CANADA MORTGAGE AND HOUSING CORPORATION

2018-2022 Summary of the Corporate Plan

Including Summaries of the 2018 Operating Budget and the 2018 Capital Budget

DELIVERING RESULTS for CANADIANS

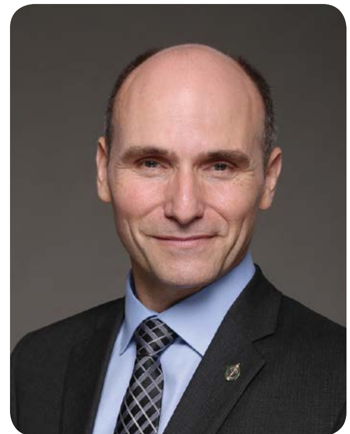
Summary of the amended 2018-2022 Corporate Plan, including summaries of the amended 2018 Operating and Capital Budgets. Reflects National Housing Strategy programs as approved by Treasury Board on March 29, 2018 and May 24, 2018.

Canada

CMHC SCHL

CMHC's Amended 2018-2022 Corporate Plan was approved by the Governor in Council on March 29, 2018. The Summary of the Amended 2018-2022 Corporate Plan has been prepared in accordance with section 125 of the Financial Administration Act (FAA) and serves to inform Canadians and Parliamentarians of the major objectives and priorities for the upcoming planning period, and reflects the current direction identified by Government and through internal management processes. Pursuant to section 153(1) of the FAA, the Summary excludes commercially sensitive information which if disclosed would be detrimental to the commercial interest of CMHC.

FOREWORD



I am pleased to submit Canada Mortgage and Housing Corporation's (CMHC) Summary of the Amended 2018-2022 Corporate Plan. The Summary reflects new programs, initiatives and activities to be undertaken as part of the National Housing Strategy (NHS).

The NHS is a 10-year, $40 billion plan that will help reduce homelessness and improve the availability and quality of housing for Canadians in need. Over the next decade, CMHC will play a key role in the implementation of the NHS, supporting bold initiatives and delivering meaningful outcomes to ensure more Canadians have a place to call home.

Building on investments announced in Budgets 2016 and 2017, the NHS signals a meaningful re-engagement in housing by the federal government. The NHS establishes a long-term vision for housing in Canada, with unprecedented investments and new programs that will deliver real results for Canadians, especially our most vulnerable populations. It addresses a wide range of challenges and covers the entire housing continuum, from shelters and transitional housing to affordable rental and homeownership.

Jean-Yves Duclos
Minister of Families, Children and Social Development

DELIVERING RESULTS FOR CANADIANS

Innovation is at the core of CMHC's culture. Owing to an on-going, multi-year and company-wide transformation, we have a new mindset and a new way of doing business, with simplified processes and a commitment to explore new opportunities. We are stronger, more agile, more resilient and well placed to *deliver results for Canadians*.

Inspired by the people who rely on us, we are proud to be leading the implementation of Canada's first National Housing Strategy (NHS). The NHS sets out a compelling vision: *Canadians have housing that meets their needs and they can afford. Affordable housing is a cornerstone of sustainable, inclusive communities and a Canadian economy where we can prosper and thrive.*

At its heart, the NHS is about people, especially those in greatest need. It also acknowledges social inclusion as a source of competitive advantage for Canada. By giving everyone the dignity of a place to call home, we help ensure that we are all fully included as citizens.

To that end, we are designing programs to channel multiple efforts into a people-based housing strategy that will improve the lives of low-income families, seniors, Indigenous people and others in need. Our enhanced capacity in research and data collection will help drive transformative solutions to achieve the NHS vision.

We will maintain our commercial functions—securitization and mortgage loan insurance—and preserve mortgage markets for Canadians in all conditions. Accordingly, we will continue to ensure that Canadians have access to mortgage loan insurance for a range of housing options, and will actively explore opportunities for our insurance programs to support the objectives of the NHS. As the industry leader, we are setting the standards for information dissemination and data analytics and promoting collaboration on important issues such as mortgage fraud prevention.

Underpinning everything we do is our approach to risk. We continue to nourish our risk culture, through improved transparency, consistent execution, conscious innovation and diversity of thought. Canadians deserve no less from us than to be a world leader in the management of housing risk.

Our objective is to be an entity of which Canadians are proud. We are working hard in pursuit of this goal.

Evan Siddall
President and Chief Executive Officer

FOCUS ON PERFORMANCE

To ensure we contribute effectively to the achievement of our outcomes, we establish medium-term initiatives and performance targets aligned to our strategy and our priorities.

Our management team sets these targets to keep our company focused on delivering results for Canadians. All targets are fully owned by management and employees and supported by appropriate resources. Management and our board of directors are updated regularly on our progress. With this information, we can adjust the allocation of resources or realign priorities to ensure we achieve our outcomes and fulfill our commitment to Canadians. We also share our performance with Canadians.

"Continued consistent execution and innovation is vital so we can take on new projects, stay relevant and, most importantly, fulfill our mission."

Evan Siddall, President

≥ 213,500
More Canadian households have access to affordable, adequate housing as a result of delivery of Budget 2016 expenditures

≥ 85%
Achievement of the Technology Transformation integrated project plan milestones

≥ $1.9M
Revenue per Employee

≥ 6,900
Number of housing units committed through CMHC-led NHS activities

≥ 13,300
Number of housing units repaired through CMHC-led NHS activities

Addressing Data Gaps

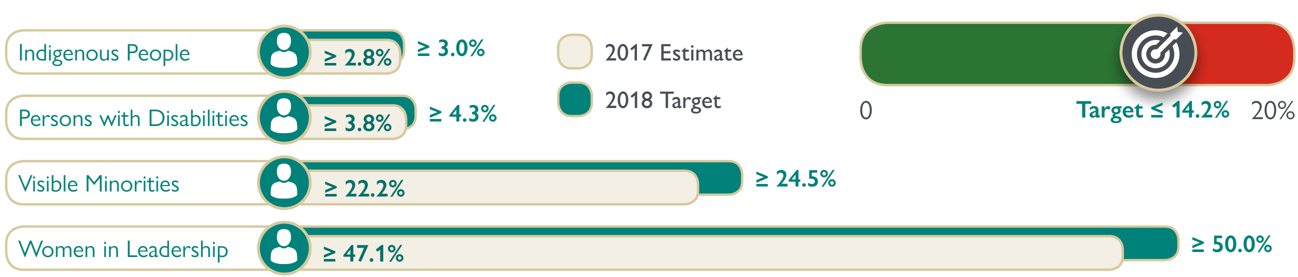
≥ 85% Clients say new products are relevant

Risk

≥ 90% Achievement of action plans to better manage risk

Diversity in CMHC

Operating Budget Expense Ratio



CORPORATE PLAN STRUCTURE

The diagram illustrates the direct continuity between our mandate, mission and vision, the activities we engage in and our ultimate outcomes.

OUR STRATEGY

We develop and deliver integrated federal housing solutions to help Canadians meet their housing needs. Founded on a collaborative, inclusive culture, our "CMHC in Motion" transformation will make us more agile and innovative as a world leader in managing housing risk.

The federal government's forthcoming National Housing Strategy will place a primary emphasis on our first priority: to Reduce Housing Need.

Reduce Housing Need

To reduce housing need we will

- implement the National Housing Strategy;
- increase the availability and sharing of reliable housing information and data and advance open data solutions;
- increase and improve rental housing stock in support of affordable rents;
- continually re-assess the role of government in housing finance; and
- evolve our mortgage loan insurance products and business processes to better serve Canadian borrowers and lenders.

Think Digital

Embrace Risk

Enable Our Work

To think digital, enable our work and embrace risk we will

- transform CMHC into a modern, digital organization with current technology;
- strengthen our core risk management capabilities and achieve a pervasive culture of risk awareness/management;
- transform CMHC's workplace to meet changing business needs;
- engage, empower and inspire employees to innovate;
- attract, acquire and retain a diverse and talented workforce; and
- support employees' learning goals, leadership development and career ambitions.

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THE NATIONAL HOUSING STRATEGY

The NHS—Canada's first ever—was announced on 22 November, 2017, with the goal of ensuring that Canadians across the country can access housing that meets their needs and that they can afford.

Building on investments announced in Budgets 2016 and 2017, the NHS is a detailed 10-year, $40 billion plan that will deliver results and benefit Canadians—with more affordable, accessible, inclusive and sustainable homes.

In 2016, CMHC led the national consultations on the vision, themes, principles and outcomes of the NHS. Important learnings emerged from the Let's Talk Housing consultations, and the NHS is stronger for it. Moving forward, CMHC will continue to lead the implementation of the NHS and work to ensure more Canadians across the country find a place to call home.

The primary focus will be on meeting the needs of vulnerable populations, such as women and children fleeing family violence, seniors, Indigenous peoples, persons with disabilities, those dealing with mental health and addiction issues, veterans and young adults. In addition, the NHS is grounded in, and supportive of, the Government's commitment to Gender Based Analysis (GBA+) to ensure that programs will not negatively impact Canadians on the basis of gender and other identity factors.

To be successful, the NHS requires the collaboration and commitment of more partners than ever before, in a coherent, integrated and whole-of-government approach. CMHC will track and report on successes, and adapt its approach and priorities as needed as the NHS unfolds.

A ONCE-IN-A-GENERATION INVESTMENT

A 10-year plan to give more Canadians a place to call home

$15.9 billion
for the National Housing Co-Investment Fund

$9.1 billion
for Community Housing Initiatives*

$2.5 billion
for Federal-Provincial/Territorial Housing Partnership, including the North*

$4.0 billion
for Canadian Housing Benefit*

$9.8 billion
through existing agreements

$2.2 billion
for Homelessness Partnering Strategy

$241 million
for Research, Data and Demonstrations

$200 million
for Federal Lands Initiative

** Includes cost matching by Provinces and Territories.*

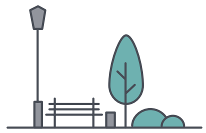
STRONGER COMMUNITIES. GREATER OPPORTUNITIES.

100,000
new housing units created

300,000
existing housing units repaired and renewed

385,000
community housing units protected

530,000
households removed from housing need



50%
reduction in estimated number of chronically homeless shelter users

300,000
households provided with an average of $2,500/year in affordability support through the Canadian Housing Benefit

At least 33%
of investments to support projects that specifically target the unique needs of women and girls

NEW TOOLS AND PARTNERSHIPS

- New range of supports for community and affordable housing
- New data and research to close knowledge gaps
- New resources for community housing
- Demonstration projects and innovation labs to share ideas and opportunities
- National Housing Council and a National Housing Advocate who will provide ongoing advice on policy, programs and research related to the National Housing Strategy
- Surplus federal lands to be offered at low or no cost for affordable housing

placetocallhome.ca

OPERATING ENVIRONMENT

The following elements were considered when developing our corporate plan.

ECONOMIC FACTORS

Over the 2017 to 2022 forecast period, Canada is expected to see steady improvement in economic conditions.

Canada's economy registered growth of 1.5% in 2016, as gains in household and government spending were offset by declines in business investment and a reduced pace of inventory accumulation. Growth in the first half of 2017 strengthened markedly in comparison to 2016, with gains of 3.7% and 4.5% (annualized rates) recorded in the first and second quarters, respectively. Consumer spending and a strong rebound from 2016 in business investment were major factors. Notably, business investment in the first half of 2017 reflects strong contributions from the energy sector, which continues to adapt to a low oil-price environment. Some of the factors that drove growth in the first half of 2017 are expected to cool in the near term, but economic conditions in 2017 and 2018 are expected to be stronger than in 2016. Growth in 2017 and 2018 is expected to be supported by government stimulus, business investment and improvement in net exports, while growth in residential investment is expected to moderate from recent highs, but remain positive. Over the rest of the five-year forecast horizon (to the end of 2022), growth is expected to stabilize near 2%, consistent with full utilization of productive capacities and the Bank of Canada's inflation control target.

Canada's real gross domestic product (GDP) is forecast to be within the 2.4% to 3.2% range in 2017, within the 1.2% to 2.5% range in 2018, and within 1.0% to 2.4% in 2019 before stabilizing between 1.7% and 1.8% from 2019 to 2022.[1]

The annual inflation rate—as measured by the year-over-year increase in the Consumer Price Index (CPI)—was 1.4% in August 2017.[2] Private sector forecasters are expecting annual inflation to range between 1.5% and 1.9% in 2017, and between 1.6% and 2.2% in 2018. Over the 2019 to 2022 period, CPI inflation is expected to hover near 2%, the midpoint of the Bank of Canada's inflation control target range of 1% to 3%.

The Bank of Canada raised the target overnight rate to 1% in September 2017 following a move to 0.75% in July 2017 from the rate of 0.5% where it had stood since July 2015. Over the same period, the five-year posted conventional mortgage interest rate has been stable at 4.64%, the lowest level since data collection began in 1975.

The five-year posted mortgage interest rate is expected to be between 4.6% and 5% in 2017, between 4.9% and 5.7% in 2018 and between 5.2% and 6.2% in 2019, as economic conditions stabilize and the inflation rate converges to the Bank of Canada's targeted rate. From 2020 to 2022, interest rates are expected to continue to rise gradually in a manner consistent with the expected gradual upward path for world interest rates, as a result of improvement in global economic conditions. Accordingly, the five-year posted mortgage rate is expected to range between 5.9% and 6.3% from 2020 to 2022. (Refer to annex D for impact of a downside scenario.)

Canada's unemployment rate was 7% on average in 2016 and is expected to lie between 6.4% and 6.8% in 2017, and between 6.0% and 7.2% in 2018. Reflecting the expected elimination of the existing slack in Canada's economic and labour markets over the forecast horizon, Canada's unemployment rate is expected to remain between 6.2% and 6.7% on average over the 2019 to 2022 period.

[1] *Forecast ranges are based on the Private Sector Consensus as at September 11, 2017, published by Consensus Economics, as well as the outlooks published by the Bank of Canada and the International Monetary Fund, as at September 29, 2017.*

[2] *CANSIM Series No. V41690973*

Other Key Assumptions	2016 Actual	2017 Estimate	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Investment balances ($M)	24,399	23,832	21,941	20,863	19,528	18,239	18,174
Duration of fixed income securities- Insurance	4.3	3.8	3.8	3.8	3.8	3.8	4.3
Duration of fixed income securities- Securitization*	6.5	4.0	4.0	4.0	4.0	4.0	4.0
Yield earned**	2.3%	2.4%	2.3%	2.3%	2.5%	2.6%	2.6%

* *Securitization Portfolio duration changed as of Q4 2017.*
** *Investment Income/Average Investment Balances*

HOUSING MARKET OUTLOOK

Housing activity is forecast to gradually moderate in Canada's most active markets, leading to gradual dissolution of the current evidence of overvaluation, while activity in oil-producing centers is expected to recover further as the process of adjustment to low oil prices continues.

Regional housing market dynamics varied in 2016, with generally strong activity and price growth in British Columbia and Ontario, declining activity and price growth in oil-producing regions, and stable conditions in the rest of Canada. In the first half of 2017, Ontario saw activity moderate in Toronto and surrounding centers that have seen strong housing demand conditions in recent years, while activity in Vancouver rebounded sharply from a temporary slowdown in late 2016. Oil-producing regions showed signs of continuing adaptation to lower oil prices. This was most evident in Alberta, where gains in construction, resales and price growth moved conditions closer to historical norms than in Saskatchewan and Newfoundland and Labrador. Notably, Fort McMurray/Wood Buffalo is seeing strong gains in new construction in 2017, as it rebuilds from the wildfires of May 2016.

Regional differences in housing market dynamics are expected to continue to dissipate over the planning horizon. Oil-producing provinces are expected to register gradual improvement in housing indicators as employment and population growth improve through the process of further adjustment to lower oil prices. Housing indicators in British Columbia and Ontario, including price growth, will moderate from recent highs, due in part to the gradual and modest increase in mortgage rates forecast over the planning horizon and an anticipated shift in Multiple Listing Service (MLS®) sales in these provinces toward more moderately priced homes. Stabilization of activity in the resale market will also result in less demand spilling over into the new home market. Housing activity in other regions is expected to remain stable.

Total housing starts in Canada stood at 197,916 units in 2016 and are expected to remain within a range of 206,300 to 214,900 units in 2017. From 2018 to 2022, new housing construction is expected to moderate to levels consistent with demographic conditions, stable economic growth and mortgage rates that are forecast to gradually increase, but remain low by historical standards. Starts are expected to register between 192,200 and 203,800 units over the 2018 to 2022 projection horizon. The moderation in housing starts is expected to be driven by a decline in single units as homebuyers shift demand from higher-priced, single-detached homes to lower-priced alternatives in multi-unit buildings. However, multiple starts are also expected to decline as demand is channelled toward existing newly completed and unoccupied units.

MLS® sales stood at 535,219 units in 2016 and are expected to remain within a range of 493,900 to 511,400 units in 2017. Over the 2018–2022 forecast period, resales are expected to register steady and modest growth consistent with the outlook for demographic, economic and mortgage rate fundamentals, remaining within a range of 485,600 to 586,600 units.

The average MLS® price was $490,032 in 2016 and is expected to remain within a range of $493,900 to $511,300 in 2017, representing a range of price increases of 0.8% to 4.3% respectively, below the 10.9% increase observed between 2015 and 2016. Price growth is expected to remain low over the rest of the forecast horizon when compared to observed price growth in recent years. The slowdown in the pace of increase for the average MLS® price reflects an expected change in the composition of MLS® sales toward more moderately priced homes and the growth of demand for existing homes becoming more closely aligned with fundamental demographic, economic and financial factors. Therefore, the average MLS® price is forecast to range from $491,900 to $623,300 over the 2018 to 2022 forecast period.

HOUSING MARKET OUTLOOK—RISKS

The outlook is subject to considerable uncertainty. While further moderate increases in interest rates are likely anticipated by the market and homeowners—and have been incorporated into the outlooks of CMHC and private sector forecasters—larger-than-expected increases in interest rates would boost the cost of debt charges carried by borrowers, which could cause many households to cut back on spending. Weaker than expected economic activity in China and the U.S. as well as financial uncertainty related to the impact of the U.K. vote to exit the European Union may reduce GDP growth in Canada through reduced demand for our exports and weaker commodity prices. Negative impacts on business investment and exports from a rise in global trade protectionism, particularly in the U.S., also pose a risk to Canada's economic outlook.

In addition to these uncertainties, two key vulnerabilities could exacerbate adverse impacts on the Canadian housing markets and financial system:

- The ratio of household debt to personal disposable income remains very high, standing at 167.8% in the second quarter of 2017.[3] This increases the vulnerability of indebted households to adverse economic events, raising their default risk and vulnerabilities to Canada's financial system.
- According to CMHC's latest Housing Market Assessment (HMA), housing markets in some major urban centres continue to show strong evidence of overvaluation relative to fundamentals, such as personal disposable income and population growth. These imbalances in the housing market increase the risk of financial instability from a disorderly rebalancing. However, housing market indicators are expected to move gradually closer to levels consistent with economic and demographic conditions over the forecast horizon, thus minimizing this risk over time.

