SECOND QUARTER
30 JUNE 2024
(UNAUDITED)

Quarterly Financial Report

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Table of Contents

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 21 August 2024 is prepared for the second quarter ended 30 June 2024 and is intended to provide users with an overview of our performance including comparatives against the same three and six month periods in 2023. This MD&A should be read in conjunction with the unaudited quarterly consolidated financial statements as well as the 2023 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 2023 Annual Report as well as in Note 4 of these unaudited quarterly consolidated financial statements. There have been no material changes to our significant accounting policies, judgments or estimates to the end of the second quarter of 2024.

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 2024" 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 2023 Annual Report.

The Operating Environment and Outlook for 2024

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

Economic conditions and housing indicators

Canada's economy regained some momentum at the beginning of 2024, after a slowdown in the second half of 2023. The rebound was driven by higher consumer spending, increased business investment, and occurred in the context of robust population growth. According to the July Consensus Forecasts, real GDP is expected to grow by 1.0% in 2024. The current economic climate was influenced by previous monetary policies, which successfully curbed inflation that peaked at 8.1% in June 2022. By June 2024, the Consumer Price Index (CPI) inflation fell to 2.7%, although shelter price inflation from both rising rents and mortgage interest costs remains high.

Another consideration is record high household debt in Canada. In Q1 2024, debt levels stood at 176% of disposable income. Servicing debt in an elevated interest rate environment potentially limits overall consumer spending despite strong population growth. The financial vulnerability of high household debt is exacerbated by recent signs of labour market weakness. The unemployment rate increased to 6.4% in June 2024 from 5.7% at the start of the year.

In the housing market, seasonally adjusted and annualized rate (SAAR) MLS® sales in the first half of 2024 marginally edged up to approximately 461,000 units, a 5% increase compared to the same period in 2023. With an increase in listings, the SAAR MLS® price in the first half of 2024 was approximately $674,000, roughly equal to the price level observed during the same period in 2023. High home prices combined with mortgage renewals at higher rates continue to challenge affordable homeownership. Housing starts at approximately 247,000 units in the first half of 2024 were 6% above the same period in 2023 but still fell well short of the levels needed to achieve affordability by 2030[1].

These economic conditions continue to have a significant impact on our financial results. The sustained high interest environment from recent interest rate increases has led to continued higher investment and interest income in the first half of 2024. As discussed above, high house prices and interest rates are contributing to transactional homeowner unit volumes remaining relatively consistent with prior year. 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.

Risk Management

Overall, financial risks are low and within risk tolerances. Credit risk and liquidity risk remain low and stable. Market risk is consistent with established risk limits and tolerances. The strong credit quality and diversification of our investment portfolios continues to provide resiliency and mitigate the impact of uncertain market and economic conditions. Homeowner insurance risk is stable and arrears remain low. Multi-unit insurance risk remains moderate – successful uptake of the MLI Select product has had a positive impact on housing supply, but we are carefully monitoring the resulting increase in capital requirements from our Multi-unit products due to higher volumes in recent quarters. Capital adequacy risk is moderate; Mortgage Loan Insurance dividend payments have been suspended to support the growth of MU, as noted above.

For more details, please refer to our 2023 Annual Report[2].

[1] CMHC, Housing shortages in Canada: Updating how much housing we need by 2030, September 2023.

[2] https://www.cmhc-schl.gc.ca/about-us/corporate-reporting/cmhc-annual-report

Federal Budgets (2023 and 2024)

Update since Q1 2024

In Budget 2024, the Government of Canada announced new initiatives, additional investments and changes to existing programs which implicate CMHC. In the second quarter of 2024, requisite financial authorities were obtained for the following measures from Budget 2024 and the Fall Economic Statement (FES):

- Apartment Construction Loan Program (ACLP):
  - An additional $30 billion in new loan funding ($15 billion from Budget 2024 and $15 billion from FES), starting in 2025-26, for the ACLP, bringing the program's total to over $55 billion.
    - Of this amount, at least $100 million will be used to build homes above existing shops and businesses, especially in big cities, where land is scarce and where density is key;
    - Leveraging the $55 billion ACLP as part of Canada Builds to partner with provinces and territories to build more rental housing across the country;
    - The ACLP will earmark at least $500 million to homebuilders that use innovative construction techniques, such as modular housing, for new rental projects; and
    - There are also program reforms to the ACLP.
- $2.0 billion over five years ($976 million from Budget 2024 and $973 million from FES), starting in 2024-25, and $36 million in future years ($24 million from Budget 2024 and $12 million from FES), to launch a new Rapid Housing stream under the Affordable Housing Fund to build deeply affordable housing, supportive housing, and shelters for our most vulnerable;
- $112.6 million over five years, starting in 2024-25, and $4.3 million in future years, to top up the Federal Lands Initiative to unlock more federal lands for affordable housing providers;
- An additional $400 million over four years, starting in 2024-25, to top up the Housing Accelerator Fund. On July 8, the application window was reopened to make this funding available for previous applicants who were not approved in the 2023 application window. The reopened application window will close on September 13, 2024.
- $11.6 million in 2024-25 to support the development of its Housing Design Catalogue for up to 50 housing designs. On July 5, the federal government announced the launch of a formal Request for Proposals (RFP) process, which will seek design services for the development of low-rise designs and will close August 7, 2024.
- Effective April 1, 2024, introduced flexibilities to the Federal Community Housing Initiative to ensure that eligible housing providers can access funding to maintain housing affordability for low-income tenants and co-op members.

Refer to the previous quarterly financial report for details on all other Budget 2024 announcements. The effects of these Budget 2024 measures will be reflected in future financial results, as remaining requisite authorities are obtained and programs launched.

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

Other Updates

Update since Q1 2024

Climate Related Financial Disclosures

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

In the second quarter of 2024, we continued to integrate assessing climate-related risks into CMHC's existing risk governance. Advancements were noted in the following areas:

- Emissions Reporting: To help us understand our GHG emissions footprint, we continued working towards tracking our emissions from employee travel and purchased goods and services.
- Quantifying Climate-related Impacts: We continue to enhance our understanding of climate-related physical and transition risks and how they could affect our business. This will enable us to plan more effectively.

We remain current with climate risk management standards. As they evolve, we adapt our plans accordingly.

Capital and Dividend Policy Framework for Financial Crown Corporations

On 16 April 2024, the Department of Finance released an amended Capital and Dividend Policy Framework to support the changes to Financial Crown corporations as announced in Budget 2024. The objective of the amended Framework is to ensure that financial Crown corporations have appropriate methodologies in place to determine their capital adequacy requirements; that they are maximizing economic growth objectives; that they effectively manage their capital in relation to risk; and, that dividends are paid to the shareholder when capital exceeds determined levels. This new framework will not impact how we manage capital, however, additional disclosures will be provided in our Corporate Plan and Annual Reports moving forward.

