By 2030, everyone in Canada has a home that they can afford and that meets their needs.

CANADA MORTGAGE AND HOUSING CORPORATION

2019-2023
SUMMARY OF THE CORPORATE PLAN

Including summaries of the 2019 Operating Budget
and the 2019 Capital Budget

Canada

CMHC SCHL

CMHC's 2019-2023 Corporate Plan was approved by the Governor in Council on December 6, 2018. The Summary of the 2019-2023 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

Few issues are more important to our country than housing affordability. It is key to building a stronger Canada, where the economy thrives and everyone has the dignity of a home where they can work, study, raise their family and participate fully in society.

That's why the Government of Canada is taking an unprecedented leadership role in housing. Through Canada Mortgage and Housing Corporation (CMHC), we're delivering historic investments and Canada's first-ever National Housing Strategy (NHS), a 10-year, $40-billion plan to give more people in Canada a place to call home. We've strengthened CMHC's Board of Directors with outstanding, diverse leaders who are overseeing the organization's ongoing transformation as it undertakes this important work.

CMHC's 2019-23 Corporate Plan charts a solid path toward reaching the targets set out in the NHS and, ultimately, going further still. It signals that CMHC will marshal all of its resources to address housing affordability and adequacy matters. Over the next five years, CMHC will continue to transform, innovate and forge even stronger partnerships at all levels. Above all, this Plan will ensure that everything CMHC does benefits people from coast to coast to coast.

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

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

We believe that everyone in Canada deserves a home that they can afford and that meets their needs. We also believe that we are in the best position to make that happen. We are single-minded in striving toward this goal and it will guide our work in the coming years.

Part of this effort requires us to be a best-in-class manager of housing-related risk. Continuous funding for housing finance helps ensure functioning markets in good times and in bad.

Beyond financial stability, we will focus our energies to support housing affordability that promotes sustainable economic growth and social inclusion. Our corporate plan describes actions we will take, both on our own and in partnership with others, to help ensure that the housing needs of Canadians are met and that everyone has an opportunity to participate fully in society. The National Housing Strategy (NHS) provides long-term funding for housing that will benefit all Canadians. As steward of these public resources, we will deliver the federal investment aiming to exceed the targets set out in the NHS.

As a result of a recent refresh of our strategy, we are continuing the transformation of CMHC into a technology-enabled, client-centric, data-driven authority on housing in Canada. This corporate plan describes how we will do that. I am grateful to and inspired by the 1,900 people of CMHC who will make it happen.

Canadians need us to focus on what we do best: delivering industry-leading mortgage insurance and securitization programs; acting as a national convenor to encourage novel housing solutions; developing integrated housing programs for vulnerable populations across the country; supporting innovation in housing finance through targeted research and analytics; and further strengthening housing risk management.

We are transforming the way we work to better serve Canadians, and building a diverse, inclusive and collaborative workforce that is focused on results. Importantly, we will put Canadians first in all that we do.

Evan Siddall
President and Chief Executive Officer

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OUR MISSION

We help Canadians meet their housing needs

KEY AUTHORITIES

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 CHMC. Our legislative framework consists of the *CMHC Act*, the *National Housing Act* (NHA) and the *Financial Administration Act*.

OUR TRANSFORMATION JOURNEY

The aim of our transformation journey, launched in 2014 under the banner *CMHC in motion*, has been to liberate our employees' collective energy and knowledge. We believe our people will do their best work for Canadians if management frees them to do so. Central to our thinking has been the idea that, given a strong sense of purpose, autonomy over their work and the opportunity to master it, our employees can amaze each other and our clients.

We have made important progress in a number of areas to support the next phase of our transformation, our 2019-2023 strategy. We have:

- made risk management everyone's business and continued to strengthen our core risk management capabilities;
- overhauled our information technology (IT), moved applications to the cloud, ensured that all employees are mobile-enabled, and invested in analytics and artificial intelligence (AI) to maximize insights from data;
- equipped employees with tools to enable their work, including redesigned work spaces that foster greater innovation, collaboration and employee engagement;
- mobilized the company to deliver the NHS, which provides for historic investments in housing to remove more than 530,000 families from housing need, protect 385,000 existing community housing units and create 50,000 new community housing units over the next 10 years;

- committed to ensuring that at least 33% of NHS funds go to projects for women, girls and their families, recognizing the unique vulnerability women face in housing;
- advanced open data solutions, including investing in a data exchange on housing; and
- developed our leaders to help ensure our people can do their best work.

Our strategy for 2019-2023 builds on these accomplishments and promotes housing affordability in **all** that we do.

In 2019, we will demonstrate our respect for and trust in our employees by giving them autonomy in doing their work. We are implementing a results-only work environment (ROWE) and transforming our workplace to allow people to choose where and how they want to work. We believe this will promote a more diverse and engaging work environment, inclusive of many different lifestyles. It also acknowledges that work is something we **do**, not a place we go. Ultimately, all Canadians will benefit as CMHC becomes a higher-performing, more innovative organization.

OUR GOAL

By 2030, everyone in Canada has a home that they can afford and that meets their needs

2019
Future of Work launched; focus on results only drives results and innovation.

2018
New corporate strategy defined for 2019-2023. Creation of the Leadership Contract and introduction of the Future of Work.

2017
Rethink of how the company approaches its mission and how people work. Launch of the National Housing Strategy.

2016
Employee Pulse Check survey points to additional changes needed to optimize performance, specifically enabling technology.

2015
Ten organizational values introduced.

2014
New leadership. Vision and mission articulated. *CMHC in motion* launched. One Idea initiative invites employees to help reinvent our company. Structural changes made following external review of organizational practices. Initiatives undertaken related to performance management practices, compensation and pensions.

2012
Government reviews CMHC's operations related to risk, culture and governance.

OUR STRATEGY

WHY AFFORDABILITY MATTERS

Housing affordability is the reason CMHC exists. Our aspiration[1] is that by 2030, everyone in Canada has a home that they can afford and that meets their needs. Having a home helps Canadians stay employed, stimulates learning by children and youth, and helps people participate fully in society. Housing affordability supports a stronger, safer Canada that is marked by sustainable economic growth and social inclusion. In summary, housing security means everyone can feel included with dignity.

By helping those most in need find affordable, adequate and suitable housing, fewer Canadians will need to choose between having a place to live and providing healthy meals for their families or meeting other basic needs. Housing affordability and a stable housing finance system support a resilient society. Working together in partnership with others we can ensure that no one is left behind. Progress will be achieved if more Canadian families are able to handle unexpected expenses or loss of income without fear of losing their homes or being forced to decide between buying food or making a rent or mortgage payment.

Making progress also means removing discriminatory barriers to suitable, affordable housing based on gender, race, ability, sexual orientation or gender identity and expression. We can have the greatest impact in attending to underserved groups. Newcomers to Canada also face unique barriers to participating fully in their new country, including access to affordable housing. Understanding the lived experiences of these and other vulnerable groups, as well as their housing needs and obstacles, will help us develop better solutions to housing affordability challenges in Canada.

[1] *Our goal is aspirational and subject to housing policy at all levels of government and economic and other factors beyond our control.*

ISSUES FACED BY HOUSEHOLDS

Housing affordability disproportionality impacts a number of specific groups of Canadian households

13% of Canadian households were in core housing need* in 2016

27% of renters in core housing need, **91%** of which were facing affordability issues.

For those who struggle with affordability, the median earning shortfall to escape affordability issues was about **$2,500** in 2016.

Aboriginal households**

1.4 times more often in core housing need than non-Aboriginal households.

1.5 times more likely than non-Aboriginal households to live in dwellings that are crowded.

Aboriginal households have **2 times** more likely than non-Aboriginal households to live in dwellings in need of major repairs in total private households.

Women

28% of female-led households are in core housing need.

27% of female senior (65+) persons living alone (one-person households) are in core housing need, compared to **23%** for male households in the same situation.

Lone-parent households with children

33% of households in core housing need, **84%** of which were in core housing need for affordability reasons.

27% female-led, lone-parent family households in core housing need compared to **16%** male-led family households.

Immigrant-led households

18% of immigrant-led households in core housing need, 26.6% for recent immigrant-led households.

27% of refugee-led households in core housing need, 49.0% for recent refugee-led households.

LGBTQ2+

Other Vulnerable Groups: In collaboration with Statistics Canada, we will be publishing data on housing conditions on key groups for which information was previously unavailable, starting in 2019. This includes veterans, victims of abuse living in shelters, and LGBTQ2+ people.

Persons with disabilities

Persons with disabilities aged 35 to 44 had the highest incidence of living in core housing need housing need **(27%)**. Followed by persons with disabilities aged 15 to 24 **(19%)**. Compared to persons without disabilities in the same age groups, the figures were **10%** and **12%**, respectively.

Northern housing

Nunavut: 37% core housing need, vs **15%** for the other territories and **13%** nationally.

67% of the Nunavut population cannot secure market housing without some sort of assistance from the government or their employer.

Iqaluit: among the most expensive housing in Canada due to logistics.

* *A household is in core housing need if its housing is below one or more of the adequacy, suitability and affordability standards, and it would have to spend 30% or more of its before-tax household income to access local housing that meets all three standards.*

** *While we use the term Indigenous people in our corporate plan, Aboriginal is used here to reflect Statistics Canada census data.*

OUR STRATEGY 2019-2023

BY 2030, EVERYONE IN CANADA
has a home that they can afford and that meets their needs.

Modernize our company

Build an open housing data exchange

Understand Canadians' needs

Experiment with new housing affordability ideas

Capabilities and Systems

Our Values

OUR ASPIRATION

By 2030, everyone in Canada has a home that they can afford and that meets their needs.

We believe this goal supports sustainable economic growth and social inclusion in Canada. To assess progress against the achievement of our aspiration, we will monitor the following over the longer term:

- Housing hardship rate: the percentage of households that have insufficient income, after paying for their shelter costs, to afford a modest, basic standard of living as determined by the Market Basket Measure
- National Housing Strategy targets, including:
  - Number of housing units committed through CMHC-led NHS activities (fiscal year—by end of 2019-2020): 11,400
  - Number of housing units repaired through CMHC-led NHS activities (fiscal year—by end of 2019-2020): 17,900

As this is the first year of our new strategy and some of these measures are new, we need to establish baselines and will continue to use legacy performance measures as we transition. In addition, we have selected the following performance measures to monitor our progress against our strategic objectives.

WHAT
Experiment with new ideas

WHY
To improve and accelerate housing affordability

How

- Form strong partnerships to shape housing policy and delivery.
- Use our funding mechanisms to address prioritized housing needs and exceed NHS outcomes.
- Prototype and experiment with new affordable housing solutions.

Expected Results

- Affordable housing is supplied above NHS targets.
- Resources are invested in the most effective housing affordability solutions.
- Lenders and issuers have diverse funds for mortgage lending
- Government-backed funding programs/policies are created or modified to focus on targeted housing outcomes.

Performance Measures	2019 Targets
Incremental affordable housing funding (3-year delivery)	$100M
Innovation index	Establish baseline
Targeted guaranteed loans rate	Establish baseline
Achievement of the annual strategic project milestones	85%

WHAT
Understand Canadians' needs

WHY
To offer differentiated solutions to underserved segments of the population

How

- Understand the lived experiences of Canadians to inform our decisions.
- Tailor our solutions to specific housing needs.

Expected Results

- Interactions with partners are targeted and personalized.
- CMHC programs and services are designed around the lived experiences of Canadians.
- Underserved segments have access to housing financing.

Performance Measures	2019 Targets
Net promoter score	Establish baseline
% of new or improved program design informed by lived experience data	Establish baseline
% of Canadians' and partner needs addressed within service standards	Establish baseline
Underserved insurance protection	9-10%
Achievement of the annual strategic project milestones	85%

WHAT
Build an open housing data exchange

WHY
To drive sound housing decisions

How

- Create a user-friendly platform to make CMHC the "go to" place for real-time, standardized housing data.
- Target our insights to the specific needs of housing market participants.

Expected Results

- Anyone can find comprehensive Canadian housing data and insights in one place to make housing decisions.
- Data is standardized for easy use and exchange.
- Government and private sector housing policy and programs are influenced by CMHC's advice.

Performance Measures	2019 Targets
Average usability rating	Establish baseline
Achievement of the annual strategic project milestones	85%

WHAT
Modernize our company

WHY
To manage risk and promote stability of the housing finance system

How

- Complete our technology and business transformation in collaboration with our partner Accenture.
- Make our mortgage risking platform more efficient through automation.
- Transform our workplace and the way we work to enhance employee experience and drive results.
- Continue to improve our corporate management practices, particularly in risk management.
- Develop emergency funding programs/procedures that may be deployed in times of crises.

Expected Results

- CMHC responds to changes in market conditions quickly.
- Operations require fewer resources and employees are focused on more innovative activities.
- CMHC is governed by sound corporate management practices.
- Generate a reasonable return for the Government of Canada with due regard to loss.

Performance Measures	2019 Targets
Expense redeployment ratio	5%
Effective workforce index	75%
Risk maturity index	80%
Annual technology and business transformation milestones	85%
Return on required equity (commercial operations)	11.0%
Operating expense ratio (commercial operations)	19.6%
CMHC operating budget ratio	13.6%
Achievement of the annual strategic project milestones	85%

CAPABILITIES AND SYSTEMS

Delivering on our goal and driving meaningful results for Canadians will have implications for our capabilities and systems. We will make investments where skills, competencies or knowledge gaps may exist. In 2019, we will determine where to focus our efforts first. For example, becoming a housing data exchange will require stronger cybersecurity to protect data, partnerships to share data and understanding of the users to ensure we meet their needs. The following are key capabilities and systems that we will build, maintain or strengthen:

Client experience management

Bold prototyping and experimentation

Partnership development

Housing finance system risk management

Technology

Data governance, acquisition and cybersecurity

Leadership development and incentives

Inclusion

Workforce planning

Continuous process improvement and operational efficiency

LEADERSHIP

Leadership is a key priority since leaders mobilize our teams every day. As part of our ongoing leadership development, all leaders signed a "leadership contract" in 2018 promising to strive to respect all aspects in their work. A new long-term incentive plan (LTIP) will be launched in 2019 for Executive and Management Committee members. The LTIP will be based on the achievement of the Corporate Plan performance measures and operating budget over a three-year rolling period.

As a leader at CMHC, I will promote the idea of
One CHMC as I:

- Walk the Talk
- Explain our Strategy
- Extend Trust
- Be a Good Coach
- Seek Learning
- Communicate Purposefully
- Get out of the Way
- Take Responsibility and Share Credit
- Promote Inclusiveness
- Foster a Healthy & Safe Workplace

OUR VALUES

Living our values, and the fundamental beliefs that they represent, will ensure that we successfully execute our strategy.

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

WHY WE CHOSE THESE PERFORMANCE MEASURES

In keeping with our commitment to continuously improve the way we deliver results for Canadians, in 2019 we will implement a standardized approach to designing performance measures. This approach introduces additional rigour and will provide for more consistent and reliable data.

New affordable housing ideas

We will prototype and experiment with new affordable housing solutions by establishing three large-scale (national and/or regional) contribution partnerships to deliver at least $100 million over three years (**Incremental affordable housing funding (3-year delivery)**) in monetary and/or non-monetary value aligned with the NHS outcomes. In 2019, we will develop and introduce an "**innovation index**" that will inform us on the progress towards prototyping and experimenting with new ideas. Once the most effective solutions have been tested and are in place, we will set a baseline and target for the number of households that have access to affordable housing thanks to these new solutions, above and beyond NHS targets.

Government-backed funding

To ensure that we address prioritized housing needs and exceed NHS outcomes, we will track the percentage of guarantees (National Housing Act Mortgage-Backed Securities and Canada Mortgage Bonds) issued to facilitate a secondary market for mortgages aligned to the targeted housing outcomes through the "**targeted guaranteed loans rate**" that will be established in 2019.

Canadians and partner needs

Implementation of client delivery service standards will be used to set a baseline in 2019 and targets in 2020. Initially, a partner survey will monitor how likely clients are to recommend us to colleagues and peers (**also known as a net promoter score or NPS**). Going forward, we will monitor how the lived experience of Canadians is shaping program design.

Achievement of the annual strategic project milestones

To ensure that projects related to each strategic objective are on track, we will monitor the achievement of the milestones associated with each project.

Underserved segments

To ensure that underserved segments have access to housing financing, we will monitor the proportion of approved units that are provided to those segments (**underserved insurance protection**). This measure takes into account approved homeowner units from rural areas as well as qualifying rental units (new construction and existing) that are approved as affordable.

Expense redeployment

We will complete our technology and business transformation and make our mortgage risking platform more efficient through automation. This will translate into fewer operational resource requirements. We will measure success through the **redeployment of expenses** within the approved operating budget.

Effective workforce index

While we transform our workplace and the way we work to enhance employee experience to drive results, we will evaluate our impact on employees by measuring the improvement on the **effective workforce index**. The index reflects the percentage of employees that are both engaged and enabled.

Risk maturity index

We will ensure that we have effective risk management practices and tools. Through the **risk maturity index**, we will monitor and evaluate the soundness of the Corporation's risk practices through a weighted assessment of 4 areas of practice: Risk Governance, Risk Appetite, Risk Programs and Risk Behaviours. This measure will ensure that CMHC takes the right level of risks, supported by effective risk tools to deliver on its objectives.

Financial ratios

Our commercial operations are expected to generate a reasonable return for the Government of Canada with due regard to loss. We will be ensuring this by monitoring return on **required equity** for our commercial operations as well as monitoring our **operating budget ratio** and the components it includes.

