance choices.		

Strategic Priority 2.3

Provide comprehensive, timely and relevant information to enable Canadian consumers as well as the housing sector to make informed decisions

As part of CMHC's mandate under the *National Housing Act*, the Corporation undertakes research and information transfer activities that contribute to more affordable, better quality housing, and to a more efficient Canadian housing market. Given the highly fragmented nature of the housing sector, CMHC is seen as a source of objective information and fulfills a unique role in ensuring a comprehensive outlook on key housing issues of public concern.

For example, CMHC's housing market information is the only comprehensive source of local and national market information. CMHC market analysts provide regular analyses and forecasts at the local, provincial and national levels as well as customized research for internal and external clients. This audience includes

both private and public sector users, often geographically dispersed, who have a variety of information needs. Recent market volatility has made accurate forecasting more difficult and has increased the demand for data and analysis to assist in better understanding market dynamics and consumer behaviour.

CMHC has begun to adjust how it makes data available on its website in order to allow for greater flexibility and customization.

Over the planning period, the Corporation's research directions on housing solutions will continue to be influenced by changing demographics and the needs of vulnerable groups.

Key Initiative in 2010

- CMHC will assess its information management and dissemination infrastructure with a view to providing clients with greater flexibility and accessibility in the retrieval of statistical data and other information products via its website.

PERFORMANCE MEASURES	2009 Actual	2010			2011 Plan
		Plan	Mid-year		
			Plan	Actual	
Per cent of subscribers to market analysis publications who found them useful	91	>93	N/A	N/A ¹	>93
Per cent of attendees at Housing Outlook Conferences who found them useful	98.8	95	95	99.7	95
Forecast accuracy of housing starts (per cent)	+19.4%	Within 10% of actual	Within 10% of actual	-16.4%	Within 10% of actual
Ranking of housing starts forecast accuracy among forecasters	3 rd amongst 16	Rank within top quartile	N/A	N/A ¹	Rank within top quartile
Per cent of attendees at information transfer seminars who found them useful ²	94	90	90	94	90
Per cent of recipients of newly published Research Highlights who found them useful ²	71	70	70	72	70
Per cent of recipients of newly published About Your House fact sheets who found them useful ²	83	80	80	92	80
¹ Performance is measured after year-end. ² These measures are also applicable to strategic priority 3.1.					
EXPECTED OUTCOMES					
Immediate to intermediate Consumers, the housing industry, stakeholders and policy makers have access to timely and relevant information on housing and housing markets.		Intermediate to long-term The housing market is more efficient and stable as a result of more effective matching of supply and demand. Consumers and the housing industry adopt best practices.			

■ OBJECTIVE 3: ENSURE THE CANADIAN HOUSING SYSTEM REMAINS ONE OF THE BEST IN THE WORLD

OVERVIEW

Under this objective, CMHC pursues two strategic priorities designed to lessen the impact housing and community development have on the environment and enhance innovation and competitiveness of the housing industry, both domestically and abroad.

Strategic Priority 3.1 Promote sustainable housing and communities

To help ensure a housing system that meets present and future needs, CMHC conducts research and undertakes demonstration and information dissemination activities aimed at improving the sustainability of housing and communities.

Through a comprehensive research program, ways to reduce the environmental impact of housing as well as to enhance the affordability and livability of housing and communities are identified and assessed and turned into practical information for the industry and consumers. For example, information on measures to improve energy and water efficiency for existing houses and multi-unit residential buildings are identified and used to produce practical information for consumers, renovators and multi-unit property managers and owners. The adoption of these measures can lead to both increased savings and reduced impact on the environment. CMHC also has wide-ranging information on measures to enhance indoor air quality that will help improve the livability of housing and address certain health concerns.

CMHC fills knowledge gaps in sustainable community planning by carrying out research on community designs to help developers and planners optimize the use of infrastructure, enhance affordability and facilitate alternatives to automobile transportation.

A suite of case studies on sustainable neighbourhoods as well as how-to information on low-impact storm water management and environmentally-friendly street design are being developed. CMHC disseminates information on sustainable development to both developers and municipalities through a variety of publications which includes an upcoming best practices guide.

The EQUilibrium™ initiative demonstrates and promotes the adoption of highly energy efficient homes and sustainable community planning practices. Information on new approaches, tools and technologies is provided through a broad range of publications, through our website, and presentations and forums across the country. By educating the industry and consumers on the benefits of sustainable housing, CMHC is encouraging market demand for sustainable housing and communities.

Under the Northern Sustainable House Initiative, CMHC continues to work with territorial housing agencies and others involved in developing housing with the objective of demonstrating affordable, culturally appropriate housing that meets the challenges of the North. The energy efficiency and durability of housing is critical as is its ability to accommodate the cultural and lifestyles needs of northern families.

The development of housing can also help achieve economic development objectives by providing opportunities to enhance and strengthen the capacity of Aboriginal Canadians living in the North to work in the housing sector and to meet their own housing needs.

The renewal of the aging infrastructure on Granville Island, a cultural, recreational and commercial development owned by the Government of Canada and managed by CMHC, is another important opportunity to enhance and demonstrate sustainable best practices.

The Island is home to approximately 275 businesses and facilitates the employment of some 3,000 people. It attracts more than 10.5 million visitors and generates approximately \$215 million in economic activity annually.

Going forward, CMHC will continue the development of information that can be used by educational institutions to promote awareness of innovative products and practices to better inform builders, contractors, designers and planners of sustainable housing and community options.

Key Initiatives in 2011

- Build industry capacity and promote consumer acceptance of sustainable and resilient housing and communities by:
 - advancing consumer awareness and acceptance of sustainable housing
 - supporting the EQuilibrium™ Communities project teams' improvement and showcasing activities, in collaboration with Natural Resources Canada (NRCan)
 - seeking opportunities to promote EQuilibrium™ levels of performance in the renovation and multi-unit markets
 - undertaking focused research to address knowledge gaps in sustainable housing technologies and practices; and
 - promoting the adoption of energy and resource efficient technologies and practices to address gaps in best practices information.

For performance measures, see strategic priority 2.3.

EXPECTED OUTCOMES

Intermediate to long-term

Greenhouse gas emissions attributable to the residential sector are reduced through improved energy efficiency of new and existing homes.

New and existing communities become more sustainable through adoption of sustainable practices, intensification of existing neighbourhoods and brownfield re-development.

Strategic Priority 3.2

Support and promote Canada's world-class housing products, services and system internationally

While Canadian housing exporters were impacted by the global economic downturn, Canada's housing system and technologies remain in demand around the world because of their durability, cost effectiveness and energy efficiency. Despite difficult economic times in 2009, CMHC met its facilitated-sales target for its key export clients. Their success contributes to jobs and economic growth for Canadians.

CMHC works closely with 150-200 of the most active housing exporters in the country. These companies are committed to exporting, have export experience, produce products or services suitable to markets being targeted and have the capacity to increase their exports. They include manufacturers of building products, energy efficient housing technologies, producers of factory-built housing systems, as well as professional service providers such as architects, engineers, planners and project managers.

While the U.S. remains one of Canada's key export markets for housing products, CMHC and its key clients continue to pursue opportunities in China, South Korea, Russia, United Kingdom, France and Japan. Mexico and the Caribbean are also experiencing growing acceptance of Canadian building technologies and wood-based products.

CMHC will be offering a training program on sustainable community planning designed to promote Canadian technology and expertise as well as strengthen Canadian capacity in this area of growing interest.

CMHC will continue to represent Canada on housing matters on the international front. This work helps increase awareness of the Canadian housing system and contributes to the Corporation's export promotion efforts as well as to Canada's foreign policy objectives.

Key Initiatives in 2011

- Develop a strategy for increasing exports of prefabricated housing systems in one of CMHC's targeted foreign markets.
- Partner with Canadian exporters to enable them to use CMHC's sustainable community planning workshops in their export markets.

PERFORMANCE MEASURES	2009 Actual	2010			2011 Plan
		Plan	Mid-year		
			Plan	Actual	
Overall satisfaction rate of key housing export clients (per cent)	89	85	N/A	N/A ¹	85
Value of CMHC-facilitated sales reported by key housing export clients (\$M)	122.1	100	50	70.4	120
¹ Survey results available at year-end only.					
EXPECTED OUTCOMES					
Intermediate Strengthen the capacity of the Canadian housing industry to export.	Long-term Increase in Canadian housing exports contributes to economic growth and job creation in Canada.				

CHAPTER III

Building a Strong Organization



To remain a strong organization that is able to fulfil its mandate, CMHC draws on sound corporate governance, financial and risk management practices. Some key internal services that enable CMHC to carry out its mandate are financial planning and accounting, information technology, human resources and communications and corporate marketing.

■ CORPORATE GOVERNANCE AND ORGANIZATIONAL STRUCTURE

Governing legislation and mandate

CMHC derives its mandate and authorities from both the *Canada Mortgage and Housing Corporation Act* (*CMHC Act*) and the *National Housing Act* (NHA). The *CMHC Act* established the Corporation in 1946 and contains provisions for the constitution of the Corporation and the composition of its Board of Directors. It also sets out the business and powers of the Corporation, including borrowing and investment authorities.

The NHA provides CMHC with its basic policy and operational mandate: to promote housing affordability and choice, including the construction of new houses and the repair and modernization of existing homes, the facilitation of low-cost housing finance, the improvement of housing and living conditions and the well-being of the housing sector.

As a Crown corporation, CMHC is also subject to the *Financial Administration Act* (FAA). In addition to provisions for the preparation of a corporate plan,

the FAA contains provisions for the preparation of the Corporation's annual report, quarterly financial reports and periodic Special Examinations.

Corporate governance

CMHC reports to the Parliament of Canada through the Minister of Human Resources and Skills Development who has been designated as the Minister for the purposes of the *CMHC Act* and the NHA. CMHC's Board of Directors is comprised of the Chairperson, the President and Chief Executive Officer and eight other directors. The Chairperson and the President and Chief Executive Officer are appointed by the Governor in Council. The eight other directors are appointed by the Minister with Governor in Council approval. With the exception of the President and Chief Executive Officer, all directors are independent of CMHC Management.

The Board meets at least five times a year and its committees meet a minimum of twice a year. Two of its meetings are held outside the National Capital

Region to allow Board members to obtain first-hand knowledge of local housing conditions and to discuss issues with housing stakeholders.

CMHC holds its annual public meetings (APM) in conjunction with the first of its two regional meetings. In 2010, CMHC held its APM in Moncton, New Brunswick. This event included presentations by CMHC's Chairperson and President and Chief Executive Officer, followed by a question and answer session.

The Board manages the affairs of the Corporation within the parameters of CMHC's legislative authorities and government policy. It regularly examines the continued relevance of the Corporation's objectives and strategic priorities, ensures the integrity and adequacy of the Corporation's management practices and information systems, assesses the Corporation's performance against targets, and identifies and mitigates risks.

To gauge the effectiveness of Board performance, an assessment is conducted every year with the assistance of an external consultant. In 2009, the external consultant's report noted that the Board scored higher than peers in 78% of the questions where peer data was available. It was found to have effective leadership on the part of the Chairperson, a strong, positive working relationship with the President and Chief Executive Officer and good oversight over the integrity and adequacy of the Corporation's information systems and management practices.

The following committees assist the Board in fulfilling its responsibilities:

- Audit Committee: This committee advises the Board on the sound management of the Corporation's finances and assists in overseeing internal control systems, risk management, financial reporting and audit processes, including internal audits, the annual financial audit and periodic Special Examinations. All members of this committee are financially literate and independent of CMHC Management.
- Internal Audit: Internal audit services are provided by CMHC's Audit and Evaluation Services Division whose director reports on a functional basis to this committee. CMHC Management regularly reports on financial performance and risks to the Audit Committee through Quarterly Financial and Risk Management Reports and semi-annual Enterprise Risk Management (ERM) Reports. The Audit Committee is also responsible for reviewing CMHC's Enterprise Risk Management framework and other risk management policies on an annual basis and for recommending any changes to the Board.
- Corporate Governance and Nominating Committee: This committee advises the Board on matters of corporate governance. It also evaluates the performance of the President and Chief Executive Officer and makes recommendations with respect to potential candidates to fill Board vacancies.
- Human Resources Committee: This committee advises the Board on corporate policies and strategies on recruitment, retention, succession planning, employee training, as well as employee compensation and performance management.

The Board regularly reviews and updates the structure, composition and terms of reference of its committees.

The CMHC Pension Fund, also established by the Board, is managed and administered by Trustees in accordance with a Trust Agreement. The Trustees are responsible for monitoring the Fund's performance. The role of the Trustees is an intrinsic part of the broader governance framework for the Pension Plan and its Fund. The Fund's current governance structure and practices exceed governance guidelines issued by the Canadian Association of Pension Supervisory Authorities. Regular reviews of the governance structure and processes are conducted.

In line with Part X of the *Financial Administration Act* (FAA), and as noted in the 2009 CMHC Special Examination Report, the Corporation must have reasonable assurance that it meets the federal objectives for the housing programs it delivers as well as its commercial objectives, and that it does so with due regard to economy and efficiency. The Board is informed by CMHC's Audit and Evaluation Services which examines the relevance, success and cost-effectiveness of CMHC's policies, programs and initiatives.

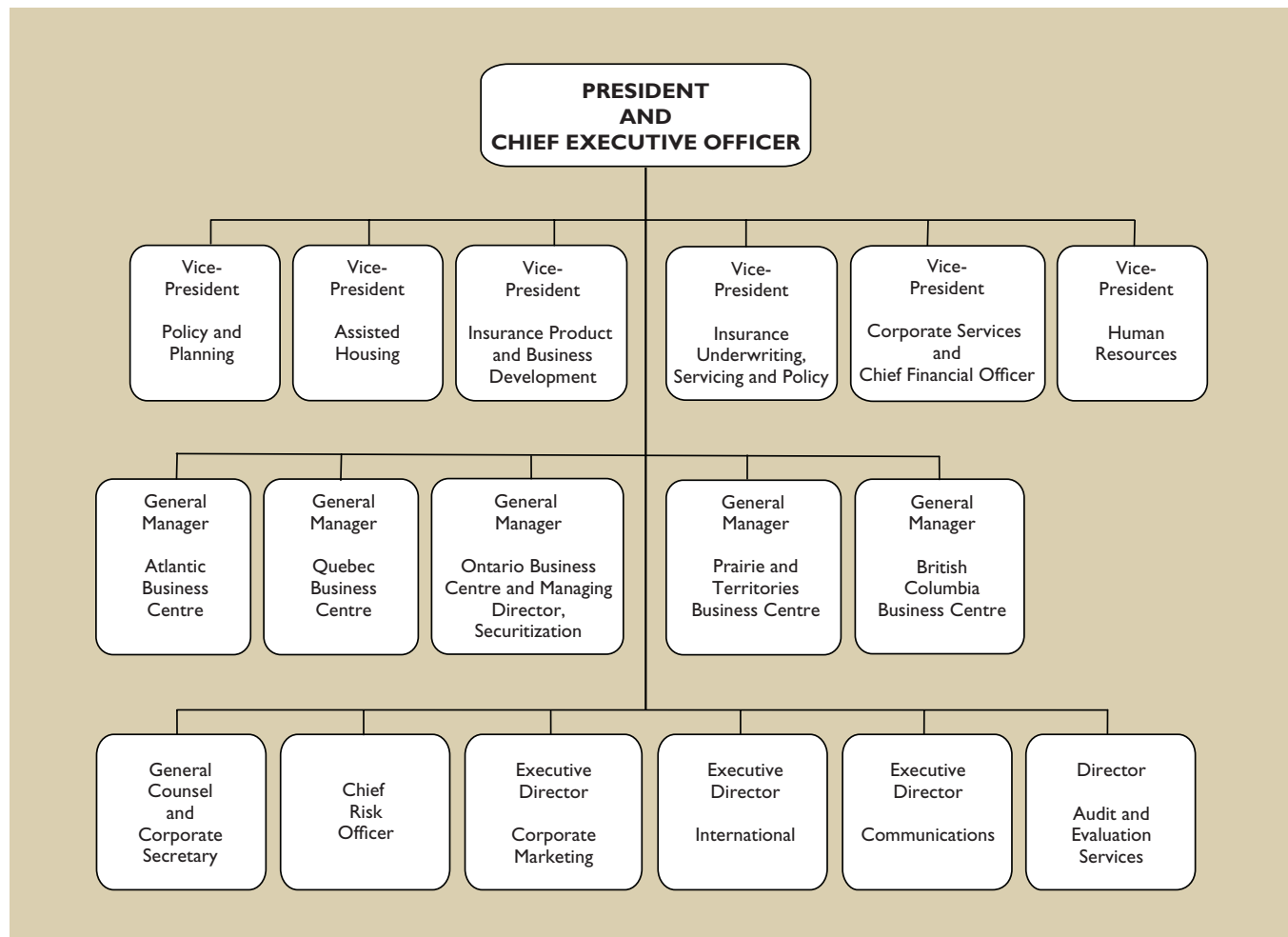
Corporate structure

CMHC's national office is situated in Ottawa and regional business centres are located in Halifax, Montreal, Toronto, Calgary and Vancouver.

