CANADA MORTGAGE AND HOUSING CORPORATION

Quarterly Financial Report

THIRD QUARTER

September 30, 2015

(Unaudited)

Canada

CMHC SCHL

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MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations as approved by the Audit Committee on 18 November 2015 is prepared for the third quarter ended 30 September 2015 and is intended to provide readers with an overview of our performance including comparatives against the prior quarter and the same quarter and nine-month period 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 and Outlook for 2015" and "Financial Results by Reportable Business Segment" 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 quarter or year-to-date period.

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 26 October 2015)

Canadian economic growth in 2015 has been impacted negatively by the prolonged decline in oil prices. Uncertainty regarding oil prices and weaker-than-expected demand for Canada`s exports have been reflected by downward revisions in the consensus among private sector forecasters for growth in 2015[1]. The consensus helps guide CMHC's views regarding economic activity. According to the latest consensus forecast:

- Real Canadian Gross Domestic Product (GDP) is forecast to increase between 0.8 and 1.3 per cent in 2015 and between 1.4 and 2.3 per cent in 2016.
- The overall Canadian unemployment rate will decrease marginally, while remaining between 6.7 and 7.0 per cent in 2015 and within a range of 6.5 to 7.1 per cent in 2016 compared to 6.9 per cent in 2014.

The weakness in economic growth has not been reflected in national housing market indicators such as housing starts and MLS®[2] price.

In 2015, housing activity increased in provinces such as Ontario and British Columbia due to declining energy prices, a lower Canadian dollar, and continued low mortgage rates. These increases offset slowdowns in oil-producing provinces like Alberta. However, this counterbalancing effect will decrease over time and as such housing starts and MLS® sales are projected to moderate in 2016. Growth in housing starts will moderate due to slower housing demand and inventory management of new and unsold multi-family units, while growth in MLS® price will moderate as buyers favour moderately priced homes. In CMHC's fourth quarter 2015 Housing Market Outlook, housing starts are expected to be between 153,000 and 203,000 units in 2016 with a point forecast of 178,150 units. MLS® sales in 2016 are anticipated to range from 425,000 to 534,000 units with a point forecast of 479,500 units. MLS® price is forecast to range from $420,000 and $466,000 in 2016 with a point forecast of $443,300.

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

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 feature 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 per cent down-payment. Effective 1 June 2015, mortgage loan insurance premiums for these homebuyers increased by approximately 15 per cent.

[1] Consensus Economics' survey of private sector forecasters, as of 7 September 2015.
[2] Multiple Listing Service® (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

There were 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). 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) increased. These actions 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 Canada Mortgage Bond 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	**Q3 2015**	**Q2 2015**	**Q1 2015**	**Q4 2014**	**Q3 2014**	**Q2 2014**	**Q1 2014**	**Q4 2013**
Total Assets	255,897	249,968	246,916	248,490	246,557	251,274	253,081	270,051
Total Liabilities	236,708	230,998	228,182	230,308	228,933	234,125	236,570	254,213
Total Equity of Canada	19,189	18,970	18,734	18,182	17,624	17,149	16,511	15,838
Total Revenues	1,107	1,127	1,255	1,875	1,811	1,202	1,311	1,426
Total Expenses (including Income Taxes)	727	779	913	997	905	767	905	873
Net Income	380	348	342	878	906	435	406	553
ASSISTED HOUSING								
Parliamentary Appropriations for Housing Programs Expenses	463	480	630	498	435	490	587	538
Net Income	12	2	5	2	46	-	4	63
Total Equity of Canada	188	198	158	191	187	151	158	192
MORTGAGE LOAN INSURANCE								
Insurance-in-force ($B)	525	534	539	543	546	551	555	557
Total Insured Volumes	14,948	16,440	9,293	14,455	16,045	15,769	9,328	14,457
Premiums and Fees Received	428	393	220	328	409	372	206	321
Premiums and Fees Earned	398	400	375	440	425	423	400	457
Claims Paid	76	88	90	94	114	87	95	100
Insurance Claims	53	98	87	83	85	58	102	71
Net Income	326	295	283	821	812	389	352	432
Loss Ratio	13.3 %	24.5 %	23.2 %	18.9 %	20.0 %	13.7 %	25.5 %	15.5 %
Operating Expense Ratio	14.3 %	14.5 %	14.9 %	18.9 %	13.9 %	11.8 %	14.3 %	12.5 %
Combined Ratio	27.6 %	39.0 %	38.1 %	37.8 %	33.9 %	25.5 %	39.8 %	28.0 %
Severity Ratio	29.5 %	29.5 %	30.2 %	27.1 %	33.0 %	27.7 %	28.3 %	28.9 %
Return on Equity	7.6 %	6.9 %	6.8 %	13.2 %	13.0 %	10.2 %	9.6 %	12.3 %
Return on Capital Holding Target	13.4 %	11.9 %	11.4 %	24.1 %	20.2 %	14.7 %	13.3 %	16.8 %
Capital Available to Minimum Capital Required (% MCT)	345 %	337 %	331 %	343 %	294 %	272 %	264 %	250 %
% Estimated Outstanding Canadian Residential Mortgages with CMHC Insurance Coverage ($)	39.8 %	41.2 %	42.1 %	42.7 %	43.7 %	44.8 %	45.3 %	45.6 %
SECURITIZATION								
Guarantees-in-force ($B)	426	420	421	422	404	402	400	398
Securities Guaranteed	31,923	24,598	23,124	40,356	30,393	24,389	22,505	20,522
Guarantee and Application Fees Received	125	98	55	88	73	59	53	49
Guarantee and Application Fees Earned	68	61	60	66	61	59	59	59
Net Income	54	49	49	53	48	49	47	49
Operating Expense Ratio	12.3 %	12.1 %	11.9 %	11.2 %	11.2 %	10.3 %	10.7 %	11.3 %
Return on Equity	12.0 %	11.1 %	11.4 %	13.1 %	12.4 %	13.1 %	13.1 %	14.2 %
Return on Required Capital	17.8 %	16.5 %	16.9 %	18.8 %	21.0 %	24.1 %	23.3 %	n.a.
Capital Available to Capital Required	157 %	158 %	159 %	157 %	152 %	209 %	199 %	182 %
% Estimated Outstanding Canadian Residential Mortgages with CMHC Securitization Guarantee ($)	32.5 %	33.1 %	33.7 %	32.8 %	32.5 %	32.5 %	32.0 %	31.1 %

CONDENSED CONSOLIDATED FINANCIAL RESULTS

Condensed Consolidated Balance Sheet

(in millions)	As at 30 September 2015	As at 31 December 2014
Total Assets	255,897	248,490
Total Liabilities	236,708	230,308
Total Equity of Canada	19,189	18,182

Total Assets

Total Assets were $255,897 million as at 30 September 2015, an increase of $7,407 million (3.0%) from 31 December 2014 due to higher Loans, Accrued Interest Receivable, Investment Securities, Accounts Receivable and Other Assets and Securities Purchased Under Resale Agreements (SPURA), partially offset by lower Cash and Cash Equivalents.

Loans increased by $6,703 million (3.0%) due to net purchases of NHA mortgage backed securities in the CMB program, partially offset by the maturity of the IMPP in Q1 2015. Loan repayments in Assisted Housing outpaced new loans issued, also partially offsetting the increase in Loans.

Accrued Interest Receivable increased by $637 million (88.6%) due to the timing of interest payments on the Loans in the CMB program.

Accounts Receivable and Other Assets increased by $289 million (37.7%) primarily due to 2015 tax instalments paid.

Cash and Cash Equivalents, Investment Securities and SPURA together decreased by $229 million (0.9%) due to a decline in Cash and Cash Equivalents, partially offset by increases in Investment Securities and SPURA. The decline in Cash and Cash Equivalents is primarily due to the implementation of the new investment asset mix resulting in the rebalancing from money market instruments to bond investments. This rebalancing caused an increase in Investment Securities, which, along with SPURA, also increased due to the investment of cash flows from operations. Partially offsetting the increase in Investment Securities were larger holdings of Canada Housing Trust (CHT) CMB, inter-company investments, that are eliminated from the Consolidated Balance Sheet.

Total Liabilities

Total Liabilities were $236,708 million as at 30 September 2015, an increase of $6,400 million (2.8%) from 31 December 2014 due to higher Borrowings and Accrued Interest Payable, partially offset by lower Accounts Payable and Other Liabilities.

Borrowings increased by $6,202 million (2.8%) due to net issuances of CMB, partially offset by the maturity of the IMPP in Q1 2015, a net repayment of Assisted Housing Borrowings and an increase in CMB eliminated from the Consolidated Balance Sheet as explained above.

Accrued Interest Payable increased by $580 million (111.3%) due to the timing of interest payments for CMBs.

Accounts Payable and Other Liabilities decreased by $265 million (39.4%) due to the payment of the income taxes payable as at 31 December 2014.

Total Equity of Canada

Total Equity of Canada was $19,189 million as at 30 September 2015, an increase of $1,007 million (5.5%) from 31 December 2014 due to the Comprehensive Income recognized in 2015.

Condensed Consolidated Statement of Income and Comprehensive Income

(in millions)	Three months ended 30 Sept 2015	Three months ended 30 June 2015	Three months ended 30 Sept 2014	Nine months ended 30 Sept 2015	Nine months ended 30 Sept 2014
Total Revenues	1,107	1,127	1,811	3,489	4,324
Total Expenses	604	668	610	2,076	2,016
Income Taxes	123	111	295	343	561
Net Income	380	348	906	1,070	1,747
Other Comprehensive Income (Loss)	(161)	(112)	(431)	(63)	39
Comprehensive Income	219	236	475	1,007	1,786

Total Revenues

Q3 2015 vs. Q2 2015

Total Revenues decreased by $20 million (1.8%) from the prior quarter primarily due to lower Net Realized Gains (Losses) and Parliamentary Appropriations for Housing Programs, partially offset by higher Net Unrealized Gains (Losses).

Net Realized Gains (Losses) decreased by $25 million (625.0%) primarily due to losses on the retirement of debt recognized on our purchases of CHT CMB.

Parliamentary Appropriations for Housing Programs decreased by $17 million (3.5%) primarily due to the timing of expenditures under the Investment in Affordable Housing (IAH).

Net Unrealized Gains (Losses) increased by $8 million (400.0%) primarily due to a decrease in interest rates.