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

Update since Q1 2024

Guideline B-10 Third-Party Risk Management

In April 2023, OSFI published Guideline B-10, effective 1 May 2024, which sets out associated risk expectations to manage third-party arrangements. Our Vendor Risk Management Program and related governance documents provide accountability, guidance, and tools for effective third-party risk management practices by outlining the processes to identify, assess, treat (control), and monitor vendor risk exposure. Our third-party risk management practices have been aligned with the requirements of Guideline B-10 and will continue to enhance and embed in our operations.

Updates on Current and Future Changes to Accounting Standards

Information relating to all standards issued by the International Accounting Standards Board (IASB) that may affect us can be found in Note 3 of our audited consolidated financial statements for the year ended 31 December 2023 and in Note 3 of these unaudited quarterly consolidated financial statements. The only notable change is International Financial Reporting Standard (IFRS) 18 *Presentation and Disclosure in Financial Statements* (IFRS 18) with an effective date of January 1, 2027.

Financial Results

Key Financial Highlights

Condensed consolidated balance sheets

As at 30 June 2024 and 31 December 2023

	Housing Programs Activity		Mortgage Insurance Activity		Mortgage Funding Activity		Eliminations		Total	
(in millions)	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Total assets	21,675	19,407	18,797	18,251	271,420	262,640	(639)	(729)	311,253	299,569
Total liabilities	20,812	18,593	8,026	7,971	269,916	261,183	(652)	(741)	298,102	287,006
Total equity of Canada	863	814	10,771	10,280	1,504	1,457	13	12	13,151	12,563

Total equity of Canada has increased by $588 million (5%) due to comprehensive income of $878 million, offset by $290 million of dividends declared and paid.

Total assets increased by $11,684 million (4%) primarily due to:

- An increase in loans at amortized cost of $10,321 million (4%) as new issuances of CMB program loans due to the CMB expansion announced in September 2023 exceeded maturities, resulting in $8,481 million (3%) increased loans, as well as $1,853 million of additional loans under the Apartment Construction Loan Program (ACLP), Affordable Housing Fund (AHF) and Canada Greener Homes Loan (CGHL) programs.
- An increase in cash and cash equivalents of $573 million (30%) driven by higher holdings of cash and money market securities as a result of the partial suspension of the dividend and net new lending program borrowings.
- An increase in accrued interest receivable of $201 million (24%) related to CMB program loans primarily driven by higher volumes and interest rates.
- An increase in Due from Government of Canada of $195 million (81%) driven mainly by higher accruals due to the significant housing programs expenses recorded at the end of the government fiscal year.
- An increase in investment securities at fair value through other comprehensive income (FVOCI) of $181 million (1%) mainly due to the partial suspension of the dividend and unrealized gains due to foreign exchange rate increases.

Total liabilities increased by $11,096 million (4%) mainly driven by $10,839 million (4%) of higher borrowings at amortized cost related to the CMB program and increased borrowings from the Government of Canada to fund ACLP, AHF and CGHL program loans as noted above. In addition, insurance contract liabilities increased by $370 million (5%) mainly attributed to new business in 2024, accrued interest payable increased $215 million (27%) mainly due to higher CMB volumes and interest rates as explained above, and accounts payable and other liabilities increased $143 million (25%) mainly attributed to higher accruals at the end of the government fiscal year. This was partially offset by a decrease in income taxes payable of $455 million (83%) mainly due to the payment of 1/5th of the transitional tax required to be paid on unearned future profits as part of our adoption of IFRS 17 *Insurance Contracts*.

Condensed consolidated statements of income and comprehensive income

Three months ended 30 June

	Housing Programs Activity		Mortgage Insurance Activity		Mortgage Funding Activity		Eliminations		Total	
(in millions)	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Government funding	708	563	-	-	-	-	-	-	708	563
Housing programs expenses	(618)	(472)	-	-	-	-	-	-	(618)	(472)
Premiums and fees earned	-	-	10	8	222	206	-	-	232	214
Insurance service result	-	-	257	225	-	-	-	-	257	225
Operating expenses	(111)	(85)	(50)	(43)	(18)	(18)	-	-	(179)	(146)
All other income (loss)[1]	(2)	(7)	68	6	15	25	2	2	83	26
Income (loss) before income taxes	**(23)**	**(1)**	**285**	**196**	**219**	**213**	**2**	**2**	**483**	**410**
Income taxes	6	(1)	(69)	(54)	(55)	(52)	(1)	-	(119)	(107)
Net income (loss)	**(17)**	**(2)**	**216**	**142**	**164**	**161**	**1**	**2**	**364**	**303**
Other comprehensive income (loss)	8	(6)	71	(112)	24	(47)	(3)	6	100	(159)
Comprehensive income (loss)	**(9)**	**(8)**	**287**	**30**	**188**	**114**	**(2)**	**8**	**464**	**144**

[1] Includes net interest income (loss), investment income, net gains/(losses) on financial instruments, insurance finance expense for contracts issued, other income (loss) and self-insurance service income.

Quarter to date (QTD) 2024 vs QTD 2023

Government funding and housing programs expenses have increased compared to the same quarter last year, mainly driven by an increase in housing programs expenses of $224 million for the Housing Accelerator Fund (HAF), partially offset by a decrease of $51 million for AHF. Due to the nature of many NHS programs, funding patterns may vary significantly year over year.

Total income before income taxes increased by $73 million (18%) from the same quarter last year mainly due to:

- An increase in all other income of $57 million (219%) mainly due to an increase in investment income of $55 million (42%) mainly due to higher interest rates and higher holdings in the insurance portfolio since the dividend suspension in 2023, and an increase of $18 million (100%) in other income as there were less losses upon sale of title transfer properties in the same quarter last year. These were partially offset by an increase of $22 million (51%) in insurance finance expenses due to higher balances of insurance contract liabilities and higher locked-in discount rates.
- An increase in insurance service result of $32 million (14%) mainly driven by more favourable claims experience and economic assumptions, as well as higher insurance revenue as a result of higher multi-unit volumes compared to the same quarter of last year.
- An increase of $16 million (8%) in guarantee fees earned in the Mortgage Funding Activity due to price increases in recent years and higher NHA MBS and CMB annual issuance limits.
- The above increases were partially offset by an increase in operating expenses of $33 million (23%) mainly due to increased administrative expenses for CGHL program compared to the same quarter of last year due to higher volumes.

Other comprehensive income (OCI), net of tax, increased by $259 million (163%) from the same quarter last year mainly due to economic movements.

