SECOND QUARTER
30 June 2023
(Unaudited)

Quarterly Financial Report

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Management’s Discussion and Analysis

OVERVIEW

The following Management’s Discussion and Analysis (MD&A) of the financial position and results of operations as approved by the Audit Committee on 16 August 2023 is prepared for the second quarter ended 30 June 2023 and is intended to provide readers with an overview of our performance including comparatives against the same three and six month periods in 2022. This MD&A should be read in conjunction with the unaudited quarterly consolidated financial statements as well as the 2022 Annual Report. The unaudited quarterly consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and do not include all of the information required for full annual consolidated financial statements. The unaudited quarterly consolidated financial statements have been reviewed by Ernst & Young LLP. All amounts are expressed in millions of Canadian dollars, unless otherwise stated.

Information related to our significant accounting policies, judgments and estimates can be found in our 2022 Annual Report as well as in Note 4 of these unaudited quarterly consolidated financial statements. Except for the adoption of International Financial Reporting Standards (IFRS) 17 *Insurance Contracts* (IFRS 17), as disclosed in note 3 of our unaudited quarterly financial statements, there have been no material changes to our significant accounting policies, judgments or estimates to the end of the second quarter of 2023. As required by IFRS 17, we have restated our 2022 comparative results leading to the restatement of certain amounts and metrics in the MD&A.

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 2023” section of the report. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties which may cause actual results to differ materially from expectations expressed in these forward-looking statements.

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, 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. Definitions of the non-IFRS measures used throughout the QFR can be found in the Glossary for Non-IFRS Financial Measures section of the 2022 Annual Report.

THE OPERATING ENVIRONMENT AND OUTLOOK FOR 2023

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

Economic conditions and housing indicators

As of mid-2023, Canadian economic activity remained strong compared to expectations. Consumer spending was notably robust in Q1 2023, bolstered by a growing population, tight labour markets and pandemic savings. Additionally, government spending and strong export growth continued to contribute positively to overall economic growth. However, business investment stalled due to higher interest rates.

Total inflation dropped to 2.8% in June 2023, after peaking at 8.1% in June 2022. Nevertheless, core inflation remains stubbornly high. To address these ongoing inflationary pressures, Bank of Canada raised its policy interest rate from 0.25% to 5% between March 2022 and July 2023.

This substantial rise in the policy interest rate led to increases in other interest rates across the Canadian economy, including mortgage rates. Total debt-service payments and mortgage payments rose 17% and 24%, respectively, between Q1 2023 and Q1 2022, coinciding with the Bank of Canada's rate hikes. Furthermore, household debt to disposable income rate remains at a near record high of 185% in Q1 2023. High household debt levels amid rising interest rates pose a financial stability and downside economic risk.

In the first half of 2023, housing activity increased, but it remains below the historic price peak seen in early 2022. MLS® sales were 438,838 units (seasonally adjusted and annualized rate, SAAR) which decreased 24% in the first 6 months of 2023 relative to the same period in 2022. With limited listings, Canada's MLS® price averaged $675,428 during the first half of 2023, only 9% lower than the same period in 2022 when prices peaked. The combination of elevated prices and higher mortgage rates poses challenges for affordable homeownership. On the supply side, labour shortages alongside increased construction and financing costs are limiting new housing construction activity. Housing starts reached 234,974 SAAR units in the first half of 2023, down 8% from the same period in 2022.

These economic conditions continue to have a significant impact on our financial results and our ability to meet the outcomes of our programs such as National Housing Co-Investment Fund and First-Time Homebuyer Initiative, as well as the federal budget initiatives discussed below. The impacts of inflation and movements in interest rates continue to result in volatility in our investments and defined benefit plans, with the increase in interest rates in the second quarter of 2023 partially offsetting the stronger investment performance and lower discount rates in the first quarter of 2023. Higher house prices and mortgage rates have resulted in lower transactional homeowner unit volumes consistent with the decreases in MLS® sales noted above. Additionally, our arrears remain low which is resulting in low levels of claims paid. These impacts are discussed further in the "Financial Results" section below. These economic conditions will impact our ability to achieve our corporate performance targets related to the programs noted above.

Risk Management

Financial risks remain overall low and within risk tolerances. Although credit risk has improved from the previous quarter, our insurance risk has deteriorated but remains acceptable overall. The increase in risk is due to the rapid growth in MLI Select volumes and their potential impacts to our long-term profitability and capital levels. Immediate impacts remain low and are mitigated. Our investment portfolios remained resilient amidst uncertain economic conditions due to strong credit ratings and sector diversification. The challenging economic environment (e.g. inflation and high interest rates) continues to challenge the achievement of our Strategy. Mitigation actions are in place to manage these risks. For more details on our risk management, refer to our 2022 Annual Report.

Federal Budgets (2022 and 2023)

In Budget 2023, the Government of Canada announced new investments involving CMHC:

- An additional $4 billion, over seven years, starting in 2024-25, to implement a co-developed Urban, Rural, and Northern Indigenous Housing Strategy. Other federal departments are involved in this work and we are confirming CMHC's role in the implementation of the Strategy.
- $55 million in operating funding for CMHC to support the delivery of National Housing Strategy programs; and
- $31.7 million over three years, starting in 2023-24, to Public Safety Canada and CMHC to work with the Department of Finance Canada to stand-up a low-cost flood insurance program, aimed at protecting households at high risk of flooding and without access to adequate insurance.

Budget 2023 also announced the Government's intention to support, and CMHC has since received the Minister's support for the reallocation of funding from the National Housing Co-Investment Fund's repair stream to its new construction stream, as needed, to boost the construction of new affordable homes for Canadians who need them most.

Budget 2023 also announced spending reductions of up to 3% for all departments and agencies, with the 3% target being phased in by 2026-27. In addition to those targets, a 15% reduction in consulting, travel and other professional services spending was also introduced. Furthermore, the Government announced its intention to undertake market consultations on the proposal to consolidate Canada Mortgage Bonds within its regular borrowing program, including on an implementation plan that would ensure stable access to mortgage financing. The Government intends to return in the fall economic and fiscal update on this matter.

The effects of this new programming will be reflected in future financial results once requisite authorities are obtained and programs are launched.

In Budget 2022, the Government of Canada announced new investments in housing and adjustments to existing housing programs. The following Budget 2022 items, for which we have obtained financial authorities, have started in the second quarter of 2023:

- $4 billion over five years, starting in 2022-23, for a new Housing Accelerator Fund which will provide incentive funding to local governments encouraging initiatives aimed at increasing housing supply (launched March 17, 2023). The Housing Accelerator Fund's application portal opened on July 4, 2023.
- An additional $458.5 million, for the Canada Greener Affordable Housing (CGAH) stream of the Canada Greener Homes Loan program announced in Budget 2021. With a total of $680.4 million, the CGAH stream will provide low-interest loans and contributions to low-income housing providers (launched May 26, 2023).

Refer to the previous quarterly financial report for details on all other Budget 2022 items for which we have obtained financial authorities.

We continue to deliver Canada's National Housing Strategy, which is giving more people in Canada a place to call home. This comprehensive plan covers the entire housing continuum, from shelters and transitional housing, to community and affordable housing, to market rental and homeownership. Dynamic and adaptable, it is designed to evolve as needed to better respond to the changing housing needs of people in Canada. The successful delivery of the NHS contributes significantly to our strategic results and outcomes.

We report progress on the achievement of NHS targets quarterly at www.placetocallhome.ca

Updates from the Office of the Superintendent of Financial Institutions (OSFI)

Consultation on changes to manage mortgage risks, preserving access for Canadians

In July 2023, OSFI announced a consultation for feedback on proposed changes to the Capital Adequacy Requirements (CAR) and Mortgage Insurer Capital Adequacy Test (MICAT) guidelines. These changes will help banks and mortgage insurers address risks related to mortgages in negative amortization, where payments are insufficient to cover the interest portion.

For mortgage insurers, the maximum LTV ratio for an individual mortgage in the MICAT capital formula will increase from 100% to 105%. This change aligns the MICAT capital formula with the maximum permitted LTV ratio for insured mortgages. We do not expect the proposed amendments to have a material impact to our MICAT ratio.

Guideline B-15 Climate Risk Management

In March 2023, OSFI published Guideline B-15: Climate Risk Management (Guideline B-15) which sets out OSFI's expectations for the management of climate-related risks. Guideline B-15 is OSFI's first prudential framework that is climate sensitive and recognizes the impact of climate change on managing risk in Canada's financial system. Two chapters currently comprise the guideline: Governance and Financial Disclosures. OSFI intends to review and amend this Guideline as practices and standards evolve.

Guideline B-15 will be effective in 2025 and the Climate Risk Management Project was launched to meet the B-15 requirements.

Guideline B-10 Third-Party Risk Management

In April 2023, OSFI published Guideline B-10: Third-Party Risk Management (Guideline B-10) which sets out associated risk expectations to manage third-party arrangements. Third-party arrangements can support efficiency, innovation, and service. FRFIs are increasingly relying on third parties in ways that can impact operations and financial resilience.

OSFI expects FRFIs to manage these risks by adhering to this updated Guideline, which emphasizes governance and risk management programs and includes six new, clear expected outcomes associated with effective third-party risk management.

Guideline B-10 will be effective as of May 1, 2024. We are reviewing the final guideline and are analyzing to assess the expectations against our current practices and vendor risk management program. Updates to policies, guidelines, and processes will be introduced as required to meet OSFI's requirements.

Consultation on draft Culture and Behaviour Risk Guideline

In February 2023, OSFI released a draft Culture and Behaviour Risk Guideline for consultation. The draft Guideline sets principles-based expectations for federally regulated financial institutions (FRFIs) to oversee their culture and assess the impact of behavioural patterns to effectively manage the associated risks. A final Guideline is expected to be issued by the end of 2023. CMHC provided feedback on May 31 to be considered in the update of the Guideline. We evaluate the impact to be minimal on our operations.

Consultation on Residential Mortgage Underwriting Practices & Procedures Guideline B-20

In January 2023, OSFI released a consultative document on Guideline B-20 on a set of proposed measures that OSFI could pursue to address heightened mortgage lending risks arising from high household indebtedness. Feedback from this initial consultation will inform future revisions to B-20, which will be issued for public consultation at a later date. CMHC provided feedback on April 14 to be considered in the update of the Guideline. There has been no expected timeline announced for the release of a draft document.

Guideline B-13 technology and cyber risk management

In July 2022, OSFI released its final Guideline B-13 which sets out OSFI's expectations for how FRFIs should manage technology and cyber risks such as data breaches, technology outages and more. The final Guideline B-13 will be effective as of January 1, 2024. We have not yet determined the full impact of the proposed amendments on our operations.

OSFI letter on revisions to Guideline E-23 (Model Risk Management)

In May 2022, OSFI announced it will expand the scope of Guideline E-23 to address emerging risks and to clarify OSFI's expectations that all FRFIs and Federally Regulated Pension Plans (FRPPs) appropriately assess and manage model risks at the enterprise level. OSFI plans to launch a consultation on Guideline E-23 in the second quarter of 2023, with final guidance planned for publication by the end of 2023 and target implementation by June 2024.

Consultation on pension investment risk management

In March 2022, OSFI released a consultation paper on pension investment risk management, which introduces principles for the management of investment risk that OSFI believes are relevant for federally regulated pension plans. These expectations cover four areas: independent risk oversight, risk appetite and risk limits, portfolio and risk reporting, and valuation policies and processes.

In October 2022, OSFI provided summary of feedback to the consultation paper. OSFI will collaborate with Canadian Association of Pension Supervisory Authorities' (CAPSA) Risk Management Guideline Committee to develop guidance on setting principles for the management of investment risk and will provide an opportunity for comments on a draft document prior to publishing final guidance. There has been no expected timeline announced for the release of a draft document. We do not expect this proposal to have a direct impact on our financial statements, but, as the CMHC pension plan sponsor, we will closely monitor any developments.

Updates on current and future changes to accounting standards

Information relating to all standards issued by the International Accounting Standards Board (IASB) that may or will affect us can be found in Note 3 of our audited consolidated financial statements for the year ended 31 December 2022 and in Note 3 of these unaudited quarterly consolidated financial statements.

IFRS 17 Insurance contracts – effective date of 1 January 2023

We adopted IFRS 17 Insurance contracts, which replaces IFRS 4 Insurance contracts on 1 January 2023. As the adoption of IFRS 17 has been applied retrospectively, we have restated the 2022 comparative results, where applicable, within this quarterly financial report.

Financial statement line items on the consolidated balance sheet have changed with the provision for claims replaced by insurance contract liabilities, which now also includes unearned premiums and fees from insurance contracts. In addition, amounts related to deferred acquisition costs, deferred government of Canada fees, estimated borrower judgement recoveries, and premiums receivable are now recorded within insurance contract liabilities instead of accounts receivable and other assets. Government of Canada fees payable, previously recorded in accounts payable and other liabilities, is also recorded in insurance contract liabilities.

Financial statement line item descriptions on the consolidated statement of income and comprehensive income have changed with insurance claims expense removed and self-insurance service expense added. IFRS 17 also requires us to present the following financial statement line items: insurance revenue, insurance service expenses, insurance service result and insurance finance expense for contracts issued.

With the adoption of IFRS 17, we have also adopted new performance metrics as follows:

- Insurance service expense ratio: Replacing the loss ratio, this metric measures the ratio between insurance service expense over insurance revenues.
- Contractual Service Margin (CSM): Represents the expected future profit of our insurance contract liabilities.
- Initial CSM ratio: Represents the estimated embedded profit of premiums received on insurance contracts in the period.

We are expecting both our return on equity and return on required equity to be 2%-5% lower on average subsequent to the adoption of IFRS 17 mainly due to slower recognition patterns of premiums received based on new recognition methodologies required by the standard.

Other updates

Draft Tax Legislation on Excessive Interest and Financing Expenses Limitation

On 3 November 2022, the Department of Finance released updates in respect of the draft Excessive Interest and Financing Income Limitation (EIFEL) legislation introduced on February 4, 2022 based on submissions to the original draft. The EIFEL rules are aimed at limiting the amount of interest and other financing expenses that businesses may deduct for income tax purposes based on a proportion of earnings, interest, taxes, depreciation and amortization. The proposed legislation is broadly in line with the recommendations in the Action 4 report set out by the Organization for Economic Cooperation and Development in respect of its Base Erosion and Profit Shifting Initiative. Based on the latest updates, the EIFEL rules are now proposed to apply in respect of taxation years beginning on or after 1 October 2023, rather than 1 January 2023, as initially proposed. Based on the latest draft legislation, no impact on CMHC or CHT is anticipated.

Climate Related Financial Disclosures

The Climate Risk Management Project continues to enhance our climate risk and opportunities management practices and processes.