Technology and Business Transformation

Our effort to modernize our company is founded upon our technology and business transformation initiative (TBT) commenced in 2016. We will monitor the annual achievement of the associated project milestones.

Data platform

While there are several sources of housing data in Canada, a governing/aggregating body does not exist and micro-level data is scarce. Working with partners such as Statistics Canada, we will build an open data platform through which all housing information can be accessed. Once the platform is operational, we will be able to set baselines and establish targets for the percentage of platform users who find the data consistent, reliable and valuable.

Policy advice

An important part of the work we do is to provide policy advice on housing-related matters. By providing evidence-based policy advice, we inform and influence the actions and decisions taken by others. In 2019, we will begin surveying our partners to see how complete and easy it is for them to use our advice.

PERFORMANCE HIGHLIGHTS

Revenues decrease in 2018 but steadily increase over the planning period due to higher premiums and fees from our securitization and mortgage insurance activities. Investment income also increases after 2019 due to increasing planned yields over the planning period. Starting in 2018 and spanning over 10 years, CMHC will be responsible for the delivery of over $14 billion in federal government funding under the NHS in addition to our existing programs. Offsetting this, after 2017, appropriations start to decline mainly due to the planned expiry of Budget 2016 affordable housing investments and federal funding for the Investment in Affordable Housing in March 2018 and 2019 respectively, as well as the reduction in baseline funding in relation to expiring social housing operating agreements.

(in millions, unless otherwise indicated)	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
CMHC Consolidated[1]							
Total revenues	6,152	5,167	5,264	5,407	5,323	5,416	5,570
Total expenses (including income taxes)	4,349	3,793	3,858	3,881	3,694	3,714	3,807
Net income	1,803	1,374	1,406	1,526	1,629	1,702	1,763
Cash	887	800	988	1,003	861	872	956
Total assets	267,115	264,222	275,016	275,756	278,441	274,855	276,963
Total liabilities	249,374	249,748	261,205	262,209	265,149	261,827	264,067
Total equity of Canada	17,741	14,474	13,811	13,547	13,292	13,028	12,896
Total operating budget	487.6	540.6	536.9	511.3	497.2	502.7	501.7
Total capital budget	406	2,072	2,399	1,841	1,181	1,182	1,182
Operating budget ratio	11.3%	13.9%	13.6%	12.5%	12.2%	12.4%	11.7%
Employees (full-time equivalents [FTE])	1,759	1,892	2,036	1,972	1,960	1,967	1,983
Women in Leadership	50.6%	51.3%	50%	50%	50%	50%	50%
Visible minorities—employment equity group	22.7%	25.1%	25.1%	25.3%	25.5%	25.7%	25.9%
Persons with disabilities—employment equity group	3.4%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
Indigenous people—employment equity group	2.5%	3.0%	3.0%	3.1%	3.2%	3.3%	3.3%
Assisted Housing							
Total parliamentary appropriations for housing programs	3,229	2,663	2,681	2,689	2,498	2,490	2,561
Assistance for housing needs	3,094	2,354	2,106	2,107	1,932	1,950	1,906
Financing for housing	47	180	437	460	458	439	561
Housing expertise and capacity development	88	129	138	122	108	101	94
Operating expenses included in housing programs	161	212	202	186	166	159	155
Net income	80	17	(17)	(7)	(19)	(31)	(36)
Mortgage Insurance							
Claims paid[2]	329	337	325	321	286	259	259
Loss ratio	9.4%	19.2%	20.4%	18.8%	16.7%	16.3%	16.0%
Operating expense ratio	20.4%	22.8%	23.3%	22.2%	21.4%	21.4%	21.1%
Combined ratio	29.8%	42.0%	43.7%	41.0%	38.1%	37.7%	37.1%
Net income	1,404	985	975	1,035	1,108	1,149	1,194
Return on equity	8.3%	8.2%	8.4%	9.1%	9.8%	10.3%	10.7%
Return on required equity	9.9%	7.5%	8.5%	9.5%	10.5%	11.0%	11.4%
Mortgage Funding							
Operating expense ratio	10.8%	12.0%	10.1%	9.5%	9.0%	8.5%	8.2%
Net income	295	351	432	482	522	564	584
Return on equity	11.3%	15.6%	20.8%	26.2%	31.2%	36.7%	41.1%
Return on required equity	13.5%	22.8%	34.5%	38.8%	42.2%	45.9%	47.9%

[1] *Refer to appendix D – Financial Statements and Notes for full details on our financial results.*

[2] *Claims paid does not include social housing mortgage and index-linked mortgage claims.*

RISK MANAGEMENT

We are exposed to a variety of risks that could affect the achievement of our aspiration and objectives. To manage risk such as to promote stability in the housing system and to protect the public resources entrusted to us, we strive to be a best-in-class housing risk manager while having sound corporate management practices in place.

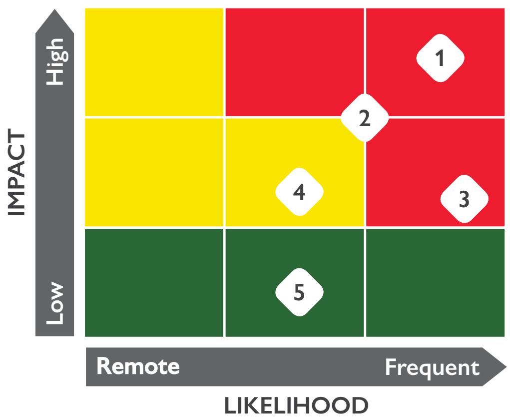
OVERVIEW OF CMHC'S RISK MANAGEMENT APPROACH

Our comprehensive enterprise risk management (ERM) framework defines CMHC's risk management practices and is designed to support an effective risk culture in the company. The framework is structured around four key dimensions: risk governance, risk management program, risk appetite and risk behaviour.

Our risks are governed by risk frameworks and policies and are supported by our "three lines of defence" operating model. This model embeds risk management activities in strategic planning and aligns strategy and performance across all businesses and functions.

It also promotes robust decision making, as well as evaluation and management of risks across the organization.

We categorize key risks facing the organization into seven categories: strategic, reputational, operational, insurance and guarantee, credit, market and liquidity. Operational risks are further broken down into subcategories such as business process and people, model, outsourcing, security and privacy, compliance and fraud risks, among others. Our structured risk management programs ensure regular risk assessment and reporting of CMHC's risks and provide a sound process to monitor the company's top and emerging risks.



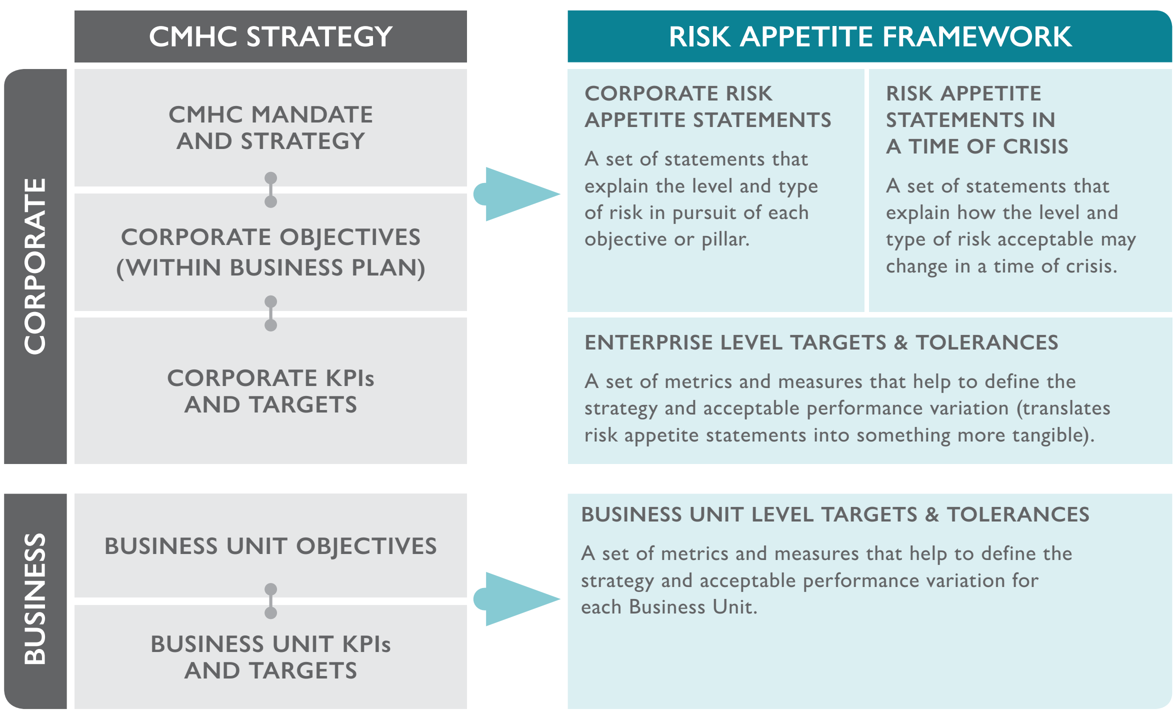
TOP RISKS	
1	**CYBER RISK** – Evolving sophistication of cyberattacks; continued evolution of control environment
2	**EXECUTION OF NHS** – High expectations, tight timelines, new processes and systems required
3	**CHANGING IT INFRASTRUCTURE** – Introduction of new and continued reliance on aged technology add risk from an operational perspective
4	**ORGANIZATIONAL TRANSFORMATION (OT)** – Concurrent changes may impact delivery of quality work/limit our ability to enable our workforce
5	**REPUTATIONAL EVENT** – Expectation for delivery of our public mandate while achieving high ethical standards

Through our risk programs, CMHC also conducts an own risk and solvency assessment (ORSA) to identify risks and assess our current and likely future capital needs and solvency positions. Stress testing is another risk tool that forms part of the assessment and is conducted across our organization in parallel with our annual corporate planning process (read more about stress testing in appendix I). The risk programs and our ongoing work on CMHC's readiness crisis plan, ensure that the company can operate and continue to deliver on its mandate in times of crisis.

Our response to any particular risk is driven by our risk appetite level as defined in our risk appetite framework (RAF). Our RAF enables management and staff to make business decisions considering the level and type of risks we are willing to take in pursuit of our aspiration, as well as our corporate and business objectives, in a prudent and efficient manner. It also allows us to determine if we have been operating within the desired risk appetite and tolerances and clarifies the escalation process in the event of tolerance breaches.

CMHC's risk appetite framework is designed to drive the desired risk behaviours in both normal operating economic conditions and during economic downturns. Behaviours are aligned with our risk appetite and supported by our governance and risk management programs to ensure that we deliver on our aspiration and strategic objectives both under normal and crisis conditions.

RISK APPETITE FRAMEWORK – OVERALL VIEW



OPERATING ENVIRONMENT

EXTERNAL

HOUSING MARKET OUTLOOK

Risks

In the near term, U.S. trade protectionism may negatively affect business investments and exports, posing a risk to Canada's economic and housing market outlook. The recently-announced USCMA would seem to correspond to a reduction in the likelihood of this risk emerging.

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

- **Household debt levels:** The ratio of household debt to personal disposable income remains very high, standing at 170.4% in the fourth quarter of 2017 (Statistics Canada). This increases the vulnerability of indebted households to adverse economic events, raising their default risk and threatening the stability of Canada's financial system. Lower-income households are at particular risk.
- **Elevated house prices:** According to CMHC's latest Housing Market Assessment, housing markets in Toronto, Vancouver and Victoria continue to show high evidence of overvaluation relative to economic fundamentals, such as personal disposable income and population growth. These imbalances in the housing market increase the risk of financial instability. However, housing market indicators are expected to gradually realign with economic and demographic conditions, reducing this risk over time.

Outlook

We forecast housing activity in Canada to moderate from the elevated levels observed in 2017 to levels more in line with historical averages and expectations for economic conditions. The slowdown will be most evident in 2018, with housing starts, MLS® existing home sales and the average MLS® existing home price all forecast to decline. Over the remaining 2019 to 2023 forecast horizon, housing starts will continue to decline, but at a more gradual pace. While the existing home market will start to expand again from 2019 to the end of the forecast period, price gains will be significantly lower than recent highs.

Our outlook is driven by our expectation that GDP growth will slow down and stabilize at a more sustainable pace in 2018. Employment growth will also slow down, and mortgage rates will only see gradual increases. While mortgage rates will rise throughout the forecast horizon, they are expected to remain low by historical standards.

We forecast total national housing starts to decline to 207,912 units in 2018 from 219,163 units in 2017, remaining elevated when compared to the 1955-to-2017 historical average of 182,255 units. We expect low and steady annual declines over the forecast horizon, with housing starts declining to 183,295 units in 2023, essentially at the historical average.

MLS® sales tallied 516,267 units in 2017, and we forecast that they will decline in 2018 to 459,195 units. We expect strong sales growth to resume in 2019. Over the remaining forecast period, the pace of growth will slow down gradually each year until it is consistent with the historical average pace of sales growth, culminating in 580,142 MLS® sales in 2023.

The average MLS® price stood at $506,022 in 2017, and we expect it to decline by 3.2% in 2018, to $489,583. This will be the largest annual decline recorded since 1995, when prices fell by 4.5%. Consistent with our forecast for MLS® sales, we expect prices to increase starting in 2019 and project the annual increase to be in the 6.0% to 6.6% range throughout the forecast horizon. This pace is broadly consistent with the historical average of 5.8% observed since 1980, and well below the recent high of 10.8% in 2016. As a result, we expect the average MLS® price to reach $663,880 in 2023.

Assumptions

Our outlook is based on certain assumptions and 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 carried by borrowers, which could cause many households to cut back on spending. Similarly, weaker-than-expected growth in exports, domestic spending or investment would be likely to result in a greater-than-expected slowdown in economic and employment growth than currently forecast.

HOUSING DATA

- Canada is lagging behind other countries in the development and collection of housing data.
- Data gaps persist in the areas of housing needs and conditions and housing finance and market stability.

HOUSING SYSTEM PARTICIPANTS

- Complex relationships and interdependences among housing system participants and clients

GOVERNMENT-BACKED MORTGAGE INSURANCE

- Risk Appetite Framework anticipates incremental risk should economic circumstances warrant.
- New technology shaping the market and consumer behaviours
- Declining transactions

INTERNAL

OPERATIONAL RISK

- Will remain elevated, impacted by the scope and pace of change.
- Maturing of workforce planning framework will ensure monitoring of skills, competencies and knowledge of the workforce, analyzing labour market trends and forecasting vulnerabilities in order to make contingency plans.

SPECIAL EXAMINATION

- On July 20, 2018, CMHC made public on the website the results of the Special Examination conducted by the Auditor General of Canada and Ernst & Young.
- The examination found that except for a deficiency in the area of corporate governance in how Board members are appointed, their oversight function and mix of competencies, there were no significant deficiencies in the other systems and practices that were examined.
- We agree with the findings and steps are underway, working with government, to address them.

FUTURE OF WORK

- Technology transformation and data analytics continue to be key areas of investment.
- New investments in space design to address the lack of flexibility and agility in our aging office space and foster greater collaboration.
- Adopt a results-only work environment (ROWE) to empower employee-driven results and accommodate our employees' needs.
- Introduce new incentives and parameters to our performance management system in alignment with workplace transformation.

LEADERSHIP AND INCLUSIVENESS

- Commitment to a diverse and inclusive workforce, including setting certain expectations of leaders' behaviours that define our culture of accountability and responsibility, and promote collaboration in the achievement of strategic objectives.
- Implement the evidence-based leadership framework to clarify, measure, cascade and execute our refreshed strategy.
- Attract and retain high-caliber leaders.

NATIONAL HOUSING STRATEGY

The first priority of the NHS is to help Canada's most vulnerable people find a safe, affordable place to call home. Women and children fleeing family violence, seniors, Indigenous peoples, people with disabilities, those dealing with mental health and addiction issues, veterans and young adults all experience unique challenges in accessing housing that meets their needs. The NHS is grounded in core principles of accountability, participation, non-discrimination and inclusion, and will ensure that those with lived experience of homelessness or housing need have a voice in housing decision making.

New initiatives such as the Canada Housing Benefit will provide direct financial support to families and individuals in need, including those currently living in community housing, on a waiting list or housed in the private market, but struggling to make ends meet. Community housing providers are able to continue offering affordable rents to tenants in need through an extension of subsidies under the Federal Community Housing Initiative. Investments delivered by the provinces and territories under the NHS will protect and renew existing community housing, build thousands of new community-based homes, and keep housing affordable for hundreds of thousands of households across the country. In particular, these investments will support better housing outcomes for Northerners and Indigenous peoples.

By 2028, we expect to:

- reduce or eliminate housing need for at least 530,000 households;
- create at least 100,000 new housing units for low- and middle-income households, and repair or renew more than 300,000 others; and
- protect at least 385,000 existing community housing units and create 50,000 new ones.