HOUSING NEED

Roughly 1.6 million Canadian households were in core housing need in 2011, the latest year for which data are available. Households in the North were more likely to be in core housing need than households in southern Canada. Renter households were about four times more likely to be in core housing need than homeowner households. About 50% of on-reserve housing was below adequacy or suitability standards in 2011.

SPECIAL EXAMINATION

In 2018, CMHC's joint examiners will report to the Board of Directors (Board) on the results of their Special Examination conducted during 2017, as required by the *Financial Administration Act*. The last Special Examination was completed in 2009 at which time the examiners found no significant deficiencies in the company's systems and practices. The Board is committed to good corporate governance practices and views the results of special examinations as providing added value to CMHC.

[3] *Statistics Canada CANSIM Series No. V62698064*

GOVERNMENT DIRECTION

Gender-Based Analysis Plus

In support of the Government of Canada's priority to advance gender equality and address the changing realities and inequalities of diverse groups of people, we are fully committed to implementing the Gender-based Analysis Plus (GBA+) approach to our company, policies and programs. GBA+ recognizes that peoples' experiences are affected by intersecting parts of their identity, the context they are in and their lived realities. In order to most effectively help Canadians meet their housing needs, we use GBA+ as a tool to assess the potential impact of our activities and initiatives, and identify how we can deliver results for Canadians in the most fair and equitable manner.

We provide GBA+ training to employees across the company and have identified GBA+ champions. The NHS will improve housing and supports for the most vulnerable, including those who are homeless, Indigenous, veterans, refugees, survivors fleeing domestic violence, persons with disabilities, seniors, and improve affordability of housing for low-income households. Non-discrimination and equality are critical components of the proposed human rights-based approach that supports the equal rights of women and men to adequate housing. It is expected that the strategy will have a more pronounced impact on senior women living alone, female-headed lone parent families, and women with disabilities who currently experience high levels of housing need. The housing needs of low-income households, new Canadians, LGBTQ2 communities, those with mental illness and survivors leaving situations of violence are integrated into strategy proposals and targets.

We continually strive to find new ways to make our already inclusive and supportive work environment even better and to be a diversity leader. Our people and processes approach (see People and Processes chapter) ensures we continue our long tradition of fostering diversity and inclusion. CMHC has been recognized as one of Canada's Best Diversity Employers for several years in a row.

Our diversity work positively contributes to our environment:

Gender diversity: we can – and will – do better

60% of our employees are women; however, the representation of women in our workforce declines as seniority levels increase, especially at our director level. Our internal survey data indicates that women are opting out of leadership roles and about half of those who indicated that they would like to be in a leadership position believe they can't achieve it. Through conducting internal focus groups, we are working to understand why so that we can do better.

Going beyond employment equity

With a workforce diversity that reflects the Canadians we serve, we can better understand their needs. As a result, we are working towards going beyond traditional employment equity standards to a more holistic approach to diversity. Our internal survey now helps us capture workforce diversity by asking questions on dimensions such as gender, language, belief system and education. With this data, we developed a diversity index that represents combined diversity indices from number of dimensions. The index shows that our workforce diversity reflects the Canadians we serve.

RISK MANAGEMENT

We are exposed to a variety of risks that could affect the achievement of our objectives. To protect the public resources entrusted to us as well as CMHC's reputation, we strive to be a global leader in the management of housing risk.

Our comprehensive Enterprise Risk Management (ERM) Framework guides our activities and supports a risk-aware culture characterized by robust discussion, evaluation and management of risks across the company. This framework is structured around four key dimensions: risk governance, risk appetite, risk management programs and risk behaviour, all contributing to strong risk management practices and culture.

Enterprise Risk Management Framework

Our risk governance is defined by our ERM framework, risk management policies and a "three lines of defence" risk governance model, which delineates roles and responsibilities across the company. Our risk governance structure includes the Board which is responsible for overseeing CMHC's business activities, ensuring that major risks are considered and mitigated. The Risk Management Committee is responsible for assisting the Board in fulfilling its risk oversight responsibilities including policy compliance.

Our risk appetite is guided by our mandate and strategy and defines the level and type of risks we are willing to accept to achieve strategy, including in times of crisis. Our mandate requires us to manage strategic, operational and financial risks with strong risk management capabilities appropriate for our size, complexity and systemic importance. We continue to renew and enhance our risk appetite framework by fully cascading it to all business segments and establishing it as a foundation of our risk culture.

Our risk management programs are continuously being enhanced to achieve systematic and effective risk management practices, including identification, assessment, measurement and reporting of material risks across all our activities. We also conduct an *own risk and solvency assessment* (ORSA) to identify risks and to assess our current and likely future capital needs and solvency positions. Stress testing is an important part of ORSA and is conducted across our company. We use stress testing to evaluate how various extreme economic and operational scenarios could affect our financial performance, capital levels and risk tolerance thresholds.

Finally, we continue to foster desired risk behaviour through training and education activities that help support risk management responsibilities as a part of employees' roles. Our risk culture is defined by aspirational risk culture statements that promotes desired risk behaviour, including innovation, risk-based decision-making, and understanding of risk management at all levels of the company.

REPORTING ON RISK

There are seven categories of risks used to identify, categorize and assess existing and emerging risks for the purpose of reporting to senior management and the Board. The table outlines our key risks by category with ratings.

Strategic risk was assessed as moderate given the rapid pace of change in our external environment. Operational risk was assessed as high due to our aging information and technology infrastructure. Technology transformation projects are expected to improve the efficiency and effectiveness of our infrastructure, processes and controls.

Risk Categories	Risk Tolerance	Risk Rating
Reputational Risk	Low	●
Strategic Risk	Low	▲
Insurance and Guarantee Risk	Moderate	●
Financial Risks (Credit, Market and Liquidity)	Moderate	●
Operational Risks	Low	■

● *Risk is appropriately managed, no action is required.*
▲ *Risk requires ongoing management attention; action may be needed.*
■ *Risk requires close management attention.*

CAPITAL MANAGEMENT

Our primary objective with capital management is to ensure that our commercial operations have adequate capital to deliver their mandate while remaining financially self-sustaining and also to follow prudent business practices and guidelines existing in the private sector as appropriate.

In 2016, CMHC and other financial Crown corporations collaborated with the Department of Finance on the development of a common capital and dividend policy framework for financial Crown corporations (the "Framework") that received support from the President of Treasury Board in early 2017. We use the Framework in conjunction with our risk appetite framework and capital management policy to manage our capital.

Our risk appetite for capital adequacy is moderate. Our mortgage loan insurance business establishes capital at target levels comparable to that of a commercial entity that operates in a similar line of business, with a similar product mix. Our securitization business establishes capital at levels that are similar to an entity with a 'AA' credit rating. We set our capital to promote market discipline, not to maximize our return on capital. Our capital levels are established to provide us with the opportunity to mitigate the impacts of adverse events; however, should these mitigating factors not be sufficient to limit the impact to our capital levels, we may seek recapitalization from the Government as part of the Framework.

We perform an ORSA which is an integrated process that evaluates capital adequacy on both a regulatory and economic capital basis and is used to establish capital targets taking into consideration our strategy and risk appetite. Our 'Own View' of capital needs is determined by identifying our risks and evaluating whether or not an explicit amount of capital is necessary to absorb losses from each risk. Currently our 'Own View' of capital (economic capital) for the mortgage loan insurance activity is lower than the regulatory requirements established by OSFI; therefore, regulatory capital (the higher of the two) is the binding constraint for required capital. With the above we have also met the requirements of the CMHC Act and the NHA. Regulatory capital is not applicable to our securitization business; therefore, our capital levels are established based on our 'Own View.'

Under our capital management framework we annually validate and calibrate, if necessary, both our internal capitalization target and the operating capital holding target. The internal capitalization target is calibrated using specified confidence intervals and is designed to provide management with an early indication of the need to resolve financial problems. We operate at available capitalization levels above the internal capitalization target on all but unusual and infrequent occasions. Accordingly, we have an operating level in excess of the internal capitalization target. The operating level is calibrated using confidence intervals and stress testing and is designed to provide management with an early indication of the adequacy of capitalization amounts.

Our stress testing confirmed our internal targets at 155% and 105% and our operating levels at 165% and 110% for insurance and securitization business respectively. Refer to these chapters for more information.

Dividend Proposal

In May 2017, we declared a dividend of $145 million, the first in our history. In June 2017, we returned accumulated excess capital to the Government of Canada through the declaration of a $4 billion dividend.

Pursuant to our capital management policy, we intend to continue to return excess capital to the Government of Canada on a quarterly basis following a pre-determined pay-out ratio and then to dividend any remaining excess capital above our internal capital targets following the finalization of our annual financial statements. This will effectively return profits that are not allocated to reserves, capitalization or to meet the needs of the company for purposes of the National Housing Act (NHA), CMHC Act or any other purpose authorized by Parliament relating to housing. Payments are made in accordance with the NHA, CMHC Act, *Financial Administration Act* and our policies, which are consistent with the Framework.

Dividends are based on:

- Our view of capital needs in accordance with our specific risk profile and information from our models for economic capital and stress testing.
- The amount of capital to be set aside based on regulatory requirements.
- A margin for uncertainty and provision for unknown risks informed by our risk appetite, stress testing and scenarios analysis.
- Sufficient range of capital held for normal fluctuations in financial results and business needs

Dividends are approved by our Board based on our Corporate Plan approved Dividend Proposal. Potential dividend declarations in the mortgage loan insurance and securitization sections are based on expected surplus capital available. Further details relating to capital management and dividend declaration forecast can be found in each line of business section as applicable.

Stress testing and scenario analysis

Stress testing ensures that top and emerging risks are identified and managed appropriately. Our annual corporate-wide stress testing program was developed through a structured, corporate-wide consultative process. The following observations emerged from our 2017 stress testing program and will inform our risk management approach for 2018–2022 as well as learnings for our business operations.

Deterministic corporate-wide stress test scenarios	Key learnings
Anti-globalization scenario: Downturns in the U.S. and China promote protectionism, widespread use of tariffs and euro-zone break-up. *Financial impact:* Capital levels are sufficient. Oil price shock scenario: Unexpected excess supply causes a sharp drop in the price of oil to below $20 per barrel, followed by prices in the $20-$30 range for about two years prior to recovery. *Financial impact:* Capital levels are sufficient. Earthquake scenario: A high-magnitude earthquake disrupts critical infrastructure and services, including broader financial impacts as a result of its effect on homeowners and businesses. *Financial impact:* Capital levels are sufficient.	Insurance • Conduct annual cross-training initiatives to expand the capacity to support: (i) default and claims management in time of crisis; and (ii) support of underwriting operations in times of heightened volumes. • Conduct ongoing annual reviews of our Business Continuity Plans to ensure they remain up to date. Securitization • In the event of a crisis, seek Minister of Finance approval to update authorities for setting the NHA MBS guarantee limit and the guarantees-in-force limit, in order to inject liquidity into the system. • Need to continue enhancing servicer and title transfer procedure documentation to minimize the risk of delays and unexpected costs. Assisted housing • Where applicable, need to have stimulus programs ready to be delivered. • Increase the level of contingency in the Capital Budget in order to be able to quickly deliver additional assisted housing units.

Insurance sector specific stress testing scenarios	Results
Scenarios: • Five percentage point increase in the Canadian unemployment rate combined with a 35% decline in Canadian house prices. • Five percentage point increase in the Canadian unemployment rate combined with a 30% decline in Canadian house prices.	• Capital operating levels were tested by assessing the financial impacts of changes in unemployment rates, house prices, and market shares. • Despite the cumulative claim losses under both scenarios, capital levels are sufficient.

Summary Financial Impacts

In millions (unless indicated)	Base – CP 2018-2022 plus current year	Anti-globalization	Earthquake	Oil Price Shock	+5pp UR with -30% HPI	+5pp UR with -35% HPI
Cumulative Claim Losses – Insurance	1,716	12,468	3,078	4,024	11,832	14,122
Cumulative net income (loss) – Insurance	7,340	118	6,556	5,589	(217)	(1,996)
Lowest point of capital available (MCT excluding transitional arrangements*) – Insurance	172%	181%	182%	183%	182%	183%
Lowest market value of invested assets – Insurance	18,698	24,596	23,780	23,542	21,614	19,857
Homeowner insurance market share	50%	90%	50%	50%	70%	70%
Cumulative net income – Securitization	2,559	2,639	2,204	2,562	N/A	N/A
Lowest point of capital available – Securitization	2,335	2,338	2,202	2,344	N/A	N/A
Change in GDP (peak-to-trough)	10.7%	(12.1%)	(2.9%)	8.1%	(6.7%)	(6.7%)
Peak Canadian unemployment rate	6.9%	15.3%	8.6%	9.1%	12.0%	12.0%
Change in Canadian housing prices (peak-to-trough)	17.6%	(31.5%)	(0.1%)	(9.1%)	(30.0%)	(35.0%)
5-year mortgage interest rate, peak-to-trough change (p.p.)	1.6	2.0	2.8	2.2	2.4	2.4

* *Considers full impact from the revised capital requirements – see Capital Management section of Insurance chapter.*

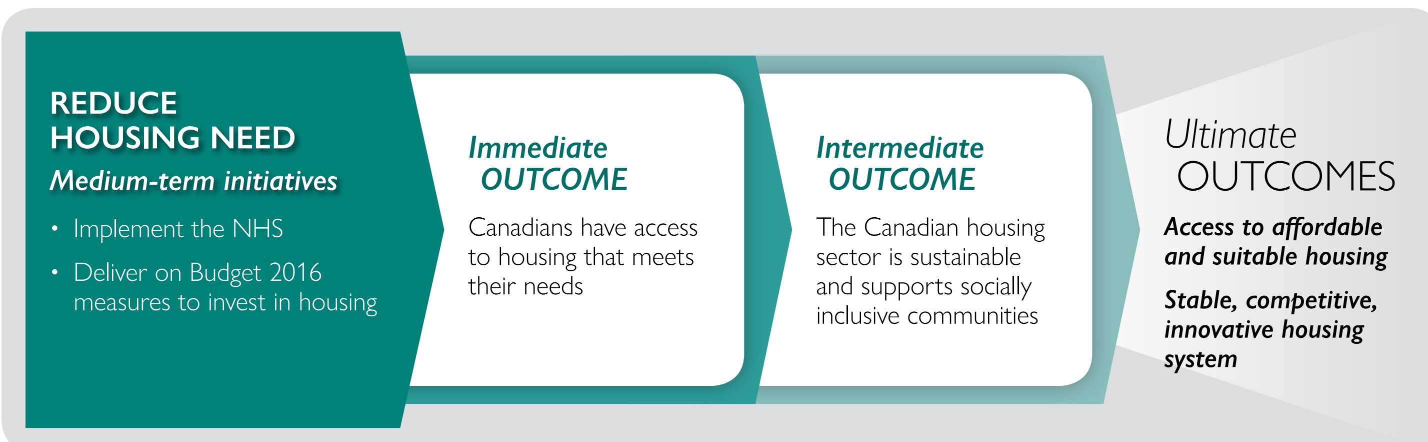
In addition, we conduct operational risk scenario analysis exercises and business sector specific stress testing. Scenario analysis exercises involving participation across a number of departments are carried out as part of CMHC's stress testing program with results reported internally to senior management and the Board. Outcomes from the exercises are valuable towards development of effective business continuity and disaster recovery plans ensuring CMHC's continued ability to deliver on its mandate.

ASSISTED HOUSING

We will help Canadians in need gain access to suitable housing they can afford—by finding new and flexible ways to achieve the best possible housing outcomes with our program funding.

NATIONAL HOUSING STRATEGY

Federal Budget 2017 (Budget 2017) announced an unprecedented $11.2 billion investment to support the NHS and that it intended to supplement this investment by preserving and repurposing for the NHS the baseline funding related to the expiring operating agreements. The government has also committed to provide additional capital funding in the amount of $8.65 billion over 10 years for low cost loans. These funds will enhance the financial assistance provided to households living in existing social housing, increase funding for affordable housing delivered through partnerships with provinces and territories and support the creation, renewal and repair of social and affordable housing, while targeting the most vulnerable Canadians. The NHS includes components that will be federally delivered and others that will be delivered by provinces and territories. CMHC has been tasked to deliver the federal component, representing $14.8 billion in loans and investments ($8.65 billion and $6.2 billion, respectively).



OUR PLAN

Our housing programs are vitally important to vulnerable Canadians, including low-income individuals and families, seniors, veterans, persons with disabilities, Indigenous peoples, those experiencing homelessness, survivors leaving situations of violence, and refugees. Key elements of our plan are to:

- focus on identifying creative, efficient and flexible ways to deliver these programs in order to achieve the best housing outcomes possible, maximize the Government's return on investment, and amaze our clients;
- collaborate with our partners to develop client-focused and integrated solutions;
- support housing projects that are financially viable for the long term and have a reduced dependency on government assistance; and
- use technology, data and new approaches to support the achievement of the best possible results.

OUR PLAN IN DETAIL

Through the medium-term initiatives below, we will contribute to the achievement of our outcomes. Building on the investments made in 2016, we will begin to deliver on the NHS announced in Budget 2017. CMHC will continue to support our First Nation partners in building capacity and creating innovative housing solutions. In addition, we will review our role in and contribution to Indigenous programs to support the goal of Indigenous autonomy, control and self determination for housing programs and outcomes. This will feed into the Indigenous Strategies that Indigenous Affairs and Northern Development is leading. The financial and resource impact of the delivery of our programs is noted later in this chapter.

Implement the NHS initiatives to help ensure that Canadians have affordable housing that meets their needs.

Lead the design and delivery of the following federally delivered NHS initiatives launching in April 2018:

- National Housing Co-Investment Fund that will provide funding for new affordable housing, renewal projects, and social and community housing repair projects. The Fund will also help support and mobilize community-focused collaborations and multi-faceted partnerships to support, expand and renew the affordable housing stock;
- Federal Lands Initiative that will make surplus federal lands and buildings available to housing providers at low or no cost for the provision of affordable housing;
- Federal Community Housing Initiative that will continue to support eligible housing providers under existing federally administered operating agreements in order to protect affordability of low-income households (note that only the first 2 years of funding have been included in this corporate plan);
- Technical Resource Center and Sector Transformation Fund that will provide technical assistance, tools and resources to housing providers in order to support more efficient, resilient and effective community housing; and
- Community Based Tenant Initiative that will provide funding to local organizations to raise awareness of housing challenges faced by vulnerable people and provide access to information so tenants are better informed, aware of housing options and able to participate in housing decisions.

Our progress at mid-2017 informs our work going forward in this plan:

- Focused on providing the right type of information to housing providers so they can keep their projects viable and improve energy efficiency.
- Expanded skills and capacity development initiatives on reserve.
- Delivery of Budget 2016 measures.
- Design of Budget 2017 NHS initiatives.