- Tightening credit spreads have led to an increase in unrealized gains on our investments of $64 million in the quarter. By comparison, in the same quarter of last year, bond yields increased leading to unrealized losses of $154 million.
- Remeasurement gains on the net defined benefit liability of $18 million (250%), as the discount rate increased in the quarter, compared to a remeasurement loss of $12 million due to a discount rate decrease in the same quarter last year.

Six months ended 30 June

(in millions)	Housing Programs Activity 2024	Housing Programs Activity 2023	Mortgage Insurance Activity 2024	Mortgage Insurance Activity 2023	Mortgage Funding Activity 2024	Mortgage Funding Activity 2023	Eliminations 2024	Eliminations 2023	Total 2024	Total 2023
Government funding	2,708	2,699	-	-	-	-	-	-	2,708	2,699
Housing programs expenses	(2,538)	(2,501)	-	-	-	-	-	-	(2,538)	(2,501)
Premiums and fees earned	-	-	19	15	440	407	-	-	459	422
Insurance service result	-	-	501	435	-	-	-	-	501	435
Operating expenses	(206)	(208)	(98)	(82)	(35)	(34)	-	-	(339)	(324)
All other income[1]	16	13	125	59	48	43	3	5	192	120
Income (loss) before income taxes	**(20)**	**3**	**547**	**427**	**453**	**416**	**3**	**5**	**983**	**851**
Income taxes	4	(3)	(135)	(109)	(113)	(104)	(1)	(1)	(245)	(217)
Net income (loss)	**(16)**	**-**	**412**	**318**	**340**	**312**	**2**	**4**	**738**	**634**
Other comprehensive income (loss)	65	18	79	73	(3)	4	(1)	-	140	95
Comprehensive income	**49**	**18**	**491**	**391**	**337**	**316**	**1**	**4**	**878**	**729**

[1] Includes net interest income (loss), investment income, net gains/(losses) on financial instruments, insurance finance expense for contracts issued, other income (loss) and self-insurance service income.

Year to Date (YTD) 2024 vs YTD 2023

Government funding and housing programs expenses increased compared to the same six-month period last year, mainly driven by an increase of $436 million for the HAF, $104 million for the AHF, $76 million for the Affordable Housing Innovation Fund and $62 million for the Housing Supply Challenge. These increases are partially offset by decreases of $401 million for Rapid Housing Initiative, $260 million for the one-time top-up to the Canada Housing Benefit (CHB). As noted above, funding patterns may vary significantly year over year.

Total income before income taxes increased by $132 million (16%) from the six-month period last year mainly due to:

- An increase in all other income of $72 million (60%) mainly due to an increase of $15 million (29%) in net interest income and an increase in investment income of $115 million (47%), as described previously. These were partially offset by an increase of $42 million (53%) in insurance finance expenses, as described previously.
- An increase in insurance service result of $66 million (15%) mainly due to higher insurance revenue as a result of higher multi-unit volumes compared to the same six-month period of last year, as well as increased profit recognition patterns (CSM) for all insurance products due to more favourable repeat price index (RPI) projections.
- An increase of $37 million (9%) in guarantee fees earned in the Mortgage Funding Activity, as described previously.

Other comprehensive income (OCI), net of tax, increased by $45 million (47%) from the same six-month period last year mainly due to higher interest rates in the first six months of 2024, which led to an increase in unrealized losses on investments of $119 million (125%), an increase in remeasurement gains on the net defined benefit plans of $103 million (343%) and an increase in insurance finance income for contracts issued of $61 million (203%).

Financial Metrics and Ratios

Mortgage Insurance

(in millions, unless otherwise indicated)	Insurance-in-force ($B) As at 30 June 2024	Insurance-in-force ($B) As at 31 December 2023	Contractual Service Margin (CSM) As at 30 June 2024	Contractual Service Margin (CSM) As at 31 December 2023
Transactional homeowner	166	169	1,782	1,960
Portfolio	71	77	65	78
Multi-unit residential	187	168	3,138	2,792
Total	**424**	**414**	**4,985**	**4,830**

CMHC's total insurance-in-force is $424 billion which is compliant with the legislated limit of $800 billion set by the Government of Canada. This year insurance-in-force increased by $10 billion due to new volumes insured exceeding the run-off of existing policies-in-force. New loans insured were $28 billion, while estimated loan amortization and pay-downs were $18 billion.

CSM increased by $155 million (3%) due to $601 million of CSM on new business and $82 million interest accretion, offset by decreases of $343 million due to earned CSM and $185 million related to changes in estimates of future cash flows.

Three months ended 30 June

	Insured volumes (units)		Insured volumes ($)		Premiums and fees received[1]		Claims paid[2]	
(in millions, unless otherwise indicated)	2024	2023	2024	2023	2024	2023	2024	2023
Transactional homeowner	14,743	13,741	5,044	4,547	177	160	4	10
Portfolio	2,685	4,718	732	1,212	4	3	2	1
Multi-unit residential[3]	77,922	60,408	17,314	11,411	435	273	3	-
Total	**95,350**	**78,867**	**23,090**	**17,170**	**616**	**436**	**9**	**11**

[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.

[3] Multi-unit residential volumes ($) have been adjusted, which resulted in a decrease of $908 million to our 2023 comparative.

Six months ended 30 June

	Insured volumes (units)		Insured volumes ($)		Premiums and fees received[1]		Claims paid[2]	
(in millions, unless otherwise indicated)	2024	2023	2024	2023	2024	2023	2024	2023
Transactional homeowner	22,038	20,831	7,554	6,841	265	240	10	26
Portfolio	4,676	8,381	1,253	2,219	6	7	2	2
Multi-unit residential[3]	141,178	104,976	31,175	19,406	746	453	3	2
Total	**167,892**	**134,188**	**39,982**	**28,466**	**1,017**	**700**	**15**	**30**

[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.

[3] Multi-unit residential volumes ($) have been adjusted, which resulted in a decrease of $1,628 million to our 2023 comparative.

Q2 2024 vs Q2 2023 and YTD 2024 vs YTD 2023

Transactional homeowner unit volumes increased by 7 and 6 percent for the three and six month period respectively. Prolonged high house prices and interest rates continue to impact unit volumes. Portfolio unit volumes decreased due to fewer large pools insured compared to last year. Multi-unit residential unit volumes increased due to new construction units insured, primarily driven by the MLI Select product, which focuses on affordability, accessibility, and climate compatibility.

Total insured dollars increased, driven primarily by the increases in multi-unit residential unit volumes as previously explained and an increase in the loan amount per unit due to a larger proportion of high loan-to-value (LTV) ratio loans compared to prior year as a result of MLI Select, which allows for higher LTV loans.

Premiums and fees are higher compared to prior year primarily due to multi-unit volumes as explained above.

Claims paid remain low and have decreased compared to prior year. The low level of claims is the result of home price appreciation in recent years where additional equity has built up in homes throughout Canada. Due to the high house prices, properties are being sold for amounts exceeding the outstanding loan, leading to fewer insurance claims.

