CANADA MORTGAGE AND HOUSING CORPORATION

Quarterly Financial Report

FIRST QUARTER
March 31, 2015
(Unaudited)

Canada

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations as approved by the Audit Committee on 27 May 2015 is prepared for the first quarter ended 31 March 2015 and is intended to provide readers with an overview of our performance including comparatives against the prior quarter and the same quarter in 2014. The MD&A includes explanations of significant deviations in actual financial results from the targets outlined in the Corporate Plan Summary that may impact the current and future quarters of our fiscal year. This MD&A should be read in conjunction with the unaudited Quarterly Consolidated Financial Statements as well as the 2014 Annual Report. The unaudited Quarterly Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are reviewed by CMHC's external auditors. All amounts are expressed in Canadian dollars.

Forward-Looking Statements

Our Quarterly Financial Report (QFR) contains forward-looking statements including, but not limited to, statements made in the "Operating Environment", "Performance by Activity", and "Risk Management" sections of the report. Specific forward-looking statements include, but are not limited to, statements with respect to our outlook for the regulatory environment in which we operate, the outlook and priorities for each activity and the risk environment.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. These risks and uncertainties, many of which are beyond our control, include, but are not limited to, national and international economic, financial and regulatory conditions, and could cause actual results to differ materially from the expectations expressed in these forward-looking statements. Forward-looking statements are typically identified by words such as "may", "should", "could", "would", "will", as well as expressions such as "believe", "expect", "forecast", "anticipate", "intend", "plan", "estimate" and other similar expressions.

The forward-looking information contained in the Quarterly Financial Report is presented to assist readers in understanding our financial condition and performance. It may not be suitable for other purposes and readers should not place undue reliance on it. The forward-looking statements are based on management's current predictions, forecasts, projections, expectations and conclusions and the assumptions related to these predictions, forecasts, projections, expectations and conclusions may not prove to be correct. We do not undertake to update any forward-looking statements made in this Quarterly Financial Report.

Non-IFRS Measures

We use a number of financial measures to assess our performance. Some of these measures are not calculated in accordance with IFRS, are not defined by IFRS, and do not have standardized meanings that would ensure consistency and comparability with other institutions. These non-IFRS measures are presented to supplement the information disclosed in the unaudited Quarterly Consolidated Financial Statements and Notes to the unaudited Quarterly Consolidated Financial Statements which are prepared in accordance with IFRS and may be useful in analyzing performance and understanding the measures used by management in its financial and operational decision making. A definition of non-IFRS measures used throughout the Quarterly Financial Report can be found in the Glossary for Non-IFRS Financial Measures section of the 2014 Annual Report.

Information related to the disclosure of changes in accounting policies and critical accounting policies and estimates can be found in our 2014 Annual Report. There have been no significant changes in accounting policies during the first quarter of 2015.

THE OPERATING ENVIRONMENT AND OUTLOOK FOR 2015

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

Economic Context and Housing Indicators (as at 15 April 2015)

Despite some uncertainty surrounding oil price declines and their impact on oil-producing economies like Alberta, Saskatchewan and Newfoundland and Labrador, projected 2015 economic conditions in Canada are expected to remain similar to 2014, and gradually improve in 2016. The consensus among private sector forecasters[1] which helps guide CMHC's views regarding economic activity, notes that:

- Real Canadian Gross Domestic Product (GDP) is forecast to increase between 1.5 and 2.4 per cent in 2015 and between 1.0 and 2.6 per cent in 2016.

- The overall Canadian unemployment rate will decrease marginally, while remaining between 6.6 and 7.0 per cent in 2015 and within a range of 6.3 to 7.3 per cent in 2016 compared to 6.9 per cent in 2014.

In the first quarter of 2015, total housing starts and sales in Canada displayed moderate growth relative to the same quarter in 2014. Total housing starts[2] in the first quarter of 2015 increased 3.7 per cent compared to the first quarter of 2014 and Multiple Listing Service® (MLS®)[3] Sales[4] increased 4.4 per cent over the same period. In Alberta, resale market conditions moved from sellers' to buyers' market in recent months, reflected by a decrease in the sales-to-listings ratio, specifically due to a sharp decline in the number of sales.

We forecast housing starts to range between 149,000 and 196,000 units in 2015 on an annual basis, and between 145,000 to 200,000 units in 2016. MLS® sales are expected to range close to 2014 levels, ranging between 422,000 and 500,000 units in 2015 and between 405,000 to 499,000 units in 2016.

The MLS® Home Price Index[5], which uses statistical techniques to control for changes over time in the types and quality of homes sold, registered an increase of 5.0 per cent in March 2015 compared to the same month last year. The growth in the Index has slowed slightly in March compared to the percentage increases seen during the months of 2014. CMHC's second quarter Housing Market Outlook forecasts the average MLS® price to be between $392,000 and $437,000 in 2015 and between $396,000 and $446,000 in 2016.

- Nationally, employment[6] gains so far in 2015 continue to support housing demand. Average monthly gains from January to March 2015 were stronger than the average gains over the same period in 2014. However, employment growth mostly reflected gains in part-time employment, while full-time employment declined slightly. In the first quarter of 2015, all three oil-producing economies registered declines in full-time employment, which is consistent with a dampening effect from lower oil prices impacting economic activity in these regions.

- Mortgage rates are not expected to rise before the end of 2015. We forecast the five-year rate to lie within the 4.00 to 5.50 per cent range in 2015 and 4.20 to 6.20 per cent range in 2016. Low mortgage rates will continue to support housing demand; however, the uncertainty surrounding lower oil prices, the upward trend in the inventory of completed and unsold units and the growth in house prices in larger Census Metropolitan Areas (CMAs) are expected to have some dampening effect for Canada's new housing market. These factors are reflected in CMHC's latest Housing Market Outlook by downward revisions to the lower end of the range of housing starts forecasts.

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[1] Consensus Economics' survey of private sector forecasters, as of 13 April 2015.
[2] Housing starts quarterly, actual (non seasonally adjusted).
[3] Multiple Listing Service® (MLS®) is a registered trademark owned by the Canadian Real Estate Association.
[4] MLS® Sales quarterly, seasonally adjusted.
[5] National MLS® Home Price Index, seasonally adjusted.
[6] Statistics Canada, Table 282-0001.

Strategic Directions

At its March 2015 meeting, the Board of Directors approved three strategic directions set out by CMHC Management. These strategic directions will focus our efforts and activities to help Canadians meet their housing needs:

- Align Risk with Mandate
- Lead through Information and Insight
- Be a High-Performing Organization

Assisted Housing Developments

Building on CMHC's prepayment flexibilities for co-operative and non-profit social housing providers announced in 2013, Economic Action Plan 2015 proposes to provide $150 million over four years, starting in 2016-2017, to support social housing in Canada by allowing social housing providers to prepay their long-term non renewable mortgages without penalty.

Eliminating the mortgage prepayment penalty on long-term, non-renewable loans will enable co-operative and non-profit social housing providers to access private sector loans with more favourable interest rates, significantly reducing their mortgage interest expenses.

Mortgage Loan Insurance Developments

In Economic Action Plan 2015, the Government announced that it would implement regulatory measures that limit the extension of portfolio insurance through the substitution of mortgages in insured pools, limit the use of portfolio insurance to CMHC securitization vehicles and prohibit the use of government-backed mortgages as collateral in securitization vehicles that are not sponsored by CMHC.

We previously eliminated the substitution feature on new portfolio pools on 1 January 2014. The substitution continues to exist for portfolio pools insured on or before 31 December 2013.

Mortgage Loan Insurance Premiums

As a result of our annual review of insurance products and capital requirements, we announced an increase in homeowner mortgage loan insurance premiums for homebuyers with less than a 10% down-payment. Effective 1 June 2015, mortgage loan insurance premiums for these homebuyers will increase by approximately 15%. There are no changes to premiums for our portfolio insurance and multi-unit insurance products or to premiums for homebuyers who make down payments of 10 per cent or more of the purchase price of their home.

Portfolio Insurance

For 2015, we have maintained our annual limit of issuance of portfolio insurance at $9 billion. We will continue to employ a lender allocation methodology for our portfolio insurance product while considering the size of lender requests. This process helps to increase access to funding for small and medium-sized lenders while increasing market discipline in residential lending and reducing taxpayer exposure to the housing sector.

Minimum Capital Test for Mortgage Loan Insurers

The Office of the Superintendent of Financial Institutions (OSFI) is in the process of developing a new capital framework specific to mortgage insurers which will replace the current Minimum Capital Test (MCT). This new framework is not expected to be in place until 2016 or later. As a result, mortgage loan insurers are expected to use an interim capital framework, which is a modified version of the MCT for federally regulated property and casualty insurers that was released by OSFI on 24 September 2014. We implemented the new interim capital framework on 1 January 2015, which resulted in an increase in MCT required capital and a reduction in our MCT ratio.

Securitization Developments

Expiry of Insured Mortgage Purchase Program

On 15 March 2015, the final Insured Mortgage Purchase Program (IMPP) securities matured resulting in the successful completion of this program. The IMPP was introduced during the latter part of 2008 and early 2009 by the Government of Canada as a temporary measure to maintain the availability of longer-term credit in Canada and it was instrumental in moderating the impact of the global financial crisis on credit conditions in Canada.

Securitization Guarantee Fees

Effective 1 April 2015, guarantee fees charged to Issuers on *National Housing Act* Mortgage Backed Securities (NHA MBS) and Canada Mortgage Bonds (CMB) have increased. These actions will narrow the funding cost difference between government sponsored and private market funding sources and encourage the development of private market funding alternatives.

Fees Payable to the Government of Canada

Effective 1 April 2015, the fees we pay to the Government of Canada in recognition of the Government's financial backing of the Securitization Activities have increased.

Annual Limit on New Securities Guaranteed

Pursuant to the NHA, the Minister of Finance approves the terms and conditions for our Securitization Programs, including the maximum guarantees for the year. The 2015 approved limits are the same as the 2014 limits: $80 billion in NHA MBS and $40 billion in CMB.

FINANCIAL HIGHLIGHTS

(in millions, unless otherwise indicated) CORPORATE RESULTS	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Total Assets	246,916	248,490	246,557	251,274	253,081	270,051	289,091	289,766
Total Liabilities	228,182	230,308	228,933	234,125	236,570	254,213	273,943	275,166
Total Equity of Canada	18,734	18,182	17,624	17,149	16,511	15,838	15,148	14,600
Total Revenues	1,255	1,875	1,811	1,202	1,311	1,426	1,255	1,184
Total Expenses (including Income Taxes)	913	997	905	767	905	873	803	738
Net Income	342	878	906	435	406	553	452	446
ASSISTED HOUSING								
Parliamentary Appropriations for Housing Programs Expenses	630	498	435	490	587	538	501	459
Net Income	5	2	46	-	4	63	21	8
Total Equity of Canada	158	191	187	151	158	192	128	87
MORTGAGE LOAN INSURANCE								
Insurance-in-force ($B)	539	543	546	551	555	557	560	562
Total Insured Volumes	9,293	14,455	16,045	15,769	9,328	14,457	17,646	20,755
Premiums and Fees Received	220	328	409	372	206	321	401	376
Premiums and Fees Earned	375	440	425	423	400	457	444	438
Claims Paid	93	102	123	92	102	97	89	117
Insurance Claims	87	83	85	58	102	71	70	55
Net Income	283	821	812	389	352	432	369	384
Loss Ratio	23.2 %	18.9 %	20.0 %	13.7 %	25.5 %	15.5 %	15.8 %	12.6 %
Operating Expense Ratio	14.9 %	18.9 %	13.9 %	11.8 %	14.3 %	12.5 %	12.4 %	12.3 %
Combined Ratio	38.1 %	37.8 %	33.9 %	25.5 %	39.8 %	28.0 %	28.2 %	24.9 %
Severity Ratio	30.2 %	27.1 %	33.0 %	27.7 %	28.3 %	28.9 %	28.9 %	29.0 %
Return on Equity	6.8 %	13.2 %	13.0 %	10.2 %	9.6 %	12.3 %	10.9 %	11.6 %
Return on Capital Holding Target	11.4 %	24.1 %	20.2 %	14.7 %	13.3 %	16.8 %	14.7 %	15.4 %
Capital Available to Minimum Capital Required (% MCT)	331 %	343 %	294 %	272 %	264 %	250 %	243 %	234 %
% Estimated Outstanding Canadian Residential Mortgages with CMHC Insurance Coverage ($)	42.1 %	42.7 %	43.7 %	44.8 %	45.3 %	45.6 %	47.0 %	48.2 %
SECURITIZATION								
Guarantees-in-force ($B)	421	422	404	402	400	398	399	400
Securities Guaranteed	23,124	40,356	30,393	24,389	22,505	20,522	29,007	45,845
Guarantee and Application Fees Received	55	88	73	59	53	49	64	91
Guarantee and Application Fees Earned	60	66	61	59	59	59	64	64
Net Income	49	53	48	49	47	49	53	54
Operating Expense Ratio	11.9 %	11.2 %	11.2 %	10.3 %	10.7 %	11.3 %	10.9 %	9.7 %
Return on Equity	11.4 %	13.1 %	12.4 %	13.1 %	13.1 %	14.2 %	15.9 %	16.7 %
Capital Available to Capital Required	159 %	157 %	152 %	209 %	199 %	182 %	166 %	162 %
% Estimated Outstanding Canadian Residential Mortgages with CMHC Securitization Guarantee ($)	33.7 %	32.8 %	32.5 %	32.5 %	32.0 %	31.1 %	30.6 %	29.9 %

CONDENSED CONSOLIDATED FINANCIAL RESULTS

Condensed Consolidated Balance Sheet

	As at	
(in millions)	31 March 2015	31 December 2014
Total Assets	246,916	248,490
Total Liabilities	228,182	230,308
Total Equity of Canada	18,734	18,182

Total Assets

As at 31 March 2015, Total Assets were $246,916 million, a decrease of $1,574 million (0.6%) from 31 December 2014 primarily due to a decrease in loan receivable balances of $2,025 million as a result of the scheduled maturities of IMPP, which was partially offset by the fair value increments and cash inflows from operations.