Reporting to the President and Chief Executive Officer are heads of business areas and support functions and regional business centre general managers. In addition to regional business centres, Canadians are served by CMHC employees based in other centres.

CMHC also provides management, advisory and other services to the Canada Housing Trust (CHT), the First Nations Market Housing Fund (FNMHF) and the Government of Canada with respect to Granville Island. (See Glossary for additional information on the CHT, the FNMHF and Granville Island.) Of these three entities, only the financial results of the CHT are consolidated with CMHC's.

The following organization chart depicts CMHC's management:

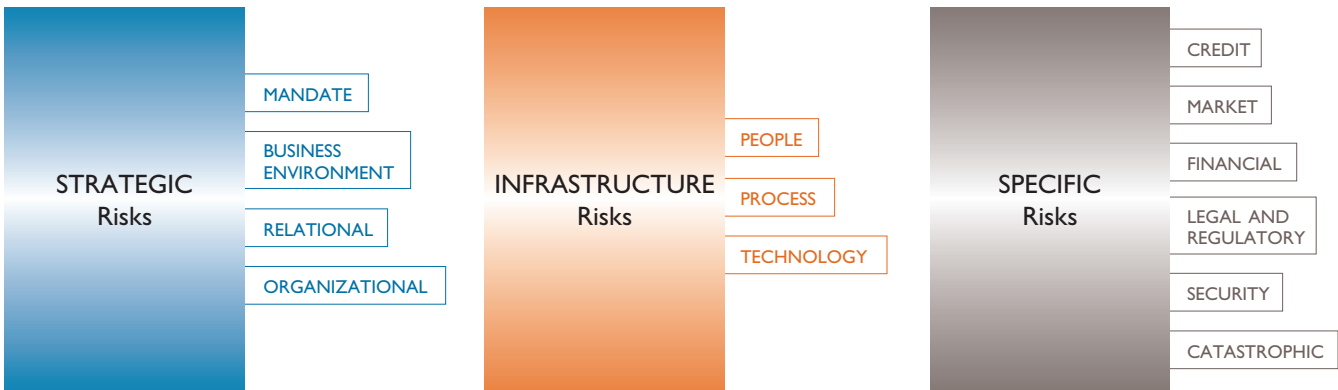


■ ENTERPRISE RISK MANAGEMENT (ERM)

The responsibility for risk management rests with the Board of Directors, the Audit Committee, CMHC Management, as well as with the Corporation's operational units. The Board of Directors ensures that appropriate risk management policies and practices are in place. CMHC Management provides regular risk assessments to the Board and the Audit Committee, and operational units continuously monitor risks and implement risk mitigation strategies.

Internal and external risks are assessed through an Enterprise Risk Management framework which groups risks under three broad categories.

Enhancements to CMHC's risk management practices were approved by the Board of Directors and introduced in January 2010. Among the enhancements were the establishment of an ERM Committee and an ERM Resource Group comprised of business and internal support function representatives, respectively, and the development of a risk appetite statement which ensures a common understanding of acceptable levels of exposure to risks. In addition to ERM activities which consider existing and future potential risks, there are a number of risk management policies and procedures which ensure that current activities are managed within pre-approved limits.



■ CORPORATE SERVICES

Corporate Services encompasses administrative services, financial planning, accounting, taxation, information technology (IT) and treasury.

CMHC will adopt International Financial Reporting Standards (IFRS) as of January 1, 2011, which will result in a number of changes to CMHC's financial statements and operations. The Corporation has a transition plan in place that will ensure effective implementation of IFRS.

Effective June 30, 2011, CMHC will prepare and make public a quarterly financial report within 60 days after the end of each of the first three quarters of the year, in order to comply with the *Economic Recovery Act*.

In response to rapidly changing technologies and the increasing need for more effective and integrated business systems to support operational requirements, CMHC's systems strategy has been updated to ensure that its systems evolve to meet future needs and remain viable over the long-term. CMHC is developing multi-year technology plans that encompass all components of its architecture and business systems. The objective is to ensure that CMHC's IT investments and assets are used to their fullest potential in applying technology and leveraging the expertise and experience of staff to meet corporate objectives in a cost effective manner.

CMHC will also continue to review its operations related to industry best practices and efficiencies. This includes the potential for an energy efficiency program at national office that would incorporate new technology and is intended to result in lower utility operating costs.

Key Initiatives in 2011

- Ensure the effective implementation of IFRS and reporting requirements under the *Economic Recovery Act* in 2011.
- Update and integrate CMHC's technology and information systems to ensure that they continue to meet CMHC's objectives and enable the achievement of efficiencies by developing multi-year strategies for the core infrastructure and key business systems and developing an enterprise information management strategy.

■ HUMAN RESOURCES

CMHC's workforce of approximately 2,000 employees is key to the Corporation's success. Recruitment, retention, leadership and employee development, people and performance management, compensation policies as well as a commitment to achieving a multi-generational, diverse and bilingual workforce are some of the cornerstones of CMHC's talent management framework.

One of the main areas for consideration in the upcoming period is the aging workforce and an increase in the number of employees eligible

for retirement. The renewal of CMHC's workforce needs to leverage the skills and expertise that an increasing diverse and multigenerational workforce offers. Strategies need to focus on the engagement, development and retention of mid- to late-career workers, as well as the successful entry of less experienced workers into CMHC's workforce. Mentoring programs, training and tools for managing multi-generational teams and the use of technology conducive to collaboration and information sharing can be effective strategies to support the renewal of CMHC's workforce.

Key Initiatives in 2011

- Within the framework of the overall recruitment and retention strategy, implement specific strategies aimed at enhancing the Corporation's ability to manage the renewal of its workforce, to maximize the contributions of a multigenerational, diverse and bilingual workforce and to respond quickly to human resources pressure points as they are identified.
- Complete the implementation of the 2009 Action Plan on Official Languages, with a particular focus on official language awareness campaigns and increasing outreach to francophone communities and educational institutions.

PERFORMANCE MEASURES	2009 Actual	2010			2011 Plan
		Plan	Mid-year		
			Plan	Actual	
Retention of regular employees recruited 3 to 5 years ago (per cent)	97	93	93	98	93
Critical and vulnerable positions with succession plans underway (per cent)	100	90	75	58	100
Employees with development plans in place in CMHC's online performance management system (per cent)	92	85	90	96	90
Employees in bilingual positions meeting language requirements (per cent)	92	90	90	90	90
Representation rates for Aboriginal people, visible minorities and persons with disabilities reflect or exceed the labour representation rates in the latest Census (per cent)	Aboriginal people				
	2.8	2.9 ¹	2.9	2.7	3.0
	Visible minorities				
	15.1	15.3 ¹	15.3	15.4	15.9
	Persons with disabilities				
	4.3	4.5 ¹	4.5	4.2	4.7
Overall level of employee engagement (per cent)	96	90	90	95	90
¹ Targets for employment equity representation rates in the 2010-2014 Corporate Plan were based on the overall objective of meeting Census 2006 labour market availability rates by 2013. Subsequently, an employee self-identification campaign was undertaken which resulted in increased representation rates at CMHC. Building on the success of the campaign, the Board of Directors, in June 2010, approved more aggressive employment equity targets for 2010 than had been approved in the 2010-2014 Corporate Plan.					

■ COMMUNICATIONS AND CORPORATE MARKETING

Communications and corporate marketing functions assist in making Canadians aware of CMHC's role as the Government of Canada's national housing agency and promote the benefits of CMHC's programs, products and services. The functions work with all of CMHC's operational units in assessing audience needs and in developing appropriate communications and marketing tools.

With Canada's population becoming increasingly diverse, CMHC is responding to the housing information needs of newcomers to Canada as studies have shown their housing needs are the greatest during their initial years of settlement in Canada. CMHC information products are now available in different languages to facilitate their use by different ethnic groups.

Targeted web-based marketing and the use of social media also have the potential to enhance CMHC's ability to communicate with its target audiences.

Key Initiatives in 2011

- Expand CMHC's outreach activities to the growing diverse population and collaborate with other government and non-government organizations serving this population.
- Investigate opportunities to use social media pilot projects in support of corporate initiatives, for example, initiatives pertaining to EQUilibrium™, CMHC staff recruitment and retention strategies and community development.
- Increase the promotion of CMHC as the Government of Canada's national housing agency in all federal visibility activities.



CHAPTER IV | The Financial Plan

OVERVIEW

The Financial Plan presents the financial results for 2009 as well as those anticipated in 2010 and over the planning horizon from 2011-2015. Consolidated results and forecasts include those for CMHC's Housing Programs, Lending, Insurance and Securitization Activities and those of the Canada Housing Trust (CHT), a separate legal entity.

CMHC's Housing Programs, Lending Activity and the CHT are operated on a breakeven basis. Within Housing Programs, funds are provided by the Government of Canada through Parliamentary appropriations for expenditures, including operating expenses. Within the Lending Activity, revenues are earned from interest income on the loan portfolio which is funded through borrowings. Within the CHT, revenues are earned on investments primarily in NHA Mortgage-Backed Securities and, to some extent, in short-term securities covering operating expenses and Canada Mortgage Bonds interest expense.

CMHC's commercial business is carried out under its Insurance and Securitization Activities. The Insurance Activity generates most of the Corporation's net income and retained earnings. Insurance revenues are earned from premiums, fees and investment income, while expenses consist mainly of operating expenses and net claims expense. Securitization also generates net income and has revenues from fees and investment income, while expenses are mainly interest expenses.

The Financial Plan is based on economic factors such as interest rates forecasted by CMHC's Market Analysis Centre and on inflation rates published by the Conference Board of Canada.

CMHC's financial statements are presented in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP) for 2009 and 2010. As required by the Canadian Accounting Standards Board, CMHC will adopt International Financial Reporting Standards (IFRS) as of January 1, 2011. The 2011 to 2015 financial statements included in this Corporate Plan Summary have therefore been prepared in accordance with IFRS. Several of these standards differ from those CMHC currently follows under Canadian GAAP resulting in transitional differences as at January 1, 2011. Information on changes to CMHC's accounting policies resulting from the adoption of IFRS is included under the "Accounting Changes" section below.

The Financial Plan also reflects the implementation of Cost Containment Measures by CMHC in response to the federal government's Budget 2010. Details appear later in this chapter.

Since the preparation of CMHC's 2011-2015 Corporate Plan, the Government of Canada approved continued funding for the housing and homelessness programs. For CMHC, funding was approved at \$253.1 million per fiscal year, from 2011-12 to 2013-14.

■ CONSOLIDATED HIGHLIGHTS

Highlights of the Consolidated Financial Plan are presented in the tables at the end of this section. Consolidated net income in 2009 was \$931 million which was 31%, or \$422 million below plan. This variance reflects the impact of the economic downturn, mainly on CMHC's insurance net claims. The impact of the economic downturn was not fully known at the time of preparation of the 2009 Plan.

Net Income, which includes premiums earned over time, is projected to rise from \$1,015 million in 2010 to \$1,497 million in 2015 due largely to the past performance of the Insurance Activity during a period of strong housing markets and increased demand for insured lending. Other contributing factors include projected increases in investment income from the Insurance and Securitization Investment Portfolios and market appreciation of financial assets resulting from more favourable financial conditions for the planning period.

Other Comprehensive Income (OCI) results from unrealized gains or losses caused by changes in the fair valuation of investments in Insurance and Securitization Activities. In 2009, a \$483 million gain resulted from increases in the fair value of these instruments, compared to a planned gain of \$65 million. Fair value measurement and recognition is affected by market movement and fluctuation of interest rates.

Assets were \$273 billion and liabilities were \$264 billion in 2009 and both were under plan by \$72 billion, or 21%. These variances are due largely to Insured Mortgage Purchase Program purchases of NHA MBS being under plan by \$59 billion and CMB issuances being under plan by \$8 billion.

Total assets and liabilities are projected at \$287 billion and \$277 billion, respectively, in 2010. They are expected to decline over the planning horizon reflecting reductions in outstanding balances of investments and borrowings related to NHA MBS held by the Securitization Activity under the Insured Mortgage Purchase Program which ended in March 2010.

■ Retained Earnings

In 2009, CMHC's retained earnings totalled \$9,031 million, the bulk of which, \$8,914 million, is related to Insurance and Securitization Activities. Growth in retained earnings from the Insurance and Securitization Activities in recent years reflects a sustained demand in many housing markets. This, along with the introduction of new mortgage loan insurance products and CMHC's commitment to service excellence, resulted in successive years of increasing business volumes and corresponding premium revenues as well as lower net claim losses.

CMHC is required to operate its Insurance and Securitization Activities in a commercially viable manner and, as such, the premiums and fees charged to borrowers and lenders are set so as to cover operating and future claims expenses without any cash injection from the Government of Canada. Beyond the current claim provisions and unearned premium reserves set aside for future claims, retained earnings are also set aside for capitalization to ensure that sufficient funds are available should losses on claims exceed the other provisions. Additional information is presented in the section on Capital Management and Stress Testing of CMHC's Insurance Activity which appears under Objective 2.

Retained earnings related to the Insurance Activity are appropriated for capitalization in accordance with guidelines established by the Office of the Superintendent of Financial Institutions (OSFI).

In 2009, as a prudent business practice, a portion of retained earnings, based on regulatory and economic capital principles, from the Securitization Activity was also set aside for capitalization.

CMHC also holds retained earnings in its Lending Activity, in reserves that are subject to statutory

limits. Should the limits be exceeded, CMHC would be required to pay any excess to the Government of Canada.

CMHC's retained earnings, including earnings set aside for capitalization and reserve funds, are consolidated with the Government of Canada's Public Accounts and represent a reduction of the Government's accumulated deficit. CMHC's net income reduces the Government's annual deficit.

The following tables reflect highlights of the Consolidated Financial Plan. For those items impacted by the extension of funding for housing and homelessness programs which was authorized subsequent to the preparation of the 2011-2015 Corporate Plan, the impacts of the extension are shown separately. Impacted items are: Revenues, Expenses, Operating Expenses and Housing Program Expenses.

Highlights – Consolidated Financial Plan								
\$ Millions	Actual 2009	Plan 2010	Estimate 2010 ¹	Plan ²				
				2011	2012	2013	2014	2015
Revenues before H&H extension	13,164	15,359	14,744	14,479	14,491	14,545	14,208	14,814
Revenues - H&H extension ²	N/A	N/A	N/A	127	253	253	126	N/A
Total Revenues including H&H extension	13,164	15,359	14,744	14,606	14,744	14,798	14,334	14,814
Expenses before H&H extension	11,939	14,091	13,351	12,670	12,742	12,758	12,294	12,837
Expenses - H&H extension ²	N/A	N/A	N/A	127	253	253	126	N/A
Total Expenses including H&H extension	11,939	14,091	13,351	12,797	12,995	13,011	12,420	12,837
Net Income before Income Taxes	1,225	1,268	1,393	1,809	1,749	1,787	1,914	1,977
Net Income after Income Taxes	931	911	1,015	1,343	1,324	1,350	1,448	1,497
Other Comprehensive Income	483	42	(5)	41	39	(3)	88	72
Comprehensive Income	1,414	953	1,010	1,384	1,363	1,347	1,536	1,569
Total Assets	272,821	321,200	287,304	281,435	280,016	256,591	233,249	236,682
Total Liabilities	263,558	311,261	277,029	270,139	267,357	242,585	217,707	219,571
Equity of Canada								
■ Capital	25	25	25	25	25	25	25	25
■ AOCI ³	207	(201)	202	224	258	267	318	368
■ Retained Earnings	9,031	10,115	10,048	11,047	12,376	13,714	15,199	16,718
Total Equity of Canada	9,263	9,939	10,275	11,296	12,659	14,006	15,542	17,111
Operating Expenses before H&H extension	416	494	450	440	451	460	469	478
Operating Expenses - H&H extension ²	N/A	N/A	N/A	2	3	3	1	N/A
Total Operating Expenses including H&H extension	416	494	450	442	454	463	470	478
Staff-Years	1,999	2,138	2,125	2,040	1,999	2,005	1,982	1,966

¹ Estimates represent projected results for 2010 based on information available at time of preparation of the 2011-2015 Corporate Plan.

² Reflects the housing portion of the housing and homelessness funding (H&H extension) which was authorized subsequent to the approval of the 2011-2015 Corporate Plan (\$253.1 million per fiscal year from 2011-12 to 2013-14).

³ Accumulated Other Comprehensive Income.

Highlights – 2011 Financial Plan by Key Business Area or Activity							
\$ Millions	Housing Programs ¹	Lending	Insurance	Securitization	CHT	Inter-segment Elimin.	Consolidated ¹
Revenues before H&H extension	2,290	730	2,564	2,202	6,855	(162)	14,479
Revenues - H&H extension ¹	127	N/A	N/A	N/A	N/A	N/A	127
Total Revenues including H&H extension	2,417	730	2,564	2,202	6,855	(162)	14,606
Expenses before H&H extension (including Income Taxes)	2,290	724	1,405	2,028	6,855	(166)	13,136
Expenses - H&H extension ¹	127	N/A	N/A	N/A	N/A	N/A	127
Total Expenses including H&H extension (including Income Taxes)	2,417	724	1,405	2,028	6,855	(166)	13,263
Net Income (Loss)	0	6	1,159	174	0	4	1,343
Other Comprehensive Income	0	7	28	9	0	(3)	41
Comprehensive Income	0	13	1,187	183	0	1	1,384
Assets	0	15,480	19,140	60,007	190,568	(3,760)	281,435
Liabilities	0	15,415	8,842	59,075	190,568	(3,761)	270,139
Equity of Canada							
■ Capital	0	25	0	0	0	0	25
■ AOCI ²	0	0	219	27	0	(22)	224
■ Retained Earnings	0	40	10,079	905	0	23	11,047
Total Equity of Canada	0	65	10,298	932	0	1	11,296

¹ Reflects the housing portion of the housing and homelessness funding (H&H extension) which was authorized subsequent to the approval of the 2011-2015 Corporate Plan (\$253.1 million per fiscal year from 2011-12 to 2013-14).