Initiative	Funding	Launch	2019-2020 Targets
Investments to create new housing supply and modernize existing social housing			
National Housing Co-Investment Fund	$13.2 billion over 10 years	2018	4,500 new units
15,000 units repaired			
Affordable Housing Innovation Fund	$200 million over 5 years	2016	600 new units
Rental Construction Financing	$3.75 billion over 4 years	2017	3,800 new units
Federal Lands Initiative	$200 million over 10 years	2018	200 new units
Investments in resources for community housing providers, innovation and research			
Federal Community Housing Initiative*	$500 million over 10 years	2018	25,300 units maintained (phase 1)
Technical Resource Centre and Sector Transformation Fund	$64.2 million over 10 years	2018	n/a[1]
Research and Innovation	$241 million over 10 years	2018	n/a[2]
Human Rights-Based Approach to Housing	$49.3 million over 10 years	2018	n/a[3]
Federal, provincial and territorial housing partnership[4]			
Targeted Northern Funding	$300 million over 10 years	2018	30 new units 200 units repaired
Canada Community Housing Initiative	$8.6 billion** over 9 years	2019	n/a
PT Priority Funding	$2.2 billion** over 9 years	2019	n/a
Canada Housing Benefit	$4 billion** over 8 years	2020	n/a

* *Target represents the number of units maintained since launch date, April 1, 2018.*

** *100% cost-matched by provinces and territories*

[1] *The Technical Resource Centre (TRC) will contribute to the overall success of the National Housing Strategy by providing support and capacity building within the community housing sector. The TRC will be delivered by a third party service provider, with whom contract negotiations are currently in progress.*

[2] *Major research and innovation projects continue to be negotiated with delivery stakeholders. Targets will be finalized as part of these negotiations and will be available for the next Corporate Plan.*

[3] *Appropriate policy authorities will be used to move to a human rights-based approach to housing. Targets for this initiative will be available for the next Corporate Plan.*

[4] *Federal-provincial/territorial partnership targets will be proposed by provinces and territories for CMHC concurrence as part of the action plans they develop under new bilateral agreements. These bilateral agreements are still under negotiation.*

For further information: cmhc.ca


FINANCIAL OVERVIEW

FINANCIAL MANAGEMENT

CMHC is in excellent financial health. We are adequately capitalized and return excess capital to the Government of Canada through dividend payments. We conduct regular stress testing to ensure we are able to withstand unfavourable economic conditions and are committed to developing our risk management capabilities and integrating them into our processes. Management reviews our financial results on a quarterly basis and makes recommendations as necessary. The Board of Directors oversees management's responsibilities for financial reporting and internal control systems, and approves and recommends CMHC's Corporate Plan to the Minister responsible for CMHC.

MAIN ACTIVITIES

We deliver our mandate through the main activities below.

ASSISTED HOUSING

- We help Canadians in need to gain access to suitable, adequate housing they can afford.
- We receive parliamentary appropriations to fund assisted housing programs, which operate on a break-even basis.
- We also make loans at below market interest rates and provide non-subsidized housing support to housing partners.
- We work with provinces, territories, municipalities, Indigenous governments and organizations, non-profit and co-operative organizations, and private sector companies across the country in providing assisted housing programs.

HOUSING ANALYSIS AND RESEARCH

- We collect data and offer analysis and insights to support informed decision making, including on housing policy matters, and a better understanding of housing and housing markets.
- We undertake research and policy analysis on a range of housing needs and housing finance issues to support a well-functioning housing system, to contribute to financial stability and to promote housing affordability and choice.

COMMERCIAL OPERATIONS

Mortgage Insurance

- We provide competitive insurance products on a scale and scope to support access to housing finance and stability in Canada's housing and financial markets.
- We provide transactional homeowner, portfolio and multi-unit residential mortgage insurance in all parts of Canada. We operate these programs on a commercial basis without the need for funding from the Government.

Mortgage Funding

- Our securitization programs promote the availability of funding for mortgages in all economic conditions. We 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 also responsible for the administration of the covered bond legal framework, another source of mortgage funding, which we administer on a cost recovery basis.

SUMMARY OF OPERATING AND CAPITAL BUDGETS

In addition to expenditures for our day-to-day operations, the 2019 Operating Budget of $536.9 million includes investments for the following:

- Operationalization of the NHS
- Our technology transformation and data analytics investments to enhance risk management and service delivery
- Expected costs to implement International Financial Reporting Standard (IFRS) 17 Insurance Contracts for system changes required for additional financial statement disclosures and enhanced reporting and analytics, including more detailed information on profitability of insurance contracts

Our 2019 Capital Budget of $2.4 billion includes expenditures for the following:

- Loans and investments under the NHS for the Rental Construction Financing initiative (RCFi) and the National Housing Co-Investment Fund (NHCIF) – $1.9 billion
- Our workplace transformation initiative designed to convert our workplace to meet future business needs and improve the way we work – $64 million

KEY FINANCIAL ASSUMPTIONS

COMMERCIAL OPERATIONS

Mortgage Insurance

Assumptions for our mortgage insurance activity over the planning period include:

- Insurance-in-force trends downward due to:
  - decreased size of the insured market subsequent to:
    - market developments and regulations introduced by the Department of Finance in the fall of 2016, evidenced by declining new transactional insurance written by CMHC and private mortgage insurers; and
    - OSFI capital requirement revisions resulting in premium increases effective March 2017.
  - Target market share remains in the 50-40% range
    - Our goal is to maintain market share appropriate for our essential "back stop" function in an efficient manner that allows us to deploy scarce resources to support all our strategic priorities
  - multi-unit residential insurance-in-force is expected to increase significantly as multi volumes continue to become a larger portion of our insurance-in-force;
  - 2018 estimated insurance-in-force is 30.5% of total residential mortgage credit outstanding as at June 30, 2018; and
  - insurance-in-force will remain under the $600 billion limit per section 11 of the NHA.

Mortgage Funding

Assumptions for our securitization activity over the planning period include the following:

- Annual volumes of guaranteed securities under existing National Housing Act Mortgage-Backed Securities (NHA MBS) program assumed to rise until 2021 due to the 2016 change that subjects MBS sold to the Canada Housing Trust (CHT) to guarantee fees.
- No change in NHA MBS and CMB pricing following NHA MBS Tier-2 fees increase in January 2018
- Guarantees-in-force are impacted by the timing of new issuances, and maturities are expected to fluctuate over the planning horizon.
- Guarantees in force will remain under the $600 billion legislative limit.

CAPITAL MANAGEMENT

We use the Capital and Dividend Policy Framework for Financial Crown Corporations (the "Framework") issued by the Department of Finance in conjunction with our risk appetite framework and capital management policy to manage the capital of our commercial operations. The purpose is to ensure that our commercial operations have adequate capital to deliver their mandate while remaining financially self-sustaining.[2]

Capital targets are established based on:

- our risk appetite for capital adequacy, which we rate as moderate;
- promoting market discipline rather than maximizing return on capital or issuing a dividend;
- for our insurance activity, a level comparable to a commercial entity operating in a similar line of business and with a similar product mix; and
- for our securitization activity, a level similar to an entity with an 'AA' credit rating.

Our capital levels are established to provide us with the opportunity to mitigate the impacts of adverse events. 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.[3]

We perform an own risk and solvency assessment (ORSA) which is an integrated process that evaluates capital adequacy on both a regulatory and economic capital basis. The ORSA:

- is used to establish capital targets taking into consideration our strategy and risk appetite;
- determines our own view of capital needs by identifying our risks and evaluating whether or not an explicit amount of capital is necessary to absorb losses from each risk;
- for our insurance activity, our own view of capital (economic capital) is lower than the regulatory requirements established by OSFI; therefore, regulatory capital is the binding constraint for required capital which is consistent with the requirements of the CMHC Act and the NHA; and
- for our securitization activity, regulatory capital is not applicable; therefore, our capital levels are established based on our own view.

[2] *Refer to appendix D Notes to the Consolidated Statements of Income, Comprehensive Income and Equity of Canada for more details.*

[3] *Appendix E Impact of a Downside Scenario provides an assessment of a cautious "downside" projection, as projections are inherently unreliable.*

We annually validate and calibrate, if necessary, both our internal capitalization target and the operating capital holding target for our mortgage insurance activity.

Internal target 155% minimum capital required

- Calibrated using specified confidence intervals
- Designed to provide management with an early indication of the need to resolve financial problems

Operating level 165% minimum capital required

- Set in excess of the internal capitalization target
- Calibrated using confidence intervals and stress testing
- Designed to provide management with an early indication of the adequacy of capitalization amounts

Our risk appetite for capital ranges from our internal target at the low end of the range and an amount in excess of our operating level at the high end. Although we aim to manage capital in line with our operating level on a long-term basis, short-term deviations from our operating level will not lead to action unless we are projected to be outside of our risk appetite.

DIVIDEND POLICY

Pursuant to our capital management policy, we intend to maintain capital available in line with capital required at the operating level by returning excess capital to the Government of Canada on a quarterly basis through dividends.

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;
- for our insurance activity, maintaining capital at our operating level of 165% minimum capital test (MCT), as well as on our annual ORSA process, and not going below 155% MCT as based on regulatory requirements, nor exceeding 195% MCT, the high end of our risk appetite for insurance over the planning horizon. Limiting fluctuations in dividends over the long term is also a consideration; and
- for our securitization activity, maintaining capital at 110% of the minimum capital required and not going below 105% or exceeding 120% of the minimum capital required, the high end of our risk appetite for securitization over the planning horizon.

POSSIBLE DIVIDENDS SCHEDULE

(in millions)	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Total surplus equity available for possible dividend declaration[1]	4,675	4,350	2,020	2,020	2,020	2,020	2,020

[1] *The surplus capital available for possible dividend declaration is based on a number of assumptions and the amounts included in the schedule above and the remainder of the Corporate Plan Summary are subject to the criteria in our dividend proposal approved by the Board.*

INVESTMENT PLAN

We have an investment plan for each of our three major operating activities.

ASSISTED HOUSING

We invest principal repayments within our lending programs in high-quality, fixed-income and money market instruments (currently with a minimum A rating), taking into consideration our risk appetite and business activities. 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 both the RCFi and the NHCIF portfolios. Investments under management had a market value of $1.6 billion as at June 30, 2018, and are expected to increase to $2.6 billion by December 2023.

COMMERCIAL OPERATIONS

Mortgage Insurance

The insurance investment portfolio policy and strategy are focused on the preservation of capital and compliance with contractual obligations while maintaining the ability to pay claims. Investments under management had a market value of $19.9 billion as at June 30, 2018, and are expected to decrease to $17.2 billion by December 2023. Investments are in highly rated securities, and the investment policy sets constraints on the amount of credit exposure to any one issuer. We periodically evaluate the portfolio investment strategy, and may begin implementing a new strategic asset allocation (SAA) in early 2019. The key focus areas of the new asset allocation methodology continue to be asset-liability management, capital efficiency, liquidity and diversification of credit risk and asset classes.

Although a key underlying assumption regarding our expected returns is a gradual increase in interest rates over the planning period, expected returns may fluctuate due to financial and credit market developments, interest rates, or other factors. For example, a 50-basis-point increase in interest rates as at June 30, 2018, would result in a $382 million decline in the market value of the portfolio. These losses would only be realized if we were required to sell investments prior to maturity.

Regulatory Capital Requirements (at 165% MCT) Breakdown by Risk Type

Risk Type (in millions)	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Insurance risk capital	8,739	7,913	7,030	6,789	6,623	6,615	6,684
Credit risk capital	281	246	248	248	251	244	243
Market risk capital	1,325	1,015	1,004	996	986	980	978
Operational risk capital	2,062	1,815	1,625	1,565	1,521	1,505	1,507
Total capital required	**12,407**	**10,989**	**9,907**	**9,598**	**9,381**	**9,344**	**9,412**

Mortgage Funding

The securitization investment portfolio is composed of only Government of Canada bonds to support liquidity and CMHC's timely payment guarantee. 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. The outcome of the strategic asset allocation review of 2017, which was implemented in the fourth quarter of 2017, is a reduction in the interest rate risk of the investment portfolio relative to the existing portfolio. Investments under management had a market value of $3.8 billion as at June 30, 2018, and are expected to decrease to $3.6 billion by December 2023.

The investment outlook underlying expected returns is for yields to increase over the planning horizon. The increase in yields is driven by the projected increases in 3-, 5- and 10-year Government of Canada rates in the range of approximately 90 basis points over the 2019-2023 planning horizon. Nevertheless, income returns from the investment portfolio are expected to significantly offset the negative price returns resulting from the increase in yields.

In line with the sensitivity analysis conducted on the insurance investment portfolio, a 50-basis-point increase in interest rates as at June 30, 2018, would result in an $80 million decline in the market value of the securitization portfolio.

Credit Quality of Investment Portfolios

Exposure by Credit Rating (fixed income)	June 30, 2018	June 30, 2018
	Insurance	Securitization
AAA	26%	100%
AA	11%	-
A	54%	-
BBB	9%	-
BB and below	0%	-

Asset Allocation of Portfolio

Asset	June 30, 2018
Insurance	
Cash	-
Canada Fixed Income	84%
U.S. Fixed Income	11%
Equities (includes preferred shares)	4%
Real Assets	1%
Securitization	
Canada Fixed Income	100%

Portfolio Duration

(in years)	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Insurance duration of fixed income securities	4.3	3.8	3.4	3.4	3.4	3.4	3.4
Securitization duration of fixed income securities[1]	6.5	4.5	4.5	4.5	4.5	4.5	4.5

[1] *Securitization portfolio duration changed as of Q4 2017.*


APPENDICES

APPENDIX A – OPERATING BUDGET

Our operating budget supports the execution of our strategy and the delivery of our programs, products and services. The 2019-2023 investments reflect a continuation of key initiatives.

NATIONAL HOUSING STRATEGY

The implementation of the NHS requires a significant increase in resources, including staff with specific skill sets. Timely filling and onboarding of these positions is crucial.

TECHNOLOGY BUSINESS TRANSFORMATION

Technology transformation and data analytics continue to be key areas of investment.

Our portfolio of planned technology transformation projects is well underway and should be completed by 2020. This includes the implementation of systems that support us in achieving leading financial and human resource operations.

Existing enterprise portfolio management and organizational change management functions are being leveraged to provide project and change management oversight for all applicable business transformation offices, and to facilitate reporting to senior management and the Board. As these projects progress, project value realization is also being reported.

The second phase of our technology business transformation includes a data analytics platform. This platform is poised to serve CMHC's needs holistically from ingestion, integration and data quality to modelling, 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.

NEW ACCOUNTING STANDARD FOR INSURANCE CONTRACTS

Effective 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. We expect that the adoption of this new standard will be more significant than the overall implementation of IFRS in 2011.

2017 RESULTS | 2018 ESTIMATE| 2019-2023 PLAN

Summary of the Operating Budget

(in millions)	2017 Plan	2017 Actual	2018 Plan	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Total Operating Budget (excluding pension expense)	481.2	437.3	486.9	478.0	479.6	462.4	462.2	475.1	477.9
Pension/post-employment expense	62.4	50.3	54.1	62.6	57.3	48.9	35.0	27.6	23.8
Total Operating Budget	543.6	487.6	541.0	540.6	536.9	511.3	497.2	502.7	501.7

PENSION COSTS

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

Full-Time Equivalents (FTEs)

	2017 Plan	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Total	1,889	1,759	1,892	2,036	1,972	1,960	1,967	1,983

The increase in FTEs for assisted housing and housing analysis and research activities 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 the mortgage insurance activity are also expected to decrease as claims and default management activities moderate over the planning horizon.

APPENDIX B – CAPITAL BUDGET

The largest portion of our capital budget supports our lending activities and allows eligible borrowers to acquire and renovate existing housing or construct new housing under the various assisted housing programs of the NHA, and helps Canadians in need 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 component of our capital budget provides for the replacement of assets at the end of their service life, the acquisition of new assets and enhancements to existing assets.

Our capital requirement projections for 2019 are $2.4 billion. Loans and investments relating to the NHCIF increased in 2019 to reflect the time that will be required to receive, assess and finalize agreements for loan applications received during 2018, our launch year. Loans and investments for RCFi were also revised upwards in all years due to the additional funding of $1.25 billion announced in Budget 2018. The increase for other assets reflects our planned investment for our workplace transformation discussed below, as well as capitalization costs associated with the development of new systems and enhancement of existing systems that support our lending and insurance activities.

WORKPLACE TRANSFORMATION

CMHC's Workplace Transformation will address the changing needs of our business and workforce and provide an environment that stimulates innovation, collaboration, engagement and drives results. After re-evaluating our approach in 2018, an opportunity to accelerate this transformative project within the next five years instead of over a decade was identified, reducing the payback from 14 to 11 years. This transformation also has minor implications for our operating budget, and the impacts have been reflected in the Operating Budget table.

2017 RESULTS | 2018 ESTIMATE | 2019-2023 PLAN

Summary of the Capital Budget

(in millions)	2017 Plan	2017 Actual	2018 Plan[1]	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Total loans and investments	899	336	2,378	2,047	2,291	1,792	1,170	1,159	1,170
Total furniture equipment and business premises	7	70	37	25	108	49	11	23	12
Total capital budget	906	406	2,415	2,072	2,399	1,841	1,181	1,182	1,182

[1] *2018 Plan includes RCFi top-up funding announced in Budget 2018.*

APPENDIX C – BORROWING PLAN

BORROWING AUTHORITY

CMHC's funding activities are governed by section 21 of the *Canada Mortgage and Housing Corporation Act* and section 127 of the *Financial Administration Act* (FAA). Those activities must also comply with the Minister of Finance's *Financial Risk Management Guidelines for Crown Corporations*.

Under subsection 21(2) of the *Canada Mortgage and Housing Corporation Act*, CMHC is subject to a statutory borrowing authority constraint, which limits borrowings other than from the Crown to a maximum amount of $15 billion, unless additional amounts are authorized by Parliament. Under subsection 21(1), at the request of the Corporation, the Minister of Finance may, out of the Consolidated Revenue Fund, lend money to the Corporation on any terms and conditions that the Minister may fix.

In accordance with subsection 127(3) of the FAA, CMHC requires the approval of the Minister of Finance to enter into any particular transaction to borrow money, including the time and the terms and conditions of the transaction. The following outlines the borrowing plan that will be submitted to the Minister of Finance for approval.