Total Liabilities

Total Liabilities were $228,182 million as at 31 March 2015, a decrease of $2,126 million (0.9%) from 31 December 2014 primarily due to a decrease in IMPP borrowings as a result of repayments.

Total Equity of Canada

Total Equity of Canada was $18,734 million at 31 March 2015, an increase of $552 million (3.0%) representing the Comprehensive Income recognized in 2015.

Condensed Consolidated Statement of Income and Comprehensive Income

	Three months ended		
(in millions)	31 March 2015	31 December 2014	31 March 2014
Total Revenues	1,255	1,875	1,311
Total Expenses	804	696	778
Income Taxes	109	301	127
Net Income	342	878	406
Other Comprehensive Income	210	(320)	267
Comprehensive Income	552	558	673

Total Revenues

Q1 2015 vs. Q4 2014

Total Revenues of $1,255 million decreased by $620 million (33.1%) from the prior quarter primarily as a result of lower Other Income and Premiums and Fees Earned, partially offset by higher Parliamentary Appropriations for Housing Programs.

Other Income decreased by $663 million (95.1%) due to lower Net Realized Gains (Losses). There was approximately $690 million in non-recurring net realized gains in Q4 2014 resulting from the implementation of the new investment asset mix in the Mortgage Loan Insurance investment portfolio.

Premiums and Fees Earned decreased by $71 million (14.0%) primarily due to declining volumes in the Mortgage Loan Insurance Activity over the past several years, partially offset by the increase in premium pricing implemented in 2014.

Parliamentary Appropriations for Housing Programs increased by $132 million (26.5%). The major contributors to the increase included: $90 million due to the timing of expenditures under the Investment in Affordable Housing, $15 million due to timing of expenditures for the affordable housing in Nunavut and $33 million due to timing of subsidy payments for the existing social housing portfolio.

Q1 2015 vs. Q1 2014

Total Revenues decreased by $56 million (4.3%) over the same quarter last year primarily due to lower Other Income and Premiums and Fees Earned, partially offset by higher Parliamentary Appropriations for Housing Programs.

Net Realized Gains (Losses), included in Other Income, decreased by $42 million (89.4%) over the same quarter last year primarily due to a decline in the volume of sales of the Mortgage Loan Insurance investment portfolio securities under the new investment asset mix which was implemented in the second half of 2014.

Premiums and Fees Earned were $24 million (5.2%) lower than the same quarter last year primarily due to declining volumes in the Mortgage Loan Insurance Activity over the past several years, partially offset by the increase in premiums implemented in 2014.

Parliamentary Appropriations for Housing Programs increased $43 million (7.3%) from the same quarter last year primarily as a result of an increase of $67 million due to the timing of expenditures under the Investment in Affordable Housing which was partially offset by $15 million due to the timing of expenditures for the affordable housing in Nunavut.

Total Expenses

Q1 2015 vs. Q4 2014

Total Expenses were $804 million, a $108 million (15.5%) increase from the prior quarter primarily due to higher Housing Programs expenses, partially offset by lower Operating Expenses.

Housing Programs expenses increased by $132 million (26.5%) over the prior quarter in accordance with Parliamentary Appropriations for Housing Programs previously noted.

Operating Expenses decreased by $28 million (24.3%) over the prior quarter mainly due to the organizational restructuring that occurred in December 2014.

Q1 2015 vs. Q1 2014

Total Expenses increased by $26 million (3.3%) over the same quarter last year primarily due to higher Housing Programs expenses, partially offset by lower Insurance Claims.

Housing Programs expenses increased by $43 million (7.3%) over the same quarter last year in accordance with Parliamentary Appropriations for Housing Programs noted above.

Insurance Claims decreased by $15 million (14.7%) over the same quarter last year primarily due to the decrease in the Provision for Claims as a result of the aging of the books.

Net Income

Q1 2015 vs. Q4 2014

Net Income decreased by $536 million (61.0%) over the prior quarter primarily due to the non-recurring realized gains recorded in Q4 2014 from implementing the new investment asset mix in the Mortgage Loan Insurance investment portfolio. The variances in Parliamentary Appropriations for Housing Programs and Housing Programs expenses offset one another and have no effect on Net Income.

Q1 2015 vs. Q1 2014

Net Income decreased by $64 million (15.8%) over the same quarter last year primarily due lower Other Income and Premiums and Fees Earned as previously explained.

Other Comprehensive Income

Q1 2015 vs. Q4 2014

Other Comprehensive Income was a gain of $210 million, a $530 million (165.6%) increase from the prior quarter.

Net Unrealized Gains (Losses) from Available for Sale Financial Instruments (net of tax) increased over the prior quarter by $368 million (613.3%) primarily due to a greater decline in bond yields during Q1 2015 than in Q4 2014, which resulted in higher unrealized gains on the bond portfolio.

Further contributing to the increase over the prior quarter was a $260 million (99.2%) increase in the Reclassification of Prior Years' Net Unrealized (Gains) Losses Realized in the Period in Net Income. The prior quarter included the implementation of a new investment asset mix in the Mortgage Loan Insurance portfolio which generated sales, and as a result, a large reclassification of prior years' net unrealized gains from Other Comprehensive Income to Net Income.

Offsetting these items was a $98 million (4,900.0%) decrease in the Remeasurements of the Net Defined Benefit Plans primarily as a result of a decline in the discount rate for the three months ended 31 March 2015 (from 4.0% to 3.5%) whereas the discount rate for the three months ended 31 December 2014 remained the same.

Q1 2015 vs. Q1 2014

Other Comprehensive Income decreased $57 million (21.3%) from the same quarter last year primarily due to a $64 million (17.2%) decrease in the Net Unrealized Gains (Losses) from Available for Sale Financial Instruments (net of tax). The decrease is largely due to lower unrealized gains in equity holdings in the three months ended 31 March 2015 compared to those in the three months ended 31 March 2014 as a result of stronger equity markets in Q1 2014 and fewer equity investments held in Q1 2015.

Comprehensive Income

Q1 2015 vs. Q4 2014

Comprehensive Income decreased by $6 million (1.1%) over the prior quarter as a result of the decreased Net Income offset by the increased Other Comprehensive Income.

Q1 2015 vs. Q1 2014

Comprehensive Income decreased by $121 million (18.0%) from the same quarter last year as a result of the decreased Net Income and Other Comprehensive Income.

FINANCIAL RESULTS BY REPORTABLE BUSINESS SEGMENT

Financial analysis is provided for the following activities: Assisted Housing, Mortgage Loan Insurance and Securitization

ASSISTED HOUSING

FINANCIAL ANALYSIS

	Three months ended		
(in millions)	31 March 2015	31 December 2014	31 March 2014
Parliamentary Appropriations for Housing Programs	630	498	587
Net Interest Income	-	14	3
Other Income	10	(6)	4
Total Revenues	**640**	**506**	**594**
Housing Programs Expenses	630	498	587
Operating Expenses	5	7	5
Total Expenses	**635**	**505**	**592**
Income before Income Taxes	**5**	**1**	**2**
Income Taxes	-	(1)	(2)
Net Income	**5**	**2**	**4**

Total Revenues

Q1 2015 vs. Q4 2014

Total Revenues increased by $134 million (26.5%) from the prior quarter. This growth was primarily driven by an increase in Parliamentary Appropriations for Housing Programs.

Appropriations spending related to Housing Programs Expenses for the three months ended 31 March 2015 was $630 million, an increase of $132 million (26.5%) when compared to the three months ended 31 December 2014. The major contributors to the increase included: $90 million due to the timing of expenditures under the Investment in Affordable Housing, $15 million due to timing of expenditures for the affordable housing in Nunavut and $33 million due to timing of subsidy payments for the existing social housing portfolio.

Q1 2015 vs. Q1 2014

Total Revenues increased by $46 million (7.7%) over the same quarter last year. This growth was primarily driven by an increase in Parliamentary Appropriations for Housing Programs.

Appropriations spending related to Housing Programs Expenses for the three months ended 31 March 2015 was $43 million (7.3%) higher than the same period last year primarily as a result of an increase of $67 million due to the timing of expenditures under the Investment in Affordable Housing partially offset by $15 million due to the timing of expenditures for the affordable housing in Nunavut.

Total Expenses

Q1 2015 vs. Q4 2014 and Q1 2015 vs. Q1 2014

Total Expenses increased by $130 million (25.7%) from the prior quarter and $43 million (7.3%) from the same quarter last year. This growth was primarily driven by an increase in Housing Programs Expenses as explained above.

Net Income

The Lending Activity is operated on a planned breakeven basis over the long term such that in any given year a profit or loss may be realized.

Q1 2015 vs. Q4 2014 and Q1 2015 vs. Q1 2014

Net Income was relatively consistent with the prior quarter and the same quarter last year.

FINANCIAL CONDITION

Assisted Housing Capital Management

Lending Programs

We maintain a Reserve Fund pursuant to Section 29 of the *Canada Mortgage and Housing Corporation Act* (the "CMHC Act"). A portion of the Lending Programs' earnings are retained in this Reserve Fund as part of our strategy to address interest rate risk exposure on pre-payable loans as well as credit risk exposure on unsecured loans. The Reserve Fund is subject to a statutory limit of $240 million. Should the statutory limit be exceeded, we would be required to pay the excess to the Government of Canada.

Retained Earnings absorb unrealized fair value market fluctuations incurred by the Lending Programs as well as Remeasurements of the Net Defined Benefit Plans for Assisted Housing. The Housing Programs' portion of Remeasurements is recorded in Retained Earnings until it is reimbursed by the Government through Housing Programs appropriations.

The following table presents the components of the capital available for the Lending Programs.

	As at	
(in millions)	**31 March 2015**	**31 December 2014**
Reserve Fund	139	143
Retained Earnings	(6)	23
Total Lending Programs Capital Available	**133**	**166**

Housing Programs

We do not hold capital for Housing Programs as this activity does not present risks to the corporation that would require capital to be set aside.

REPORTING ON USE OF APPROPRIATIONS

The following table reconciles the amount of appropriations authorized by Parliament as available to us during the Government fiscal year (31 March) with the total amount recognized by us in our calendar year.

	Three months ended 31 March	
(in millions)	**2015**	**2014**
Amounts provided for Housing Programs:		
Amounts authorized in 2014/15 (2013/14)		
Main Estimates	2,097	2,131
Less: Portion recognized in calendar 2014 (2013)	(1,423)	(1,498)
Less: Appropriations lapsed for 2014/15 (2013/14)	(44)	(46)
2014/15 (2013/14) portions recognized in 2015 (2014)	**630**	**587**
Amounts authorized in 2015/16 (2014/15)		
Main Estimates	2,026	2,097
Less: Portion to be recognized in subsequent quarters	(2,026)	(2,097)
2015/16 (2014/15) portions recognized in 2015 (2014)	**-**	**-**
Total appropriations recognized – three months ended 31 March	**630**	**587**

Total appropriations approved by Parliament for fiscal year 2014/15 are $2,097 million and include $70 million for affordable housing in Nunavut as announced in the Economic Action Plan 2013. The total spending against the reference level as at 31 March 2015 was $2,053 million (98%).

CMHC's recognized lapse for fiscal year 2014/15 was $44 million. Included within the $2,097 million reference level for 2014/15 was a frozen allotment in the amount of $12.3 million as a result of funding which was reprofiled to future years. When netted against this frozen allotment, CMHC's lapse was $32 million. The lapse is due to lower interest rates resulting in reduced subsidy requirements for the existing social housing portfolio.