Q3 2015 vs. Q3 2014

Total Revenues decreased by $704 million (38.9%) from the same quarter last year due to lower Net Realized Gains (Losses), Net Unrealized Gains (Losses) and Investment Income, partially offset by higher Parliamentary Appropriations for Housing Programs.

Net Realized Gains (Losses) decreased by $644 million (103.4%) primarily due to the transition to the new investment asset mix in the Mortgage Loan Insurance Activity which began in Q3 2014 and resulted in a significant volume of investment security sales in that quarter. In addition, there is lower trading activity under the new asset mix resulting in lower realized gains in the current period.

Net Unrealized Gains (Losses) decreased by $53 million (84.1%) due to the reversal of a deferred net gain on direct lending borrowings and loans recorded in the 2014 period.

Investment Income decreased by $23 million (14.1%) due to the new investment asset mix in the Mortgage Loan Insurance Activity and lower bond yields. The investment portfolio is more heavily weighted in fixed income investments with shorter durations and lower yields, resulting in a decrease in interest income earned in comparison to the same quarter last year. Dividend income earned also declined as our equity investments decreased significantly.

Parliamentary Appropriations for Housing Programs increased by $28 million (6.4%) primarily due to the timing of expenditures under the IAH.

YTD 2015 vs. YTD 2014

Total Revenues decreased by $835 million (19.3%) from the same nine-month period last year due to lower Net Realized Gains (Losses), Premiums and Fees Earned and Investment Income, partially offset by higher Parliamentary Appropriations for Housing Programs.

Net Realized Gains (Losses) decreased by $779 million (101.6%) primarily due to the transition to the new investment asset mix as previously explained.

Premiums and Fees Earned decreased by $65 million (4.6%) primarily due to declining volumes in the Mortgage Loan Insurance Activity over the past several years, partially offset by the increases in premium pricing fees implemented in 2014 and 2015.

Investment Income decreased by $55 million (11.8%) due to the new investment asset mix and lower bond yields, as previously explained.

Parliamentary Appropriations for Housing Programs increased by $61 million (4.0%) mainly due to the timing of expenditures under the IAH, partially offset by the timing of expenditures for affordable housing in Nunavut.

Total Expenses

Q3 2015 vs. Q2 2015

Total Expenses decreased by $64 million (9.6%) from the prior quarter due to lower Insurance Claims and Housing Programs Expenses. Insurance Claims decreased by $45 million (45.9%), largely attributable to an active real estate market with strong resale prices, along with continued ageing of the book of business. Housing Programs Expenses decreased by $17 million (3.5%) due to the timing of expenditures under the IAH.

Q3 2015 vs. Q3 2014

Total Expenses decreased by $6 million (1.0%) from the same quarter last year due to lower Insurance Claims, partially offset by higher Housing Programs Expenses.

Insurance Claims decreased by $32 million (37.6%), largely attributable to improved economic conditions that continue to drive an active real estate market with strong resale prices.

Housing Programs Expenses increased by $28 million (6.4%) primarily due to the timing of expenditures under the IAH.

YTD 2015 vs. YTD 2014

Total Expenses increased by $60 million (3.0%) from the same nine-month period last year primarily due to higher Housing Programs Expenses, which increased by $61 million (4.0%) due to the timing of expenditures under the IAH, partially offset by the timing of expenditures for affordable housing in Nunavut.

Net Income

Q3 2015 vs. Q2 2015

Net Income increased by $32 million (9.2%) from the prior quarter primarily due to lower Insurance Claims expenses, partially offset by lower Net Realized Gains (Losses), as previously explained.

Q3 2015 vs. Q3 2014 and YTD 2015 vs. YTD 2014

Net Income decreased by $526 million (58.1%) and $677 million (38.8%) from the same quarter and nine-month period last year, respectively, primarily due to lower Net Realized Gains (Losses). There were large gains in the last two quarters of 2014 realized on the transition to the new investment asset mix in the Mortgage Loan Insurance Activity, as previously explained.

Other Comprehensive Income (Loss)

Q3 2015 vs. Q2 2015

Other Comprehensive Loss increased by $49 million (43.8%) from the prior quarter due to a charge for Remeasurements of the Net Defined Benefit Plans, partially offset by increased Net Unrealized Gains (Losses) from Available for Sale Financial Instruments.

Remeasurements of the Net Defined Benefit Plans resulted in a decrease of $57 million in Other Comprehensive Income, a $154 million (158.8%) decrease from the $97 million positive remeasurement in the prior quarter. This decrease was primarily due to negative investment returns in the fund during the quarter. In addition, the liability discount rate stayed steady for the three months ending 30 September 2015, whereas there was an increase in the discount rate in the prior quarter. The prior quarter rate increase generated an actuarial gain which offset the impact of declining return in that period.

Net Unrealized Gains (Losses) from Available for Sale Financial Instruments (net of tax) resulted in a decrease of $102 million in Other Comprehensive Income (Loss), a $104 million (50.5%) smaller decrease than the prior quarter primarily due to a smaller decline in fair value of the bond portfolio. The prior quarter experienced a sharper increase in bond yields, particularly within the Provincial sector, as compared to the current quarter which created losses in the bond portfolio. Offsetting this was a decrease in the equity portfolio due to the poor performance of equity markets in Q3 2015.

Q3 2015 vs. Q3 2014

Other Comprehensive Loss decreased by $270 million (62.6%) from the same quarter last year due to a lower Reclassification of Prior Years' Net Unrealized (Gains) Losses Realized in the Period, partially offset by an increased charge for Remeasurements of the Net Defined Benefit Plans.

Reclassification of Prior Years' Net Unrealized (Gains) Losses Realized in the Period (net of tax) decreased by $302 million (99.3%) primarily due to the transition to the new investment asset mix in the Mortgage Loan Insurance Activity which began in Q3 2014. This resulted in a significant volume of investment security sales in Q3 2014 of instruments that no longer fit the new asset mix. In addition, there is lower trading activity under the new asset mix resulting in lower realized gains.

Remeasurements of the Net Defined Benefit Plans resulted in a decrease of $57 million in Other Comprehensive Income, a $30 million (111.1%) greater decrease from the same quarter last year. This decrease was primarily due to negative investment returns in the fund during the current quarter.

YTD 2015 vs. YTD 2014

Other Comprehensive Loss increased by $102 million (261.5%) from the same nine-month period last year due to lower Net Unrealized Gains (Losses) from Available for Sale Financial Instruments, partially offset by a lower Reclassification of Prior Years' Net Unrealized (Gains) Losses Realized in the Period and a lower charge for Remeasurements of the Net Defined Benefit Plans.

Net Unrealized Gains (Losses) from Available for Sale Financial Instruments (net of tax) decreased by $529 million (100.0%) primarily due to lower unrealized gains on the bond portfolio on a smaller decline in year-to-date bond yields compared to 2014. Also contributing to the decrease were unrealized losses on the equity portfolio due to much weaker equity markets in the current year.

Reclassification of Prior Years' Net Unrealized (Gains) Losses Realized in the Period (net of tax) decreased by $340 million (98.0%) primarily due to the transition to the new investment asset mix in the Mortgage Loan Insurance Activity as previously explained.

Remeasurements of the Net Defined Benefit Plans resulted in a decrease of $56 million in Other Comprehensive Income, an $87 million (60.8%) smaller decrease than in the same nine-month period last year as a result of liability discount rate movements. The liability discount rate stayed steady for the nine months ending 30 September 2015, whereas there was a decrease in the discount rate in the prior period. The prior period rate decrease generated an actuarial loss whereas current period actuarial losses were caused by negative investment returns within the fund.

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			Nine months ended	
(in millions)	30 Sept 2015	30 June 2015	30 Sept 2014	30 Sept 2015	30 Sept 2014
Parliamentary Appropriations for Housing Programs	463	480	435	1,573	1,512
Net Interest Income	5	-	1	5	5
Other Income	14	7	66	31	72
Total Revenues	**482**	**487**	**502**	**1,609**	**1,589**
Housing Programs Expenses	463	480	435	1,573	1,512
Operating Expenses	5	6	5	16	14
Total Expenses	**468**	**486**	**440**	**1,589**	**1,526**
Income before Income Taxes	**14**	**1**	**62**	**20**	**63**
Income Taxes	2	(1)	16	1	13
Net Income	**12**	**2**	**46**	**19**	**50**

Total Revenues, Total Expenses and Net Income

Q3 2015 vs. Q2 2015

Total Revenues decreased by $5 million (1.0%) from the prior quarter due to lower Parliamentary Appropriations for Housing Programs, partially offset by higher Other Income.

Appropriations spending related to Housing Programs Expenses decreased by $17 million (3.5%) from the prior quarter mainly due to the timing of expenditures under the IAH.

Other Income increased by $7 million (100.0%) as a result of unrealized gains on financial instruments caused by a decrease in interest rates.

Net Income increased by $10 million (500.0%) from the prior quarter primarily due to higher Other Income, as explained above.

Q3 2015 vs. Q3 2014

Total Revenues decreased by $20 million (4.0%) from the same quarter last year due to lower Other Income, partially offset by higher Parliamentary Appropriations for Housing Programs.

Other Income decreased $52 million (78.8%) primarily due to the reversal of a deferred net gain on direct lending borrowings and loans recorded in the 2014 period.

Appropriations spending related to Housing Programs Expenses increased by $28 million (6.4%) primarily due to the timing of expenditures under the IAH.

Net Income decreased by $34 million (73.9%) from the same quarter last year primarily due to lower Other Income, as explained above.

YTD 2015 vs. YTD 2014

Total Revenues increased by $20 million (1.3%) from the same nine-month period last year due to higher Parliamentary Appropriations for Housing Programs, partially offset by lower Other Income.

Appropriations spending related to Housing Programs Expenses increased by $61 million (4.0%) mainly due to the timing of expenditures under the IAH, partially offset by the timing of expenditures for affordable housing in Nunavut.

Other Income decreased by $41 million (56.9%) due to the reversal of a deferred net gain in the 2014 period as previously explained.

Net Income decreased by $31 million (62.0%) from the same nine-month period last year primarily due to lower Other Income, as explained above.

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)	**30 September 2015**	**31 December 2014**
Reserve Fund	135	143
Retained Earnings	28	23
Total Lending Programs Capital Available	**163**	**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.