² Accumulated Other Comprehensive Income.

ACCOUNTING CHANGES

■ International Financial Reporting Standards

In accordance with the requirements of the Canadian Accounting Standards Board, CMHC will adopt International Financial Reporting Standards (IFRS) as of January 1, 2011 with comparatives for the prior year.

The adoption of IFRS as of January 1, 2011 will result in changes to the Corporation's accounting policies as summarized below. (For detailed transitional adjustments, see Tables 5, 10, 14, 18 and 22 in Chapter VI.)

■ Financial Instruments

- Borrowings from the Government of Canada – Generally Accepted Accounting Principles (GAAP) allow an exemption for related party transactions so that borrowings from the Government of Canada are accounted for at their exchange amount, i.e., the amount received. As no such exception exists under IFRS, on transition, such borrowings must be initially recognized at fair value and subsequently measured at amortized cost. Resulting differences will be recorded as gains/losses in revenues.
- NHA MBS – Under current GAAP, legal control is considered to be transferred from the seller to the buyer of NHA MBS so it achieves de-recognition. The criteria for de-recognition under IFRS however is based on the transfer of the risks and rewards from the seller to the buyer. As a result, under IFRS:
 - Purchases of NHA MBS not qualifying for de-recognition are considered to be secured financing collateralized by the NHA MBS and associated reinvestment securities and are shown on the Balance Sheet under “Investments in NHA MBS” as Loans Receivables. They will be initially recognized

at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest method. This results in a simplified presentation that will remove the fair value fluctuations from the swap contracts. These fluctuations are currently recorded as unrealized gains and losses on the income statement.

- Purchases of NHA MBS that qualify for de-recognition criteria under IFRS will continue to be presented in a similar manner as under current GAAP accounting. The investments and reinvestment assets are initially recognized at fair value plus transaction costs and subsequently measured according to their financial instrument classification. The swaps are initially recognized and subsequently measured at fair value.

■ Employee Benefits

Actuarial Gains and Losses – Under GAAP, these are deferred and expensed on a straight-line basis over the expected average remaining service period of active employees. Under IFRS, actuarial gains and losses are recognized in other comprehensive income (OCI) in the period incurred.

■ Investment Property

Investment Property – Under IFRS, all investment property will be measured at fair value and changes in fair value will be recognized in net income in the periods in which they occur.

■ Revenue Recognition

Securitization Application Fees – Under GAAP, NHA MBS application fees were deferred and amortized to net income over the term of the issuance. Under IFRS, these items will be recognized, net of directly related issuance costs, in the year received.

■ COST CONTAINMENT MEASURES

As part of the Government's plan to return to budgetary balance, Budget 2010 announced several measures to control government spending including freezing appropriation budgets at the 2010-2011 levels for a period of two years. CMHC's appropriation-based activities include Housing Programs, Research and Information Transfer as well as CMHC International activities.

CMHC's appropriation-based budgets have been frozen since the early 1990's with adjustments made only for specific initiatives as approved by the federal government. Accordingly, no adjustments were required to CMHC's financial authorities. CMHC's commercial activities such as Insurance and Securitization as well as Lending Activity are not appropriation-based activities. For these activities, the base year is the approved 2010 Operating Budget, excluding resources provided for *Canada's Economic Action Plan* (CEAP) which comes to an end on March 31, 2011.

In response to the federal measures, CMHC embarked upon an extensive review of each major object of expenditure for each line of business as well as for all support services. Discretionary expenditures were reviewed with a view to balancing the need for due constraint and prudence with the requirements of the revenue generating activities. In addition, a review of business processes also identified opportunities for improvements and efficiencies.

Following the detailed review of all major objects of expenditure CMHC has:

- Absorbed inflation impacts estimated at 2.4% in 2011;
- Limited discretionary expenditures to within the 2010 approved base;

- Accommodated wage increases within the 2010 approved base;
- Held transportation and hospitality to below 2008 levels;
- Absorbed the non-discretionary impact of the introduction of Harmonized Sales Tax (HST) in Ontario and British Columbia;
- Absorbed non-discretionary increases related to contractual obligations (e.g. business premises, information technology contracts and other service providers); and
- Absorbed non-discretionary labour costs such as employer contributions to employee benefit plans (CPP, EI, pensions, etc.), dental and health insurance and parental leave.

The proposed base for CMHC's 2011 Operating Budget is fully compliant with Budget 2010 Cost Containment Measures. The proposed operating base (excluding CEAP) as reflected in the 2011-2015 Corporate Plan was \$367.3 million, \$35.3 million lower than the 2010 Approved Base. Of the \$35.3 million, a reduction of \$29.6 million was achieved in support of the cost containment efforts while a further reduction of \$5.7 million related to forecast business volume changes, largely for mortgage insurance, and to the scheduled termination of new commitments under the renovation programs. These results were reflected in the forecast for 2012 onwards.

Following the Government's recent direction related to continued funding for housing and homelessness for 2011-12 through 2013-14, CMHC sought and obtained approval for an increase of \$2.1 million to its 2011 Operating Budget. As a result, CMHC's 2011 Operating Budget was amended to \$369.4 million (excluding CEAP of \$3.5 million).

■ FINANCIAL PLAN BY OBJECTIVE

Objective I: Help Canadians In Need

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

HOUSING PROGRAMS

The Government of Canada reimburses CMHC for payments made under its assisted housing programs and for related operating expenses. Within the Financial Plan, information on CMHC's Housing Programs is presented mainly on a fiscal year basis – April 1 through March 31 – consistent with the basis on which funding for these programs is approved by Parliament. Housing Program expenditures on a calendar year basis are presented in Table 6 of Chapter VI.

In 2009-10, \$3,028.2 million was spent under Housing Programs for grants, contributions, and subsidies compared to a plan of \$3,141.5 million. The difference reflects lower interest and inflation rates than planned. In 2009-10, about 78% of housing program expenditures (excluding *Canada's Economic Action Plan*) was ongoing and non-discretionary as these expenditures relate to commitments made in prior years.

In 2010-11, housing program expenditures under this objective are forecast at \$3.0 billion. In 2011-12, expenditures will return to the pre-CEAP level of just over \$2.0 billion for this objective, out of a total of \$2.1 billion. These levels include the continued funding for the H&H extension which was subsequently approved for CMHC at \$253.1 million per fiscal year, from 2011-12 to 2013-14.

Planned expenditures reflect the following items:

Strategic Review

CMHC took part in the Government of Canada's Strategic Review process in 2009. The review involved a comprehensive analysis of all programs to ensure their relevance, effectiveness and efficiency.

Through its Strategic Review, CMHC identified ways to be more efficient in managing market housing programs and in administering its social housing portfolio, while ensuring there are no impacts on eligible households who receive housing assistance.

\$ Millions	2010-11	2011-12	2012-13 and ongoing
Savings	97.02	99.93	102.20

Funding under *Canada's Economic Action Plan* (CEAP)

Funds committed under *Canada's Economic Action Plan* over two years to build new and repair existing social housing in 2009-10 and 2010-11, include:

- More than \$1.3 billion for the construction of new and the renovation/retrofit of existing social housing which will be cost-matched on a 50-50 basis with provinces and territories:
 - \$850 million for the renovation and energy retrofit of existing social housing
 - \$400 million for the construction of new social housing units for low-income seniors
 - \$75 million for the construction of new social housing units for persons with disabilities.

- \$200 million to build new social housing and repair existing social housing in the North.
- \$250 million for new social housing and repair of social housing in First Nation communities (in addition to \$150 million to be provided through Indian and Northern Affairs Canada for complementary housing activities).
- \$150 million for the renovation and energy retrofit of existing social housing funded and administered directly by CMHC.

(See Lending Activity below for lending activity under *Canada's Economic Action Plan*.)

Housing and Homelessness

On September 4, 2008, the federal government announced the five-year extension of funding for housing and homelessness. This included the renewal of funding for the renovation programs and the Affordable Housing Initiative for two years at \$128.1 million and \$125.0 million respectively in 2009-10 and 2010-11.

In the fall of 2009, the Government engaged all provinces and territories as well as public and private stakeholders on how best to use federal housing and homelessness investments from 2011 to 2014. As a result, the Government of Canada is renewing the Homelessness Partnering Strategy at the current level of funding of \$134.8 million for the next three years. With respect to housing, the Government also approved continued program funding at current levels of \$253.1 million per fiscal year. CMHC is working with provinces and territories on delivery arrangements to best meet the diverse housing needs of low-income Canadians.

Social Housing Agreements (SHAs)

All provinces and territories, except Prince Edward Island, Quebec and Alberta, have signed Social Housing Agreements (SHAs) transferring the administration of the existing social housing stock to them. The Financial Plan takes into account the terms of the SHAs and reflects the assumption that agreements will not be signed with the three remaining jurisdictions during the planning period.

Where SHAs have been signed, federal dollars to support the ongoing obligations continue to flow to provinces/territories (P/Ts) based on the accountability frameworks incorporated within each agreement. In addition, P/Ts received their share of the default, interest and inflation reserves as they took over the administration of the housing portfolio. In exchange for the flexibility and federal funding, P/Ts accepted administrative responsibility and all financial risks related to the portfolio.

Payments under the Social Housing Agreements represent over \$1 billion in 2010-11. Over the five-year period from 2011-12 to 2015-16, expenditures under the agreements will decline from \$999 million to \$904 million to reflect the scheduled termination of subsidies for projects nearing the end of their operating agreement.

Seed Funding and Proposal Development Funding

Seed Funding and Proposal Development Funding provide financial assistance to potential housing providers who are in the very early stages of developing an affordable housing proposal that will not require federal government subsidy. A total of 3,980 units were facilitated by the Affordable Housing Centre during 2009-10.

In 2011-12 and in subsequent years, \$3.4 million has been allocated to the programs.

Enhanced Assistance

Through Enhanced Assistance, CMHC provides funding as a last measure to pre-1986 Section 95 housing projects in financial difficulty. Projects experience difficulties for a number of reasons such as local market decline, project mismanagement, unit defects and deferred project maintenance. Enhanced Assistance is limited to \$5.0 million annually.

Housing Programs On Reserve

In 2010-11, \$143.4 million is being provided to support new and ongoing commitments under the On-Reserve Non-Profit Rental Program and renovation programs. Funding provided in 2010-11 for renovation programs will extend to 2013-14 with the Government's decision to continue program funding. In addition, in 2010-11, CMHC will spend \$7.8 million for First Nations capacity development and liaison activities.

LENDING ACTIVITY

Under Direct Lending, CMHC provides low-cost financing for mortgages in support of the construction of new and existing social housing committed under the Non-Profit, Co-operative and Public Housing Programs. As a result of using Government of Canada borrowings and its related lower interest cost, the Government's cost of ongoing subsidies to these projects is reduced. CMHC's Direct Lending rate forecasts are based on its cost of funds from the Government plus a small margin to cover administrative expenses.

The federal government announced under CEAP that it would provide up to \$2 billion in direct low-cost loans, to be made available between April 1, 2009 and March 31, 2011, to municipalities for housing-related infrastructure projects. These loans under the Municipal Infrastructure Lending Program are being made by CMHC, through the Lending Activity, to finance housing-related infrastructure such as sewers, water lines, power generation, local transportation within or into residential areas such as roads or bridges, residential sidewalks, lighting, pathways, landscaping and green space. The interest rate is set at breakeven levels to cover CMHC's risks and costs in delivering the program.

CMHC borrows to fund loans under the Lending Activity. Prior to 1993, the Corporation borrowed from the Consolidated Revenue Fund (CRF). From 1993 to April 1, 2008, loans were funded by capital market borrowings. Since then, loans have been funded through borrowings from the Department of Finance under the Crown Borrowing Program (CBP).

Since 1991, CMHC has assumed the interest rate risk exposure from the Government of Canada on all loans financed with borrowings from the Government of Canada. Prepayment eligibility varies from program to program with some borrowers having the right to prepay without penalty. The Corporation, however, does not have the ability to prepay, without penalty, its corresponding debt with the Government of Canada. This has resulted in asset/liability mismatches and a significant interest rate risk. CMHC believes its mitigating strategies, including its Lending Activity Reserve Fund, help offset these risks.

In 2009, the Lending Activity realized a net loss of \$16 million, in line with the plan. Net Income projected for the Lending Activity from 2011 through 2015 represents changes generated by the fair valuation of its assets, liabilities and derivatives. Since the Direct Lending initiative is fully hedged for economic purposes, these fair valuation gains (losses) will offset each other over the term of the related assets and liabilities such that Direct Lending will result in no income or loss to the Corporation.

Loans and investments are projected to increase from \$11.7 billion in 2009 to \$12.7 billion in 2010 due to new loans made under the Municipal Infrastructure Lending Program (MILP). In subsequent years they will decline, reaching \$10.3 billion by 2015, as repayments on existing loans will exceed new Lending Activity.

Lending – Financial Forecast Results								
(\$ Millions)	Actual 2009	Plan 2010	Estimate 2010 ¹	Plan 2011	Plan 2012	Plan 2013	Plan 2014	Plan 2015
Net Interest Income (Loss)	65	4	21	(11)	(33)	(37)	(37)	(33)
Gains (Losses) from Financial Instruments	(79)	(45)	(98)	(13)	1	(5)	3	4
Gain (Loss) on Real Estate	(6)	(6)	0	0	0	0	0	0
Net Income (Loss)	(16)	(30)	(65)	6	20	14	15	14
Other Comprehensive Income	0	0	0	7	2	(5)	13	8
Comprehensive Income	(16)	(30)	(65)	13	22	9	28	22
Loans and Investments in Housing	11,727	12,795	12,680	13,282	12,523	11,862	11,475	10,273
Other Assets	2,506	2,104	2,737	2,198	2,338	2,319	2,360	2,264
Total Assets	14,233	14,899	15,417	15,480	14,861	14,181	13,835	12,537
Total Liabilities	14,057	14,857	15,306	15,415	14,774	14,085	13,711	12,391
Equity of Canada								
Contributed Capital	25	25	25	25	25	25	25	25
Retained Earnings	<u>151</u>	<u>17</u>	<u>86</u>	<u>40</u>	<u>62</u>	<u>71</u>	<u>99</u>	<u>121</u>
Total Equity of Canada	176	42	111	65	87	96	124	146

¹ Estimates represent projected results for 2010 based on information available at time of preparation of the 2011-2015 Corporate Plan.

Objective 2: Facilitate Access to More Affordable, Better Quality Housing for All Canadians

Financial information is presented for Housing Programs related to research, Insurance Activity, Securitization Activity and the Canada Housing Trust under this objective.

HOUSING PROGRAMS

In 2009-10, \$30.7 million or approximately 1% of the \$3,028.2 million in Housing Programs expenditures was used to fund housing research programs, housing surveys, data analysis and forecasting of economic, housing, and mortgage market trends and conditions. Activities supported include Canadian housing market research and analysis and research and information dissemination to promote desirable housing market outcomes and improve building performance.

In 2010-11 and 2011-12, approximately \$33.4 million and \$37.0 million, respectively, of Housing Program expenditures will be spent on this objective.

INSURANCE ACTIVITY

CMHC provides mortgage loan insurance to Approved Lenders that protects against losses in the event of borrower default on residential (homeowner and rental) mortgages, allowing lenders to offer high ratio mortgages at interest rates typically available only to borrowers with larger down payments.

The economy has a significant influence on the performance of CMHC's mortgage loan insurance business. Over the last year, the economic downturn negatively impacted the short-term business performance. Recent economic and housing market indicators and their forecasts have improved as the Canadian economy recovers.

Insurance net income of \$742 million was recorded in 2009 which was \$501 million lower than projected in the 2009-2013 Corporate Plan. At year-end 2009, the Insurance Activity held equity of \$8,160 million, compared to the 2009-2013 Corporate Plan estimate of \$9,049 million. The difference is primarily due to the lower than expected net income and a reduction in Accumulated Other Comprehensive Income (AOCI) as a result of financial market conditions. The annual actuarial valuation, prepared by CMHC's external independent Appointed Actuary, as of September 30, 2009 confirmed the long-term solvency of the insurance portfolio.

Based on projected volumes, mortgage loan insurance-in-force is forecast to increase to \$533 billion by the end of 2011. Under the NHA, the aggregate outstanding amount of all insured loans (the insurance-in-force) is currently limited to \$600 billion.