MORTGAGE LOAN INSURANCE

We provide mortgage loan insurance for transactional homeowner, portfolio and multi-unit residential units in all parts of Canada, including areas or markets not served or under-served by private mortgage insurers. We operate these programs on a commercial basis. Revenues from premiums, fees and investments cover all expenses, including insurance claim losses, and we are expected to generate a reasonable return for the Government of Canada, with due regard for loss. We derive our Net Income primarily from this activity.

Our mortgage loan insurance business is exposed to seasonal variation, with the first quarter typically being the slowest period. Variations are driven by the level of mortgage originations and related mortgage policies written, which, for purchase transactions, typically peak in the spring and summer months. Losses on claims vary from quarter to quarter, primarily as the result of prevailing economic conditions as well as the characteristics of the insurance in-force portfolio, such as size and age.

MORTGAGE LOAN INSURANCE PRODUCTS

Transactional homeowner insurance – insurance against borrower default for loans secured by residential properties of 4 or fewer units issued at the time the loan is originated, the cost of which is usually passed on to the borrower; and includes:

- **High ratio homeowner loans** – the borrower has less than a 20% down payment at origination. At least one of the units must be owner-occupied. Mortgage loan insurance on these loans is a legislative requirement for federally regulated as well as for most provincially regulated lenders.
- **Low ratio homeowner loans** – the borrower has a down payment of 20% or more at origination. Mortgage loan insurance on these loans is not a legislative requirement; however, lenders may require mortgage loan insurance as a condition of approving the loan. Units can be owner-occupied or non-owner occupied (i.e., rental units).

Portfolio insurance – insurance against borrower default for pools of low ratio mortgages that are under repayment and secured by residential properties of 4 or fewer units. Unlike transactional homeowner insurance, premiums are not passed onto the borrower.

Multi-unit residential insurance – insurance provided exclusively by CMHC in the marketplace against borrower default on loans for the construction, purchase and refinancing of multi-unit residential properties consisting of 5 or more units. These properties include rental buildings, licensed care facilities and retirement homes, affordable housing projects and purpose-built student housing.

FINANCIAL METRICS

Measures (in millions, unless otherwise indicated)	Three months ended 31 March 2015	31 December 2014	31 March 2014
Insurance-in-force ($B)	**539**	**543**	**555**
Transactional Homeowner	281	284	288
Portfolio	203	206	217
Multi-unit Residential	55	53	50
Total Insured Volumes (units)	**50,230**	**82,556**	**55,386**
Transactional Homeowner	25,164	39,804	27,869
Portfolio	7,875	19,289	6,785
Multi-unit Residential	17,191	23,463	20,732
Total Insured Volumes ($M)	**9,293**	**14,455**	**9,328**
Transactional Homeowner	6,005	9,589	6,511
Portfolio	2,080	3,365	1,669
Multi-unit Residential	1,208	1,501	1,148
Premiums and Fees Received	**220**	**328**	**206**
Transactional Homeowner	163	259	151
Portfolio	12	13	7
Multi-unit Residential	45	56	48
Claims Paid	**93**	**102**	**102**
Transactional Homeowner	84	86	95
Portfolio	5	10	7
Multi-unit Residential	4	6	-
Arrears Rate (%)	**0.34**	**0.35**	**0.35**

Insurance-in-force

The Mortgage Loan Insurance Activity is exposed to insurance risk from underwriting of mortgage insurance contracts. Mortgage insurance contracts transfer risk to us by indemnifying lending institutions against credit losses arising from borrower default. Under a mortgage insurance policy, a lending institution is insured against risk of loss arising from borrower default for the entire unpaid principal balance of the loan plus interest for a predetermined length of time, in accordance with and subject to the terms of the mortgage insurance policy. Insurance-in-force is the total amount of outstanding loan balances covered by mortgage loan insurance policies at a specific period in time and represents the risk exposure of the Mortgage Loan Insurance Activity.

At 31 March 2015, Insurance-in-force was $539 billion, a $4 billion (0.7%) decrease from 31 December 2014. New loans insured were $9 billion, while estimated loan amortization and pay-downs were $13 billion.

Under Section 11 of the NHA, the total of outstanding insured amounts of all insured loans may not exceed $600 billion (2014 – $600 billion).

Insured Volumes

Our insured loan volumes are influenced by the economy, housing markets, competitive pressures and the regulatory environment.

Q1 2015 vs. Q4 2014

Our total insured volumes in the first quarter of 2015 were 32,326 units (39.2%) lower than the prior quarter primarily as a result of seasonality; typically, our volumes are lowest in the first quarter.

- Transactional Homeowner volumes decreased by 14,640 units (36.8%), with purchase and refinance units decreasing by 37.8% and 28.0%, respectively, due to seasonality and decreasing market share.
- Portfolio volumes decreased by 11,414 units (59.2%) due to the timing of lender take-up, which is highly variable on a quarterly basis.
- Multi-unit Residential volumes decreased by 6,272 units (26.7%), with purchase and refinance transactions decreasing by 48.3% and 17.5%, respectively. Multi-unit Residential volumes are highly variable on a quarterly basis.

Q1 2015 vs. Q1 2014

Our total insured volumes in the first quarter of 2015 were 5,156 units (9.3%) lower than the same quarter last year primarily as a result of lower Transactional Homeowner and Multi-unit Residential volumes, partially offset by higher portfolio volumes.

- Transactional Homeowner volumes decreased by 2,705 units (9.7%) from the same quarter last year. Purchase units and refinance units decreased by 7.1% and 25.7%, respectively, primarily due to declining market share.
- Multi-unit Residential volumes decreased by 3,541 units (17.1%) primarily due to a decrease in refinance transactions. While Multi-unit Residential unit volumes declined, the insured amount increased by $60 million (5.2%), reflecting an increase in the amount insured per unit for refinance transactions.
- Portfolio volumes increased by 1,090 units (16.1%) due to the timing of lender take-up, which is highly variable on a quarterly basis. CMHC limits access to its portfolio insurance product through an allocation process. For 2015, a total annual allocation of $9 billion (2014 - $9 billion) was distributed among lenders, with $2.1 billion (2014 - $1.7 billion) written in the first quarter.

Premiums and Fees Received

Q1 2015 vs. Q4 2014

Premiums and Fees Received decreased by $108 million (32.9%) from the prior quarter due to seasonally lower volumes.

Q1 2015 vs. Q1 2014

Premiums and Fees Received increased by $14 million (6.8%) from the same quarter last year due to the increased pricing of premiums which came into effect 1 May 2014. The effect of the pricing increase was partially offset by lower volumes.

Claims Paid and Arrears

Q1 2015 vs. Q4 2014

Claims Paid decreased $9 million (8.8%) from the prior quarter driven by a lower number of claims paid for all products.

Q1 2015 vs. Q1 2014

Claims Paid decreased $9 million (8.8%) from the same quarter last year driven by a lower number of Transactional Homeowner and Portfolio claims paid, along with stronger resale markets, lower claim costs and lower costs incurred on title transfer properties. These improvements were partially offset by an increase in multi-unit claims.

	As at			
	31 March 2015		31 December 2014	
	No. of Loans in Arrears	Arrears Rate	No. of Loans in Arrears	Arrears Rate
Transactional Homeowner	7,466	0.51%	7,586	0.52%
Portfolio	1,956	0.15%	1,988	0.15%
Multi-unit Residential	150	0.67%	137	0.62%
Total	**9,572**	**0.34%**	**9,711**	**0.35%**

Our arrears rate is calculated on the basis of all loans that are more than 90 days past due over the number of outstanding insured loans.

Our overall arrears rate as at 31 March 2015 was 0.34%, a 0.01 point decrease from year-end 2014. The total number of loans in arrears was 9,572 at 31 March 2015, a 139 unit (1.4%) decrease compared to year-end 2014.

FINANCIAL ANALYSIS

	Three months ended		
(in millions, unless otherwise indicated)	31 March 2015	31 December 2014	31 March 2014
Premiums and Fees Earned	375	440	400
Investment Income	137	144	149
Other Income	5	687	74
Total Revenues	**517**	**1,271**	**623**
Insurance Claims	87	83	102
Operating Expenses	56	83	57
Total Expenses	**143**	**166**	**159**
Income before Income Taxes	**374**	**1,105**	**464**
Income Taxes	91	284	112
Net Income	**283**	**821**	**352**
Severity Ratio	30.2 %	27.1 %	28.3 %
Loss Ratio	23.2 %	18.9 %	25.5 %
Operating Expense Ratio	14.9 %	18.9 %	14.3 %
Combined Ratio	38.1 %	37.8 %	39.8 %
Capital Available to Minimum Capital Required (% MCT)	331 %	343 %	264 %
Return on Equity[1]	6.8 %	13.2 %	9.6 %
Return on Capital Holding Target	11.4 %	24.1 %	13.3 %

[1] Reflects annualized Net Income divided by the average of the beginning and ending Equity for the period.

Total Revenues

Q1 2015 vs. Q4 2014

Total Revenues decreased by $754 million (59.3%) from the prior quarter primarily as a result of lower Other Income and Premiums and Fees Earned.

Other Income decreased by $682 million (99.3%) on lower Net Realized Gains (Losses). There was approximately $690 million in non-recurring realized gains in Q4 2014 from implementing the new investment asset mix in the Mortgage Loan Insurance investment portfolio.

Premiums and Fees Earned decreased by $65 million (14.8%), reflecting declining volumes over the past several years, partially offset by the increase in premium pricing implemented in 2014.

Q1 2015 vs. Q1 2014

Total Revenues decreased by $106 million (17.0%) from the same quarter last year primarily as a result of lower Other Income and Premiums and Fees Earned.

Other Income decreased by $69 million (93.2%) on lower Net Realized Gains (Losses) and Net Unrealized Gains (Losses), which decreased by $52 million (92.9%) and $15 million (93.8%), respectively. Lower Net Realized Gains (Losses) resulted from a decline in the volume of sales of investment portfolio securities under the new investment asset mix. Net Unrealized Gains (Losses) were lower in Q1 2015 because the held for trading portfolio was divested in the second and third quarters of 2014.

Premiums and Fees Earned decreased by $25 million (6.3%), reflecting declining volumes over the past several years, partially offset by the increase in premiums implemented in 2014.

Total Expenses

Q1 2015 vs. Q4 2014

Total Expenses decreased by $23 million (13.9%) from the prior quarter driven by lower Operating Expenses.

Operating Expenses were higher in the prior quarter due to expenses associated with organizational restructuring that occurred in Q4 2014.

Q1 2015 vs. Q1 2014

Total Expenses decreased by $16 million (10.1%) from the same quarter last year mainly due to lower Insurance Claims.

Insurance Claims decreased by $15 million mainly due to a decrease in the Provision for Claims due to the aging of the books.

Net Income

Q1 2015 vs. Q4 2014

Net Income decreased $538 million (65.5%) from the prior quarter, mainly driven by lower Net Realized Gains (Losses) as previously described.

Q1 2015 vs. Q1 2014

Net Income decreased $69 million (19.6%) from the same quarter last year, mainly driven by lower Other Income as previously described.

Ratios

To supplement financial results of the Mortgage Loan Insurance Activity, we also use financial measures and ratios to analyze our financial performance.

Q1 2015 vs. Q4 2014

The Severity Ratio was 30.2% for Q1 2015, a 3.1 point increase from the prior quarter attributable to fluctuating deficiency sales rates, housing prices and recovery levels.

The Loss Ratio was 23.2% for Q1 2015, a 4.3 point increase from the prior quarter primarily due to lower Premiums and Fees Earned and increased Insurance Claims.

The Operating Expense Ratio was 14.9% for Q1 2015, a 4.0 point decrease from the prior quarter due to lower Operating Expenses, partially offset by lower Premiums and Fees Earned.

For Q1 2015, Return on Equity and Return on Capital Holding Target were 6.8% and 11.4%, respectively, decreasing 13.5 and 12.7 points, respectively, from the prior quarter primarily due to lower Net Income. The decrease in Net Income was driven by the non-recurring realized gains in Q4 2014 from implementing the new investment asset mix in the Mortgage Loan Insurance investment portfolio.

Q1 2015 vs. Q1 2014

The Loss Ratio decreased by 2.3 points from the same quarter last year primarily due to lower Insurance Claims, partially offset by a decrease in Premiums and Fees Earned.

The Operating Expense Ratio increased by 0.6 percentage points mainly due to lower Premiums and Fees Earned.

Return on Equity and Return on Capital Holding Target decreased by 2.8 and 1.9 points, respectively, primarily due to lower Net Income and higher Equity of Canada.