SHORT-TERM BORROWINGS TO BE UNDERTAKEN IN 2019

CMHC requests authority to:

- access overdraft facilities in place with private sector financial institutions amounting to $4.0 billion intraday and $300 million overnight; and
- borrow short term from the CBP up to a maximum outstanding of $5.0 billion.

Additional short term borrowings may be required to cover requirements under CMHC's securitization guarantee programs.

LONG-TERM BORROWINGS TO BE UNDERTAKEN IN 2019

CMHC requests authority to borrow:

- new long-term borrowings through the CBP not exceeding $4.0 billion. CMHC may be called upon to respond to unanticipated events that pose risks to the housing or financial markets; in order to do so, CMHC may need to borrow sums of money beyond its annual borrowing plan. Under section 127(3) of the FAA, the Corporation may seek additional borrowings from the Minister of Finance provided its total indebtedness outstanding at any time in respect of such borrowings does not exceed any statutory limit.

Context

Borrowings are used in the normal course of business to finance loans and provide liquidity. CMHC borrows to fund loans under Direct Lending, other loans and investments in housing programs, the Municipal Infrastructure Lending Program (MILP), the RCFi, the NHCIF and for cash and liquidity management.

Direct Lending

Direct Lending loans are designed to help ensure the lowest risk-adjusted financing costs for eligible social housing projects on a sustained long-term basis. Direct lending mortgages do not offer prepayment options and typically carry a term of 5 or 10 years. Asset-liability management is conducted through market transactions and/or borrowings. Principal repayments for reinvestment have a current market value of $1.7 billion as at March 31, 2018 (see the assisted housing investment plan in the Financial Overview chapter for more details). We will seek funding approval for a new lending initiative under the NHCIF separately.

Other Loans and Investments in Housing Programs

Funds to support other loans and investments in our housing programs were previously borrowed through Consolidated Revenue Fund (CRF) borrowings. New advances related to ongoing loans and investments in the housing programs are financed through short-term CBP borrowings, where the term of the funding does not necessarily match the term of the loan. The 2015 Budget initiative to allow eligible loans to prepay without penalty results in the prepayment of outstanding CRF debt. The prepayment of the CRF debt (including the amount) will depend on the participation under this initiative and the characteristics of the prepaid loans, which cannot be forecasted.

Rental Construction Financing Initiative

In the 2016 Budget, the Federal Government committed up to $2.5 billion over four years starting in fiscal year 2017-2018 toward the RCFi. In the 2018 Budget, the original commitment toward the RCFi was increased to $3.75 billion over the remaining three years, an increase of $1.25 billion, to further support projects that address the needs of modest- and middle-income households struggling in expensive housing markets. These loans may consist of both short-term and long-term borrowings. The purpose of this initiative is to encourage the construction of affordable rental housing by making low-cost capital available to municipalities and housing developers during the earliest and most risky phases of development.

National Housing Co-Investment Fund

For the newly launched NHS, the Federal Government committed up to $8.65 billion over ten years starting in fiscal year 2018-2019. These loans under the NHCIF may consist of both short-term and long-term borrowings. The purpose of this initiative is to make sure Canadians across the country can access housing that meets their needs and that they can afford.

Municipal Infrastructure Lending Program

The MILP received funding through borrowings from the CBP which are long-term in nature (a maximum of 30 years). These borrowings are matched with the amortization of the MILP loans and closed to prepayment. A spread was added to the CBP borrowing rate to compensate for the credit exposure to municipalities. Under the MILP, which ran over a two-year period ending March 31, 2011, CMHC provided loans of $2 billion to support housing-related municipal infrastructure. Outstanding MILP borrowings as at March 31, 2018, are $1.3 billion.

Cash and Liquidity Management

Short-term CBP borrowings are used to manage daily cash and liquidity requirements (including potential obligations related to the timely payment guarantee for our securitization programs). In addition, CMHC maintains two separate $2 billion intraday overdraft facilities plus access to $300 million through overnight overdraft facilities with private sector financial institutions for cash management, operational and liquidity purposes. Cash and liquidity management methodology complies with CMHC's liquidity policy, outlined at the end of this section, which requires CMHC to broadly maintain liquidity sufficient to cover needs for five days.

2018 Borrowings

Total borrowing estimates for current calendar year 2018 are as follows:

- Direct Lending: $750 million in new borrowings consisting of $150 million for new loans and $600 million to refinance existing loans; this is within $30 million or 4% of our $780 million authority requested under the program
- RCFi up to $725 million for the calendar year in new borrowings, which is about $400 million or 36% short of our authority requested due to delays in program implementation and lower business volume
- NHCIF up to $200 million for the calendar year in new borrowings, which is about $350 million or 64% short of the authority requested due to delays in program implementation
- Short-term borrowings: cash and liquidity management, lending and other loans and investments in housing up to $4.6 billion outstanding, including up to $100 million outstanding for RCFi
- Overdraft facilities up to $4 billion intraday and up to $300 million overnight

Overall we expect long-term borrowing to be $1.7 billion of the $2.5 billion authority granted for the 2018 calendar year on account of the delays in new programs implementation (RCFi and NHCIF) combined with lower business volumes. Borrowing shortfall of about $800 million has been reprofiled and is reflected in borrowing plans for the subsequent years.

Maximum debt outstanding for 2018 is expected to reach approximately $13.9 billion, consisting of $10.5 billion to finance all lending and investments in housing programs and up to $3.4 billion for cash and liquidity management. Lending and investments in housing program-related debts outstanding include $6.4 billion for Direct Lending, $809 million for the RCFi, $200 million for the NHCIF, $1.2 billion for the MILP and $2.3 billion for other loans and investments in housing programs.

2019 Borrowings

Expected borrowing requirements for the 2019 calendar year are as follows:

- Direct Lending: $650 million in new borrowings consisting of about $100 million to finance new loans and $550 million to refinance existing loans
- RCFi up to $1.8 billion for the calendar year in new borrowings
- NHCIF up to $900 million for the calendar year in new borrowings
- Short-term borrowings: cash and liquidity management, lending and other loans and investments in housing up to $4.6 billion outstanding, including up to $200 million outstanding for RCFi and $100 million outstanding for the NHCIF
- Overdraft facilities up to $4 billion intraday and up to $300 million overnight

Maximum debt outstanding for 2019 is expected to reach $16.5 billion consisting of $12.5 billion to finance all lending and investments in housing programs and up to $4.0 billion for cash and liquidity management. This is an increase in total maximum debt outstanding of about $2.6 billion over 2018, mainly driven by new borrowings to finance the RCFi and NHCIF. A buffer is included for contingencies.

Outstanding Borrowings as of December 31

(in millions)	2017 Actual	2018 Estimate	2019 Requested	2020 Projected	2021 Projected	2022 Projected	2023 Projected
Short-term borrowings							
Cash and liquidity management	-	3,000	4,000	4,000	4,000	4,000	4,000
Direct Lending	50	100	100	100	100	100	100
Existing	-	200	200	200	200	200	200
RCFi[1]	n/a	100	200	100	-	-	-
NHCIF[2]	-	-	100	100	100	100	100
Total short-term borrowings	50	3,400	4,600	4,500	4,400	4,400	4,400
Long-term borrowings							
Direct Lending	5,550	4,990	4,420	3,760	3,400	3,430	3,170
Existing	2,100	1,800	1,610	1,430	1,250	1,120	950
RCFi[1]	84	709	2,391	3,533	3,750	3,750	3,750
NHCIF[2]	-	200	1,000	1,550	2,550	3,550	4,550
MILP	1,230	1,100	960	820	700	600	490
Total long-term borrowings	8,964	8,799	10,381	11,093	11,650	12,450	12,910
Total borrowings	9,014	12,199	14,981	15,593	16,050	16,850	17,310

[1] *RCFi borrowings may be a combination of long-term and/or short-term borrowings. Short-term borrowings are used to manage liquidity needs that may arise under the program and are intended to convert into long-term borrowings. Short-term borrowing needs are estimated at about 10% of total annual borrowings. Borrowings under this program are not to exceed $2.94 billion over the three years remaining on the program or $3.75 billion over the life of the program.*

[2] *NHCIF borrowings may be a combination of long-term and/or short-term borrowings. Short-term borrowings are used to manage liquidity needs that may arise under the program and are intended to convert into long-term borrowings. Short-term borrowing needs are estimated at about 10% of annual total borrowings. Borrowings under this program are not to exceed $8.45 billion over the nine years remaining on the program or $8.65 billion over the life of the program.*

Short-Term Borrowings as of December 31

(in millions)	2017 Actual	2018 Estimate	2019 Requested	2020 Projected	2021 Projected	2022 Projected	2023 Projected
Currency used							
Canadian dollars	50	3,400	4,600	4,500	4,400	4,400	4,400
US dollars (expressed in Canadian dollars)	-	-	-	-	-	-	-
Short-term borrowings	50	3,400	4,600	4,500	4,400	4,400	4,400

Peaks at Any Point During the Year

(in millions)	2017 Actual	2018 Estimate	2019 Requested	2020 Projected	2021 Projected	2022 Projected	2023 Projected
Split by program							
Line of credit	-	-	-	-	-	-	-
Short-term borrowings	50	3,400	4,600	4,500	4,400	4,400	4,400
Cash and liquidity management	-	3,000	4,000	4,000	4,000	4,000	4,000
Direct Lending	50	100	100	100	100	100	100
Existing	-	200	200	200	200	200	200
RCFi[1]	-	100	200	100	-	-	-
NHCIF[2]	-	-	100	100	100	100	100
Long-term borrowings	11,244	10,539	11,931	12,793	12,900	13,150	14,280
Direct Lending	7,260	6,300	5,640	5,140	4,350	3,900	4,260
Existing	2,540	2,100	1,800	1,610	1,430	1,250	1,120
RCFi[1]	84	709	2,391	3,533	3,750	3,750	3,750
NHCIF[2]	-	200	1,000	1,550	2,550	3,550	4,550
MILP	1,360	1,230	1,100	960	820	700	600
Maturities	(2,280)	(1,740)	(1,550)	(1,700)	(1,250)	(700)	(1,370)
Direct Lending	(1,710)	(1,310)	(1,220)	(1,380)	(950)	(470)	(1,090)
Existing	(440)	(300)	(190)	(180)	(180)	(130)	(170)
RCFi	-	-	-	-	-	-	-
NHCIF	-	-	-	-	-	-	-
MILP	(130)	(130)	(140)	(140)	(120)	(100)	(110)
Maximum outstanding borrowings							
Cash and liquidity management	-	3,000	4,000	4,000	4,000	4,000	4,000
Direct Lending	7,310	6,400	5,740	5,240	4,450	4,000	4,360
Existing	2,540	2,300	2,000	1,810	1,630	1,450	1,320
RCFi[1]	84	809	2,591	3,633	3,750	3,750	3,750
NHCIF[2]	-	200	1,100	1,650	2,650	3,650	4,650
MILP	1,360	1,230	1,100	960	820	700	600
Total maximum outstanding borrowings	11,294	13,939	16,531	17,293	17,300	17,550	18,680

[1] RCFi borrowings may be a combination of long-term and/or short-term borrowings. Short-term borrowings are used to manage liquidity needs that may arise under the program and are intended to convert into long-term borrowings. Short-term borrowing needs are estimated at about 10% of total annual borrowings. Borrowings under this program are not to exceed $2.94 billion over the three years remaining on the program or $3.75 billion over the life of the program.

[2] NHCIF borrowings may be a combination of long-term and/or short-term borrowings. Short-term borrowings are used to manage liquidity needs that may arise under the program and are intended to convert into long-term borrowings. Short-term borrowing needs are estimated at about 10% of annual total borrowings. Borrowings under this program are not to exceed $8.45 billion over the nine years remaining on the program or $8.65 billion over the life of the program.

Long-Term Borrowings as of December 31

(in millions, unless otherwise indicated)	2017 Actual	2018 Estimate	2019 Requested	2020 Projected	2021 Projected	2022 Projected	2023 Projected
Opening balance	9,890	8,964	8,899	10,681	11,293	11,750	12,550
Maturities	(2,280)	(1,740)	(1,550)	(1,700)	(1,250)	(700)	(1,370)
Direct Lending	(1,710)	(1,310)	(1,220)	(1,380)	(950)	(470)	(1,090)
Existing	(440)	(300)	(190)	(180)	(180)	(130)	(170)
RCFi[1]	-	-	-	-	-	-	-
NHCIF[2]	-	-	-	-	-	-	-
MILP	(130)	(130)	(140)	(140)	(120)	(100)	(110)
New issuances	1,354	1,675	3,332	2,312	1,707	1,500	1,830
Direct Lending	1,270	750	650	720	590	500	830
Existing	-	-	-	-	-	-	-
RCFi[1]	84	725	1,782	1,042	117	-	-
NHCIF[2]	-	200	900	550	1,000	1,000	1,000
MILP	-	-	-	-	-	-	-
Total	8,964	8,899	10,681	11,293	11,750	12,550	13,010
Split by type							
Fixed-rate	8,964	8,899	10,681	11,293	11,750	12,550	13,010
Floating-rate	-	-	-	-	-	-	-
Total	8,964	8,899	10,681	11,293	11,750	12,550	13,010

[1] RCFi borrowings may be a combination of long-term and/or short-term borrowings. Short-term borrowings are used to manage liquidity needs that may arise under the program and are intended to convert into long-term borrowings. Short-term borrowing needs are estimated at about 10% of total annual borrowings. Borrowings under this program are not to exceed $2.94 billion over the three years remaining on the program or $3.75 billion over the life of the program.

[2] NHCIF borrowings may be a combination of long-term and/or short-term borrowings. Short-term borrowings are used to manage liquidity needs that may arise under the program and are intended to convert into long-term borrowings. Short-term borrowing needs are estimated at about 10% of annual total borrowings. Borrowings under this program are not to exceed $8.45 billion over the nine years remaining on the program or $8.65 billion over the life of the program.

Information on Existing Leases as of December 31

(in millions, unless otherwise indicated)	2018 Estimate	2019 Requested	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 + Projected
Assets or asset class: Office space							
Short description of the lease: Several office space leases (including parking) used for CMHC's operations across Canada with remaining terms ranging from 2 to 12 years and remaining undiscounted lease payments ranging from less than $1 million to $23 million.							
Maximum expected liability on the lease[1]	-	75	65	55	50	40	35
Maximum expected number of years remaining	-	12	11	10	9	8	7

[1] Incorporates estimates of renewals and terminations. This table is for information purposes only; therefore, the amount for 2019 is an estimate and not a request.

Liquidity Policy

Under CMHC's liquidity policy, liquidity must be held that is equal to at least one week's forecasted cash requirements. Projected operating cash requirements are determined through cash forecast models that are updated weekly.

Only the securitization timely payment guarantee poses a significant potential liquidity risk to CMHC. Any corporate assets, reserves and means under any of CMHC's business lines and programs (and not specifically designated for securitization program purposes) can be utilized to satisfy a call on a timely payment guarantee. CMHC will look to the Department of Finance through the CBP for amounts beyond its internal sources of liquidity if there is a need to satisfy a call on the timely payment guarantee.

CMHC assesses potential liquidity requirements on an actual and forecast basis, and maintains access to sufficient liquidity to meet the largest exposure to a single counterparty on any program payment date. We do so while taking into consideration market conditions, available cash, overdraft facilities, program lines of credit, market value of securities in the investment portfolios and borrowing authorities provided by the Minister of Finance and the terms of the CBP. Borrowings beyond those contemplated in the Borrowing Plan for cash and liquidity management purposes required to meet the obligations of the timely payment guarantee would require additional authorities from the Minister of Finance.

APPENDIX D – FINANCIAL STATEMENTS AND NOTES

BASIS OF PRESENTATION

Our consolidated financial statements have been prepared in accordance with IFRS in effect at December 31, 2017, as issued by the International Accounting Standards Board (IASB). CMHC's operating activities include assisted housing, mortgage insurance and mortgage funding. Housing analysis and research is not a separate activity; rather, their costs are allocated to our operating activities. Refer to our 2017 Annual Report for complete details on our significant accounting policies.

For all activities, revenues are attributed to, and assets are located in, Canada.

SIGNIFICANT ACCOUNTING POLICIES

The following new standard issued by the IASB impacts CMHC's 2019-2023 Corporate Plan and has been reflected in our financial statements and budgets.

IFRS 16 Leases

Under IFRS 16, a lessee recognizes assets and liabilities for the rights and obligations created by all leases where the term of the lease is greater than 12 months, unless the underlying asset is of low value. The primary impact of adopting this standard on January 1, 2019, is that CMHC's office space leases will now be recognized as lease assets and liabilities, which were formerly accounted for as operating leases under IAS 17.