Insurance – Financial Forecast Results								
\$ Millions	Actual 2009	Plan 2010	Estimate 2010 ¹	Plan				
				2011	2012	2013	2014	2015
Revenues	2,316	2,266	2,411	2,564	2,700	2,865	2,997	3,156
Expenses	1,308	878	882	1,002	1,208	1,305	1,315	1,401
Comprehensive Income	1,153	1,056	1,101	1,187	1,162	1,173	1,342	1,387
Unappropriated Retained Earnings	2,009	2,004	298	665	1,347	2,158	3,234	4,304
Retained Earnings Set Aside for Capitalization	5,937	6,769	8,763	9,414	9,864	10,226	10,445	10,716

¹ Estimates represent projected results for 2010 based on information available at time of preparation of the 2011-2015 Corporate Plan.

Capital management and stress testing of CMHC's Insurance Activity

CMHC is required to meet a number of governance and accountability requirements under the *Financial Administration Act* and the *CMHC Act*. CMHC also follows prudential regulations as set out by the Office of the Superintendent of Financial Institutions (OSFI). OSFI uses the Minimum Capital Test (MCT) to measure the capital adequacy of an insurer. The percentage MCT is the minimum ratio of capital available to capital required. Capital available is equal to Insurance retained earnings plus accumulated other comprehensive income. Capital required is calculated by applying OSFI risk factors to insurance assets and liabilities. CMHC has a capital holding target of 200% MCT and as such maintains twice the minimum capital required by OSFI.

Key OSFI capital targets and the relative risk tolerances set by CMHC management and Board of Directors are defined as follows:

- **Minimum Regulatory Capital:**
100% Minimum Capital Test (MCT).
Below this level, an insurance company would no longer be allowed to write new business. A level below 0% MCT indicates insolvency. The acceptable level of risk has been set by CMHC at a 99% confidence level for not falling below the 100% MCT level and a 99.5% confidence level for the solvency test of 0% MCT.
- **Internal Capital Target:** OSFI expects each insurer to establish an internal capital target in order to provide adequate time for management to resolve financial problems that may arise, while minimizing the need for regulatory intervention. CMHC has determined that an internal capital target level of 150% MCT is appropriate.

CMHC conducts stress testing of its insurance business on an annual basis to evaluate how various economic scenarios could potentially affect the insurance financial performance, its capital levels, and its risk tolerance thresholds. CMHC uses a Dynamic Financial Analysis model to conduct its annual stress testing exercise. Using 10,000 consistent economic scenarios, the stress testing model simulates the impact of each of these economic scenarios on the 2011-2015 Corporate Plan. Each scenario includes 10 years of new business which then runs off over the next 20 years. The economic scenarios include 30 years of outcomes for real GDP growth, the unemployment rate, the 5-year mortgage rate, and investment returns for up to 40 asset classes.

The economic variables are used to generate outcomes for the volume of insurance written, short term changes in claims, house price inflation and the value of invested assets. Investment income and asset modelling is integrated with the modelling of insurance business activity within the DFA model. The Stress Testing analysis looks at the 10,000 economic scenarios coupled with plausible adverse business scenarios and assesses their financial impact on our Insurance Activity results.

The results of the most recent stress testing exercise of the insurance business undertaken for the 2011-2015 Corporate Plan indicate that CMHC continues to be within the acceptable levels of risks set out in its capital management framework and risk appetite statement. For all economic and adverse business scenarios tested, the confidence level of capital not falling below 0% MCT is greater than 99.5%. The results of the annual stress testing are within the requirements of the capital management framework.

Scenarios beyond the 99.5% confidence level for adverse impacts represent the tail risk. The scenarios in the tail are the 50 worst of the 10,000 economic scenarios used in the stress testing. These scenarios are extremely unlikely. They are analysed, however, to fully understand the impacts on the insurance portfolio under extremely negative financial conditions. These scenarios assume there is no or negative real GDP growth for all 5 years of the planning horizon, the average unemployment rate is above 10% and rises to almost 11% in 2015. The average five year mortgage rate is over 7% and increases gradually to almost 8% at the end of 2015. House price inflation is increasingly negative reaching -6.6% and on average -4% per year over the 5 year period.

In summary, the Insurance Activity is well positioned to weather severe economic scenarios. Stress tests indicate that insolvency is not a concern for the Insurance Activity. Consistent with not only past analyses but CMHC current practices over the recent uncertain economic situation, CMHC continues to focus on monitoring and proactively managing the performance of all facets of its insurance business.

SECURITIZATION ACTIVITY AND THE CANADA HOUSING TRUST

CMHC guarantees the timely payment of interest and principal of *National Housing Act* Mortgage-Backed Securities (NHA MBS) issued by financial institutions and of Canada Mortgage Bonds (CMB) issued by the Canada Housing Trust (CHT). The Corporation's securitization programs help ensure that a steady supply of low-cost funds is available for mortgage lending and provide investors with opportunities to hold high quality, secure investments in Canadian residential mortgages.

In 2009, CMHC guaranteed the timely payment of principal and interest on \$135.4 billion in mortgage-related securities against a target of \$167 billion. Overall, the \$135.4 billion in securities guaranteed in 2009 was 29.4% higher than the \$104.6 billion guaranteed in 2008 and the highest volume of securities guaranteed over the last five years. Under CMB and NHA MBS programs, \$102 billion in securities were guaranteed versus the plan of \$67 billion. Under the Insured Mortgage Purchase Program (IMPP), \$33.4 billion of the target of \$100 billion was guaranteed.

At the onset of the global liquidity crisis in 2008, and in order to maintain the availability of longer-term credit in Canada, the federal government established IMPP. Under this initiative CMHC purchased securities backed by insured residential mortgages issued by Canadian lenders. After the initial purchase of \$25 billion in NHA MBS, the Government of Canada increased the program to \$125 billion with purchases to be completed by 2009. This amount was included in CMHC's target for 2009.

By the beginning of the second quarter of 2009, the liquidity crisis and resulting funding pressures began to wane, decreasing the demand for funding through IMPP. The program, however, continued to be an important source of funding and the federal government extended its availability until the end of March 2010. Altogether, approximately \$69 billion of the overall authorized \$125 billion was transacted.

CMHC's securitization programs continue to provide reliable and cost-effective funding, particularly for smaller lenders. In 2010, the Corporation expects demand for the securitization programs and the funding they provide to remain robust. Going forward, there are several emerging issues that could potentially impact CMHC's securitization activities.

These include the adoption of International Financial Reporting Standards (IFRS) and its impact on the capital levels of federally-regulated financial institutions as well as changes to the Basel Capital Framework.

CMHC is assessing these emerging issues and will work with regulators and industry participants to assess their implications on CMHC's securitization programs and clients' needs for reliable, cost-effective mortgage funding.

Recent global capital market events have demonstrated the importance of a strong capital base to withstand such occurrences. In 2009, CMHC implemented a capitalization policy for its commercial Securitization Activity. This Corporate Plan includes capitalization requirements for the guarantees provided under the NHA MBS and CMB programs. The Corporation's capitalization framework was developed in accordance with both regulatory and economic capital principles established by the Office of the Superintendent of Financial Institutions and Basel II, respectively.

Securitization and Canada Housing Trust – Financial Forecast Results								
\$ Millions	Actual 2009	Plan 2010	Estimate 2010 ¹	Plan				
				2011	2012	2013	2014	2015
CHT								
Revenue	6,197	7,370	6,887	6,855	7,122	7,407	8,355	9,123
Expense	5,985	7,370	6,861	6,855	7,122	7,407	8,355	9,123
Comprehensive income	212	0	26	0	0	0	0	0
Retained Earnings	(34)	0	(8)	0	0	0	0	0
SECURITIZATION								
Revenue	1,637	2,113	1,860	2,202	2,234	1,878	503	227
Expense	1,536	2,198	1,926	1,965	2,009	1,669	300	33
Comprehensive Income	96	(76)	(51)	183	177	165	163	158
Retained Earnings Set Aside for Capitalization	538	603	696	703	688	612	537	538
¹ Estimates represent projected results for 2010 based on information available at time of preparation of the 2011-2015 Corporate Plan.								

Objective 3: Ensure the Canadian Housing System Remains One of the Best in the World

Financial information is presented for Housing Programs related to sustainable housing research and export support and for the management of Granville Island under this objective.

HOUSING PROGRAMS

The Corporation conducts and disseminates research to support the continued evolution of the country's housing markets and housing finance system. The Housing Export function of CMHC International helps Canadian exporters of housing-related goods and services penetrate foreign markets. CMHC also shares Canada's housing and housing finance know-how through its international relations activities.

Of the \$3,028.2 million spent in 2009-10 under Housing Programs, \$23.0 million, or approximately 1%, was spent on the achievement of this objective. In 2010-11 and 2011-12, approximately \$27.8 million and \$26.4 million, respectively, will be spent on achieving this objective. In 2010-11, \$12.2 million will be spent on research and \$15.2 million on export

activities. In 2011-2012, \$11.6 million will be spent on research and \$14.5 million will be spent on export activities. The remainder of housing program expenses will be used to cover the cost of emergency planning.

GRANVILLE ISLAND

Granville Island is a cultural, recreational and commercial development owned by the Government of Canada. The Island is home to approximately 275 businesses and facilities which employ about 3,000 people and generates approximately \$215 million in annual economic activity.

There are more than 10.5 million visits annually to Granville Island. Granville Island is recognized as one of the most successful waterfront redevelopments in North America, an important centre for arts and culture and home to Vancouver's public market.

Granville Island was created from an industrial landfill site with a capital infusion of \$25 million from the federal government. CMHC assumed the property management function in 1973 on behalf of the Government of Canada. CMHC is continuing to work on the renewal of Granville Island's aging infrastructure.

CHAPTER V | Resource Requirements



■ OPERATING BUDGET AND AMENDMENT THERETO

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

In 2009, total operating expenditures were \$358.9 million representing 98% of the total planned budget of \$365.2 million, or \$6.3 million under plan. Personnel expenses were \$12.7 million over plan due primarily to higher pension plan expenses based on actuarial results reported at 2008 year-end.

Non-personnel costs were \$19 million lower than plan reflecting measures introduced to offset the higher pension plan expense by reducing spending in other areas.

The operating expenses for 2010 are expected to be \$381.9 million, \$29.3 million below the approved budget of \$411.2 million. The forecast reflects a lower than planned pension plan expense based on the year-end 2009 actuarial results as well as reduced activity in a number of discretionary spending areas, consistent with the Government of Canada's Cost Containment Measures.

Operating Budget					
	Actual 2009	Plan 2010	Estimate 2010 ¹	Original Plan 2011	Amended Plan 2011
Staff-Years	1,999.1	2,138.0	2,125.0	2,014.2	2,039.8
Personnel (\$ Millions)	219.1	254.5	247.6	240.9	242.9
Non-Personnel (\$ Millions)	139.8	156.7	134.3	129.9	130.0
Total (\$ Millions)	358.9	411.2	381.9	370.8	372.9
¹ Estimates represent projected results for 2010 based on information available at time of preparation of the 2011-2015 Corporate Plan.					

The 2011 Operating Budget for CMHC reflects efficiencies and savings identified in support of the federal government's Cost Containment Measures. As well, the budget reflects the impact of the planned transition to International Financial Reporting Standards (IFRS).

The most significant impact on the Operating Budget from the implementation of IFRS relates to the accounting treatment for post-employee benefits such as the Pension Plan. Under IFRS, actuarial gains and losses for the Pension Plan will be recorded in full in the year in which they are incurred, and presented in other comprehensive income (OCI) on the financial statements. Previously, these gains and losses had been included in the Operating Budget, and amortized over the expected average remaining service period of active employees (typically approximately 10 years).

Changes in Operating Budget requirements over the planning period reflect the termination of new commitments for initiatives introduced in *Canada's Economic Action Plan*. As well, business volumes for mortgage insurance initiation are forecast to decline in 2011, although increases in related default management and claims are expected stemming from the lagging impact of the recent economic downturn as well as the overall higher number of loan approvals in recent years. The forecast includes adjustments for salary market increases and related impacts on employment benefits, managed in accordance with the Cost Containment Measures. Planned staff-years for the Securitization and Lending Activities are forecast to remain relatively constant for 2011 and beyond.

2011 Amended Operating Budget

The original 2011 Operating Budget was developed on the basis of the first two years of funding for housing and homelessness programs (as part of the Government's five-year funding commitment to these programs). No provisions were made for the period beyond March 2011.

In December 2010, CMHC obtained the necessary authorities to amend its Operating Budget based on the approved funding for the fiscal years 2011-12 to 2013-14. The incremental Operating Budget requirements reflect the costs associated with funding for these three years. The approved amended requirements are as follows:

2011 Operating Budget Amendment	
Operating Budget (\$ Millions)	
Original Approved Plan	370.8
Incremental requirements	2.1
Amended Plan	372.9
Staff-Years	
Original Approved Plan	2,014.2
Incremental requirements	25.6
Amended Plan	2,039.8

CAPITAL BUDGET FOR FURNITURE, EQUIPMENT AND BUSINESS PREMISES

CMHC's Capital Budget for Furniture, Equipment and Business Premises provides for the fit-up of CMHC's office space, ongoing repair and replacement of worn out assets, the acquisition of new assets, and the principal portion of the long-term lease payments for the National Office "C" Building.

Commitments against the capital budget for 2009 were \$5.2 million as planned.

The projected requirements of \$4.5 million in 2010 are in line with the approved budget.

As part of CMHC's 2010-2014 Corporate Plan, a key initiative was to contribute to responsible environmental stewardship by improving energy efficiency. A total of \$5.0 million, or \$1.0 million per year for five years starting in 2011, is included in the proposed capital budget for implementation of these initiatives.

Capital Budget for Furniture, Equipment and Business Premises				
\$ Thousands	Actual 2009	Plan 2010	Estimate 2010 ¹	Plan 2011
Furniture & Equipment	1,580.6	756.0	721.0	702.0
Business Premises	1,845.3	1,709.0	1,744.0	2,629.3
Obligations under Capital Lease	1,770.5	1,985.1	1,985.1	2,225.6
Total	5,196.4	4,450.1	4,450.1	5,556.9
¹ Estimates represent projected results for 2010 based on information available at time of preparation of the 2011-2015 Corporate Plan.				

CAPITAL BUDGET FOR LOANS AND INVESTMENTS AND AMENDMENT THERETO

The Corporation's Capital Budget for Loans and Investments provides for borrowings for loans to acquire, construct or renovate housing under the various programs of the *National Housing Act*, and to help Canadians in need to access affordable, sound and suitable housing.

Capital commitments made in 2009 totalled \$567.2 million which were lower than the plan of \$1,059 million primarily because of the delayed take-up of the Municipal Infrastructure Lending Program (MILP).

The 2010 Capital Budget was originally approved at \$1,417.5 million reflecting lending requirements associated with MILP at \$1,000 million. It was later amended by \$550 million to provide for MILP commitments delayed from 2009.

For 2011, the original plan of \$583.1 million is significantly less than 2010 levels reflecting the termination of new commitments under MILP as of March 31, 2011.

Capital Budget for Loans and Investments						
\$ Thousands	Actual 2009	Original Plan 2010	Amended Plan 2010	Estimate 2010 ¹	Original Plan 2011	Amended Plan 2011
Total	567.2	1,417.5	1,967.5	1,971.5	583.1	633.1
¹ Estimates represent projected results for 2010 based on information available at time of preparation of the 2011-2015 Corporate Plan.						

2011 Amended Capital Budget

The original 2011 Capital Budget was developed on the basis that Housing and Homelessness programs would end in March 2011. In December 2010, CMHC obtained the necessary authorities to amend its Capital Budget based on the approved funding for the fiscal years 2011-12 to 2013-14. The incremental requirements reflect commitments associated with funding for these three years. The approved amended requirements are as follows:

2011 Capital Budget for Loans and Investments Amendment	
Capital Budget (\$ Millions)	
Original Approved Plan	583.1
Incremental requirements	50.0
Amended Plan	633.1

■ BORROWING PLAN

Prior to 1993, CMHC obtained funding by borrowing directly from the Government of Canada. From 1993, with the inception of Direct Lending, until early 2008, CMHC borrowed in the capital markets. Since April 2008, funds have been obtained by borrowing from the Consolidated Revenue Fund under the Crown Borrowing Program of the federal government.

CMHC borrows to fund the following categories of activities:

- *National Housing Act* (NHA) Part I purposes including for NHA Mortgage-Backed Securities (NHA MBS) and mortgages, including the Insured Mortgage Purchase Program (IMPP);
- The Direct Social Housing Lending initiative;
- Other loans and investments in housing programs that include loans made under the Municipal Infrastructure Lending Program; and
- Cash management, hedging and liquidity.

CMHC's 2011 Borrowing Plan includes new borrowing requirements of \$2.0 billion, largely for Direct Lending, and repayments of \$4.3 billion, primarily for IMPP. Taking into consideration opening balances of approximately \$76 billion, outstanding debt at year-end is projected at \$74 billion. Recognizing timing differences between repayments and new borrowings, CMHC requested and received approval from the Minister of Finance for total outstanding borrowings not to exceed \$78 billion during the year.

■ INVESTMENT PLAN FOR INSURANCE AND SECURITIZATION PORTFOLIOS

The investment objective of the Insurance and Securitization investment portfolios is to maximize the total investment return on a pre-tax basis after investment-related operating expenses while maintaining sufficient liquidity to meet projected business requirements and safeguarding the economic value of the investment portfolios.