In Q2, we developed a process to identify climate risks to our insurance business. Following this process, we prioritized certain physical and transitional risks for further analysis during the remainder of 2023. We prioritized flood and wildfire as physical risks. Carbon pricing/net-zero emissions targets; building sector net-zero/emissions targets; and, shifting market trends and consumer and investor preferences were prioritized as transition risks.

With climate risk management standards evolving, we are monitoring their evolution and adapting our disclosures accordingly. Our disclosures are based on recommendations issued by Task Force on Climate-Related Financial Disclosures and will evolve over time as we work towards compliance with Guideline B-15. Although we are not currently required to report against requirements issued by the International Sustainability Standards Board, we are monitoring developments at the international level for potential future impacts on our climate related financial disclosures.

FINANCIAL RESULTS

Key financial highlights

Condensed consolidated balance sheets

As at 30 June 2023 and 31 December 2022	Assisted Housing Activity		Mortgage Insurance Activity		Mortgage Funding Activity		Eliminations		Total	
(in millions)	2023	2022	2023	2022 (restated)	2023	2022	2023	2022	2023	2022 (restated)
Total assets	18,247	17,642	16,901	16,766	268,723	263,752	(893)	(992)	302,978	297,168
Total liabilities	17,383	16,796	7,240	6,996	267,366	262,421	(911)	(1,006)	291,078	285,207
Total equity of Canada	864	846	9,661	9,770	1,357	1,331	18	14	11,900	11,961

Total equity of Canada has decreased by $61 million (1%) primarily due to $790 million of dividends declared and paid in 2023 partially offset by comprehensive income of $729 million.

Total assets increased by $5,810 million (2%) primarily due to:

- An increase in loans at amortized cost of $6,132 million (2%) as new issuances of CMB program loans exceeded maturities resulting in $5,050 million (2%) increased loans, as well as $1,087 million of additional loans under the Rental Construction Financing Initiative (RCFi), National Housing Co-Investment Fund (NHCF) and Canada Greener Homes Loan (CGHL) programs.
- An increase in Due from Government of Canada of $299 million (100%) mainly driven by a lower amount payable to the Government for the One-time top-up to the Canada Housing Benefit.
- These increases were partially offset by a decrease in accounts receivable and other assets of $384 million (41%) primarily driven by lower advances for the One-time top-up to the Canada Housing Benefit (CHB) as well as a taxes payable balance for this period compared to a large taxes receivable balance at 2022 year-end due to large fair value losses currently deductible for tax for that year. The increase in total assets is also offset by a decrease in securities purchased under resale agreements (SPURA) of $251 million (39%). These are managed on a short-term basis and are subject to fluctuations based on cash availability and needs.

Total liabilities increased by $5,871 million (2%) mainly driven by higher borrowings at amortized cost of CMB and increased borrowings from the Government of Canada to fund NHS program loans as noted above, as well as an increase of $192 million (3%) in insurance contract liabilities mainly attributed to new business underwritten in 2023.

Condensed consolidated statements of income and comprehensive income

Three months ended 30 June	Assisted Housing Activity		Mortgage Insurance Activity		Mortgage Funding Activity		Eliminations		Total	
(in millions)	**2023**	**2022**	**2023**	**2022 (restated)**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022 (restated)**
Government funding	563	489	-	-	-	-	-	-	563	489
Housing programs	(472)	(424)	-	-	-	-	-	-	(472)	(424)
Premiums and fees earned	-	-	8	6	206	180	-	-	214	186
Insurance service result	-	-	225	216	-	-	-	-	225	216
Operating expenses	(85)	(71)	(43)	(42)	(18)	(18)	-	-	(146)	(131)
All other income (loss)[1]	(7)	53	6	40	25	7	2	7	26	107
Income before income taxes	**(1)**	**47**	**196**	**220**	**213**	**169**	**2**	**7**	**410**	**443**
Income taxes	(1)	(12)	(54)	(52)	(52)	(42)	-	(2)	(107)	(108)
Net income	**(2)**	**35**	**142**	**168**	**161**	**127**	**2**	**5**	**303**	**335**
Other comprehensive income (loss)	(6)	51	(112)	(207)	(47)	(62)	6	7	(159)	(211)
Comprehensive income	**(8)**	**86**	**30**	**(39)**	**114**	**65**	**8**	**12**	**144**	**124**

[1] *Includes net interest income, net financial result, other income and self-insurance service income.*

Quarter to date (QTD) 2023 vs QTD 2022

Total income before income taxes decreased by $33 million (7%) from the same quarter last year mainly due to:

- A decrease in all other income of $81 million (76%) driven mainly by losses on financial instruments. These losses were primarily due to decreases in borrowing issuances for RCFi and NHCF as we borrow at below market rates which leads to gains at time of borrowing, as well as losses on loans issued below market value in the NHCF and CGHL portfolios, as more loans were issued in the second quarter of 2023 compared to the same quarter in 2022 for these programs. This decrease is partially offset by an increase of $36 million (38%) in investment income due to higher interest rates.
- An increase in housing programs expense of $48 million (11%) driven mainly by $53 million for NHCF, $25 million for Rapid Housing Initiative (RHI) and $10 million for the One-time top-up to the CHB. This is partially offset by a decrease in Federal Lands Initiative (FLI) of $25 million and in Social Housing Agreements with Provinces of $16 million. Due to the nature of many NHS programs, funding patterns are expected to vary significantly year over year.
- This was partially offset by an increase of $74 million (15%) in government funding resulting from higher spend as previously described, and an increase of $26 million (14%) in guarantee fees earned in the Mortgage Funding Activity due to price increases in recent years.

Other comprehensive income (OCI), net of tax, increased by $52 million (25%) from the same quarter last year mainly due to:

- Decrease in unrealized losses on investments of $228 million (60%) from the same period last year. Losses in the second quarter of 2023 are due to increases in bond yields during the quarter, however, the increase in bond yields was more significant in the prior year, resulting in higher unrealized losses in the same quarter of 2022.
- The increase is partially offset by a decrease in remeasurement gains of the net defined benefit plans of $120 million (111%), as the discount rate used to remeasure the pension obligation decreased in the quarter compared to an increase in the same quarter of last year. There was also a decrease in insurance finance income for insurance contracts issued of $56 million (89%) as interest rates increased more signficantly in the same quarter of last year.

Six months ended 30 June	Assisted Housing Activity		Mortgage Insurance Activity		Mortgage Funding Activity		Eliminations		Total	
(in millions)	2023	2022	2023	2022 (restated)	2023	2022	2023	2022	2023	2022 (restated)
Government funding	2,699	2,144	-	-	-	-	-	-	2,699	2,144
Housing programs	(2,501)	(2,009)	-	-	-	-	-	-	(2,501)	(2,009)
Premiums and fees earned	-	-	15	11	407	374	-	-	422	385
Insurance service result	-	-	435	490	-	-	-	-	435	490
Operating expenses	(208)	(142)	(82)	(87)	(34)	(37)	-	-	(324)	(266)
All other income (loss)[1]	13	62	59	62	43	23	5	12	120	159
Income before income taxes	**3**	**55**	**427**	**476**	**416**	**360**	**5**	**12**	**851**	**903**
Income taxes	(3)	(14)	(109)	(116)	(104)	(90)	(1)	(3)	(217)	(223)
Net income	**-**	**41**	**318**	**360**	**312**	**270**	**4**	**9**	**634**	**680**
Other comprehensive income (loss)	18	171	73	(477)	4	(151)	-	21	95	(436)
Comprehensive income	**18**	**212**	**391**	**(117)**	**316**	**119**	**4**	**30**	**729**	**244**

[1] *Includes net interest income, net financial result, other income and self-insurance service income.*

Year to Date (YTD) 2023 vs YTD 2022

Total income before income taxes decreased by $52 million (6%) from the same six-month period last year mainly due to:

- An increase in housing programs expense of $492 million (24%) driven mainly by $378 million for NHCF, $68 million for CHB, and $260 million for the One-time top-up to the CHB. These increases are partially offset by a decrease in Rapid Housing Initiative (RHI) of $195 million. Due to the nature of many NHS programs, funding patterns are expected to vary significantly year over year.
- A decrease in net gains on financial instruments of $129 million (403%), primarily due to decreases in borrowing issuances for RCFi and NHCF and losses on loans issued below market value in the NHCF and CGHL portfolios as previously explained.
- An increase of $58 million (22%) in operating expenses driven mainly by $40 million of administration expenses incurred for the program costs to run the One-time top-up to the CHB.
- A decrease of $55 million (11%) in the insurance service result mainly due to higher insurance service expense in the period compared to the same six-month period last year where lower arrears volume, better than expected economic conditions and updates to model assumptions subsequent to the transition to IFRS 17 on 1 January 2022 led to a large release in the estimate of our liabilities for incurred claims.
- The decrease in total income before taxes was partially offset by an increase of $555 million (26%) in government funding resulting from higher spend as described previously, increases in investment income of $70 million (40%) and net interest income of $53 million (5,300%) due to higher interest rates, and an increase of $37 million (10%) in guarantee fees earned mainly due to price increases in recent years in the Mortgage Funding Activity.

Other comprehensive income (OCI), net of tax, increased by $531 million (122%) from the same six-month period last year due to economic movements.

- Decreases in interest rates and tightening credit spreads have led to unrealized gains on our investments of $95 million, gains in the remeasurement of defined benefit plans of $30 million, offset by higher insurance finance expense of $30 million.
- During the same period last year, interest rates increased, which led to unrealized losses on our investments of $961 million offset by gains in the remeasurement of defined benefit plans of $362 million and insurance finance income of $163 million.

Financial metrics and ratios

Mortgage Insurance

	Insurance-in-force ($B)		Contractual Service Margin	
	As at		As at	
(in millions, unless otherwise indicated)	**30 June 2023**	**31 December 2022**	**30 June 2023**	**31 December 2022**
Transactional homeowner	174	179	2,067	1,938
Portfolio	79	84	86	94
Multi-unit residential	150	136	2,586	2,515
Total	**403**	**399**	**4,739**	**4,547**

Insurance-in-force increased by $4 billion due to new volumes insured exceeding the run-off of existing policies-in-force. New loans insured were $30 billion, while estimated loan amortization and pay-downs were $26 billion.

CSM increased by $192 million (4%) due to $339 million of additional CSM on new business underwritten in the period, $125 million changes in estimates of future cash flows, and $54 million interest accretion offset by a decrease of $326 million due to earned CSM. The favourable change in estimates is mainly due to better than expected house price assumptions.

	Insured volumes (units)		Insured volumes ($)		Premiums and fees received[1]		Claims paid[2]	
(in millions, unless otherwise indicated)	Three months ended 30 June							
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Transactional homeowner	13,741	21,743	4,547	7,425	160	271	10	11
Portfolio	4,718	8,497	1,212	2,482	3	14	1	3
Multi-unit residential	60,408	45,050	12,319	8,483	273	221	-	-
Total	**78,867**	**75,290**	**18,078**	**18,390**	**436**	**506**	**11**	**14**

[1] *Premiums and fees received may not equal premiums received on insurance contracts written in the period and premiums and fees deferred on self-insured contracts written during the period due to timing of receipts.*

[2] *Claims paid refers to the net cash amounts paid out on settlement of the claims excluding claims administration expenses.*

	Insured volumes (units)		Insured volumes ($)		Premiums and fees received[1]		Claims paid[2]	
(in millions, unless otherwise indicated)	Six months ended 30 June							
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Transactional homeowner	20,831	34,181	6,841	11,636	240	420	26	22
Portfolio	8,381	10,547	2,219	3,063	7	16	2	3
Multi-unit residential	104,976	86,839	21,034	16,415	453	469	2	-
Total	**134,188**	**131,567**	**30,094**	**31,114**	**700**	**905**	**30**	**25**

[1] *Premiums and fees received may not equal premiums received on insurance contracts written in the period and premiums and fees deferred on self-insured contracts written during the period due to timing of receipts.*

[2] *Claims paid refers to the net cash amounts paid out on settlement of the claims excluding claims administration expenses.*

Q2 2023 vs Q2 2022 and YTD 2023 vs YTD 2022

Transactional homeowner unit volumes decreased across all provinces as high house prices and rising interest rates put downward pressure on insured volumes. Portfolio unit volumes decreased due to fewer large pools insured compared to the same three month period last year mainly to timing differences between when the pool is submitted to when it ultimately gets insured. The increase in multi-unit residential unit volumes is driven by an increase in new construction units insured, especially in the MLI Select product which focuses on affordability, accessibility, and climate compatibility.

Total insured dollars decreased, driven primarily by lower transactional homeowner unit volumes combined with a decrease in the average insured loan amount attributable to the decline in house prices. The decrease in transactional homeowner is partially offset by the increases in multi-unit residential, which are the result of the increases in unit volumes as explained previously.

The decrease in premiums and fees received is driven by lower transactional homeowner volumes and average insured loan as explained above, combined with lower multi-unit residential premiums due to the high volume of MLI Select loans which have a lower premium rate.

Claims paid decreased by $3 million (21%) compared to the same quarter last year due to lower claims paid on portfolio loans. However, when comparing to the same six month period last year claims paid increased by $5 million (20%), driven mainly by a $4 million (18%) increase in claims paid on transactional homeowner loans as a result of lower borrower judgement recoveries.

	Three months ended		Six months ended	
(in percentages)	**30 June 2023**	**30 June 2022 (restated)**	**30 June 2023**	**30 June 2022 (restated)**
Insurance service expense ratio[1,2]	9.3%	1.8%	9.0%	(12.9)%
Operating expense ratio	17.3%	19.1%	17.2%	20.0%
Combined ratio	26.6%	20.9%	26.2%	7.1%
Initial contractual service margin ratio	53.5%	73.4%	51.6%	72.4%
Severity ratio	27.4%	24.8%	31.0%	27.4%
Return on equity	5.8%	6.6%	6.5%	6.8%
Return on required equity	6.1%	7.8%	7.0%	8.4%

1 *On adoption of IFRS 17 the loss ratio that was calculated previously under IFRS 4 was replaced by this ratio.*

2 *Insurance service expense ratio on transactional homeowner and portfolio products excluding multi-unit residential was 9.1% and 9.2% for the three and six months ended 30 June 2023, respectively ((6.1)% and (28.1)% for the three and six months ended 30 June 2022).*

Q2 2023 vs Q2 2022 and YTD 2023 vs YTD 2022

The insurance service expense ratio and combined ratio increased mainly due to a higher insurance service expense in 2023 due to the reversal of the liability for incurred claims in 2022 due to lower arrears volume, better than expected economic conditions and updates to model assumptions subsequent to the transition to IFRS 17 on 1 January 2022.

The operating expense ratio decrease is mainly attributable to higher earned CSM.

The initial contractual service margin ratio decreased mainly due to increased volumes of the MLI Select product, which has a lower initial contractual service margin as result of its lower premium.