	Three months ended 30 June		Six months ended 30 June	
(in percentages)	**2024**	**2023**	**2024**	**2023**
Insurance service expense ratio[1]	1.9	9.3	8.2	9.0
Operating expense ratio	19.1	17.3	17.9	17.2
Combined ratio	21.0	26.6	26.1	26.2
Initial contractual service margin ratio[2]	62.5	66.0	62.9	64.6
Severity ratio	28.0	27.4	28.3	31.0
Return on equity	8.2	5.8	7.8	6.5
Return on required equity	9.1	6.1	8.7	7.0

[1] Insurance service expense ratio on transactional homeowner and portfolio products excluding multi-unit residential was (4.9)% and 4.2% for the three and six months ended 30 June 2024 (9.1% and 9.2% for the three and six months ended 30 June 2023).

[2] The Initial contractual service margin ratio has been updated from previously published reports, resulting in an increase of 12.5 and 13.0 percentage points for the three and six months ended 30 June 2023.

Q2 2024 vs Q2 2023 and YTD 2024 vs YTD 2023

The insurance service expense ratio and combined ratio decreased primarily due to better than projected claim rate and severity due to home price appreciation as explained above, and favourable economic assumption updates driven by decreased projected unemployment rates.

The operating expense ratio increased due to higher allocated corporate costs.

The initial contractual service margin ratio decreased mainly due to a higher risk adjustment assumption to cover the cost of capital for the transactional homeowner products.

The severity ratio decreased compared to the same six-month period last year due to stronger sales proceeds compared to last year.

The return on equity ratio and return on required equity ratio increased mainly due to higher insurance service result and investment income as explained in the Key Financial Highlights section above.

	As at 30 June 2024		As at 31 December 2023	
	No. of delinquent loans	Arrears rate	No. of delinquent loans	Arrears rate
Transactional homeowner	2,912	0.37%	3,068	0.38%
Portfolio	783	0.15%	874	0.15%
Multi-unit residential	174	0.51%	119	0.37%
Total	**3,869**	**0.28%**	**4,061**	**0.29%**

The arrears rate includes all loans more than 90 days past due for homeowner and portfolio insurance products and 30 days past due for multi-unit insurance products as a percentage of outstanding insured loans. Reported delinquencies remain low and stable in all regions.

Mortgage Funding

In the last quarter of 2023, our annual issuance limits increased for both NHA MBS and CMB. Our annual NHA MBS issuance limit is now set at $170 billion ($155 billion in 2023) and our CMB issuance limit is set at $60 billion ($45 billion in 2023).

	Total guarantees-in-force ($B)	
	As at 30 June 2024	As at 31 December 2023
National Housing Act Mortgage-Backed Securities (NHA MBS)	265	254
CMB	263	254
Total	**528**	**508**

Total guarantees-in-force represents the maximum principal obligation related to our timely payment guarantee. Guarantees-in-force were $528 billion as at 30 June 2024, an increase of $20 billion (4%) as new guarantees exceeded maturities, principal run-off and prepayments. This is mainly due to higher annual issuance limits on both NHA MBS and CMB. Our total guarantees-in-force is compliant with the $800 billion limit set by the Government of Canada.

Three months ended 30 June

	New securities guaranteed ($B)		Guarantee and application fees received[1]	
(in millions, unless otherwise indicated)	2024	2023	2024	2023
NHA MBS	37	36	163	166
CMB	15	11	66	43
Total	**52**	**47**	**229**	**209**

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

Six months ended 30 June

(in millions, unless otherwise indicated)	New securities guaranteed ($B)		Guarantee and application fees received[1]	
	2024	**2023**	**2024**	**2023**
NHA MBS	73	69	325	315
CMB	31	21	135	86
Total	**104**	**90**	**460**	**401**

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

Q2 2024 vs Q2 2023 and YTD 2024 vs YTD 2023

New securities guaranteed and fees received increased compared to last year. This is due to an annual issuance limit increase on both NHA MBS and CMB, which resulted in higher volumes.

(in percentages)	Three months ended 30 June		Six months ended 30 June	
	2024	**2023**	**2024**	**2023**
Operating expense ratio	6.0	6.6	6.0	6.6
Return on equity	44.7	47.4	46.1	46.7

Q2 2024 vs Q2 2023 and YTD 2024 vs YTD 2023

Operating expense ratio is lower 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. Return on equity is lower due to a higher average equity this year.

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)	2024	2023
Amounts provided for housing programs:		
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]	394	693
Supplementary estimates C[1,4,5]	91	1,119
Total fiscal year government funding	**6,594**	**5,407**
Less: portion recognized in calendar 2023 (2022)	(3,455)	(2,129)
Less: government funding lapsed for 2023-24 (2022-23)	(919)	(1,197)
Less: frozen allotment	(170)	(48)
2023-24 (2022-23) government funding recognized in 2024 (2023)	**2,050**	**2,033**
Amounts authorized in 2024-25 (2023-24)		
Main estimates	5,628	5,105
Supplementary estimates A[1,2,5]	199	1,004
Supplementary estimates B[1,3,5]	-	394
Supplementary estimates C[1,4,5]	-	91
Total fiscal year government funding	**5,827**	**6,594**
Less: portion to be recognized in subsequent quarters	(5,051)	(4,932)
Less: forecasted lapse for 2024-25 (Actual lapse in 2023-24)	-	(919)
Less: frozen allotment	(9)	(170)
2024-25 (2023-24) government funding recognized in 2024 (2023)	**767**	**573**
Total government funding – Six months ended 30 June	**2,817**	**2,606**

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

[2] Approved 2024-25 supplementary estimate A for Urban, Rural and Northern Indigenous Housing Strategy (2023-24 for HAF and Granville Island), (2022-23 for RHI and Granville Island Emergency Relief Fund).

[3] Approved 2023-24 supplementary estimate B for Affordable Housing Fund (AHF), Pyrrhotite, Apartment Construction Loan Program (ACLP), Rapid Housing Initiative (RHI), Natural disaster resilience, Emergency shelter for women and girls, Urban, Rural and Northern Indigenous Housing Strategy, and Canada Emergency Commercial Rent Assistance (CECRA). Approved 2022-23 supplementary estimate B for RHI, Affordable Housing Innovation Fund, Federal Lands Initiative, ACLP, Pyrrhotite, AHF, First-Time Home Buyer Incentive (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.

[4] Approved 2023-24 supplementary estimate C for Canada Housing Benefit. Approved 2022-23 supplementary estimates C for CGHL and Home Buyer's Bill of Rights.

[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.