FINANCIAL CONDITION

Balance Sheet Review

(in millions)	As at 31 March 2015	As at 31 December 2014
Cash, Cash Equivalents and Investment Securities	23,178	23,216
Accrued Interest Receivable	160	103
Accounts Receivable and Other Assets	460	446
Total Assets	**23,798**	**23,765**
Securities Sold Under Repurchase Agreements	220	325
Provision for Claims	772	778
Unearned Premiums and Fees	5,422	5,575
Defined Benefit Plans Liability	351	284
Accounts Payable and Other Liabilities	100	385
Total Liabilities	**6,865**	**7,347**
Total Equity of Canada	**16,933**	**16,418**

Total Assets

Total Assets of $23,798 million at 31 March 2015 were largely unchanged from 31 December 2014. Accrued Interest Receivable had the largest variation, increasing $57 million (55.3%) due to fewer coupon interest payments received in the first quarter of 2015 compared to the fourth quarter of 2014.

Total Liabilities

Total Liabilities of $6,865 million at 31 March 2015 decreased by $482 million (6.6%) from 31 December 2014 due to lower Securities Sold Under Repurchase Agreements, Unearned Premiums and Fees, and Accounts Payable and Other Liabilities, partially offset by an increase in the Defined Benefit Plans Liability.

Securities Sold Under Repurchase Agreements, generally used to fund short-term investments for the purpose of generating additional income, decreased by $105 million (32.3%) as there were fewer attractive short-term investment opportunities due to declining yields in the first quarter.

Unearned Premiums and Fees decreased by $153 million (2.7%) as premiums received were less than premiums earned, reflecting the seasonal decrease in volumes and the aging book of business.

Accounts Payable and Other Liabilities decreased $285 million (74.0%) primarily due to the payment of income taxes and the Government of Canada guarantee fees in the first quarter.

The Defined Benefit Plans Liability increased $67 million (23.6%) primarily due to a decrease in the discount rate that resulted in a higher pension obligation.

Total Equity of Canada

Total Equity of Canada of $16,933 million at 31 March 2015 increased by $515 million (3.1%) from 31 December 2014 due to the Comprehensive Income recognized in 2015.

Capital Management

OSFI is in the process of developing a new capital framework specific to mortgage insurers which will replace the current MCT. CMHC adopted the interim OSFI capital framework on 1 January 2015. Consequently, the MCT required capital increased mainly due to an increased margin for interest rate and a lesser extent due to a higher risk-based asset factor for equity assets, resulting in a decrease in the MCT ratio.

The Appropriated Capital of the Mortgage Loan Insurance Activity is based on our Capital Management Framework which follows guidelines as set out by OSFI. OSFI's minimum regulatory capital required is 100% of its MCT. The test is to ensure that capital available is, at minimum, capital required.

We set an Internal Capital Target above the minimum capital required. The Internal Capital Target is set at a level that covers all material risks of the Mortgage Loan Insurance Activity. The Internal Capital Target is calibrated using specified confidence intervals designed to provide management with an early indication of the need to resolve financial problems. The Internal Capital Target has been set at 205% (31 December 2014 - 205%) of the minimum capital required.

Under our Capital Management Framework, we operate at available capital levels above the Internal Capital Target on all but unusual and infrequent occasions. Accordingly, we have established a Holding Capital Target in excess of the Internal Capital Target. The Holding Capital Target is calibrated using confidence intervals specified by our Capital Management Framework and is designed to provide us with adequate time to resolve financial problems before available capital decreases below the Internal Capital Target. The Holding Capital Target has been set at 220% (31 December 2014 – 220%) of the minimum capital required.

We appropriate Retained Earnings and Accumulated Other Comprehensive Income from the Mortgage Loan Insurance Activity at the 220% Holding Capital Target or $10,994 million for the Mortgage Loan Insurance Activity (31 December 2014 – 220% or $10,634 million). As at 31 March 2015, the Mortgage Loan Insurance Activity had capital available of $16,562 million, 331% of the minimum capital required (31 December 2014 – $16,173 million; 343%).

The following table presents the components of capital available for the Mortgage Loan Insurance Activity.

	As at	
(in millions, unless otherwise indicated)	**31 March 2015**	**31 December 2014**
Accumulated Other Comprehensive Income	1,093	807
Appropriated Retained Earnings	9,901	9,827
Appropriated Capital	10,994	10,634
Unappropriated Retained Earnings	5,939	5,784
Total Mortgage Loan Insurance Capital	**16,933**	**16,418**
Less: OSFI-mandated Deductions from Capital	371	245
Total Mortgage Loan Insurance Capital Available	**16,562**	**16,173**
Internal Capital Target	205 %	205 %
Holding Capital Target	220 %	220 %
Capital Available to Minimum Capital Required (% MCT)	331 %	343 %

Financial Resources

The Mortgage Loan Insurance investment portfolio is funded by cash flow generated by premiums and fees and interest received, net of claims and operating expenses. The investment objective and asset allocation for the Mortgage Loan Insurance investment portfolio focuses on maximizing risk-adjusted return while minimizing the need to liquidated investments.

As at 31 March 2015 and 31 December 2014, total investments had a fair value of $23.2 billion.

SECURITIZATION

We facilitate access to funds for residential mortgage financing through securitization guarantee products and administration of the legal framework for Canadian covered bonds. Our mandate is to promote the efficient functioning and competitiveness of the housing finance market, and promote and contribute to the stability of the financial system. Under the Securitization Activity, we guarantee the timely payment of interest and principal of securities issued on the basis of eligible loans. The guarantee of the mortgage-backed securities is provided on a commercial basis. Revenues cover all expenses and we are expected to generate a reasonable return for the Government of Canada, with due regard for loss.

Under Section 15 of the *National Housing Act*, the aggregate outstanding amount of principal guarantees may not exceed $600 billion.

For 2015, the Minister of Finance has authorized us to provide up to $80 billion for new guarantees of market NHA MBS and up to $40 billion of new guarantees for CMB. These limits are sufficient to meet the historical demand for guarantees.

SECURITIZATION PROGRAMS

National Housing Act **Mortgage-Backed Securities (NHA MBS) program** – The NHA MBS program provides a framework for transforming residential mortgages into marketable amortizing securities issued by Approved Lenders. The residential mortgages are insured against borrower default under the *National Housing Act* (in the case of CMHC) and the *Protection of Residential Mortgage or Hypothecary Insurance Act* (in the case of private mortgage insurers). The timely payment of principal and interest to investors is guaranteed by CMHC and backed by the Government of Canada.

Canada Mortgage Bonds (CMB) program – Under the CMB Program, Canada Housing Trust, a special purpose trust issues non-amortizing CMB to investors and uses the proceeds to purchase NHA MBS issued under the NHA MBS program. Monthly cash flows from the amortizing NHA MBS are transformed via swaps into non-amortizing bond cash flows with fixed or floating rate interest payments and principal at maturity (a "bullet payment"). The timely payment of principal and interest on CMB to investors is guaranteed by CMHC and backed by the Government of Canada. We consolidate the accounts of Canada Housing Trust (CHT). CHT assets are neither owned nor held for our benefit. The beneficiaries of the Trust, after payment of all obligations, are one or more charitable organizations.

Legal Framework for Canadian Registered Covered Bonds – We are responsible for the administration of the Covered Bond Legal framework. We operate the legal framework on a cost recovery basis. Neither the Government of Canada nor CMHC provide any guarantees or backing for the covered bond issues.

FINANCIAL METRICS

	Three months ended		
(in millions, unless otherwise indicated)	31 March 2015	31 December 2014	31 March 2014
Total Guarantees-in-force ($B)	**421**	**422**	**400**
NHA MBS	213	213	194
CMB	208	209	206
Total New Securities Guaranteed	**23,124**	**40,356**	**22,505**
NHA MBS	14,124	30,356	13,505
CMB	9,000	10,000	9,000
Guarantee and Application Fees Received	**55**	**88**	**53**
MBS Guarantee and Application Fees Received	34	64	31
CMB Guarantee Fees Received	21	24	22

Guarantees-in-force

Total Guarantees-in-force represents the maximum principal obligation related to this timely payment guarantee.

Guarantees-in-force totalled $421 billion at 31 March 2015, a $1 billion (0.2%) decrease over 31 December 2014. Guarantees-in-force change as new guarantees are made and as guaranteed securities mature. In the three-month period ending 31 March 2015, maturities exceeded new guarantees granted by CMHC.

New Securities Guaranteed

Q1 2015 vs. Q4 2014

New Securities Guaranteed for the first quarter of 2015 were $17,232 million (42.7%) lower than the prior quarter. In establishing the quarterly guarantee capacity, unutilized NHA MBS guarantee from previous quarters is reallocated to subsequent quarters to ensure maximization of the annual limit. In 2014 this resulted in a higher amount of NHA MBS guaranteed in the three months ended 31 December 2014.

Q1 2015 vs. Q1 2014

New Securities Guaranteed for the first quarter of 2015 were in line with the same quarter last year, increasing by $619 million (2.8%).

Guarantee and Application Fees Received

Q1 2015 vs. Q4 2014

Guarantee and Application Fees Received were $33 million (37.5%) lower than the prior quarter which is consistent with the new securities guaranteed movement as explained above.

Q1 2015 vs. Q1 2014

Guarantee and Application Fees Received were in line with the same quarter last year, increasing by $2 million (3.8%). This is consistent with the volume trend as explained in the new Securities Guaranteed section.

FINANCIAL ANALYSIS

	Three months ended		
(in millions, unless otherwise indicated)	**31 March 2015**	**31 December 2014**	**31 March 2014**
Premiums and Fees Earned	60	66	59
Net Interest Income	3	1	3
Investment Income	10	9	8
Other Income	18	19	20
Total Revenues	**91**	**95**	**90**
Operating Expenses	26	25	27
Total Expenses	**26**	**25**	**27**
Income before Income Taxes	**65**	**70**	**63**
Income Taxes	16	17	16
Net Income	**49**	**53**	**47**
Operating Expense Ratio	11.9 %	11.2 %	10.7 %
Capital Available to Capital Required	159 %	157 %	199 %
Return on Equity[1]	11.4 %	13.1 %	13.1 %

[1] Reflects annualized Net Income divided by the average of the beginning and ending Equity for the period.

Total Revenues

Q1 2015 vs. Q4 2014

Total Revenues decreased by $4 million (4.2%) from the prior quarter due to higher new issuance volumes in Q4 2014 causing increased application revenue.

Q1 2015 vs. Q1 2014

Total Revenues were consistent with the same quarter last year, increasing by $1 million (1.1%). This is consistent with the volume levels in the quarters.

Total Expenses

Q1 2015 vs. Q4 2014 and Q1 2015 vs. Q1 2014

Total Expenses remained fairly consistent over the quarters, increasing by $1 million (4.0%) from the prior quarter and decreasing by $1 million (3.7%) from the same quarter last year.

Net Income

Q1 2015 vs. Q4 2014

Net Income decreased by $4 million (7.5%) from the prior quarter due to lower new issuances causing less application fees.

Q1 2015 vs. Q1 2014

Net Income was consistent with the same quarter last year, increasing by $2 million (4.3%). This is consistent with the volume levels in the quarters.

Ratios

To supplement financial results of the Securitization programs (excluding CHT), we also use financial measures and ratios to analyze our financial performance.

Q1 2015 vs. Q4 2014

The Operating Expense Ratio increased by 0.7 percentage points from the prior quarter due to Total Revenues decreasing more than Operating Expenses. The decline in new Securities Guaranteed as described above caused a drop in application revenue; however, Operating Expenses have a less direct relationship to volumes and thus did not decline as quickly as revenues.

The Capital Available to Capital Required ratio was fairly consistent, increasing 2 percentage points from the prior quarter. New OSFI capitalization guidelines were effective 1 January 2015 which Securitization voluntarily applies. These guidelines increased capital required but were offset by a near proportionate increase in capital available mainly due to comprehensive income in the quarter.

Q1 2015 vs. Q1 2014

The Operating Expense Ratio increased 1.2 percentage points from the same quarter last year. Revenue increased 2.7% due to an increase in new securities issued. Operating Expenses have increased by 13.9% due to increased overhead costs. Operating expenses rising by a greater percentage than revenues caused the increase in the overall ratio.

The Capital Available to Capital Required ratio decreased 40 percentage points from the same quarter last year primarily as a result of 2014 capital requirement enhancements including increased capital requirements for exposure to counterparty risk (swaps), operational risk and interest rate risk which were applied in the third quarter of 2014.

FINANCIAL CONDITION

Capital Management

Capital related to the Securitization Activity is appropriated for the guarantees provided under NHA MBS and CMB programs. The amount appropriated is based on regulatory and economic capital principles and has been established to be 100% or $1,103 million of the capital required under these principles (31 December 2014 – 100% or $1,064 million). Capital required is calculated by applying risk factors to Securitization investment assets and liabilities exposures as defined by OSFI. As at 31 March 2015, the Securitization Activity had capital available of 159% or $1,759 million of the capital required (31 December 2014 – 157% or $1,663 million).

We do not hold separate capital for CHT because our exposure is limited to mortgage insurance and timely payment guarantees which are covered by the Mortgage Loan Insurance capital and Securitization capital respectively.