See annex B for 2017 performance results at mid-year.

To ensure the successful delivery of these Initiatives, we are putting in place a new operational structure for our assisted housing sector and a human resources plan to align our structure and people needs. We are also increasing our workforce and implementing a comprehensive training and skills development plan.

Communication and change management plans are also being implemented to support employee engagement. Finally, to effectively deliver these Initiatives, we are investing in new technology infrastructure.

Program design is underway for the initiatives announced in Budget 2017, including the concurrent development of guidelines and policies. Furthermore, existing initiatives are being reviewed and changes will be made as required to ensure they are well aligned with the NHS.

To ensure overall success, a governance structure has been put in place to provide oversight and guidance of our implementation plan.

Deliver on Budget 2016 measures to invest in housing in addition to existing funding and programs.

- Support innovative approaches to lower the costs and risks of affordable rental housing projects through the Rental Construction Financing initiative (RCFi).
- Continue to waive prepayment penalties so eligible housing providers can access loans at current rates.
- Deliver funding through our Investment in Affordable Housing agreements.
- Address First Nation communities' urgent housing needs on-reserve, through renovation, retrofit, new construction, and skills and capacity development.

The economic and social benefits of a place to call home

Housing is the foundation of a thriving, inclusive Canada. Investments in housing help everyone; they build stronger communities and drive economic growth. Ensuring access to affordable and sustainable housing is an important part of creating healthy and safe communities for everyone.

- A 2012 study by the Mowat Centre at the University of Toronto says that each $1 increase in residential building construction investment generates an increase in overall GDP of more than $1.50.
- The construction sector alone accounts for about 7% of total employment in Canada.
- Accessible housing allows seniors to live more independently and healthfully as they age.
- There is strong research that connects good housing with better health.
- Energy-efficient housing located close to jobs, amenities and services will contribute to Canada's climate change goals.

Members of CMHC's Assisted Housing and Housing Needs teams: Albano Gidaro and Patricia Roset-Zuppa

PERFORMANCE INDICATORS

The following performance indicators will assess our contribution towards achieving our outcomes:

2018 TARGET	PERFORMANCE INDICATOR
= 100%	Spending of all housing appropriations (fiscal year $2,179M)
≥ 1%	Cost reduction to maintain loan portfolio*
≥ 213,500	Increase in the number of households that have access to affordable and adequate housing through 2016 Budget expenditures (two-year cumulative fiscal year – by end of 2017-18)
≥ 6,900	Number of housing units committed through CMHC-led NHS activities (fiscal year – by end of 2018-19)
≥ 13,300	Number of housing units repaired by CMHC through CMHC-led NHS activities (fiscal year – by end of 2018-19)

* *Does not include loans issued through the RCFi, the Innovation Fund or any new lending activity under the NHS.*

FINANCIAL PLAN AND OUTLOOK

CMHC Housing program expenditures are paid for out of parliamentary appropriations. Housing programs operate on a breakeven basis as appropriations equal expenditures each year. Lending programs operate on a long-term, breakeven basis.

Financial Analysis

Income Statement Summary

(in millions)	2016 Actual	2017 Estimate	2018 Approved	2017 Revised Estimate	2018 Plan Amended	2019 Plan Amended	2020 Plan Amended	2021 Plan Amended	2022 Plan Amended
Parliamentary appropriations for Housing programs*	2,153	3,500	2,469	3,500	2,639	2,252	2,136	2,047	1,979
Net interest income	13	(1)	16	(7)	17	11	10	17	27
Other income	(22)	19	(2)	19	(2)	8	27	7	-
Total revenues	**2,144**	**3,518**	**2,483**	**3,512**	**2,654**	**2,271**	**2,173**	**2,071**	**2,006**
Housing programs expenses*	2,153	3,500	2,469	3,500	2,639	2,252	2,136	2,047	1,979
Operating expenses**	17	39	33	39	33	29	28	26	26
Total expenses	**2,170**	**3,539**	**2,502**	**3,539**	**2,672**	**2,281**	**2,164**	**2,073**	**2,005**
Income before income taxes	**(26)**	**(21)**	**(19)**	**(27)**	**(18)**	**(10)**	**9**	**(2)**	**1**
Income taxes	(12)	(10)	(10)	(12)	(10)	(7)	(3)	(2)	1
Net income	**(14)**	**(11)**	**(9)**	**(15)**	**(8)**	**(3)**	**12**	**-**	**-**

* *2018 to 2022 amended figures include funding for all federally delivered NHS programs, with the exception of the Federal Community Housing Initiative where only the first two years of funding have been presented as detailed in table below.*

** *Operating expenses represent only those related to lending programs. Operating expenses for Housing programs - refer to table below.*

Housing Programs Spending

(in millions)	2016 Actual	2017 Estimate	2018 Approved	2017 Revised Estimate	2018 Plan Amended	2019 Plan Amended	2020 Plan Amended	2021 Plan Amended	2022 Plan Amended
Assistance for housing needs	2,039	3,350	2,328	3,324	2,309	1,742	1,567	1,467	1,397
Financing for housing	42	60	63	84	221	394	454	472	481
Housing expertise and capacity development	72	90	78	92	109	116	115	108	101
Housing programs	**2,153**	**3,500**	**2,469**	**3,500**	**2,639**	**2,252**	**2,136**	**2,047**	**1,979**
Operating expenses included in Housing programs	146	158	152	158	194	174	165	151	143

These Core Responsibilities replace the Program Alignment Architecture as the structure for reporting on the use of public funding.

Total revenues and expenses are higher in 2017 and 2018 due to Budget 2016 affordable housing investments that will be delivered over two fiscal years (2016–17 and 2017–18). After 2017, revenues and expenses start to decline mainly due to the planned expiry of federal funding for the Investment in Affordable Housing (IAH) (March 31, 2019) and the reduction in baseline funding related to expiring social housing operating agreements. This decline is partially offset by the increase in funding related to the delivery of the following NHS programs:

(in millions)	2018	2019	2020	2021	2022
National Housing Co-Investment Fund ($8.65 billion in low-cost loans and $4.5 billion of capital contributions over 10 years)	135	294	370	431	458
Federal Lands Initiative ($200 million over 10 years)	15	20	20	20	20
Federal Community Housing Initiative ($500 million over 10 years) *	13	20	5	-	-
Technical Research Center and Sector Transformation Fund ($64 million over 10 years)	8	11	10	9	6
Human Rights Approach to Housing ($49 million over 10 years)	3	4	5	8	9
CMHC Housing Research Initiative ($241 million over 9 years)	20	28	28	27	26
Northern Housing ($300 million over 10 years)**	23	7	-	-	-
NHS related funding included under Housing Programs	**217**	**384**	**438**	**495**	**519**

* *Only first two years of funding for this program are reflected in the corporate plan.*

** *Only first year of funding for this program is reflected in the corporate plan.*

Other income is expected to increase over the planning horizon compared to 2016 due to prepayment penalties recognized in 2016 on long-term borrowings that we intend to retire prior to their scheduled maturity.

Although lending programs are intended to be run on a breakeven basis, some elements of our operating expenses do not perfectly correlate with revenues and cause fluctuations in net income. While losses are reported in certain years, the retained profits in our reserve fund are expected to offset these shortfalls.

Capital Management

We maintain a reserve fund pursuant to section 29 of the CMHC Act to address interest rate risk exposure on pre-payable loans as well as credit risk exposure on unsecured loans. The reserve fund is subject to a statutory limit of $240 million. Any amount above this limit will be paid to the Receiver General. A risk-based capital assessment for the existing portfolio under CMHC lending programs was completed in 2016 and confirmed that the $240 million statutory limit remains adequate.

As in prior years and as previously approved, to manage capital and to ensure that risk exposures are adequately managed, unrealized amounts (such as gains and losses from financial instruments and investment properties as well as re-measurements of the defined benefit pension plans) are set aside in retained earnings. To the extent that gains would be realized they would be used for the same purposes as the reserve fund. Through our reserve fund, we retain income in profitable periods to minimize the need for deficit funding from the Government if losses are experienced. Capital for the lending activity is comprised of retained earnings and the reserve fund. Total equity for assisted housing includes available capital for the lending activity and contributed capital.

Components of Total Equity

(in millions)	2016 Actual	2017 Estimate	2018 Approved	2017 Revised Estimate	2018 Plan Amended	2019 Plan Amended	2020 Plan Amended	2021 Plan Amended	2022 Plan Amended
Retained earnings	75	84	81	84	81	52	106	134	141
Reserve fund*	96	75	87	71	84	87	81	81	86
Available capital	171	159	168	155	165	139	187	215	227
Contributed capital	25	25	25	25	25	25	25	25	25
Total equity	196	184	193	180	190	164	212	240	252

* *Subject to statutory limit of $240 million.*

Investment Plan

Performance

If loan funding and the payment of borrowings is mistimed within our lending activity, we invest principal repayments in high-quality, fixed-income and money market instruments (currently with a minimum A rating), taking into consideration our risk appetite and business activities. Investments under management had a market value of $1.7 billion as at June 30, 2017. We expect the value of our investments under management over the planning period to reflect the decreasing investment requirements in the lending portfolio and new investment requirements related to the management of undrawn funds in the RCFi and the National Housing Co-investment Fund.

HOUSING ANALYSIS AND RESEARCH

We will provide accurate, timely and evidence-based analysis and insight to support informed decision-making.

We create, interpret and share housing-related information to support decision-making. Our work includes market analysis and analytical tools to improve our understanding of the housing system, research and information on a range of issues that promote affordability and choice, and policy advice that supports government decision-making.

REDUCE HOUSING NEED

Medium-term initiatives

- Implement NHS housing-related research and innovation initiatives
- Increase the availability and sharing of reliable housing information and data and advance open data solutions

Immediate OUTCOME

Housing information and data are readily shared among Government, industry and housing stakeholders

Intermediate OUTCOME

Comprehensive and relevant housing information is available for government, industry and housing stakeholders' research, analysis and decision making

Ultimate OUTCOME

Stable, competitive, innovative housing system

RESEARCH AND THE NATIONAL HOUSING STRATEGY

We will enhance our existing housing research, data and demonstration functions to develop and disseminate more timely and relevant information to evaluate NHS initiatives, support sector functioning and innovation, and re-establish federal leadership in housing. Closing data and information gaps will strengthen Canada's ability to report on NHS outcomes, and make informed decisions about housing. A new federal housing advocate will examine and recommend to CMHC and the responsible minister solutions to systemic barriers that Canadians face in accessing affordable housing. In addition, a new National Housing Council will provide CMHC and the responsible Minister with ongoing input on policy, programming and research related to the National Housing Strategy.

We will also offer new incentives and partnerships to spur greater interest and involvement in housing research outside of government. A collaborative housing research network would be supported, similar to the successful Australian Housing and Urban and Research Institute, to conduct quality, arms-length housing research that responds to Government of Canada information needs. We will explore collaboration opportunities on larger, in-depth, longitudinal research. All such measures will build non-government housing research capacity, reduce dependency on government over time and build sector capacity to innovate and develop its own solutions and voice.

A key part of our agenda is the provision of support to foster and sustain a culture of innovation in the affordable housing sector. Leading affordable housing providers will be funded to showcase innovative programs, policies, technologies and practices they have included in their project to improve performance and to better meet the housing needs of those they serve. Solutions Labs will be supported that bring teams of experts, academics, persons with lived experience and other stakeholders to focus on problem solving and solution development. New housing awards and scholarships will attract and retain creative researchers in the housing field.

OUR PLAN

Our housing analysis, policy and research activities generate new knowledge to inform housing decisions. Key elements of our plan are to:

- collaborate with housing sector players to exchange knowledge, generate fresh insights and mobilize our collective resources to achieve common goals; and
- foster a climate of innovation at CMHC and throughout the housing system to drive improved housing outcomes for Canadians informed by the best and most up-to-date data and analytical insights.

OUR PLAN IN DETAIL

Through the medium-term initiatives below, we will contribute to the achievement of our outcomes. Our priorities respond to the demand for greater housing information, including big/micro/open data, from industry, stakeholders and Canadians as housing information is becoming more publicly and readily accessible and centralized around the world. The financial and resource impact of the delivery of our programs is noted later in this chapter.

Implement NHS initiatives to grow Canada's capacity for housing-related research and innovation.

- Encourage collaborative housing research by making more housing data openly available and by expanding our tools and information products stemming from what we learn from the NHS.
- Enhance research and modelling related to long-term outcomes of housing and housing finance policy and investments, including social, environmental and economic impacts.
- Implement a plan for continual consultation and knowledge exchange (local, regional, domestic and international) including through national housing symposia and support to a new National Housing Council.
- Establish leading-edge housing demonstration projects, create knowledge exchange hubs and solution labs, and support university-based housing research networks, awards and scholarships.

Increase the availability and sharing of reliable housing information and data, and advance open data solutions.

- Explore data gaps related to the housing needs of Canada's most vulnerable populations, including women and children fleeing family violence, seniors, Indigenous peoples, people with disabilities, those with mental health and addiction issues, veterans, young adults, recent immigrants and visible minorities.
- Publish new in-depth analysis on key drivers of house prices in large Canadian centers.
- Provide greater insights into buyer preferences and behaviours through new surveys on motivations of recent home buyers and investors.
- Publish new insights into the mortgage market through housing finance data.
- Leverage existing analytical efforts using Equifax data to expand mortgage and credit trends insights to increase local market relevance and timeliness

Our progress at mid-2017 informs our work going forward in this plan:

- Consulted key academics on escalating house prices interim report.
- Published a national report on mortgage and consumer credit trends based on Equifax data.
- Developed a home buyer's motivation survey questionnaire.
- Led a consultation and knowledge exchange through the Women's Housing Symposium.

See annex B for 2017 performance results at mid-year.

Enhancing our research, data and demonstration capacity

We constantly strive to be a catalyst for innovation, and our research programs help Canada advance as a world leader in housing. In support of the NHS objectives, we're driving the social/affordable housing sector toward even more innovation and transformation.

We are developing new surveys, enhancing existing surveys, and drawing on more diverse sources of information. We are also showcasing creative approaches with highly visible demonstrations to build awareness, knowledge and uptake of innovative approaches.

The availability of more and higher quality data will inform federal housing policy development and support housing sector innovation. It will also improve our ability to assess the outcomes of federal investments in affordable housing.

Members of CMHC's research team:
Back row: Stephanie Shewchuk, Isabelle Trépanier, Kathleen Ireton and Silvio Plescia
Front row: Kiana Basiri, Richard Gabay and Linda Wang

PERFORMANCE INDICATORS

The following performance indicators, along with the medium-term initiatives, will assess our contribution towards achieving our outcomes.

2018 TARGET	PERFORMANCE INDICATOR
≥ 85%	Of surveyed clients say CMHC information is useful
≥ 85%	Of surveyed clients say new products addressing data gaps are relevant
≥ 85%	Of policy and research projects and activities on track to meet key milestones

FINANCIAL PLAN AND OUTLOOK

Housing analysis and research activities are cost-recovered from revenues from assisted housing's parliamentary appropriations for housing programs as well as the mortgage loan insurance activity.

Financial Analysis

Income Statement Summary

(in millions)	2016 Actual	2017 Estimate	2018 Plan Approved	2018 Plan Amended	2019 Plan Amended	2020 Plan Amended	2021 Plan Amended	2022 Plan Amended
Assisted housing recovery	56	54	53	74	81	84	79	76
Mortgage loan insurance recovery	17	15	20	20	19	20	20	20
Total revenue	73	69	73	94	100	104	99	96
Market analysis*	41	34	44	47	44	46	42	41
Research	32	35	29	47	56	58	57	55
Total expenses	73	69	73	94	100	104	99	96
Net income	-	-	-		-	-	-	-

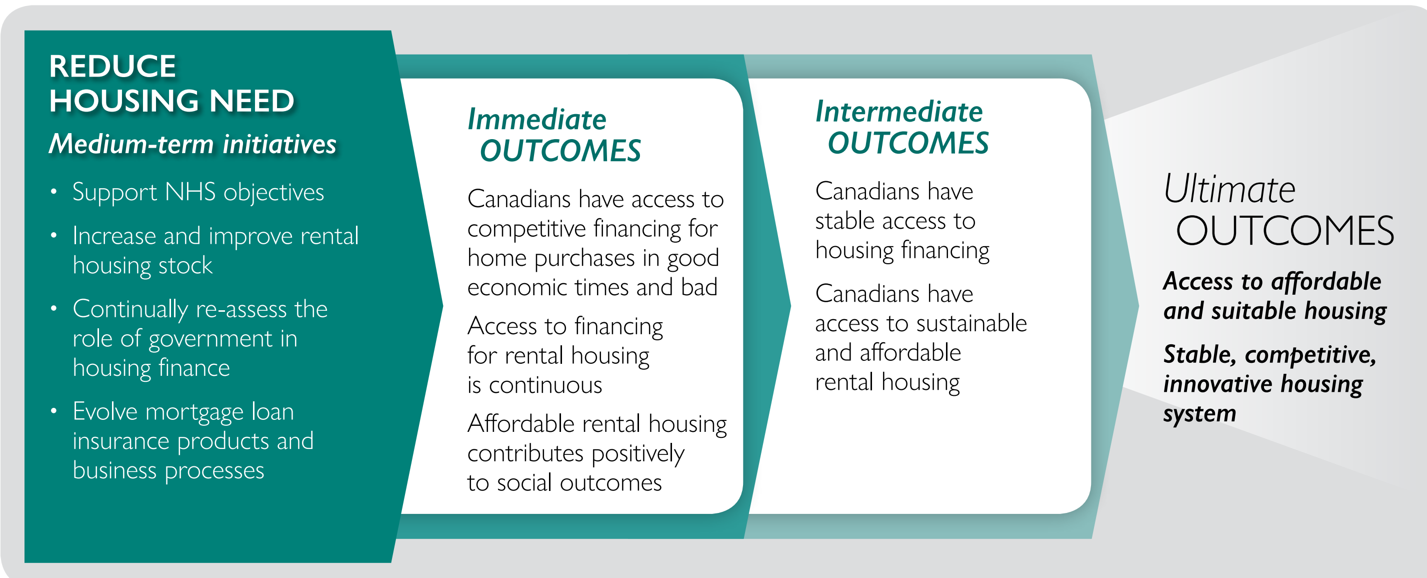
* *Includes market analysis costs recovered from mortgage loan insurance and assisted housing.*

We are investing additional resources to support the implementation of the NHS, including investments to enhance housing research, data and demonstrations. Funding is also provided for consultations on new legislation related to the NHS, a new housing advocate, and National Housing Council to provide ongoing advice to CMHC and the Minister responsible for CMHC related to the NHS.

MORTGAGE LOAN INSURANCE

We will provide competitive insurance products and industry-leading client service, with sufficient size and breadth to support access to housing finance and stability in Canada's housing and financial markets.