On a regular basis, CMHC's Board of Directors approves the strategic asset allocation of the Insurance and Securitization investment portfolios. The asset mix is largely comprised of fixed income securities with smaller allocations to domestic and foreign equities as well as alternative investments.

The average nominal expected return is 4.5 per cent for a five-year holding period as at April 1, 2010, based on a number of assumptions developed by an external investment consulting firm and the asset allocation of the portfolios. Actual returns may differ from this expected level.

Investments under management totalled \$17,591 million (market value) as at June 30, 2010, compared to \$15,164 million as at June 30, 2009. The majority of these investments, \$16,496 million, relates to Insurance Activity while the remaining \$1,095 million relates to Securitization Activity.

FINANCIAL HIGHLIGHTS

Corporate Results	2007 Actual	2008 Actual	2009 Actual	2010 Estimate
Total Assets (\$M)	148,168	203,461	272,821	287,304
Total Liabilities (\$M)	141,174	195,291	263,558	277,029
Reserve Fund (\$M)	121	185	151	86
Total Equity of Canada (\$M)	6,994	8,170	9,263	10,275
Total Revenues before H&H extension (\$M)	9,320	11,738	13,164	14,744
Total Revenues including H&H extension (\$M) ¹	N/A	N/A	N/A	N/A
Total Operating Expenses before H&H extension (\$M) ²	347	385	416	450
Total Operating Expenses including H&H extension (\$M) ^{1,2}	N/A	N/A	N/A	N/A
Total Expenses before H&H extension (\$M)	7,746	9,319	11,939	13,351
Total Expenses including H&H extension (\$M) ¹	N/A	N/A	N/A	N/A
Net Income (\$M)	1,070	1,778	931	1,015
Other Comprehensive Income (\$M)	(200)	(604)	483	(5)
Comprehensive Income (\$M)	870	1,174	1,414	1,010
Staff-Years ¹	1,888	1,945	1,999	2,125
Insurance				
Total Insured Volume (units)	695,971	798,309	1,048,736	724,673
Insurance-in-force (\$M)	345,200	407,700	472,564	510,600
Premiums and Fees Received (\$M)	1,740	2,132	2,464	2,341
Investments (including cash) (\$M) ³	12,026	12,974	15,881	17,438
Unappropriated Retained Earnings (\$M)	1,942	1,778	2,009	298
Retained Earnings Set Aside for Capitalization (\$M)	4,258	5,423	5,937	8,763
Net Insurance Claims Expense (\$M)	315	372	1,112	666
Net Income (\$M)	1,022	999	742	1,113
Other Comprehensive Income (\$M)	(187)	(527)	411	(12)
Comprehensive Income (\$M)	835	472	1,153	1,101
Securitization				
Annual Securities Guaranteed (\$M)	57,981	104,625	135,447	67,100
Securitization Guarantees-in-force (\$M)	165,332	233,958	300,320	318,800
Borrowings from the Government of Canada (\$M)	n/a	24,872	61,260	61,130
Fees Received (\$M)	131	228	291	167
Investments (including cash) (\$M) ³	533	25,559	62,260	62,285
Unappropriated Retained Earnings (\$M)	305	938	409	194
Retained Earnings Set Aside for Capitalization (\$M)	n/a	n/a	538	696
Net Income (\$M)	58	633	69	(57)
Other Comprehensive Income (\$M)	(7)	(24)	27	6
Comprehensive Income (\$M)	51	609	96	(51)
Housing Programs				
Housing Program Expenses before H&H extension (\$M) (excluding operating expenses)	1,912	2,288	2,505	3,074
Housing Program Expenses including H&H extension (\$M) (excluding operating expenses) ¹	n/a	n/a	n/a	n/a
Estimated Households Assisted through Long-Term Commitments	626,300	623,700	620,000	612,500
New commitments On-reserve Non-Profit Units ⁴	1,442	945	822	627
Lending				
Loans and Investments in Housing Programs (\$M)	12,341	12,340	11,727	12,680
Borrowings from Capital Markets (\$M)	8,295	5,979	4,448	2,997
Borrowings from the Government of Canada (\$M)	4,446	7,746	8,593	11,279
Net Income (\$M)	(19)	64	(16)	(65)
Canada Housing Trust				
Assets (\$M)	120,122	150,669	182,206	194,962
Liabilities (\$M)	120,122	150,669	182,240	194,970

2007 to 2010 accounted for under CGAAP. 2011 forward accounted for under IFRS.

¹ Reflects the housing portion of the housing and homelessness funding (H&H extension) which was authorized subsequent to the approval of the 2011-2015 Corporate Plan (\$253.1 million per fiscal year from 2011-12 to 2013-14).

FINANCIAL HIGHLIGHTS

Corporate Results	2011 Plan	2012 Plan	2013 Plan	2014 Plan	2015 Plan
Total Assets (\$M)	281,435	280,016	256,591	233,249	236,682
Total Liabilities (\$M)	270,139	267,357	242,585	217,707	219,571
Reserve Fund (\$M)	40	62	71	99	121
Total Equity of Canada (\$M)	11,296	12,659	14,006	15,542	17,111
Total Revenues before H&H extension (\$M)	14,479	14,491	14,545	14,208	14,814
Total Revenues including H&H extension (\$M) ¹	14,606	14,744	14,798	14,334	14,814
Total Operating Expenses before H&H extension (\$M) ²	440	451	460	469	478
Total Operating Expenses including H&H extension (\$M) ^{1,2}	442	454	463	470	478
Total Expenses before H&H extension (\$M)	12,670	12,742	12,758	12,294	12,837
Total Expenses including H&H extension (\$M) ¹	12,797	12,995	13,011	12,420	12,837
Net Income (\$M)	1,343	1,324	1,350	1,448	1,497
Other Comprehensive Income (\$M)	41	39	(3)	88	72
Comprehensive Income (\$M)	1,384	1,363	1,347	1,536	1,569
Staff-Years ¹	2,040	1,999	2,005	1,982	1,966
Insurance					
Total Insured Volume (units)	706,664	702,187	698,949	701,520	705,667
Insurance-in-force (\$M)	533,200	550,100	560,700	569,400	575,300
Premiums and Fees Received (\$M)	2,212	2,235	2,292	2,365	2,447
Investments (including cash) (\$M) ³	18,878	20,255	21,666	23,242	24,905
Unappropriated Retained Earnings (\$M)	665	1,347	2,158	3,234	4,304
Retained Earnings Set Aside for Capitalization (\$M)	9,414	9,864	10,226	10,445	10,716
Net Insurance Claims Expense (\$M)	790	990	1,081	1,084	1,164
Net Income (\$M)	1,159	1,129	1,180	1,272	1,328
Other Comprehensive Income (\$M)	28	33	(7)	70	59
Comprehensive Income (\$M)	1,187	1,162	1,173	1,342	1,387
Securitization					
Annual Securities Guaranteed (\$M)	52,000	58,000	58,000	58,000	58,000
Securitization Guarantees-in-force (\$M)	309,800	297,200	279,400	271,600	277,800
Borrowings from the Government of Canada (\$M)	58,527	56,476	29,648	2,368	0
Fees Received (\$M)	128	145	145	145	145
Investments (including cash) (\$M) ³	59,816	57,883	31,184	4,045	1,827
Unappropriated Retained Earnings (\$M)	202	386	618	846	992
Retained Earnings Set Aside for Capitalization (\$M)	703	688	612	537	538
Net Income (\$M)	174	169	156	152	146
Other Comprehensive Income (\$M)	9	8	9	11	12
Comprehensive Income (\$M)	183	177	165	163	158
Housing Programs					
Housing Program Expenses before H&H extension (\$M) (excluding operating expenses)	2,165	1,760	1,772	1,756	1,749
Housing Program Expenses including H&H extension (\$M) (excluding operating expenses) ¹	2,286	2,002	2,014	1,877	1,749
Estimated Households Assisted through Long-Term Commitments	603,600	594,200	582,900	569,600	540,800
New commitments On-reserve Non-Profit Units ⁴	620	585	564	551	541
Lending					
Loans and Investments in Housing Programs (\$M)	13,282	12,523	11,862	11,475	10,273
Borrowings from Capital Markets (\$M)	2,071	1,749	1,389	1,388	740
Borrowings from the Government of Canada (\$M)	12,500	12,203	11,854	11,527	10,922
Net Income (\$M)	6	20	14	15	14
Canada Housing Trust					
Assets (\$M)	190,568	190,794	193,171	194,846	200,173
Liabilities (\$M)	190,568	190,794	193,171	194,846	200,173

² Total operating expenses are included in Total Expenses line below.

³ Excludes investments related to repurchase activities and accrued interest receivable.

⁴ Excludes CEAP units.



CHAPTER VI | Financial Statements

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TABLE 1
Consolidated Financial Statements
 Balance Sheet (In Millions of Dollars)

Description	2009 Actual	2010 Estimate	2011	2012	2013	2014	2015
Assets							
Cash and Cash Equivalents	4,242	5,377	4,518	4,421	4,530	4,675	4,900
Investment in NHA Mortgage-Backed Securities:							
Designated at Fair Value ¹	143,791	155,809	0	0	0	0	0
Held to Maturity ¹	59,000	56,705	0	0	0	0	0
Loans and Receivables ¹	0	0	244,253	242,138	218,067	193,594	196,541
Investment Securities:							
Designated at Fair Value ¹	1,273	1,675	1,127	1,249	1,210	1,313	1,257
Available for Sale	14,347	15,232	16,540	17,842	19,114	20,536	22,038
Held to Maturity ¹	54	3,700	0	0	0	0	0
Securities Purchased Under Resale Agreements	32,370	33,211	0	0	0	0	0
Loans:							
Designated at Fair Value	7,533	7,201	7,831	7,394	7,064	7,011	6,151
Other	3,255	4,609	4,646	4,384	4,109	3,825	3,529
Investments in Housing Programs	939	870	805	745	689	639	593
Due from the Government of Canada	476	576	220	220	220	220	220
Accrued Interest Receivable	812	1,230	878	799	622	462	401
Accounts Receivable and Other Assets	682	688	617	824	932	974	1,009
Future Income Tax Asset	0	0	0	0	34	0	43
Derivatives	4,047	421	0	0	0	0	0
Total Assets	272,821	287,304	281,435	280,016	256,591	233,249	236,682
Liabilities							
Securities Sold Under Repurchase Agreements	51	0	0	0	0	0	0
Unearned Premiums and Fees	7,177	7,719	7,924	8,168	8,416	8,674	8,961
Accounts Payable and Other Liabilities	694	894	824	810	817	800	734
Accrued Interest Payable	1,108	992	636	548	364	198	126
Derivatives	996	389	16	14	11	10	7
Provision for Claims	1,276	1,261	1,246	1,436	1,542	1,561	1,654
Future Income Tax Liabilities	202	136	13	(5)	0	(7)	0
Borrowings:							
Canada Mortgage Bonds	177,763	190,232	186,382	185,958	188,544	191,188	196,427
Capital Market Borrowings	4,438	2,997	2,071	1,749	1,389	1,388	740
Borrowings from the Government of Canada:							
Designated at Fair Value	4,477	5,744	6,861	6,908	6,788	6,690	6,317
Other Borrowings	65,376	66,665	64,166	61,771	34,714	7,205	4,605
Total Liabilities	263,558	277,029	270,139	267,357	242,585	217,707	219,571
Equity of Canada							
Contributed Capital	25	25	25	25	25	25	25
Accumulated Other Comprehensive Income (Loss)	207	202	224	258	267	318	368
Retained Earnings	9,031	10,048	11,047	12,376	13,714	15,199	16,718
Total Equity of Canada	9,263	10,275	11,296	12,659	14,006	15,542	17,111
Total Liabilities and Equity of Canada	272,821	287,304	281,435	280,016	256,591	233,249	236,682

2009 and 2010 accounted for under CGAAP. 2011 forward is accounted for under IFRS.

¹With the implementation of IFRS in 2011, the Investments in NHA MBS will be derecognized and the NHA MBS, the Securities Purchased Under Resale Agreements, the Investments in Securities Designated at Fair Value from CHT and the Investments in Securities Held to Maturity from Securitization will be replaced by Loans Receivable.

TABLE 2

Consolidated Financial Statements

Statement of Income and Comprehensive Income (In Millions of Dollars)

Description	2009 Actual	2010 Estimate	2011	2012	2013	2014	2015
Revenues							
Interest Income from NHA MBS/Loans Receivable	7,160	8,328	8,674	8,957	8,900	8,478	8,980
Income from Investment Securities	704	798	608	696	768	842	915
Premiums and Fees	1,804	1,966	2,079	2,137	2,187	2,251	2,306
Interest Earned on Loans and Investments in Housing Programs	723	667	686	658	624	598	574
Net Realized Gains (Losses) from Financial Instruments	112	67	62	58	82	66	77
Net Unrealized Gains (Losses) from Financial Instruments	(53)	(361)	(9)	7	(5)	12	13
Other Income	101	88	89	100	97	84	77
	10,551	11,553	12,189	12,613	12,653	12,331	12,942
Parliamentary Appropriations for:							
Housing Programs	2,505	3,074	2,165	1,760	1,772	1,756	1,749
Operating Expenses	108	117	125	118	120	121	123
	2,613	3,191	2,290	1,878	1,892	1,877	1,872
Total Revenues	13,164	14,744	14,479	14,491	14,545	14,208	14,814
Expenses							
Interest Expense	7,906	9,161	9,275	9,541	9,445	8,985	9,446
Housing Programs	2,505	3,074	2,165	1,760	1,772	1,756	1,749
Operating Expenses	416	450	440	451	460	469	478
Net Claims	1,112	666	790	990	1,081	1,084	1,164
Total Expenses	11,939	13,351	12,670	12,742	12,758	12,294	12,837
Income before Income Taxes	1,225	1,393	1,809	1,749	1,787	1,914	1,977
Income Taxes	294	378	466	425	437	466	480
Net Income	931	1,015	1,343	1,324	1,350	1,448	1,497
Other Comprehensive Income (Net of Tax)							
Net Unrealized Gains (Losses) from Available for Sale Financial Instruments	541	40	60	70	64	89	96
Reclassification of Prior Years' Unrealized Net (Gains) Losses Realized in the Year	(58)	(45)	(38)	(36)	(55)	(38)	(46)
Net Actuarial Gains/Losses on Employee Benefit Plans	0	0	19	5	(12)	37	22
Other Comprehensive Income	483	(5)	41	39	(3)	88	72
Comprehensive Income	1,414	1,010	1,384	1,363	1,347	1,536	1,569

2009 and 2010 accounted for under CGAAP. 2011 forward is accounted for under IFRS.

Financial Plan tables do not reflect funding for housing and homelessness programs which was authorized subsequent to the preparation of the 2011-2015 Corporate Plan (\$253.1 million per fiscal year, for 2011-12 to 2013-14).

TABLE 3

Consolidated Financial Statements

Statement of Equity of Canada (In Millions of Dollars)

Description	2009 Actual	2010 Estimate	2011	2012	2013	2014	2015
Unappropriated							
Opening Balance	2,813	2,405	503	890	1,762	2,805	4,118
Effect of Accounting Policy Change	(306)	0	0	0	0	0	0
IFRS Transitional Adjustments	0	0	(305)	0	0	0	0
Income Tax Benefit on Earnings Set Aside for Capitalization	3	2	1	0	0	0	0
Actuarial Gains/Losses included in OCI	0	0	12	3	(7)	24	14
Net Income (Loss)	947	1,080	1,337	1,304	1,336	1,433	1,483
Set Aside for Capitalization	(1,052)	(2,984)	(658)	(435)	(286)	(144)	(272)
Balance 31 December	2,405	503	890	1,762	2,805	4,118	5,343
Earnings Set Aside for Capitalization (Insurance)							
Opening Balance	5,423	5,937	8,763	9,414	9,864	10,226	10,445
Set Aside for Capitalization	514	2,826	651	450	362	219	271
Balance 31 December	5,937	8,763	9,414	9,864	10,226	10,445	10,716
Earnings Set Aside for Capitalization (Securitization)							
Opening Balance	0	538	696	703	688	612	537
Set Aside for Capitalization	538	158	7	(15)	(76)	(75)	1
Balance 31 December	538	696	703	688	612	537	538
Total Earnings Set Aside for Capitalization	6,475	9,459	10,117	10,552	10,838	10,982	11,254
Reserve Fund for Lending							
Opening Balance	185	151	86	40	62	71	99
Effect of Accounting Policy Change	(18)	0	0	0	0	0	0
IFRS Transitional Adjustments	0	0	(59)	0	0	0	0
Actuarial Gains/Losses included in OCI	0	0	7	2	(5)	13	8
Net Income (Loss)	(16)	(65)	6	20	14	15	14
Balance 31 December	151	86	40	62	71	99	121
Total Retained Earnings	9,031	10,048	11,047	12,376	13,714	15,199	16,718
Accumulated Other Comprehensive Income (Loss)							
Opening Balance	(276)	207	202	224	258	267	318
Other Comprehensive Income	483	(5)	22	34	9	51	50
Balance 31 December	207	202	224	258	267	318	368
Contributed Capital	25	25	25	25	25	25	25
Total Equity of Canada	9,263	10,275	11,296	12,659	14,006	15,542	17,111
2009 and 2010 accounted for under CGAAP. 2011 forward is accounted for under IFRS.							