The following table presents the components of the capital available for the Securitization Activity.

(in millions, unless otherwise indicated)	As at 31 March 2015	As at 31 December 2014
Accumulated Other Comprehensive Income	83	34
Appropriated Retained Earnings	1,020	1,030
Appropriated Capital	1,103	1,064
Unappropriated Retained Earnings	656	601
Total Securitization Capital	**1,759**	**1,665**
Less: Deductions from Capital	-	2
Total Securitization Capital Available	**1,759**	**1,663**
Capital Available to Capital Required	159 %	157 %

Financial Resources

The Securitization investment portfolio is funded by cash flow from guarantee and application fees and interest received, net of claims and expenses. The portfolio is intended to cover obligations associated with our securitization guarantee programs. The objective of the Securitization investment portfolio is to maximize the capacity to meet liquidity needs of the timely payment guarantee and to preserve capital through investments in Government of Canada securities. The strategic asset allocation policy benchmark for the Securitization investment portfolio is comprised of Canada Non-Agency Bonds (98%) and 91-day T-Bills (2%). The portfolio is managed passively against its benchmark index.

As at 31 March 2015, total investments under management had a fair value of $2.3 billion compared to $2.2 billion at the end of 2014.

RISK MANAGEMENT

We are exposed to a variety of risks in our operating environment that could have an impact on the achievement of our objectives. These risks are discussed in detail in our 2014 Annual Report. There have been no material developments impacting our risk management since the last reporting period.

CHANGES IN PERSONNEL

KEY MANAGEMENT PERSONNEL

The following changes to our key management personnel were announced:

- On 5 February 2015, the Government of Canada announced the appointments of Navjeet (Bob) Dhillon and Leonard Peter Sharpe as members of CMHC's Board of Directors each for a term of four years.
- Effective 10 February 2015, Sandra Hanington departed from our Board of Directors to assume the role of Master of the Royal Canadian Mint.
- Effective 13 March 2015, Brian Johnston retired from the Board of Directors.
- On 9 February 2015, the Prime Minister announced changes regarding his Cabinet which includes CMHC reporting to the Honourable Pierre Poilievre, Minister of Employment and Social Development, and Minister responsible for Canada Mortgage and Housing Corporation.
- On 13 May 2015, subsequent to the reporting period, CMHC announced:
  - Kathryn Howard, Senior Vice-President, Human Resources left the Corporation; and
  - Marie-Claude Tremblay was appointed Senior Vice-President, Human Resources, pending Board approval.

UNAUDITED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

Contents

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Period ended 31 March 2015

Management is responsible for the preparation and fair presentation of these unaudited Quarterly Consolidated Financial Statements in accordance with the Treasury Board of Canada's *Standard on Quarterly Financial Reports for Crown Corporations* and International Accounting Standard 34 *Interim Financial Reporting*, and for such internal controls as management determines are necessary to enable the preparation of unaudited Quarterly Consolidated Financial Statements that are free from material misstatement. Management is also responsible for ensuring all other information in this Quarterly Financial Report is consistent, where appropriate, with the unaudited Quarterly Consolidated Financial Statements.

Based on our knowledge, these unaudited Quarterly Consolidated Financial Statements present fairly, in all material respects, our financial position, results of operations and cash flows, as at the date of and for the periods presented in the unaudited Quarterly Consolidated Financial Statements.

Evan Siddall, BA, LL.B
President and Chief Executive Officer

Brian Naish, CPA, CA
Chief Financial Officer

27 May 2015

CONSOLIDATED BALANCE SHEET

(in millions of Canadian dollars)	Notes	As at 31 March 2015	As at 31 December 2014
ASSETS			
Cash and Cash Equivalents		1,737	2,169
Securities Purchased Under Resale Agreements		361	126
Investment Securities:	5		
Designated at Fair Value through Profit or Loss		1,031	1,060
Available for Sale		22,615	21,812
Loans:	6		
Designated at Fair Value through Profit or Loss		5,377	5,503
Loans and Receivables		213,106	215,944
Accrued Interest Receivable		1,339	719
Derivatives		140	105
Due from the Government of Canada	7	433	285
Accounts Receivable and Other Assets		777	767
		246,916	248,490
LIABILITIES			
Securities Sold Under Repurchase Agreements		220	325
Borrowings:	8		
Designated at Fair Value through Profit or Loss		7,866	7,677
Other Financial Liabilities		210,956	213,612
Accrued Interest Payable		1,125	521
Derivatives		37	31
Accounts Payable and Other Liabilities		582	673
Defined Benefit Plans Liability	9	587	479
Provision for Claims	10	772	778
Unearned Premiums and Fees		6,010	6,167
Deferred Income Tax Liabilities		27	45
		228,182	230,308
Commitments and Contingent Liabilities	17		
EQUITY OF CANADA			
Contributed Capital		25	25
Accumulated Other Comprehensive Income		1,109	803
Retained Earnings		17,600	17,354
		18,734	18,182
		246,916	248,490

The accompanying notes to these Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

		Three months ended 31 March	
(in millions of Canadian dollars)	Notes	2015	2014
Parliamentary Appropriations for Housing Programs	7	630	587
Premiums and Fees Earned		435	459
Interest Income			
Loans	6	1,255	1,427
Other		18	14
		1,273	1,441
Interest Expense	8	1,252	1,413
Net Interest Income		21	28
Investment Income		135	147
Net Realized Gains (Losses)	4	5	47
Net Unrealized Gains (Losses)	4	8	17
Other Income		21	26
TOTAL REVENUES AND PARLIAMENTARY APPROPRIATIONS		**1,255**	**1,311**
EXPENSES			
Housing Programs	7	630	587
Insurance Claims	10	87	102
Operating Expenses		87	89
		804	778
INCOME BEFORE INCOME TAXES		**451**	**533**
Income Taxes	12	109	127
NET INCOME		**342**	**406**
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Items that Will Be Subsequently Reclassified to Net Income:			
Net Unrealized Gains (Losses) from Available for Sale Financial Instruments		308	372
Reclassification of Prior Years' Net Unrealized (Gains) Losses Realized in the Period in Net Income		(2)	(10)
Total Items that Will Be Subsequently Reclassified to Net Income		306	362
Items that Will Not Be Subsequently Reclassified to Net Income:			
Remeasurements of the Net Defined Benefit Plans		(96)	(95)
		210	267
COMPREHENSIVE INCOME		**552**	**673**

The accompanying notes to these Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENT OF EQUITY OF CANADA

(in millions of Canadian dollars)	Three months ended 31 March 2015	2014
CONTRIBUTED CAPITAL	**25**	**25**
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance at Beginning of Period	803	943
Other Comprehensive Income (Loss)	306	362
Balance at End of Period	**1,109**	**1,305**
RETAINED EARNINGS		
Balance at Beginning of Period	17,354	14,870
Net Income	342	406
Other Comprehensive Income (Loss)	(96)	(95)
Balance at End of Period	**17,600**	**15,181**
EQUITY OF CANADA	**18,734**	**16,511**

The accompanying notes to these Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Canadian dollars)	Notes	Three months ended 31 March 2015	2014
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Net Income		342	406
Items Not Affecting Cash or Cash Equivalents:			
Amortization of Premiums and Discounts on Financial Instruments		32	21
Deferred Income Taxes		(18)	-
Change in Fair Value of Financial Instruments Carried at Fair Value	4	(8)	(17)
Net (Gain) Loss on Financial Instruments	4	(5)	(47)
Net Change in Non-cash Operating Assets and Liabilities:			
Accrued Interest Receivable		(620)	(485)
Accounts Receivable and Other Assets		(10)	(6)
Due from the Government of Canada		(148)	(51)
Accrued Interest Payable		604	476
Accounts Payable and Other Liabilities		(91)	140
Defined Benefit Plans Liability		108	100
Derivatives		(2)	(1)
Provision for Claims		(6)	-
Unearned Premiums and Fees		(157)	(196)
Other		(203)	(231)
Loans:	6		
Repayments		12,094	27,724
Disbursements		(9,081)	(8,994)
Borrowings:	8		
Repayments		(13,052)	(28,111)
Issuances		10,340	9,793
		119	521
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Investment Securities:			
Sales and Maturities		3,190	2,363
Purchases		(3,401)	(2,592)
Change in Securities Purchased Under Resale Agreements		(235)	(240)
Change in Securities Sold Under Repurchase Agreements		(105)	257
		(551)	(212)
Increase (Decrease) in Cash and Cash Equivalents		(432)	309
Cash and Cash Equivalents			
Beginning of Period		2,169	1,336
End of Period		1,737	1,645
Represented by:			
Cash		(3)	33
Cash Equivalents		1,740	1,612
		1,737	1,645
Supplementary Disclosure of Cash Flow			
Amount of Interest Received During the Period		863	1,177
Amount of Interest Paid During the Period		696	975
Amount of Dividends Received During the Period		9	17
Amount of Income Taxes Paid During the Period		423	128

The accompanying notes to these Consolidated Financial Statements are an integral part of these statements.

NOTES TO UNAUDITED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

Three months ended 31 March 2015

1. CORPORATE INFORMATION

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

Within the Public Accounts of Canada, the annual Consolidated Net Income reduces the Government's annual deficit; the Consolidated Retained Earnings and Accumulated Other Comprehensive Income reduce the Government's accumulated deficit.

In September 2008, CMHC, together with a number of other Crown corporations, was issued a directive (P.C. 2008-1598) pursuant to Section 89 of the FAA requiring due consideration to the personal integrity of those to whom it lends or provides benefits. We continue to meet the requirements of this directive. In December 2014, the Corporation was issued another directive (P.C. 2014-1380) pursuant to Section 89 of the FAA directing CMHC to implement pension plan reforms. These are intended to ensure that pension plans of Crown corporations provide a 50:50 current service cost-sharing ratio between employees and employer for pension contributions to be phased in for all members by 31 December 2017. The Corporation's implementation strategy will be outlined in its corporate plans until commitments under this directive are fully implemented.

Our mandate, as set out in the NHA, is to promote the construction of new houses, the repair and modernization of existing houses, and the improvement of housing and living conditions. In relation to financing for housing, the NHA's purpose is to promote housing affordability and choice, to facilitate access to, and competition and efficiency in the provision of, housing finance, to protect the availability of adequate funding for housing, and generally to contribute to the well-being of the housing sector. In addition, we have the following objectives in carrying out any activities related to mortgage loan insurance and guarantee programs and in administering the Canadian covered bond legal framework: (a) to promote the efficient functioning and competitiveness of the housing finance market; (b) to promote and contribute to the stability of the financial system, including the housing market; and (c) to have due regard to the Corporation's exposure to loss. Our mandate is carried out through the following activities: Market Analysis and Research, Assisted Housing, Mortgage Loan Insurance, Securitization, and People and Processes.

2. BASIS OF PRESENTATION

Our unaudited Quarterly Consolidated Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. They should be read in conjunction with our audited Consolidated Financial Statements for the year ended 31 December 2014. These unaudited Quarterly Consolidated Financial Statements were approved and authorized for issue by our Audit Committee on 27 May 2015.

Our unaudited Quarterly Consolidated Financial Statements include the accounts of CMHC and, as required by International Financial Reporting Standards (IFRS) 10 *Consolidated Financial Statements* (IFRS 10), the accounts of CHT, a special purpose entity to which CMHC has exposure to its risks and rewards. Inter-entity balances and transactions have been eliminated in our unaudited Quarterly Consolidated Financial Statements.

Significant Accounting Policies

The significant accounting policies used in the preparation of our unaudited Quarterly Consolidated Financial Statements are disclosed in Note 2 of our 2014 Annual Report and are in compliance with IFRS effective as at 31 March 2015 as issued by the International Accounting Standards Board (IASB).

Income Taxes

CMHC (non-consolidated entity) is a prescribed federal Crown Corporation under Reg. 7100 of the *Income Tax Act* (ITA) and is subject to federal income tax as a prescribed Corporation for purposes of subsection 27(2) of the ITA. It is not subject to provincial income tax.

Judgments in Applying Accounting Policies

In the process of applying the Corporation's accounting policies, Management is required to make various judgments, apart from those involving estimations, that can significantly affect the amounts it recognizes in the unaudited Quarterly Consolidated Financial Statements. The judgments having the most significant effect on the amounts recognized in our unaudited Quarterly Consolidated Financial Statements are disclosed in Note 4 of our audited Consolidated Financial Statements for the year ended 31 December 2014.

Use of Estimates and Assumptions

The preparation of our unaudited Quarterly Consolidated Financial Statements requires Management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, comprehensive income and related disclosures. Key areas where Management has made estimates and assumptions include those related to Provision for Claims, Unearned Premiums, Fair Value of Financial Instruments, and Pension and Other Post-employment Benefits. Actual results could differ from these estimates and assumptions. Where these differ, the impact will be recorded in future periods.