	Nine months ended 30 September	
(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	(1,083)	(1,172)
2015/16 (2014/15) portions recognized in 2015 (2014)	**943**	**925**
Total appropriations recognized – nine months ended 30 September	**1,573**	**1,512**

Total appropriations approved by Parliament for fiscal year 2015/16 are $2,026 million. The total spending against the reference level as at 30 September 2015 was $943 million (46.5%).

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			Nine months ended	
	30 Sept 2015	30 June 2015	30 Sept 2014	30 Sept 2015	30 Sept 2014
Insurance-in-force ($B)	**525**	**534**	**546**	**525**	**546**
Transactional Homeowner	278	279	286	278	286
Portfolio	192	200	206	192	206
Multi-unit Residential	55	55	54	55	54
Total Insured Volumes (units)	**80,364**	**82,878**	**83,113**	**213,472**	**226,264**
Transactional Homeowner	47,267	50,007	53,292	122,438	135,365
Portfolio	5,071	11,684	5,980	24,630	18,847
Multi-unit Residential	28,026	21,187	23,841	66,404	72,052
Total Insured Volumes ($M)	**14,948**	**16,440**	**16,045**	**40,681**	**41,142**
Transactional Homeowner	11,891	11,771	13,125	29,667	32,125
Portfolio	1,221	3,238	1,424	6,539	4,589
Multi-unit Residential	1,836	1,431	1,496	4,475	4,428
Premiums and Fees Received	**428**	**393**	**409**	**1,041**	**987**
Transactional Homeowner	343	323	347	829	799
Portfolio	6	15	6	33	21
Multi-unit Residential	79	55	56	179	167
Claims Paid	**76**	**88**	**114**	**254**	**296**
Transactional Homeowner	67	77	90	225	261
Portfolio	6	6	8	17	18
Multi-unit Residential	3	5	16	12	17

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.

Insurance-in-force was $525 billion as at 30 September 2015, an $18 billion (3.3%) decrease from 31 December 2014. New loans insured were $41 billion, while estimated loan amortization and pay-downs were $59 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).

Potential impact on residential mortgage loans in the event of an economic downturn

We actively manage and monitor the quality of our insurance-in-force portfolio. Operating within a robust capital management framework, we estimate prudent reserves to cover future losses and payments, and hold capital levels well above our Internal Capital Target of 205% of the minimum capital required.

Economic and market developments are continually monitored and regular stress testing is performed to ensure that we continue to hold sufficient capital to survive relatively severe scenarios. Results from our 2015 stress testing exercise indicate that our Holding Capital Target of 220% MCT would allow us to weather a 2008 US style downturn (i.e. 5 percentage points increase in unemployment and a 30% house price decline) without going below 100% of the minimum capital required.

Insured Volumes

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

Q3 2015 vs. Q2 2015

Our total insured volumes for the third quarter of 2015 were 80,364 units, 2,514 units (3.0%) lower than the prior quarter primarily as a result of seasonality; the second quarter represents the spring period, typically the most active season for mortgage insurance business.

- Transactional Homeowner volumes decreased by 2,740 units (5.5%), with purchase and refinance units decreasing by 4.8% and 12.2%, respectively, on seasonally lower volumes.
- Portfolio volumes decreased by 6,613 units (56.6%) primarily due to the timing of lender take-up of the portfolio insurance product which is highly variable. CMHC limits access to its portfolio insurance product through an allocation process. For 2015, a total annual limit of $9 billion, consistent with 2014, was distributed among lenders.
- Multi-unit Residential volumes increased by 6,839 units (32.3%), with purchase and refinance units increasing by 11.8% and 38.5%, respectively. Multi-unit residential volumes are highly variable on a quarterly basis.

Q3 2015 vs. Q3 2014

Our total insured volumes in the third quarter of 2015 were 80,364 units, 2,749 units (3.3%) lower than in the same quarter last year primarily as a result of the decrease in Transactional Homeowner volumes, partially offset by increased Multi-unit Residential volumes.

- Transactional Homeowner volumes decreased by 6,025 units (11.3%), with purchase and refinance units decreasing by 9.8% and 24.6%, respectively, primarily as a result of decreasing market share.
- Portfolio volumes decreased by 909 units (15.2%) as the portfolio insurance demand was lower in Q3 2015 compared to the same quarter in 2014.
- Multi-unit Residential volumes increased by 4,185 units (17.6%) primarily due to increases in Multi-unit Residential refinance transactions.

YTD 2015 vs. YTD 2014

Our total insured volumes for the first nine months of 2015 were 213,472 units, 12,792 units (5.7%) lower than in the same nine-month period last year as a result of decreases in Transactional Homeowner and Multi-unit Residential business, partially offset by increased Portfolio volumes.

- Transactional Homeowner volumes decreased by 12,927 units (9.5%), with purchase and refinance units decreasing by 7.8% and 23.8%, respectively, primarily as a result of decreasing market share.
- Portfolio volumes increased by 5,783 units (30.7%) due to the timing of lender take-up of the portfolio insurance product which is highly variable. CMHC limits access to its portfolio insurance product through an allocation process. A total annual allocation of $9 billion (2014 - $9 billion) was distributed among lenders, of which $6,539 million, or 72.7%, was used at 30 September 2015 (30 September 2014 - $4,589 million, or 51.0%).
- Multi-unit Residential volumes decreased by 5,648 units (7.8%) with purchase and refinance units decreasing by 14.3% and 5.9%, respectively.

Premiums and Fees Received

Q3 2015 vs. Q2 2015

Premiums and Fees Received increased by $35 million (8.9%) from the prior quarter primarily as a result of the premium pricing fee increases implemented on 1 June 2015.

Q3 2015 vs. Q3 2014

Premiums and Fees Received increased by $19 million (4.6%) from the same quarter last year due to higher Multi-unit Residential volumes on increased refinance transactions, partially offset by lower Transactional Homeowner premiums and fees received. For Transactional Homeowner, the premium increases which came into effect on 1 May 2014 and 1 June 2015 were more than offset by a decline in volumes.

YTD 2015 vs. YTD 2014

Premiums and Fees Received increased by $54 million (5.5%) from the same nine-month period last year mainly due to the increases in Transactional Homeowner premiums which came into effect on 1 May 2014 and 1 June 2015, which more than offset the decline in volumes. Portfolio and Multi-unit Residential fees received were also up on increased volumes.

Claims Paid and Arrears

Q3 2015 vs. Q2 2015 and Q3 2015 vs. Q3 2014 and YTD 2015 vs. YTD 2014

Claims Paid decreased by $12 million (13.6%), $38 million (33.3%) and $42 million (14.2%) from the prior quarter, the same quarter last year and the same nine-month period last year, respectively, primarily due to economic conditions that continue to drive an active real estate market with strong resale prices.

	As at			
	30 September 2015		31 December 2014	
	No. of Loans in Arrears	Arrears Rate	No. of Loans in Arrears	Arrears Rate
Transactional Homeowner	7,302	0.51 %	7,586	0.52 %
Portfolio	1,912	0.15 %	1,988	0.15 %
Multi-unit Residential	131	0.61 %	137	0.62 %
Total	**9,345**	**0.35 %**	**9,711**	**0.35 %**

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

Our overall arrears rate as at 30 September 2015 was 0.35%, consistent with 31 December 2014. The total number of loans in arrears was 9,345 at 30 September 2015, a 366 unit (3.8%) decrease from 31 December 2014.

Transactional Homeowner arrears represented 78% of the total arrears volumes, Portfolio represented 21% and Multi-unit Residential represented 1%. Recent limitations on portfolio insurance will result in a change in the mix of loans insured by CMHC going forward. As Portfolio arrears rates are lower than Transactional Homeowner arrears rates, our overall arrears rate is expected to increase over time.

FINANCIAL ANALYSIS

	Three months ended			Nine months ended	
(in millions, unless otherwise indicated)	30 Sept 2015	30 June 2015	30 Sept 2014	30 Sept 2015	30 Sept 2014
Premiums and Fees Earned	398	400	425	1,173	1,248
Investment Income	142	141	166	420	474
Other Income	3	5	628	13	742
Total Revenues	**543**	**546**	**1,219**	**1,606**	**2,464**
Insurance Claims	53	98	85	238	245
Operating Expenses	57	58	59	171	166
Total Expenses	**110**	**156**	**144**	**409**	**411**
Income before Income Taxes	**433**	**390**	**1,075**	**1,197**	**2,053**
Income Taxes	107	95	263	293	500
Net Income	**326**	**295**	**812**	**904**	**1,553**

Total Revenues

Q3 2015 vs. Q2 2015

Total Revenues of $543 million were relatively consistent with the prior quarter.

Q3 2015 vs. Q3 2014 and YTD 2015 vs. YTD 2014

Total Revenues decreased by $676 million (55.5%) and $858 million (34.8%) from the same quarter and nine-month period last year, respectively, primarily due to lower Other Income. Other Income was higher in the prior-year periods primarily due to the transition to the new investment asset mix which began in Q3 2014 and resulted in a significant sale of equity and debt securities. In addition, there is lower trading activity under the new asset mix, resulting in lower realized gains.

Premiums and Fees Earned decreased by $27 million (6.4%) and $75 million (6.0%) from the same quarter and nine-month period last year, respectively, reflecting declining volumes over the past several years, partially offset by the increase in premium pricing implemented in 1 May 2014 and 1 June 2015.

Total Expenses

Q3 2015 vs. Q2 2015 and Q3 2015 vs. Q3 2014

Total Expenses decreased by $46 million (29.5%) and $34 million (23.6%) from the prior quarter and the same quarter last year, respectively, due to lower Insurance Claims. The decrease in Insurance Claims was caused by lower claim costs paid to lenders, largely attributable to an active real estate market with strong resale prices. Continued ageing of the book of business also contributed to the decrease in Insurance Claims from the prior quarter.

YTD 2015 vs. YTD 2014

Total Expenses were relatively consistent, decreasing by $2 million (0.5%) from the same nine-month period last year.

Net Income

Q3 2015 vs. Q2 2015

Net Income increased by $31 million (10.5%) from the prior quarter driven mainly by lower Insurance Claims, as previously described.