We contribute to a stable, competitive and efficient housing finance system by facilitating access to a range of housing options for Canadians through our mortgage loan insurance activity. In accordance with our mandate, we provide transactional homeowner, portfolio and multi-unit residential mortgage loan insurance in all parts of Canada. We operate these programs on a commercial basis with due regard for loss without the need for funding from the Government. Revenue from premiums, fees and investments cover all expenses, including insurance claims losses, and we are expected to generate a reasonable return for the Government.



OUR PLAN

Our mortgage loan insurance activity plays a distinct role in Canada's housing finance system. We compete in the commercial homeowner insurance market, support financing for commercial and social rental properties, and generate information and insight to support public policy.

Key elements of our plan are to:

- offer competitive products and industry-leading client service in all regions across Canada;
- stand out as a global industry thought leader; setting the standard in information and data analytics, providing clear and consistent policies, applying a rigorous quality assurance regime and promoting collaboration on industry issues such as fraud protection;
- evolve mortgage insurance products to support government directions amid a changing regulatory environment; and
- provide non-commercial public policy advice leveraging broad insurance expertise.

OUR PLAN IN DETAIL

Through our medium-term initiatives below, we will contribute to the achievement of our outcomes. The financial and resource impact of the delivery of our programs are described later in this chapter.

Support NHS objectives to contribute to greater social outcomes through our mortgage loan insurance programs.

- Provide mortgage loan insurance under the RCFi.
- Explore opportunities to support the 'access to homeownership' objective in the NHS by re-entering gaps in the commercial insurance market.

Increase and improve rental housing stock in support of affordable rents.

- Promote our new multi-unit residential product line offerings that encompass various types of rental housing to meet a broad range of client needs.
- Launch emerging multi-unit professionals program to reposition CMHC as the expert and leader in multi-unit housing finance and risk management.

Continually re-assess the role of government in housing finance to facilitate housing sector development.

- Develop evidence-based advice on housing finance policies to mitigate current and emerging housing system vulnerabilities, and execute changes as required.
- Lead efforts to reduce industry-wide mortgage fraud by improving detection tools and working with approved lenders to identify systematic solutions that mitigate fraud.

Our progress at mid-2017 informs our work going forward in this plan:

- Redeveloped our multi-unit residential product line to better meet the needs of our approved lenders and refined our pricing approach to better align with associated risk.
- Aligned mortgage loan insurance premiums to reflect the new OSFI capital requirements that came into effect January 1 2017.
- Adopted a risk-based approach to lender quality assurance.
- Continue to work with the Department of Finance to support consultations on lender risk-sharing.

See annex B for 2017 Performance results at mid-year.

Evolve our mortgage loan insurance products and business processes to better serve Canadian borrowers and lenders.

- Assess alternative mortgage insurance delivery models.
- Modernize the mortgage loan insurance policies in order to reflect the current business environment and clarify expectations for lender due diligence.
- Explore a digital mortgage platform to provide access to our models to clients and streamline the approval process for portfolio insurance.
- Consider our role in the mortgage industry's due diligence process by continuing to:
  - expand our enhanced claims service to include additional lenders and suppliers;
  - improve our underwriting and loss risk models;
  - expand the data transmitted from lenders to CMHC; and
  - integrate regulatory capital and economic capital in an increasingly sophisticated manner into our pricing analysis.
- Re-engineer our underwriting, servicing and claims systems and streamline our processes and professional services to realize operational efficiencies and enable innovation.
- Implement a new accounting standard for insurance contracts (IFRS 17) and evaluate the impacts on our
  - insurance products, design, pricing and policy development;
  - revenue recognition patterns, insurance liabilities, profitability; and
  - systems and processes.

Inspiring new ideas in rental housing

More than 30% of Canadians rent instead of own, making continued access to both affordable and market rental housing critical. Several of our insurance initiatives complement the NHS and help create vibrant, socially inclusive neighbourhoods.

Members of CMHC's affordable rental team:
Left to right: Bradley Uberig, Philippe Cloutier, Faridah Amarsi, Dan Ivancak, Annette Dillon, Kelly Cutro, John Ialeggio

Multi-Unit Residential Mortgage Loan Insurance

Recent enhancements to our multi-unit residential mortgage loan insurance policies further support more affordable housing choices for Canadians by providing opportunities for additional financing flexibilities and lower premiums where affordable rental units are made available. Our Insurance business line participates in a variety of market segments that address the rental housing needs of Canadians, such as standard rental housing, retirement homes, and single room occupancy projects.

Rental Construction Financing

RCFi offers low-cost loans to encourage the construction of new rental housing in areas with demonstrated need, including CMHC mortgage loan insurance at no additional cost to the borrower. It prioritizes projects that offer affordable residential rents, accessible units, greater energy efficiency and reduced greenhouse gas emissions. RCFi will offer up to $2.5 billion in loans over four years to housing developers, non-profit organizations and municipalities.

PERFORMANCE INDICATORS

The following performance indicators, along with the medium-term initiatives, will assess our contribution towards achieving our outcomes:

2018 TARGET	PERFORMANCE INDICATOR
	Access to housing financing:
≥ 13.5%	Of 1–4 unit applications insured are from rural areas
≥ 60%	Of 1–4 unit applications insured are from first time buyers
6-10%	Of 1–4 unit applications insured by borrowers with credit scores less than 680
≥ 6,000	Knowledge transfer and training activities with clients (1-4 unit)
≥ 83%	Satisfaction with knowledge transfer and training activities
	Advance affordable housing:
5–7%	Of rental units (new construction and existing) insured as affordable, both standard apartments and other shelter models
	Efficiency:
≤ 20.3%	Operating expense ratio
≥ 9.1%	Return on required equity
	Stability of housing financing system:
≤ 15.7%	Loss Ratio

FINANCIAL PLAN AND OUTLOOK

Revenues from premiums and application fees for insuring transactional homeowner, portfolio and multi-unit residential property loans, in addition to the investment income generated by our assets, are sufficient to cover all expenses, including insurance claims. We are expected to generate a reasonable return for the Government of Canada with due regard for loss.

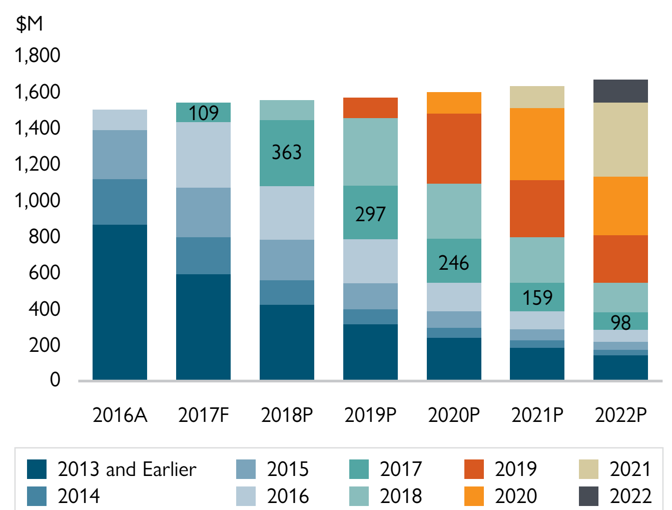
Financial Analysis

Income Statement Summary

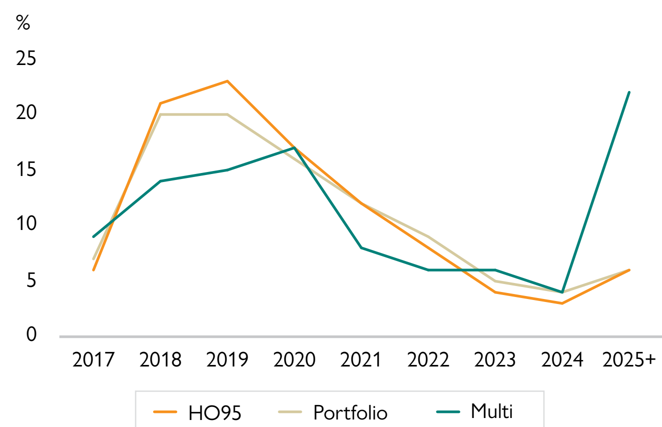
(in millions)	2016 Actual	2017 Estimate	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Premiums and fees earned	1,505	1,561	1,575	1,592	1,619	1,652	1,690
Investment income	594	603	526	491	496	488	508
Other income	58	7	54	57	58	60	62
Total revenues	2,157	2,171	2,155	2,140	2,173	2,200	2,260
Insurance claims	334	281	248	221	238	239	243
Operating expenses	256	299	320	323	332	337	341
Total expenses	590	580	568	544	570	576	584
Income before income taxes	1,567	1,591	1,587	1,596	1,603	1,624	1,676
Income taxes	384	387	385	387	388	393	406
Net income	1,183	1,204	1,202	1,209	1,215	1,231	1,270

Total revenues increase over the planning horizon, primarily as a result of higher premiums and fees earned which are primarily driven by recent price increases on transactional homeowner. Also contributing to the growth is the recent growth in multi-unit residential due to the low interest rate environment. However, our investment income is projected to decline compared to 2017 due to a smaller investment portfolio as a result of the introduction of dividends to the Government of Canada.

MLI Premiums and Fees Earned Breakdown by Year of Origin



Earnings Curve for 2017 Premiums and Fees Received by Product Line*



* *The HO95 earnings curve is shown as it represents nearly 70% of the transactional homeowner portfolio. The amortization period for HO95 and portfolio are assumed to be 25 years, while multi-unit residential is 30 years.*

Insurance claims decrease in the short term then remain relatively consistent over the planning horizon, as economic conditions are forecasted to continue to improve. In addition, Department of Finance regulatory changes introduced in the fall of 2016 decrease our risk exposure, our insurance-in-force is declining and expanded roll-out of the enhanced claim service will reduce the severity of our losses.

Operating expenses are increasing in 2017, and continue to increase over the planning period primarily due to our needed investments in technology and workplace transformation. Also contributing to the increase are insurance related initiatives, such as the implementation of IFRS 17 and fees paid to the Government of Canada[4] for the financial backing of our mortgage loan insurance business.

Net income increases progressively over the planning horizon following our higher premiums and fees earned and expected decreases in insurance claims compared to 2016.

Capital Management

For capital management purposes and as provided for in the CMHC Act and the NHA, we consider our capital available to be equal to the total equity of Canada for the mortgage loan insurance business, after taking into account regulatory adjustments to capital available to adhere to OSFI requirements. The appropriated capital of the mortgage loan insurance activity is based on our Board approved capital management policy which follows guidelines developed by OSFI, which we voluntarily follow.

In December 2016, OSFI released its final advisory, *Capital Requirements for Federally Regulated Mortgage Insurers* ("Advisory"). This Advisory came into effect on January 1, 2017 and replaced the advisory *Interim Capital Requirements for Mortgage Insurance Companies*. The Advisory, along with Guideline A - *Minimum Capital Test*, defines the framework within which the Superintendent of Financial Institutions will assess whether a mortgage insurer maintains adequate capital.

The new capital requirements for insurance risk provide a new standard approach for residential mortgage insurance that is more risk sensitive, and incorporates new key drivers of risk and loss including credit worthiness, remaining amortization, and outstanding loan balance. They also include higher capital requirements for loans originated in markets where house prices are high relative to borrower incomes. The changes ensure that capital requirements keep pace with housing market conditions and reflect the underlying risks. There are transitional arrangements that are designed to phase-in the impact of the new capital requirements for some components of the legacy business, however, we exclude the benefits of the transitional arrangements for internal capital management purposes.

Based on the analysis completed in the fourth quarter of 2016, the Board approved a change to the insurance internal target from 205%[5] under the old Minimum Capital Test (MCT) framework to 155% under the new MCT framework, and a change to the operating level from 220% under the old MCT framework to 165% under the new MCT framework. We implemented the revised MCT capital requirements and targets on January 1, 2017.

[4] *The financial backing fees were introduced in 2014, are paid annually based on previous year's volumes and are amortized into income over the respective earnings curve.*

[5] *OSFI's minimum regulatory capital requirement is 100% of its MCT.*

Components of Capital

(in millions, unless otherwise indicated)	2016 Actual*	2017 Estimate	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Accumulated other comprehensive income	766	551	(228)	(370)	(510)	(619)	(649)
Appropriated retained earnings	9,887	12,828	12,371	11,697	11,526	11,663	12,012
Appropriated capital	10,653	13,379	12,143	11,327	11,016	11,044	11,363
Unappropriated retained earnings	8,163	1,824	1,560	1,269	884	579	357
Total mortgage loan insurance capital	18,816	15,203	13,703	12,596	11,900	11,623	11,720
Less OSFI deductions	(200)	-	-	-	-	-	-
Total mortgage loan insurance capital available	18,616	15,203	13,703	12,596	11,900	11,623	11,720
CMHC's internal capitalization target	205%	155%	155%	155%	155%	155%	155%
Operating level holding target**	220%	165%	165%	165%	165%	165%	165%
Capital available to minimum capital required (% MCT)	384%	187%	186%	183%	178%	174%	170%
Return on required equity	10.4%	8.2%	9.1%	10.1%	10.7%	11.1%	11.3%
Surplus capital available for potential dividend declaration***	-	4,600	2,385	2,135	1,835	1,450	1,165

* *Our MCT ratio and capital breakdown for 2016 is calculated under the old MCT framework.*

** *We appropriate equity (retained earnings and accumulated other comprehensive income) at the 165% operating level.*

*** *The surplus capital available for potential dividend declaration is based on a number of assumptions and the amounts included in the schedule above and the remainder of the Corporate Plan are subject to the criteria in our dividend proposal approved by the Board and discussed in the risk management section.*

The economic factors with the largest impact on the financial condition of our mortgage loan insurance activity are unemployment rates, house prices, and interest rates. It is highly unlikely that any one of these factors in isolation would trigger liabilities to exceed assets. The combination of rising unemployment rates, declining house prices and rising interest rates would have to reach levels far outside historical experience, occur simultaneously and continue over an extended period of time for our liabilities to exceed our assets. Furthermore, the declines in available capital would exceed the requirements of our risk appetite statement early in the period and prompt changes in underwriting, products or pricing to offset the economic impact.

Investment Plan

Performance

The funds available for investment are primarily generated from the net cash flow of premiums, application fees, interest and distributions received, net of claims and expenses paid.

Investments under management had a market value of $24.9 billion as at June 30, 2017. They include investment properties and exclude investments related to repo activity. The size of the mortgage loan insurance investment portfolio has grown significantly over the last few years. However, as a result of the declaration of the $4 billion special dividend in June 2017 and the potential for large dividends over the planning horizon, it is expected that our investment portfolio and related investment income will decrease. Although we intend to fund our dividend payments from cash flows from operations and regular maturities, we may need to sell investments in order to make our dividend payments which could lead to volatility in our financial performance.

Our current buy-and-maintain investment strategy for managing the investment portfolio has meant greater emphasis on book yield as a key performance measure. The book yield of the fixed income portfolio as of June 30, 2017, was 2.6%, but is expected to increase over the planning horizon as we increase our allocation to foreign bonds which are expected to yield a higher return. Our current book yields are lower than our historical performance and our competitors, due to the implementation of our Strategic Asset Allocation in 2014 which led to significant purchases during a low rate environment. It is expected that, as our investments mature and are re-invested at higher rates and we continue to diversify our investment portfolio, our investment returns will be comparable to our historical performance and to our competitors.

Investment Outlook and Projected Returns

The key objectives of the investment asset allocation are to meet cashflow requirements with a high degree of certainty, maximize risk-adjusted returns and minimize the requirement to sell assets. Consequently, the main focus of the investment strategy has been to buy high-quality bonds of shorter duration—to more closely match the duration of the liabilities, which are then held until maturity. The portfolio asset allocation as at June 30, 2017, is 94.6% fixed income and 5% equities.

In 2017, we made our first investment in foreign bonds and as at June 30, 2017, we held just under $700 million. The main reason for including foreign bonds in the portfolio is to reduce concentration risk related to Canadian fixed income investments. Foreign bonds are fully hedged, and as a result, foreign bonds are not expected to have any significant excess returns over the long run in relation to Canadian bonds. Foreign bonds comprise just under 3% of our portfolio, but we expect the allocation to approach the maximum of 25% over the planning horizon. We have also invested in preferred shares which are attractive from a risk adjusted basis.

The following table shows the projected annual average income return of the mortgage loan insurance portfolio and the individual asset classes of which it is composed:

Annual average income return

Asset Class Returns	2017	2018	2019	2020	2021	2022
Projected annual income returns	2.49%	2.51%	2.52%	2.58%	2.74%	2.80%

Our buy-and-maintain investment strategy has also meant that less emphasis is placed on total returns as a measure of performance. The projected annual average total return of the mortgage loan insurance portfolio, including income and capital returns, is shown below:

Annual average total return

Asset Class Returns	2017	2018	2019	2020	2021	2022
Projected annual total returns	1.33%	0.53%	1.81%	1.97%	2.27%	3.02%

Actual returns may be significantly different than projections, as the returns provided above are based on projections around interest rates and asset returns. For example, a 50 basis point increase in the yield curve will have a $71 million dollar impact on total return of the fixed income assets.

Our money market and fixed-income strategies focus on risk-adjusted book yield, taking into consideration such things as interest rate risks versus our liabilities, credit risk and cash flow requirements. Due to the significance of fixed-income instruments in the asset mix, we supplement our analysis of credit risk at the instrument level by evaluating the overall quality of our credit portfolios. By adapting a methodology from a major rating agency to our internal ratings, the analysis illustrated in the table below indicates the level of protection provided by our fixed-income portfolios and sub-portfolios against losses from credit defaults.

Credit quality of investment portfolio

Exposure by Credit Rating	
Mortgage loan insurance portfolio (F.I.)	100%
AAA	26%
AA+/AA/AA-	21%
A+/A/A-	37%
BBB+/BBB/BBB-	9%
R-1 (High) / R-1 (Mid)	2%
NR*	5%

* *Equity, real estate, and foreign exchange exposures are not rated.*

Equities are managed on a risk-adjusted basis. Equity securities are selected on the expectation that they will be able to provide a better risk-adjusted return relative to fixed income. The investment strategy for the real estate portfolio consists of direct and indirect holdings (through joint-ventures, partnerships and funds) in commercial real estate investments.

SECURITIZATION

Continuous improvement of our programs will promote a stable and innovative housing finance system in Canada with viable private funding channels that limit government exposure.

Our securitization guarantee programs enable approved financial institutions to pool eligible insured mortgages into marketable securities that can be sold to investors to generate funds for residential mortgage financing. We guarantee the timely payment of interest and principal of these securities. We are responsible for the administration of the Covered Bond legal Framework, another source of mortgage funding.

REDUCE HOUSING NEED

Medium-term initiative

- Develop new programs that could become a significant source of mortgage funding with reduced Government exposure

Immediate OUTCOME

Issuers and lenders have stable sources of funding for mortgage lending

Intermediate OUTCOME

Canadians have stable access to housing financing

Ultimate OUTCOME

Stable, competitive, innovative housing system

OUR PLAN

We ensure that Canadian financial institutions have access to funds for mortgage lending through sound management of our securitization guarantee programs and administration of the legal framework for Canadian covered bonds.