Seasonality

Our mortgage loan insurance business is exposed to some seasonal variation. While Premiums Earned and Income from Investment Securities vary from quarter to quarter as underlying balances change, premiums received for some insurance products vary each quarter because of seasonality in housing markets. Variations are driven by the level of mortgage originations and related mortgage policies written, which, for purchase transactions, typically peak in the spring and summer months. Losses on claims vary from quarter to quarter primarily as the result of prevailing economic conditions as well as the characteristics of the insurance in-force portfolio, such as size and age.

3. CURRENT AND FUTURE ACCOUNTING CHANGES

There are no new pronouncements that are applicable to us for the current reporting period.

We actively monitor the new standards and amendments to existing standards that have been issued by the IASB. There were no new standards and amendments to existing standards issued by the IASB that would affect CMHC in the future other than those noted in the 2014 Annual Report.

4. FAIR VALUE MEASUREMENTS

Fair Value Measurement

We carry certain financial instruments and non-financial assets at fair value in our unaudited Quarterly Consolidated Balance Sheet and disclose the fair value of certain other items. Fair value is determined using a consistent measurement framework.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Fair value measurement of non-financial assets (e.g., Non-current Assets Held for Sale and Investment Property) takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. For financial instruments, accrued interest is separately recorded and disclosed.

Fair Value Hierarchy

The methods and assumptions used in determining fair value are the same as those used in the preparation of our 2014 Annual Report. These methods make maximum use of relevant observable inputs and minimize the use of unobservable inputs. Fair value measurements are classified in a fair value hierarchy as Level 1, 2 or 3 according to the observability of the most significant inputs used in making the measurements.

Level 1: Assets and liabilities that are measured based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Assets and liabilities not quoted in active markets that are measured by discounting expected future cash flows, making maximum use of directly or indirectly observable market data such as yield curves and implied forward curves constructed from benchmark interest rates and credit spreads of identical or similar assets or liabilities.

Level 3: Assets and liabilities not quoted in active markets that are measured using valuation techniques. Where possible, inputs to the valuation techniques are based on observable market data such as yield curves and implied forward curves constructed from benchmark interest rates and credit spreads of similar assets or liabilities. Where observable inputs are not available, unobservable inputs are used. For Level 3 assets and liabilities, unobservable inputs are significant to the overall measurement of fair value.

We have processes and controls in place to ensure fair value is appropriately measured. The valuation of Level 3 financial instruments is performed by the Operations Support Division (OSD) which reports to the Senior Vice President, Capital Markets. OSD has developed the models and methodologies to determine fair value which are reviewed and monitored on an ongoing basis. The validity of Level 3 valuations is verified against market transactions involving identical or similar instruments on an ongoing basis. These valuations are independently verified on an ongoing basis by the sector of the Chief Risk Officer.

For Investment Property, fair value is determined by property appraisers who hold recognized and relevant professional qualifications. Valuations are performed by independent external property appraisers and our internal appraisers on a rotating basis.

Comparison of Carrying and Fair Values

The following table compares the carrying and fair values of financial instruments, except where the carrying amount is a reasonable approximation of fair value. Carrying value is the amount at which an item is measured on the unaudited Quarterly Consolidated Balance Sheet. Fair value is estimated using valuation methods as described above.

	Carrying Value					
(in millions)	Amortized Cost	Fair Value through Net Income	Fair Value through OCI	Total	Fair Value	Fair Value Over (Under) Carrying Value
			As at 31 March 2015			
Financial Assets						
Cash and Cash Equivalents[1]	220	1,273	244	1,737	1,737	-
Securities Purchased Under Resale Agreements	361	-	-	361	361	-
Investment Securities:						
Designated at Fair Value through Profit or Loss	-	1,031	-	1,031	1,031	-
Available for Sale	-	-	22,615	22,615	22,615	-
Loans:						
Designated at Fair Value through Profit or Loss	-	5,377	-	5,377	5,377	-
Loans and Receivables	213,106	-	-	213,106	222,686	9,580
Derivatives	-	140	-	140	140	-
Financial Liabilities						
Securities Sold Under Repurchase Agreements	220	-	-	220	220	-
Borrowings:						
Designated at Fair Value through Profit or Loss	-	7,866	-	7,866	7,866	-
Other Financial Liabilities	210,956	-	-	210,956	220,696	9,740
Derivatives	-	37	-	37	37	-
			As at 31 December 2014			
Financial Assets						
Cash and Cash Equivalents[1]	325	979	865	2,169	2,169	-
Securities Purchased Under Resale Agreements	126	-	-	126	126	-
Investment Securities:						
Designated at Fair Value through Profit or Loss	-	1,060	-	1,060	1,060	-
Available for Sale	-	-	21,812	21,812	21,812	-
Loans:						
Designated at Fair Value through Profit or Loss	-	5,503	-	5,503	5,503	-
Loans and Receivables	215,944	-	-	215,944	222,381	6,437
Derivatives	-	105	-	105	105	-
Financial Liabilities						
Securities Sold Under Repurchase Agreements	325	-	-	325	325	-
Borrowings:						
Designated at Fair Value through Profit or Loss	-	7,677	-	7,677	7,677	-
Other Financial Liabilities	213,612	-	-	213,612	220,219	6,607
Derivatives	-	31	-	31	31	-

[1] Of the total Cash and Cash Equivalents, $1,273 million (31 December 2014 – $979 million) is classified as Designated at Fair Value through Profit or Loss, $244 million (31 December 2014 – $865 million) is classified as Available for Sale, and $220 million (31 December 2014 – $325 million) is classified as Held to Maturity.

Fair Value Hierarchy for Items Carried at Fair Value

The following table presents the fair value hierarchy for assets and liabilities carried at fair value in the unaudited Quarterly Consolidated Balance Sheet.

	As at 31 March 2015					
	Total Items Carried at Fair Value				Items not Carried at Fair Value	
(in millions)	Level 1	Level 2	Level 3	Total		Total
ASSETS						
Cash and Cash Equivalents:						
Cash	(3)	-	-	(3)	-	(3)
Interest Bearing Deposits with Banks	-	1,241	-	1,241	39	1,280
Corporate/Other Entities	-	50	-	50	20	70
Government of Canada	194	-	-	194	-	194
Provinces/Municipalities	-	35	-	35	161	196
Total Cash and Cash Equivalents	191	1,326	-	1,517	220	1,737
Investment Securities:						
Designated at Fair Value through Profit or Loss:						
Fixed Income:						
Corporate/Other Entities	-	7	161	168	-	168
Provinces/Municipalities	638	-	-	638	-	638
Sovereign and Related Entities	71	154	-	225	-	225
Total Designated at Fair Value through Profit or Loss	709	161	161	1,031	-	1,031
Available for Sale:						
Fixed Income:						
Corporate/Other Entities	9,109	-	-	9,109	-	9,109
Government of Canada	6,201	-	-	6,201	-	6,201
Provinces/Municipalities	5,755	-	-	5,755	-	5,755
Sovereign and Related Entities	306	52	-	358	-	358
Equities:	-	-	-	-	-	-
Canadian	1,168	-	24	1,192	-	1,192
Total Available for Sale	22,539	52	24	22,615	-	22,615
Loans:						
Designated at Fair Value through Profit or Loss	-	5,377	-	5,377	-	5,377
Derivatives	-	140	-	140	-	140
Accounts Receivable and Other Assets:						
Investment Property	-	-	247	247	-	247
Other Accounts Receivable and Other Assets	-	-	-	-	530	530
Total Accounts Receivable and Other Assets	-	-	247	247	530	777
Assets not Recorded at Fair Value	-	-	-	-	215,239	215,239
TOTAL ASSETS	**23,439**	**7,056**	**432**	**30,927**	**215,989**	**246,916**
LIABILITIES AND EQUITY OF CANADA						
Borrowings:						
Designated at Fair Value through Profit or Loss	1,411	6,455	-	7,866	-	7,866
Derivatives	-	37	-	37	-	37
Liabilities and Equity of Canada not Recorded at Fair Value	-	-	-	-	239,013	239,013
TOTAL LIABILITIES AND EQUITY OF CANADA	**1,411**	**6,492**	**-**	**7,903**	**239,013**	**246,916**

(in millions)	As at 31 December 2014					
	Total Items Carried at Fair Value				Items not Carried at Fair Value	Total
	Level 1	Level 2	Level 3	Total		
ASSETS						
Cash and Cash Equivalents:						
Cash	6	-	-	6	-	6
Interest Bearing Deposits with Banks	-	933	-	933	45	978
Corporate/Other Entities	-	90	-	90	159	249
Government of Canada	815	-	-	815	-	815
Provinces/Municipalities	-	-	-	-	121	121
Total Cash and Cash Equivalents	821	1,023	-	1,844	325	2,169
Investment Securities:						
Designated at Fair Value through Profit or Loss:						
Fixed Income:						
Corporate/Other Entities	75	8	159	242	-	242
Provinces/Municipalities	661	-	-	661	-	661
Sovereign and Related Entities	30	127	-	157	-	157
Total Designated at Fair Value through Profit or Loss	766	135	159	1,060	-	1,060
Available for Sale:						
Fixed Income:						
Corporate/Other Entities	6,734	-	-	6,734	-	6,734
Government of Canada	8,006	-	-	8,006	-	8,006
Provinces/Municipalities	5,560	-	-	5,560	-	5,560
Sovereign and Related Entities	247	50	-	297	-	297
Equities:						
Canadian	1,196	-	19	1,215	-	1,215
Total Available for Sale	21,743	50	19	21,812	-	21,812
Loans:						
Designated at Fair Value through Profit or Loss	-	5,503	-	5,503	-	5,503
Derivatives	-	105	-	105	-	105
Accounts Receivable and Other Assets:						
Investment Property	-	-	247	247	-	247
Other Accounts Receivable and Other Assets	-	-	-	-	520	520
Total Accounts Receivable and Other Assets	-	-	247	247	520	767
Assets not Recorded at Fair Value	-	-	-	-	217,074	217,074
TOTAL ASSETS	**23,330**	**6,816**	**425**	**30,571**	**217,919**	**248,490**
LIABILITIES AND EQUITY OF CANADA						
Borrowings:						
Designated at Fair Value through Profit or Loss	1,417	6,260	-	7,677	-	7,677
Derivatives	-	31	-	31	-	31
Liabilities and Equity of Canada not Recorded at Fair Value	-	-	-	-	240,782	240,782
TOTAL LIABILITIES AND EQUITY OF CANADA	**1,417**	**6,291**	**-**	**7,708**	**240,782**	**248,490**

Transfers Between Fair Value Hierarchy Levels

For assets and liabilities carried at fair value in the unaudited Quarterly Consolidated Financial Statements on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Transfers may occur between levels of the fair value hierarchy as a result of changes in the availability of quoted market prices or observable market inputs. During the three months ended 31 March 2015, there were no transfers between hierarchy levels.

Change in Fair Value Measurement for Items Classified as Level 3

The following table presents the changes in fair value measurements for items carried at fair value and classified as Level 3.

	Three months ended 31 March 2015						
(in millions)	1 January 2015	Purchases	Transfers In (Out)	Unrealized Gains in Net Income[1]	Unrealized Gains in OCI[2]	Cash Receipts on Settlements / Disposals	Balance at End of Period
Investment Securities							
Designated at Fair Value through Profit or Loss							
Asset-Backed Securities	159	-	-	2	-	-	161
Available for Sale							
Limited Partnership Investment	19	-	-	-	5	-	24
Total Investment Securities	**178**	**-**	**-**	**2**	**5**	**-**	**185**
Accounts Receivable and Other Assets							
Investment Property	247	-	-	-	-	-	247
Total Accounts Receivable and Other Assets	**247**	**-**	**-**	**-**	**-**	**-**	**247**
Total	**425**	**-**	**-**	**2**	**5**	**-**	**432**

1 Included in Net Unrealized Gains (Losses) for Investment Securities; Other Income for Investment Property.
2 Included in Net Unrealized Gains (Losses) from Available for Sale Financial Instruments.

	Three months ended 31 March 2014						
(in millions)	1 January 2014	Purchases	Transfers In (Out)	Unrealized Gains in Net Income[1]	Unrealized Gains in OCI[2]	Cash Receipts on Settlements / Disposals	Balance at End of Period
Investment Securities							
Designated at Fair Value through Profit or Loss							
Asset-Backed Securities	150	-	-	5	-	-	155
Available for Sale							
Limited Partnership Investment	17	1	-	-	1	-	19
Total Investment Securities	**167**	**1**	**-**	**5**	**1**	**-**	**174**
Accounts Receivable and Other Assets							
Investment Property	234	18	-	2	-	-	254
Total Accounts Receivable and Other Assets	**234**	**18**	**-**	**2**	**-**	**-**	**254**
Total	**401**	**19**	**-**	**7**	**1**	**-**	**428**

1 Included in Net Unrealized Gains (Losses) for Investment Securities; Other Income for Investment Property.
2 Included in Net Unrealized Gains (Losses) from Available for Sale Financial Instruments.