Q3 2015 vs. Q3 2014 and YTD 2015 vs. YTD 2014

Net Income decreased by $486 million (59.9%) and $649 million (41.8%) from the same quarter and nine-month period last year, respectively, primarily due to lower Other Income. Other Income was significantly higher in the prior-year periods primarily due to the transition to the new investment asset mix, as previously explained.

Ratios

To supplement financial results of the Mortgage Loan Insurance Activity, we also use financial measures and ratios to analyze our financial performance. Refer to the Capital Management section for further information on the Capital Available to Minimum Capital Required (% MCT) ratio.

	Three months ended			Nine months ended	
	30 Sept 2015	30 June 2015	30 Sept 2014	30 Sept 2015	30 Sept 2014
Severity Ratio	29.5 %	29.5 %	33.0 %	31.6 %	30.5 %
Loss Ratio	13.3 %	24.5 %	20.0 %	20.3 %	19.6 %
Operating Expense Ratio	14.3 %	14.5 %	13.9 %	14.6 %	13.3 %
Combined Ratio	27.6 %	39.0 %	33.9 %	34.9 %	32.9 %
Return on Equity[1]	7.6 %	6.9 %	13.0 %	7.2 %	13.7 %
Return on Capital Holding Target	13.4 %	11.9 %	20.2 %	12.2 %	19.6 %

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

Q3 2015 vs. Q2 2015

The Loss Ratio decreased 11.2 percentage points from the prior quarter attributable mainly to lower Insurance Claims. Return on Equity and Return on Capital Holding Target were higher than the prior quarter by 0.7 and 1.5 percentage points, respectively, due to increased Net Income.

Q3 2015 vs. Q3 2014 and YTD 2015 vs. YTD 2014

The Loss Ratio decreased by 6.7 percentage points from the same quarter last year due to lower Insurance Claims, which more than offset the effect of lower Premiums and Fees Earned. The Loss Ratio was relatively consistent between the two nine-month periods, rising 0.7 percentage points.

The Severity Ratio decreased by 3.5 percentage points from the same quarter last year, attributable to fluctuations in the Corporation's deficiency sales rates, housing prices and recovery levels. The Severity Ratio was relatively consistent between the two nine-month periods, rising 1.1 percentage points.

Return on Equity decreased by 5.4 and 6.5 percentage points from the same quarter and nine-month period last year, respectively, due to lower Net Income and higher Equity of Canada.

Return on Capital Holding Target decreased by 6.8 and 7.4 percentage points from the same quarter and nine-month period last year respectively, due to lower Net Income, partially offset by lower capital holding requirements.

FINANCIAL CONDITION

Balance Sheet Review

	As at	
(in millions)	**30 September 2015**	**31 December 2014**
Cash, Cash Equivalents and Investment Securities	23,175	23,216
Accrued Interest Receivable	184	103
Accounts Receivable and Other Assets	801	446
Total Assets	**24,160**	**23,765**
Securities Sold Under Repurchase Agreements	244	325
Provision for Claims	739	778
Unearned Premiums and Fees	5,463	5,575
Defined Benefit Plans Liability	297	284
Accounts Payable and Other Liabilities	139	385
Total Liabilities	**6,882**	**7,347**
Total Equity of Canada	**17,278**	**16,418**

Total Assets

Total Assets increased by $395 million (1.7%) from 31 December 2014 mainly due to higher Accounts Receivable and Other Assets, which increased $355 million (79.6%) due to 2015 tax instalments paid and the deferral of Government of Canada guarantee fees. Also contributing to the increase was Accrued Interest Receivable, which increased by $81 million (78.6%) due to the timing of interest coupon payments in the insurance investment portfolio.

Partially offsetting these increases was Cash, Cash Equivalents and Investment Securities, which together decreased $41 million (0.2%). Investment Securities increased by $880 million (4.0%) primarily due to the continued implementation of the new investment asset mix, resulting in the rebalancing from money market instruments to bond investments attributable to implementation of the new investment asset mix policy. Correspondingly, Cash and Cash Equivalents decreased by $921 million (77.4%) largely due to the Investment Securities acquisitions.

Total Liabilities

Total Liabilities decreased by $465 million (6.3%) from 31 December 2014 primarily due to lower Accounts Payable and Other Liabilities, which decreased $246 million (63.9%) due to the payment of the income taxes and Government of

Canada guarantee fees which were payable as at 31 December 2014. Also contributing to the decrease was Unearned Premiums and Fees, which decreased by $112 million (2.0%) as premiums received were less than premiums earned, reflecting a decline in volumes over the past several years. Securities Sold Under Repurchase Agreements decreased by $81 million (24.9%) as there were fewer attractive short-term investment opportunities due to a decline in yields from 2014 to 2015.

Total Equity of Canada

Total Equity of Canada increased by $860 million (5.2%) 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 an interim OSFI capital framework on 1 January 2015. As a result, the required capital increased mainly due to an increased margin for interest rate risk and, to a lesser extent, due to a higher risk-based asset factor for equities, resulting in a decrease in the MCT ratio.

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 at the 220% Holding Capital Target. The Holding Capital Target was $10,859 million as at 30 September 2015 (31 December 2014 – $10,634 million). As at 30 September 2015, Capital Available was $17,020 million, 345% of the Minimum Capital Required (% MCT) (31 December 2014 – $16,173 million; 343% of MCT).

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

	As at	
(in millions, unless otherwise indicated)	**30 September 2015**	**31 December 2014**
Accumulated Other Comprehensive Income	795	807
Appropriated Retained Earnings	10,064	9,827
Appropriated Capital	10,859	10,634
Unappropriated Retained Earnings	6,419	5,784
Total Mortgage Loan Insurance Capital	**17,278**	**16,418**
Less: OSFI-mandated Deductions from Capital	258	245
Total Mortgage Loan Insurance Capital Available	**17,020**	**16,173**
Internal Capital Target	205 %	205 %
Holding Capital Target	220 %	220 %
Capital Available to Minimum Capital Required (% MCT)	345 %	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 30 September 2015, total investments under management had a fair value of $23.2 billion, unchanged from 31 December 2014.

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 normal demand.

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 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			Nine months ended	
(in millions, unless otherwise indicated)	30 Sept 2015	30 June 2015	30 Sept 2014	30 Sept 2015	30 Sept 2014
Total Guarantees-in-force ($B)	**426**	**420**	**404**	**426**	**404**
NHA MBS	208	207	198	208	198
CMB	218	213	206	218	206
Total New Securities Guaranteed	**31,923**	**24,598**	**30,393**	**79,645**	**77,287**
NHA MBS	22,673	14,598	19,893	51,395	48,287
CMB	9,250	10,000	10,500	28,250	29,000
Guarantee and Application Fees Received	**125**	**98**	**73**	**278**	**185**
MBS Guarantee and Application Fees Received	80	50	48	164	115
CMB Guarantee Fees Received	45	48	25	114	70

Guarantees-in-force

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

Guarantees-in-force totalled $426 billion as at 30 September 2015, a $6 billion (1.4%) increase from 30 June 2015. Guarantees-in-force change as new guarantees are made and as guaranteed securities mature. In the three and nine months ended 30 September 2015, new guarantees granted by CMHC exceeded maturities.

New Securities Guaranteed

Q3 2015 vs. Q2 2015

New Securities Guaranteed increased by $7,325 million (29.8%) from the prior quarter as a result of higher guaranteed NHA MBS allocation in Q3. In establishing the quarterly guarantee capacity, unutilized NHA MBS guarantees from previous quarters are reallocated to subsequent quarters to ensure maximization of the annual limit.

Q3 2015 vs. Q3 2014 and YTD 2015 vs. YTD 2014

New Securities Guaranteed remained relatively consistent with the same quarter and nine-month period last year, increasing by $1,530 million (5.0%) and $2,358 million (3.1%), respectively.

Guarantee and Application Fees Received

Q3 2015 vs. Q2 2015

Guarantee and Application Fees Received increased by $27 million (27.6%) from the prior quarter due to higher volumes. Guarantee volumes are cyclical in nature, tending to be higher in Q3 and Q4 compared to Q1 and Q2.

Q3 2015 vs. Q3 2014

Guarantee and Application Fees Received increased by $52 million (71.2%) from the same quarter last year due primarily to the increase in guarantee fee pricing, effective 1 April 2015.

YTD 2015 vs. YTD 2014

Guarantee and Application Fees Received increased by $93 million (50.3%) from the same nine-month period last year due primarily to the increase in guarantee fee pricing discussed above.

FINANCIAL ANALYSIS

	Three months ended			Nine months ended	
(in millions, unless otherwise indicated)	30 Sept 2015	30 June 2015	30 Sept 2014	30 Sept 2015	30 Sept 2014
Premiums and Fees Earned	68	61	61	189	179
Net Interest Income	2	2	2	7	7
Investment Income	10	9	9	29	27
Other Income	18	20	18	56	58
Total Revenues	**98**	**92**	**90**	**281**	**271**
Operating Expenses	26	26	26	78	79
Total Expenses	**26**	**26**	**26**	**78**	**79**
Income before Income Taxes	**72**	**66**	**64**	**203**	**192**
Income Taxes	18	17	16	51	48
Net Income	**54**	**49**	**48**	**152**	**144**

Total Revenues

Q3 2015 vs. Q2 2015 and Q3 2015 vs. Q3 2014 and YTD 2015 vs. YTD 2014

Total Revenues increased by $6 million (6.5%), $8 million (8.9%) and $10 million (3.7%) from the prior quarter, the same quarter last year and the same nine-month period last year, respectively, due to increased volumes and the guarantee fee pricing increase, effective 1 April 2015.

Total Expenses

Q3 2015 vs. Q2 2015 and Q3 2015 vs. Q3 2014 and YTD 2015 vs. YTD 2014

Total Expenses were consistent with previous periods, remaining unchanged from the prior quarter and the same quarter last year, and decreasing by $1 million (1.3%) from the same nine-month period last year.

Net Income

Q3 2015 vs. Q2 2015 and Q3 2015 vs. Q3 2014 and YTD 2015 vs. YTD 2014

Net Income increased by $5 million (10.2%), $6 million (12.5%) and $8 million (5.6%) from the prior quarter, the same quarter last year, and the same nine-month period last year, respectively, mainly due to increased revenues from higher volumes and the guarantee fee pricing increase, discussed above.