The severity ratio increased due to weaker sales proceeds as the average home price has dropped compared to the same quarter last year.

The return on equity ratio decreased from the same three month period last year due to a decrease in net income mainly driven by the increase in insurance claims expense as explained previously, an increase in insurance finance expenses due to higher weighted-average forward rates and insurance contract liabilities, an increase in losses on properties that we obtained through default management activities, offset by higher insurance revenues as explained previously. The return on equity ratio decreased from the same six month period last year due to a decrease in net income mainly driven by the increase in insurance claims expense as explained previously.

The decrease on return on required equity ratio is due to lower net income mainly driven by the increase in insurance claims expense, as explained previously, as well as an increase in capital required due to the growth in our Multi-unit residential business.

	As at 30 June 2023		As at 31 December 2022	
	No. of delinquent loans	**Arrears rate**	**No. of delinquent loans**	**Arrears rate**
Transactional homeowner	2,767	0.33%	2,920	0.34%
Portfolio	808	0.14%	836	0.14%
Multi-unit residential	85	0.28%	108	0.38%
Total	**3,660**	**0.25%**	**3,864**	**0.25%**

The arrears rate includes all loans more than 90 days past due as a percentage of outstanding insured loans. Reported delinquencies remain low in all regions, which is consistent with strong economic conditions. The slight decrease in reported delinquencies is driven by the prairie provinces.

Mortgage Funding

	Total guarantees-in-force ($B)	
	As at	
	30 June 2023	31 December 2022
National Housing Act Mortgage-Backed Securities (NHA MBS)	228	216
CMB	260	255
Total	**488**	**471**

Total guarantees-in-force represents the maximum principal obligation related to our timely payment guarantee. Guarantees-in-force were $488 billion as at 30 June 2023, an increase of $17 billion (4%) as new guarantees exceeded maturities, principal run-off and prepayments. Recent increases in interest rates have slowed down the housing market leading to lower prepayment rates.

	New securities guaranteed ($B)		Guarantee and application fees received[1]	
	Three months ended 30 June			
(in millions, unless otherwise indicated)	2023	2022	2023	2022
NHA MBS	36	33	166	173
CMB	11	11	43	42
Total	**47**	**44**	**209**	**215**

[1] *Guarantee and application fees received for NHA MBS; guarantee fees received for CMB.*

	New securities guaranteed ($B)		Guarantee and application fees received[1]	
	Six months ended 30 June			
(in millions, unless otherwise indicated)	2023	2022	2023	2022
NHA MBS	69	66	315	350
CMB	21	21	86	84
Total	**90**	**87**	**401**	**434**

[1] *Guarantee and application fees received for NHA MBS; guarantee fees received for CMB.*

Q2 2023 vs Q2 2022 and YTD 2023 vs YTD 2022

New securities guaranteed remained stable compared to the same quarter last year, while guarantee and application fees received decreased, mainly due to more issuances of affordability-linked pools, which carry a lower fee.

	Three months ended		Six months ended	
(in percentages)	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Operating expense ratio	6.6	7.9	6.6	7.6
Return on equity	47.4	36.8	46.7	37.9

Q2 2023 vs Q2 2022 and YTD 2023 vs YTD 2022

Operating expense ratio is lower and the return on equity is higher than last year, mainly due to an increase in guarantee and application fees earned as older pools with lower fees are fully recognized and are replaced with new pools with a higher associated fee.

Government Funding

The following table reconciles the amount of government funding authorized by Parliament as available to us during the Government's fiscal year (31 March) with the total amount we received in our calendar year.

	Six months ended 30 June	
(in millions)	**2023**	**2022**
Amounts authorized in 2022/23 (2021/22)		
Main estimates	3,549	3,259
Supplementary estimates A[1,2,5]	46	1,800
Supplementary estimates B[1,3,5]	693	44
Supplementary estimates C[1,4,5]	1,119	41
Total fiscal year government funding	**5,407**	**5,144**
Less: portion recognized in calendar 2022 (2021)	(2,129)	(2,367)
Less: government funding lapsed for 2022/23 (2021/22)[6]	(1,197)	(1,049)
Less: frozen allotment	(48)	(53)
2022/23 (2021/22) government funding recognized in 2023 (2022)	**2,033**	**1,675**
Amounts authorized in 2023/24 (2022/23)		
Main estimates	5,105	3,549
Supplementary estimates A[1,2,5]	1,004	46
Supplementary estimates B[1,3,5]	-	693
Supplementary estimates C[1,4,5]	-	1,119
Total fiscal year government funding	**6,109**	**5,407**
Less: portion to be recognized in subsequent quarters	(5,536)	(3,654)
Less: forecasted lapse for 2023/24 (Actual lapse in 2022/23)	-	(1,197)
Less: frozen allotment	-	(48)
2023/24 (2022/23) government funding recognized in 2023 (2022)	**573**	**508**
Total government funding – Six months ended 30 June	**2,606**	**2,183**

1 *Supplementary estimates are additional government funding voted on by Parliament during the Government's fiscal year.*

2 *Approved 2023/24 supplementary estimate A for HAF and Granville Island. (2022/23 for RHI, and Granville Island Emergency Relief Fund. 2021/22 for RHI, NHCF, CGHL, Granville Island Emergency Relief Fund, Canada Emergency Commercial Rent Assistance (CECRA), CHB and funding to support youth).*

3 *Approved 2022/23 supplementary estimate B for RHI, Affordable Housing Innovation Fund, Federal Lands initiative, RCFi, pyrrhotite, NHCF, FTHBI, Urban, Rural and Northern Indigenous Housing Strategy, CECRA, Emergency shelter for women and girls, CHB, CHB for women and children fleeing violence, and for Research and Data Initiative. (2021/22 for RCFi).*

4 *Approved 2022/23 supplementary estimates C for CGHL and Home Buyer's Bill of Rights. (2021/22 for the construction and operation of shelters and transition houses for Indigenous women, children, 2SLGBTQQ/Q+ people, CHB, Federal Community Housing Initiative (FCHI), Research and Data Initiative).*

5 *We exclude funding received for the Granville Island Emergency Relief Fund from our consolidated financial statements as we do not control the activities of Granville Island.*

6 *Total government funding lapsed for 2022/23 includes $631 million lapse of statutory authorities for the One-time top-up to the Canada Housing Benefit.*

Capital Management

Frameworks

For our Assisted Housing Activity, we maintain a reserve fund pursuant to Section 29 of the *CMHC Act* to address interest rate risk exposure on pre-payable loans as well as credit risk exposure on unsecured loans. Lending programs' earnings are retained in this reserve fund except for the unrealized fair value fluctuations as well as remeasurement gains and losses on defined benefit plans. Unrealized fair value market fluctuations and remeasurement losses on defined benefit plan are absorbed in retained earnings until the time they are realized. Aside from the reserve fund, we do not hold capital for our Assisted Housing activities, as they do not present material financial risks to us that we do not already otherwise mitigate.

For our Mortgage Insurance Activity, our capital management framework follows OSFI regulations with respect to the use of the MICAT as our economic capital is lower than OSFI's regulatory capital requirements.

With respect to our Mortgage Funding Activity, our capital management framework follows industry best practices and incorporates regulatory principles from OSFI, including those set out in OSFI's E19 – Own Risk and Solvency Assessment guideline, and those of the Basel Committee on Banking Supervision. Our capital adequacy assessment uses an integrated approach to evaluate our capital needs from both a regulatory and economic capital basis to establish capital targets that take into consideration our strategy and risk appetite.

In August 2022, our Board of Directors approved maintaining the internal targets and operating levels of 155% and 165% respectively for Mortgage Insurance and 105% and 110% for Mortgage Funding for 2023. For Mortgage Funding, the Board approved a reduction of the economic capital required at the operating level from $2.7 billion to $1.8 billion, effective 1 January 2023.

Ratios

The following table presents our capital management ratios.

	As at	
(in percentages)	**30 June 2023**	**31 December 2022 (restated)**
Mortgage Insurance: Capital available to minimum capital required (MICAT)	172	175
Mortgage Funding: Economic capital available to capital required[1]	113	112

[1] *In 2023, the capital required in the Mortgage Funding ratio has been updated to consider the minimum liquidity requirement resulting in a decrease of 37 percentage points in our 2022 comparative ratio.*

The Mortgage Insurance capital available to minimum capital required ratio decreased slightly as dividend declared were larger than net income generated.

The implementation of IFRS 17 had an immaterial impact on capital available as at 31 December 2022 (see Note 9 of the unaudited quarterly consolidated financial statements). On transition to IFRS 17, at 1 January 2022, our equity increased by $64 million (see Note 3 of the unaudited quarterly consolidated financial statements). During 2022, the impact to equity due to reporting under IFRS 17 vs IFRS 4, was a decrease of $70 million, resulting in a net change of $6 million to capital available as at 31 December 2022. IFRS 17 did not have an impact on appropriated capital in 2022 as MICAT requirements reflecting IFRS 17 were effective as of 1 January 2023. As a result, the MICAT ratio was unchanged as at 31 December 2022.

As noted under Financial Metrics and Ratios, our Multi-Unit Insurance has seen an increase in insured units and dollars, a trend observed over recent quarters. To support the increase of purpose built rental, which is key to tackling affordability challenges, we have decided to temporarily decrease our overall dividend to the Government of Canada on a prospective basis. This temporary suspension will support additional multi-unit volumes. Should we determine that the excess capital generated from reducing our dividend is no longer needed for the additional multi-unit volumes we are currently experiencing, we would return any excess capital to the Government. While our current capital position remains strong, the preservation of capital allows our multi-unit business to grow and responds to the increased need in the market for the supply of purpose-built rental housing. As every dividend is subject to Board approval, we are unable to state the projected future impact. However, when comparing to recent dividend declarations, the temporary reduction represents a $250 million per quarter reduction in dividend to the Government.

Mortgage Funding capital available to capital required ratio slightly increased as the net income exceeded the dividends declared.

Refer to Note 9 – Capital Management of the unaudited quarterly consolidated financial statements for further disclosure on capital management.

HISTORICAL QUARTERLY INFORMATION

(in millions, unless otherwise indicated)	Q2 2023	Q1 2023	Q4 2022 (restated)[4]	Q3 2022 (restated)[4]	Q2 2022 (restated)[4]	Q1 2022 (restated)[4]	Q4 2021	Q3 2021
Consolidated Results								
Total assets	302,978	304,372	297,168	304,049	297,594	299,160	300,357	300,457
Total liabilities	291,078	292,221	285,207	292,073	285,466	286,761	287,147	287,206
Total equity of Canada	11,900	12,151	11,961	11,976	12,128	12,399	13,210	13,251
Total revenues and government funding	1,027	2,642	1,378	1,035	996	2,178	1,956	1,076
Total expenses (including income taxes)	724	2,311	1,009	644	661	1,833	1,472	662
Net income	303	331	369	391	335	345	484	414
Assisted Housing								
Government funding	563	2,136	810	454	489	1,655	1,277	452
Net income (loss)	(2)	2	76	23	35	6	38	10
Total equity of Canada	864	872	846	799	781	695	569	547
Mortgage Insurance								
Insurance-in-force ($B)[2]	403	400	399	397	397	394	401	404
Total insured volumes[1]	18,078	12,016	17,181	18,027	18,390	12,724	18,659	13,356
Premiums and fees received	436	264	354	416	506	399	547	417
Premiums and fees earned	8	7	6	6	6	5	353	350
Insurance revenue	248	230	223	210	220	214	-	-
Claims paid	11	19	20	19	14	11	30	45
Insurance claims expense	-	-	-	-	-	-	(57)	(12)
Insurance service expense	(23)	(20)	(18)	68	(4)	60	-	-
Net income	142	176	145	222	168	192	302	265
Arrears rate	0.25%	0.28%	0.25%	0.24%	0.25%	0.26%	0.28%	0.29%
Loss ratio	-	-	-	-	-	-	(16.1)%	(3.4)%
Insurance service expense ratio	9.3%	8.7%	8.1%	(32.4)%	1.8%	(28.0)%	-	-
Operating expense ratio	17.3%	17.0%	22.0%	19.5%	19.1%	21.0%	23.0%	21.1%
Combined ratio	26.6%	25.7%	30.1%	(12.9)%	20.9%	(7.0)%	6.9%	17.7%
Initial contractual service margin ratio	53.5%	48.3%	54.3%	73.1%	73.4%	71.2%	-	-
Severity ratio	27.4%	33.0%	32.4%	29.6%	24.8%	27.0%	28.4%	30.8%
Return on equity	5.8%	7.2%	5.9%	9.0%	6.6%	7.1%	10.1%	9.5%
Return on required equity	6.1%	7.7%	6.3%	10.1%	7.8%	8.9%	14.0%	12.0%
Capital available to minimum capital required (% MICAT)	172%	176%	175%	184%	193%	194%	213%	209%
% Estimated outstanding Canadian residential mortgages with CMHC insurance coverage	19.1%	19.2%	19.2%	19.4%	19.9%	20.1%	21.0%	23.1%
Mortgage Funding								
Guarantees-in-force ($B)[2]	488	481	471	463	456	460	461	460
Securities guaranteed ($B)	47	43	50	50	44	43	48	51
Guarantee and application fees received	209	192	301	227	215	219	338	250
Guarantee and application fees earned	206	201	193	189	180	194	189	179
Net income	161	151	144	142	127	143	139	139
Operating expense ratio	6.6%	6.5%	7.5%	7.3%	7.9%	7.4%	8.2%	7.6%
Return on equity	47.4%	44.4%	39.0%	42.4%	36.8%	38.9%	36.6%	36.4%
Economic capital available to capital required[3]	113%	114%	112%	109%	108%	110%	113%	109%
% Estimated outstanding Canadian residential mortgages with CMHC securitization guarantee	23.2%	23.2%	22.9%	22.8%	22.9%	23.3%	24.1%	26.3%

[1] *Total insured volumes include portfolio substitutions.*

[2] *Our total exposure is less than the sum of these figures because we insure a portion of the instruments included in guarantees-in-force.*

[3] *In 2023, the capital required in the Mortgage Funding ratio has been updated to consider the minimum liquidity requirement resulting in adjustments to the historical ratios.*

[4] *Figures have been restated to reflect the adoption of IFRS 17 effective 1 January 2022.*

Unaudited Quarterly Consolidated Financial Statements

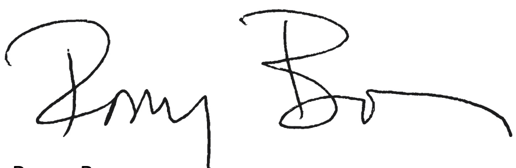
CONTENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Period ended 30 June 2023

Management is responsible for the preparation and fair presentation of these unaudited quarterly consolidated financial statements in accordance with 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.