Unobservable Inputs for Items Classified as Level 3

The valuation of items classified as Level 3 use unobservable inputs, changes in which may significantly affect the measurement of fair value. Valuations were based on assessments of the prevailing conditions at 31 March 2015, which may change materially in subsequent periods. The following table presents quantitative information about the significant unobservable inputs used in Level 3 fair value measurements for items carried at fair value.

	31 March 2015				31 December 2014	
(in millions)	Asset Fair Value	Valuation Technique	Unobservable Inputs	Weighted Average Input / Range	Asset Fair Value	Weighted Average Input / Range
Investment Securities						
Designated at Fair Value through Profit or Loss						
Asset-Backed Securities	161	Discounted Cash Flow	Risk Premium	1.6%	159	1.6%
Available for Sale						
Limited Partnership Investment	24	Share of Partnership Equity	Reported Partnership Equity	n.a.	19	n.a.
Total Investment Securities	**185**				**178**	
Accounts Receivable and Other Assets						
Investment Property Held By Mortgage Loan Insurance Activity	98	Discounted Cash Flow	Estimated Rental Value per Square Foot	\$3 - \$40	98	\$3 - \$40
			Discount Rate	6.8% - 8.5%		6.8% - 8.5%
Investment Property Held By Assisted Housing Activity	20	Discounted Cash Flow	Estimated Rental Value per Square Foot	\$25 - \$148	20	\$25 - \$148
			Discount Rate	4.5% - 6.0%		4.5% - 6.0%
	129	Market Approach	Value per Square Foot	\$0 - \$237	129	\$0 - \$237
Total Accounts Receivable and Other Assets	**247**				**247**	
Total Level 3 Items Carried at Fair Value	**432**				**425**	

Asset-Backed Securities

The fair value of Asset-Backed Securities is determined by discounting expected future cash flows using market observable discount rates and an unobservable risk premium which take into account the lack of market liquidity and inherent risk of the securities. Significant increases (decreases) in these premiums would result in a significant decrease (increase) in the fair value measurement.

Investment Property

The fair value of Investment Property includes unobservable inputs which may significantly affect the measurement of fair value. Significant increases (decreases) in estimated rental value and estimated price per square feet would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount rate would result in a significantly lower (higher) fair value.

Gains and Losses from Financial Instruments

The unrealized gains and losses arising from changes in fair value related to financial instruments classified as Held for Trading and those Designated at Fair Value through Profit or Loss are presented in the following table.

	Three months ended 31 March	
(in millions)	2015	2014
Held for Trading		
Equities	-	14
Derivatives	26	16
Total Held for Trading	**26**	**30**
Designated at Fair Value through Profit or Loss		
Investment Securities – Designated at Fair Value through Profit or Loss	10	5
Loans – Designated at Fair Value through Profit or Loss	43	4
Borrowings – Designated at Fair Value through Profit or Loss	(71)	(22)
Total Designated at Fair Value through Profit or Loss	**(18)**	**(13)**
Total Net Unrealized Gains (Losses)	**8**	**17**

The realized gains and losses related to financial instruments are presented in the table below.

	Three months ended 31 March	
(in millions)	2015	2014
Held for Trading	-	7
Available for Sale	5	49
Retirement of Debt	-	(9)
Total Net Realized Gains (Losses)	**5**	**47**

5. INVESTMENT SECURITIES

Investment securities include fixed income and equity securities. The following table shows the cumulative unrealized gains (losses) on Investment Securities recorded at fair value.

	As at					
	31 March 2015				31 December 2014	
(in millions)	Amortized Cost[1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost[1]	Fair Value
Investment Securities:						
Fixed Income						
Designated at Fair Value through Profit or Loss	949	82	-	1,031	987	1,060
Available for Sale	20,401	1,021	(1)	21,423	20,004	20,597
Equities						
Available for Sale	712	482	-	1,192	714	1,215

[1] Amortized cost for Equities is acquisition cost less impairment losses, if any.

We have Investment Securities of $220 million (31 December 2014 – $325 million) that are part of Securities Sold Under Repurchase Agreements. The terms of these transactions do not exceed 93 days, the credit rating of the instruments must be at a minimum of R-1 (mid) and they must be issued by a financial institution. We continue to earn Investment Income and recognize in Other Comprehensive Income changes in fair values on these Investment Securities during the period.

The cumulative unrealized loss from Available for Sale fixed income and equity investments of $1 million (31 December 2014 – $1 million) has been recorded in Accumulated Other Comprehensive Income and has not been recognized as an impairment loss in Net Income.

During the three months ended 31 March 2015, there were no impairment losses (three months ended 31 March 2014 – nil) recognized in Net Income through Net Realized Gains (Losses) and no reversals of previously realized fixed income investment security impairments occurred during the period.

6. LOANS

The following table presents repayments and disbursements for Loans.

	Three months ended 31 March			
	2015		2014	
(in millions)	**Repayments**	**Disbursements**	**Repayments**	**Disbursements**
Designated at Fair Value through Profit or Loss				
Lending Programs	159	22	147	18
Total Designated at Fair Value through Profit or Loss	**159**	**22**	**147**	**18**
Loans and Receivables				
Loans under the IMPP	2,025	-	18,215	-
Loans under the CMB Program	9,750	9,058	9,200	8,972
Lending Programs	160	1	162	4
Total Loans and Receivables	**11,935**	**9,059**	**27,577**	**8,976**
Total	**12,094**	**9,081**	**27,724**	**8,994**

The following table presents the Interest Income related to Loans.

	Three months ended 31 March	
(in millions)	**2015**	**2014**
Designated at Fair Value through Profit or Loss	33	38
Loans and Receivables	1,222	1,389
Total	**1,255**	**1,427**

There has been no change in the fair value of Loans – Designated at Fair Value through Profit or Loss as a result of changes in credit risk. We are assured collection of principal and accrued interest on 99% (31 December 2014 – 99%) of our loans.

Uninsured loans are assessed on a regular basis to determine if an allowance for credit losses is necessary. As at 31 March 2015, an impairment allowance of $23 million has been recorded (31 December 2014 – $22 million).

7. PARLIAMENTARY APPROPRIATIONS AND HOUSING PROGRAMS EXPENSES

We receive parliamentary appropriations to fund the following program expenditures, including Operating Expenses of $29 million (three months ended 31 March 2014 – $27 million), in support of Housing Programs.

	Three months ended 31 March	
(in millions)	2015	2014
Funding Under Long-term Commitments for Existing Social Housing	441	450
Funding for New Commitments of Affordable Housing	176	124
Housing Support	3	2
Market Analysis Information	6	5
Housing Policy, Research and Information Transfer	4	6
Total	**630**	**587**

The following table presents the changes in the Due from the Government of Canada account. The outstanding balance as at 31 March 2015 is mainly composed of Housing Programs Expenses incurred but not yet reimbursed.

	Three months ended 31 March	
(in millions)	2015	2014
Balance at Beginning of Period	285	311
Total Appropriations Recognized in Revenues During the Period	630	587
Total Appropriations Received During the Period	(485)	(535)
Third Party Reimbursements in Excess of Remittance to Government of Canada	3	(1)
Balance at End of Period	**433**	**362**

8. BORROWINGS

The following table presents repayments and issuances for Borrowings.

	Three months ended 31 March			
	2015		2014	
(in millions)	Repayments	Issuances	Repayments	Issuances
Designated at Fair Value through Profit or Loss				
Capital Market Borrowings	-	-	-	-
Borrowings from the Government of Canada	1,164	1,282	606	821
Total Designated at Fair Value through Profit or Loss	**1,164**	**1,282**	**606**	**821**
Other Financial Liabilities				
Canada Mortgage Bonds	9,750	9,058	9,200	8,972
Borrowings from the Government of Canada	2,138	-	18,305	-
Total Other Financial Liabilities	**11,888**	**9,058**	**27,505**	**8,972**
Total	**13,052**	**10,340**	**28,111**	**9,793**

The following table presents the Interest Expense related to Borrowings.

	Three months ended 31 March	
(in millions)	**2015**	**2014**
Designated at Fair Value through Profit or Loss	47	49
Other Financial Liabilities	1,205	1,364
Total	**1,252**	**1,413**

9. PENSION AND OTHER POST-EMPLOYMENT BENEFITS

Information about the defined benefit plans is as follows:

Changes in defined benefit liability in the three month period ended 31 March 2015

(in millions)	1 January 2015	Pension Expense Included in Net Income: Current Service Cost	Interest Cost / Income	Sub-total Included in Net Income	Benefits Paid	Remeasurements of the Net Defined Benefit Plans Included in OCI	Employees' Contributions	CMHC's Contributions	31 March 2015
Pension Benefit Plans									
Defined Benefit Obligation	2,002	8	19	27	(19)	151	3	-	2,164
Fair Value of Plan Assets	1,719	-	16	16	(19)	53	3	21	1,793
Pension Benefit Plans Liability	283	8	3	11	-	98	-	(21)	371
Other Post-employment Benefit Plans									
Defined Benefit Obligation	196	1	2	3	(2)	19	-	-	216
Fair Value of Plan Assets	-	-	-	-	(2)	-	-	2	-
Other Post-employment Benefit Plans Liability	196	1	2	3	-	19	-	(2)	216
Defined Benefit Plans Liability	**479**	**9**	**5**	**14**	**-**	**117**	**-**	**(23)**	**587**

Changes in defined benefit liability in the three month period ended 31 March 2014

(in millions)	1 January 2014	Pension Expense Included in Net Income: Current Service Cost	Interest Cost / Income	Sub-total Included in Net Income	Benefits Paid	Remeasurements of the Net Defined Benefit Plans Included in OCI	Employees' Contributions	CMHC's Contributions	31 March 2014
Pension Benefit Plans									
Defined Benefit Obligation	1,719	6	20	26	(19)	136	4	-	1,866
Fair Value of Plan Assets	1,544	-	19	19	(19)	35	4	24	1,607
Pension Benefit Plans Liability	175	6	1	7	-	101	-	(24)	259
Other Post-employment Benefit Plans									
Defined Benefit Obligation	175	1	2	3	(3)	17	-	-	192
Fair Value of Plan Assets	-	-	-	-	(3)	-	-	3	-
Other Post-employment Benefit Plans Liability	175	1	2	3	-	17	-	(3)	192
Defined Benefit Plans Liability	**350**	**7**	**3**	**10**	**-**	**118**	**-**	**(27)**	**451**

10. MORTGAGE LOAN INSURANCE

Unearned Premiums and Fees

The following table presents the changes in the Unearned Premiums and Fees balance.

(in millions)	Three months ended 31 March 2015	2014
Balance at Beginning of Period	5,575	5,947
Premium Deferred on Contracts Written in the Period	216	204
Premiums Earned in the Period	(370)	(394)
Application Fees Deferred on Contracts Written in the Period	3	3
Application Fees Earned in the Period	(2)	(4)
Balance at End of Period	**5,422**	**5,756**

Provision for Claims

The Provision for Claims includes amounts set aside for Incurred But Not Reported (IBNR) claims, Claims in Process (CIP) and for Social Housing Mortgage and Index Linked Mortgage claims (SH & ILM). The following table presents the changes in the Provision for Claims balance.

	Three months ended 31 March					
	2015			2014		
(in millions)	IBNR & CIP	SH & ILM	Total	IBNR & CIP	SH & ILM	Total
Balance at Beginning of Period	551	227	778	650	219	869
Claims paid During the Period	(92)	(1)	(93)	(102)	-	(102)
Insurance Claims losses During the Period	83	4	87	99	3	102
Balance at End of Period	**542**	**230**	**772**	**647**	**222**	**869**

Insurance-in-force

At 31 March 2015, insurance-in-force, which represents the risk exposure of the Mortgage Loan Insurance Activity, totalled $539 billion (31 December 2014 – $543 billion).

Under Section 11 of the NHA, the total of outstanding insured amounts of all insured loans may not exceed $600 billion (31 December 2014 – $600 billion).

Insurance Policy Liability Adequacy

Liability adequacy tests are performed quarterly by Management and are also performed on an annual basis as part of the Actuarial Valuation. Premium liabilities represent a provision for future claims and expenses which are expected to arise from the unearned portion of the policies in-force. Thus, this provision is for claims that have not yet occurred and therefore, covers the period from the date of the valuation to the date of default (the assumed claim occurrence date).

The liability adequacy test for the Corporation, as at 31 March 2015, has identified that no provision for premium deficiency is required.

11. SECURITIZATION

Guarantees-in-force

The following table presents the total Guarantees-in-force by program, which represents the maximum principal obligation related to the timely payment guarantee.