Ratios

To supplement financial results of the Securitization programs (excluding CHT), we also use financial measures and ratios to analyze our financial performance. Refer to the Capital Management section for further information on the Capital Available to Capital Required ratio.

	Three months ended			Nine months ended	
	30 Sept 2015	30 June 2015	30 Sept 2014	30 Sept 2015	30 Sept 2014
Operating Expense Ratio	12.3 %	12.1 %	11.2 %	12.1 %	10.7 %
Return on Equity[1]	12.0 %	11.1 %	12.4 %	11.7 %	12.9 %
Return on Required Capital [2]	17.8 %	16.5 %	21.0 %	17.1 %	20.4 %

[1] Reflects annualized Net Income divided by the average of the beginning and ending Equity for the period.
[2] Return on Required Capital is a ratio introduced this quarter that represents annualized net income, adjusted to remove investment income earned on capital in excess of capital required, divided by the average required capital for the period.

Q3 2015 vs. Q2 2015

The Operating Expense Ratio was fairly consistent, increasing by 0.2 percentage points from the prior quarter.

The Return on Equity ratio increased by 0.9 percentage points mainly due to higher Net Income.

The Return on Required Capital ratio increased by 1.3 percentage points due to higher Net Income, with no significant change in required capital.

Q3 2015 vs. Q3 2014

The Operating Expense Ratio increased 1.1 percentage points from the same quarter last year. While revenue increased, it was more than offset by an increase in the operating expenses included in the ratio due to higher overhead costs and an increase in the Government of Canada fees expense.

The Return on Equity ratio decreased 0.4 percentage points from the same quarter last year as Net Income grew at a slower pace than equity.

The Return on Required Capital ratio decreased by 3.2 percentage points from the same quarter last year due primarily to an increase in the required capital caused by enhancements to the interest rate risk factor, effective in Q1 2015. The increase in required capital outpaced the growth in Net Income over the comparative period.

YTD 2015 vs. YTD 2014

The Operating Expense Ratio increased 1.4 percentage points from the same nine-month period last year. While revenue increased, it was more than offset by an increase in the Operating Expenses included in the ratio due to higher overhead costs and an increase in the Government of Canada fees expense.

The Return on Equity ratio decreased 1.2 percentage points as Net Income grew at a slower pace than equity.

The Return on Required Capital ratio decreased by 3.3 percentage points due primarily to an increase in the required capital caused by enhancements to the interest rate risk factor, effective in Q1 2015. The increase in the required capital outpaced the growth in Net Income over the comparative period.

FINANCIAL CONDITION

Capital Management

Capital 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% of the capital required under these principles. As at 30 September 2015, the capital required was $1,167 million (31 December 2014 – $1,064 million). Capital Available was $1,836 million as at 30 September 2015, 157% of the capital required (31 December 2014 – $1,663 million; 157% of the capital required). The Capital Available to Capital Required ratio remained steady against the ratio from 31 December 2014.

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.

	As at	
(in millions, unless otherwise indicated)	**30 September 2015**	**31 December 2014**
Accumulated Other Comprehensive Income	55	34
Appropriated Retained Earnings	1,112	1,030
Appropriated Capital	1,167	1,064
Unappropriated Retained Earnings	669	601
Total Securitization Capital	**1,836**	**1,665**
Less: Deductions from Capital	-	2
Total Securitization Capital Available	**1,836**	**1,663**
Capital Available to Capital Required	157 %	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 30 September 2015, total investments under management had a fair value of $2.5 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 4 November 2015, subsequent to the reporting period, the Prime Minister appointed his Cabinet which includes the Honourable Jean-Yves Duclos as Minister of Families, Children and Social Development, and Minister responsible for Canada Mortgage and Housing Corporation.
- Pierre Serré, Chief Risk Officer, will retire from CMHC effective 27 November 2015. Romy Bowers was announced as the new Chief Risk Officer to succeed Mr. Serré.

UNAUDITED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Period ended 30 September 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

18 November 2015

CONSOLIDATED BALANCE SHEET

(in millions of Canadian dollars)	Notes	As at 30 September 2015	As at 31 December 2014
ASSETS			
Cash and Cash Equivalents		1,429	2,169
Securities Purchased Under Resale Agreements		269	126
Investment Securities:	5		
Designated at Fair Value through Profit or Loss		1,213	1,060
Available for Sale		22,027	21,812
Loans:	6		
Designated at Fair Value through Profit or Loss		5,085	5,503
Loans and Receivables		223,065	215,944
Accrued Interest Receivable		1,356	719
Derivatives		126	105
Due from the Government of Canada	7	271	285
Accounts Receivable and Other Assets		1,056	767
		255,897	248,490
LIABILITIES			
Securities Sold Under Repurchase Agreements		244	325
Borrowings:	8		
Designated at Fair Value through Profit or Loss		7,437	7,677
Other Financial Liabilities		220,054	213,612
Accrued Interest Payable		1,101	521
Derivatives		35	31
Accounts Payable and Other Liabilities		408	673
Defined Benefit Plans Liability	9	500	479
Provision for Claims	10	739	778
Unearned Premiums and Fees		6,144	6,167
Deferred Income Tax Liabilities		46	45
		236,708	230,308
Commitments and Contingent Liabilities	17		
EQUITY OF CANADA			
Contributed Capital		25	25
Accumulated Other Comprehensive Income		796	803
Retained Earnings		18,368	17,354
		19,189	18,182
		255,897	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 30 September		Nine months ended 30 September	
(in millions of Canadian dollars)	**Notes**	**2015**	**2014**	**2015**	**2014**
Parliamentary Appropriations for Housing Programs	7	463	435	1,573	1,512
Premiums and Fees Earned		466	486	1,362	1,427
Net Interest Income					
Interest Income					
Loans	6	1,200	1,333	3,652	4,131
Other		18	18	52	47
		1,218	1,351	3,704	4,178
Interest Expense	8	1,191	1,330	3,637	4,109
		27	21	67	69
Investment Income		140	163	412	467
Net Realized Gains (Losses)	4	(21)	623	(12)	767
Net Unrealized Gains (Losses)	4	10	63	20	12
Other Income		22	20	67	70
TOTAL REVENUES AND PARLIAMENTARY APPROPRIATIONS		**1,107**	**1,811**	**3,489**	**4,324**
EXPENSES					
Housing Programs	7	463	435	1,573	1,512
Insurance Claims	10	53	85	238	245
Operating Expenses		88	90	265	259
		604	610	2,076	2,016
INCOME BEFORE INCOME TAXES		**503**	**1,201**	**1,413**	**2,308**
Income Taxes	12	123	295	343	561
NET INCOME		**380**	**906**	**1,070**	**1,747**
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		(102)	(100)	-	529
Reclassification of Prior Years' Net Unrealized (Gains) Losses Realized in the Period in Net Income		(2)	(304)	(7)	(347)
Total Items that Will Be Subsequently Reclassified to Net Income		(104)	(404)	(7)	182
Items that Will Not Be Subsequently Reclassified to Net Income:					
Remeasurements of the Net Defined Benefit Plans		(57)	(27)	(56)	(143)
		(161)	(431)	(63)	39
COMPREHENSIVE INCOME		**219**	**475**	**1,007**	**1,786**

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

CONSOLIDATED STATEMENT OF EQUITY OF CANADA

	Three months ended 30 September		Nine months ended 30 September	
(in millions of Canadian dollars)	**2015**	**2014**	**2015**	**2014**
CONTRIBUTED CAPITAL	**25**	**25**	**25**	**25**
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)				
Balance at Beginning of Period	900	1,529	803	943
Other Comprehensive Income (Loss)	(104)	(404)	(7)	182
Balance at End of Period	**796**	**1,125**	**796**	**1,125**
RETAINED EARNINGS				
Balance at Beginning of Period	18,045	15,595	17,354	14,870
Net Income	380	906	1,070	1,747
Other Comprehensive Income (Loss)	(57)	(27)	(56)	(143)
Balance at End of Period	**18,368**	**16,474**	**18,368**	**16,474**
EQUITY OF CANADA	**19,189**	**17,624**	**19,189**	**17,624**

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 30 September 2015	Three months ended 30 September 2014	Nine months ended 30 September 2015	Nine months ended 30 September 2014
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Net Income		380	906	1,070	1,747
Items Not Affecting Cash or Cash Equivalents:					
Amortization of Premiums and Discounts on Financial Instruments		49	21	129	64
Deferred Income Taxes		(2)	29	1	29
Change in Fair Value of Financial Instruments Carried at Fair Value	4	(10)	(63)	(20)	(12)
Net (Gain) Loss on Financial Instruments	4	21	(623)	12	(767)
Net Change in Non-cash Operating Assets and Liabilities:					
Accrued Interest Receivable		(697)	(643)	(637)	(516)
Derivatives		-	10	(5)	6
Due from the Government of Canada		76	82	14	57
Accounts Receivable and Other Assets		(124)	(5)	(289)	(27)
Accrued Interest Payable		636	582	580	491
Accounts Payable and Other Liabilities		(52)	(115)	(265)	97
Defined Benefit Plans Liability		45	35	21	137
Provision for Claims		(27)	(37)	(39)	(71)
Unearned Premiums and Fees		88	(10)	(23)	(239)
Other		(30)	165	(70)	(164)
Loans:	6				
Repayments		3,831	16,298	21,639	55,147
Disbursements		(9,212)	(10,575)	(28,331)	(29,091)
Borrowings:	8				
Repayments		(3,773)	(17,796)	(23,257)	(57,604)
Issuances		9,475	12,188	30,156	31,852
		674	449	686	1,136
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES					
Investment Securities:					
Sales and Maturities		1,413	5,203	7,570	10,800
Purchases		(1,806)	(3,878)	(8,772)	(9,991)
Securities Purchased Under Resale Agreements		(269)	(9)	(143)	(63)
Securities Sold Under Repurchase Agreements		12	(15)	(81)	255
		(650)	1,301	(1,426)	1,001
Increase (Decrease) in Cash and Cash Equivalents		24	1,750	(740)	2,137
Cash and Cash Equivalents					
Beginning of Period		1,405	1,723	2,169	1,336
End of Period		1,429	3,473	1,429	3,473
Represented by:					
Cash		(2)	(10)	(2)	(10)
Cash Equivalents		1,431	3,483	1,431	3,483
		1,429	3,473	1,429	3,473
Supplementary Disclosure of Cash Flows from Operating Activities					
Amount of Interest Received During the Period		731	906	3,698	4,263
Amount of Interest Paid During the Period		608	795	3,184	3,738
Amount of Dividends Received During the Period		10	27	29	66
Amount of Income Taxes Paid During the Period		190	113	803	371

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

NOTES TO UNAUDITED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended 30 September 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 I 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 increases the Government's expected surplus; 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 18 November 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 30 September 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

We have identified new standards and amendments to existing standards that have been issued by the IASB but are not yet effective on the date of issuance of our Consolidated Financial Statements.