Capital Management

Frameworks

For our Housing Programs 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. Earnings accumulate and are retained in this reserve fund, except for the unrealized fair value fluctuations on loans and on financial instruments, as well as remeasurement gains and losses on defined benefit plans which are absorbed in retained earnings until the time they are realized. Aside from the reserve fund, we do not hold capital for our Housing Programs activities, as they do not present material financial risks that are not already otherwise mitigated.

For our Mortgage Insurance Activity, our capital management framework follows OSFI regulations with respect to the use of the MICAT as our Own Risk and Solvency Assessment (ORSA) 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 2023, 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 2024. For Mortgage Funding, the Board approved an increase of the economic capital required at the operating level from $1.8 billion to $2.2 billion, effective 1 January 2024. However, this is not expected to have an impact on our economic capital available to economic capital required ratio for the next year, as our liquidity target is higher.

Ratios

The following table presents our capital management ratios.

(in percentages)	As at 30 June 2024	As at 31 December 2023
Mortgage Insurance: Capital available to minimum capital required (MICAT)	186	185
Mortgage Funding: Economic capital available to economic capital required	111	109

The Mortgage Insurance capital available to minimum capital required ratio remained stable compared to last year as increases in our capital available from comprehensive income generated was mostly offset by increases in our required capital due to the growth in our multi-unit business.

Mortgage Funding capital available to capital required ratio slightly increased compared to last year, mainly due to a higher unearned fees provision, due to the higher annual issuance limit for both NHA MBS and CMB.

We have continued to see strong growth in Muti-Unit Insurance in both insured units and dollars over the last year that support the increase of purpose-built rental, which is key to tackling affordability challenges. In addition to this, as a part of OSFI's annual risk outlook released on May 22, 2024, OSFI announced new capital requirements for multi-unit residential exposures that will be published in Q4 2024. The release of this new framework results in uncertainty in the amount of capital we will be required to hold. As a result of these two factors, we have decided to temporarily suspend our dividend to the Government of Canada on a prospective basis.

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 and a potential increase in regulatory capital required, we would return any excess capital to the Government. While our current capital position remains strong under the current regulatory framework, 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, the temporary suspension represents a $145 million per quarter reduction in dividend to the Government reducing the total dividend to nil.

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 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022 (restated)[1]	Q3 2022 (restated)[1]
Consolidated Results								
Total assets	311,253	312,424	299,569	294,821	302,978	304,372	297,168	304,050
Total liabilities	298,102	299,592	287,006	282,787	291,078	292,221	285,207	292,074
Total equity of Canada	13,151	12,832	12,563	12,034	11,900	12,151	11,961	11,976
Total revenues and government funding	1,280	2,581	1,937	1,899	1,027	2,642	1,378	1,035
Total expenses (including income taxes)	916	2.207	1,619	1,541	724	2,311	1,009	644
Net income	364	374	318	358	303	331	369	391
Housing Programs								
Government funding	708	2,000	1,450	1,345	563	2,136	810	454
Net income (loss)	(17)	1	(8)	(12)	(2)	2	76	23
Total equity of Canada	863	872	814	887	864	872	846	799
Mortgage Insurance								
Insurance-in-force ($B)[2]	424	418	414	405	403	400	399	397
Total insured volumes[3]	23,090	16,892	18,709	19,297	17,170	11,296	16,338	17,267
Premiums and fees received	616	401	423	434	436	264	354	416
Insurance revenue	262	284	266	260	248	230	223	210
Claims paid	9	6	15	7	11	19	20	19
Insurance service expense	5	40	53	23	23	20	18	(68)
Net income	216	196	156	202	142	176	145	222
Arrears rate	0.28%	0.29%	0.29%	0.28%	0.25%	0.28%	0.25%	0.24%
Insurance service expense ratio	1.9	14.1%	19.9%	8.8%	9.3%	8.7%	8.1%	(32.4)%
Operating expense ratio	19.1	16.9%	18.8%	15.4%	17.3%	17.0%	22.0%	19.5%
Combined ratio	21.0	31.0%	38.7%	24.2%	26.6%	25.7%	30.1%	(12.9)%
Initial contractual service margin ratio[4]	62.5	59.9%	62.7%	68.0%	66.0%	62.2%	65.3%	73.1%
Severity ratio	28.0%	27.5%	26.7%	24.9%	27.4%	33.0%	32.4%	29.6%
Return on equity	8.2%	7.6%	6.2%	8.3%	5.8%	7.2%	5.9%	9.0%
Return on required equity	9.1%	8.4%	6.7%	8.9%	6.1%	7.7%	6.3%	10.1%
Capital available to minimum capital required (% MICAT)	186%	185%	185%	177%	172%	176%	175%	184%
% Estimated outstanding Canadian residential mortgages with CMHC insurance coverage ($)	19.5%	19.4%	19.3%	19.0%	19.1%	19.2%	19.2%	19.4%
Mortgage Funding								
Guarantees-in-force ($B)[2]	528	524	508	493	488	481	471	463
Securities guaranteed ($B)	52	52	55	51	47	43	50	50
Guarantee and application fees received	229	231	303	231	209	192	301	227
Guarantee and application fees earned	222	218	211	209	206	201	193	189
Net income	164	176	168	165	161	151	144	142
Operating expense ratio	6.0%	5.9%	7.0%	6.3%	6.6%	6.5%	7.5%	7.3%
Return on equity	44.7%	48.2%	48.0%	49.0%	47.4%	44.4%	39.0%	42.4%
Economic capital available to economic capital required[5]	111%	109%	109%	102%	102%	104%	149%	147%
% Estimated outstanding Canadian residential mortgages with CMHC securitization guarantee ($)	24.4%	24.4%	23.8%	23.3%	23.2%	23.2%	22.9%	22.8%

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

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

[3] Total insured volumes have been updated from previously published reports, resulting in a decrease of between 4% to 6% in the quarters Q3 2022 to Q2 2023.

[4] The Initial contractual service margin ratio has been updated from previously published reports, resulting in an increase between 9.9% to 13.9% in the quarters Q4 2022 to Q3 2023.

[5] In 2023, the capital required in the Mortgage Funding ratio was updated to consider the minimum liquidity target.

Unaudited Quarterly Consolidated Financial Statements

Contents

Management's Responsibility for Financial Reporting

Period ended 30 June 2024

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.