We achieve this by providing sound policy advice to ensure that government support of mortgage funding is targeted, pricing is reflective of risks and benefits, and government exposure is reduced over the long term.

Through the NHA MBS Program CMHC Securitization is exposed to risks related to approved issuers, residential mortgages and, in general, the overall state of the housing market. CMHC mitigates and manages some of these risks by imposing broad requirements on approved issuers, including such approaches as establishing a minimum qualifying criteria, oversight and in-depth analysis of issuer`s financial statements, and monitoring the quality controls of issuers' NHA MBS operations.

In addition to managing our program risk, CMHC is responsible to promote the efficient functioning and competitiveness of the housing finance market and to promote and contribute to the stability of the financial system, including the housing market. CMHC continues to manage all of these risks and, at this time, that includes seeking to obtain relevant mortgage portfolio data from program participants. Such data is expected to provide better insights into the evolving mortgage landscape, to form the basis for trends analysis and to aid in better assessment of the current environment to develop sound policies and respond where necessary to promote stability.

OUR PLAN IN DETAIL

Through the medium-term initiative below, we will contribute to the achievement of our outcomes. Our priorities for the planning period reflect the need to reduce and refocus government exposure to mortgage funding. In 2017, we will review the directions and impact on our role and programs going forward resulting from the NHS. The financial and resource impact of the delivery of our programs is noted later in this chapter.

Develop new programs that could become a significant source of mortgage funding with reduced Government exposure.

- Develop and submit policy recommendations to Government to address barriers to more private capital supporting mortgage funding.

Our progress in 2017 informs our work going forward in this plan.

- Progress is being made on
  - assessing areas for improvement following recent market events;
  - reviewing CMHC's securitization program requirements to reflect intended policy objectives around competition and access; and
  - reviewing current allocation usage by issuers and lenders.
- On track to meet targets for the delivery of our NHA MBS and CMB guarantee programs.

See Annex B for 2017 performance results at mid-year

Supporting financial stability

We have made important enhancements to risk management in our securitization guarantee activities – contributing to the stability of Canada's financial system.

Some of our activities include:

- multidisciplinary risk assessments of issuers to improve decision making and transparency;
- strengthening our ability to ensure that program participants comply with requirements, through risk-based reviews, a fourfold increase in the number of Issuers reviewed annually and a scorecard to allow for comparisons amongst Issuers and over time; and
- enhancing our analytics to better assess performance and risks of the mortgages underlying the NHA MBS securities guaranteed by CMHC.

Members of CMHC's securitization team:
From left to right: Robert Genier, Sylvie Gionet, Melissa Rijkse, Izande Sangwa

Supporting diversity of funding options for Canadian lenders

Covered bonds continue to be a reliable source of long-term funding for uninsured mortgages in Canada. As a percentage of the total mortgage market, covered bond funding increased from 5% in early 2013 to over 9% in 2017.

In 2018, CMHC will host the 27th European Covered Bond Council ("ECBC") Plenary meeting. This is the first time the event will be held outside Europe and will be hosted in partnership with the ECBC, the World Bank Group, the European Bank for Reconstruction and Development and all 7 Canadian registered covered bond issuers. Hosting the event in Canada is intended to expand the discussion and reach of the conference while raising greater awareness of this asset class among North American investors.

CMHC contributes to the stability of the financial system through its administration of the Covered Bond Legal Framework.

Member of the Securitization Policy and Product, Covered Bonds team:
Lily Shum

PERFORMANCE INDICATORS

The following performance indicators, along with the medium-term initiative, will assess our contribution towards achieving our outcomes:

2018 TARGET	PERFORMANCE INDICATOR
≤ 11.1%	Operating expense ratio
≥ 95%	Utilization of annual limit for National Housing Act Mortgage-Backed Securities
≥ 95%	Utilization of annual limit for Canada Mortgage Bonds
≥ 17.2%	Return on required equity
100%	Planned on-site review of NHA MBS issuers conducted

FINANCIAL PLAN AND OUTLOOK

Revenues are earned from application fees, guarantee fees and investment income as well as interest income (net of interest expenses) on loans receivable under the CMB program. Expenses consist of operating costs. The securitization activity also includes revenues and costs related to the legal framework for covered bonds administered by CMHC. Application and annual fees relating to these responsibilities are on a cost-recovery basis.

(in millions)	2016 Actual	2017 Estimate	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Guarantees-in-force	**452, 000**	**488,000**	**504,000**	**523,000**	**521,000**	**499,000**	**497,000**
NHA MBS	229,000	254,000	270,000	279,000	277,000	253,000	255,000
CMB	223,000	234,000	234,000	244,000	244,000	246,000	242,000
Total annual securities guaranteed:	**144,433**	**170,000**	**175,000**	**185,000**	**195,000**	**200,000**	**202,000**
NHA MBS	104,433	130,000	135,000	145,000	155,000	160,000	162,000
CMB	40,000	401,000	40,000	40,000	40,000	40,000	40,000
Guarantee and application fees received:	**579**	**632**	**644**	**664**	**688**	**680**	**671**
Market NHA MBS	409	486	500	520	544	536	527
CMB	170	146	144	144	144	144	144

Financial Metrics

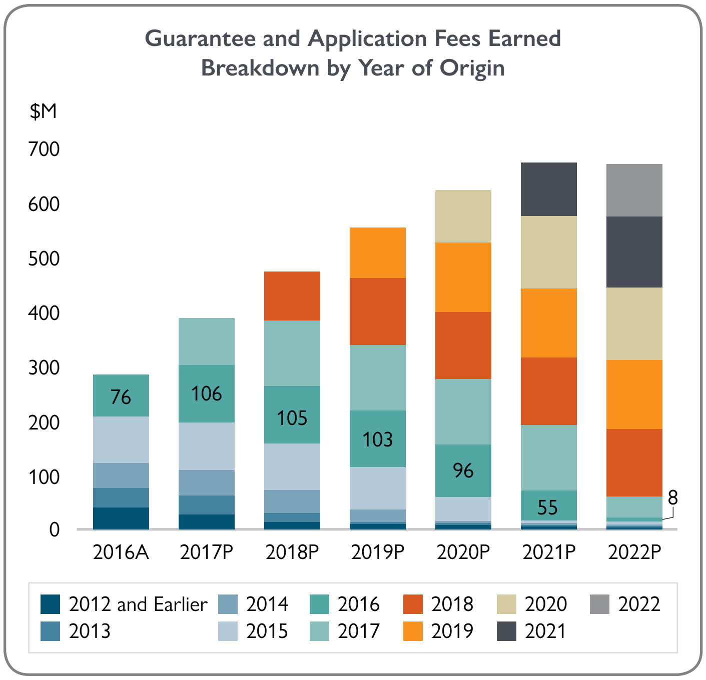
For 2017, the Minister of Finance has approved new guarantee limits of $130 billion under the NHA MBS program and $40 billion under the CMB program for a total of $170 billion. The projected guarantee limits are subject to approval by the Minister of Finance. As a result of the new fee structure introduced July 1, 2016, guarantee limits have been adjusted to account for NHA MBS sold to the Canada Housing Trust (CHT) as reinvestment assets that were not previously subject to limits or guarantee fees.

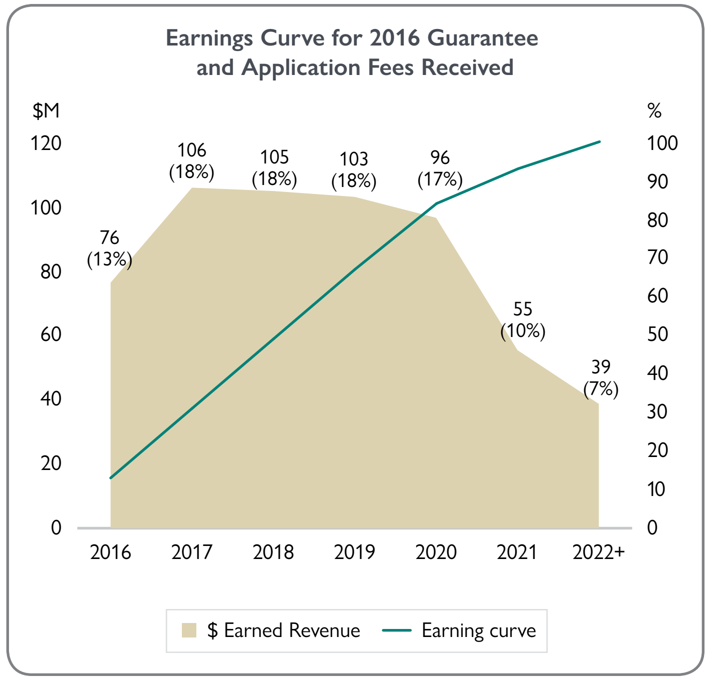
Guarantees-in-force are projected to gradually increase until 2019 as new guarantees exceed maturities. They are then projected to decrease in the years 2020 to 2022 when maturities exceed new guarantees. Guarantees-in-force will remain under the $600 billion legislative limit.

Financial Analysis

Income Statement Summary

(in millions)	2016 Actual	2017 Estimate	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Guarantee and application fees earned	284	387	471	551	620	671	669
Net interest income	9	8	8	8	8	8	8
Investment income	43	37	45	46	46	44	41
Other income	76	69	68	68	68	68	66
Total revenues	**412**	**501**	**592**	**673**	**742**	**791**	**784**
Operating expenses	114	125	123	124	127	128	127
Total expenses	**114**	**125**	**123**	**124**	**127**	**128**	**127**
Income before income taxes	**298**	**376**	**469**	**549**	**615**	**663**	**657**
Income taxes	74	94	117	137	154	166	164
Net income	**224**	**282**	**352**	**412**	**461**	**497**	**493**





Total revenues increase over the planning period due to higher NHA MBS guaranteed volumes and a new fee structure introduced on July 1, 2016. The new fee structure includes changes to the CMB program that subject all NHA MBS sold as original or reinvestment assets to the CHT for CMB series issued after July 1, 2016, to separate NHA MBS guarantee fees. Our projections do not assume any changes in the fee structure beyond the year 2016. Total expenses increase over the planning horizon due to higher guarantee fees paid to the Government of Canada. Net income increases over the planning period reflecting higher fees earned.

Capital Management

For the securitization activity, we calculate capitalization requirements according to industry best practices, incorporating regulatory principles from OSFI, including those set out in OSFI's E19 – ORSA guideline, and the Basel Committee on Banking Supervision. We appropriate retained earnings based on our 'Own View' of capital needs by identifying our risks, evaluating whether or not an explicit amount of capital is necessary to absorb losses from each risk, and deducting unearned premiums and fees.

In December 2016, the Board approved our revised assessment of capital adequacy for the securitization activity, which led to an increase in the amount of retained earnings appropriated. The increase in appropriated retained earnings is primarily due to expanded catastrophic risk modeling within our assessment of guarantee risk that could potentially expose CMHC to losses if an issuer were to default as a result. The review was focused on ensuring that the capitalization framework comprehensively reflects the risks to which CMHC is exposed. Our available equity of $2.3 billion is expected to accommodate increases to our required capital as a result of this new framework. Changes to required equity would affect appropriated and unappropriated retained earnings, and as a result, any metrics associated with required equity. Capitalization also factors in CMHC's ability to meet its timely payment guarantee. This risk is managed through a highly liquid investment portfolio. Any other provisions, corporate assets, reserves and means under any of CMHC's business lines and programs can also be utilized to satisfy a call on a guarantee until they can be replenished out of the program to which the guarantee relates or by the Government of Canada.

Further discussion on capital management can be found in the risk management section.

Components of Capital

(in millions, unless otherwise indicated)	2016 Actual	2017 Estimate	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Accumulated other comprehensive income (loss)	17	(39)	(88)	(136)	(142)	(141)	(119)
Appropriated retained earnings	2,069	2,125	2,067	2,046	1,984	1,913	1,872
Required equity	2,086	2,086	1,979	1,910	1,842	1,772	1,753
Unappropriated retained earnings	-	226	196	190	183	177	175
Total securitization available equity	2,086	2,312	2,175	2,100	2,025	1,949	1,928
Available equity to required equity	100%	111%	110%	110%	110%	110%	110%
Return on equity	11.3%	13.2%	15.9%	19.3%	22.3%	25.0%	25.4%
Return on required equity	13.5%	13.4%	17.2%	21.1%	24.4%	27.4%	27.8%
Surplus equity available for potential dividend declaration*	-	-	383	436	536	579	538

* *The surplus capital available for potential dividend is based on a number of assumptions and the amounts included in the schedule above and the remainder of the Corporate Plan are subject to the criteria in our dividend proposal approved by the Board and discussed in the risk management section.*

Investment Plan

Performance

The year-to-date total return for the consolidated securitization portfolio as at June 30, 2017, was 1.04% (benchmark was 1.02%) and the book yield was 1.40%. The funds available for investment are generated primarily from net cash flow as a result of guarantee and application fees and interest received net of expenses paid. Investments under management totalled $3.4 billion (market value) as at June 30, 2017. The size of the securitization portfolio has grown significantly over the last few years due to fee increases. However, this trend is not expected to continue due to the introduction of a dividend.

Investment Outlook and Projected Returns

The securitization investment portfolio is composed of only Government of Canada bonds to support liquidity and CMHC's timely payment guarantee. The outcome of the strategic asset allocation review of 2017, which is expected to be implemented in the fourth quarter of 2017, is a reduction in the interest rate risk of the investment portfolio relative to the existing portfolio.

The investment outlook underlying expected returns is for yields to increase over the planning horizon. Nevertheless, income returns from the investment portfolio are expected to more than offset the negative price returns resulting from the increase in yields. The following table shows the projected average annual returns for the securitization investment portfolio. These are total returns, including both income and price returns.

Annual Average Total Return

	2018	2019	2020	2021	2022
Projected total return	-0.11%	0.18%	1.30%	1.60%	2.21%

Actual returns may be significantly different than projections as the returns provided above are based on projections around interest rates. For example, a 50 basis point increase in the yield curve as at June 30, 2017, will have a $100 million dollar impact on total return.

PEOPLE AND PROCESSES

To deliver results for Canadians, we are using our time and financial resources wisely – deciding what we will do, and what we will not do. We continue to strengthen our tools, practices and technology to enable our people to excel. This includes fostering a culture of collaboration and trust, so that innovation can flourish.

OUR PLAN

Our People and Processes activities help us achieve all four of our priorities, and build on what we continue to achieve through our *CMHC in Motion* initiative, a multi-year program of directed change to build a better, stronger CMHC. Key elements of our approach are to:

- transform CMHC into a modern, digital company, reducing our overhead and increasing efficiency;
- innovate consciously in all that we do, ensuring that our workforce is comprised of the right people, in the right place, who value trust and bring a diversity of thought to business opportunities and challenges;
- promote our role as Canada's authority on housing via open and honest communications; and
- manage our resources responsibly and transparently on behalf of Canadians.

The following medium-term initiatives are priorities for the planning period:

Enable our Work and Think Digital

Transform CMHC into a modern, digital company with current technology	Transform CMHC's workplace to meet changing business needs	Engage, empower and inspire employees to innovate	Attract, acquire and retain a diverse and talented workforce	Support employees' learning goals, leadership development and career ambitions

Embrace Risk

Strengthen core risk management capabilities and achieve a pervasive culture of risk awareness/management

OUR PLAN IN DETAIL

Through the medium-term initiatives below, we will contribute to the achievement of our outcomes. Financial resources to support our people and processes are found in the Operating Budget chapter.

Transform CMHC into a modern, digital company with current technology

- Become a truly digital company through continual execution of our digital strategy.
- Strengthen our knowledge and insight through our data strategy and analytics platform.
- Secure our data through enhancement of our cyber security program.
- Make our workforce mobile through development and execution of a corporate mobility strategy.
- Implement an Enterprise Resource Planning (ERP) System to increase efficiency in business operations.

Technology and Business Transformation

We have embarked on an enterprise-wide Technology and Business Transformation (TBT) that significantly contributes to our outcomes and priorities:

- Enable our work by providing employees with the right tools, strong leaders and a work environment that fosters engagement, innovative thinking and professional development;
- Reduce housing need by supporting the development and implementation of Canada's NHS;
- Think digital by implementing our technology transformation initiative and an enterprise-wide digital strategy that will simplify business processes and amaze our clients; and
- Embrace risk by accepting that learning from failure helps us to build a world-leading housing system.

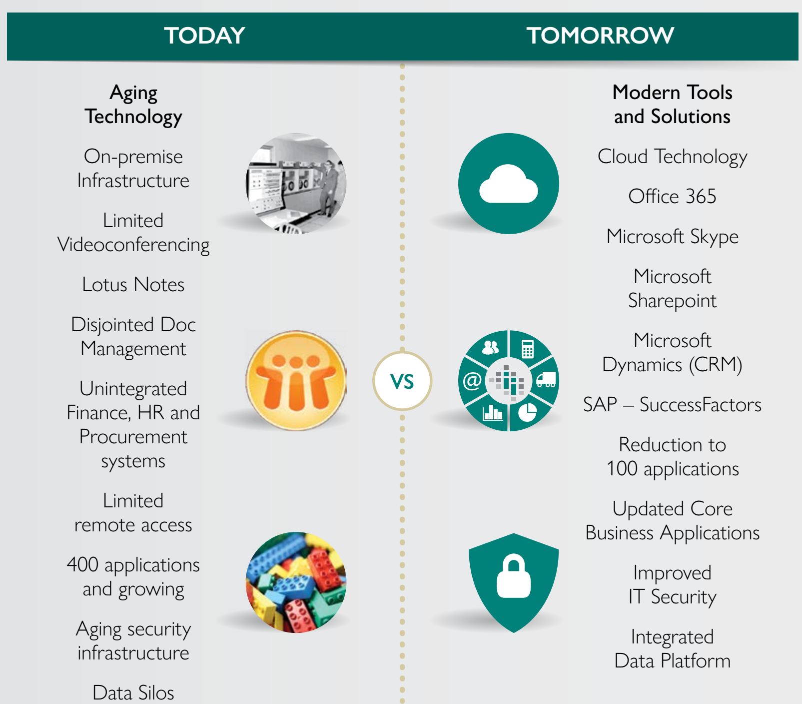
Continued improvements in employee enablement, engagement and morale are achieved with each transformational milestone. While these have improved since 2015, there is much work ahead as the top three barriers to innovation continue to be technology, process and bureaucracy, and lack of time.

Case for change

We have benefitted from decades of internally built systems. Today those systems cannot compete with technologies and processes available in the open market. A review of the current state reveals the urgency of our business transformation.

TBT is expected to improve agility as well as the efficiency and effectiveness of our infrastructure, processes and controls, expediting results in helping Canadians meet their housing needs.