TABLE 4
Consolidated Financial Statements
 Statement of Cash Flows (In Millions of Dollars)

Description	2009 Actual	2010 Estimate	2011	2012	2013	2014	2015
Cash Flows Provided by (Used in) Operating Activities							
Net Income (Loss)	931	1,015	1,343	1,324	1,350	1,448	1,497
Items not Affecting Cash or Cash Equivalents							
Amortization of Discounts/Premiums	(103)	(207)	(213)	(215)	(218)	262	268
Future Income Taxes	(19)	(66)	(123)	(18)	(29)	27	(36)
Change in Fair Value of Financial Instruments	42	294	(53)	(65)	(77)	(78)	(90)
Gain on Sale of Securities	(99)	0	0	0	0	0	0
Net Change in Non-cash Operating Assets and Liabilities	1,495	(274)	490	199	222	238	280
	2,247	762	1,444	1,225	1,248	1,897	1,919
Cash Flows Provided by (Used in) Investing Activities							
Change in HTM and Designated at Fair Value NHA MBS							
Sales and Maturities	58,156	48,890	63,338	65,996	83,826	79,737	57,287
Purchases	(114,403)	(65,393)	(56,950)	(61,518)	(60,709)	(59,925)	(60,898)
Change in Investment Securities	(2,578)	(1,454)	(1,796)	(4,923)	201	4,688	(798)
Change in Loans and Investments in Housing Programs							
Repayments	818	802	819	852	878	893	901
Disbursements	(397)	(1,941)	(1,516)	(109)	(215)	(495)	(93)
Change in Securities Purchased Under Resale Agreements	(12,954)	(842)	0	0	0	0	0
	(71,358)	(19,938)	3,895	298	23,981	24,898	(3,601)
Cash Flows Provided by (Used in) Financing Activities							
Canada Mortgage Bonds							
Issuances	47,248	38,649	32,098	38,724	37,914	37,156	38,141
Repayments	(13,050)	(19,400)	(36,025)	(37,700)	(35,500)	(36,200)	(32,620)
Capital Market Borrowings							
Repayments	(1,050)	(1,521)	(933)	(300)	(350)	0	(650)
Borrowings from the Government of Canada Designated at Fair Value and Other							
Issuances	42,036	6,367	1,728	842	1,099	700	658
Repayments	(4,776)	(3,733)	(3,066)	(3,186)	(28,283)	(28,306)	(3,622)
Change in Short-Term Borrowings	46	0	0	0	0	0	0
Change in Securities Sold under Repurchase Agreements	(84)	(51)	0	0	0	0	0
Change in Securities Sold But Not Yet Purchased	0	0	0	0	0	0	0
	70,370	20,311	(6,198)	(1,620)	(25,120)	(26,650)	1,907
Increase (Decrease) in Cash and Cash Equivalents	1,259	1,135	(859)	(97)	109	145	225
Cash and Cash Equivalents							
Beginning of Year	2,983	4,242	5,377	4,518	4,421	4,530	4,675
End of Year	4,242	5,377	4,518	4,421	4,530	4,675	4,900
Supplemental Disclosure of Cash Flow Information							
Amount of Interest Paid During the Year	7,880	9,277	9,631	9,629	9,629	9,151	9,518
Amount of Income Taxes Paid During the Year	326	429	456	529	358	408	496

2009 and 2010 accounted for under CGAAP. 2011 forward is accounted for under IFRS.

TABLE 5

Reconciliation of 2010 Estimated Consolidated Closing Retained Earnings under GAAP and 2011 Consolidated Opening Retained Earnings under IFRS (In Millions of Dollars)

Description	Unappropriated Retained Earnings	Earnings Set Aside for Capitalization	Reserve Fund for Lending	AOCI	Contributed Capital	Total Equity of Canada
Closing 2010 (GAAP)	503	9,459	86	202	25	10,275
Derecognition ¹	(250)	0	0	0	0	(250)
Employee Benefits ²	(211)	0	(147)	0	0	(358)
Investment Property ³	0	0	68	0	0	68
Revenue Recognition ⁴	52	0	0	0	0	52
Income Taxes ⁵	104	0	20	0	0	124
Opening 2011 (IFRS)	198	9,459	27	202	25	9,911

¹ The majority of NHA MBS under the Insured Mortgage Purchase Program (IMPP) and the Canada Mortgage Bond (CMB) Program are considered a financing arrangement and the NHA MBS investments, related swaps and reinvestment assets are replaced on the Balance Sheet by Loans Receivable. The amount represents the difference between the fair value of the Loans Receivable and the fair value of the NHA MBS investments, swaps and reinvestment assets. For Corporate Plan purposes, all NHA MBS have been treated as though they do not meet the criteria for derecognition, and thus have been accounted for as Loans Receivable. The decrease of \$250M in Unappropriated Retained Earnings from Derecognition relates to IMPP held in Securitization (decrease of \$258M) and CMB held in CHT (increase of \$8M).

² Expensing Net Actuarial Losses for pensions, which were deferred and amortized under GAAP.

³ Represents difference between carrying value and fair value of Investment Property.

⁴ Previously deferred Application and Privately Insured Mortgage Fees and directly related costs are recognized in the year received.

⁵ Applicable Income Taxes on the adjustments above.

TABLE 6

Housing Programs

Statement of Expenditures and Recoveries (In Millions of Dollars)

Description	2009 Actual	2010 Estimate	2011	2012	2013	2014	2015
Cash Flow Requirements - Contributions							
Increased availability of safe, affordable housing for Canadians in need, including Aboriginal Canadians							
Assisted Housing Programs	1,634	1,697	1,615	1,625	1,643	1,618	1,601
Affordable Housing Initiative	316	519	162	12	6	5	5
On-Reserve Housing Programs ¹	156	226	195	159	167	178	189
Housing Repair and Improvement Programs	448	688	248	12	5	5	5
Research and information dissemination that addresses distinct housing needs, including those of Aboriginal people	4	5	7	6	5	5	6
Strengthened competitiveness and innovation of the housing sector in order to meet the housing needs of Canadians							
Canadian Housing Market Research and Analysis	19	19	22	23	24	24	24
Research and information dissemination to promote desirable housing market outcomes and improve building performance	14	13	14	15	15	15	15
The Canadian housing system remains one of the best in the world							
International Activities	12	13	15	14	15	15	15
Research and information dissemination to promote sustainable housing and communities, as well as lead the development and implementation of federal housing policy	10	11	12	12	12	12	12
Total Cash Flow Requirements	2,613	3,191	2,290	1,878	1,892	1,877	1,872

Financial Plan tables do not reflect funding for housing and homelessness programs which was authorized subsequent to the preparation of the 2011-2015 Corporate Plan (\$253.1 million per fiscal year, for 2011-12 to 2013-14).

¹ Includes On-Reserve Non-Profit Rental Housing Program and renovation programs.

TABLE 7
Lending Activity
 Balance Sheet (In Millions of Dollars)

Description	2009 Actual	2010 Estimate	2011	2012	2013	2014	2015
Assets							
Cash and Cash Equivalents	213	317	298	367	379	393	383
Investment Securities:							
Designated at Fair Value	1,029	1,309	1,071	1,193	1,154	1,257	1,201
Loans:							
Designated at Fair Value	7,533	7,201	7,831	7,394	7,064	7,011	6,151
Other	3,255	4,609	4,646	4,384	4,109	3,825	3,529
Investments in Housing Programs	939	870	805	745	689	639	593
Due from the Government of Canada	476	576	220	220	220	220	220
Accrued Interest Receivable	244	249	235	219	203	186	166
Accounts Receivable and Other Assets	306	286	374	339	338	304	287
Derivatives	111	0	0	0	0	0	0
Future Income Tax Assets	0	0	0	0	25	0	7
Securities Purchased Under Resale Agreements	127	0	0	0	0	0	0
Total Assets	14,233	15,417	15,480	14,861	14,181	13,835	12,537
Liabilities							
Accounts Payable and Other Liabilities	665	842	729	720	729	673	636
Accrued Interest Payable	126	125	120	109	102	98	86
Derivatives	263	83	16	14	11	10	7
Future Income Tax Liabilities	(38)	(20)	(21)	(21)	0	15	0
Borrowings:							
Capital Market Borrowings	4,448	2,997	2,071	1,749	1,389	1,388	740
Borrowings from the Government of Canada:							
Designated at Fair Value	4,477	5,744	6,861	6,908	6,788	6,690	6,317
Other Borrowings	4,116	5,535	5,639	5,295	5,066	4,837	4,605
Total Liabilities	14,057	15,306	15,415	14,774	14,085	13,711	12,391
Equity of Canada							
Contributed Capital	25	25	25	25	25	25	25
Reserve for Unrealized Gains/Losses	35	(32)	(64)	(50)	(45)	(23)	(4)
Reserve for All Other Lending-Related Items	116	118	104	112	116	122	125
Total Equity of Canada	176	111	65	87	96	124	146
Total Liabilities and Equity of Canada	14,233	15,417	15,480	14,861	14,181	13,835	12,537

2009 and 2010 accounted for under CGAAP. 2011 forward is accounted for under IFRS.

TABLE 8

Lending Activity

Statement of Income, Comprehensive Income and Reserve Fund (In Millions of Dollars)

Description	2009 Actual	2010 Estimate	2011	2012	2013	2014	2015
Revenues							
Income from Investment Securities	16	14	44	72	74	70	65
Interest Earned on Loans and Investments in Housing Programs	723	667	686	658	624	598	574
Net Realized Gains (Losses) from Financial Instruments	(2)	0	0	0	0	0	0
Net Unrealized Gains (Losses) from Financial Instruments	(77)	(98)	(13)	1	(5)	3	4
Other Income	(3)	(4)	13	13	14	12	12
Total Revenues	657	579	730	744	707	683	655
Expenses							
Interest Expense	658	646	697	691	661	635	607
Operating Expenses	19	27	27	27	28	28	29
Total Expenses	677	673	724	718	689	663	636
Income Before Income Taxes	(20)	(94)	6	26	18	20	19
Income Taxes	(4)	(29)	0	6	4	5	5
Net Income (Loss)	(16)	(65)	6	20	14	15	14
Other Comprehensive Income (Net of Tax)							
Net Actuarial Gains/Losses on Employee Benefit Plans	0	0	7	2	(5)	13	8
Other Comprehensive Income	0	0	7	2	(5)	13	8
Comprehensive Income	(16)	(65)	13	22	9	28	22
Reserve Fund							
Balance, Beginning of Year	185	151	86	40	62	71	99
Dividend paid out to Government of Canada	0	0	0	0	0	0	0
Effect of Accounting Policy Change	(18)	0	0	0	0	0	0
IFRS Transitional Adjustments :							
Employee Future Benefits (IAS 19)	0	0	(110)	0	0	0	0
Investment in Real Estate (IAS 40)	0	0	51	0	0	0	0
Actuarial Gains/Losses included in OCI	0	0	7	2	(5)	13	8
Net Income (Loss)	(16)	(65)	6	20	14	15	14
Balance, End of Year	151	86	40	62	71	99	121
Reserve for Unrealized Gains/Losses	35	(32)	(64)	(50)	(45)	(23)	(4)
Reserve for All Other Lending-Related Items	116	118	104	112	116	122	125
Total Reserve Fund	151	86	40	62	71	99	121

2009 and 2010 accounted for under CGAAP. 2011 forward is accounted for under IFRS.

TABLE 9
Lending Activity

Statement of Cash Flows (In Millions of Dollars)

Description	2009 Actual	2010 Estimate	2011	2012	2013	2014	2015
Cash Flows Provided by (Used in) Operating Activities							
Net Income (Loss)	(16)	(65)	6	20	14	15	14
Items not Affecting Cash or Cash Equivalents							
Amortization of Discounts and Premiums	3	0	0	0	0	0	0
Future Income Taxes	(39)	18	(1)	0	(4)	40	(22)
Change in Fair Value of Financial Instruments	79	98	13	(1)	5	(3)	(4)
Gain on Sale of Investment Securities	0	0	0	0	0	0	0
Net Change in Non-cash Operating Assets and Liabilities	(81)	91	91	21	2	(8)	(15)
	(54)	142	109	40	17	44	(27)
Cash Flows Provided by (Used in) Investment Activities							
Loans and Investments in Housing Programs							
Repayments	818	802	819	852	878	893	901
Disbursements	(397)	(1,941)	(1,516)	(109)	(215)	(495)	(93)
Change in Investment Securities	(50)	(280)	238	(122)	39	(102)	455
Change in Securities Purchased Under Resale Agreements	(127)	127	0	0	0	0	0
	244	(1,292)	(459)	621	702	296	1,263
Cash Flows Provided by (Used in) Financing Activities							
Capital Market Borrowings							
Issuances	0	0	0	0	0	0	0
Repayments	(1,050)	(1,511)	(933)	(300)	(350)	0	(650)
Borrowings from the Government of Canada Designated at Fair Value and Other							
Issuances	1,081	2,974	1,728	842	1,099	700	658
Repayments	(210)	(209)	(464)	(1,134)	(1,456)	(1,026)	(1,254)
Change in Short-Term Borrowings	46	0	0	0	0	0	0
Change in Securities Sold But Not Yet Purchased	0	0	0	0	0	0	0
	(133)	1,254	331	(592)	(707)	(326)	(1,246)
Increase (Decrease) in Cash and Cash Equivalents	57	104	(19)	69	12	14	(10)
Cash and Cash Equivalents							
Beginning of Year	156	213	317	298	367	379	393
End of Year	213	317	298	367	379	393	383
Supplemental Disclosure of Cash Flow Information							
Amount of Interest Paid During the Year	668	647	702	702	668	639	619
Amount of Income Taxes Paid During the Year	91	62	47	13	(7)	(7)	(8)
2009 and 2010 accounted for under CGAAP. 2011 forward is accounted for under IFRS.							

TABLE 10

Reconciliation of 2010 Estimated Closing Retained Earnings under GAAP
and 2011 Opening Retained Earnings under IFRS for Lending (In Millions of Dollars)

Description	Reserve Fund for Lending	AOCI	Contributed Capital	Total Equity of Canada
Closing 2010 (GAAP)	86	0	25	111
Derecognition	0	0	0	0
Employee Benefits ¹	(147)	0	0	(147)
Investment Property ²	68	0	0	68
Revenue Recognition	0	0	0	0
Income Taxes ³	20	0	0	20
Opening 2011 (IFRS)	27	0	25	52

¹ Expensing Net Actuarial Losses for pensions, which were deferred and amortized under GAAP. The decrease of \$147M in the Reserve Fund for Lending from Employee Benefits relates to Housing Programs (decrease of \$122M) and Lending (decrease of \$25M).
² Represents the difference between the carrying value and fair value of Investment Property.
³ Applicable Income Taxes on the above adjustments.

TABLE 11

Insurance Activity

Balance Sheet (In Millions of Dollars)

Description	2009 Actual	2010 Estimate	2011	2012	2013	2014	2015
Assets							
Cash and Cash Equivalents	580	662	720	702	760	819	882
Investment Securities:							
Available for Sale	15,249	16,721	18,103	19,498	20,851	22,368	23,968
Held to Maturity	0	0	0	0	0	0	0
Designated at Fair Value	52	55	55	55	55	55	55
Accrued Interest Receivable	92	106	118	132	147	164	181
Future Income Tax Asset	0	0	0	0	8	0	36
Accounts Receivable and Other Assets	357	317	144	354	442	504	547
Total Assets	16,330	17,861	19,140	20,741	22,263	23,910	25,669
Liabilities							
Securities Sold Under Repurchase Agreements	51	0	0	0	0	0	0
Unearned Premiums and Fees	6,675	7,226	7,546	7,814	8,072	8,338	8,622
Accounts Payable and Other Liabilities	64	21	15	14	16	58	31
Provision for Claims	1,276	1,261	1,246	1,436	1,542	1,561	1,654
Future Income Tax Liabilities	104	90	35	17	0	(22)	0
Total Liabilities	8,170	8,598	8,842	9,281	9,630	9,935	10,307
Equity of Canada							
Accumulated Other Comprehensive Income	214	202	219	249	249	296	342
Unappropriated Retained Earnings	2,009	298	665	1,347	2,158	3,234	4,304
Appropriated Retained Earnings	5,937	8,763	9,414	9,864	10,226	10,445	10,716
Total Equity of Canada	8,160	9,263	10,298	11,460	12,633	13,975	15,362
Total Liabilities and Equity of Canada	16,330	17,861	19,140	20,741	22,263	23,910	25,669

2009 and 2010 accounted for under CGAAP. 2011 forward is accounted for under IFRS.
Provision for Claims is in accordance with subsection 21(1) of the *National Housing Act*.
CMHC sets aside Retained Earnings for Capitalization as per subsection 21(2)(a) of the NHA.
CMHC Unappropriated Retained Earnings are available for use as per subsection 21(2) of the NHA.