Coleen Volk, CPA
President and Chief Executive Officer

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

21 August 2024

Consolidated Balance Sheet

(in millions of Canadian dollars)	Notes	As at 30 June 2024	As at 31 December 2023
Assets			
Cash and cash equivalents	20	2,512	1,939
Securities purchased under resale agreements		800	700
Accrued interest receivable		1,044	843
Investment securities:			
Fair value through profit or loss	10	65	69
Fair value through other comprehensive income	10, 11	20,343	20,162
Amortized cost	10, 11	3,310	3,229
Derivatives		3	161
Due from the Government of Canada	6	435	240
Loans:	12		
Fair value through profit or loss		527	512
Amortized cost		280,971	270,650
Accounts receivable and other assets		466	479
Investment property		398	398
Defined benefit plans asset		324	187
Deferred income tax assets		55	-
		311,253	**299,569**
Liabilities			
Accounts payable and other liabilities		716	573
Income taxes payable		90	545
Accrued interest payable		1,001	786
Derivatives		68	55
Insurance contract liabilities	7	7,449	7,079
Borrowings:	13		
Fair value through profit or loss		165	219
Amortized cost		285,596	274,757
Defined benefit plans liability		172	180
Unearned premiums and fees		2,845	2,776
Deferred income tax liabilities		-	36
		298,102	**287,006**
Commitments and contingent liabilities	20		
Equity of Canada	9		
Contributed capital		25	25
Accumulated other comprehensive income (loss)		(314)	(321)
Reserve fund		122	72
Retained earnings		13,318	12,787
		13,151	**12,563**
		311,253	**299,569**

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

Consolidated Statement of Income and Comprehensive Income

(in millions of Canadian dollars)	Notes	Three months ended 30 June 2024	Three months ended 30 June 2023	Six months ended 30 June 2024	Six months ended 30 June 2023
Interest income		1,904	1,740	3,901	3,401
Interest expense		(1,868)	(1,708)	(3,834)	(3,349)
Net interest income		**36**	**32**	**67**	**52**
Insurance revenue	7	262	248	546	478
Insurance service expense		(5)	(23)	(45)	(43)
Insurance service result		**257**	**225**	**501**	**435**
Investment income		185	130	361	246
Net losses on financial instruments	14	(73)	(76)	(106)	(97)
Insurance finance expense for contracts issued		(65)	(43)	(122)	(80)
Net financial result		**47**	**11**	**133**	**69**
Government funding	6	708	563	2,708	2,699
Housing programs expenses	6	(618)	(472)	(2,538)	(2,501)
Premiums and fees earned		232	214	459	422
Operating expenses		(179)	(146)	(339)	(324)
Other income (loss)		-	(18)	(7)	(8)
Self-insurance service income (expenses)		-	1	(1)	7
Income before income taxes		**483**	**410**	**983**	**851**
Income taxes	18	(119)	(107)	(245)	(217)
Net income		**364**	**303**	**738**	**634**
Other comprehensive income (loss), net of tax					
Items that may be subsequently reclassified to net income (loss)					
Net unrealized gains (losses) from debt instruments held at fair value through other comprehensive income		21	(187)	(77)	40
Reclassification of losses on debt instruments held at fair value through other comprehensive income on disposal in the year		43	33	53	55
Insurance finance income (expense) for contracts issued		18	7	31	(30)
Total items that may be subsequently reclassified to net income		**82**	**(147)**	**7**	**65**
Items that will not be subsequently reclassified to net income					
Remeasurement gains (losses) on defined benefit plans	17, 18	18	(12)	133	30
Total other comprehensive income (loss), net of tax		**100**	**(159)**	**140**	**95**
Comprehensive income		**464**	**144**	**878**	**729**

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	2024	2023	2024	2023
Contributed capital		**25**	**25**	**25**	**25**
Accumulated other comprehensive income (loss)					
Fair value reserve balance at beginning of period		(509)	(651)	(421)	(900)
Other comprehensive income (loss) — fair value		64	(154)	(24)	95
Fair value reserve balance at end of period		(445)	(805)	(445)	(805)
Opening insurance finance reserve		113	138	100	175
Other comprehensive income (loss) — insurance finance reserve		18	7	31	(30)
Insurance finance reserve balance at end of period		131	145	131	145
Balance at end of period		**(314)**	**(660)**	**(314)**	**(660)**
Reserve fund					
Balance at the beginning of period		94	28	72	17
Net income		28	19	50	30
Balance at end of period		**122**	**47**	**122**	**47**
Retained earnings					
Opening retained earnings		13,109	12,611	12,787	12,644
Net income		336	284	688	604
Other comprehensive income (loss)		18	(12)	133	30
Dividends	9	(145)	(395)	(290)	(790)
Total retained earnings		**13,318**	**12,488**	**13,318**	**12,488**
Equity of Canada	9	**13,151**	**11,900**	**13,151**	**11,900**

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

Consolidated Statement of Cash Flows

(in millions of Canadian dollars)	Notes	Three months ended 30 June 2024	Three months ended 30 June 2023	Six months ended 30 June 2024	Six months ended 30 June 2023
Cash flows from (used in) operating activities					
Net income		364	303	738	634
Adjustments to determine net cash flows from operating activities					
Amortization of premiums and discounts on financial instruments		(11)	(3)	(23)	9
Net (gains) losses on financial instruments		60	127	(51)	225
Capitalized interest	12	(32)	(19)	(64)	(37)
Deferred income taxes	18	(44)	(38)	(119)	(34)
Depreciation, amortization and impairment of fixed and intangible assets		9	7	19	17
Changes in operating assets and liabilities					
Derivatives		21	(54)	171	(134)
Accrued interest receivable		615	468	(201)	9
Due from the Government of Canada		725	668	(174)	(343)
Accounts receivable and other assets		2	44	12	157
Accounts payable and other liabilities		(394)	(365)	160	67
Income taxes payable/receivable		(67)	143	(455)	190
Accrued interest payable		(595)	(463)	215	(32)
Insurance contract liabilities		304	160	380	191
Defined benefit plans		8	-	12	-
Unearned premiums and fees		36	18	69	20
Other		4	(2)	-	(5)
Loans	12				
Repayments		17,698	10,917	23,315	15,851
Disbursements		(16,978)	(11,055)	(33,630)	(21,940)
Borrowings	13				
Repayments		(22,938)	(12,673)	(31,595)	(18,746)
Issuances		22,096	12,627	42,363	24,439
		883	810	1,142	538
Cash flows from (used in) investing activities					
Investment securities					
Sales and maturities		3,482	2,587	6,064	4,550
Purchases		(3,888)	(2,640)	(6,212)	(4,509)
Foreign currency forward contract maturities					
Receipts		17	79	142	132
Disbursements		(55)	(54)	(147)	(181)
Securities purchased under resale agreements		(240)	51	(100)	251
Property and equipment and intangible asset acquisitions		(12)	(7)	(26)	(19)
		(696)	16	(279)	224
Cash flows used in financing activities					
Dividends paid		(145)	(790)	(290)	(790)
Change in cash and cash equivalents		42	36	573	(28)
Cash and cash equivalents					
Beginning of period		2,470	2,585	1,939	2,649
End of period		2,512	2,621	2,512	2,621
Represented by					
Cash		219	192	219	192
Cash equivalents		2,293	2,429	2,293	2,429
		2,512	2,621	2,512	2,621
Supplementary disclosure of cash flows from operating activities					
Amount of interest received during the period		2,792	2,465	4,264	3,900
Amount of interest paid during the period		2,618	2,332	3,945	3,674
Amount of dividends received during the period		-	1	-	1
Amount of income taxes paid during the period		230	-	820	58

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 2024 and were approved and authorized for issue by our Audit Committee on 21 August 2024.