IFRS 15 - Revenue from Contracts with Customers
In September the IASB issued an amendment to IFRS 15, formalizing the deferral of its effective date by one year to 2018. We have not yet determined the full impact of this new standard on our Consolidated Financial Statements.

IFRS 4 - Insurance Contracts
IASB decided to add to the upcoming exposure draft of IFRS 4 the option to defer the effective date of IFRS 9 from 2018 until, at the latest, 2021 for companies whose business model is to predominantly issue insurance contracts, referred to as the deferral approach. Predominance is to be based on the level of gross liabilities arising from contracts within the scope of IFRS 4 relative to total liabilities, and is meant to be a high threshold leading to identification of pure insurers. CMHC is currently assessing whether we would qualify for the deferral.

IASB would also give insurers who implement IFRS 9 the option to remove from the Statement of Comprehensive Income some of the accounting mismatches and temporary volatility that could occur before the new insurance contracts standard is implemented, referred to as the overlay approach. Preliminary assessment is that CMHC's Mortgage Loan Insurance Activity would qualify for the overlay approach, as eligibility is based on assets that relate to contracts in the scope of IFRS 4, a lower hurdle than that for the complete-deferral option. The exposure draft is expected in Q4 2015 and a final insurance contracts standard is expected to be issued in 2016.

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.

(in millions)	Carrying Value: Amortized Cost	Carrying Value: Fair Value through Net Income	Carrying Value: Fair Value through OCI	Carrying Value: Total	Fair Value	Fair Value Over (Under) Carrying Value
	As at 30 September 2015					
Financial Assets						
Cash and Cash Equivalents[1]	244	1,135	50	1,429	1,429	-
Securities Purchased Under Resale Agreements	269	-	-	269	269	-
Investment Securities:						
Designated at Fair Value through Profit or Loss	-	1,213	-	1,213	1,213	-
Available for Sale	-	-	22,027	22.027	22,027	-
Loans:						
Designated at Fair Value through Profit or Loss	-	5,085	-	5,085	5,085	-
Loans and Receivables	223,065	-	-	223,065	230,683	7,618
Derivatives	-	126	-	126	126	-
Financial Liabilities						
Securities Sold Under Repurchase Agreements	244	-	-	244	244	-
Borrowings:						
Designated at Fair Value through Profit or Loss	-	7,437	-	7,437	7,437	-
Other Financial Liabilities	220,054	-	-	220,054	227,808	7,754
Derivatives	-	35	-	35	35	-
	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, $1,135 million (31 December 2014 – $979 million) is classified as Designated at Fair Value through Profit or Loss, $50 million (31 December 2014 – $865 million) is classified as Available for Sale, and $244 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 30 September 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	(2)	-	-	(2)	-	(2)
Interest Bearing Deposits with Banks	-	1,054	-	1,054	55	1,109
Corporate/Other Entities	-	30	-	30	-	30
Government of Canada	25	-	-	25	-	25
Provinces/Municipalities	-	78	-	78	189	267
Total Cash and Cash Equivalents	23	1,162	-	1,185	244	1,429
Investment Securities:						
Designated at Fair Value through Profit or Loss:						
Fixed Income:						
Corporate/Other Entities	42	24	162	228	-	228
Provinces/Municipalities	658	25	-	683	-	683
Sovereign and Related Entities	302	-	-	302	-	302
Total Designated at Fair Value through Profit or Loss	1,002	49	162	1,213	-	1,213
Available for Sale:						
Fixed Income:						
Corporate/Other Entities	10,164	94	-	10,258	-	10,258
Government of Canada	3,770	-	-	3,770	-	3,770
Provinces/Municipalities	6,521	-	-	6,521	-	6,521
Sovereign and Related Entities	354	-	-	354	-	354
Equities:						
Canadian	1,089	-	35	1,124	-	1,124
Total Available for Sale	21,898	94	35	22,027	-	22,027
Loans:						
Designated at Fair Value through Profit or Loss	-	5,085	-	5,085	-	5,085
Derivatives	-	126	-	126	-	126
Accounts Receivable and Other Assets:						
Investment Property	-	-	249	249	-	249
Other Accounts Receivable and Other Assets	-	-	-	-	807	807
Total Accounts Receivable and Other Assets	-	-	249	249	807	1,056
Assets not Recorded at Fair Value	-	-	-	-	224,961	224,961
TOTAL ASSETS	**22,923**	**6,516**	**446**	**29,885**	**226,012**	**255,897**
LIABILITIES AND EQUITY OF CANADA						
Borrowings:						
Designated at Fair Value through Profit or Loss	896	6,541	-	7,437	-	7,437
Derivatives	-	35	-	35	-	35
Liabilities and Equity of Canada not Recorded at Fair Value	-	-	-	-	248,425	248,425
TOTAL LIABILITIES AND EQUITY OF CANADA	**896**	**6,576**	**-**	**7,472**	**248,425**	**255,897**

	As at 31 December 2014					
	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	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

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. Transfers between levels are deemed to occur at the beginning of the quarter in which the transfer occurs.

During the three months ended 30 September 2015, Investment Securities having a fair value of $154 million were transferred to Level 1 from Level 2 as directly observable market prices became available. There were no transfers in the three month periods ended 31 March 2015 and 30 June 2015.

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 30 September 2015						
(in millions)	1 July 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	162	-	-	-	-	-	162
Available for Sale							
Limited Partnership Investment	29	6	-	-	-	-	35
Total Investment Securities	**191**	**6**	**-**	**-**	**-**	**-**	**197**
Accounts Receivable and Other Assets							
Investment Property	248	1	-	-	-	-	249
Total Accounts Receivable and Other Assets	**248**	**1**	**-**	**-**	**-**	**-**	**249**
Total	**439**	**7**	**-**	**-**	**-**	**-**	**446**

[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.

	Nine months ended 30 September 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	-	-	3	-	-	162
Available for Sale							
Limited Partnership Investment	19	9	-	-	7	-	35
Total Investment Securities	**178**	**9**	**-**	**3**	**7**	**-**	**197**
Accounts Receivable and Other Assets							
Investment Property	247	1	-	1	-	-	249
Total Accounts Receivable and Other Assets	**247**	**1**	**-**	**1**	**-**	**-**	**249**
Total	**425**	**10**	**-**	**4**	**7**	**-**	**446**

[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.

(in millions)	1 July 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
	Three months ended 30 September 2014						
Investment Securities							
Designated at Fair Value through Profit or Loss							
Asset-Backed Securities	156	-	-	2	-	-	158
Available for Sale							
Limited Partnership Investment	19	-	-	-	-	-	19
Total Investment Securities	**175**	**-**	**-**	**2**	**-**	**-**	**177**
Accounts Receivable and Other Assets							
Investment Property	246	1	-	(3)	-	-	244
Total Accounts Receivable and Other Assets	**246**	**1**	**-**	**(3)**	**-**	**-**	**244**
Total	**421**	**1**	**-**	**(1)**	**-**	**-**	**421**

[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.

(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
	Nine months ended 30 September 2014						
Investment Securities							
Designated at Fair Value through Profit or Loss							
Asset-Backed Securities	150	-	-	8	-	-	158
Available for Sale							
Limited Partnership Investment	17	1	-	-	1	-	19
Total Investment Securities	**167**	**1**	**-**	**8**	**1**	**-**	**177**
Accounts Receivable and Other Assets							
Investment Property	234	19	-	(1)	-	(8)	244
Total Accounts Receivable and Other Assets	**234**	**19**	**-**	**(1)**	**-**	**(8)**	**244**
Total	**401**	**20**	**-**	**7**	**1**	**(8)**	**421**

[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 30 September 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.

(in millions)	30 September 2015 Asset Fair Value	Valuation Technique	Unobservable Inputs	Weighted Average Input / Range	31 December 2014 Asset Fair Value	Weighted Average Input / Range
Investment Securities						
Designated at Fair Value through Profit or Loss						
Asset-Backed Securities	162	Discounted Cash Flow	Risk Premium	1.4%	159	1.6%
Available for Sale						
Limited Partnership Investment	35	Share of Partnership Equity	Reported Partnership Equity	n.a.	19	n.a.
Total Investment Securities	**197**				**178**	
Accounts Receivable and Other Assets						
Investment Property Held By Mortgage Loan Insurance Activity	99	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%
	130	Market Approach	Value per Square Foot	\$0 - \$237	129	\$0 - \$237
Total Accounts Receivable and Other Assets	**249**				**247**	
Total Level 3 Items Carried at Fair Value	**446**				**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 30 September		Nine months ended 30 September	
(in millions)	2015	2014	2015	2014
Held for Trading				
Equities	-	(1)	-	(56)
Derivatives	3	(4)	12	17
Total Held for Trading	**3**	**(5)**	**12**	**(39)**
Designated at Fair Value through Profit or Loss				
Investment Securities	(2)	(1)	6	5
Loans	(16)	(18)	-	(15)
Borrowings	25	87	2	61
Total Designated at Fair Value through Profit or Loss	**7**	**68**	**8**	**51**
Total Net Unrealized Gains (Losses)	**10**	**63**	**20**	**12**

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

	Three months ended 30 September		Nine months ended 30 September	
(in millions)	2015	2014	2015	2014
Held for Trading	-	1	-	69
Available for Sale	4	629	15	723
Retirement of Debt	(25)	(7)	(27)	(25)
Total Net Realized Gains (Losses)	**(21)**	**623**	**(12)**	**767**

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					
	30 September 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	1,136	78	(1)	1,213	987	1,060
Available for Sale	20,209	713	(20)	20,902	20,004	20,597
Equities						
Available for Sale	729	397	(1)	1,125	714	1,215

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

We have Investment Securities of $244 million (31 December 2014 – $325 million) that are part of Securities Sold Under Repurchase Agreements with terms that do not exceed 93 days. 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 $21 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 and nine months ended 30 September 2015, there were no impairment losses (three and nine months ended 30 September 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 periods.