Equipping us with modern technology, smarter processes, and real-time access to centralized, quality data, the TBT will allow us to better anticipate and understand the needs of our clients, and develop more effective strategies to meet those needs. We will create opportunities to evolve services, improve customer and employee experiences, and support continuous innovation and collaboration. All our employees, partners and clients will benefit from the changes.



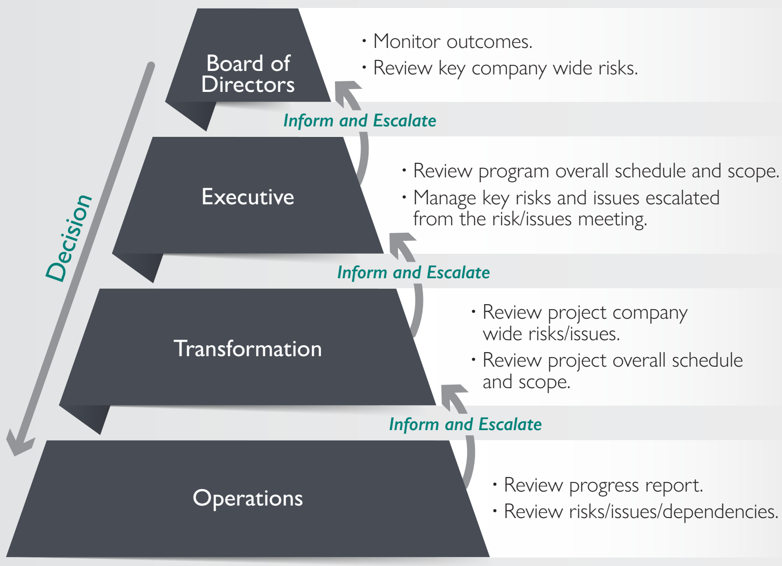
TECHNOLOGY & BUSINESS TRANSFORMATION OBJECTIVES	INNOVATE & TRANSFORM	SIMPLIFY & STREAMLINE	EMBRACE AGILITY & RISK	COLLABORATE & ENGAGE
BUSINESS BENEFITS	Establish best-in-class security, data, and analytics capabilities for insight-driven decision making and provide the right business tools for innovative, high-performing people and teams	Centralize data, reduce manual effort, and standardize processes across the company to improve productivity and enable robust decision making	Enable agile ways of working to increase speed of delivery, and enhance opportunities to lead change through experimentation and strategic risk-taking	Empower CMHC to become a more collaborative and interconnected company and transform the way we interact with each other, our clients and partners to drive better outcomes

Accelerating progress through partnership

The partnership with Accenture, through a joint solution design process, ensures alignment over the structure of the deal and the technology strategies. The partnership provides additional capacity and capability to execute the TBT. Overall, the execution of the TBT program will reduce current risks. To ensure clear authority and oversight, a governance model has been created to mitigate key risks.

In addition to our governance model:

- Active engagement of CMHC oversight functions.
- Robust change management processes being applied.
- Detailed scoping performed prior to implementation to reconfirm business and technical needs.
- Transformation projects include risk-sharing provisions between the partners.
- Competiveness built into key projects.
- Robust resource forecasting process established.



Data-driven agile approach

Data analytics continue to be key areas of investment to help us explore new opportunities and enable our people to efficiently contribute to our mandate and mission. We have entered into contracts with two companies: Accenture for an analytics and corporate data technology platform, and IBM for analytics professional services, such as program management, data science, data architects, and capacity building.

The analytics program will support risk management and better decision-making by standing up an analytics platform, data lake and analytics services to support specific projects.

Progress to mid-2017

- 93% year-to-date transformation milestone achievement
- 19 projects underway, all are on schedule and resourced and 14 projects completed, including new email system and videoconferencing
- Successfully transitioned our IT operations to Accenture over the course of 5 months
- Transitioned approximately 400 applications and 750 servers

Transform CMHC's workplace to meet changing business needs

- Stimulate innovation, collaboration and engagement through our workplace transformation plan.
- Improve operational efficiency with standardized, flexible and agile workspaces.
- Modernize office infrastructure to improve security and quality of our physical workplace.

Engage, empower and inspire employees to innovate

- Shape a new "future of work" as defined through consultation with employees, anchored by trust and enabled through technological and physical space transformation.
- Build on our innovation framework to create a network, internally and externally, that matures our techniques and processes, explores experimentation and prototyping, and actively seeks business opportunities to pursue innovative solutions.
- Conduct a company innovation climate assessment and identify specific interventions to enhance CMHC's innovation capabilities.

Attract, acquire and retain a diverse and talented workforce

- Continue to broaden our outreach to identify, attract and onboard diverse talent.
- Develop our workforce planning capabilities and a talent acquisition framework to proactively address our evolving business needs.
- Compensate and reward people at levels competitive with the general marketplace.

Continuous innovation

Through our digital strategy, we will improve both customer and employee experiences, create opportunities to evolve services, and support continuous innovation in our business and our technology environment.

With agility as a guiding principle of our strategy, our focus will help us achieve:

- an innovative culture developed through the rapid prototyping of ideas with the goal of enabling our business;
- an efficient and solid IT foundation that is able to respond and adapt faster to transform our business
- a robust, secure and resilient physical and digital environment; and
- derive new insights from our data to make confident, data-driven decisions.

Members of CMHC's technology team:
From left to right: Marc-André Poitras, Jennifer Buck, Myriam Boileau, Eric Brunet

Support employees' learning goals, leadership development and career ambitions

- Transform the Human Resources function to be more business-centric and focussed on value metrics enabled by a new platform and operating model.
- Implement a career framework to support employee career planning, development, performance management, and succession planning.
- Develop a corporate learning approach.

Strengthen core risk management capabilities and achieve a pervasive culture of risk awareness/management

- Improve decision making and foster innovation by enhancing the Risk Appetite Framework with strong linkages to mandate and strategy.
- Enhance strategic decision making by the development and use of economic capital models and other tools for risk aggregation, risk budgeting and capital adequacy.
- Align with best practices by enhancing risk assessment, measurement, monitoring and reporting by executing action plans and improving risk analytics and data sharing.
- Foster desired risk behaviours across the company by communicating, educating and training on risk management.
- Continue to build our project, portfolio and change management capabilities, placing greater emphasis on prioritizing our work and delivering measurable results.

Diversity is our strength

CMHC has a long tradition of fostering diversity and inclusion. With a workplace that is dynamic and inclusive, we have been recognized as one of Canada's Best Diversity Employers for several years in a row. We know that maximizing the potential of every employee is what makes us stronger and improves our performance.

We are developing a more holistic view of diversity – true to our commitment to continuous improvement. We want to make sure our population is reflective of Canada's current demographics: people of different race, ancestry, ethno-cultural origins, religion, age, gender, sexual orientation, family status and physical or mental ability.

This is a first step in our journey towards real diversity and, importantly, inclusion. Diversity in the broadest sense will foster innovation, improve our performance and help CMHC deliver results for Canadians.

"A common Aboriginal myth is the idea of a pan-aboriginal identity; i.e. we are all one nation, one culture. Asking the question "Which are you?" helps open up the understanding of the many diverse nations."

Joel Baxter,
FIRST NATIONS HOUSING

2017 CANADA'S BEST DIVERSITY EMPLOYERS

PERFORMANCE INDICATORS

The following performance indicators, along with the medium-term initiatives, will assess our contribution towards achieving our outcomes. The following are key short-term targets we will use to assess the impact and effectiveness of our work.

Enable our Work and Think Digital

2018 TARGET	PERFORMANCE INDICATOR
≥ 80%	Employee engagement score
≥ 80%	Employee enablement score
≥ 3.0%	Representation rates of Indigenous People
≥ 24.5%	Representation rates of Visible Minorities
≥ 4.3%	Representation rates of Persons with Disabilities
= 50%	Women in Leadership[6]
≥ 85%	Achievement of the technology transformation integrated project plan milestones
≥ 99.8%	Availability of systems for mission critical applications

Embrace Risk

2018 TARGET	PERFORMANCE INDICATOR
≥ 90%	Achievement of action plans[7] to better manage risk
≥ 80%	Risk awareness as evidenced by risk culture survey results
= 100%	Completion of annual risk management training plan

Efficiency

2018 TARGET	PERFORMANCE INDICATOR
≤ 14.2%	Operating budget ratio
≥ $1.9M	Revenue per employee
≥ 9.3%	Return on equity
≥ $1,561M	Net income

[6] *Management Committee, National Leadership Team and Middle Management Community.*

[7] *Refers to Internal Audit and Model vetting action plans.*

RESOURCE REQUIREMENTS

OPERATING BUDGET

Our operating budget supports the achievement of our priorities as well as the resources we require to deliver our programs, products and services, as described in more detail in the preceding activity chapters, of which the key investments are as follows:

National Housing Strategy

The implementation of the NHS will require a significant increase in resource requirements, and include staff with specific skill sets; timely filling and onboarding of these positions will be crucial.

Technology and Business Transformation

Technology transformation and data analytics continue to be key areas of investment to help us become a company with the information, tools and culture to explore new opportunities and enable our people to efficiently contribute to our mandate and mission.

CMHC's new partnership with Accenture met a major milestone in early 2017 with the successful transition of our technology operations, including all infrastructure and applications support. As well, CMHC's portfolio of planned technology transformation projects is well underway and should be completed by 2019. This includes the implementation of an ERP system that supports us in achieving leading financial, procurement and human resource operations.

The second phase of our technology transformation includes a data analytics platform. This new platform is poised to serve CMHC's needs holistically - from ingestion, integration, and data quality to modeling, data visualization and model management. While expected to improve risk management and allow for better informed decision making, it is also expected to reduce manual effort in building data sets and reduce roadblocks in maintaining or creating new models. We will also use the new analytics platform to further leverage the initiatives planned under the NHS.

Workplace Transformation Requirements

Our ageing office spaces are not cost-effective and lack the flexibility and agility to meet our rapidly changing needs. New investment will address the increase in resources required to deliver the NHS as well as provide an environment that stimulates innovation, collaboration, and engagement. We also need to modernize critical building and security infrastructure at our national office complex, ensuring we are continuing to meet health and safety requirements. Our comprehensive program includes investments over the next 10 years.

New Accounting Standard for Insurance Contracts

The International Accounting Standards Board issued IFRS 17 in May 2017, with an effective date of January 1, 2021. IFRS 17 will require a fundamentally different model to account for our insurance contracts. This will have pervasive impacts for us, and will require standing up new models, systems, and processes. Our new analytics platform will facilitate this effort and reduce overall costs. Still, we note that the adoption of this new standard will be more significant than the overall implementation of IFRS in 2011.

2016 RESULTS | 2017 FORECAST | 2018-2022 PLAN

Summary of Operating Budget

(in millions)	2016 Plan	2016 Actual	2017 Plan	2017 Estimate	2018 Plan Approved	2018 Plan Amended	2019 Plan Amended	2020 Plan Amended	2021 Plan Amended	2022 Plan Amended
Total (excl. pension/ post-employment benefits)	351.8	359.0	481.2	468.6	457.6	486.9	450.5	439.4	444.4	451.9
Pension/post-employment benefits	57.6	55.2	62.4	51.2	50.5	54.1	47.8	49.7	41.5	34.6
Total	409.4	414.2	543.6	519.8	508.1	541.0*	498.3	489.1	485.9	486.5

Pension Costs

The new design for our defined benefit pension plan, which reflects the criteria of uniformity, risk sharing, competitiveness and cost control, comes into effect on January 1, 2018. After that date, the normal retirement age will be increased to 65 years for all current and future plan members. In addition, the cost of the plan, including the cost for the conditional indexation, will be shared equally between employees and CMHC starting January 1, 2018, for both of the benefit accrual options offered in the new plan design.

FULL-TIME EQUIVALENTS (FTEs)

Activity	2016 Plan	2016 Actual	2017 Estimate	2018 Plan Approved	2018 Plan Amended	2019 Plan Amended	2020 Plan Amended	2021 Plan Amended	2022 Plan Amended
Total	1,966.5	1,809.2	1,829.2	1,907.8	2,031.1	1,994.6	1,931.8	1,921.2	1,931.3

The increase in FTEs is due to incremental resources required to deliver the federal components of the NHS. More specifically, these additional FTEs will be responsible for delivering the various programs, coordinating one or more service providers, leading marketing efforts, conducting policy analysis and research, providing legal services and program oversight.

Partially offsetting this future growth, FTEs supporting the existing assisted housing portfolio will decline as operating agreements come to their scheduled end. FTEs for mortgage loan insurance are expected to reduce as claims and default management activities moderate over the planning horizon.

CAPITAL BUDGET

The largest portion of our capital budget provides for lending activities to permit eligible borrowers to acquire a nd renovate existing housing or construct new housing under the various assisted housing programs of the NHA, and to help Canadians in need to access affordable, sound and suitable housing. The capital budget authority is also used to refinance privately financed social housing projects under our assisted housing activity. The other portion of our capital budget provides for the replacement of assets at the end of service life, the acquisition of new assets and enhancements to existing assets.

Our capital requirement projections for 2018 are $1,998 million. Loans and investments increased due to commitments under the RCFi being revised upwards as a result of delays experienced in 2017 and $550 million in new loans that will be issued under the new National Housing Co-Investment Fund, launching in April 2018 as part of the National Housing Strategy. The increase for other assets reflects our planned new investment to update the core infrastructure for our national office complex and to modernize and transform our workspaces across the company. We are also capitalizing assets from our technology transformation investment.

2016 RESULTS | 2017 FORECAST | 2018-2022 PLAN

Components of Capital Budget

(in millions)	2016 Plan	2016 Actual	2017 Plan	2017 Estimate	2018 Plan Approved	2017 Revised Estimate	2018 Plan Amended	2019 Plan Amended	2020 Plan Amended	2021 Plan Amended	2022 Plan Amended
Total loans and investments	171	146	899	599	1,196	384	1,961	1,399	1,389	1,197	1,193
Total furniture equipment and business premises	11	8	7	70	37	70	37	44	18	19	25
Total capital budget	182	154	906	669	1,233	454	1,998	1,443	1,407	1,216	1,218

BORROWING PLAN

Borrowing Authority

Our plan includes authority to borrow from the Crown Borrowing Program (CBP) to meet the funding requirements forecasted in this document, with short-term borrowings outstanding not exceeding $5.1 billion and new long-term borrowings not exceeding $2.5 billion. Further borrowings in excess of this amount will be subject to approval by the Minister of Finance.

CMHC derives its borrowing authorities pursuant to subsections 21(1) and (2) and section 22 of the Canada Mortgage and Housing Corporation Act, and subsections 127(1) and (3) of the Financial Administration Act. The Minister of Finance's approval of our borrowing activities is required as part of this corporate plan, and we comply with the requirements set out in the Department of Finance's Financial Risk Management Guidelines for Crown corporations. This borrowing plan deals strictly with our direct authority to borrow for the delivery of our programs. Although we consolidate the accounts of the CHT into our financial statements, we are not the borrower. CHT borrowings, including those under the Canada Mortgage Bonds (CMB) program, are therefore excluded from this borrowing plan, as are existing mortgages or other debt obligations secured against property that is transferred to CMHC as part of our insurance and investment activities.

FINANCIAL STATEMENTS

PERFORMANCE HIGHLIGHTS

Premiums earned increase as a result of new National Housing Act Mortgage-Backed Securities (NHA MBS) fee structure introduced in 2016 as well as increases in transactional homeowner insurance premiums. Partially offsetting this, Parliamentary Appropriations decrease related to Housing programs for Federal Budget 2016 (Budget 2016) initiatives that end at the beginning of 2018. Operating expenses are higher in 2017 due to CMHC's investment in technology transformation. Expenses for Parliamentary Appropriations follow the same pattern as the associated revenues and peak in 2017 due to Budget 2016 initiatives.

(in millions, unless otherwise indicated)	2016 Actual	2017 Approved Estimate	2018 Plan Approved	2017 Revised Estimate	2018 Plan Amended	2019 Plan Amended	2020 Plan Amended	2021 Plan Amended	2022 Plan Amended
CORPORATE RESULTS									
Total revenues	4,693	6,224	5,250	6,218	5,421	5,109	5,105	5,085	5,070
Total expenses (including income taxes)	3,315	4,722	3,690	4,720	3,860	3,472	3,404	3,340	3,292
Net income	1,378	1,502	1,560	1,498	1,561	1,637	1,701	1,745	1,778
Operating budget expense ratio	12.3%	11.3%	13.8%	11.3%	14.2%	13.8%	13.7%	13.6%	13.4%
Total assets	259,532	267,791	266,741	267,268	267,032	275,982	275,877	278,167	272,292
Total liabilities	238,542	250,132	250,703	249,613	250,997	261,125	261,713	264,306	258,337
Total equity of Canada	20,990	17,659	16,038	17,655	16,035	14,857	14,164	13,861	13,955
Employees (full-time equivalents [FTE])	1,809.2	1,829.2	1,907.8	1,829.2	2,031.1	1,994.6	1,931.8	1,921.2	1,931.3
Revenue per employee (FTE)	1.9	2.5	1.9	2.5	1.9	1.9	1.8	1.9	1.9
ASSISTED HOUSING									
Parliamentary appropriations for Housing programs expenses	2,153	3,500	2,469	3,500	2,639	2,252	2,136	2,047	1,979
Net income	(14)	(11)	(9)	(15)	(8)	(3)	12	-	-

(in millions, unless otherwise indicated)	2016 Actual No Change	2017 Estimate No Change	2018 Plan No Change	2019 Plan No Change	2020 Plan No Change	2021 Plan No Change	2022 Plan No Change
CORPORATE RESULTS							
Employee engagement score*	75%	*	80%	80%	80%	80%	80%
Employee enablement score*	70%	*	80%	80%	80%	80%	80%
Women—employment equity group**	58.6%	60%	**	**	**	**	**
Women in Leadership***	46.1%	47.1%	50%	50%	50%	50%	50%
Visible minorities—employment equity group	20.2%	22.2%	24.5%	25.1%	25.3%	25.5%	25.7%
Persons with disabilities—employment equity group	3.3%	3.8%	4.3%	4.3%	4.3%	4.3%	4.3%
Indigenous people—employment equity group	2.2%	2.8%	3.0%	3.3%	3.3%	3.3%	3.3%
MORTGAGE LOAN INSURANCE							
Insurance in force ($B)	512	496	478	461	448	439	434
Total insured volumes	84,275	53,607	51,619	50,058	51,162	52,804	54,682
Premiums and fees received	1,558	1,572	1,606	1,657	1,695	1,754	1,820
Premiums and fees earned	1,505	1,561	1,575	1,592	1,619	1,652	1,690
Insurance claims	334	281	248	221	238	239	243
Net income	1,183	1,204	1,202	1,209	1,215	1,231	1,270
Loss ratio	22.2%	18.0%	15.7%	13.9%	14.7%	14.5%	14.4%
Operating expense ratio	17.0%	19.2%	20.3%	20.3%	20.5%	20.4%	20.2%
Combined ratio	39.2%	37.2%	36.0%	34.2%	35.2%	34.9%	34.6%
Return on required equity	10.4%	8.2%	9.1%	10.1%	10.7%	11.1%	11.3%
Capital available to minimum capital required (% MCT)****	384%	187%	186%	183%	178%	174%	170%
SECURITIZATION							
Guarantees in force ($B)	452	488	504	523	521	499	497
Annual securities guaranteed	144,433	170,000	175,000	185,000	195,000	200,000	202,000
Guarantee and application fees received	579	632	644	664	688	680	671
Guarantee and application fees earned	284	387	471	551	620	671	669
Net income	224	282	352	412	461	497	493
Operating expense ratio	12.6%	13.4%	11.1%	9.6%	9.3%	8.7%	8.7%
Return on required equity	13.5%	13.4%	17.2%	21.1%	24.4%	27.4%	27.8%
Available equity to required equity	100%	111%	110%	110%	110%	110%	110%

Annex B provides a status of our mid-year performance relative to the targets we set in our 2017-2021 Corporate Plan.