CONSOLIDATED FINANCIAL STATEMENTS

Table 1: Consolidated Financial Statements – Balance Sheets (in millions of Canadian dollars)

Description	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Assets							
Cash and cash equivalents	887	800	988	1,003	861	872	956
Accrued interest receivable	705	735	823	875	972	1,039	1,081
Investment securities:[1]							
Fair value through profit or loss	1,234	2,341	3,616	3,517	2,824	2,827	3,363
Fair value through other comprehensive income	-	17,554	17,254	17,059	16,857	16,682	16,562
Available for sale	22,112	-	-	-	-	-	-
Derivatives	61	40	19	7	3	2	1
Due from the Government of Canada	126	300	300	300	300	300	300
Loans:							
Fair value through profit or loss	2,906	1,940	1,343	818	436	129	72
Amortized cost	237,944	239,371	249,452	250,791	254,687	251,458	252,943
Accounts receivable and other assets	835	838	898	929	922	896	887
Investment property	305	303	313	324	336	347	359
Defined benefit plans asset	-	-	10	133	243	303	439
Total Assets	**267,115**	**264,222**	**275,016**	**275,756**	**278,441**	**274,855**	**276,963**
Liabilities							
Securities sold under repurchase agreements	297	250	250	250	250	250	250
Accounts payable and other liabilities	561	636	747	774	734	709	703
Accrued interest payable	545	635	766	848	969	1,052	1,112
Possible dividend payable[2]	2,000	350	350	350	350	350	350
Derivatives	39	20	20	11	4	2	1
Provision for claims	555	524	483	428	375	346	325
Borrowings:							
Fair value through profit or loss	4,564	3,411	2,349	1,115	458	381	223
Amortized cost	233,592	236,336	248,605	250,655	254,058	250,653	252,876
Defined benefit plans liability	450	443	282	198	198	195	187
Unearned premiums and fees	6,687	7,070	7,273	7,442	7,575	7,688	7,806
Deferred income tax liabilities	84	73	80	138	178	201	234
Total Liabilities	**249,374**	**249,748**	**261,205**	**262,209**	**265,149**	**261,827**	**264,067**
Equity of Canada							
Contributed capital	25	25	25	25	25	25	25
Accumulated other comprehensive income (loss)	490	(117)	(294)	(253)	(212)	(209)	(199)
Retained earnings	17,226	14,459	13,986	13,690	13,397	13,139	13,010
Reserve fund	-	107	94	85	82	73	60
Total Equity of Canada	**17,741**	**14,474**	**13,811**	**13,547**	**13,292**	**13,028**	**12,896**
Total Liabilities and Equity of Canada	**267,115**	**264,222**	**275,016**	**275,756**	**278,441**	**274,855**	**276,963**

[1] *Presentation of investment securities reflects IFRS 9 changes which became effective on January 1, 2018.*

[2] *Possible dividend payable based on excess capital available.*

NOTES TO THE CONSOLIDATED BALANCE SHEET

CMHC's assets, liabilities and equity are derived from our three major operating activities. A breakdown by activity is provided below.

Assisted Housing

Total assets and liabilities of approximately $9.9 billion at December 31, 2017, are expected to hold steady in 2018 but will increase significantly over the next five years as a result of the increased lending activity generated by the RCFi and the launch of the NHCIF in April 2018.

Commercial Operations

Mortgage Insurance

Total assets of $23.9 billion at December 31, 2017, are expected to decrease to $18.6 billion in 2018, and remain relatively stable thereafter. The decrease in assets is driven by a decrease in the investment portfolio as bond maturities are paid out rather than reinvested with a $4 billion special dividend paid in 2018 as well as quarterly dividends beginning in 2018.

Total liabilities are expected to decrease from $8.7 billion at December 31, 2017, to $6.6 billion at December 31, 2018, mainly due to the decrease in dividend payable, and will remain relatively stable thereafter. Government of Canada fees payable are expected to increase as multi-unit volumes and housing prices increase. Unearned premiums and fees are expected to increase from $5.4 billion at December 31, 2017, to $5.8 billion in 2023 mainly due to higher homeowner premiums and fees received; however, these increases will be offset by a lower provision for claims and a defined benefit pension plan becoming a pension asset in 2021 resulting from higher discount rates and expected returns on investments.

The dividend declarations in 2018 decreased total equity from $15.2 billion at December 31, 2017, to $11.9 billion in 2018. Equity is expected to remain stable between $11 and $11.5 billion thereafter.

Mortgage Funding

Total assets are expected to increase from $237.9 billion at December 31, 2017, to $247.0 billion in 2023 mainly due to changes in fair value of debt securities, and an increase in deferred Government of Canada guarantee fees to compensate for timely payment guarantee risks.

Total liabilities are expected to increase from $235.6 billion at December 31, 2017, to $245.6 billion at December 31, 2023, driven by an increase in unearned MBS and CMB guarantee fees due to increasing NHA MBS guaranteed volumes.

Total equity is expected to decrease from $2.3 billion at December 31, 2017, to $1.9 billion at December 31, 2019, and will continue to decrease throughout the planning horizon due to a decrease in unappropriated retained earnings attributed to planned dividend declarations.

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

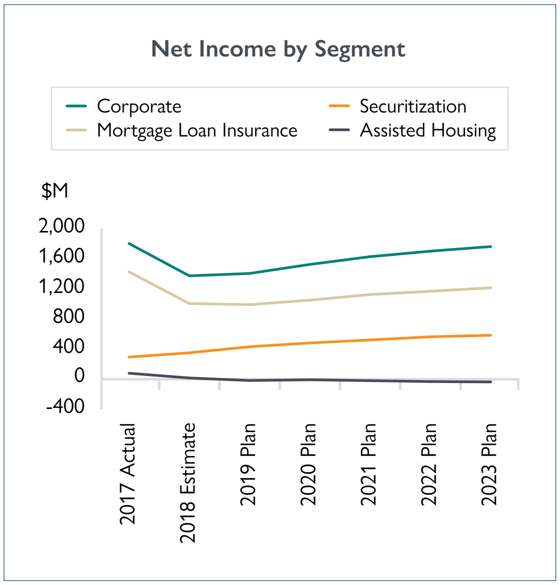
Description	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Interest income	4,708	5,673	5,991	6,478	6,877	7,249	7,798
Interest expense	4,569	5,550	5,902	6,369	6,762	7,133	7,678
Net interest income	**139**	**123**	**89**	**109**	**115**	**116**	**120**
Non-interest revenues and parliamentary appropriations							
Parliamentary appropriations for housing programs	3,229	2,663	2,681	2,689	2,498	2,490	2,561
Premiums and fees earned	1,941	1,895	1,998	2,079	2,137	2,202	2,248
Investment income	573	517	493	532	571	600	623
Net gains (losses) on financial instruments	147	(74)	(39)	(40)	(16)	1	17
Other income	123	43	42	38	18	7	1
	6,152	**5,167**	**5,264**	**5,407**	**5,323**	**5,416**	**5,570**
Non-interest expenses							
Housing programs	3,229	2,663	2,681	2,689	2,498	2,490	2,561
Insurance claims	147	274	293	273	246	243	243
Operating expenses	396	418	430	423	413	415	415
	3,772	**3,355**	**3,404**	**3,385**	**3,157**	**3,148**	**3,219**
Income before income taxes	2,380	1,812	1,860	2,022	2,166	2,268	2,351
Income taxes	577	438	454	496	537	566	588
Net income	**1,803**	**1,374**	**1,406**	**1,526**	**1,629**	**1,702**	**1,763**
Other comprehensive income (loss), net of tax							
Items that will be subsequently reclassified to net income							
Net unrealized losses from available for sale financial instruments	(135)	-	-	-	-	-	-
Net unrealized gains (losses) from debt instruments held at fair value through other comprehensive income	-	(276)	(212)	(2)	12	(16)	(1)
Reclassification of gains on available for sale financial instruments to net income on disposal in the period	(136)	-	-	-	-	-	-
Reclassification of gains on debt instruments held at fair value through other comprehensive income on disposal in the period	-	33	31	39	25	15	7
Total items that will be subsequently reclassified to net income	(271)	(243)	(181)	37	37	(1)	6
Items that will not be subsequently reclassified to net income							
Net unrealized gains from equity securities designated at fair value through other comprehensive income	-	2	4	4	4	4	4
Remeasurement gains (losses) on defined benefit plans	(106)	1	128	189	95	51	115
Total items that will not be subsequently reclassified to net income	(106)	3	132	193	99	55	119
Other comprehensive income (loss)	(377)	(240)	(49)	230	136	54	125
Comprehensive income	**1,426**	**1,134**	**1,357**	**1,756**	**1,765**	**1,756**	**1,888**
Contributed capital	**25**	**25**	**25**	**25**	**25**	**25**	**25**
Accumulated other comprehensive income (loss)							
Balance at beginning of year[1]	761	124	(117)	(294)	(253)	(212)	(209)
Other comprehensive income (loss)	(271)	(241)	(177)	41	41	3	10
Balance at end of year	**490**	**(117)**	**(294)**	**(253)**	**(212)**	**(209)**	**(199)**
Retained earnings							
Balance at beginning of year[2]	20,108	17,425	14,459	13,986	13,690	13,397	13,139
Net income	1,803	1,374	1,406	1,526	1,629	1,702	1,763
Other comprehensive income (loss)	(106)	1	128	189	95	51	115
Possible dividends declared	(4,675)	(4,350)	(2,020)	(2,020)	(2,020)	(2,020)	(2,020)
Transferred to retained earnings	(20)	9	13	9	3	9	13
Balance at end of year	**17,110**	**14,459**	**13,986**	**13,690**	**13,397**	**13,139**	**13,010**
Reserve Fund							
Balance at beginning of year	96	116	107	94	85	82	73
Transferred from retained earnings	20	(9)	(13)	(9)	(3)	(9)	(13)
Balance at end of year	**116**	**107**	**94**	**85**	**82**	**73**	**60**
Equity of Canada	**17,741**	**14,474**	**13,811**	**13,547**	**13,292**	**13,028**	**12,896**

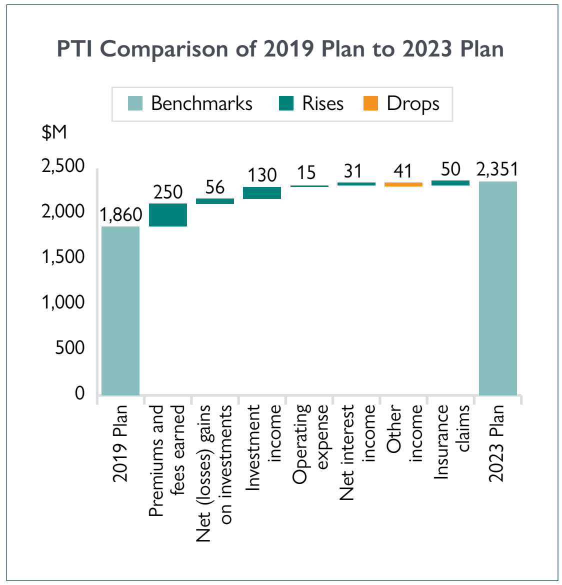
[1] *Accumulated other comprehensive income 2018 opening balance decreased by $366 million due to the impact of adopting IFRS 9 Financial Instruments.*

[2] *Retained earnings 2018 opening balance increased by $367 million due to the impact of adopting IFRS 9 Financial Instruments and decreased by $52 million due to the impact of adopting IFRS 15 Revenue from Contracts with Customers.*

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

CMHC's income is generated by our three main activities. Although net income is projected to decrease in 2018, it is expected to increase over the five-year planning period and approach 2017 levels by 2023.





Assisted Housing

(in millions)	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Parliamentary appropriations for housing programs	3,229	2,663	2,681	2,689	2,498	2,490	2,561
Net interest income	13	11	(8)	6	10	4	1
Other income	113	31	6	9	(8)	(16)	(17)
Total revenues	3,355	2,705	2,679	2,704	2,500	2,478	2,545
Housing program expenses	3,229	2,663	2,681	2,689	2,498	2,490	2,561
Operating expenses[1]	27	27	28	30	27	25	26
Total expenses	3,256	2,690	2,709	2,719	2,525	2,515	2,587
Income before income taxes	99	15	(30)	(15)	(25)	(37)	(42)
Income taxes	19	(2)	(13)	(8)	(6)	(6)	(6)
Net income	80	17	(17)	(7)	(19)	(31)	(36)

[1] *Operating expenses represent only those related to lending programs. Operating expenses for housing programs refer to the performance highlights table.*

Housing programs operate on a break-even basis as appropriations equal expenditures each year. Although lending programs are intended to be run on a break-even 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.

Other income is expected to be lower over the planning horizon compared to 2017 due to the recognition of an unanticipated gain in 2017 as a result of an increase in the value of one of our properties.

Housing Analysis and Research

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

(in millions)	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Assisted housing recovery	62	98	101	99	91	87	83
Mortgage insurance recovery	19	23	21	20	19	19	19
Total revenue	81	121	122	119	110	106	102
Market analysis[1]	46	57	52	50	45	43	41
Housing research and data	35	64	70	69	65	63	61
Total expenses	81	121	122	119	110	106	102
Net income	-	-	-	-	-	-	-

[1] *Includes market analysis costs recovered from mortgage 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 as announced in the 2017 Federal Budget and launched in 2018. Funding is also provided for a new housing advocate and the National Housing Council to provide ongoing advice related to the NHS.

Commercial Operations

Mortgage Insurance

(in millions)	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Premiums and fees earned	1,557	1,425	1,434	1,452	1,472	1,491	1,515
Investment income	607	531	480	514	546	575	601
Other income	156	(54)	6	3	14	22	32
Total revenues	2,320	1,902	1,920	1,969	2,032	2,088	2,148
Insurance claims	147	274	293	273	246	243	243
Operating expenses	318	325	334	323	315	319	319
Total expenses	465	599	627	596	561	562	562
Income before income taxes	1,855	1,303	1,293	1,373	1,471	1,526	1,586
Income taxes	451	318	318	338	363	377	392
Net income	1,404	985	975	1,035	1,108	1,149	1,194

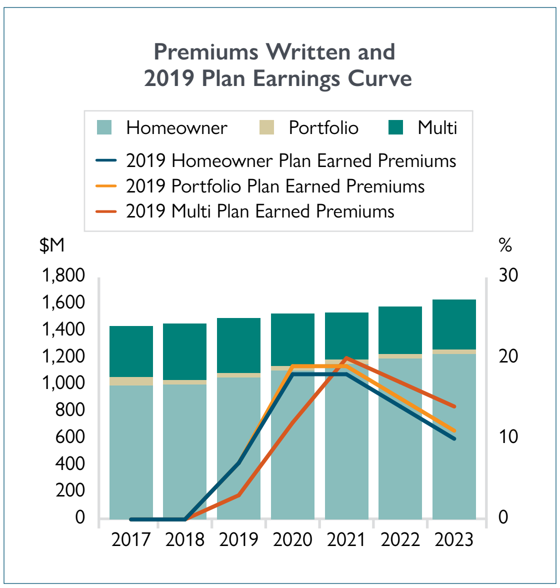
(in millions, unless otherwise indicated)	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Mortgage Insurance Volumes							
Insurance in force	480,000	466,672	456,556	448,732	442,300	439,412	438,441
Total new insured volumes (units)	294,899	285,074	246,981	239,596	239,024	237,998	235,949
Total new insured volumes ($)	53,569	53,310	48,197	49,250	51,021	52,587	54,122
Total premiums and fees received	1,438	1,484	1,497	1,532	1,537	1,584	1,634

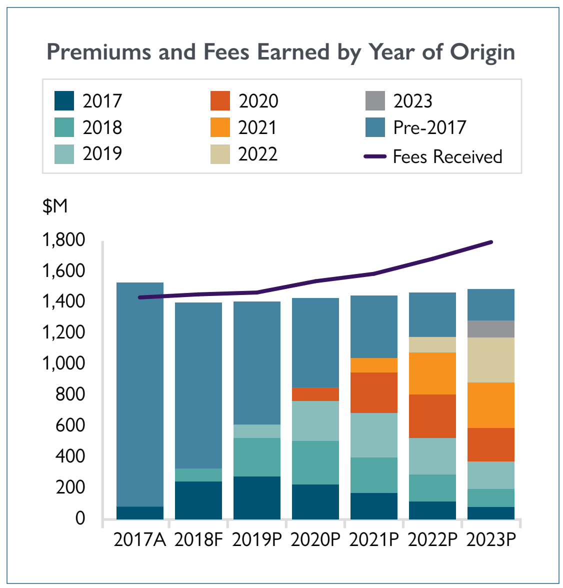
Premiums and fees earned are expected to decrease in 2018 due to revised earnings patterns to reflect recent claims experience, which shifts the recognition of revenue to future years. Also contributing to the increase in premiums and fees earned in outer years are higher projected insured dollar volumes and portfolio price increases effective on January 1, 2017, and April 11, 2018. In the short term, our multi-unit business is expected to continue to grow due to expansion of our participation in key rental market segments, as well as product flexibilities for affordable housing and the continued low interest rate environment.

Investment income is projected to decline in 2019 as a result of investments sold in 2018 in order to make dividend payments to the Government of Canada and increase thereafter due to reinvestments made at higher yields.

Insurance claims are expected to increase in 2018 compared to 2017 due to a provision adjustment in 2017 to reflect improvements in the Canadian unemployment rate and a decrease in insurance in force. Claims then decrease over the planning period due to a positive economic outlook and recent regulatory changes that reduce the risk to our portfolio.

Operating expenses initially increase in 2019 due to our required investments in technology and workplace transformation, and the implementation of IFRS 17; however, operating expenses begin to decrease in 2020 as these investments are operationalized. Government of Canada[4] fees for the financial backing of our mortgage insurance business steadily increase over the planning horizon from $41 million in 2018 to $52 million by 2023.