6. LOANS

The following table presents repayments and disbursements for Loans.

	Three months ended 30 September			
	2015		2014	
(in millions)	Repayments	Disbursements	Repayments	Disbursements
Designated at Fair Value through Profit or Loss				
Lending Programs	147	17	153	28
Total Designated at Fair Value through Profit or Loss	**147**	**17**	**153**	**28**
Loans and Receivables				
Loans under the IMPP	-	-	3,503	-
Loans under the CMB Program	3,600	9,194	12,500	10,544
Lending Programs	84	1	142	3
Total Loans and Receivables	**3,684**	**9,195**	**16,145**	**10,547**
Total	**3,831**	**9,212**	**16,298**	**10,575**

	Nine months ended 30 September			
	2015		2014	
(in millions)	Repayments	Disbursements	Repayments	Disbursements
Designated at Fair Value through Profit or Loss				
Lending Programs	464	53	450	61
Total Designated at Fair Value through Profit or Loss	**464**	**53**	**450**	**61**
Loans and Receivables				
Loans under the IMPP	2,025	-	24,640	-
Loans under the CMB Program	18,850	28,274	29,700	29,020
Lending Programs	300	4	357	10
Total Loans and Receivables	**21,175**	**28,278**	**54,697**	**29,030**
Total	**21,639**	**28,331**	**55,147**	**29,091**

The following table presents the Interest Income related to Loans.

(in millions)	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
Designated at Fair Value through Profit or Loss	29	37	92	113
Loans and Receivables	1,171	1,296	3,560	4,018
Total	**1,200**	**1,333**	**3,652**	**4,131**

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 30 September 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 and $87 million for the three and nine months ended 30 September 2015, respectively (three and nine months ended 30 September 2014 – $28 million and $81 million), in support of Housing Programs.

(in millions)	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
Funding Under Long-term Commitments for Existing Social Housing	399	398	1,242	1,245
Funding for New Commitments of Affordable Housing	51	25	293	231
Housing Support	2	2	7	5
Market Analysis Information	5	5	16	15
Housing Policy, Research and Information Transfer	6	5	15	16
Total	**463**	**435**	**1,573**	**1,512**

The following table presents the changes in the Due from the Government of Canada account. The outstanding balance as at 30 September 2015 is mainly composed of Housing Programs Expenses incurred but not yet reimbursed.

(in millions)	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
Balance at Beginning of Period	347	336	285	311
Total Appropriations Recognized in Revenues During the Period	463	435	1,573	1,512
Total Appropriations Received During the Period	(539)	(515)	(1,589)	(1,565)
Third Party Reimbursements in Excess of Remittance to Government of Canada	-	(2)	2	(4)
Balance at End of Period	**271**	**254**	**271**	**254**

8. BORROWINGS

The following table presents repayments and issuances for Borrowings.

	Three months ended 30 September			
	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	89	281	1,710	1,644
Total Designated at Fair Value through Profit or Loss	**89**	**281**	**1,710**	**1,644**
Other Financial Liabilities				
Canada Mortgage Bonds	3,600	9,194	12,500	10,544
Borrowings from the Government of Canada	84	-	3,586	-
Total Other Financial Liabilities	**3,684**	**9,194**	**16,086**	**10,544**
Total	**3,773**	**9,475**	**17,796**	**12,188**

	Nine months ended 30 September			
	2015		2014	
(in millions)	Repayments	Issuances	Repayments	Issuances
Designated at Fair Value through Profit or Loss				
Capital Market Borrowings	500	-	-	-
Borrowings from the Government of Canada	1,620	1,882	3,029	2,832
Total Designated at Fair Value through Profit or Loss	**2,120**	**1,882**	**3,029**	**2,832**
Other Financial Liabilities				
Canada Mortgage Bonds	18,850	28,274	29,700	29,020
Borrowings from the Government of Canada	2,287	-	24,875	-
Total Other Financial Liabilities	**21,137**	**28,274**	**54,575**	**29,020**
Total	**23,257**	**30,156**	**57,604**	**31,852**

The following table presents the Interest Expense related to Borrowings.

	Three months ended 30 September		Nine months ended 30 September	
(in millions)	2015	2014	2015	2014
Designated at Fair Value through Profit or Loss	42	50	130	149
Other Financial Liabilities	1,149	1,280	3,507	3,960
Total	**1,191**	**1,330**	**3,637**	**4,109**

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 30 September 2015

(in millions)	1 July 2015	Pension Expense Included in Net Income: Current Service Cost	Pension Expense Included in Net Income: Interest Cost / Income	Pension Expense Included in Net Income: Sub-total Included in Net Income	Benefits Paid	Remeasurements of the Net Defined Benefit Plans Included in OCI	Employees' Contributions	CMHC's Contributions	30 September 2015
Pension Benefit Plans									
Defined Benefit Obligation	2,028	8	19	27	(18)	-	3	-	2,040
Fair Value of Plan Assets	1,775	-	16	16	(18)	(71)	3	13	1,718
Pension Benefit Plans Liability	253	8	3	11	-	71	-	(13)	322
Other Post-employment Benefit Plans									
Defined Benefit Obligation	202	1	2	3	(27)	-	-	-	178
Fair Value of Plan Assets	-	-	-	-	(27)	-	-	27	-
Other Post-employment Benefit Plans Liability	202	1	2	3	-	-	-	(27)	178
Defined Benefit Plans Liability	**455**	**9**	**5**	**14**	**-**	**71**	**-**	**(40)**	**500**

Changes in defined benefit liability in the nine-month period ended 30 September 2015

(in millions)	1 January 2015	Pension Expense Included in Net Income: Current Service Cost	Pension Expense Included in Net Income: Interest Cost / Income	Pension Expense Included in Net Income: Sub-total Included in Net Income	Benefits Paid	Remeasurements of the Net Defined Benefit Plans Included in OCI	Employees' Contributions	CMHC's Contributions	30 September 2015
Pension Benefit Plans									
Defined Benefit Obligation	2,002	25	58	83	(56)	1	10	-	2,040
Fair Value of Plan Assets	1,719	-	49	49	(56)	(64)	10	60	1,718
Pension Benefit Plans Liability	283	25	9	34	-	65	-	(60)	322
Other Post-employment Benefit Plans									
Defined Benefit Obligation	196	3	6	9	(31)	4	-	-	178
Fair Value of Plan Assets	-	-	-	-	(31)	-	-	31	-
Other Post-employment Benefit Plans Liability	196	3	6	9	-	4	-	(31)	178
Defined Benefit Plans Liability	**479**	**28**	**15**	**43**	**-**	**69**	**-**	**(91)**	**500**

Changes in defined benefit liability in the three-month period ended 30 September 2014

(in millions)	1 July 2014	Pension Expense Included in Net Income: Current Service Cost	Pension Expense Included in Net Income: Interest Cost / Income	Pension Expense Included in Net Income: Sub-total Included in Net Income	Benefits Paid	Remeasurements of the Net Defined Benefit Plans Included in OCI	Employees' Contributions	CMHC's Contributions	30 September 2014
Pension Benefit Plans									
Defined Benefit Obligation	1,938	6	20	26	(22)	31	4	-	1,977
Fair Value of Plan Assets	1,686	-	18	18	(22)	-	4	9	1,695
Pension Benefit Plans Liability	252	6	2	8	-	31	-	(9)	282
Other Post-employment Benefit Plans									
Defined Benefit Obligation	200	1	2	3	(1)	3	-	-	205
Fair Value of Plan Assets	-	-	-	-	(1)	-	-	1	-
Other Post-employment Benefit Plans Liability	200	1	2	3	-	3	-	(1)	205
Defined Benefit Plans Liability	**452**	**7**	**4**	**11**	**-**	**34**	**-**	**(10)**	**487**

Changes in defined benefit liability in the nine-month period ended 30 September 2014

(in millions)	1 January 2014	Pension Expense Included in Net Income: Current Service Cost	Pension Expense Included in Net Income: Interest Cost / Income	Pension Expense Included in Net Income: Sub-total Included in Net Income	Benefits Paid	Remeasurements of the Net Defined Benefit Plans Included in OCI	Employees' Contributions	CMHC's Contributions	30 September 2014
Pension Benefit Plans									
Defined Benefit Obligation	1,719	19	61	80	(59)	225	12	-	1,977
Fair Value of Plan Assets	1,544	-	54	54	(59)	76	12	68	1,695
Pension Benefit Plans Liability	175	19	7	26	-	149	-	(68)	282
Other Post-employment Benefit Plans									
Defined Benefit Obligation	175	3	6	9	(5)	26	-	-	205
Fair Value of Plan Assets	-	-	-	-	(5)	-	-	5	-
Other Post-employment Benefit Plans Liability	175	3	6	9	-	26	-	(5)	205
Defined Benefit Plans Liability	**350**	**22**	**13**	**35**	**-**	**175**	**-**	**(73)**	**487**

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 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
Balance at Beginning of Period	5,432	5,724	5,575	5,947
Premium Deferred on Contracts Written in the Period	422	400	1,039	986
Premiums Earned in the Period	(392)	(419)	(1,155)	(1,228)
Application Fees Deferred on Contracts Written in the Period	5	3	13	9
Application Fees Earned in the Period	(4)	(4)	(9)	(10)
Balance at End of Period	**5,463**	**5,704**	**5,463**	**5,704**

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.