Annex C provides an assessment of the impact of a cautious "downside" projection, as projections are inherently unreliable.

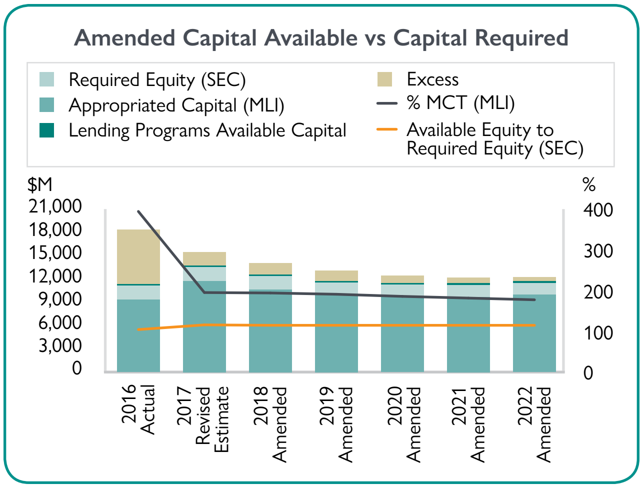
* *Measured at year end.*

** *Representation rate exceeds labour market availability.*

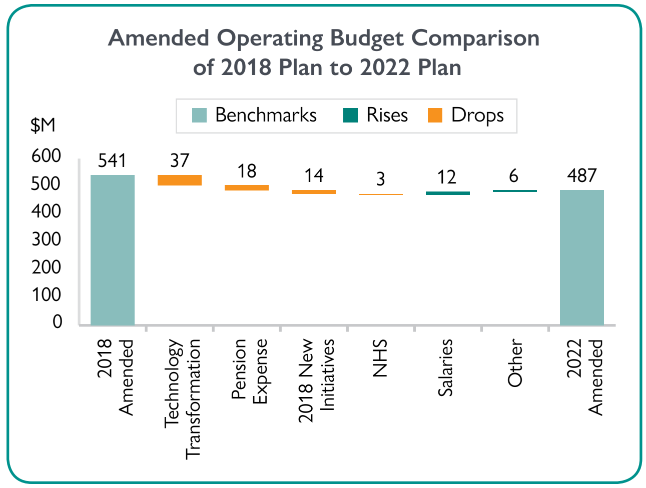
*** *Management Committee, National Leadership Team and Middle Management Community.*

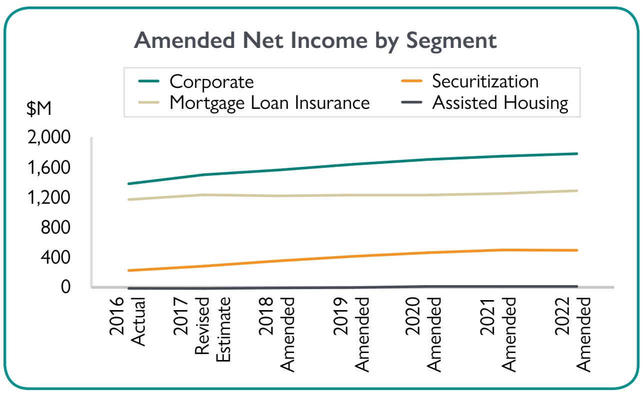
****Refer to Mortgage Loan Insurance section for further explanation.*

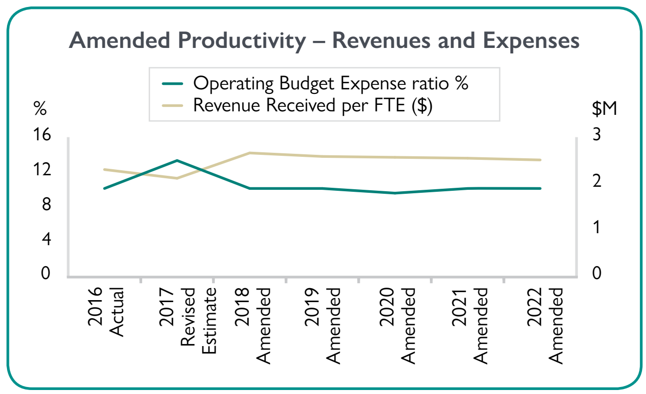
Excess capital is reduced as it is now being distributed through a dividend to the Government of Canada. The implementation of OSFI Capital Requirements guidelines for Mortgage Insurers effective January 1, 2017, resulted in higher capital required (appropriated capital).[8] Capital requirements are lower after 2017 due to lower insurance-in-force.



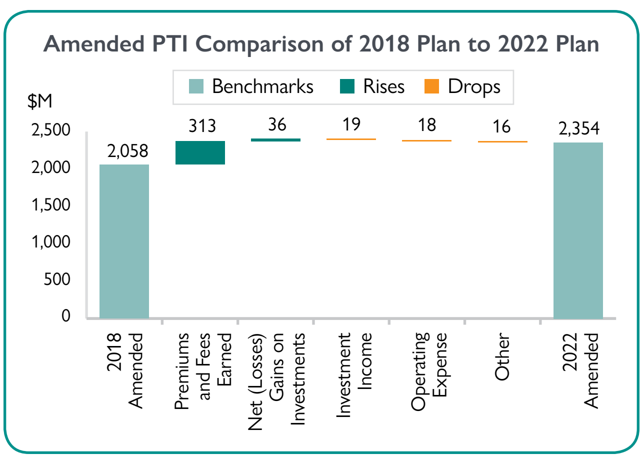
The decrease in Operating Budget in 2022 compared to 2018 reflects one time investments related to technology transformation and other corporate initiatives. Lower parliamentary appropriations post 2017 result in a higher Operating Budget Expense ratio.



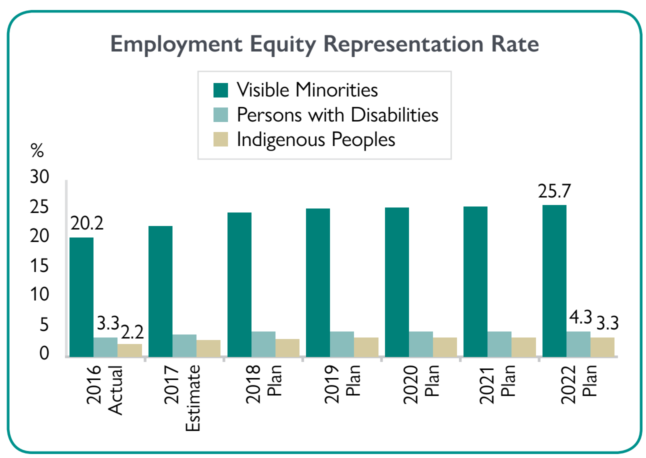




Pre-tax income increases over planning period as a result of a new NHA MBS fee structure introduced in 2016 as well as increases in transactional homeowner insurance premiums.



We are committed to ensuring that our workforce reflects the composition of the Canadian labour force.



[8] *Refer to Mortgage Loan Insurance section for further explanation.*

CONSOLIDATED FINANCIAL STATEMENTS

Table 1: Balance Sheets (in millions of Canadian dollars)

Description	2016 Actual	2017 Estimate	2018 Plan Approved	2017 Revised Estimate	2018 Plan Amended	2019 Plan Amended	2020 Plan Amended	2021 Plan Amended	2022 Plan Amended
ASSETS									
Cash and cash equivalents	1,995	772	603	764	611	622	879	857	867
Securities purchased under resale agreements	17	-	-	-	-	-	-	-	-
Investment securities:									
Designated at fair value through profit or loss	1,173	1,048	2,240	-	2,240	2,050	1,702	1,491	1,546
Available for sale	23,226	22,784	19,701	22,235	18,887	17,950	17,053	16,547	16,628
Held to maturity			-	101	1,248	1,773	1,712	1,471	1,829
Loans:									
Designated at fair value through profit or loss	4,020	3,406	2,461	-	2,461	1,670	999	450	150
Loans and receivables	227,310	237,572	239,453	237,506	239,309	249,520	251,030	254,643	248,514
Accrued interest receivable	705	735	781	732	774	875	939	1,062	1,135
Derivatives	86	70	46	-	46	27	15	10	6
Due from the Government of Canada	59	300	300	-	300	300	300	300	300
Accounts receivable and other assets	674	837	880	839	880	912	935	942	952
Investment property	267	267	276	-	276	283	292	300	309
Defined benefit plans asset	-	-	-		-	-	21	94	56
Total Assets	259,532	267,791	266,741	267,268	267,032	275,982	275,877	278,167	272,292
LIABILITIES									
Securities sold under repurchase agreements	704	250	250	-	250	250	250	250	250
Borrowings:									
Designated at fair value through profit or loss	5,905	4,595	3,462	-	3,462	2,386	1,136	470	390
Other financial liabilities	223,156	234,246	236,726	233,731	236,993	247,948	249,960	253,162	247,141
Accrued interest payable	542	580	642	577	644	761	841	971	1,054
Derivatives	32	23	14	-	14	7	2	-	-
Potential dividend payable*	-	2,000	1,007	-	1,007	880	556	331	292
Accounts payable and other liabilities	548	635	690	634	715	827	800	820	831
Defined benefit plans liability	384	348	256	-	256	307	220	198	110
Provision for claims	654	584	526	-	526	445	419	403	388
Unearned premiums and fees	6,564	6,818	7,111	-	7,111	7,312	7,489	7,626	7,775
Deferred income tax liabilities	53	53	19	-	19	2	40	75	106
Total Liabilities	238,542	250,132	250,703	249,613	250,997	261,125	261,713	264,306	258,337
EQUITY OF CANADA									
Contributed capital	25	25	25	-	25	25	25	25	25
Accumulated other comprehensive income (loss)	761	531	(305)	-	(305)	(484)	(613)	(716)	(733)
Retained earnings	20,108	17,029	16,231	-	16,231	15,230	14,673	14,473	14,579
Reserve fund	96	74	87	70	84	86	79	79	84
Total Equity of Canada	20,990	17,659	16,038	17,655	16,035	14,857	14,164	13,861	13,955
Total Liabilities and Equity of Canada	259,532	267,791	266,741	267,268	267,032	275,982	275,877	278,167	272,292

* *Potential dividend payable based on excess capital available.*

Table 2: Statements of Income, Comprehensive Income and Equity of Canada (in millions of Canadian dollars)

Description	2016 Actual	2017 Estimate	2018 Plan Approved	2017 Revised Estimate	2018 Plan Amended	2019 Plan Amended	2020 Plan Amended	2021 Plan Amended	2022 Plan Amended
INTEREST INCOME									
Loans - designated at fair value through profit or loss	82	82	61	61		50	48	49	47
Loans and receivables	4,463	4,889	5,171	4,888	5,168	5,359	5,769	6,166	6,679
Other	53	38	42	33		55	51	42	37
	4,598	5,009	5,274	5,003	5,271	5,464	5,868	6,256	6,763
INTEREST EXPENSE									
Borrowings - designated at fair value through profit or loss	123	81	85	85		72	59	53	49
Other financial liabilties	4,343	4,805	5,065	5,065	5,061	5,283	5,702	6,090	6,582
	4,466	4,886	5,150	5,150	5,146	5,355	5,761	6,143	6,631
Net interest income	132	123	124	117	125	109	107	113	132
NON-INTEREST REVENUES AND PARLIAMENTARY APPROPRIATIONS									
Parliamentary appropriations for housing programs	2,153	3,500	2,469	2,469	2,639	2,252	2,136	2,047	1,979
Premiums and fees earned	1,789	1,948	2,046	2,046		2,143	2,239	2,323	2,359
Investment income	564	561	500	500		473	480	471	481
Net gains (losses) on financial instruments	(51)	(11)	2	2		25	34	40	38
Other income	106	103	109	109		107	109	91	81
Total revenues and parliamentary appropriations	4,693	6,224	5,250	6,218	5,421	5,109	5,105	5,085	5,070
NON-INTEREST EXPENSES									
Housing programs	2,153	3,500	2,469	2,469	2,639	2,252	2,136	2,047	1,979
Insurance claims	334	281	248	248		221	238	239	243
Operating expenses	387	463	476	476		476	487	491	494
Total expenses	2,874	4,244	3,193	3,193	3,363	2,949	2,861	2,777	2,716
Income before income taxes	1,819	1,980	2,057	1,974	2,058	2,160	2,244	2,308	2,354
Income taxes	441	478	497	476		523	543	563	576
Net Income	1,378	1,502	1,560	1,498	1,561	1,637	1,701	1,745	1,778
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX									
Items that will be subsequently reclassified to net income:									
Net unrealized gains (losses) from available for sale financial instruments	(9)	(230)	(403)	(403)		(179)	(129)	(103)	(18)
Reclassification of prior years' net unrealized (gains) losses realized in the period in net income	(37)	-	-	-		-	-	-	1
Total items that will be subsequently reclassifed to net income	(46)	(230)	(403)	(403)		(179)	(129)	(103)	(17)
Items that will not be subsequently reclassified to net income:									
Remeasurements of the net defined benefit plans	19	(3)	44	44		(65)	106	84	36
Other comprehensive income (loss)	(27)	(233)	(359)	(359)		(244)	(23)	(19)	19
COMPREHENSIVE INCOME	1,351	1,269	1,201	1,265	1,202	1,393	1,678	1,726	1,797
CONTRIBUTED CAPITAL	25	25	25	25		25	25	25	25
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)									
Balance at beginning of year*	807	761	98	98		(305)	(484)	(613)	(716)
Other comprehensive income (loss)	(46)	(230)	(403)	(403)		(179)	(129)	(103)	(17)
Balance at end of year	761	531	(305)	(305)		(484)	(613)	(716)	(733)
RETAINED EARNINGS									
Balance at beginning of year**	18,671	20,108	17,408	17,408		16,231	15,230	14,673	14,473
Net income	1,378	1,502	1,560	1,498	1,561	1,637	1,701	1,745	1,778
Other comprehensive income (loss)	19	(3)	44	44		(65)	106	84	36
Potential dividends declared	-	(4,600)	(2,768)	(2,768)		(2,571)	(2,371)	(2,029)	(1,703)
Transferred to reserve fund	40	22	(13)	26	(14)	(2)	7	-	(5)
Balance at end of year	20,108	17,029	16,231	16,231		15,230	14,673	14,473	14,579
RESERVE FUND									
Balance at beginning of year	136	96	74	74	70	84	86	79	79
Transferred from retained earnings	(40)	(22)	13	(26)	14	2	(7)	-	5
Balance at end of year	96	74	87	70	84	86	79	79	84
EQUITY OF CANADA	20,990	17,659	16,038	17,655	16,035	14,857	14,164	13,861	13,955

* *Opening accumulated other comprehensive income (loss) for 2018 does not equal closing AOCI for 2017 due to the adoption of IFRS 9 which resulted in a decrease of 433 million (offset to retained earnings).*

** *Opening retained earnings for 2018 does not equal closing retained earnings for 2017 due to the adoption of IFRS 9 and IFRS 15 which resulted in an increase of 433 million and a decrease of 54 million respectively.*

Table 3: Statement of Cash Flows (in millions of Canadian dollars)

Description	2016 Actual	2017 Estimate	2018 Plan Approved	2017 Revised Estimate	2018 Plan Amended	2019 Plan Amended	2020 Plan Amended	2021 Plan Amended	2022 Plan Amended
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES									
Net income	1,378	1,502	1,560	1,498	1,561	1,637	1,701	1,745	1,778
Adjustments to determine net cash flows provided by (used in) operating activities									
Amortization of premiums and discounts on financial instruments	214	18	31		31	44	55	56	56
Deferred income taxes	14	10	(21)		(21)	(4)	47	46	38
Net (gains) losses on financial instruments	27	11	(2)		(2)	(25)	(34)	(40)	(38)
Accrued interest receivable	(11)	(30)	(46)	(27)	(42)	(101)	(64)	(123)	(73)
Derivatives	32	18	61		61	37	24	16	19
Due from the Government of Canada	102	(241)	-		-	-	-	-	-
Accounts receivable and other assets	165	(163)	(43)	(165)	(41)	(32)	(23)	(7)	(10)
Accrued interest payable	81	38	62	35	67	117	80	130	83
Accounts payable and other liabilities	66	89	55	86	81	112	(27)	20	11
Defined benefit plans liability	(38)	(40)	(33)		(33)	(37)	34	16	(1)
Provision for claims	(54)	(70)	(58)		(58)	(81)	(26)	(16)	(15)
Unearned premiums and fees	335	254	293		293	201	177	137	149
Other	12	129	89	130	90	146	45	41	(6)
Loans									
Repayments	33,510	30,679	40,003		40,003	31,988	41,087	38,687	47,694
Disbursements	(40,192)	(40,506)	(41,071)	(40,439)	(40,994)	(41,495)	(42,010)	(41,830)	(41,337)
Borrowings									
Repayments	(35,558)	(31,319)	(39,924)		(39,924)	(32,219)	(41,337)	(38,792)	(47,042)
Issuances	42,308	41,417	41,256	40,902	42,039	41,957	41,890	41,462	41,290
	2,391	1,796	2,212	1,340	3,111	2,245	1,619	1,548	2,596
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES									
Investment securities									
Sales and maturities	5,317	3,302	3,700	3,311	3,714	2,852	11,517	3,158	2,847
Purchases	(7,757)	(3,284)	(2,320)	(2,845)	(3,217)	(2,388)	(10,184)	(2,474)	(3,691)
Investment property									
Additions	(1)	-	-		-	-	-	-	-
Securities purchased under resale agreements	18	17	-		-	-	-	-	-
Securities sold under repurchase agreements	7	(454)	-		-	-	-	-	-
	(2,416)	(419)	1,380	29	497	464	1,333	684	(844)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES									
Potential dividend paid*	-	(2,600)	(3,761)		(3,761)	(2,698)	(2,695)	(2,254)	(1,742)
	-	(2,600)	(3,761)		(3,761)	(2,698)	(2,695)	(2,254)	(1,742)
Change in cash and cash equivalents	(25)	(1,223)	(169)	(1,231)	(153)	11	257	(22)	10
Cash and cash equivalents									
Beginning of year	2,020	1,995	772		764	611	622	879	857
End of year	1,995	772	603	764	611	622	879	857	867
Represented by									
Cash	4	-	-		-	-	-	-	-
Cash equivalents	1,991	772	603	764	611	622	879	857	867
	1,995	772	603	764	611	622	879	857	867
Supplementary disclosure of cash flow from operating activities									
Amount of interest received during the period	5,447	5,734	5,922	5,732	5,923	6,008	6,400	6,695	7,203
Amount of interest paid during the period	4,572	4,965	5,196	4,969	5,187	5,308	5,739	6,061	6,577
Amount of dividends received during the period	47	44	45		45	47	49	50	52
Amount of incomes taxes paid during the period	184	495	344		343	373	542	505	541

* *Potential dividend paid based on excess capital available.*

ANNEX A – CORPORATE PROFILE AND GOVERNANCE

MANDATE AND LEGISLATIVE FRAMEWORK

CMHC is a federal Crown corporation incorporated under the *Canada Mortgage and Housing Corporation Act* (CMHC Act) and is accountable to Parliament through the Minister for CMHC[9] (the Minister). Our legislative framework consists of the CMHC Act, the NHA and the FAA.