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

Mortgage Funding

(in millions)	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Guarantee and application fees earned	384	470	564	627	665	711	733
Net interest income	8	8	8	8	8	8	8
Investment income	48	62	80	90	99	104	107
Other income	5	(6)	(8)	(12)	(5)	-	1
Total revenues	**445**	**534**	**644**	**713**	**767**	**823**	**849**
Operating expenses	51	66	68	70	71	71	70
Total expenses	**51**	**66**	**68**	**70**	**71**	**71**	**70**
Income before income taxes	394	468	576	643	696	752	779
Income taxes	99	117	144	161	174	188	195
Net income[1]	**295**	**351**	**432**	**482**	**522**	**564**	**584**

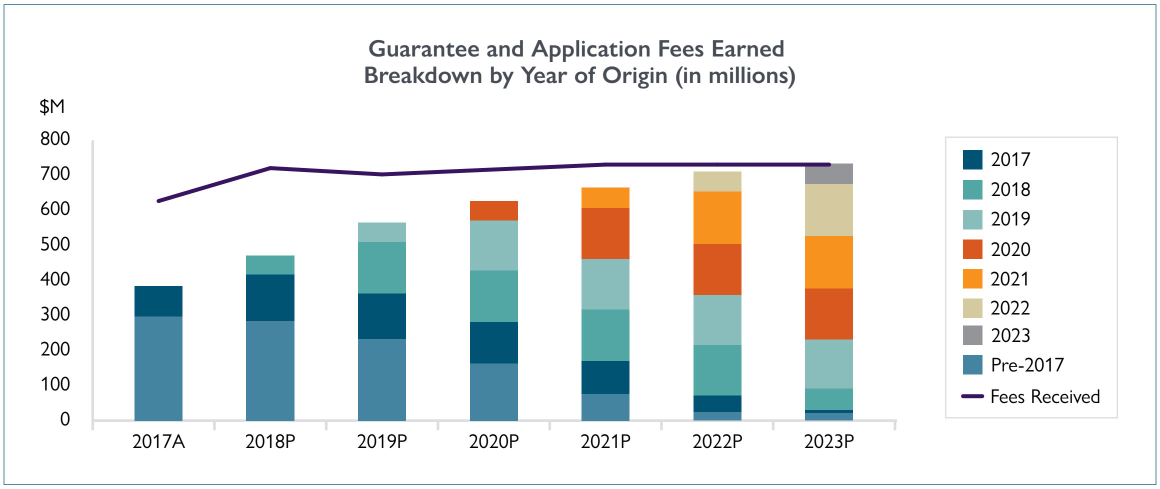
[1] *Beginning in 2018, CHT's issuance costs are now presented on a net basis, which causes an equal decrease to both other income and operating expenses.*

(in millions, unless otherwise indicated)	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Securitization Volumes							
Guarantees in force[1]	**477,000**	**499,000**	**521,000**	**488,000**	**511,000**	**491,000**	**496,000**
NHA MBS	244,000	265,000	277,000	244,000	265,000	249,000	251,000
CMB	233,000	234,000	244,000	244,000	246,000	242,000	245,000
Total annual securities guaranteed	**167,231**	**175,000**	**180,000**	**185,000**	**190,000**	**190,000**	**190,000**
NHA MBS	127,231	135,000	140,000	145,000	150,000	150,000	150,000
CMB	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Total guarantee and application fees received	**627**	**722**	**704**	**718**	**732**	**732**	**732**
Market NHA MBS	479	577	559	573	587	587	587
CMB	148	145	145	145	145	145	145

[1] *For 2018, the Minister of Finance has approved new guarantee limits of $135 billion under the NHA MBS program and $40 billion under the CMB program for a total of $175 billion for our securitization activity. The projected guarantee limits are subject to approval by the Minister of Finance.*

Total revenues increase over the planning period mainly due to higher NHA MBS guaranteed volumes following the policy change implemented in July 2016, which introduced a guarantee fee on MBS sold to CHT, and resulted in an annual increase in the guaranteed limit for the next several years. Furthermore, higher pricing on Tier-2 NHA MBS introduced in 2016 and 2017 contribute to the higher projected guarantee fees.

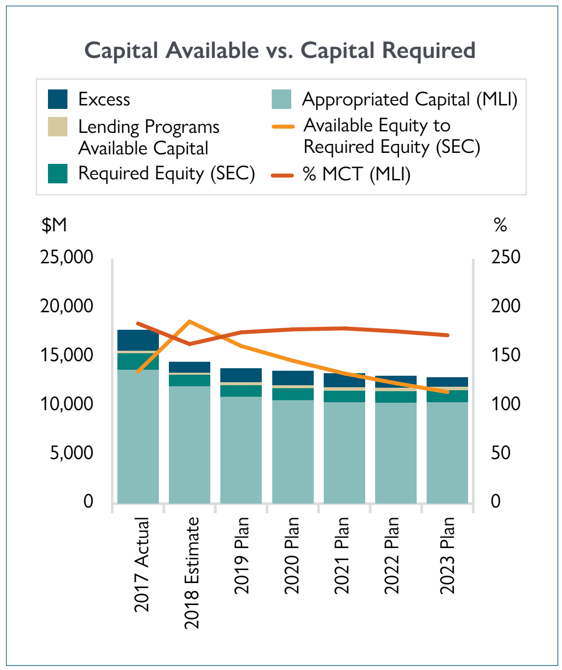
Total expenses initially increase over the planning horizon, mainly due to higher Government of Canada fee expenses as a result of higher NHA MBS guaranteed volumes and fees received.



NOTES TO THE CONSOLIDATED STATEMENT OF EQUITY OF CANADA

CMHC's three main operating activities contribute to the total equity of Canada. A breakdown of equity by activity is provided below.

Excess capital is reduced as it is now being distributed through a possible 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). Effective January 1, 2019, our mortgage insurance activity will be subject to the MICAT guideline, which is expected to decrease the capital required on transition and then increase it over the planning period.



Assisted Housing

(in millions)	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Retained earnings	93	113	166	251	277	278	308
Reserve fund[1]	116	105	93	86	84	75	62
Available capital	209	218	259	337	361	353	370
Contributed capital	25	25	25	25	25	25	25
Total equity	234	243	284	362	386	378	395

[1] *Reserve fund maintained pursuant to section 29 of the CMHC Act to address interest rate risk exposure on prepayable loans as well as credit risk exposure on unsecured loans. The reserve fund is subject to a statutory limit of $240 million.*

Total equity for assisted housing includes available capital for the lending activity and contributed capital. We do not hold capital for housing programs as this activity does not present risks that would require capital to be set aside. Capital for the lending activity is comprised of a reserve fund and retained earnings.

The reserve fund is intended to manage interest rate risk exposure on prepayable loans and credit risk exposure on unsecured loans pursuant to section 29 of the CMHC Act and is subject to a statutory limit of $240 million with any amounts in excess of the limit paid to the Receiver General. Retained earnings absorb unrealized fair value fluctuations and remeasurement gains and losses of the defined benefit plans.

Yearly fluctuations in the assisted housing total equity are directly linked to comprehensive income. Available capital is generally increasing over the next five years mainly due to the gains expected to materialize as a result of the revaluation of CMHC's pension plans due to increasing discount and return rates.

Commercial Operations

Mortgage Insurance

(in millions, unless otherwise indicated)	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Accumulated other comprehensive income	477	(131)	(207)	(172)	(129)	(111)	(80)
Appropriated retained earnings	13,171	12,079	11,104	10,730	10,449	10,389	10,434
Appropriated capital	13,648	11,948	10,897	10,558	10,320	10,278	10,354
Unappropriated retained earnings	1,549	-	693	875	990	904	788
Total mortgage insurance capital	**15,197**	**11,948**	**11,590**	**11,433**	**11,310**	**11,182**	**11,142**
Less: assets with a capital requirement of 100%	(10)	(13)	(24)	(80)	(120)	(134)	(182)
Total mortgage insurance capital available	**15,187**	**11,935**	**11,566**	**11,353**	**11,190**	**11,048**	**10,960**
CMHC's internal capitalization target	155%	155%	155%	155%	155%	155%	155%
Operating level holding target[1]	165%	165%	165%	165%	165%	165%	165%
Capital available to minimum capital required (% MCT)	184%	163%	175%	177%	179%	177%	175%
Surplus equity available from mortgage insurance for possible dividend declaration[2]	4,675	4,000	1,320	1,320	1,320	1,320	1,320

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

[2] *The surplus capital available for possible 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.*

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 insurance activity, less assets with a capital requirement of 100%. The appropriated capital is based on our board-approved capital management policy that follows guidelines developed by OSFI, which we voluntarily follow.

Effective January 1, 2019, CMHC will be subject to the Mortgage Insurance Capital Adequacy Test (MICAT) guideline that applies to Canadian mortgage insurance companies. MICAT combines into one guideline Guideline A - Minimum Capital Test and the Capital Requirements for Federally Regulated Mortgage Insurers ("Advisory"), which came into effect on January 1, 2017.

As part of the MICAT, OSFI has increased the factor in the regulatory capital formula applicable to credit score by 5% with a corresponding increase to operational risk of 1% and has confirmed the use of credit scores at the origination of the loan. The use of credit scores at origination is expected to decrease the capital required upon transition on January 1, 2019, then increase it over the planning horizon.

The 2018 Corporate-Wide Stress Testing and Capital Adequacy Assessment confirmed our internal and operating level at 155% and 165%, respectively, of the minimum capital required; OSFI's minimum regulatory capital target is 150%.

The mortgage insurance activity equity is expected to remain consistent over the planning period. Refer to the Mortgage Insurance section in the Notes to the Consolidated Balance Sheet for details.

Mortgage Funding

(in millions, unless otherwise indicated)	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Accumulated other comprehensive income (loss)	(23)	(78)	(119)	(92)	(70)	(62)	(59)
Appropriated retained earnings	1,747	1,278	1,319	1,292	1,270	1,262	1,259
Appropriated capital	1,724	1,200	1,200	1,200	1,200	1,200	1,200
Unappropriated capital	612	1,031	729	549	399	274	168
Total securitization capital available	2,336	2,231	1,929	1,749	1,599	1,474	1,368
Available equity to required equity	135%	186%	161%	146%	133%	123%	114%
Surplus equity available from securitization for possible dividend declaration[1]	-	350	700	700	700	700	700

[1] *The surplus capital available for possible 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.*

Minimum capital required for the securitization activity has been recommended to be the higher of our ORSA capital and a capital floor that is equivalent to the liquidity requirements to sustain the timely payment guarantee of the largest single name exposure. In August 2018, the Board approved our revised assessment of capital adequacy for the securitization activity, which led to a decrease in the amount of appropriated capital.

The internal and operating targets have been set at 105% and 110%, respectively, of the minimum capital required and are consistent with our risk appetite.

The implementation of our ORSA for the securitization activity in November 2018 resulted in a decrease in our appropriated capital and an increase in our excess capital. The securitization activity equity is expected to decrease over the planning period due to the introduction of dividend payments. Refer to the mortgage funding notes to the Consolidate Balance Sheet for details.

Table 3: Consolidated Financial Statements – Statements of Cash Flows (in millions of Canadian dollars)

Description	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Cash flows from operating activities							
Net income	1,803	1,374	1,406	1,526	1,629	1,702	1,763
Adjustments to determine cash flows from operating activities							
Amortization of premiums and discounts on financial instruments	144	16	9	6	7	5	2
Net (gains) losses on financial instruments	(116)	74	39	40	16	(1)	(17)
Net unrealized gains on investment property	(90)	-	-	-	-	-	-
Deferred income taxes	57	(5)	12	65	53	40	51
Changes in operating assets and liabilities							
Derivatives	32	9	50	26	14	9	7
Accrued interest receivable	-	(30)	(87)	(53)	(97)	(67)	(42)
Due from the Government of Canada	(67)	(174)	-	-	-	-	-
Accounts receivable and other assets	(68)	(129)	(60)	(33)	8	27	10
Accounts payable and other liabilities	13	77	110	28	(40)	(27)	(5)
Accrued interest payable	3	88	130	83	121	83	62
Provision for claims	(99)	(31)	(41)	(55)	(53)	(29)	(21)
Defined benefit plans liability	(63)	13	(16)	20	7	(4)	(6)
Unearned premiums and fees	123	384	203	169	133	113	118
Other	20	133	77	(169)	(11)	(4)	(2)
Loans							
Repayments	30,836	40,153	31,827	40,986	38,559	45,007	39,759
Disbursements	(40,373)	(40,629)	(41,447)	(41,945)	(42,217)	(41,597)	(41,287)
Borrowings							
Repayments	(32,839)	(40,502)	(32,158)	(41,077)	(38,597)	(44,478)	(39,275)
Issuances	42,386	41,415	43,316	41,914	41,579	41,273	41,608
	1,702	**2,236**	**3,370**	**1,531**	**1,111**	**2,052**	**2,725**
Cash flows from investing activities							
Investment securities							
Sales and maturities	8,352	10,964	6,739	7,445	6,696	5,467	4,278
Purchases	(8,119)	(7,240)	(7,901)	(6,941)	(5,929)	(5,488)	(4,899)
Investment property							
Additions		-	-	-	-	-	-
Disposals	22	-	-	-	-	-	-
Securities purchased under resale agreements	17	-	-	-	-	-	-
Securities sold under repurchase agreements	(407)	(47)	-	-	-	-	-
	(135)	**3,677**	**(1,162)**	**504**	**767**	**(21)**	**(621)**
Cash flows from financing activities							
Possible dividends paid[1]	(2,675)	(6,000)	(2,020)	(2,020)	(2,020)	(2,020)	(2,020)
	(2,675)	**(6,000)**	**(2,020)**	**(2,020)**	**(2,020)**	**(2,020)**	**(2,020)**
Change in cash and cash equivalents	(1,108)	(87)	188	15	(142)	11	84
Cash and cash equivalents							
Beginning of year	1,995	887	800	988	1,003	861	872
End of year	**887**	**800**	**988**	**1,003**	**861**	**872**	**956**
Represented by							
Cash	3						
Cash equivalents	884	800	988	1,003	861	872	956
	887	**800**	**988**	**1,003**	**861**	**872**	**956**
Supplementary disclosure of cash flow from operating activities							
Amount of interest received during the period	5,592	6,291	6,477	7,027	7,406	7,826	8,395
Amount of interest paid during the period	4,767	5,515	5,786	6,298	6,645	7,032	7,556
Amount of dividends received during the period	46	31	21	20	19	19	18
Amount of incomes taxes paid during the period	435	461	284	453	562	572	583

[1] *Possible dividends paid based on excess capital available.*

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Assisted Housing

The majority of our cash flows are generated by our lending activities. CMHC will issue a significant volume of loans over the 2019-2023 planning horizon as a result of the RCFi and the NHCIF; disbursements associated with loans are expected to far exceed repayments received during this period. Cash generated from borrowing activities is expected to increase significantly over the same time frame for the same reason.

Any excess funding held by CMHC as the result of its lending activities is invested until needed. The volume of our investing activities is also expected to increase significantly over the planning horizon due to the above-mentioned lending programs. The net cash inflow or outflow fluctuates year to year due to timing differences between our funding, advances and repayments that could result in excess cash or cash shortfalls in any given year.

Commercial Operations

Mortgage Insurance

Premiums and fees received for our mortgage insurance activities of $1,438 million for the year ended December 31, 2017, are expected to increase over the planning horizon. This is mainly driven by growth in multi-unit residential and higher insured volumes attributed to increased housing prices, partially offset by a decrease in portfolio premium rates. This increase in premiums received is expected to result in higher fees paid to the Government of Canada. Claims paid of $329 million in 2017 are expected to increase to $342 million in 2018 due to an increase in the housing price index and interest rates, and decrease throughout the rest of the planning period as we expect a continued strong economy and national employment trends.

Dividends paid of $6 billion in 2018, which included $2 billion in special dividends declared in 2017 in addition to 2018 quarterly dividends of $1 billion, are expected to decrease to $1.3 billion annually as we manage our capital more closely to our targeted MCT of 165% to 175%.

Mortgage Funding

Cash flow planning for the securitization activity is driven by liquidity requirements to sustain the timely payment guarantee for the largest single name exposure. As guarantee and application fees are charged on NHA MBS and CMB products, fees received are invested in line with our strategic asset allocation. Investment returns further contribute to the overall change in our cash position.

APPENDIX E – IMPACT OF A DOWNSIDE SCENARIO

The downside scenario is meant to emulate a more probable economic scenario that could take place in the course of a regular business cycle of 10-15 years, while stress testing[5] is conducted to stress capital under more severe scenarios where the probability of occurrence is less likely.

The 2019-2023 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 2008 financial crisis. The rationale for using the 2008 financial crisis is the likelihood of a future economic downturn having similar characteristics of the 2008 scenario, given changes in the economy over the past decades.

Our downside scenario assumes that, starting in Q4 2018, the Canadian economy faces similar economic impacts to those observed in 2008. This downside scenario assumes a trough-to-peak increase in the unemployment rate of 2 percentage points[6] while inflation-adjusted MLS prices increase by 22%[7] over the same period. The detailed impacts of this downside scenario are provided below. This scenario was modelled after historical recessions, however, impacts to unemployment levels and default risk arising from U.S. trade protectionism and NAFTA renegotiations could extend beyond the scope of our downside analysis.

APPLICATION TO CMHC'S BUSINESS ACTIVITIES

The downside scenario has been applied to our mortgage insurance activity. Under this recessionary scenario, cumulative claims are expected to increase by 36% over the planning horizon but annual net income is expected to range between $800 million and $1.2 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 2008 financial crisis.

After the 2008-2009 financial crisis, we saw our insurance market share increase, as our main competitor moved to shore up their U.S.-based operations. This downside scenario assumed that private sector competition scaled back its operations to similar levels as in 2008-2009, resulting in a peak market share of 70%[8] in Q2 2020. As the potential shock to interest rates is less severe, the increase in multi-unit volumes is dampened.

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[5] *Refer to appendix J – Stress Testing for further details.*

[6] *Unemployment rate trough of 6.6% in Q4 2008, and peak of 8.6% in Q3 2009.*

[7] *Average house prices in Q4 2008 were approximately $250,000 and continued to increase to $322,000 up to Q4 2013.*

[8] *Assumed an equivalent magnitude decrease in market share (Canada Guaranty's market share was 3% in 2008 vs. 15% in 2018).*

No impact is expected in our assisted housing activity. It is expected that securitization demand would continue to drive full take-up within the cap set by the Minister of Finance, which is significantly higher than in 2008.