Romy Bowers
President and Chief Executive Officer

Michel Tremblay, CPA, CA
Chief Financial Officer and Senior Vice President, Corporate Services

16 August 2023

CONSOLIDATED BALANCE SHEET

		As at		
(in millions of Canadian dollars)	Notes	30 June 2023	31 December 2022 (restated)	As at 1 January 2022 (restated)
Assets				
Cash and cash equivalents	20	2,621	2,649	1,525
Securities purchased under resale agreements		399	650	-
Accrued interest receivable		869	878	720
Investment securities:				
Fair value through profit or loss	10	81	133	289
Fair value through other comprehensive income	10, 11	18,127	18,043	19,982
Amortized cost	10, 11	3,452	3,578	2,817
Derivatives		91	-	31
Due from the Government of Canada	6	299	-	363
Loans:	12			
Fair value through profit or loss		480	469	500
Amortized cost		275,339	269,207	272,781
Accounts receivable and other assets		557	941	535
Investment property		402	402	314
Defined benefit plans asset		261	218	-
		302,978	297,168	299,857
Liabilities				
Accounts payable and other liabilities		756	707	606
Accrued interest payable		786	818	612
Derivatives		44	87	50
Insurance contract liabilities	7	6,597	6,405	6,132
Due to the Government of Canada	6	-	6	-
Borrowings:	13			
Fair value through profit or loss		318	374	475
Amortized cost		279,531	273,770	275,869
Defined benefit plans liability		174	166	250
Unearned premiums and fees	7, 8	2,624	2,604	2,321
Deferred income tax liabilities		248	270	268
		291,078	285,207	286,583
Commitments and contingent liabilities	20			
Equity of Canada	9			
Contributed capital		25	25	25
Accumulated other comprehensive income or (loss)		(660)	(725)	130
Reserve fund		47	17	29
Retained earnings		12,488	12,644	13,090
		11,900	11,961	13,274
		302,978	297,168	299,857

The accompanying notes are an integral part of these quarterly consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

		Three months ended 30 June		Six months ended 30 June	
(in millions of Canadian dollars)	Notes	2023	2022 (restated)	2023	2022 (restated)
Interest income		1,740	1,220	3,401	2,351
Interest expense		(1,708)	(1,219)	(3,349)	(2,352)
Net interest income (loss)		32	1	52	(1)
Insurance revenue	7	248	220	478	434
Insurance service income (expense)		(23)	(4)	(43)	56
Insurance service result		225	216	435	490
Investment income		130	94	246	176
Net gains (losses) on financial instruments	14	(76)	38	(97)	32
Insurance finance expense for contracts issued	7	(43)	(28)	(80)	(53)
Net financial result		11	104	69	155
Government funding	6	563	489	2,699	2,144
Housing programs	6	(472)	(424)	(2,501)	(2,009)
Premiums and fees earned	7, 8	214	186	422	385
Operating expenses		(146)	(131)	(324)	(266)
Other income		(18)	-	(8)	1
Self-insurance service income		1	2	7	4
Income before income taxes		410	443	851	903
Income taxes	18	(107)	(108)	(217)	(223)
Net income		303	335	634	680
Other comprehensive income (loss), net of tax					
Items that will be subsequently reclassified to net income (loss)					
Net unrealized gains (losses) from debt instruments held at fair value through other comprehensive income		(187)	(380)	40	(960)
Reclassification of gains on debt instruments held at fair value through other comprehensive income on disposal in the year		33	(2)	55	(1)
Insurance finance income (expense) for contracts issued	7, 18	7	63	(30)	163
		(147)	(319)	65	(798)
Items that will not be subsequently reclassified to net income					
Remeasurement gains (losses) on defined benefit plans	17, 18	(12)	108	30	362
Total comprehensive income (loss), net of tax		(159)	(211)	95	(436)
Comprehensive income		144	124	729	244

The accompanying notes are an integral part of these quarterly consolidated financial statements.

CONSOLIDATED STATEMENT OF EQUITY OF CANADA

		Three months ended 30 June		Six months ended 30 June	
(in millions of Canadian dollars)	Notes	2023	2022 (restated)	2023	2022 (restated)
Contributed capital		**25**	**25**	**25**	**25**
Accumulated other comprehensive income (loss)					
Fair value reserve balance at beginning of period		(651)	(448)	(900)	131
Other comprehensive income (loss) – fair value		(154)	(382)	95	(961)
Fair value reserve balance at end of period		(805)	(830)	(805)	(830)
Opening insurance finance reserve		138	99	175	-
Impact of adopting IFRS 17	3	-	-	-	(1)
Restated opening insurance finance reserve		138	99	175	(1)
Other comprehensive income (loss) – insurance finance reserve		7	63	(30)	163
Insurance finance reserve balance at end of period		145	162	145	162
Balance at end of period		**(660)**	**(668)**	**(660)**	**(668)**
Reserve fund					
Balance at the beginning of period		28	21	17	29
Net income (loss)		19	(2)	30	(10)
Balance at end of period		**47**	**19**	**47**	**19**
Retained earnings					
Opening retained earnings		12,611	12,702	12,644	13,025
Impact of adopting IFRS 17	3	-	-	-	65
Restated opening retained earnings		12,611	12,702	12,644	13,090
Net income		284	337	604	690
Other comprehensive income		(12)	108	30	362
Dividends	9	(395)	(395)	(790)	(1,390)
Total retained earnings		**12,488**	**12,752**	**12,488**	**12,752**
Equity of Canada	9	**11,900**	**12,128**	**11,900**	**12,128**

The accompanying notes are an integral part of these quarterly consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Three months ended 30 June		Six months ended 30 June	
(in millions of Canadian dollars)	**Notes**	**2023**	**2022 (restated)**	**2023**	**2022 (restated)**
Cash flows from (used in) operating activities					
Net income		303	335	634	680
Adjustments to determine net cash flows from operating activities					
Amortization of premiums and discounts on financial instruments		(3)	19	9	53
Net (gains) losses on financial instruments		108	(161)	188	(109)
Deferred income taxes	18	(38)	(42)	(34)	(33)
Depreciation, amortization and impairment of fixed and intangible assets		14	6	33	12
Changes in operating assets and liabilities					
Derivatives		(54)	113	(134)	61
Accrued interest receivable		468	524	9	19
Due from the Government of Canada		663	368	(358)	(126)
Accounts receivable and other assets		203	42	363	53
Accounts payable and other liabilities		(381)	(318)	51	66
Accrued interest payable		(463)	(516)	(32)	(7)
Insurance contract liabilities		160	230	191	304
Defined benefit plans		-	6	-	4
Unearned premiums and fees		18	52	20	92
Other		(4)	2	(6)	(3)
Loans	12				
Repayments		10,917	11,025	15,851	23,569
Disbursements		(11,055)	(10,801)	(21,940)	(21,555)
Borrowings	13				
Repayments		(12,673)	(12,774)	(18,746)	(28,688)
Issuances		12,627	13,236	24,439	27,636
		810	1,346	538	2,028
Cash flows from (used in) investing activities					
Investment securities					
Sales and maturities		2,587	2,534	4,550	6,321
Purchases		(2,640)	(2,408)	(4,509)	(6,271)
Foreign currency forward contract maturities					
Receipts		79	89	132	158
Disbursements		(54)	(120)	(181)	(192)
Securities purchased under resale agreements		51	-	251	-
Property and equipment and intangible asset acquisitions		(7)	(26)	(19)	(47)
		16	69	224	(31)
Cash flows from (used in) financing activities					
Dividends paid		(790)	(1,390)	(790)	(1,390)
Change in cash and cash equivalents		36	25	(28)	607
Cash and cash equivalents					
Beginning of period		2,585	2,107	2,649	1,525
End of period		2,621	2,132	2,621	2,132
Represented by					
Cash		192	115	192	115
Cash equivalents		2,429	2,017	2,429	2,017
		2,621	2,132	2,621	2,132
Supplementary disclosure of cash flows from operating activities					
Amount of interest received during the period		2,465	1,976	3,900	2,869
Amount of interest paid during the period		2,332	1,867	3,674	2,655
Amount of dividends received during the period		1	2	1	3
Amount of income taxes paid during the period		-	120	58	213

The accompanying notes are an integral part of these quarterly consolidated financial statements.

NOTES TO UNAUDITED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Canada Mortgage and Housing Corporation (CMHC, we, or us) was established in Canada as a Crown corporation in 1946 by the *Canada Mortgage and Housing Corporation Act* (CMHC Act) to carry out the provisions of the *National Housing Act* (NHA). We are also subject to Part X of the *Financial Administration Act* by virtue of being listed in Part 1 of Schedule III, wholly owned by the Government of Canada (Government), and an agent Crown corporation. Our National Office is located at 700 Montreal Road, Ottawa, Ontario, Canada, K1A 0P7.

These unaudited quarterly consolidated financial statements are as at and for the six months ended 30 June 2023 and were approved and authorized for issue by our Audit Committee on 16 August 2023.

2. Basis of Preparation and Significant Accounting Policies

Our unaudited quarterly consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* (IAS 34) and do not include all of the information required for full annual consolidated financial statements. We follow the same accounting policies and methods of application as disclosed in Note 2 and 3 of our consolidated financial statements for the year ended 31 December 2022 and these unaudited quarterly consolidated financial statements should be read in conjunction with those financial statements.

Seasonality

We have concluded that our business is not highly seasonal in accordance with IAS 34; however, our Mortgage Insurance and Mortgage Funding Activities are exposed to some seasonal variation. Premiums received for some insurance products vary each quarter with the seasonality in housing markets. Variations are driven by the level of mortgage originations and related mortgage insurance policies written, which, for purchase transactions, typically peak in the spring and summer months. Insurance 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. In our Mortgage Funding Activity, guarantee fees received on NHA MBS are generally higher in the last quarter of the year as more issuers guarantee higher fee pools above the Tier 1 threshold as they manage their liquidity and capital requirements.

3. Current and future accounting changes

Current accounting changes

We adopted IFRS 17 *Insurance contracts*, which replaces IFRS 4 *Insurance contracts* on 1 January 2023. IFRS 17 sets out the requirements for recognizing and measuring our insurance contract liabilities. We apply the accounting policies disclosed in Note 3 of our 31 December 2022 consolidated financial statements.

The following table summarizes the impacts of adopting IFRS 17 on our opening balance sheet as at January 1, 2022.

Financial statement line item *(in millions $)*	IFRS 4 31 December 2021	Adjustments	IFRS 17 1 January 2022
Accounts receivable and other assets	1,035	(500)	535
Accounts payable and other liabilities	650	(44)	606
Provision for claims	310	(310)	-
Insurance contract liabilities	-	6,132	6,132
Unearned premiums	8,684	(6,363)	2,321
Deferred income tax liabilities	247	21	268
Equity of Canada	13,210	64	13,274

The following table summarizes the nature of the IFRS 17 opening balance sheet adjustments as at 1 January 2022.

Adjustment	Description
Measurement of insurance contract liability under IFRS 17	We have recognized and measured each group of insurance contracts as if the standard had always applied and where impracticable we have applied the fair value approach. This has resulted in an increase in our insurance contract liabilities of $6,132 million and a corresponding decrease in retained earnings of $4,615 million (net of deferred taxes of $1,539 million).
Derecognition of existing balances that would not exist under IFRS 17	The following balances were derecognized: • Deferred acquisition costs, deferred Government of Canada fees, estimated borrower judgment recoveries, and premiums receivable, all of which, were previously recorded in accounts receivable and other assets of $500 million; • Government of Canada fees payable previously recorded in accounts payable and other liabilities of $61 million; • Unearned premiums and fees related to our Mortgage Insurance Activity of $6,363 million; and • Provision for claims of $310 million. The net of the above has resulted in an increase in retained earnings of $4,679 million (net of deferred taxes of $1,560 million) and an increase in accounts payable and other liabilities of $17 million related to unearned premiums for social housing and indexed-linked mortgages.

Future accounting changes

There have been no new standards issued by the the International Accounting Standards Board (IASB) that would affect us in the future.

4. Critical Judgments in Applying Accounting Policies and Making Estimates

The preparation of financial statements in accordance with IFRS requires us to make various judgments, estimates and assumptions that can significantly affect the amounts recognized in the financial statements. Actual results may differ from these estimates. Where these differ, the impact will be recorded in future periods. We have disclosed key assumptions concerning the future and other important sources of estimation uncertainty at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, in Note 4 of our 31 December 2022 consolidated financial statements. Notable changes to the key estimates are reflected below.

Use of estimates and assumptions

Insurance contract liabilities

Insurance contract liabilities are determined using deterministic cashflow models that consider a range of possible economic conditions. The following assumptions are used when calculating cash flows within the boundary of insurance contract liabilities:

Claim frequency

Arrears rate and claim rate

Arrears rate determined by loans that are more than 90 days past due for our homeowner and portfolio insurance products and 30 days past due for multi-unit insurance products are a key determinant of future claims. A claim occurs when a borrower has defaulted on the loan and the lender has completed the foreclosure. The arrears and claim rate assumptions are based on our own experience and expectations.

An increase (decrease) in expected arrears or claim rates will increase (decrease) the expected claim cost which will reduce (increase) future profits.

Termination rate

A termination occurs when an insurance contract is no longer in-force and there is no reported claim. Termination rate assumptions are based on historical experience and are adjusted, when appropriate, to reflect revised expectations.

An increase (decrease) in expected termination rates will reduce (increase) the expected claim frequency which will increase (decrease) future profits.

Cure rate

A loan is cured from arrears when the borrower pays all the past due amounts. Cure rate assumptions are based on historical experience and are adjusted when appropriate to reflect revised expectations.

An increase (decrease) in expected cure rates will reduce (increase) the expected claim frequency which will increase (decrease) future profits.

Claim severity

Loss given default (LGD)

LGD represents the estimated net cash outflow when a default occurs and is based on historical experience and adjusted, when appropriate, to reflect revised expectations.

An increase (decrease) in loss given default will increase (decrease) the fulfilment cash flow which will reduce (increase) future expected profits.

Economic conditions (unemployment rate, mortgage rates and repeat price index)

The economic conditions are non-financial assumptions used to project future claim levels. Changes in these assumptions, which impact both claim frequency and claim severity, and could increase or decrease the fulfilment cash flow which will impact future profits. An increase in unemployment and mortgage rates and a decrease in repeat price index will increase claims.

Determining the liabilities for remaining coverage and incurred claims involves the risk that the actual results will deviate, and in certain cases significantly, from the estimates made.

The liability for incurred claims (LIC) reflects claims that have been incurred but not reported (IBNR), claims in process (CIP), incurred but not enough reported (IBNER) and reduced by borrower judgment recoveries (BJR). The estimate for IBNR is based on loans that are reported in arrears and an estimate of loans that are not yet reported in arrears (pure IBNR) at the valuation date and the probability of those loans going to claim without subsequently becoming re-performing. The CIP are estimated by multiplying the insured loan amounts by the claim severity. The estimate for IBNER is estimated from the payment pattern of the supplementary amounts on open claims. The estimate for BJR is determined based on historical information on BJR received related to claims paid. The liability for incurred claims is discounted to the balance sheet date consistent with our policy on discount rates.