As set out in the NHA, CMHC's mandate is to promote the construction of new houses, the repair and modernization of existing houses, and the improvement of housing and living conditions. In relation to financing for housing, the NHA's purpose is to promote housing affordability and choice; to facilitate access to and competition and efficiency in the provision of housing finance; to protect the availability of adequate funding for housing; and to contribute to the well-being of the housing sector.

Additional "objects" in the NHA relate to the company's housing finance activities. These are: a) to promote the efficient functioning and competitiveness of the housing finance market; b) to promote and contribute to the stability of the financial system, including the housing market; and c) to have due regard to the company's exposure to loss.

ANNUAL REVIEWS BY THE SUPERINTENDENT OF FINANCIAL INSTITUTIONS

The NHA specifies that the Superintendent of Financial Institutions, at least once each calendar year, will make or cause to be made any examination or inquiry that the Superintendent considers to be necessary or expedient to determine if the company is carrying out any or all of its commercial activities in a safe and sound manner with due regard to loss. The Superintendent reports the results and recommendations to the Board, the Minister and the Minister of Finance.

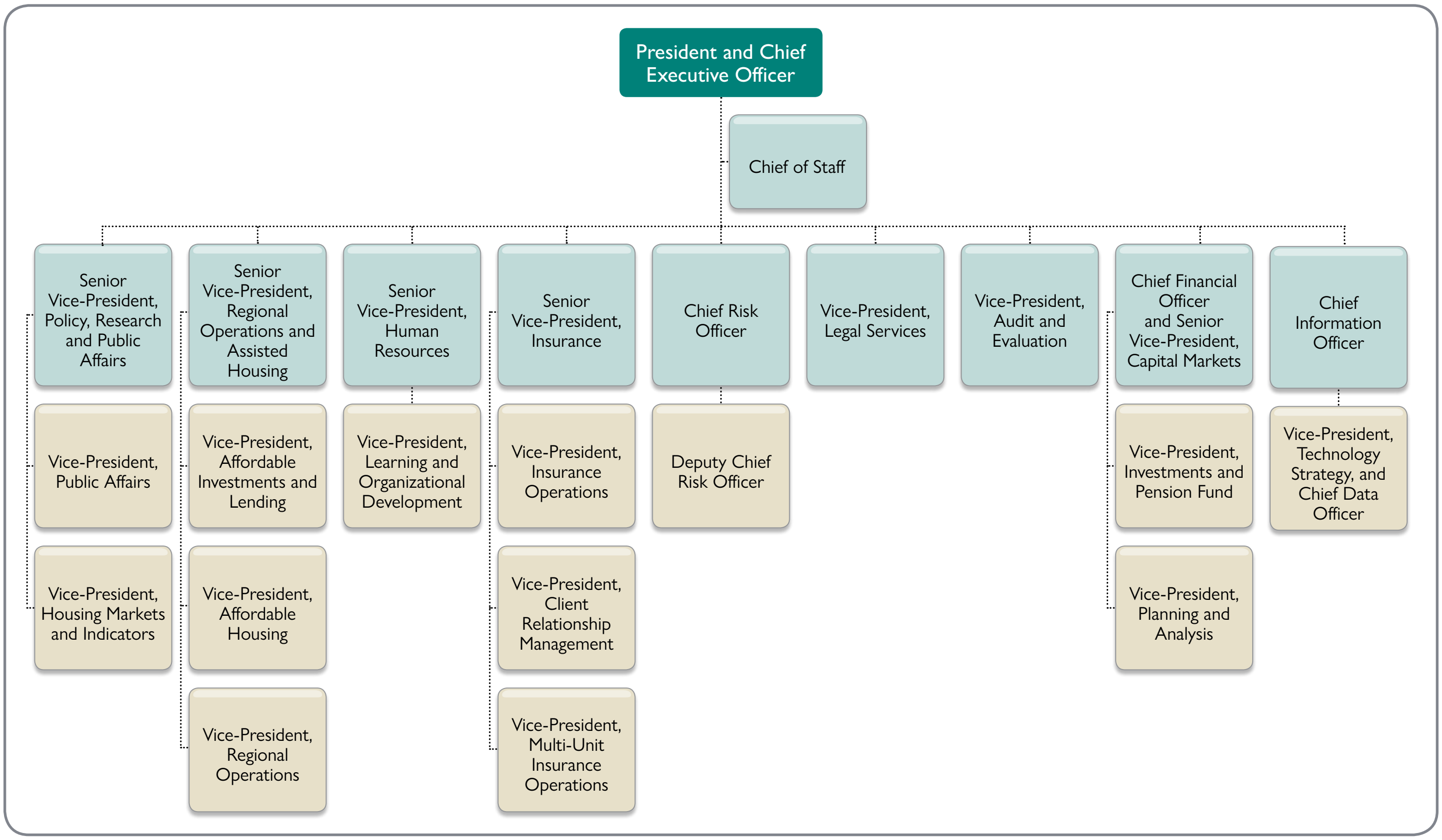
CORPORATE STRUCTURE

The Board is responsible for managing the affairs of the company and the conduct of our business in accordance with applicable legislation as well as the governing by-laws of the company. The Board comprises the Chairperson, the President and Chief Executive Officer (CEO), the Minister's Deputy Minister, the Deputy Minister of Finance, and eight other directors. Board members are appointed pursuant to sub-sections 6(2) and 6(4) of the CMHC Act. Charters for the Board's committees (Audit, Corporate Governance and Nominating, Human Resources, Risk Management and Social and Affordable Housing) are posted on CMHC's website (https://www.cmhc-schl.gc.ca/en/corp/about/cogo/cogo_002.cfm).

Our primary management decision making body is our Executive Committee. Several functional operating committees support sectoral management. Our Management Committee is responsible for monitoring progress on corporate priorities, resource management and long-term planning.

[9] *The Minister designated for the purpose of the CMHC Act and the NHA is currently the Minister of Families, Children and Social Development.*

The following shows CMHC's management structure as at June 30, 2017:



CMHC's headquarters are in Ottawa. The company has five regional business centres situated in Halifax, Montreal, Toronto, Calgary and Vancouver. CMHC provides advisory and other services to the CHT and the First Nations Market Housing Fund (FNMHF). We also manage and administer Granville Island on behalf of the Government of Canada.

ANNEX B – 2017 MID-YEAR PERFORMANCE

Performance Indicators		2017 Plan	Mid-year June 30, 2017 Plan	Mid-year June 30, 2017 Actual
Housing Analysis and Research	% of surveyed clients say CMHC information is useful	≥ 85%	Measured at year end	Measured at year end
	% of surveyed clients say new products addressing data gaps are relevant	≥ 85%	Measured at year end	Measured at year end
	% of policy and research projects and activities on track to meet key milestones	≥ 85%	≥ 85%	73%
Assisted Housing	Spending of Budget 2016 funds for 2017-18 (fiscal year $647M)	= 100%	≥ $167.3M	$103.06M
	Spending of Housing Programs funds for Assisted Housing for 2017-18 (fiscal year $2,476M)	= 100%	≥ $544M	$502M
	Affordable housing units facilitated by the Affordable Housing Centre in 2017	≥ 4,300	≥ 1,290	3,074
	New units committed under the On-Reserve Non-Profit Housing Program in 2016-2017	≥ 852	≥ 17	1
	Increase in the number of households that have access to affordable and adequate housing through 2016 Budget expenditures (2 year cumulative fiscal year – by end of 2017-18)	≥ 198,660	≥ 136,185	129,496
Mortgage Loan Insurance	Return on Capital Holding Target	≥ 11%[10]	≥ 11%	12%
	% of applications insured[11] that are from rural areas	≥ 13.5%	≥ 13.5%	12.8%
	% of applications insured[11] that are from first time buyers	≥ 60%	≥ 60%	66.2%
	Percentage Minimum Capital Required (MCT)	≥ 186%[10]	≥ 176%	173%
	Operating Expense Ratio	≤ 23.8%	≤ 23.3%	20.8%
	Insurance-in-Force ($B)	≤ $512B	≤ $516B	$496B
Securitization	Operating Expense Ratio	≤ 12.3%	≤ 12.8%	10.9%
	Utilization of annual limit for National Housing Act Mortgage-Backed Securities	≥ 95%	Measured at year end	Measured at year end
	Utilization of annual limit for Canada Mortgage Bonds	≥ 95%	Measured at year end	Measured at year end
	Return on Required Capital	≥ 14.0%[10]	≥ 13.4%	13.9%
People and Processes	Employee engagement score	≥ 80%	≥ 80%	82%
	Accountability index score	≥ 70%[12]	≥ 70%	68%
	Effectiveness index score	≥ 80%[12]	≥ 80%	83%
	Innovation index score	≥ 70%	≥ 70%	66%
	Representation rates of Indigenous People	≥ 2.8%	≥ 2.8%	2.7%
	Representation rates of Visible Minorities	≥ 22.1%	≥ 22.1%	22.2%
	Representation rates of Persons with Disabilities	≥ 3.7%	≥ 3.7%	3.8%
	Representation rates of Women in Senior Leadership	≥ 54.4%	≥ 54.4%	41.9%
	Operating Budget Ratio	≤ 12.5%	≤ 11.2%	9.8%
	Revenue per Employee	≥ $2.3M	≥ $2.4M	$2.9M
	Net Income	≥ $1,421M	≥ $682M	$767M
	Return on Equity	≥ 6.6%	≥ 6.4%	8.0%
	Achievement of the technology transformation integrated project plan milestones	≥ 85%	≥ 85%	93%
	Availability of systems for mission critical applications	≥ 99.8%	≥ 99.8%	99.95%
	Achievement of Internal Audit action plans	≥ 85%	≥ 85%	75%
	Achievement of Model vetting action plans	≥ 85%	≥ 85%	N/A
	Completion of annual risk management training plan	= 100%	Measured at year end	Measured at year end
	% of CRO sector benchmarking categories showing improved results	= 100%	Measured at year end	Measured at year end
	CRO sector benchmarking categories match industry standards	≥ 1	Measured at year end	Measured at year end

[10] Targets have been revised to reflect changes in capital requirements.

[11] Corrected to applications insured (previously applications approved).

[12] Targets have been revised to reflect new metrics introduced to the indexes.

ANNEX C – IMPACT OF A DOWNSIDE SCENARIO

Similar to last year, the 2018-2022 Corporate Plan base is consistent with a relatively stable economic environment. However, recognizing the length of historical business cycles in Canada, the impact of a possible recession should be considered during the planning horizon. We analyzed historical data from several recessions that occurred over the period from 1980 to 2010. Management has chosen a downside scenario for this corporate plan using historical data from the 1991 recession. The major rationale for using the 1991 recession is that it provided a sharper increase in the unemployment rate relative to other recessions.

Our downside scenario assumes that, starting in 2017 Q2, the Canadian economy is facing a recession similar to the one observed in 1991. This downside scenario assumes an historical peak-to-trough decline in the MLS® price of 4.8% and a trough-to-peak increase in the unemployment rate of 4 percentage points. Compared to the base line reflected in the Corporate Plan, projected mortgage rates are increasing but this increase is delayed by four quarters given adverse economic conditions require a slower tightening in interest rates.

The detailed impacts of this downside scenario are provided below.

Application to CMHC's Business Activities

The downside scenario has been applied to CMHC's mortgage loan insurance activity. Under this recessionary scenario, cumulative claims are expected to increase by 77% over the planning horizon but annual net income is expected to remain above $1 billion given the relatively lower claims forecasts in our corporate plan base line projections. In order to reach a level of claims that would have significant impacts on our profitability and our capital, a combination of a large increase in unemployment and decrease in house prices are required which was not observed in the 1991 recession (i.e. Housing Prices Index remained relatively stable).

After the 2008-2009 financial crisis, CMHC saw the volume of its new Insurance business written increase as private sector competitors moved to shore up their US-based operations. While an increase in new business is also possible under this recessionary scenario, this scenario assumes that the private sector competition will not reduce their role in the marketplace as much as that which occurred in 2008-2009, and as a result, the increases to CMHC's business volumes would not be expected to be as material. New business volumes have therefore been modelled as neutral, remaining consistent with the Corporate Plan base line.

No changes have been made under this scenario to the assisted housing activity as the impact to assisted housing was found to be immaterial. Also, no changes have been made under this scenario to the securitization activity as demand would be expected to continue to drive full take-up within the cap set by the Minister of Finance.

The impacts, presented in the table below, are due to a reduction in net income as a result of higher Insurance claims losses.

Summary of Impact

(in millions, unless otherwise indicated)	Corporate Plan	Downside Scenario	Difference
Total equity of Canada (2022)	13,955	13,511	(444)
Cumulative net income (to 2022)	9,920	9,080	(840)
Cumulative Insurance losses (to 2022)	1,470	2,598	1,128
Capital available to minimum capital required (2022) (%MCT)	170%	169%	(1) pts

Our Values

Because **we** care about what we do

Be an **owner**

Amaze our clients

Think **“yes”** first

Do the **right** thing

Believe in each other: we are better together

Celebrate both wins and failures

Ask **“why?”**

Be **fearless** in the face of change

Make a **difference**

Have **fun** every day

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ALTERNATIVE TEXT AND DATA FOR FIGURES

MLI Premiums and Fees Earned Breakdown by Year of Origin ($M) (page 30)

Year	2013 and Earlier	2014	2015	2016	2017	2018	2019	2020	2021	2022
2016A	863	252	271	114						
2017F	589	205	273	363	109					
2018P	422	134	225	296	363	112				
2019P	313	82	145	243	297	371	116			
2020P	238	56	89	158	246	304	385	119		
2021P	184	40	62	97	159	252	315	398	122	
2022P	141	31	43	67	98	163	261	324	412	126

Earnings Curve for 2017 Premiums and Fees Received by Product Line* (page 30)

Year	HO95	Portfolio	Multi
2017	6%	7%	9%
2018	21%	20%	14%
2019	23%	20%	15%
2020	17%	16%	17%
2021	12%	12%	8%
2022	8%	9%	6%
2023	4%	5%	6%
2024	3%	4%	4%
2025+	6%	6%	22%

* *The HO95 earnings curve is shown as it represents nearly 70% of the transactional homeowner portfolio. The amortization period for HO95 and portfolio are assumed to be 25 years, while multi-unit residential is 30 years.*

Guarantee and Application Fees Earned Breakdown by Year of Origin ($M) (page 39)

Year	2012 and Earlier	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2016A	40	35	46	86	76						
2017P	27	35	46	87	106	86					
2018P	13	17	42	85	105	120	90				
2019P	10	3	23	78	103	120	123	92			
2020P	8	3	4	44	96	120	123	127	96		
2021P	5	3	3	5	55	120	123	127	132	98	
2022P	3	3	3	5	8	38	123	127	132	130	97

Earnings Curve for 2016 Guarantee and Application Fees Received (page 39)

	2016	2017	2018	2019	2020	2021	2022+
Earned Revenue ($)	76,239,367	76,239,367	105,731,908	104,686,073	102,871,429	55,283,917	38,591,628
Earning curve (%)	13	31	49	67	84	93	100

Amended Capital Available vs Capital Required (page 53)

	2016 Actual	2017 Revised Estimate	2018 Amended	2019 Amended	2020 Amended	2021 Amended	2022 Amended
Lending Programs Available Capital	171	155	165	139	187	215	227
Appropriated Capital (MLI) ($M)	10,653	13,379	12,143	11,327	11,016	11,044	11,363
Required Equity (SEC) ($M)	2,086	2,086	1,979	1,910	1,842	1,772	1,753
Excess ($M)	8,080	2,035	1,748	1,481	1,119	830	612
% MCT (MLI)	384%	187%	186%	183%	178%	174%	170%
Available Equity to Required Equity (SEC)	100%	111%	110%	110%	110%	110%	110%

Amended Net Income by Segment ($M) (page 53)

	2016 Actual	2017 Revised Estimate	2018 Amended	2019 Amended	2020 Amended	2021 Amended	2022 Amended
Corporate	1,378	1,498	1,561	1,637	1,701	1,745	1,778
Mortgage Loan Insurance	1,168	1,231	1,217	1,228	1,228	1,248	1,285
Securitization	224	282	352	412	461	497	493
Assisted Housing	(14)	(15)	(8)	(3)	12	-	-

Amended Operating Budget Comparison of 2018 Plan to 2022 Plan ($M) (page 53)

	2018 Amended	Technology Transformation	Pension Expense	2018 New Initiatives	NHS	Salaries	Other	2022 Amended
Benchmarks	541							487
Rises						12	6	
Drops		37	18	14	3			

Amended Productivity – Revenues and Expenses (page 53)

	2016 Actual	2017 Revised Estimate	2018 Amended	2019 Amended	2020 Amended	2021 Amended	2022 Amended
Operating Budget Expense ratio (%)	12.3	11.3	14.2	13.8	13.7	13.6	13.4
Revenue Received per FTE ($M)	1.9	2.5	1.9	1.9	1.8	1.9	1.9

Amended PTI Comparison of 2018 Plan to 2022 Plan ($M) (page 53)

	2018 Amended	Premiums and Fees Earned	Net (Losses) Gains on Investments	Investment Income	Operating Expense	Other	2022 Amended
Benchmarks	2,058						2,354
Rises		313	36				
Drops				19	18	16	

Employment Equity Representation Rate (%) (page 53)

	2016 Actual	2017 Estimate	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Visible Minorities	20.2	22.2	24.5	25.1	25.3	25.5	25.7
Persons with Disabilities	3.3	3.8	4.3	4.3	4.3	4.3	4.3
Indigenous Peoples	2.2	2.8	3.0	3.3	3.3	3.3	3.3