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 (2023)	12,896	12,823	(73)
Cumulative net income (to 2023)	8,026	7,938	(88)
Cumulative insurance losses (to 2023)	1,298	1,803	505
Capital available to minimum capital required (2023) (% MCT)	175%	165%	(10) pts
Unemployment rate (2018 to 2023)	6.04%	7.30%	1.26%
Average housing prices (2018 to 2023)	$309,558	$285,718	($23,840)
5-year mortgage rate (2018 to 2023)	4.91%	4.60%	(0.31%)

APPENDIX F – CORPORATE GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

The Board of Directors is responsible for managing our affairs and the conduct of our business in accordance with applicable legislation and the governing bylaws of the Corporation. As steward of the Corporation, the Board of Directors sets strategic direction in support of government policies

and priorities, ensures the integrity and adequacy of corporate policies, information systems and management practices, ensures that principal risks are identified and managed, and evaluates and monitors performance and results. The Board of Directors has a duty to protect the long- and short-term interests of the Corporation, safeguard the Corporation's assets, and be prudent and professional in fulfilling its duties.

The Board is made up of the Chair, the President and Chief Executive Officer (CEO), the Deputy Minister to the Minister responsible for CMHC, the Deputy Minister of Finance and eight other directors appointed by the Minister with the approval of the Governor in Council. Charters for the Board and its committees (Audit, Corporate Governance and Nominating, Human Resources, Risk Management, Affordable Housing and Pension Fund Trustees) are posted on our website (https://www.cmhc-schl.gc.ca). The Board meets a minimum of five times per year and holds an annual public meeting.

In order to identify opportunities for enhanced Board performance and director development and education, the Board undergoes annual assessments, generally alternating between a peer assessment and an overall assessment, the latter of which examines the functioning of the Board as a whole in comparison to the boards of other Crown corporations and financial institutions.

COMPENSATION AND ATTENDANCE RECORD

January 1, 2018, to August 31, 2018

		Meeting Attendance						
			Committees*					
Member	Compensation	Board of Directors	Governance and Nominating	Audit	Human Resources	Risk Management	Affordable Housing	Pension Fund Trustees
Robert P. Kelly	Note[1]	1/5	1/4	0/3	1/4	0/3	0/3	-
Evan Siddall	n/a	5/5	4/4	2/3	3/4	2/3	2/3	1/2
Derek Ballantyne	25,742.50	5/5	4/4	3/3	4/4	3/3	3/3	-
Louise Poirier-Landry	1,050	1/5	-	-	-	-	-	-
Navjeet (Bob) Dhillon	10,100	4/5	-	3/3	-	-	3/3	-
Peter Sharpe	7,850	4/5	3/4	2/3	3/4	2/3	2/3	-
Bruce Shirreff	10,850	5/5	4/4	-	4/4	3/3	2/3	-
**Louise Levonian	n/a	5/5	3/4	-	2/4	-	3/3	-
**Paul Rochon	n/a	4/5	-	2/3	-	2/3	-	-
Dana Ades-Landy	12,000	5/5	4/4	3/3	4/4	3/3	2/3	-
Janice Abbott	11,350	5/5	4/4	3/3	4/4	3/3	3/3	-
Anne Giardini	14,080	5/5	4/4	3/3	3/4	3/3	2/3	1/2
Linda Morris	12,600	5/5	2/4	3/3	4/4	2/3	3/3	-

* *The above chart reflects all attendance at Committee meetings whether the director was a member of the committee or not.*

** *Participation by member or delegate*

[1] *Note: Opted to waive all per diem allocation effective January 2016 until further notice.*

BOARD OF DIRECTORS

Janice Abbott

Chair of the Affordable Housing Committee
(December 14, 2017 – December 13, 2020)

Derek Ballantyne

Chair of the Board of Directors
(April 29, 2018 – April 28, 2023)

Navjeet (Bob) Dhillon

(February 5, 2015 – February 4, 2019)

Graham Flack

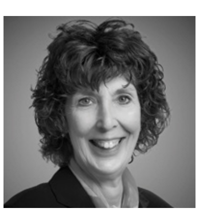
Deputy Minister, Employment and Social Development
(effective October 9, 2018)

Anne Giardini

Chair of the Pension Fund Trustees
(January 2, 2018 – January 1, 2022)

Dana Ades Landy

Chair of the Audit Committee
(January 30, 2018 – January 29, 2022)



Louise Poirier-Landry

(January 30, 2014 – January 29, 2018)

Louise Levonian

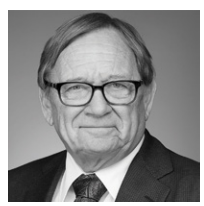
Deputy Minister, Employment and Social Development
(term ended September 3, 2018)

Linda Morris

(December 14, 2017 – December 13, 2021)

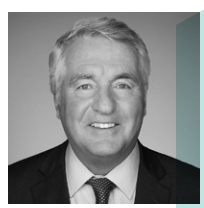
Paul Rochon

Deputy Minister of Finance



Peter Sharpe

Chair of the Human Resources Committee
(February 5, 2015 – February 4, 2019)



Bruce Shirreff

Vice-Chair of the Board of Directors
Chair of the Risk Management Committee
(January 30, 2018 – January 29, 2021)

Evan Siddall

President and Chief Executive Officer

SENIOR MANAGEMENT

OUR EXECUTIVE COMMITTEE

Evan Siddall

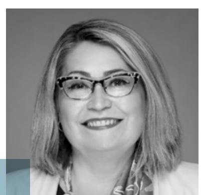
President and Chief Executive Officer

Evan has worked at some of the world's largest investment banking firms in Canada and the United States. He also served at the Bank of Canada where, in the wake of the global financial crisis, he spearheaded the development of financial infrastructure to guard against systemic risks. Since joining CMHC in 2014, he has led a transformation to make the organization more high-performing and innovative, with a vision to be at the heart of a world-leading housing system.

Deborah Greenberg

Chief Legal Officer and Corporate Secretary

Deborah is a specialist in commercial law and governance who served in leadership advisory roles at private sector organizations before joining CMHC in 2017. She is responsible for setting the legal and governance frameworks for all of the company's operations, and heads its corporate secretariat.



Fatima Barros

Vice-President, Audit and Evaluation

With more than 30 years of diverse experience across CMHC business lines, Fatima is ideally suited for her role as Vice-President, Audit and Evaluation. She oversees internal audits of the effectiveness of governance, risk management and controls, as well as regular program evaluations of the relevance and effectiveness of CMHC initiatives, policies and programs.

Charles MacArthur

Senior Vice-President, Assisted Housing

Charlie's 20+ years at CMHC ave given him experience working in every corner of the country and a deep understanding of housing markets. He leads the team delivering the National Housing Strategy.

Romy Bowers

Chief Commercial Officer

Romy joined CMHC in 2015 with more than 15 years' experience working at and with Canada's leading private-sector financial institutions. Having recently led CMHC's risk operations, she now brings her superior insight and client understanding to the organization's commercial operations.

Paul Mason

Chief Information Officer

Paul joined CMHC in 2016 bringing with him more than 20 years of experience running IT operations for leading financial and technology corporations. He leads CMHC's technology and business transformation.

Steven Mennill

Chief Risk Officer and
Chief Compliance Officer

Steve's experience at CMHC and expertise in urban planning and economics converge to make him one of Canada's foremost housing authorities. With 25 years of experience at CMHC, including as a key contributor to Canada's response to the 2008-2009 global recession, he now leads CMHC's risk management efforts.

Michel Tremblay

Senior Vice-President,
Policy and Research

Michel's career is marked by high-level roles in areas including finance and technology. He joined CMHC in 2005 and was integral to the design of Canada's National Housing Strategy. He now leads efforts to modernize and bolster CMHC's data analysis and research capabilities, leading to data-driven policy development.

Marie-Claude Tremblay

Senior Vice-President,
People and Strategy

Marie-Claude's career of service to Canada includes roles in several federal departments and senior positions at CMHC, which she joined in 2010. In her current role, she aligns CMHC's strategy with its people, overseeing strategy development, human resources and public affairs.

Lisa Williams

Chief Financial Officer

Prior to joining CMHC in 2003, Lisa used to audit Crown corporations for Canada's Auditor General. Her leadership on CMHC's multi-unit insurance operations, including as Vice-President, Multi-Unit Insurance Operations (2016), have contributed to the organization's healthy financial performance. She now leads CMHC's Finance Team.

OUR MANAGEMENT COMMITTEE

Mark Chamie
Vice-President, Capital Markets

Kathleen Devenny*
Vice-President, Financial Planning and Analysis

Nathalie Fredette
Vice-President, Insurance Operations

Christina Haddad
Vice-President, Public Affairs

Steffan Jones*
Vice-President, Strategy and Organizational Excellence

Nadine Leblanc
Deputy Chief Risk Officer

Neil Levecque
Chief Data Officer and
Vice-President, Technology Strategy

Audrey Moritz
Vice-President, Housing Markets and Indicators

Caroline Sanfaçon
Vice-President, Affordable Housing, Investments and Lending

Carla Staresina
Vice-President, Client Relationship Management

Debbie Stewart
Vice-President, Affordable Housing, Client Solutions Management

Glen Trevisani
Vice-President, Multi-Unit Insurance Operations

Anik Génier
Chief of Staff to the President and
Chief Executive Officer

* *Management Committee co-chairs*

KEY MANAGEMENT PERSONNEL

The following table presents the compensation of key management personnel, defined as those persons having authority and responsibility for planning, directing and controlling our activities. This includes members of the Board of Directors and the following senior management members: the President and Chief Executive Officer; the Chief Financial Officer; the Chief Risk Officer; the Chief Information Officer and the Senior Vice-Presidents. In all, this comprises 16 people.

	2017			2016		
(in thousands)	Board Of Directors	Other Key Management Personnel	Total	Board of Directors	Other Key Management Personnel	Total
Short-term benefits	107	3,986	4,093	130	4,734	4,864
Post-employment benefits	-	682	682	-	805	805
Total	107	4,668	4,775	130	5,539	5,669

APPENDIX G – RESULTS AND CEO COMMITMENT

DELIVERY AND EXPECTED RESULTS: DEPUTY HEAD COMMITMENT

Delivery and Expected Results: Deputy Head Commitment

Name of initiative: Canada Mortgage and Housing Corporation's 2019-2023 Corporate Plan, including the 2019 Operating Budget, Capital Budget and Borrowing Plan

Name of organization: Canada Mortgage and Housing Corporation (CMHC)

Description: CMHC seeks approval of its 2019-2023 Corporate Plan, including the 2019 Operating Budget, Capital Budget and Borrowing Plan. The Plan outlines CMHC's activities in support of its mandate

Results Tracking

Short-Term Results

Output(s)/Outcome(s) (that is, directly attributable to the proposed policy/program/initiative)	Performance Indicator(s) (that is, relevant, meaningful measures of outputs, qualitative or quantitative)	Target(s)	Data Strategy (that is, source and frequency)
Canadians have access to housing that meets their needs	Number of housing units committed through CMHC-led NHS activities (fiscal year – by end of 2019-2020)	11,400	Corporate Performance Report/Quarterly
	Number of housing units repaired through CMHC-led NHS activities (fiscal year – by end of 2019-2020)	17,900	Corporate Performance Report/Quarterly
	Incremental affordable housing funding (3-year delivery)	$100M	Corporate Performance Report/Quarterly
	Effective workforce index	75%	Corporate Performance Report/Quarterly
	Risk maturity index	80%	Corporate Performance Report/Quarterly
	Expense redeployment ratio	5%	Corporate Performance Report/Quarterly
	Underserved insurance protection	9-10%	Corporate Performance Report/Quarterly
Housing information and data is readily shared among Government, industry and housing stakeholders	Number of signed targeted partnerships for data sharing	5	Corporate Performance Report/Quarterly
	Implementation of a new data platform	Approval and funding in place	Corporate Performance Report/Quarterly
Issuers and lenders have stable sources of funding for mortgage lending	Utilization of annual limit for National Housing Act Mortgage-Backed Securities and Canada Mortgage Bonds limits	≥ 95%	Administrative data/Annual

Medium-Term Results

Output(s)/Outcome(s) (that is, directly attributable to the proposed policy/program/initiative)	Performance Indicator(s) (that is, relevant, meaningful measures of outputs, qualitative or quantitative)	Target(s)	Data Strategy (that is, source and frequency)
The Canadian housing sector is sustainable and supports socially inclusive communities	Improvement in attainment on the Social Inclusion Index for Housing	Baseline (April 2021)	Canada Housing Survey (Frequency: Biennial)
	Number of years of extended useful life of affordable housing stock	Baseline (April 2019)	CMHC Social and Affordable Survey- Rental Structures (Frequency: Annually)
	Number of households that have access to affordable housing through new programs	Baseline (2019)	Corporate Performance Report/Quarterly
	Innovation Index	Baseline (2019)	Corporate Performance Report/Quarterly
	Effective workforce index	80% by 2021	Corporate Performance Report/Quarterly
	Risk maturity index	85% by 2021	Corporate Performance Report/Quarterly
	Incremental affordable housing funding delivered above NHS	$100M by 2021	Corporate Performance Report/Quarterly
Comprehensive and relevant housing information is available for research, analysis and decision making	% of new or improved program design informed by lived experience data	Baseline (2019)	Corporate Performance Report/Quarterly
	Net Promoter Score	Baseline (2019)	Corporate Performance Report/Quarterly
	Average usability rating	Baseline (2019)	Corporate Performance Report/Quarterly
	% of Canadians and partner needs addressed within service standards	Baseline (2019)	Corporate Performance Report/Quarterly
	Number of signed targeted partnerships for data sharing	20 by 2021	Corporate Performance Report/Quarterly
Canadians have stable access to housing financing	Auto-adjudication %	100% by 2021	Corporate Performance Report /Quarterly
	Targeted guaranteed loans rate	Baseline (2019)	Corporate Performance Report /Quarterly

Long-Term Results

Output(s)/Outcome(s) (that is, directly attributable to the proposed policy/program/initiative)	Performance Indicator(s) (that is, relevant, meaningful measures of outputs, qualitative or quantitative)	Target(s)	Data Strategy (that is, source and frequency)
Everyone in Canada has a home that they can afford and that meets their needs	Reduction in housing need	Housing need reduced or eliminated for 530,000 households by 2027-2028	Administrative Data/ Quarterly
	Housing hardship rate	Baseline (2019)	Corporate Performance Report/Quarterly

I, Evan Siddall, as President and Chief Executive Officer of Canada Mortgage and Housing Corporation, am accountable to the Minister of Families, Children and Social Development for the implementation of the Canada Mortgage and Housing Corporation (CMHC) 2019-2023 Corporate Plan and summarized in this appendix. I verify that this submission is supported by the balanced use of all available and relevant performance measurement and evaluation information.

Deputy Head signature:

Evan Siddall
President and Chief Executive Officer
CMHC-SCHL

APPENDIX H – CFO ATTESTATION

In my capacity as Chief Financial Officer of Canada Mortgage and Housing Corporation, I have reviewed the 2019-2023 CMHC Corporate Plan and the supporting information that I considered necessary, as of the date indicated below. Based on this due diligence review, I make the following conclusions:

1. The nature and extent of the proposal is reasonably described and assumptions having a significant bearing on the associated financial requirements have been identified and are supported, with the following observations: Nil
2. Significant risks having a bearing on the financial requirements, the sensitivity of the financial requirements to changes in key assumptions, and the related risk-mitigation strategies have been disclosed, with the following observations: Nil
3. Financial resource requirements have been disclosed and are consistent with the assumptions stated in the proposal, and options to contain costs have been considered, with the following observations: Nil
4. Funding has been identified and is sufficient to address the financial requirements for the expected duration of the Corporate Plan, with the following observations, including observations with regard to appropriations that have not yet been approved: Nil
5. The Corporate Plan and budget(s) are compliant with relevant financial management legislation and policies, and the proper financial management authorities are in place (or are being sought as described in the Corporate Plan), with the following observations: Nil
6. Key financial controls are in place to support the implementation of proposed activities and ongoing operation of the parent Crown corporation and its wholly owned subsidiaries, with the following observations: Nil

In my opinion, the financial information contained in this proposal is sufficient overall to support decision making.

CFO signature:

LWilliams

Lisa Williams
Chief Financial Officer
CMHC-SCHL

Date:

APPENDIX I – STRESS TESTING

STRESS TESTING AND SCENARIO ANALYSIS

Our annual corporate-wide stress testing program is forward-looking and responsive to emerging events, covering a range of potential risks with varying degrees of probabilities of occurrence and severity. The 2018 corporate-wide stress testing exercise considered adverse scenarios covering economic, environmental, geopolitical and technological risks.

Scenario Theme	Narrative	Risk
Financial Stress	A burst in the credit bubble leads to a household debt crisis and the failure of a major Canadian financial institution.	Economic
Sustain Low Oil Price	Unexpected excess supply causes a sharp drop in the price of oil and prices remain between US$20-30 for around five years.	Economic
Global Trade War	The North America Free Trade Agreement is renegotiated and the United States starts a global trade war, triggering a slowdown in the Canadian economy.	Geopolitical
Cyberattack on Canadian Financial Institutions	Repeated major cyberattacks on the Canadian financial system undermine confidence in financial institutions, cause severe disruption to business operations and have a material negative impact on the Canadian economy.	Technological
Earthquake	A high-magnitude earthquake that disrupts critical infrastructure and services, including broader financial impacts as a result of its effect on homeowners and businesses.	Environmental
Major Volcanic Eruption	A major volcano erupts causing significant damage, including disruption on air traffic and shipping routes around the globe. Ash rain from the eruption causes severe damage to crops, causing food inflation.	Environmental

Summary of Financial Impacts (2018-2027)

Based on the results, the following impacts have been identified (results do not include management actions):

Insurance:

- Current capital targets can sustain stress events without taking management actions.
- Financial stress scenario leads to the largest increase in cumulative losses.
- Management action under extremely severe scenarios includes relaxing dividend payment.