The fulfilment cash flows included in the liabilities for remaining coverage (LRC) relate to future claims and are subject to a greater degree of uncertainty than the LIC.

The following table sets out the weighted average percentage used for each previously noted assumption:

	30 June 2023	31 December 2022
Claim frequency[1]	0.6%	0.7%
Claim severity[2]	44.0%	42.2%
Unemployment rate[3]	6.3%	5.8%
Mortgage rates[3]	6.2% for 5-year term	5.8% for 5-year term
Repeat price index/House Price Index[3,4]	520	497

[1] *Includes the weighted average arrears, claims, termination and cure rate. Reflects the probability of a loan going from healthy to claim during its life.*

[2] *Reflects net claim, including expenses as a percentage of the insured loan amount, when a loan defaults.*

[3] *Refers to national ten year average projected rates.*

[4] *The repeat price index was used to measure underlying housing prices beginning in 2023 Q2 rather than the housing price index as it is more aligned with the demographics of the underlying loans under contract.*

Risk adjustment

The risk adjustment for non-financial risk represents the compensation required for bearing the uncertainty of the amount and timing of the cash flows of groups of insurance contracts and covers insurance risk, lapse risk and expense risk. The risk adjustment reflects an amount we would pay to remove the uncertainty that the future cash out flows will exceed our best estimate of our insurance contract liabilities. We have estimated our risk adjustment for non-financial risk using a cost of capital approach for the LRC and the quantile approach for the LIC. The cost of capital approach requires us to estimate the fulfilment cash flows, and the required capital at each future date following regulatory capital requirements. A cost of capital rate is applied to the additional capital requirement in future reporting periods. The cost of capital represents the return required to compensate for exposure to the non-financial risk and is set at 6% per annum. The quantile approach requires us to estimate a distribution of the fulfillment cash flows and select a confidence level that reflects our risk appetite.

The risk adjustment for our insurance contracts corresponds to an 85% confidence level.

Discount rate

Fulfilment cashflows are determined by discounting the expected future cash flows using a bottom up approach, where the discount curve uses a risk free curve, plus an illiquidity premium. The risk-free curve is determined by reference to the Government of Canada yield curve. The illiquidity premium is determined by reference to observable market rates of A-rated and BBB-rated investment grade bonds, plus a constant illiquidity premium factor of 0.5%.

The weighted average discount rates applied for discounting of future cash flows as at 30 June 2023 and 31 December 2022 are listed below:

	Portfolio duration											
	1-5 years		5-10 years		10-15 years		15-20 years		20-25 years		over 25 years	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Discount rates	5.6%	5.3%	5.1%	5.1%	5.0%	5.3%	5.1%	5.4%	5.1%	5.4%	4.9%	5.0%

Coverage units

The CSM is a component of our insurance contract liabilities and represents the unearned profit to be recognized as insurance coverage is provided.

An amount of the CSM by group of insurance contracts is recognized as insurance revenue each quarter reflecting the services provided during the period.

The amount of CSM recognized is determined by:

- identifying the coverage units applicable to groups of insurance contracts;
- allocating the CSM at the end of the period equally to each coverage unit provided in the current period and expected to be provided in future periods; and
- recognizing, in insurance revenue, the amount allocated to coverage units provided in the period.

The number of coverage units in a group is the total coverage expected to be provided by the insurance contracts in the group, determined by considering the quantity of the benefits provided and the expected duration of the coverage. The quantity of benefits expected to be provided to the policyholder at the end of each period is the outstanding mortgage balance, including accrued interest and customary settlement costs, less the estimated sales price of the insured property securing the mortgage. This is calculated based on a historical average LGD (claim severity), given a loan is in arrears. The total coverage units of each of our groups of insurance contracts are reassessed at the end of each reporting period to reflect changes in our estimates of expected LGD. The coverage units are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

Level of aggregation – grouping criteria

Once insurance contracts are aggregated into portfolios based on mortgage insurance products, expected profitability is used to further disaggregate the insurance contracts into those contracts that are onerous, those that have no significant chance of becoming onerous subsequently and a remaining other group of contracts within the portfolio.

To assess expected profitability, the following characteristics are used:

- pricing levels (loan-to-value band)
- the most significant insurance contract characteristics that impact the performance of an insurance contract are:
  - product type
  - credit score band
  - region or province
  - housing and property types

Mortgage Insurer Capital Adequacy Test (MICAT)

Insurance-in-force (IIF) is a key input in determining our MICAT ratio and is subject to estimation. Due to availability of data, IIF used in the MICAT is the higher of 1) a projection reflecting an estimate of new business, terminations and claims from our most recent previous quarter-end; and 2) our actual IIF as reported by lenders for the previous quarter-end. Changes in underwriting requirements, regulatory environment and market trends can add volatility to our estimate.

In recent months, lenders have been reporting temporarily extended amortizations on variable rate mortgages that do not have payments that automatically adjust with interest rates. Furthermore, adjustments to interest rates as announced by the Bank of Canada may not be immediately reflected in IIF reporting by lenders and are not factored into our projected IIF calculations as we are unable to accurately predict the future path of interest rates. As a result, we may experience a temporarily lower MICAT ratio due to the temporarily extended amortizations on variable rate mortgages until interest rates stabilize and/or subject variable rate mortgages payments are reset to the original amortization period. Our Q2 2023 MICAT ratio only considers the impacts of rising interest rates on variable rate mortgages up to Q1 2023 and therefore, does not fully reflect the impacts of interest rate increases on amortizations past this point. While the required capital for these loans will increase if their amortization period is extended, many loans have reached the maximum 40+ years of amortization already. Moreover, as variable loans move to fixed the number of variable rate mortgages in our IIF has decreased faster than the associated required capital has increased. We continue to monitor the effect of rising rates on our total IIF and on variable rate mortgages.

5. Segmented Information

The unaudited quarterly consolidated financial statements include the Assisted Housing (AH), Mortgage Insurance (MI) and Mortgage Funding (MF) segments, each of which provides different products and programs in support of our objectives. We include the accounts for Canada Housing Trust (CHT), a separate legal entity, within the Mortgage Funding reportable segment. We determine the financial results of each segment using the accounting policies described in Notes 2 and 3 of our audited consolidated financial statements for the year ended 31 December 2022. For all segments, revenues are attributed to, and assets are located in, Canada.

We generate revenues for the reportable segments as follows:

- Assisted Housing revenues include government funding and interest income on loans and investments;
- Mortgage Insurance revenues include insurance revenues, premiums, fees and investment income; and
- Mortgage Funding revenues include guarantee and application fees, investment income and interest income on loans.

Three months ended 30 June	**Assisted Housing Activity**		**Mortgage Insurance Activity**		**Mortgage Funding Activity**		**Eliminations**		**Total**	
(in millions)	**2023**	**2022**	**2023**	**2022 (restated)**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022 (restated)**
Interest income	140	78	-	-	1,602	1,143	(2)	(1)	1,740	1,220
Interest expense	(116)	(87)	-	-	(1,599)	(1,140)	7	8	(1,708)	(1,219)
Net interest income (loss)	**24**	(9)	**-**	**-**	**3**	**3**	**5**	**7**	**32**	**1**
Insurance revenue	-	-	248	220	-	-	-	-	248	220
Insurance service income (expense)	-	-	(23)	(4)	-	-	-	-	(23)	(4)
Insurance service result	**-**	-	**225**	**216**	**-**	**-**	**-**	**-**	**225**	**216**
Investment income (losses)	-	-	111	84	22	11	(3)	(1)	130	94
Net gains (losses) on financial instruments	(31)	61	(45)	(15)	-	(9)	-	1	(76)	38
Insurance finance expense for contracts issued	-	-	(43)	(28)	-	-	-	-	(43)	(28)
Net financial result	**(31)**	61	**23**	**41**	**22**	**2**	**(3)**	**-**	**11**	**104**
Government funding	563	489	-	-	-	-	-	-	563	489
Housing programs	(472)	(424)	-	-	-	-	-	-	(472)	(424)
Premiums and fees earned	-	-	8	6	206	180	-	-	214	186
Operating expenses	(85)	(71)	(43)	(42)	(18)	(18)	-	-	(146)	(131)
Other income (loss)	-	1	(18)	(3)	-	2	-	-	(18)	-
Self-insurance service income (loss)	-	-	1	2	-	-	-	-	1	2
Income before income taxes	**(1)**	**47**	**196**	**220**	**213**	**169**	**2**	**7**	**410**	**443**
Income taxes	(1)	(12)	(54)	(52)	(52)	(42)	-	(2)	(107)	(108)
Net income	**(2)**	**35**	**142**	**168**	**161**	**127**	**2**	**5**	**303**	**335**
Total revenues and government funding[2]	556	542	238	260	231	187	2	7	1,027	996
Less Inter-segment income (loss)[1]	2	(2)	3	3	(7)	(8)	2	7	-	-
External revenues and government funding	554	544	235	257	238	195	-	-	1,027	996

[1] *Inter-segment income (loss) relates to the following:*

- *Assisted Housing recognizes interest income from investing in holdings of CMB;*
- *Mortgage Insurance recognizes investment income from investing in holdings of CMB; and*
- *Within Mortgage Funding, CHT recognizes interest expense on CMB held by Assisted Housing and Mortgage Insurance.*

[2] *Includes net interest income (loss), insurance service result, net financial result, government funding, premiums and fees earned and other income.*

Six months ended 30 June	**Assisted Housing Activity**		**Mortgage Insurance Activity**		**Mortgage Funding Activity**		**Eliminations**		**Total**	
(in millions)	**2023**	**2022**	**2023**	**2022 (restated)**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022 (restated)**
Interest income	262	151	-	-	3,143	2,202	(4)	(2)	3,401	2,351
Interest expense	(226)	(172)	-	-	(3,136)	(2,195)	13	15	(3,349)	(2,352)
Net interest income (loss)	**36**	**(21)**	**-**	**-**	**7**	**7**	**9**	**13**	**52**	**(1)**
Insurance revenue	-	-	478	434	-	-	-	-	478	434
Insurance service income (expense)	-	-	(43)	56	-	-	-	-	(43)	56
Insurance service result	**-**	**-**	**435**	**490**	**-**	**-**	**-**	**-**	**435**	**490**
Investment income (losses)	-	-	211	157	40	21	(5)	(2)	246	176
Net gains (losses) on financial instruments	(26)	82	(65)	(41)	(7)	(10)	1	1	(97)	32
Insurance finance expense for contracts issued	-	-	(80)	(53)	-	-	-	-	(80)	(53)
Net financial result	**(26)**	**82**	**66**	**63**	**33**	11	**(4)**	**(1)**	**69**	**155**
Government funding	2,699	2,144	-	-	-	-	-	-	2,699	2,144
Housing programs	(2,501)	(2,009)	-	-	-	-	-	-	(2,501)	(2,009)
Premiums and fees earned	-	-	15	11	407	374	-	-	422	385
Operating expenses	(208)	(142)	(82)	(87)	(34)	(37)	-	-	(324)	(266)
Other income (loss)	3	1	(14)	(5)	3	5	-	-	(8)	1
Self-insurance service income (loss)	-	-	7	4	-	-	-	-	7	4
Income before income taxes	**3**	**55**	**427**	**476**	**416**	**360**	**5**	**12**	**851**	**903**
Income taxes	(3)	(14)	(109)	(116)	(104)	(90)	(1)	(3)	(217)	(223)
Net income	**-**	**41**	**318**	**360**	**312**	**270**	**4**	**9**	**634**	**680**
Total revenues and government funding[2]	2,712	2,206	502	559	450	397	5	12	3,669	3,174
Less Inter-segment income (loss)[1]	4	(1)	4	4	(13)	(15)	5	12	-	-
External revenues and government funding	2,708	2,207	498	555	463	412	-	-	3,669	3,174

[1] *Inter-segment income (loss) relates to the following:*

- *Assisted Housing recognizes interest income from investing in holdings of CMB;*
- *Mortgage Insurance recognizes investment income from investing in holdings of CMB; and*
- *Within Mortgage Funding, CHT recognizes interest expense on CMB held by Assisted Housing and Mortgage Insurance.*

[2] *Includes net interest income (loss), insurance service result, net financial result, government funding, premiums and fees earned and other income.*

As at 30 June 2023 and 31 December 2022	Assisted Housing Activity		Mortgage Insurance Activity		Mortgage Funding Activity		Eliminations[1]		Total	
(in millions)	**2023**	**2022**	**2023**	**2022 (restated)**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022 (restated)**
Assets										
Cash and cash equivalents	1,982	2,070	636	576	3	3	-	-	2,621	2,649
Securities purchased under resale agreements	399	650	-	-	-	-	-	-	399	650
Accrued interest receivable	75	88	91	88	705	704	(2)	(2)	869	878
Investment securities:										
Fair value through profit or loss	8	33	73	100	-	-	-	-	81	133
Fair value through other comprehensive income	-	-	14,947	15,074	3,663	3,442	(483)	(473)	18,127	18,043
Amortized cost	3,860	4,095	-	-	-	-	(408)	(517)	3,452	3,578
Derivatives	-	-	91	-	-	-	-	-	91	-
Due from the Government of Canada	299	-	-	-	-	-	-	-	299	-
Loans:										
Fair value through profit or loss	463	455	17	14	-	-	-	-	480	469
Amortized cost	10,894	9,807	43	48	264,402	259,352	-	-	275,339	269,207
Accounts receivable and other assets	(246)	(49)	862	746	(59)	244	-	-	557	941
Investment property	402	402	-	-	-	-	-	-	402	402
Defined benefit plans asset	111	91	141	120	9	7	-	-	261	218
	18,247	**17,642**	**16,901**	**16,766**	**268,723**	**263,752**	**(893)**	**(992)**	**302,978**	**297,168**
Liabilities										
Accounts payable and other liabilities	652	591	167	85	(63)	31	-	-	756	707
Accrued interest payable	98	124	-	-	690	696	(2)	(2)	786	818
Derivatives	43	41	1	46	-	-	-	-	44	87
Insurance contract liabilities	-	-	6,597	6,405	-	-	-	-	6,597	6,405
Due to Government of Canada	-	6	-	-	-	-	-	-	-	6
Borrowings:										
Fair value through profit or loss	318	374	-	-	-	-	-	-	318	374
Amortized cost	16,041	15,424	-	-	264,402	259,352	(912)	(1,006)	279,531	273,770
Defined benefit plans liability	74	69	94	91	6	6	-	-	174	166
Unearned premiums and fees	-	-	240	214	2,384	2,390	-	-	2,624	2,604
Deferred income tax liabilities	157	167	141	155	(53)	(54)	3	2	248	270
	17,383	**16,796**	**7,240**	**6,996**	**267,366**	**262,421**	**(911)**	**(1,006)**	**291,078**	**285,207**
Equity of Canada	**864**	**846**	**9,661**	**9,770**	**1,357**	**1,331**	**18**	**14**	**11,900**	**11,961**
	18,247	**17,642**	**16,901**	**16,766**	**268,723**	**263,752**	**(893)**	**(992)**	**302,978**	**297,168**

[1] *The balance sheet eliminations remove inter-segment holdings of CMB and inter-segment receivables/payables.*

6. Government Funding and Housing Programs Expenses

We used government funding to administer the following housing programs and operating expenses, as shown by core responsibility.