TABLE 12

Insurance Activity

Statement of Income, Comprehensive Income, and Equity of Canada (In Millions of Dollars)

Description	2009 Actual	2010 Estimate	2011	2012	2013	2014	2015
Revenues							
Income from Investment Securities	562	554	611	675	750	832	915
Premiums and Fees	1,643	1,790	1,891	1,967	2,033	2,099	2,164
Net Realized Gains (Losses) from Financial Instruments	109	67	62	58	82	66	77
Net Unrealized Gains (Losses) from Financial Instruments	(3)	0	0	0	0	0	0
Other Income	5	0	0	0	0	0	0
Total Revenues	2,316	2,411	2,564	2,700	2,865	2,997	3,156
Expenses							
Interest Expense on Repos	1	0	0	0	0	0	0
Operating Expenses	195	216	212	218	224	231	237
Net Claims	1,112	666	790	990	1,081	1,084	1,164
Total Expenses	1,308	882	1,002	1,208	1,305	1,315	1,401
Income Before Income Taxes	1,008	1,529	1,562	1,492	1,560	1,682	1,755
Income Taxes	266	416	403	363	380	410	427
Net Income (Loss)	742	1,113	1,159	1,129	1,180	1,272	1,328
Other Comprehensive Income (Net of Tax)							
Net Unrealized Gains (Losses) from Available for Sale Financial Instruments	490	36	62	74	62	96	104
Reclassification of Prior Years' Unrealized Net (Gains) Losses Realized in the Year	(79)	(48)	(45)	(44)	(62)	(49)	(58)
Net Actuarial Gains/Losses on Employee Benefit Plans	0	0	11	3	(7)	23	13
Other Comprehensive Income	411	(12)	28	33	(7)	70	59
Comprehensive Income	1,153	1,101	1,187	1,162	1,173	1,342	1,387
Unappropriated Retained Earnings							
Balance, Beginning of Year	1,778	2,009	298	665	1,347	2,158	3,234
Income Tax Benefit on Earnings Set Aside for Capitalization	3	2	1	0	0	0	0
Net Income (Loss)	742	1,113	1,159	1,129	1,180	1,272	1,328
Set Aside for Capitalization	(514)	(2,826)	(651)	(450)	(362)	(219)	(271)
IFRS Transitional Adjustment :							
Employee Future Benefits (IAS 19)	0	0	(153)	0	0	0	0
Actuarial Gains/Losses included in OCI	0	0	11	3	(7)	23	13
Balance, End of Year	2,009	298	665	1,347	2,158	3,234	4,304
Retained Earnings Set Aside for Capitalization							
Balance, Beginning of Year	5,423	5,937	8,763	9,414	9,864	10,226	10,445
Transferred from Unappropriated Retained Earnings	514	2,826	651	450	362	219	271
Balance, End of Year	5,937	8,763	9,414	9,864	10,226	10,445	10,716
Accumulated Other Comprehensive Income							
Balance, Beginning of Year	(197)	214	202	219	249	249	296
Other Comprehensive Income	411	(12)	17	30	0	47	46
Balance, End of Year	214	202	219	249	249	296	342
Total Equity of Canada, End of Year	8,160	9,263	10,298	11,460	12,633	13,975	15,362

2009 and 2010 accounted for under CGAAP. 2011 forward is accounted for under IFRS.

Provision for Claims is in accordance with subsection 21(1) of the *National Housing Act*.

CMHC sets aside Retained Earnings for Capitalization as per subsection 21(2)(a) of the NHA.

CMHC Unappropriated Retained Earnings are available for use as per subsection 21(2) of the NHA.

TABLE 13

Insurance Activity

Statement of Cash Flows (In Millions of Dollars)

Description	2009 Actual	2010 Estimate	2011	2012	2013	2014	2015
Cash Flows Provided by (Used in) Operating Activities							
Net Income (Loss)	742	1,113	1,159	1,129	1,180	1,272	1,328
Items not Affecting Cash or Cash Equivalents							
Amortization of Discounts and Premiums	23	23	23	23	23	23	23
Future Income Taxes	28	(14)	(55)	(18)	(25)	(14)	(14)
Change in Fair Value of Financial Instruments	(9)	(67)	(62)	(58)	(82)	(66)	(77)
Gain of Sale of Investment Securities	(96)	0	0	0	0	0	0
Net Change in Non-cash Operating Assets and Liabilities	1,494	521	319	236	256	271	303
	2,182	1,576	1,384	1,312	1,352	1,486	1,563
Cash Flows Provided by (Used in) Investment Activities							
Change in Investment Securities	(1,719)	(1,443)	(1,326)	(1,330)	(1,294)	(1,427)	(1,500)
Change in Securities Purchased Under Resale Agreements	0	0	0	0	0	0	0
	(1,719)	(1,443)	(1,326)	(1,330)	(1,294)	(1,427)	(1,500)
Cash Flows Provided by (Used in) Financing Activities							
Change in Securities Sold under Repurchase Agreements	(84)	(51)	0	0	0	0	0
Increase (Decrease) in Cash and Cash Equivalents	379	82	58	(18)	58	59	63
Cash and Cash Equivalents							
Beginning of Year	201	580	662	720	702	760	819
End of Year	580	662	720	702	760	819	882
Supplemental Disclosure of Cash Flow Information							
Amount of Interest Paid During the Year	1	0	0	0	0	0	0
Amount of Income Taxes Paid During the Year	197	322	358	450	307	360	450
2009 and 2010 accounted for under CGAAP. 2011 forward is accounted for under IFRS.							

TABLE 14

Reconciliation of 2010 Estimated Closing Retained Earnings under GAAP

and 2011 Opening Retained Earnings under IFRS for Insurance (In Millions of Dollars)

Description	Unappropriated Retained Earnings	Earnings Set Aside for Capitalization	AOCI	Total Equity of Canada
Closing 2010 (GAAP)	298	8,763	202	9,263
Derecognition	0	0	0	0
Employee Benefits ¹	(204)	0	0	(204)
Investment Property	0	0	0	0
Revenue Recognition	0	0	0	0
Income Taxes ²	51	0	0	51
Opening 2011 (IFRS)	145	8,763	202	9,110

¹ Expensing Net Actuarial Losses for pensions, which were deferred and amortized under GAAP.² Applicable Income Taxes on the above adjustments.

TABLE 15

Securitization Activity

Balance Sheet (In Millions of Dollars)

Description	2009 Actual	2010 Estimate	2011	2012	2013	2014	2015
Assets							
Cash and Cash Equivalents	1,298	46	51	56	61	66	71
Investments in NHA Mortgage-Backed Securities:							
Held to Maturity ¹	59,000	56,705	0	0	0	0	0
Designated at Fair Value	0	0	0	0	0	0	0
Loans and Receivables ¹	0	0	58,527	56,476	29,648	2,368	0
Investment Securities:							
Designated at Fair Value	1	1	1	1	1	1	1
Available for Sale	957	1,109	1,237	1,350	1,474	1,610	1,755
Held to Maturity ¹	1,004	4,424	0	0	0	0	0
Securities Purchased Under Resale Agreement	0	0	0	0	0	0	0
Accrued Interest Receivable	125	103	100	100	49	15	13
Accounts Receivable and Other Assets	58	78	91	121	142	153	160
Future Income Tax Assets	0	0	0	0	1	0	0
Derivatives	790	260	0	0	0	0	0
Total Assets	63,233	62,726	60,007	58,104	31,376	4,213	2,000
Liabilities							
Unearned Guarantee, Application and Compensatory Fees	502	493	378	354	344	336	339
Accounts Payable and Other Liabilities	11	30	79	75	71	68	66
Accrued Interest Payable	119	96	92	91	39	4	0
Derivatives	245	2	0	0	0	0	0
Future Income Tax Liabilities	136	66	(1)	(1)	0	0	0
Borrowings from the Government of Canada:							
Designated at Fair Value	0	0	0	0	0	0	0
Other Borrowings	61,260	61,130	58,527	56,476	29,648	2,368	0
Total Liabilities	62,273	61,817	59,075	56,995	30,102	2,776	405
Equity of Canada							
Accumulated Other Comprehensive Income	13	19	27	35	44	54	65
Unappropriated Retained Earnings	409	194	202	386	618	846	992
Appropriated Retained Earnings	538	696	703	688	612	537	538
Total Equity of Canada	960	909	932	1,109	1,274	1,437	1,595
Total Liabilities and Equity of Canada	63,233	62,726	60,007	58,104	31,376	4,213	2,000

2009 and 2010 accounted for under CGAAP. 2011 forward is accounted for under IFRS.

CMHC sets aside Retained Earnings for Capitalization as per subsection 21(2)(a) of the NHA.

CMHC Unappropriated Retained Earnings are available for use as per subsection 21(2) of the NHA.

¹ With the implementation of IFRS in 2011, the Investments in NHA MBS will be derecognized and the NHA MBS and the Investments in Securities Held to Maturity will be replaced by Loans Receivable.

TABLE 16

Securitization Activity

Statement of Income, Comprehensive Income, and Equity of Canada (In Millions of Dollars)

Description	2009 Actual	2010 Estimate	2011	2012	2013	2014	2015
Revenues							
Interest Income from NHA MBS/Loans Receivable	1,523	1,767	1,956	2,000	1,659	290	23
Income from Investment Securities	38	187	44	50	56	64	71
Premiums and Fees	161	176	188	170	154	152	142
Net Realized Gains (Losses) from Financial Instruments	5	0	0	0	0	0	0
Net Unrealized Gains (Losses) from Financial Instruments	(109)	(287)	0	0	0	0	0
Other Income	19	17	14	14	9	(3)	(9)
Total Revenues	1,637	1,860	2,202	2,234	1,878	503	227
Expenses							
Interest Expense	1,529	1,916	1,956	2,000	1,660	290	23
Operating Expenses	7	10	9	9	9	10	10
Total Expenses	1,536	1,926	1,965	2,009	1,669	300	33
Income Before Income Taxes	101	(66)	237	225	209	203	194
Income Taxes	32	(9)	63	56	53	51	48
Net Income (Loss)	69	(57)	174	169	156	152	146
Other Comprehensive Income (Net of Tax)							
Net Unrealized Gains (Losses) from Available for Sale Financial Instruments	31	6	8	8	9	10	11
Reclassification of Prior Years' Unrealized Net (Gains) Losses Realized in the Year	(4)	0	0	0	0	0	0
Net Actuarial Gains/Losses on Employee Benefit Plans	0	0	1	0	0	1	1
Other Comprehensive Income	27	6	9	8	9	11	12
Comprehensive Income	96	(51)	183	177	165	163	158
Unappropriated Retained Earnings							
Balance, Beginning of Year	938	409	194	202	386	618	846
Effect of Accounting Policy Change	(60)	0	0	0	0	0	0
IFRS Transitional Adjustments:							
Unearned Application and Compensatory Fees	0	0	40	0	0	0	0
Deferred Issuance Costs	0	0	(2)	0	0	0	0
Employee Future Benefits (IAS 19)	0	0	(5)	0	0	0	0
Derecognition	0	0	(193)	0	0	0	0
Actuarial Gains/Losses included in OCI	0	0	1	0	0	1	1
Net Income (Loss)	69	(57)	174	169	156	152	146
Set Aside for Capitalization	(538)	(158)	(7)	15	76	75	(1)
Balance, End of Year	409	194	202	386	618	846	992
Retained Earnings Set Aside for Capitalization							
Balance, Beginning of Year	0	538	696	703	688	612	537
Transferred from Unappropriated Retained Earnings	538	158	7	(15)	(76)	(75)	1
Balance, End of Year	538	696	703	688	612	537	538
Accumulated Other Comprehensive Income							
Balance, Beginning of Year	(14)	13	19	27	35	44	54
Other Comprehensive Income	27	6	8	8	9	10	11
Balance, End of Year	13	19	27	35	44	54	65
Total Equity of Canada, End of Year	960	909	932	1,109	1,274	1,437	1,595

2009 and 2010 accounted for under CGAAP. 2011 forward is accounted for under IFRS.
CMHC sets aside Retained Earnings for Capitalization as per subsection 21(2)(a) of the NHA.
CMHC Unappropriated Retained Earnings are available for use as per subsection 21(2) of the NHA.

TABLE 17

Securitization Activity

Statement of Cash Flows (In Millions of Dollars)

Description	2009 Actual	2010 Estimate	2011	2012	2013	2014	2015
Cash Flows Provided by (Used in) Operating Activities							
Net Income (Loss)	69	(57)	174	169	156	152	146
Items not Affecting Cash or Cash Equivalents							
Amortization of Discounts and Premiums	2	(2)	(2)	(2)	(2)	(2)	(2)
Future Income Taxes	(8)	(70)	(67)	0	0	1	0
Change in Fair Value of Financial Instruments	108	287	0	0	0	0	0
Gain on Sale of Investment Securities	(3)	0	0	0	0	0	0
Net Change in Non-cash Operating Assets and Liabilities	103	(15)	80	(58)	(36)	(24)	(8)
	271	143	185	109	118	127	136
Cash Flows Provided by (Used in) Investment Activities							
Investments in NHA Mortgage-Backed Securities							
Sales and Maturities	12,785	1,098	3,982	5,213	25,053	20,710	1,747
Purchases	(47,018)	(3,393)	0	0	0	0	0
Change in Investment Securities	(1,143)	1,031	(1,560)	(3,265)	1,661	6,448	490
Change in Securities Purchased Under Resale Agreements	0	0	0	0	0	0	0
	(35,376)	(1,264)	2,422	1,948	26,714	27,158	2,237
Cash Flows Provided by (Used in) Financing Activities							
Borrowings from the Government of Canada							
Issuances	40,955	3,393	0	0	0	0	0
Repayments	(4,566)	(3,524)	(2,602)	(2,052)	(26,827)	(27,280)	(2,368)
	36,389	(131)	(2,602)	(2,052)	(26,827)	(27,280)	(2,368)
Increase (Decrease) in Cash and Cash Equivalents	1,284	(1,252)	5	5	5	5	5
Cash and Cash Equivalents							
Beginning of Year	14	1,298	46	51	56	61	66
End of Year	1,298	46	51	56	61	66	71
Supplemental Disclosure of Cash Flow Information							
Amount of Interest Paid During the Year	1,293	1,939	1,960	2,001	1,711	325	26
Amount of Income Taxes Paid During the Year	38	45	51	66	58	55	54
2009 and 2010 accounted for under CGAAP. 2011 forward is accounted for under IFRS.							

TABLE 18

Reconciliation of 2010 Estimated Closing Retained Earnings under GAAP and 2011 Opening Retained Earnings under IFRS for Securitization (In Millions of Dollars)

Description	Unappropriated Retained Earnings	Earnings Set Aside for Capitalization	AOCI	Total Equity of Canada
Closing 2010 (GAAP)	194	696	19	909
Derecognition ¹	(258)	0	0	(258)
Employee Benefits ²	(7)	0	0	(7)
Investment Property	0	0	0	0
Revenue Recognition ³	52	0	0	52
Income Taxes ⁴	53	0	0	53
Opening 2011 (IFRS)	34	696	19	749

¹ The majority of NHA MBS under the Insured Mortgage Purchase Program are considered a financing arrangement and the NHA MBS investments, related swaps and reinvestment assets are replaced on the Balance Sheet by Loans Receivable. The amount represents the difference between the fair value of the Loans Receivable and the fair value of the NHA MBS investments, swaps and reinvestment assets. For Corporate Plan purposes, all NHA MBS have been treated as though they do not meet the criteria for derecognition, and thus have been accounted for as Loans Receivable.

² Expensing Net Actuarial Losses for pensions, which were deferred and amortized under GAAP.

³ Previously deferred Application and Privately Insured Mortgage Fees and directly related costs are recognized in the year received.

⁴ Applicable Income Taxes on the above adjustments.

TABLE 19

Canada Housing Trust

Balance Sheet (In Millions of Dollars)

Description	2009 Actual	2010 Estimate	2011	2012	2013	2014	2015
Assets							
Cash and Cash Equivalents	2,273	4,352	3,449	3,296	3,330	3,397	3,564
Investments in NHA Mortgage-Backed Securities:							
Designated at Fair Value ¹	143,791	155,809	0	0	0	0	0
Loans and Receivables ¹	0	0	186,676	187,130	189,596	191,328	196,541
Investment Securities:							
Designated at Fair Value ¹	395	640	0	0	0	0	0
Securities Purchased Under Resale Agreements	32,243	33,211	0	0	0	0	0
Accrued Interest Receivable	358	789	443	368	245	121	68
Accounts Receivable and Other Assets	0	0	0	0	0	0	0
Derivatives	3,146	161	0	0	0	0	0
Total Assets	182,206	194,962	190,568	190,794	193,171	194,846	200,173
Liabilities							
Accounts Payable and Other Liabilities	1	1	1	1	1	1	1
Accrued Interest Payable	870	788	442	368	245	120	67
Derivatives	488	304	0	0	0	0	0
Canada Mortgage Bonds	180,881	193,877	190,125	190,425	192,925	194,725	200,105
Total Liabilities	182,240	194,970	190,568	190,794	193,171	194,846	200,173
Equity of Canada							
Accumulated Other Comprehensive Income	0	0	0	0	0	0	0
Retained Earnings	(34)	(8)	0	0	0	0	0
Total Equity of Canada	(34)	(8)	0	0	0	0	0
Total Liabilities and Equity of Canada	182,206	194,962	190,568	190,794	193,171	194,846	200,173

2009 and 2010 accounted for under CGAAP. 2011 forward is accounted for under IFRS.