2. Basis of Preparation and Material Accounting Policy Information

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 information required for full annual consolidated financial statements. We follow the same accounting policies and methods of application as disclosed in Note 2 of our consolidated financial statements for the year ended 31 December 2023 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, we 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

There were no new or amended standards issued by the International Accounting Standards Board (IASB) that we adopted during the period that had a material impact on our unaudited quarterly consolidated financial statements.

Future accounting changes

IFRS 18 Presentation and Disclosure in Financial Statements – effective date of 1 January 2027

In April 2024, the International Accounting Standards Board (IASB) issued IFRS 18 *Presentation and Disclosure in Financial Statements* (IFRS 18), which will replace IAS 1 *Presentation of Financial Statements*.

The objective of IFRS 18 is to improve how information is communicated in the financial statements, with a focus on information in the statement of profit or loss.

IFRS 18 will include requirements for additional defined subtotals in the statement of profit or loss (categorizing the results between operating, investing, and financing), disclosures about management performance measures, and strengthened requirements for aggregation and disaggregation of information.

We have not yet assessed the impact on our consolidated financial statements.

Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 – effective date of 1 January 2026

In May 2024, the IASB issued amendments to the classification and measurement requirements in IFRS 9 Financial Instruments and IFRS 7 Financial Instruments Disclosures. The objective of the amendments is to address diversity in accounting practice by making the requirements more understandable and consistent.

The amendments include changes to classification and measurement requirements under IFRS 9 for the de-recognition of financial liabilities and additional guidance to assess the contractual cash flow characteristics of financial assets with environmental, social and governance (ESG)-linked, non-recourse and contractually linked features. The proposed amendments to IFRS 7 include additional disclosure requirements for investments in equity instruments held at FVOCI and financial instruments with contingent events.

We have not yet assessed the impact on our consolidated financial statements.

4. Critical Judgments in Applying Accounting Policies and Making Estimates

The preparation of financial statements in accordance with IFRS requires 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 2023 consolidated financial statements. Notable changes to the key estimates are reflected below.

Use of estimates

Insurance contract liabilities

Insurance contract liabilities are estimated 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 and housing repeat-sales price index)

The economic conditions are non-financial assumptions used to project future claim levels. Changes in these assumptions impact both claim frequency and claim severity. An increase (decrease) in unemployment rates and a decrease (increase) in the housing repeat-sales price index will increase (decrease) claims.

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

The 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 cured. 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 fulfilment cash flows included in the LRC relate to future claims are derived from deterministic scenarios that project the lifecycle of mortgages. This includes considerations such as variable rate versus fixed rate mortgages. These 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 2024	31 December 2023
Claim frequency[1]	0.8%	0.7%
Claim severity[2]	42.7%	43.7%
Unemployment rate[3]	5.9%	6.3%
Repeat-sales price index[3]	504	534

[1] The weighted average assumption 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.

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 a 90% confidence level.

Discount rate

Fulfilment cashflows are determined by discounting the expected future cash flows using a bottom-up approach, starting with a risk-free curve and applying 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 2024 and 31 December 2023 are listed below:

Portfolio duration

	1–5 years		5–10 years		10–15 years		15–20 years		20–25 years		over 25 years	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Discount rates	5.0%	4.9%	5.0%	4.8%	5.2%	4.8%	5.3%	4.9%	5.3%	4.9%	5.2%	4.9%

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.

High interest rates continue to impact variable rate mortgages (VRMs) as lenders keep the extended amortizations on these loans. Though we have seen the number of these VRM loans at maximum amortization decrease, some of which are due to either a change from variable rate to fixed rate or a change to lower amortization at renewal, it continues to affect our required capital. This quarter, we estimate the MICAT ratio would be 11% points higher if these VRM loans were not negatively amortizing.

5. Segmented Information

The unaudited quarterly consolidated financial statements include the Housing Programs (HP), Mortgage Insurance (MI) and Mortgage Funding (MF) segments, each of which provide 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 Note 2 of our audited consolidated financial statements for the year ended 31 December 2023. For all segments, revenues are attributed to, and assets are located in, Canada.

We generate revenues for the reportable segments as follows:

- Housing Programs 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

	Housing Programs Activity		Mortgage Insurance Activity		Mortgage Funding Activity		Eliminations		Total	
(in millions)	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Interest income	179	140	-	-	1,725	1,602	-	(2)	1,904	1,740
Interest expense	(151)	(116)	-	-	(1,721)	(1,599)	4	7	(1,868)	(1,708)
Net interest income	**28**	**24**	**-**	**-**	**4**	**3**	**4**	**5**	**36**	**32**
Insurance revenue	-	-	262	248	-	-	-	-	262	248
Insurance service expense	-	-	(5)	(23)	-	-	-	-	(5)	(23)
Insurance service result	**-**	**-**	**257**	**225**	**-**	**-**	**-**	**-**	**257**	**225**
Investment income (losses)	-	-	160	111	28	22	(3)	(3)	185	130
Net gains (losses) on financial instruments	(30)	(31)	(26)	(45)	(18)	-	1	-	(73)	(76)
Insurance finance expense for contracts issued	-	-	(65)	(43)	-	-	-	-	(65)	(43)
Net financial result	**(30)**	**(31)**	**69**	**23**	**10**	**22**	**(2)**	**(3)**	**47**	**11**
Government funding	708	563	-	-	-	-	-	-	708	563
Housing programs expenses	(618)	(472)	-	-	-	-	-	-	(618)	(472)
Premiums and fees earned	-	-	10	8	222	206	-	-	232	214
Operating expenses	(111)	(85)	(50)	(43)	(18)	(18)	-	-	(179)	(146)
Other income (loss)	-	-	(1)	(18)	1	-	-	-	-	(18)
Self-insurance service income	-	-	-	1	-	-	-	-	-	1
Income before income taxes	**(23)**	**(1)**	**285**	**196**	**219**	**213**	**2**	**2**	**483**	**410**
Income taxes	6	(1)	(69)	(54)	(55)	(52)	(1)	-	(119)	(107)
Net income	**(17)**	**(2)**	**216**	**142**	**164**	**161**	**1**	**2**	**364**	**303**
Other comprehensive income (loss)	8	(6)	71	(112)	24	(47)	(3)	6	100	(159)
Comprehensive income (loss)	**(9)**	**(8)**	**287**	**30**	**188**	**114**	**(2)**	**8**	**464**	**144**
Total revenues and government funding[1]	706	556	335	238	237	231	2	2	1,280	1,027
Less Inter-segment income (loss)[2]	-	2	2	3	(4)	(7)	2	2	-	-
External revenues and government funding	706	554	333	235	241	238	-	-	1,280	1,027

[1] Includes net interest income, insurance service result, net financial result, government funding, premiums and fees earned and other income.