	Three months ended 30 June		Six months ended 30 June	
(in millions)	**2023**	**2022**	**2023**	**2022**
Assistance for housing needs	351	353	1,848	1,859
Financing for housing	195	130	666	249
Housing expertise and capacity development	27	25	92	75
Total	**573**	**508**	**2,606**	**2,183**
Net change in government funding deferred in the period	(10)	(19)	93	(39)
Total government funding recognized[1,2]	**563**	**489**	**2,699**	**2,144**

[1] *Includes recoveries of operating expenses of $77 million and $191 million and expected credit loss (gain) of $14 million and $7 million for the three and six months ended 30 June 2023 (three and six months ended 30 June 2022 – $65 million and $130 million, and $nil million and $5 million, respectively).*

[2] *Total government funding recognized does not include gains resulting from below market rate funds borrowed under the Crown Borrowing Program, which are recognized in net gains (losses) on financial instruments. These gains totalled $19 million and $34 million for the three and six months, respectively, ended 30 June 2023 (three and six months ended 30 June 2022 – $65 million and $100 million).*

The following table presents the change in the due from (to) the Government of Canada account. The outstanding balance as at 30 June 2023 is mainly composed of housing programs expenses incurred but not yet reimbursed.

	As at	
(in millions)	**30 June 2023**	**31 December 2022**
Balance at beginning of the year	(6)	363
Total government funding	2,606	3,804
Government funding received during the period	(2,458)	(3,872)
Third party remittances from (owing to) the Government of Canada	(13)	(2)
Balance at end of period before prior/future period adjustments	**129**	**293**
Net change in One-time top-up to the Canada Housing Benefit advances	159	(263)
Net change in prior period adjustments	11	(36)
Balance at end of period	**299**	**(6)**

7. Mortgage Insurance

Overview of insurance contracts

The following table presents the insurance contract liabilities by portfolio at period end.

(in millions)	As at 30 June 2023	As at 31 December 2022
Insurance contracts		
Transactional homeowner	3,074	3,082
Portfolio	129	148
Multi-unit residential	3,394	3,175
Total insurance contract liabilities	**6,597**	**6,405**

Insurance revenue

The following table presents the breakdown of insurance revenue recognized in the period.

	Three months ended 30 June	
(in millions)	2023	2022
Amounts relating to changes in the liability for remaining coverage		
CSM recognized for services provided	172	143
Change in the risk adjustment for non-financial risk	31	33
Expected incurred claims and other insurance expenses	35	39
Recovery of insurance acquisition cash flows	10	5
Total insurance revenue	**248**	**220**

	Six months ended 30 June	
(in millions)	2023	2022
Amounts relating to changes in the liability for remaining coverage		
CSM recognized for services provided	326	268
Change in the risk adjustment for non-financial risk	62	71
Expected incurred claims and other insurance expenses	71	85
Recovery of insurance acquisition cash flows	19	10
Total insurance revenue	**478**	**434**

Insurance finance expenses

The following table presents the net financial result, specifically the relationship between insurance finance expenses and investment returns on assets.

	Three months ended 30 June	
(in millions)	2023	2022
Investment income	111	84
Net gains (losses) on financial instruments	(45)	(15)
Amounts recognized in other comprehensive income	(150)	(425)
Total investment return	**(84)**	**(356)**
Interest accreted on insurance contracts using locked-in rate	(43)	(28)
Impact of changes in interest rates in other comprehensive income	9	84
Total finance (expense) income from insurance contracts	(34)	56
Total net financial result	**(118)**	**(300)**
Represented by:		
Amounts recognized in net income before income taxes	**23**	**41**
Amounts recognized in OCI before income taxes	**(141)**	**(341)**

(in millions)	**Six months ended 30 June** **2023**	 **2022**
Investment income	211	157
Net gains (losses) on financial instruments	(65)	(41)
Amounts recognized in other comprehensive income	121	(1,089)
Total investment return	**267**	**(973)**
Interest accreted on insurance contracts using locked-in rate	(80)	(53)
Impact of changes in interest rates in other comprehensive income	(40)	217
Total finance (expense) income from insurance contracts	(120)	164
Total net financial result	**147**	**(809)**
Represented by:		
Amounts recognized in net income before income taxes	**66**	**63**
Amounts recognized in OCI before income taxes	**81**	**(872)**

Insurance contracts by remaining coverage and incurred claims

The following tables present the reconciliation of insurance contract liabilities by LRC and LIC.

	As at 30 June 2023		
(in millions)	**LRC**	**LIC**	**Total**
Insurance contract liabilities at beginning of year	**6,229**	**176**	**6,405**
Insurance revenue			
Contracts under the fair value approach	(263)	-	(263)
Other contracts	(215)	-	(215)
	(478)	**-**	**(478)**
Insurance service expenses			
Incurred claims and other insurance expenses	-	71	71
Amortization of insurance acquisition cash flows	19	-	19
Changes to the liabilities for incurred claims	-	(47)	(47)
	19	**24**	**43**
Insurance service result	**(459)**	**24**	**(435)**
Insurance finance expenses	119	1	120
Total changes in the statement of income and comprehensive income before income taxes	**(340)**	**25**	**(315)**
Cash flows			
Premiums received	636	-	636
Claims and other insurance service expense paid[1]	-	(34)	(34)
Insurance acquisition cash flows	(95)	-	(95)
Total cash flows	**541**	**(34)**	**507**
Insurance contract liabilities at end of period	**6,430**	**167**	**6,597**

[1] *Includes $5 million of claims administration expense, $*9 million *of initial provision for properties that we obtained in the year through default management activities, and excludes $*10 *million of losses on subsequent disposal of the properties which are recorded in other income as they are no longer subject to insurance risk.*

	As at 31 December 2022		
(in millions)	**LRC**	**LIC**	**Total**
Insurance contract liabilities at beginning of year	**5,749**	**383**	**6,132**
Insurance revenue			
Contracts under the fair value approach	(586)	-	(586)
Other contracts	(281)	-	(281)
	(867)	**-**	**(867)**
Insurance service expenses			
Incurred claims and other insurance expenses	-	225	225
Amortization of insurance acquisition cash flows	24	-	24
Changes to the liabilities for incurred claims	-	(355)	(355)
	24	**(130)**	**(106)**
Insurance service result	**(843)**	**(130)**	**(973)**
Insurance finance expenses (income)	(122)	2	(120)
Total changes in the statement of income and comprehensive income before income taxes	**(965)**	**(128)**	**(1,093)**
Cash flows			
Premiums received	1,567	-	1,567
Claims and other insurance service expense paid[1]	-	(79)	(79)
Insurance acquisition cash flows	(122)	-	(122)
Total cash flows	**1,445**	**(79)**	**1,366**
Insurance contract liabilities at end of period	**6,229**	**176**	**6,405**

[1] *Includes $9 million of claims administration expense, $26 million of initial provision for properties that we obtained in the year through default management activities, and excludes $20* million *of losses on disposal of the properties which are recorded in other income as they are no longer subject to insurance risk.*

As at 30 June 2023 there were nil loss components (31 December 2022 – nil).

Insurance contracts by measurement components

The following tables present the reconciliation of insurance contract liabilities by measurement component.

	As at 30 June 2023				
			CSM		
(in millions)	Present value of future cash flows	Risk adjustment for non-financial risk	Contracts under the fair value approach	Other contracts	Total
Insurance contract liabilities at beginning of year	**1,038**	**820**	**2,597**	**1,950**	**6,405**
Changes that relate to current services					
CSM recognized for services provided	-	-	(173)	(153)	(326)
Change in the risk adjustment for non-financial risk	-	(51)	-	-	(51)
Experience adjustments	(11)	-	-	-	(11)
Changes that relate to future services					
Contracts initially recognized in the period	(471)	132	-	339	-
Changes in estimates that adjust the CSM	(73)	(52)	57	68	-
Changes that relate to past services					
Changes to the liabilities for incurred claims	(34)	(13)	-	-	(47)
Insurance service result	**(589)**	**16**	**(116)**	**254**	**(435)**
Insurance finance expenses	36	30	26	28	120
Total changes in the statement of income and comprehensive income before income taxes	**(553)**	**46**	**(90)**	**282**	**(315)**
Cash flows					
Premiums received	636	-	-	-	636
Claims and other insurance service expense paid[1]	(34)	-	-	-	(34)
Insurance acquisition cash flows	(95)	-	-	-	(95)
Total cash flows	**507**	**-**	**-**	**-**	**507**
Insurance contract liabilities at end of period	**992**	**866**	**2,507**	**2,232**	**6,597**

[1] *Includes $5 million of claims administration expense, $9 million of initial provision for properties that we obtained in the year through default management activities, and excludes $10 million of losses on disposal of the properties which are recorded in other income as they are no longer subject to insurance risk.*

	As at 31 December 2022				
			CSM		
(in millions)	Present value of future cash flows	Risk adjustment for non-financial risk	Contracts under the fair value approach	Other contracts	Total
Insurance contract liabilities at beginning of year	**1,268**	**976**	**2,704**	**1,184**	**6,132**
Changes that relate to current services					
CSM recognized for services provided	-	-	(332)	(214)	(546)
Change in the risk adjustment for non-financial risk	-	(94)	-	-	(94)
Experience adjustments	22	-	-	-	22
Changes that relate to future services					
Contracts initially recognized in the period	(1,254)	176	-	1,078	-
Changes in estimates that adjust the CSM	(33)	(17)	178	(128)	-
Changes that relate to past services					
Changes to the liabilities for incurred claims	(228)	(127)	-	-	(355)
Insurance service result	**(1,493)**	**(62)**	**(154)**	**736**	**(973)**
Insurance finance expenses (income)	(103)	(94)	47	30	(120)
Total changes in the statement of income and comprehensive income before income taxes	**(1,596)**	**(156)**	**(107)**	**766**	**(1,093)**
Cash flows					
Premiums received	1,567	-	-	-	1,567
Claims and other insurance service expense paid[1]	(79)	-	-	-	(79)
Insurance acquisition cash flows	(122)	-	-	-	(122)
Total cash flows	**1,366**	**-**	**-**	**-**	**1,366**
Insurance contract liabilities at end of year	**1,038**	**820**	**2,597**	**1,950**	**6,405**

[1] *Includes $9 million of claims administration expense, $26 million of initial provision for properties that we obtained in the year through default management activities, and excludes $20 million of losses on disposal of the properties which are recorded in other income as they are no longer subject to insurance risk.*

Effect of new business recognized in the period

The following table presents effects of insurance contracts initially recognized in the period.

(in millions)	Six months ended 30 June 2023 Non-Onerous	Twelve months ended 31 December 2022 Non-Onerous
Estimates of the present value of future cash outflows, excluding insurance acquisition cash flows	132	187
Estimates of insurance acquisition cash flows	54	122
Estimate of the present value of future cash outflows	186	309
Estimate of the present value of future cash inflows	(657)	(1,563)
Risk adjustment for non-financial risk	132	176
CSM	339	1,078

Contractual service margin

The following table presents when the CSM as at June 30, 2023 is expected to be recognized into income in future years.

(in millions)	Within 1 year	1 to 5 years	5 to 10 years	More than 10 years
Insurance contracts	643	1,615	1,088	1,393

Self-insurance products and other application fees

The following table presents the composition of premiums and fees earned for our self-insurance product and other application fees.

(in millions)	Three months ended 30 June 2023	2022	Six months ended 30 June 2023	2022
Earned premiums	6	3	12	7
Earned application fees[1]	2	3	3	4
Total	**8**	**6**	**15**	**11**

[1] *Includes low loan-to-value transactional homeowner applications fees which are earned when received and application fees earned on our self-insurance product.*

The following table presents the changes in the unearned premiums and fees balance for our self-insured products.

(in millions)	As at 30 June 2023	31 December 2022
Balance at beginning of year	214	137
Premiums and fees deferred on self-insured products in the period	38	92
Premiums and fees earned on self-insured products in the period	(12)	(15)
Balance at end of period	**240**	**214**

8. Mortgage Funding

We guarantee the timely payment of principal and interest of CMB issued by CHT under the CMB program and NHA MBS issued by Approved Issuers on the basis of housing loans under the NHA MBS program and under the Insured Mortgage Purchase Program (IMPP) in the event that an issuer is unable to satisfy its obligations under these programs. In that circumstance, we will mitigate our loss by realizing on the collateral securing the obligations, consisting primarily of insured mortgage loans, under each of the programs.

At the balance sheet date, we have not received a claim, nor do we expect to receive a claim, in excess of the unearned guarantee fee on our timely payment guarantees (TPG). As such, no provision in addition to the remaining unearned premium is required.

The following table presents the changes in the unearned premiums and fees balance.

	As at					
	30 June 2023			31 December 2022		
(in millions)	NHA MBS	CMB	Total	NHA MBS	CMB	Total
Balance at beginning of year	1,809	581	2,390	1,617	567	2,184
TPG and application fees received in the period	315	86	401	798	164	962
TPG and application fees earned in the period	(331)	(76)	(407)	(606)	(150)	(756)
Balance at end of period	**1,793**	**591**	**2,384**	**1,809**	**581**	**2,390**

9. Capital Management

For capital management, we consider our capital available to be equal to the total equity of Canada less regulatory deductions.

Our primary objective with respect to capital management is to ensure that our commercial operations, being our Mortgage Insurance and Mortgage Funding activities, have adequate capital to deliver their mandate while remaining financially self-sustaining and to follow prudent business practices and guidelines existing in the private sector as appropriate. We voluntarily follow guidelines set out by OSFI.

We perform an Own Risk & Solvency Assessment (ORSA), which is an integrated process that evaluates capital adequacy on both a regulatory and economic capital basis and is used to establish capital targets taking into consideration our strategy and risk appetite. Our 'Own View' of capital needs is determined by identifying our risks and evaluating whether or not an explicit amount of capital is necessary to absorb losses from each risk. With this, we also meet the requirements of the CMHC Act and the NHA.