Securitization:

- Financial stress scenario leads to the largest spike in volumes as it is assumed that the program will be used as a policy tool to provide liquidity to lenders.
- Earthquake scenario leads to the biggest gap in investment assets required for liquidity.

(in millions, unless otherwise indicated)	Baseline	Financial Stress	Sustained Low Oil Price	Global Trade War	Cyberattack	Earthquake	Major Volcano
Cumulative claim losses – Insurance	2,552	8,968	5,014	4,335	4,012	3,742	3,675
Cumulative net income (loss) – Insurance	11,886	4,876	7,446	8,509	10,556	9,461	9,575
Lowest point of capital available (MCT excluding TA) – Insurance	161.5%	85.3%	145.2%	157.3%	153.7%	156.1%	157.2%
Cumulative net income (loss) – Securitization	6,279	7,179	6,181	6,401	6,392	4,687	6,251
Lowest point of capital available – Securitization	1,083	1,417	1,145	752	1,240	-290	1,112
Change in GDP (peak-to-trough)	20.7%	-4.3%	-0.2%	-0.6%	-2.0%	-1.5%	-1.3%
Peak unemployment rate	6.7%	10.5%	7.5%	7.9%	7.3%	7.4%	7.6%
Change in housing prices (peak-to-trough)	53.3%	-46.7%	-28.1%	-23.8%	-18.0%	-19.6%	-19.6%

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 toward the development of effective business continuity and disaster recovery plans, ensuring CMHC's continued ability to deliver on its mandate.

APPENDIX J – COMPLIANCE WITH LEGISLATIVE AND POLICY REQUIREMENTS

CMHC has enhanced its policies and structure concerning the Chief Compliance Officer (CCO). The CCO (who is also the Chief Risk Officer) reports directly to the CEO. The CCO maintains staff operating independently from the rest of the risk organization. The CCO also reports directly to the Risk Management Committee of CMHC's Board of Directors, and there is a process for direct engagement with the Board of Directors as necessary, without the presence of other members of senior management.

We maintain an enterprise-wide compliance risk management policy to manage and mitigate compliance risk. An annual compliance opinion is provided to the Board of Directors covering CMHC's governing and enabling laws, and other material laws as listed below:

GOVERNING AND ENABLING LAWS

National Housing Act (NHA): Our corporate mandates, policies, corporate plans, manuals, guidelines, authorities, agreements, strategic portfolio analysis, internal controls and processes have been designed and implemented to meet the obligations under the NHA. The purpose of the NHA 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 at low cost, and generally to contribute to the well-being of the housing sector in the national economy.

Financial Administration Act (FAA): The FAA sets out how government spending is approved, expenditures can be made, revenues obtained and funds borrowed, with Part X specific to Crown corporations. Our corporate mandates, policies, corporate plans, manuals, guidelines, authorities, internal controls and processes have been designed and implemented to meet the obligations under the FAA.

Canada Mortgage and Housing Corporation Act: This act is our core enabling legislation that has determined how our bylaws, mandates, policies, corporate plans, controls and processes have been designed and implemented.

OTHER MATERIAL LAWS

Canada Labour Code

Canadian Human Rights Act

Pension Benefits Standards Act

Access to Information Act

Canada's Anti-Spam Legislation (CASL)

Competition Act

Conflict of Interest Act

Library and Archives of Canada (LAC) Act

Official Languages Act (OLA)

Privacy Act

Public Servants Disclosure Protection Act (PSDPA)

Employment Equity Act

APPENDIX K – GOVERNMENT PRIORITIES AND DIRECTION

TRANSPARENCY AND OPEN GOVERNMENT

CMHC supports this government priority in a number of areas, in addition to our participation in the Open Government Working Group.

Organizational Change

We created the Corporate Information and Governance group reporting to our chief data officer and supported by senior representatives across the organization. A suite of directives related to data, content and records management, as well as mandatory training for all CMHC personnel, is supporting our information management policy.

Technology and Business Transformation (TBT)

Our TBT projects are implementing Open Government standards as legacy business systems are replaced with new technology, such as the rewrite of the CMHC website and its substantive conformance to the Web Content Accessibility Guidelines. As other business applications are being rewritten (or replaced) the underlying data will be inventoried and a determination of its suitability to be published on the Government of Canada's OpenData site will be actioned as appropriate.

Housing Market Data

Our housing market data is readily accessible through the Housing Market Information Portal, to provide Canadians with authoritative housing market information. The portal is refreshed with current housing market data as it becomes available. Time series data sets are also published on the GoC OpenData site.

We are producing new data products, expanding the use of our own data (both market and financial), and incorporating outside data through co-operation with private sector organizations who also report on housing market and credit trends. We work closely with Statistics Canada on addressing data gaps, the sharing of administrative data and supporting federal priorities on housing. CMHC and Statistics Canada have signed a memorandum of understanding, to facilitate the development of housing data and the efficient relationship between the agencies.

Government of Canada Data Strategy

We are providing guidance to the development of a Government of Canada data strategy, to improve the government-wide governance, oversight and stewardship of data. The expected benefits include appropriate and ethical use of government-held data; protection of individuals' confidentiality and privacy; and the ability for departments and agencies to monitor the effectiveness of policies, programs and/or services in order to adjust and recalibrate them on an ongoing basis. The idea is that data is collected and deployed to provide relevant, timely and actionable intelligence that will be used by ministers, departments/agencies, businesses and individual Canadians to improve decision making and outcomes.

GENDER-BASED ANALYSIS +

GBA+ - Statement of Intent

As a public entity called upon to represent all Canadians, we are fully committed to implementing the Gender-based Analysis Plus (GBA+) approach to CMHC policies and programs. GBA+ recognizes that people's experiences are affected by intersecting parts of their identity, the context they are in and their lived realities. We acknowledge that housing policy has had a differential impact on women and girls. 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.

Applying GBA+ to all we do is the responsibility of all CMHC employees.

In 2018, CMHC established a GBA+ committee chaired by the Senior Vice-President, Policy and Research. The committee is made up of representatives from across the country and across CMHC's various initiatives. The committee established the following action plan for the 2018 and 2019 years.

- Assess CMHC's homeowner insurance activities through a GBA+ lens.
- Develop and deliver GBA+ training aimed at all employees.
- Develop and deliver an awareness campaign aimed at all employees.
- Apply a GBA+ and a diversity and inclusion lens to CMHC's workplace transformation initiative.
- Apply a GBA+ lens to our research and data activities.

DIVERSITY AND EMPLOYMENT EQUITY

At CMHC, diversity and inclusion is strategic. We need to represent all Canadians in order to do our jobs. We celebrate differences among people, respecting each other, keeping an open mind and being supportive of different perspectives. We recognize that diversity of thought—and of people—are vital to the success of our mission.

Our strategy is focused on promoting meaningful inclusivity to respond to our evolving workforce, workplace and technology needs. We are examining our relationship with work and how we work, including the people, space and technology, in order to better support our diverse, inclusive and high-performing workforce. More importantly, we are intentionally shaping our culture so that we can continue to deliver for Canadians in an ever-changing world.

As of mid-year 2018, our workforce is comprised of 1,930 employees, of which:

- 1,758 are regular employees
- 172 are contract employees
- 485 identify as visible minorities
- 80 identify as persons with disabilities
- 50 identify as Indigenous people

We have developed a diversity index and conducted gender and other workforce reviews that have equipped us to make informed decisions, plan our recruitment and retention strategies, and make sure CMHC has a diverse and representative workforce that can bring a wide variety of different ideas, opinions and experiences to bear in all our business activities.

As part of this approach, we are in the process of creating a new inclusiveness index to more deeply understand the dynamics of inclusion and group-based marginality. The index will holistically examine how our voices are heard and integrated in our work. This will allow us to gain even more insight into the uniqueness of each employee and the added value they bring.

	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Women in Leadership	50.6%	51.3%	50%	50%	50%	50%	50%
Visible minorities—employment equity group	22.7%	25.1%	25.1%	25.3%	25.5%	25.7%	25.9%
Persons with disabilities—employment equity group	3.4%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
Indigenous people—employment equity group	2.5%	3.0%	3.0%	3.1%	3.2%	3.3%	3.3%

INDIGENOUS HOUSING AND INCLUSION

During the National Housing Strategy consultations, feedback from Indigenous people pointed to the need for distinct housing strategies for First Nation, Inuit and Métis housing. The federal government is committed to the co-development of distinctions-based Indigenous housing strategies that are founded in the principles of self-determination, reconciliation, respect and co-operation. Indigenous Services Canada (ISC) and Crown-Indigenous Relations and Northern Affairs (CIRNA) continue to lead this work, and we remain an active supporter.

Since the Truth and Reconciliation Commission of Canada (TRC) released its report and calls to action in 2015, we have taken concerted steps to address calls to action regarding education and training and improve cultural competency for employees. In 2018, we convened a reconciliation committee to promote learning about Indigenous histories and peoples to our employees. We are working with the Assembly of First Nations to release a series of educational modules. Our executive committee also participated in a blanket exercise and has encouraged teams to similarly take part.

Outside of the distinct Indigenous housing strategies, we plan to continue to work with Indigenous groups to ensure that the National Housing Strategy initiatives, including those related to research and data, recognize their distinct needs. We will also continue to participate in federal interdepartmental committees related to reconciliation, implementation processes and related policy development.

SUSTAINABLE DEVELOPMENT AND GREENING GOVERNMENT OPERATIONS

Sustainable Development

The National Housing Strategy aligns with Canada's climate change commitments by funding the development of new energy-efficient housing that is near public transit, jobs, daycares, schools and healthcare. It also provides funding for energy-efficient repairs and renewals. Energy efficiency targets are built into National Housing Strategy programs, such as:

Rental Construction Financing Initiative

- Minimum 15% decrease in energy use and greenhouse gas emissions relative to the 2015 National Energy Code for Buildings or the 2015 National Building Code.

National Housing Co-investment Fund

- Affordable housing repair and renewal projects must achieve at least 25% reduction in energy use and greenhouse gas (GHG) emissions relative to past performance.
- New affordable housing construction projects must achieve at least a 25% reduction in energy consumption and GHG emissions over the 2015 National Building Code (NBC 2015) or the National Energy Code for Buildings (NECB 2015).

GREENING GOVERNMENT OPERATIONS

The Government of Canada will transition to low-carbon and climate-resilient operations, while also reducing environmental impacts beyond carbon. Led by the Centre for Greening Government of the Treasury Board of Canada Secretariat, the Government of Canada will ensure that Canada is a global leader in government operations that are low-carbon, resilient and green.

CMHC is doing its part by:

- achieving an ENERGY STAR® rating in the 75th percentile for our facilities;
- reducing our greenhouse gas (GHG) emissions by 25%;
- developing a near net-zero carbon strategy and including smart building technology as part of our workplace transformation initiative; and
- sourcing green energy to align with the Federal Sustainable Development Strategy.

APPENDIX L – 2018 MID-YEAR PERFORMANCE

Performance Indicators		2018 Plan	Mid-Year June 30, 2018 Plan	Mid-Year June 30, 2018 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%	93%
Assisted Housing	Spending of all housing appropriations for 2018-2019 (fiscal year $2,179 million)	= 100%	≥ $524M	$463M
	Cost reduction to maintain loan portfolio	≥ 1%	Measured at year end	Measured at year end
	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 2017-2018)	≥ 213,500	≥ 213,500	315,119
	Number of new housing units committed through CMHC-led NHS activities (fiscal year – by end of 2018-2019)	≥ 6,900	≥ 870	117
	Number of housing units repaired through CMHC-led NHS activities (fiscal year – by end of 2018-2019)	≥ 13,300	n/a[1]	n/a
Mortgage Loan Insurance	% of 1–4 unit applications insured are from rural areas	≥ 13.5%	≥ 13.5%	13.5%
	% of 1–4 unit applications insured are from first-time buyers	≥ 60%	≥ 60%	66.5%
	% of 1–4 unit applications insured by borrowers with credit scores less than 680	6-10%	6-10%	7.1%
	% of rental units (new construction and existing) insured as affordable, both standard apartments and other shelter models	5-7%	5-7%	4.5%
	Return on required equity	≥ 8.3%[2]	≥ 8.2%	7.5%
	Operating expense ratio	≤ 21.8%[1]	≤ 20.7%	22.5%
	Knowledge transfer and training activities with clients (1-4 unit)	≥ 6,000	≥ 3,060	3,464
	Satisfaction with knowledge transfer and training activities	≥ 83%	≥ 83%	87%
	Loss ratio	≤ 16.9%[1]	≤ 18.3%	19.2%
Securitization	Return on required equity	≥ 17.2%	≥ 16.0%	16.8%
	Operating expense ratio	≤ 11.1%	≤ 11.1%	9.6%
	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
	Planned on-site review of NHA MBS issuers conducted	= 100%	Measured at year end	Measured at year end
People and Processes	Employee engagement score	≥ 80%	≥ 80%	78%
	Employee enablement score	≥ 80%	≥ 80%	67%
	Representation rates of Indigenous people	≥ 3.0%	≥ 2.7%	2.6%
	Representation rates of visible minorities	≥ 24.5%	≥ 23.7%	25.1%
	Representation rates of persons with disabilities	≥ 4.3%	≥ 3.8%	4.1%
	Women in Leadership	= 50%	≥ 48.0%	51.3%
	Operating budget ratio	≤ 14.2%	≤ 13.9%	12.9%
	Revenue per employee	≥ $1.9M	≥ $1.8	$2.2
	Net income	≥ $1,452M[1]	≥ $722	$681
	Return on equity	≥ 8.6%[1]	≥ 8.5%	8.0%
	Achievement of action plans to better manage risk	≥ 90%	≥ 90%	93%
	Risk awareness as evidenced by risk culture survey results	≥ 80%	Measured at year end	Measured at year end
	Completion of annual risk management training plan	= 100%	Deliver training plan and measure (> 30%)	ACHIEVED
	Achievement of the technology transformation integrated project plan milestones	≥ 85%	≥ 85%	88%
	Availability of systems for mission critical applications	≥ 99.8%	≥ 99.80%	99.92%

[1] *Reporting begins in Q3 2018.*

[2] *Targets were adjusted to reflect the revised earning pattern for insurance premiums.*

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

Canada

CMHC SCHL

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ALTERNATIVE TEXT AND DATA FOR FIGURES

Net Income by Segment (in millions)

	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Corporate	1,803	1,374	1,406	1,526	1,629	1,702	1,763
Mortgage Loan Insurance	1,428	1,006	991	1,051	1,126	1,169	1,215
Securitization	295	351	432	482	522	564	584
Assisted Housing	80	17	-17	-7	-19	-31	-36

PTI Comparison of 2019 Plan to 2023 Plan (in millions)

	Bench marks	Rises	Drops
2019 Plan	1,860		
Premiums and fees earned		250	
Net (losses) gains on investments		56	
Investment income		130	
Operating expense		15	
Net interest income		31	
Other income			41
Insurance claims		50	
2023 Plan	2,351		

Premiums Written and 2019 Plan Earnings Curve (in millions)

Year	Homeowner	Portfolio	Multi	2019 Homeowner Plan Earned Premiums	2019 Portfolio Plan Earned Premiums	2019 Multi Plan Earned Premiums
2017	$996	$60	$382	0%	0%	0%
2018	$1,004	$31	$423	0%	0%	0%
2019	$1,056	$32	$409	7%	7%	3%
2020	$1,107	$33	$392	18%	19%	12%
2021	$1,155	$34	$348	18%	19%	20%
2022	$1,194	$35	$355	14%	15%	17%
2023	$1,229	$36	$369	10%	11%	14%

Premiums and Fees Earned by Year of Origin (in millions)

	2017A	2018F	2019P	2020P	2021P	2022P	2023P
Pre-2017	1,448	1,073	798	577	405	285	204
2017	83	245	275	224	170	115	79
2018	0	84	252	283	231	176	118
2019	0	0	85	256	286	233	177
2020	0	0	0	89	261	282	217
2021	0	0	0	0	94	274	294
2022	0	0	0	0	0	100	293
2023	0	0	0	0	0	0	107
Fees Received	1,438	1,458	1,470	1,543	1,591	1,688	1,796

Guarantee and Application Fees Earned Breakdown by Year of Origin (in millions)

	2017A	2018P	2019P	2020P	2021P	2022P	2023P
Pre-2017	297	284	233	163	76	24	21
2017	87	133	129	117	94	47	9
2018		54	147	147	147	144	61
2019		-	56	143	143	143	140
2020		-	-	57	146	146	146
2021		-	-	-	59	149	149
2022		-	-	-	-	58	149
2023		-	-	-	-	-	58
Fees Received	628	722	704	718	732	732	732

Capital Available vs. Capital Required

	2017 Actual	2018 Estimate	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
% MCT (MLI)	184	163	175	178	179	176	172
Available Equity to Required Equity (SEC)	135	186	161	146	133	123	114
Lending Programs Available Capital	209	218	259	337	361	353	370
Appropriated Capital (MLI)	13,648	11,948	10,897	10,558	10,320	10,278	10,354
Required Equity (SEC)	1,724	1,200	1,200	1,200	1,200	1,200	1,200
Excess	2,160	1,107	1,454	1,451	1,410	1,196	971