(in millions)	Three months ended 30 September					
	2015			2014		
	IBNR & CIP	SH & ILM	Total	IBNR & CIP	SH & ILM	Total
Balance at Beginning of Period	536	230	766	615	220	835
Claims paid and Related expenses During the Period	(80)	-	(80)	(121)	(1)	(122)
Insurance Claims losses During the Period	54	(1)	53	76	9	85
Balance at End of Period	**510**	**229**	**739**	**570**	**228**	**798**

(in millions)	Nine months ended 30 September					
	2015			2014		
	IBNR & CIP	SH & ILM	Total	IBNR & CIP	SH & ILM	Total
Balance at Beginning of Period	551	227	778	650	219	869
Claims paid and Related expenses During the Period	(275)	(2)	(277)	(314)	(2)	(316)
Insurance Claims losses During the Period	234	4	238	234	11	245
Balance at End of Period	**510**	**229**	**739**	**570**	**228**	**798**

Insurance-in-force

At 30 September 2015, Insurance-in-force, which represents the risk exposure of the Mortgage Loan Insurance Activity, totalled $525 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 30 September 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)	**30 September 2015**	**31 December 2014**
NHA MBS[1]	208	213
CMB[2]	218	209
Total	**426**	**422**

[1] Includes nil (31 December 2014 – $0.5 billion) in NHA MBS held as collateral in the IMPP.
[2] Includes $3.3 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 30 September		Nine months ended 30 September	
(in millions)	**2015**	**2014**	**2015**	**2014**
Current Income Tax Expense				
Tax Expense for Current Period	116	280	333	544
Deferred Income Tax Expense				
Origination and Reversal of Temporary Differences	7	15	10	17
Total Income Tax Expense Included in Net Income	**123**	**295**	**343**	**561**
Income Tax Expense (Recovery) on Other Comprehensive Income (Loss)				
Net Unrealized Gains (Losses) from Available for Sale Financial Instruments	(34)	(33)	-	176
Reclassification of Prior Years' Net Unrealized (Gains) Losses Realized in the Period	-	(98)	(2)	(114)
Remeasurements of the Net Defined Benefit Plans	(14)	(7)	(13)	(32)
Total Income Tax Expense (Recovery) Included in Other Comprehensive Income (Loss)	**(48)**	**(138)**	**(15)**	**30**
Total	**75**	**157**	**328**	**591**

13. MARKET RISK

Market risk is the risk of adverse financial impacts 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 measure 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 30 September 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.

	As at	
(in millions)	**30 September 2015**	**31 December 2014**
Investment Securities:		
Available for Sale		
Interest rate risk	269	196
Equity risk	67	65
Effect of Diversification	(77)	(65)
Total VaR	**259**	**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			
	30 September 2015		31 December 2014	
	Interest Rate Shift		Interest Rate Shift	
(in millions)	**-200 bps**	**+200 bps**	**-200 bps**	**+200 bps**
Net Unrealized Gains (Losses)	(19)	15	-	-

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			
	30 September 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	(75)	67	(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 $0.6 million at 30 September 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 $225,575 million as at 30 September 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. There was no collateral held under the IMPP program as at 30 September 2015 (31 December 2014 – $2,026 million) as this program was completed on 15 March 2015.

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 held as at 30 September 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 30 September	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	463	435	-	-	-	-	-	-	463	435
Premiums and Fees Earned	-	-	398	425	68	61	-	-	466	486
Net Interest Income										
Interest Income										
Loans	109	118	-	-	1,091	1,215	-	-	1,200	1,333
Other	18	19	-	-	-	-	-	(1)	18	18
	127	137	-	-	1,091	1,215	-	(1)	1,218	1,351
Interest Expense	122	136	-	-	1,089	1,213	(20)	(19)	1,191	1,330
	5	1	-	-	2	2	20	18	27	21
Investment Income	-	-	142	166	10	9	(12)	(12)	140	163
Net Realized Gains (Losses)	-	-	2	629	2	1	(25)	(7)	(21)	623
Net Unrealized Gains (Losses)	9	63	-	(1)	-	-	1	1	10	63
Other Income	5	3	1	-	16	17	-	-	22	20
TOTAL REVENUES AND PARLIAMENTARY	**482**	**502**	**543**	**1,219**	**98**	**90**	**(16)**	**-**	**1,107**	**1,811**
EXPENSES										
Housing Programs	463	435	-	-	-	-	-	-	463	435
Insurance Claims	-	-	53	85	-	-	-	-	53	85
Operating Expenses	5	5	57	59	26	26	-	-	88	90
	468	440	110	144	26	26	-	-	604	610
INCOME BEFORE INCOME TAXES	**14**	**62**	**433**	**1,075**	**72**	**64**	**(16)**	**-**	**503**	**1,201**
Income Taxes	2	16	107	263	18	16	(4)	-	123	295
NET INCOME (LOSS)	**12**	**46**	**326**	**812**	**54**	**48**	**(12)**	**-**	**380**	**906**
Total Revenues and Parliamentary Appropriations	482	502	543	1,219	98	90	(16)	-	1,107	1,811
Inter-segment Revenues[1]	1	(1)	(37)	(18)	20	19	16	-	-	-
External Revenues and Parliamentary Appropriations	483	501	506	1,201	118	109	-	-	1,107	1,811

[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.

Nine months ended 30 September (in millions)	Assisted Housing 2015	Assisted Housing 2014	Mortgage Loan Insurance 2015	Mortgage Loan Insurance 2014	Securitization 2015	Securitization 2014	Eliminations 2015	Eliminations 2014	Total 2015	Total 2014
Parliamentary Appropriations for Housing Programs	1,573	1,512	-	-	-	-	-	-	1,573	1,512
Premiums and Fees Earned	-	-	1,173	1,248	189	179	-	-	1,362	1,427
Net Interest Income										
Interest Income										
Loans	324	360	-	-	3,328	3,771	-	-	3,652	4,131
Other	54	52	-	-	-	-	(2)	(5)	52	47
	378	412	-	-	3,328	3,771	(2)	(5)	3,704	4,178
Interest Expense	373	407	-	-	3,321	3,764	(57)	(62)	3,637	4,109
	5	5	-	-	7	7	55	57	67	69
Investment Income	-	-	420	474	29	27	(37)	(34)	412	467
Net Realized Gains (Losses)	-	-	10	793	5	1	(27)	(27)	(12)	767
Net Unrealized Gains (Losses)	16	61	2	(53)	-	-	2	4	20	12
Other Income	15	11	1	2	51	57	-	-	67	70
TOTAL REVENUES AND PARLIAMENTARY APPROPRIATIONS	**1,609**	**1,589**	**1,606**	**2,464**	**281**	**271**	**(7)**	**-**	**3,489**	**4,324**
EXPENSES										
Housing Programs	1,573	1,512	-	-	-	-	-	-	1,573	1,512
Insurance Claims	-	-	238	245	-	-	-	-	238	245
Operating Expenses	16	14	171	166	78	79	-	-	265	259
	1,589	1,526	409	411	78	79	-	-	2,076	2,016
INCOME BEFORE INCOME TAXES	**20**	**63**	**1,197**	**2,053**	**203**	**192**	**(7)**	**-**	**1,413**	**2,308**
Income Taxes	1	13	293	500	51	48	(2)	-	343	561
NET INCOME (LOSS)	**19**	**50**	**904**	**1,553**	**152**	**144**	**(5)**	**-**	**1,070**	**1,747**
Total Revenues and Parliamentary Appropriations	1,609	1,589	1,606	2,464	281	271	(7)	-	3,489	4,324
Inter-segment Revenues[1]	-	(2)	(64)	(60)	57	62	7	-	-	-
External Revenues and Parliamentary Appropriations	1,609	1,587	1,542	2,404	338	333	-	-	3,489	4,324

[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 30 September 2015 and 31 December 2014 (in millions)	Assisted Housing		Mortgage Loan Insurance		Securitization		Eliminations[1]		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
ASSETS										
Cash and Cash Equivalents	1,134	978	269	1,190	26	1	-	-	1,429	2,169
Securities Purchased Under Resale Agreements	269	126	-	-	-	-	-	-	269	126
Investment Securities:										
Designated at Fair Value through Profit or Loss	1,173	1,194	89	87	1	1	(50)	(222)	1,213	1,060
Available for Sale	-	-	22,817	21,939	2,467	2,223	(3,257)	(2,350)	22,027	21,812
Held for Trading	-	-	-	-	-	-	-	-	-	-
Loans:										
Designated at Fair Value through Profit or Loss	5,085	5,503	-	-	-	-	-	-	5,085	5,503
Loans and Receivables	4,143	4,432	-	-	218,922	211,512	-	-	223,065	215,944
Accrued Interest Receivable	166	211	184	103	1,028	411	(22)	(6)	1,356	719
Derivatives	126	105	-	-	-	-	-	-	126	105
Due from the Government of Canada	271	285	-	-	-	-	-	-	271	285
Accounts Receivable and Other Assets	209	273	801	446	46	48	-	-	1,056	767
	12,576	13,107	24,160	23,765	222,490	214,196	(3,329)	(2,578)	255,897	248,490
LIABILITIES										
Securities Sold Under Repurchase Agreements	-	-	244	325	-	-	-	-	244	325
Borrowings:										
Designated at Fair Value through Profit or Loss	7,450	7,691	-	-	-	-	(13)	(14)	7,437	7,677
Other Financial Liabilities	4,272	4,533	-	-	218,922	211,512	(3,140)	(2,433)	220,054	213,612
Accrued Interest Payable	112	123	-	-	1,011	404	(22)	(6)	1,101	521
Derivatives	35	31	-	-	-	-	-	-	35	31
Accounts Payable and Other Liabilities	311	340	80	325	17	8	-	-	408	673
Defined Benefit Plans Liability	197	190	297	284	6	5	-	-	500	479
Provision for Claims	-	-	739	778	-	-	-	-	739	778
Unearned Premiums and Fees	-	-	5,463	5,575	681	592	-	-	6,144	6,167
Deferred Income Tax Liabilities	11	8	59	60	17	10	(41)	(33)	46	45
	12,388	12,916	6,882	7,347	220,654	212,531	(3,216)	(2,486)	236,708	230,308
EQUITY OF CANADA	188	191	17,278	16,418	1,836	1,665	(113)	(92)	19,189	18,182
	12,576	13,107	24,160	23,765	222,490	214,196	(3,329)	(2,578)	255,897	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 $4 million and $11 million for the three and nine month period ended 30 September 2015, respectively (three and nine months ended 30 September 2014 – $3 million and $10 million, respectively) for the Securitization Activity and $4 million and $11 million for the three and nine month period ended 30 September 2015, respectively (three and nine months ended 30 September 2014 – $2 million and 3 million, respectively) 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 $20 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.

18. SUBSEQUENT EVENTS

On 30 October 2015, CMHC announced a new defined benefit pension plan structure for all its employees and changes to its other post-employment benefits (OPEB) plan effective as of 1 January 2018. The current defined contribution plan will be closed to new entrants and all employees will be transferred to the new modified defined benefit plan. The impact of these changes on the 31 December 2015 financial statements is currently being assessed.

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