We set an internal target for our Mortgage Insurance Activity and our Mortgage Funding Activity at a level that is expected to cover all material risks. The internal target is calibrated using specified confidence intervals and is designed to provide an early indication of the need to resolve financial problems. Under our capital management policy, we operate at available capital levels above the internal target on all but unusual and infrequent occasions. Accordingly, we have established an operating level for our Mortgage Insurance Activity and our Mortgage Funding Activity in excess of our internal target. The operating level is calibrated using confidence intervals specified by our capital management policy and is designed to provide us with adequate time to resolve financial problems before available capital decreases below the internal target.

We declare dividends to the Government from our Mortgage Insurance and Mortgage Funding Activities, to the extent there are profits and retained earnings not allocated to reserves, capitalization or to meet our needs for purposes of the NHA, CMHC Act or any other purpose authorized by Parliament relating to housing. In the current quarter, we paid $395 million of dividends that were declared in the first quarter of 2023 and we declared and paid an additional $395 million of dividends in the second quarter (first and second quarter of 2022 – $995 million and $395 million).

The components of consolidated capital available are presented in the following table.

	As at	
(in millions)	**30 June 2023**	**31 December 2022 (restated)[3]**
Contributed capital	25	25
Accumulated other comprehensive income	(660)	(725)
Reserve fund	47	17
Appropriated retained earnings	10,800	11,004
Unappropriated retained earnings[1]	1,688	1,640
Total equity of Canada[2]	**11,900**	**11,961**
Less: regulatory deductions	(198)	(185)
Total capital available	**11,702**	**11,776**

[1] Unappropriated retained earnings represents retained earnings in excess of our operating level for the Mortgage Insurance and Mortgage Funding Activities.

[2] Equity of Canada includes the impact of eliminations.

[3] On transition to IFRS 17, total equity of Canada decreased by $6 million.

Mortgage Insurance capital

The following table presents the components of capital available.

	As at	
(in millions, unless otherwise indicated)	**30 June 2023**	**31 December 2022 (restated)**
Appropriated capital[1]	9,101	9,039
Unappropriated capital	560	731
Total Mortgage Insurance capital	**9,661**	**9,770**
Less: regulatory deductions	(198)	(185)
Total Mortgage Insurance capital available	**9,463**	**9,585**
Internal target	155%	155%
Operating level	165%	165%
Capital available to minimum capital required (% MICAT)[2]	172%	175%

[1] We appropriate retained earnings and AOCI at the operating level of 165% of MICAT.

[2] On transition to IFRS 17, unappropriated capital decreased by $6 million which has not impacted the MICAT ratio.

Mortgage Funding capital

Mortgage Funding capital is appropriated primarily for the guarantees provided by our NHA MBS and CMB programs. There is no regulatory capital and the appropriated amount of capital is based on the economic capital methodology as outlined in the most recent annual report. The Board approved a reduction of the economic capital required (total asset required at 110%) from $2.7 billion to $1.8 billion, effective 1 January 2023, which compares to $3.7 billion of assets available as at 30 June 2023 (31 December 2022 – $3.7 billion assets available). These amounts exclude assets and liabilities related to IMPP. Appropriated capital is determined by deducting unearned guarantee and application fees from the total asset required, subject to a minimum liquidity requirement.

The following table presents the components of the capital available.

	As at	
(in millions, unless otherwise indicated)	**30 June 2023**	**31 December 2022**
Appropriated capital	976	1,177
Unappropriated capital	381	154
Total Mortgage Funding capital available	**1,357**	**1,331**
Economic capital available to capital required[1]	113%	112%

[1] *In 2023, the capital required in the Mortgage Funding ratio has been updated to consider the minimum liquidity requirement resulting in a decrease of 37 percentage point in our 2022 comparative ratio.*

Assisted Housing capital

Lending programs

We maintain a reserve fund pursuant to Section 29 of the CMHC Act, to address interest rate risk exposure on pre-payable loans as well as credit risk exposure on unsecured loans. Lending programs' earnings are retained in this reserve fund except for the unrealized fair value fluctuations as well as remeasurement gains and losses on defined benefit plans. The reserve fund is subject to a statutory limit of $240 million (2022 – $240 million), which we have determined through our ORSA to be in a reasonable range. Should we exceed the statutory limit, we would be required to pay the excess to the Government. Aside from the reserve fund, we do not hold capital for our Assisted Housing activities, as they do not present material financial risks for us that we do not already otherwise mitigate.

The following table presents the components of the capital available.

	As at	
(in millions)	**30 June 2023**	**31 December 2022**
Reserve fund[1]	51	23
Retained earnings	788	798
Total Lending programs capital available	**839**	**821**

[1] *Includes the impact of eliminations of $4 million (2022 – $6 million).*

Housing programs

We do not hold additional capital for Housing programs as this activity does not present risks that would require us to set capital aside.

10. Fair Value Measurement

We measure certain financial instruments and non-financial assets at fair value in the 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 (i.e. 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 used to measure fair value 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 that are measured based on observable inputs other than Level 1 prices. Level 2 inputs include prices obtained from markets that are not considered sufficiently active, and fair values obtained by discounting expected future cash flows, making maximum use of directly or indirectly observable market data.

Level 3: Assets and liabilities not quoted in active markets that are measured using valuation techniques. 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 financial instruments is performed by the Systems and Analytics Division (SAD) of the Investments and Treasury group. SAD has developed models and methodologies to determine fair value of financial instruments not quoted in active markets which are reviewed and monitored on an ongoing basis. All valuations are subject to independent price verification (IPV) managed by the sector of the Chief Risk Officer. IPV is a process where valuations are independently verified against external market prices and other relevant market data on an ongoing basis.

Generally, the unit of account for a financial instrument is the individual instrument, and valuation adjustments are applied at an individual instrument level, consistent with that unit of account.

For investment property, fair value is determined by independent external property appraisers who hold recognized and relevant professional qualifications and have recent relevant experience and our internal appraisers on a rotating basis.

Comparison of carrying and fair values for financial instruments not carried at fair value

The following table compares the carrying and fair values of financial instruments not carried at fair value. Carrying value is the amount at which an item is measured in the consolidated balance sheet.

	As at					
	30 June 2023			31 December 2022		
(in millions)	Carrying value	Fair value	Fair value over (under) carrying value	Carrying value	Fair value	Fair value over (under) carrying value
Financial assets[1]						
Investments at amortized cost[2]	3,452	3,340	(112)	3,578	3,464	(114)
Loans at amortized cost[3]	275,339	260,862	(14,477)	269,207	254,629	(14,578)
Financial liabilities						
Borrowings at amortized cost[4]	279,531	264,883	(14,648)	273,770	258,915	(14,855)

[1] *Does not include cash and cash equivalents of $1,892 million (31 December 2022 – $1,924 million) and securities purchased under resale agreements of $399 million (31 December 2022 – $650 million) carried at amortized cost as the fair value of these financial instruments is equal to their carrying value.*

[2] *$663 million (31 December 2022 – $608 million) fair value categorized as Level 1 and $2,677 million (31 December 2022 – $2,856 million) fair value categorized as Level 2.*

[3] *$255,566 million (31 December 2022 – $250,204 million) fair value categorized as Level 2, $5,296 million (31 December 2022 – $4,425 million) fair value categorized as Level 3.*

[4] *$169,195 million (31 December 2022 – $156,522 million) fair value categorized as Level 1, $95,688 million (31 December 2022 – $102,393 million) fair value categorized as Level 2.*

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 consolidated balance sheet.

	As at							
	30 June 2023				31 December 2022			
(in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash equivalents								
Interest bearing deposits with banks	-	237	-	237	-	240	-	240
Federal government issued	485	-	-	485	183	262	-	445
Corporate/other entities	-	7	-	7	-	40	-	40
Total cash equivalents	485	244	-	729	183	542	-	725
Investment securities								
FVTPL								
Debt instruments								
Corporate/other entities	-	19	-	19	-	22	-	22
Provinces/municipalities	-	-	-	-	-	25	-	25
Sovereign and related entities	-	8	-	8	-	8	-	8
Equities								
Limited partnership units	-	-	54	54	-	-	78	78
Total at FVTPL	-	27	54	81	-	55	78	133
FVOCI								
Debt instruments								
Corporate/other entities	2,180	4,851	-	7,031	2,110	5,106	-	7,216
Federal government issued	7,697	34	-	7,731	7,057	618	-	7,675
Provinces/municipalities	2,538	486	-	3,024	2,421	515	-	2,936
Sovereign and related entities	268	73	-	341	122	94	-	216
Total at FVOCI	12,683	5,444	-	18,127	11,710	6,333	-	18,043
Loans designated at FVTPL	-	85	-	85	-	112	-	112
Loans mandatorily at FVTPL	-	12	383	395	-	13	344	357
Derivatives	-	91	-	91	-	-	-	-
Investment property	-	-	402	402	-	-	402	402
Total assets carried at fair value	**13,168**	**5,903**	**839**	**19,910**	**11,893**	**7,055**	**824**	**19,772**
Liabilities								
Borrowings designated at FVTPL	-	(318)	-	(318)	-	(374)	-	(374)
Derivatives	-	(9)	(35)	(44)	-	(53)	(34)	(87)
Total liabilities carried at fair value	**-**	**(327)**	**(35)**	**(362)**	**-**	**(427)**	**(34)**	**(461)**
Net assets at FVTPL	**13,168**	**5,576**	**804**	**19,548**	**11,893**	**6,628**	**790**	**19,311**

Transfers between fair value hierarchy levels

For assets and liabilities measured at fair value on a recurring basis, we determine if reclassifications have occurred between levels in the hierarchy by re-assessing categorization at each balance sheet date. Transfers are dependent on internal classification criteria that are based on variables such as observability of prices and market trading volumes considered as at each balance sheet date. Transfers between levels are deemed to occur at the beginning of the quarter in which the transfer occurs. During the six months ended 30 June 2023, there were $1,337 million of transfers from Level 2 to Level 1 (31 December 2022 – $2,645 million), $1,393 million of transfers from Level 1 to Level 2 (31 December 2022 – $4,830 million) and there were no transfers from level 2 to level 3 (31 December 2022 – nil).

Change in fair value measurement for items classified as Level 3

The following table presents the change in fair value for items carried at fair value and classified as level 3.

(in millions)	Investment securities – FVTPL	Loans – FVTPL	Investment property	Derivatives	Total
Fair value as at 1 January 2023	78	344	402	(34)	790
Purchases/issuances	-	50	-	-	50
Net gains (losses) in profit or loss[1,2]	3	1	-	(1)	3
Cash receipts on settlements/disposals	(27)	(12)	-	-	(39)
Fair value as at 30 June 2023	**54**	**383**	**402**	**(35)**	**804**
Fair value as at 1 January 2022	79	298	314	(31)	660
Purchases/issuances	3	86	-	-	89
Net gains (losses) in profit or loss[1,2]	1	2	88	(3)	88
Cash receipts on settlements/disposals	(5)	(42)	-	-	(47)
Fair value as at 31 December 2022	**78**	**344**	**402**	**(34)**	**790**

[1] *Included in net gains (losses) on financial instruments for investment securities, loans and derivatives; other income for investment property.*

[2] *Solely relates to unrealized gains for assets held at the end of the respective periods.*

Unobservable inputs for items classified as Level 3

The valuation of instruments 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 June 2023, which may change materially in subsequent periods. The techniques and unobservable inputs used in valuing the items classified as Level 3 at 30 June 2023 did not materially change from 31 December 2022. The sensitivity of the fair value of items classified as Level 3 to changes in unobservable inputs remained as disclosed in the audited consolidated financial statements for the year ended 31 December 2022.

11. Investment Securities

Credit quality

The following table presents the credit quality of debt instruments held at FVOCI and at amortized cost, all of which have an expected credit loss (ECL) allowance based on 12-month ECL. Credit ratings are based on our internal credit rating system and amounts in the table represent the gross carrying amounts of the financial assets.

	As at											
	30 June 2023						31 December 2022					
(in millions)	AAA	AA- to AA+	A- to A+	BBB- to BBB+	Lower than BBB-	Total	AAA	AA- to AA+	A- to A+	BBB- to BBB+	Lower than BBB-	Total
Investment securities[1]												
FVOCI	8,614	3,594	3,616	2,231	72	18,127	7,972	3,962	3,801	2,238	70	18,043
Amortized cost	1,573	1,617	262	-	-	3,452	1,410	1,664	504	-	-	3,578

[1] *The internal credit ratings are based upon internal assessments of the counterparty creditworthiness. These ratings correspond to those provided by credit rating agencies except in cases where stand-alone ratings exist. A counterparty internal credit rating cannot be higher than the highest stand-alone rating from any of the agencies. A stand-alone rating removes the assumption of government support from the rating.*

Expected credit losses

The ECL allowance for debt instruments held at FVOCI and amortized cost was $22 million at 30 June 2023 (31 December 2022 – $14 million) with a corresponding loss of $13 million and a loss of $8 million recognized in net gains (losses) on financial instruments during the three and six months ended 30 June 2023, respectively (three and six months ended 30 June 2022 – nil and $1 million gain).

12. Loans

The following table presents the cash flows and non-cash changes for loans.

	Six months ended 30 June 2023								
	Balance at beginning of period	Cash flows		Non-cash changes					Balance at end of period
(in millions)		Repayments	Disbursements	Fair value changes	Accretion	ECL	Capitalized Interest	Transfers[1]	
FVTPL									
Lending programs	455	(26)	44	2	-	-	-	(12)	463
MI Activity loans	14	(4)	7	-	-	-	-	-	17
Total at FVTPL	**469**	**(30)**	**51**	**2**	**-**	**-**	**-**	**(12)**	**480**
Amortized cost									
CMB program loans	255,903	(15,291)	20,530	-	23	-	-	-	261,165
Lending programs	9,807	(289)	1,359	(30)	-	(2)	37	12	10,894
IMPP loans	3,449	(212)	-	-	-	-	-	-	3,237
MI Activity loans	48	(29)	-	-	12	12	-	-	43
Total amortized cost	**269,207**	**(15,821)**	**21,889**	**(30)**	**35**	**10**	**37**	**12**	**275,339**
Total	**269,676**	**(15,851)**	**21,940**	**(28)**	**35**	**10**	**37**	**-**	**275,819**

[1] *Transfers are matured loans that have been renewed where the new loans are no longer part of a portfolio of economically hedged loans and borrowings and therefore classified at amortized cost.*

	Twelve months ended 31 December 2022								
	Balance at beginning of period	Cash flows		Non-cash changes					Balance at end of period
(in millions)		Repayments	Disbursements	Fair value changes	Accretion	ECL	Capitalized Interest	Transfers[1]	
FVTPL									
Lending programs	480	(61)	65	(5)	-	-	-	(24)	455
MI Activity loans	20	(25)	19	-	-	-	-	-	14
Total at FVTPL	**500**	**(86)**	**84**	**(5)**	**-**	**-**	**-**	**(24)**	**469**
Amortized cost									
CMB program loans	260,587	(44,848)	40,119	-	45	-	-	-	255,903
Lending programs	7,897	(589)	2,436	(3)	-	(5)	47	24	9,807
IMPP loans	4,234	(785)	-	-	-	-	-	-	3,449
MI Activity loans	63	(36)	2	-	6	13	-	-	48
Total amortized cost	**272,781**	**(46,258)**	**42,557**	**(3)**	**51**	**8**	**47**	**24**	**269,207**
Total	**273,281**	**(46,344)**	**42,641**	**(8)**	**51**	**8**	**47**	**-**	**269,676**

[1] *Transfers are matured loans that have been renewed where the new loans are no longer part of a portfolio of economically hedged loans and borrowings and therefore classified at amortized cost.*

We are assured collection of principal and accrued interest on 99% (31 December 2022 – 99%) of our loans by various levels of government, CMHC mortgage insurance or by investment grade collateral representing the sole source of repayment on our loans under the CMB program and IMPP.