	As at	
(in billions)	31 March 2015	31 December 2014
NHA MBS[1]	213	213
CMB[2]	208	209
Total	**421**	**422**

[1] Includes nil (31 December 2014 – $0.5 billion) in NHA MBS held as collateral in the IMPP.
[2] Includes $2.4 billion (31 December 2014 – $2.6 billion) in investments which are eliminated on the unaudited Quarterly Consolidated Balance Sheet.

Under Section 15 of the NHA, the aggregate outstanding amount of principal guarantees may not exceed $600 billion (31 December 2014 – $600 billion).

12. INCOME TAXES

The following table presents the components of income tax.

	Three months ended 31 March	
(in millions)	2015	2014
Current Income Tax Expense		
Tax Expense for Current Period	117	127
Deferred Income Tax Expense		
Origination and Reversal of Temporary Differences	(8)	-
Total Income Tax Expense Included in Net Income	**109**	**127**
Income Tax Expense (Recovery) on Other Comprehensive Income (Loss)		
Net Unrealized Gains (Losses) from Available for Sale Financial Instruments	102	124
Reclassification of Prior Year's Net Unrealized (Gains) Losses Realized in the Period	(1)	(4)
Remeasurements of the Net Defined Benefit Plans	(21)	(21)
Total Income Tax Expense Included in Other Comprehensive Income (Loss)	**80**	**99**
Total	**189**	**226**

13. MARKET RISK

Market risk is the risk of adverse financial impact arising from changes in underlying market factors, including interest rates, foreign exchange rates, and equity prices.

Value at Risk (VaR)

Market risk for investment securities in the Mortgage Loan Insurance and Securitization Activities is evaluated through the use of VaR models. VaR is a statistical technique used to measures the maximum potential loss of an investment portfolio over a specified holding period with a given level of confidence. As at 1 January 2015, we changed our VaR methodology to better reflect the potential loss in the event there are extreme movements in our portfolio. Accordingly, the VaR for 31 December 2014 has been restated.

The VaR for the Mortgage Loan Insurance and Securitization Activities as at 31 March 2015, calculated with 95% confidence over a 22 business day holding period is outlined in the table below. VaR is presented separately for individual market risk factors and for the total portfolio. The effect of diversification results from the fact that market risks are not perfectly correlated and, consequently, there is a benefit from investment diversification. The VaR figures are based on one-year of historical prices and correlations of bond and equity markets and 26 weeks of volatility.

(in millions)	As at 31 March 2015	As at 31 December 2014
Investment Securities:		
Available for Sale		
Interest rate risk	257	196
Equity risk	63	65
Effect of Diversification	(63)	(65)
Total VaR	**257**	**196**

Interest Rate Sensitivity

Market risk for the Assisted Housing Activity portfolio of loans, investments, borrowings and swaps is evaluated by measuring their sensitivity to changes in interest rates.

Financial Instruments at Fair Value through Profit or Loss would react to a shift in interest rates as follows:

	As at			
	31 March 2015		31 December 2014	
	Interest Rate Shift		Interest Rate Shift	
(in millions)	-200 bps	+200 bps	-200 bps	+200 bps
Net Unrealized Gains (Losses)	(21)	16	-	-

Loans and borrowings measured at amortized cost are also exposed to interest rate risk. The net impact of a shift in interest rates on their fair value would be as follows:

	As at			
	31 March 2015		31 December 2014	
	Interest Rate Shift		Interest Rate Shift	
(in millions)	-200 bps	+200 bps	-200 bps	+200 bps
Increase (Decrease) to Fair Value of Net Assets	(73)	74	(79)	72

The Assisted Housing Activity's net interest income is also sensitive to interest rate movements. The maximum negative exposure of net interest income, which is limited by our policy to $1.5 million, is $ 0.1 million at 31 March 2015 (31 December 2014 – $0.1 million). This is calculated with 95% confidence over a one-year period.

14. CREDIT RISK

Credit risk is the potential for financial loss arising from failure of a borrower or an institutional counterparty to fulfill its contractual obligations. We are exposed to credit risk from various sources including borrower default through mortgage insurance contracts (refer to Note 10), and institutional counterparty credit risk arising from financial guarantees under NHA MBS and CMB programs (refer to Note 11), lending arrangements (refer to Note 6), fixed income investments and derivative transactions.

Credit risk associated with mortgage loan insurance is managed through prudent product design, underwriting and default management practices, and the establishment of adequate capital reserves.

Credit risk associated with timely payment guarantees is managed through due diligence in approving NHA MBS Issuers, ongoing monitoring of Issuer credit quality and program compliance, and the requirement that all mortgages supporting the NHA MBS be insured against borrower default. We have further mitigated this risk by having been assigned all rights, title and interest in the underlying mortgages so that we have access to principal and interest payments in the event of Issuer default.

Credit risk associated with Loans in the Assisted Housing Activity is in part mitigated through measures that include loan guarantees from other government entities. Losses due to default are largely recoverable from various levels of government.

Under the CMB program, we are exposed to credit-related counterparty risk in the event of default of swap counterparties. This risk is mitigated by transacting with highly rated swap counterparties and collateralization requirements based on credit ratings.

The fair value of the loan collateral held under the CMB program was $217,050 million as at 31 March 2015 (31 December 2014 – $211,980 million). This includes the fair value of swap collateral held and the fair value of NHA MBS and reinvestment securities sold by Canadian financial institutions to us. The fair value of collateral held under the IMPP program was nil as at 31 March 2015 (31 December 2014 – $2,026 million).

Credit risk associated with fixed income investments and derivatives is managed through the implementation of policies which include minimum counterparty credit ratings and investment portfolio diversification limits by issuer, credit rating, term and by industry sector, and through the use of appropriate legal agreements and collateralization requirements for derivatives.

Financial collateral is collected from swap counterparties to mitigate credit risk related to derivative transactions. We have the right, in the event of default, to liquidate and apply financial collateral held against amounts due from swap counterparties. There was no swap collateral as at 31 March 2015 (31 December 2014 - $1 million).

15. SEGMENTED INFORMATION

As described in Note 1, the unaudited Quarterly Consolidated Financial Statements include the Assisted Housing, Mortgage Loan Insurance and Securitization Activities, each of which provides different programs in support of our objectives. The accounts for CHT, a separate legal entity, are included within the Securitization Activity. The financial results of each activity are determined using the accounting policies described in Note 2 of our 2014 Annual Report. The Assisted Housing Activity includes certain corporate items that are not allocated to each activity. Revenues are attributed to, and assets are located in, Canada.

Revenues for the reportable segments are generated as follows:

- Assisted Housing revenues are earned from parliamentary appropriations and interest income on loans;
- Mortgage Loan Insurance revenues are earned from premiums, fees and investment income; and
- Securitization revenues are earned from guarantee fees, investment income and interest income on loans.

Three months ended 31 March	Assisted Housing		Mortgage Loan Insurance		Securitization		Eliminations		Total	
(in millions)	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Parliamentary Appropriations for Housing Programs	630	587	-	-	-	-	-	-	630	587
Premiums and Fees Earned	-	-	375	400	60	59	-	-	435	459
Net Interest Income										
Interest Income										
Loans	109	122	-	-	1,146	1,305	-	-	1,255	1,427
Other	19	16	-	-	-	-	(1)	(2)	18	14
	128	138	-	-	1,146	1,305	(1)	(2)	1,273	1,441
Interest Expense	128	135	-	-	1,143	1,302	(19)	(24)	1,252	1,413
	-	3	-	-	3	3	18	22	21	28
Investment Income	-	-	137	149	10	8	(12)	(10)	135	147
Net Realized Gains (Losses)	-	-	4	56	1	-	-	(9)	5	47
Net Unrealized Gains (Losses)	6	-	1	16	-	-	1	1	8	17
Other Income	4	4	-	2	17	20	-	-	21	26
TOTAL REVENUES AND PARLIAMENTARY APPROPRIATIONS	**640**	**594**	**517**	**623**	**91**	**90**	**7**	**4**	**1,255**	**1,311**
EXPENSES										
Housing Programs	630	587	-	-	-	-	-	-	630	587
Insurance Claims	-	-	87	102	-	-	-	-	87	102
Operating Expenses	5	5	56	57	26	27	-	-	87	89
	635	592	143	159	26	27	-	-	804	778
INCOME BEFORE INCOME TAXES	**5**	**2**	**374**	**464**	**65**	**63**	**7**	**4**	**451**	**533**
Income Taxes	-	(2)	91	112	16	16	2	1	109	127
NET INCOME (LOSS)	**5**	**4**	**283**	**352**	**49**	**47**	**5**	**3**	**342**	**406**
Total Revenues and Parliamentary Appropriations	640	594	517	623	91	90	7	4	1,255	1,311
Inter-segment Revenues[1]	-	(1)	(12)	(19)	19	24	(7)	(4)	-	-
External Revenues and Parliamentary Appropriations	640	593	505	604	110	114	-	-	1,255	1,311

[1] Inter-segment Revenues relate to the following:

- the Mortgage Loan Insurance Activity recognizes revenues from investing in holdings of Canada Mortgage Bonds, and recognizes revenues from investing in holdings of Capital Market Borrowings; and
- the Assisted Housing Activity recognizes revenues from investing in holdings of Canada Mortgage Bonds.

As at 31 March 2015 and 31 December 2014	Assisted Housing		Mortgage Loan Insurance		Securitization		Eliminations[1]		Total	
(in millions)	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
ASSETS										
Cash and Cash Equivalents	1,272	978	464	1,190	1	1	-	-	1,737	2,169
Securities Purchased Under Resale Agreements	361	126	-	-	-	-	-	-	361	126
Investment Securities:										
Designated at Fair Value through Profit or Loss	1,042	1,194	89	87	1	1	(101)	(222)	1,031	1,060
Available for Sale	-	-	22,625	21,939	2,325	2,223	(2,335)	(2,350)	22,615	21,812
Held for Trading	-	-	-	-	-	-	-	-	-	-
Loans:										
Designated at Fair Value through Profit or Loss	5,377	5,503	-	-	-	-	-	-	5,377	5,503
Loans and Receivables	4,305	4,432	-	-	208,801	211,512	-	-	213,106	215,944
Accrued Interest Receivable	156	211	160	103	1,040	411	(17)	(6)	1,339	719
Derivatives	140	105	-	-	-	-	-	-	140	105
Due from the Government of Canada	433	285	-	-	-	-	-	-	433	285
Accounts Receivable and Other Assets	275	273	460	446	42	48	-	-	777	767
	13,361	13,107	23,798	23,765	212,210	214,196	(2,453)	(2,578)	246,916	248,490
LIABILITIES										
Securities Sold Under Repurchase Agreements	-	-	220	325	-	-	-	-	220	325
Borrowings:										
Designated at Fair Value through Profit or Loss	7,880	7,691	-	-	-	-	(14)	(14)	7,866	7,677
Other Financial Liabilities	4,419	4,533	-	-	208,801	211,512	(2,264)	(2,433)	210,956	213,612
Accrued Interest Payable	119	123	-	-	1,023	404	(17)	(6)	1,125	521
Derivatives	37	31	-	-	-	-	-	-	37	31
Accounts Payable and Other Liabilities	526	340	51	325	5	8	-	-	582	673
Defined Benefit Plans Liability	227	190	351	284	9	5	-	-	587	479
Provision for Claims	-	-	772	778	-	-	-	-	772	778
Unearned Premiums and Fees	-	-	5,422	5,575	588	592	-	-	6,010	6,167
Deferred Income Tax Liabilities	(5)	8	49	60	25	10	(42)	(33)	27	45
	13,203	12,916	6,865	7,347	210,451	212,531	(2,337)	(2,486)	228,182	230,308
EQUITY OF CANADA	158	191	16,933	16,418	1,759	1,665	(116)	(92)	18,734	18,182
	13,361	13,107	23,798	23,765	212,210	214,196	(2,453)	(2,578)	246,916	248,490

[1] The Balance Sheet Eliminations remove inter-segment holdings of Canada Mortgage Bonds and Capital Market Borrowings, as well as inter-segment receivables/payables.

16. RELATED PARTY TRANSACTIONS

We pay the Government of Canada fees in recognition of the Government's financial backing of the Mortgage Loan Insurance and Securitization Activities. The fees, which are recorded in Operating Expenses, amount to $3 million (three months ended 31 March 2014 – $3 million) for the Securitization Activity and $2.6 million (three months ended 31 March 2014 – $0.2 million) for the Mortgage Loan Insurance Activity.

All other material related party transactions and outstanding balances are disclosed in relevant notes.

17. CONTINGENT LIABILITIES

There are legal claims of $24 million (31 December 2014 – $24 million) against CMHC. Due to the uncertainty of the outcome of these claims, no provision for loss has been recorded. We do not expect the ultimate resolution of any of the proceedings to which we are party to have a significant adverse effect on our financial position.

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