¹ With the implementation of IFRS in 2011, the Investments in NHA MBS will be derecognized and the NHA MBS, Securities Purchased Under Resale Agreements and the Investments in Securities Designated at Fair Value will be replaced by Loans Receivable.

TABLE 20

Canada Housing Trust

Statement of Income and Comprehensive Income (In Millions of Dollars)

Description	2009 Actual	2010 Estimate	2011	2012	2013	2014	2015
Revenues							
Interest Income from NHA MBS/Loans Receivable	5,637	6,561	6,718	6,957	7,241	8,188	8,957
Income from Investment Securities	156	131	0	0	0	0	0
Net Unrealized Gains (Losses) from Financial Instruments	212	26	0	0	0	0	0
Other Income	192	169	137	165	166	167	166
Total Revenues	6,197	6,887	6,855	7,122	7,407	8,355	9,123
Expenses							
Interest Expense	5,786	6,687	6,713	6,951	7,236	8,184	8,952
Operating Expenses	199	174	142	171	171	171	171
Total Expenses	5,985	6,861	6,855	7,122	7,407	8,355	9,123
Income Before Income Taxes	212	26	0	0	0	0	0
Income Taxes	0	0	0	0	0	0	0
Net Income (Loss)	212	26	0	0	0	0	0
Other Comprehensive Income	0	0	0	0	0	0	0
Comprehensive Income	212	26	0	0	0	0	0
Retained Earnings							
Balance, Beginning of Year	0	(34)	(8)	0	0	0	0
Effect of Accounting Policy Change	(246)	0	0	0	0	0	0
IFRS Transition Adjustment:							
Derecognition	0	0	8	0	0	0	0
Net Income (Loss)	212	26	0	0	0	0	0
Balance, End of Year	(34)	(8)	0	0	0	0	0
2009 and 2010 accounted for under CGAAP. 2011 forward is accounted for under IFRS.							

TABLE 21

Canada Housing Trust

Statement of Cash Flows (In Millions of Dollars)

Description	2009 Actual	2010 Estimate	2011	2012	2013	2014	2015
Cash Flows Provided by (Used in) Operating Activities							
Net Income (Loss)	212	26	0	0	0	0	0
Items not Affecting Cash or Cash Equivalents							
Amortization of Discounts and Premiums	(131)	(228)	(234)	(236)	(239)	241	247
Change in Fair Value of Financial Instruments	(212)	(26)	0	0	0	0	0
Net Change in Non-cash Operating Assets and Liabilities	(21)	(871)	0	0	0	(1)	0
	(152)	(1,099)	(234)	(236)	(239)	240	247
Cash Flows Provided by (Used in) Investment Activities							
Investments in NHA Mortgage-Backed Securities/ Loans Receivable							
Sales and Maturities	45,371	47,792	59,356	60,783	58,773	59,027	55,540
Purchases	(67,385)	(62,000)	(56,000)	(61,000)	(61,000)	(61,000)	(61,000)
Change in Investment Securities	456	(245)	0	0	0	0	0
Change in Securities Purchased Under Resale Agreements	(12,827)	(969)	0	0	0	0	0
	(34,385)	(15,422)	3,356	(217)	(2,227)	(1,973)	(5,460)
Cash Flows Provided by (Used in) Financing Activities							
Canada Mortgage Bonds							
Issuances	47,248	38,000	32,000	38,000	38,000	38,000	38,000
Repayments	(13,050)	(19,400)	(36,025)	(37,700)	(35,500)	(36,200)	(32,620)
	34,198	18,600	(4,025)	300	2,500	1,800	5,380
Increase (Decrease) in Cash and Cash Equivalents	(339)	2,079	(903)	(153)	34	67	167
Cash and Cash Equivalents							
Beginning of Year	2,612	2,273	4,352	3,449	3,296	3,330	3,397
End of Year	2,273	4,352	3,449	3,296	3,330	3,397	3,564
Supplemental Disclosure of Cash Flow Information							
Amount of Interest Paid During the Year	5,996	6,769	7,059	7,025	7,359	8,309	9,005
Amount of Income Taxes Paid During the Year	0	0	0	0	0	0	0
2009 and 2010 accounted for under CGAAP. 2011 forward is accounted for under IFRS.							

TABLE 22

Reconciliation of 2010 Estimated Closing Retained Earnings under GAAP
and 2011 Opening Retained Earnings under IFRS for CHT (In Millions of Dollars)

Description	Unappropriated Retained Earnings	Earnings Set Aside for Capitalization	AOCI	Total Equity of Canada
Closing 2010 (GAAP)	(8)	0	0	(8)
Derecognition ¹	0	0	0	0
Employee Benefits	0	0	0	0
Investment Property	0	0	0	0
Revenue Recognition	0	0	0	0
Income Taxes	0	0	0	0
Opening 2011 (IFRS)	0	0	0	0

¹ The majority of NHA MBS under the Insured Mortgage Purchase Program are considered a financing arrangement and the NHA MBS investments, related swaps and reinvestment assets are replaced on the Balance Sheet by Loans Receivable. The amount represents the difference between the fair value of the Loans Receivable and the fair value of the NHA MBS investments, swaps and reinvestment assets. For Corporate Plan purposes, all NHA MBS have been treated as though they do not meet the criteria for derecognition, and thus have been accounted for as Loans Receivable.

TABLE 23

Statement of Transactions with the Consolidated Revenue Fund (CRF)

Years Ended 31 December (In Millions of Dollars)

Description	2009 Actual	2010 Estimate	2011	2012	2013	2014	2015
Cash Drawn from CRF							
Borrowings, Lending Activity	1,081	2,978	1,732	846	1,103	705	662
Borrowings, Securitization Activity	40,955	3,393	0	0	0	0	0
Grants, Contributions and Subsidies	2,613	3,191	2,290	1,878	1,892	1,877	1,872
Total Cash Drawn from CRF	44,649	9,562	4,022	2,724	2,995	2,582	2,534
Cash Paid to CRF							
Repayment of Borrowings,							
Lending Activity-Debt Incurred Prior to 2008	210	203	147	313	199	200	205
Lending Activity-Debt Incurred 2008 and Beyond	0	6	390	911	1,350	922	1,148
Repayment of Borrowings,							
Securitization Activity	4,694	3,524	2,602	2,052	26,827	27,280	2,368
Interest Paid on Borrowings	2,009	2,350	2,516	2,611	2,303	903	594
Federal Tax	326	429	456	529	358	408	496
Government of Canada Fee	11	10	10	13	16	15	14
Total Cash Paid to CRF	7,250	6,522	6,121	6,429	31,053	29,728	4,825
Net Cash Drawn from CRF	37,399	3,040	(2,099)	(3,705)	(28,058)	(27,146)	(2,291)

Financial Plan tables do not reflect funding for housing and homelessness programs which was authorized subsequent to the preparation of the 2011-2015 Corporate Plan (\$253.1 million per fiscal year, for 2011-12 to 2013-14).

TABLE 24

Statement of Transactions with the Consolidated Revenue Fund

Fiscal Years Ending 31 March (In Millions of Dollars)

Description	2009-10 Actual	2010-11 Estimate	2011-12	2012-13	2013-14	2014-15	2015-16
Cash Drawn from CRF							
Borrowings, Lending Activity	1,266	3,013	1,360	861	944	866	557
Borrowings, Securitization Activity	14,394	0	0	0	0	0	0
Grants, Contributions and Subsidies	3,028	3,036	1,907	1,868	1,894	1,864	1,868
Total Cash Drawn from CRF	18,688	6,049	3,267	2,729	2,838	2,730	2,425
Cash Paid to CRF							
Repayment of Borrowings,							
Lending Activity - debt incurred prior to 2008	206	202	216	197	244	201	204
Lending Activity - debt incurred 2008 and beyond	0	11	630	982	1,165	1,127	394
Repayment of Borrowings, Securitization Activity	5,575	3,294	2,465	3,496	43,352	11,168	0
Interest Paid on Borrowings	2,009	2,350	2,516	2,611	2,303	903	595
Federal Tax	326	429	456	529	358	408	496
Government of Canada Fee	11	10	10	13	16	15	14
Total Cash Paid to CRF	8,127	6,296	6,293	7,828	47,438	13,822	1,703
Net Cash Drawn from CRF	10,561	(247)	(3,026)	(5,099)	(44,600)	(11,092)	722

Financial Plan tables do not reflect funding for housing and homelessness programs which was authorized subsequent to the preparation of the 2011-2015 Corporate Plan (\$253.1 million per fiscal year, for 2011-12 to 2013-14).



The following provides a description of select CMHC terms and programs. For additional information consult CMHC's website at www.cmhc.ca

Affordable Housing Initiative (AHI)	Under the Affordable Housing Initiative, the federal government, through CMHC, provides funding to increase the supply of affordable housing off reserve, in cooperation with provinces and territories. Provinces and territories design the housing programs which must meet national criteria.
Canada Housing Trust (CHT)	The CHT is a legal entity at arm's length to CMHC. CHT acquires interests in eligible insured housing loans, such as <i>National Housing Act</i> Mortgage-Backed Securities. The CHT also purchases highly-rated investments, undertakes certain related financial hedging activities and issues Canada Mortgage Bonds (CMBs). CMBs are guaranteed by CMHC. CMHC also acts as the financial services advisor to the CHT, determining market demand for bond issuance, and engaging an underwriting syndicate to underwrite bond issues. CMHC receives a fee from CHT for its services as guarantor and financial services advisor. The day-to-day activities of the CHT are administered through a separate corporate entity serving as the trust administrator. As required under Accounting Guidelines 15 of Canada's Accounting Standards Board, CHT's financial results are consolidated with CMHC's financial statements because CHT is considered a variable interest entity. This will continue to be the case under the International Financial Reporting Standards (IFRS).
Canada Mortgage Bonds (CMB)	Bullet maturity bonds that are fixed-rate with a semi-annual coupon and floating rate notes with a quarterly coupon that are issued by the Canada Housing Trust (CHT) and guaranteed by CMHC.
CMHC Affordable Housing Centre	CMHC's centre of excellence for information, guidance and other tools to facilitate the production of affordable housing by non-profit organizations, private sector proponents and others.
Core Housing Need	A household is in core housing need if its housing does not meet one or more of the adequacy, suitability or affordability standards and it would have to spend 30% or more of its before-tax income to pay the median rent (including utility costs) of alternative local market housing that meets all three standards. Acceptable housing refers to housing that is adequate in condition, suitable in size, and affordable. Adequate housing does not require any major repairs, according to residents. Suitable housing has enough bedrooms for the size and make-up of resident households, according to National Occupancy Standard (NOS) requirements. Enough bedrooms based on NOS requirements means one bedroom for each cohabiting adult couple; unattached household member 18 years of age and over; same-sex pair of children under age 18; and additional boy or girl in the family, unless there are two opposite sex children under 5 years of age, in which case they are expected to share a bedroom. A household of one individual can occupy a bachelor unit (i.e., a unit with no bedroom). Affordable housing costs less than 30% of before-tax household income. For renters, shelter costs include rent and any payments for electricity, fuel, water and other municipal services. For owners, shelter costs include mortgage payments (principal and interest), property taxes, and any condominium fees, along with payments for electricity, fuel, water and other municipal services.

Direct Lending	CMHC provides low-cost loans directly to federally supported social housing sponsors seeking to refinance their housing projects and to First Nations to finance new housing production.
emili	An online proprietary automated mortgage insurance risk and approval system developed by CMHC. It provides a virtually instantaneous risk assessment of mortgage loan insurance applications.
EQuilibrium™ Communities Initiative	Goals of the joint CMHC/Natural Resources Canada EQuilibrium™ Communities Initiative: <ul style="list-style-type: none"> ■ to accelerate sustainable community planning and development in Canada by demonstrating implementation methodologies and by facilitating improvements to performance levels; and ■ to showcase how sustainable communities offer opportunities to achieve these improved levels of performance by integrating land use, housing, transportation and energy efficiency.
EQuilibrium™ Sustainable Housing Demonstration Initiative	Goals of CMHC's EQuilibrium™ Sustainable Housing Demonstration Initiative: <ul style="list-style-type: none"> ■ to promote low environmental impact healthy housing across Canada ■ to enhance the capacity of Canada's home builders, developers, architects and engineers to design and build EQuilibrium™ homes and communities across the country; ■ to educate consumers on the benefits of owning an EQuilibrium™ home and achieve market acceptance of EQuilibrium™ homes and sustainable communities; and ■ to enhance Canada's domestic and international leadership and business opportunities in sustainable housing design, construction services and technologies.
First Nations Market Housing Fund (FNMHF)	The FNMHF, an independent trust, is overseen by nine trustees appointed by the Minister for CMHC and the Minister of Indian Affairs and Northern Development. In 2008, the FNMHF engaged CMHC to administer its operations for its initial five years. CMHC, on behalf of the Government of Canada, contributed \$300 million to the Fund under a Funding Agreement with the Trustees of the FNMHF. The FNMHF operates a credit enhancement facility for housing loans on First Nation reserves, as well as supports First Nation capacity development. The financial results of the FNMHF are not consolidated with CMHC's financial statements but are consolidated with the Government of Canada's.
Granville Island	Granville Island is a cultural, recreational and commercial development in the heart of Vancouver owned by the Government of Canada. CMHC receives a fee to manage and administer Granville Island. Granville Island's finances are not consolidated with CMHC's.
Insured Mortgage Purchase Program (IMPP)	In October 2008, as a measure to maintain the availability of longer-term credit in Canada, the Government of Canada authorized CMHC to purchase \$25 billion in <i>National Housing Act</i> Mortgage-Based Securities (NHA MBS) from Canadian financial institutions through a competitive auction process. Since the initial announcement, the potential size of the program was increased to \$125 billion. IMPP remained available until the end of March 2010.
Municipal Infrastructure Lending Program (MILP)	Under <i>Canada's Economic Action Plan</i> , CMHC is delivering MILP which can provide up to \$2 billion in direct low-cost loans to municipalities over a two-year period to March 31, 2011 to fund housing-related municipal infrastructure. Eligible projects must directly relate to housing, contributing to the efficient functioning of new and existing residential areas.

National Housing Act Mortgage Backed Securities (NHA MBS)	A security which represents an undivided interest in a pool of residential mortgages insured under the NHA or by a licensed private sector insurer and which has the full timely-payment guarantee of the Government of Canada through CMHC. The scheduled principal repayments by the borrower and agreed rate of interest on the mortgages in an NHA MBS pool are paid to investors monthly. In addition, depending on the particular issue of NHA MBS, these payments can vary from month to month if, for example, borrowers make unscheduled payments such as advance payments of principal on a mortgage. Securities under the NHA MBS program are issued by Approved Issuers (primarily lending institutions).
Proposal Development Funding (PDF)	An interest free loan of up to \$100,000 to support activities carried out during the early stages of developing an affordable housing project. PDF is available for projects that are developed without long-term federal government subsidies. Eligible costs include soil load-bearing tests, environmental site assessments, project drawings and specifications, development permits and certain professional and consulting fees. The loan is repayable upon the first advance of mortgage funding and a portion of the loan may be forgiven if it meets certain criteria for affordable housing as defined by CMHC.
Renovation Programs	<p>Programs that help low-income households, landlords, persons with disabilities and Aboriginal people undertake renovations, repairs or rehabilitation of their housing units. Some provinces and territories participate with CMHC in these programs. CMHC's suite of renovation programs includes:</p> <ul style="list-style-type: none"> ■ Residential Rehabilitation and Assistance Program (RRAP): A program which provides financial assistance to low-income households who live on and off reserve to enable them to repair their homes, as well as to assist landlords to repair rental dwellings or to convert nonresidential properties into residential units. ■ Shelter Enhancement Program (SEP): A program which provides financial assistance to repair, rehabilitate and improve existing shelters, both on and off reserve, for victims of family violence. The program also assists in the acquisition or construction of new shelters and second stage housing. ■ Emergency Repair Program (ERP): A program which provides financial assistance to low-income homeowners or occupants in rural areas to undertake emergency repairs required for the continued safe occupancy of their house. ■ Home Adaptations for Seniors' Independence (HASI): A program which provides financial assistance to low-income seniors to carry out minor adaptations to assist them to live independently in their own homes.
Seed Funding	Consists of a grant and a loan up to a maximum of \$20,000 when combined to support activities carried out in the early stages of developing affordable housing project proposals. Eligible expenses include costs for housing market studies, need and demand analyses, the preparation of business plans, preliminary financial viability analyses, preliminary project designs, as well as the costs to incorporate an entity. The loan portion of Seed Funding is repayable upon the first advance of mortgage funding.



2011-2015

SUMMARY OF THE CORPORATE PLAN

Canada Mortgage and Housing Corporation (CMHC) is Canada's national housing agency. Created in 1946 through the *CMHC Act*, the Corporation has evolved over its 60-year history and today is a major source of federal housing assistance and a leading provider of mortgage loan insurance, securitization guarantee programs, housing research and market analysis.

Canada Mortgage and Housing Corporation offers a wide range of housing-related information. For more information, visit the Corporation's website at www.cmhc.ca or call 1-800-668-2642.