Expected credit losses

Total undrawn loan commitments outstanding at 30 June 2023 were $8,307 million (31 December 2022 – $8,885 million), of which $7,815 million are subject to 12-month ECL (31 December 2022 – $8,362 million) and $1 million (31 December 2022 – $2 million) are commitments outstanding on purchased or originated credit impaired loans.

At 30 June 2023, the ECL on undrawn loan commitments was $18 million (31 December 2022 – $15 million), and the ECL on loans was $62 million (31 December 2022 – $72 million). We recognize changes in ECL in net gains (losses) on financial instruments.

13. Borrowings

The following table presents the cash flows and non-cash changes for borrowings.

	Six months ended 30 June 2023						
		Cash flows		Non-cash changes			
(in millions)	**Balance at beginning of period**	**Issuances**	**Repayments**	**Fair value changes**	**Accretion and other**	**Eliminations**	**Balance at end of period**
Designated at FVTPL							
Borrowings from the Government of Canada – Lending programs	374	-	(57)	1	-	-	318
Amortized cost							
Canada mortgage bonds	254,897	20,519	(15,174)	-	23	(12)	260,253
Borrowings from the Government of Canada – Lending programs	15,424	3,920	(3,303)	(34)	34	-	16,041
Borrowings from the Government of Canada – IMPP	3,449	-	(212)	-	-	-	3,237
Total amortized cost	**273,770**	**24,439**	**(18,689)**	**(34)**	**57**	**(12)**	**279,531**
Total	**274,144**	**24,439**	**(18,746)**	**(33)**	**57**	**(12)**	**279,849**

	Twelve months ended 31 December 2022						
		Cash flows		Non-cash changes			
(in millions)	**Balance at beginning of period**	**Issuances**	**Repayments**	**Fair value changes**	**Accretion and other**	**Eliminations**	**Balance at end of period**
Designated at FVTPL							
Borrowings from the Government of Canada – Lending programs	475	-	(80)	(21)	-	-	374
Amortized cost							
Canada mortgage bonds	259,714	40,081	(44,520)	-	45	(423)	254,897
Borrowings from the Government of Canada – Lending programs	11,921	13,794	(10,168)	(175)	52	-	15,424
Borrowings from the Government of Canada – IMPP	4,234	-	(785)	-	-	-	3,449
Total amortized cost	**275,869**	**53,875**	**(55,473)**	**(175)**	**97**	**(423)**	**273,770**
Total	**276,344**	**53,875**	**(55,553)**	**(196)**	**97**	**(423)**	**274,144**

When we hold CMB to maturity or acquire CMB in the primary market, we exclude the related cash flows from the consolidated statement of cash flows. During the six months ended 30 June 2023, we have excluded $117 million (six months ended 30 June 2022 – nil) of CMB maturities from repayments in the previous table and from investment securities – sales and maturities in the consolidated statement of cash flows. We have also excluded $11 million (six months ended 30 June 2022 – $16 million) of CMB purchases in the primary market from issuances in the previous table and from investment securities – purchases in the consolidated statement of cash flows.

Borrowing authorities

The Minister of Finance approves our Borrowing Plan annually and establishes limits and parameters for borrowings, namely capital market borrowings and borrowings from the Government of Canada in the Assisted Housing and Mortgage Funding activities.

For 2023, the limits on our short-term borrowings outstanding and long-term borrowings issued are $6.5 billion and $6.5 billion, respectively (31 December 2022 – $6.0 billion and $6.5 billion). Actual short-term borrowings outstanding as at 30 June 2023 were $561 million (31 December 2022 – $395 million). Actual long-term borrowings issued in the three and six months ended 30 June 2023 were $460 million and $930 million (six months ended 30 June 2022 – $1.3 billion and $2.2 billion, respectively).

14. Financial instruments income and expenses

Gains and losses from financial instruments

The following table presents the net gains (losses) related to financial instruments recognized in the consolidated statement of income and comprehensive income.

	Three months ended 30 June		Six months ended 30 June	
(in millions)	**2023**	**2022 (restated)**	**2023**	**2022 (restated)**
Financial instruments designated at FVTPL				
Loans	-	(2)	1	(5)
Borrowings	2	6	(1)	18
Total financial instruments designated at FVTPL	**2**	**4**	**-**	**13**
Financial instruments mandatorily at FVTPL				
Equity securities	(3)	-	3	3
Derivatives	80	(146)	85	(97)
Loans	2	5	1	(9)
Total financial instruments mandatorily at FVTPL	**79**	**(141)**	**89**	**(103)**
Debt instruments held at FVOCI[1]	(125)	108	(168)	29
Loans – amortized cost	(34)	(3)	(51)	(9)
Borrowings – amortized cost[2]	19	65	34	100
Expected credit recoveries (losses) on financial assets	(17)	5	(1)	2
Total	**(76)**	**38**	**(97)**	**32**

[1] *Includes a foreign exchange loss during the three months and six months ended of $100 million and $105 million (three and six months ended 30 June 2022 – $144 million gain and $96 million gain) resulting from translation of U.S. dollar-denominated debt instruments.*

[2] *Includes gains from the issuance of borrowings during the three and six months ended 30 June 2023 of $19 million and $34 million (three and six months ended 30 June 2022 – $65 million and $100 million).*

15. 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. Despite changes in economic and market conditions, there were no material changes to our assessment and management of market risk in the six months ended 30 June 2023.

Currency risk

We are exposed to currency risk from our holdings in foreign currency denominated investment securities. Our internal policies limit the amount of foreign currency investments and require full hedging of currency risk. We held $4,033 million in debt instruments denominated in U.S. dollars as at 30 June 2023 (31 December 2022 – $4,060 million), which we present as investment securities at FVOCI or at FVTPL.

Value at risk (VaR)

We evaluate market risk for investment securities in the Mortgage Insurance and Mortgage Funding Activities 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. The VaR for the Mortgage Insurance and Mortgage Funding Activities calculated with 95% confidence over a 22 business day holding period is outlined in the following table. The VaR figures are based on one year of historical prices and correlations of bond markets and 26 weeks of volatility.

	As at	
(in millions)	**30 June 2023**	**31 December 2022**
Investment securities:		
Interest rate risk on debt instruments		
CAD-denominated securities	252	265
USD-denominated securities	89	83
Effect of diversification	(8)	(8)
Total VaR	**333**	**340**

Interest rate sensitivity

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

For the Assisted Housing Activity's financial instruments designated at FVTPL and derivatives, we assessed the net impact of a 200 bps shift in interest rates on fair value as immaterial as at 30 June 2023 after accounting for derivatives.

The Assisted Housing Activity's financial instruments measured at amortized cost are also exposed to interest rate risk. The net impact of a shift in interest rates on their fair value as at 30 June 2023 is presented in the following table.

	As at			
	30 June 2023		**31 December 2022**	
	Interest rate shift		**Interest rate shift**	
(in millions)	**-200 bps**	**+200 bps**	**-200 bps**	**+200 bps**
Increase (decrease) in fair value of net assets[1]	(714)	586	(774)	631

[1] *The changes in fair value of net assets resulting from interest rate shifts presented in this table would not be recognized in comprehensive income as the underlying financial instruments are measured at amortized cost.*

16. 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 disclose full descriptions of credit risks related to our financial instruments and how we manage those risks in Note 19 of our audited consolidated financial statements for the year ended 31 December 2022. There has been no significant change in the nature of the risks and how we manage them in the three and six month periods ended 30 June 2023.

17. Pension and Other Post-Employment Benefits

The following table presents the expenses, remeasurements and contributions for the defined benefit plans.

	Three months ended 30 June			
	Pension plans		Other post-employment plans	
(in millions)	2023	2022	2023	2022
Current service cost	6	12	-	-
Net interest expense	(1)	1	2	1
Expense recognized in net income	**5**	**13**	**2**	**1**
Net actuarial gains (losses) arising from changes in financial assumptions	(17)	368	(1)	18
Return on plan assets, excluding amounts included in net interest expense	4	(257)	-	-
Net remeasurements recognized in other comprehensive income (loss)[1]	**(13)**	**111**	**(1)**	**18**
CMHC's contributions[2]	6	7	1	1
Employee contributions	9	9	-	-
Total contributions	**15**	**16**	**1**	**1**

[1] *We remeasure the defined benefit plans quarterly for changes in the discount rate and for actual asset returns. All other actuarial assumptions are updated at least annually.*

[2] *Includes solvency payments of nil for the three months ended 30 June 2023 (three months ended 30 June 2022 – nil).*

	Six months ended 30 June			
	Pension plans		Other post-employment plans	
(in millions)	2023	2022	2023	2022
Current service cost	17	27	-	-
Net interest expense	(4)	1	3	2
Expense recognized in net income	**13**	**28**	**3**	**2**
Net actuarial gains (losses) arising from changes in financial assumptions	(86)	798	(4)	35
Return on plan assets, excluding amounts included in net interest expense	125	(403)	-	-
Net remeasurements recognized in other comprehensive income (loss)[1]	**39**	**395**	**(4)**	**35**
CMHC's contributions[2]	14	24	2	2
Employee contributions	14	14	-	-
Total contributions	**28**	**38**	**2**	**2**

[1] *We remeasure the defined benefit plans quarterly for changes in the discount rate and for actual asset returns. All other actuarial assumptions are updated at least annually.*

[2] *Includes solvency payments of nil for the six months ended 30 June 2023 (six months ended 30 June 2022 – $9 million).*

We determine the discount rate in accordance with guidance issued by the Canadian Institute of Actuaries by reference to Canadian AA-rated corporate bonds with terms to maturity approximating the duration of the obligation. The discount rate we used to remeasure the defined benefit obligations at 30 June 2023 was 4.8% (31 December 2022 – 5.1%).

18. Income Taxes

The following table presents the components of income tax.

(in millions)	Three months ended 30 June 2023	Three months ended 30 June 2022 (restated)	Six months ended 30 June 2023	Six months ended 30 June 2022 (restated)
Current income tax expense	145	150	251	256
Deferred income tax relating to origination and reversal of temporary differences	(38)	(42)	(34)	(33)
Total income tax expense included in net income	**107**	**108**	**217**	**223**
Income tax expense (recovery) on other comprehensive income (loss)				
Net unrealized gains (losses) from FVOCI financial instruments	(62)	(121)	13	(315)
Reclassification of prior years' net unrealized gains realized in the period in net income	11	-	18	-
Insurance finance income (expense) for insurance contracts issued	2	21	(10)	54
Remeasurement gains (losses) on defined benefit plans	(2)	21	5	68
Total income tax expense (recovery) included in other comprehensive income (loss)	**(51)**	**(79)**	**26**	**(193)**
Total	**56**	**29**	**243**	**30**

The following tables present the tax-effected temporary differences which result in deferred income tax assets and liabilities.

(in millions)	As at December 31, 2022 (restated)	Change through consolidated net income	Change through consolidated OCI	Change through consolidated retained earnings	As at June 30 2023
Deferred income tax assets					
Net realized losses on borrowings	18	(2)	-	-	16
Total deferred income tax assets	**18**	**(2)**	**-**	**-**	**16**
Deferred income tax liabilities					
Fair value of financial instruments	10	(22)	(10)	-	(22)
Post-employment benefits	(6)	(1)	(5)	-	(12)
Insurance contract liabilities	(154)	52	-	-	(102)
Fair value of investment properties	(93)	1	-	-	(92)
Other	(45)	6	-	3	(36)
Total deferred income tax liabilities	**(288)**	**36**	**(15)**	**3**	**(264)**
Net deferred income tax assets (liabilities)	**(270)**	**34**	**(15)**	**3**	**(248)**

(in millions)	As at January 1, 2022 (restated)	Change through consolidated net income	Change through consolidated OCI	Change through consolidated retained earnings	As at December 31, 2022 (restated)
Deferred income tax assets					
Fair value of financial instruments	(53)	(21)	84	-	10
Net realized losses on borrowings	23	(5)	-	-	18
Total deferred income tax assets	**(30)**	**(26)**	**84**	**-**	**28**
Deferred income tax liabilities					
Post-employment benefits	46	3	(55)	-	(6)
Insurance contract liabilities	(175)	82	(61)	-	(154)
Fair value of investment properties	(71)	(22)	-	-	(93)
Other	(38)	(5)	-	(2)	(45)
Total deferred income tax liabilities	**(238)**	**58**	**(116)**	**(2)**	**(298)**
Net deferred income tax assets (liabilities)	**(268)**	**32**	**(32)**	**(2)**	**(270)**

The deferred income tax assets have been recognized in full as it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

19. Related Party Transactions

We defer and amortize the Government fees paid in recognition of its financial backing of the Mortgage Insurance and Mortgage Funding Activities. In Mortgage Insurance, these fees will reduce the CSM on initial recognition and are subsequently amortized over the expected coverage period of our insurance contracts with equal offsetting amounts to insurance revenue and insurance service expenses in the period. This amounts to $4 million and $8 million for the three and six months ended 30 June 2023 (three and six months ended 30 June 2022 – $3 million and $5 million). In Mortgage Funding, these fees, which are recorded in operating expenses, amount to $7 million and $15 million for the three and six month period ended 30 June 2023 (three and six months ended 30 June 2022 – $7 million and $15 million). All other material related party transactions and outstanding balances are disclosed in relevant notes.

20. Commitments and Contingent Liabilities

As at 30 June 2023, we have $6,956 million in contractual financial obligations relating to housing programs which extend for periods up to 25 years and $379 million in other contractual obligations up to the year 2028 (31 December 2022 – $7,514 million and $379 million, respectively).

We hold the following cash and cash equivalents that are intended for use as part of the respective programs:

	As at	
(in millions)	**30 June 2023**	**31 December 2022**
Affordable Rental Housing Innovation Fund	42	46
Rental Construction Financing initiative (RCFi)	827	694
National Housing Co-Investment Fund (NHCF)	556	643
Direct Lending (DL) – Economically Hedged	237	240
Total	**1,662**	**1,623**

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