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

- Housing Programs 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 Housing Programs and Mortgage Insurance.

Six months ended 30 June

(in millions)	Housing Programs Activity 2024	Housing Programs Activity 2023	Mortgage Insurance Activity 2024	Mortgage Insurance Activity 2023	Mortgage Funding Activity 2024	Mortgage Funding Activity 2023	Eliminations 2024	Eliminations 2023	Total 2024	Total 2023
Interest income	344	262	-	-	3,558	3,143	(1)	(4)	3,901	3,401
Interest expense	(292)	(226)	-	-	(3,551)	(3,136)	9	13	(3,834)	(3,349)
Net interest income	**52**	**36**	**-**	**-**	**7**	**7**	**8**	**9**	**67**	**52**
Insurance revenue	-	-	546	478	-	-	-	-	546	478
Insurance service expense	-	-	(45)	(43)	-	-	-	-	(45)	(43)
Insurance service result	**-**	**-**	**501**	**435**	**-**	**-**	**-**	**-**	**501**	**435**
Investment income (losses)	-	-	313	211	54	40	(6)	(5)	361	246
Net gains (losses) on financial instruments	(36)	(26)	(53)	(65)	(18)	(7)	1	1	(106)	(97)
Insurance finance expense for contracts issued	-	-	(122)	(80)	-	-	-	-	(122)	(80)
Net financial result	**(36)**	**(26)**	**138**	**66**	**36**	**33**	**(5)**	**(4)**	**133**	**69**
Government funding	2,708	2,699	-	-	-	-	-	-	2,708	2,699
Housing programs expenses	(2,538)	(2,501)	-	-	-	-	-	-	(2,538)	(2,501)
Premiums and fees earned	-	-	19	15	440	407	-	-	459	422
Operating expenses	(206)	(208)	(98)	(82)	(35)	(34)	-	-	(339)	(324)
Other income (loss)	-	3	(12)	(14)	5	3	-	-	(7)	(8)
Self-insurance service income (expenses)	-	-	(1)	7	-	-	-	-	(1)	7
Income before income taxes	**(20)**	**3**	**547**	**427**	**453**	**416**	**3**	**5**	**983**	**851**
Income taxes	4	(3)	(135)	(109)	(113)	(104)	(1)	(1)	(245)	(217)
Net income	**(16)**	**-**	**412**	**318**	**340**	**312**	**2**	**4**	**738**	**634**
Other comprehensive income (loss)	65	18	79	73	(3)	4	(1)	-	140	95
Comprehensive income	**49**	**18**	**491**	**391**	**337**	**316**	**1**	**4**	**878**	**729**
Total revenues and government funding[1]	2,724	2,712	646	502	488	450	3	5	3,861	3,669
Less Inter-segment income (loss)[2]	1	4	5	4	(9)	(13)	3	5	-	-
External revenues and government funding	2,723	2,708	641	498	497	463	-	-	3,861	3,669

[1] Includes net interest income, insurance service result, net financial result, government funding, premiums and fees earned and other income.

[2] Inter-segment income (loss) relates to the following:
- Housing Programs 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 Housing Programs and Mortgage Insurance.

As at 30 June 2024 and 31 December 2023

	Housing Programs Activity		Mortgage Insurance Activity		Mortgage Funding Activity		Eliminations[1]		Total	
(in millions)	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Assets										
Cash and cash equivalents	1,497	1,169	1,012	767	3	3	-	-	2,512	1,939
Securities purchased under resale agreements	800	700	-	-	-	-	-	-	800	700
Accrued interest receivable	68	79	108	98	869	667	(1)	(1)	1,044	843
Investment securities:										
Fair value through profit or loss	-	-	65	69	-	-	-	-	65	69
Fair value through other comprehensive income	-	-	17,022	16,808	3,834	3,855	(513)	(501)	20,343	20,162
Amortized cost	3,433	3,456	-	-	-	-	(123)	(227)	3,310	3,229
Derivatives	-	-	3	161	-	-	-	-	3	161
Due from the Government of Canada	435	240	-	-	-	-	-	-	435	240
Loans:										
Fair value through profit or loss	510	494	17	18	-	-	-	-	527	512
Amortized cost	14,469	12,616	25	38	266,477	257,996	-	-	280,971	270,650
Accounts receivable and other assets	51	176	224	190	191	113	-	-	466	479
Investment property	398	398	-	-	-	-	-	-	398	398
Defined benefit plans asset	136	79	177	102	11	6	-	-	324	187
Deferred income tax assets	(122)	-	144	-	35	-	(2)	-	55	-
	21,675	**19,407**	**18,797**	**18,251**	**271,420**	**262,640**	**(639)**	**(729)**	**311,253**	**299,569**
Liabilities										
Accounts payable and other liabilities	588	440	103	98	25	35	-	-	716	573
Income taxes payable	7	28	45	486	38	31	-	-	90	545
Accrued interest payable	152	137	-	-	850	650	(1)	(1)	1,001	786
Derivatives	57	51	11	4	-	-	-	-	68	55
Insurance contract liabilities	-	-	7,449	7,079	-	-	-	-	7,449	7,079
Borrowings:										
Fair value through profit or loss	165	219	-	-	-	-	-	-	165	219
Amortized cost	19,770	17,502	-	-	266,477	257,996	(651)	(741)	285,596	274,757
Defined benefit plans liability	73	77	93	97	6	6	-	-	172	180
Unearned premiums and fees	-	-	325	278	2,520	2,498	-	-	2,845	2,776
Deferred income tax liabilities	-	139	-	(71)	-	(33)	-	1	-	36
	20,812	**18,593**	**8,026**	**7,971**	**269,916**	**261,183**	**(652)**	**(741)**	**298,102**	**287,006**
Equity of Canada	**863**	**814**	**10,771**	**10,280**	**1,504**	**1,457**	**13**	**12**	**13,151**	**12,563**
	21,675	**19,407**	**18,797**	**18,251**	**271,420**	**262,640**	**(639)**	**(729)**	**311,253**	**299,569**

[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 housing programs and operating expenses, as shown by core responsibility.

	Three months ended 30 June		Six months ended 30 June	
(in millions)	2024	2023	2024	2023
Assistance for housing needs	324	351	1,398	1,848
Financing for housing	187	195	830	666
Housing expertise and capacity development	256	27	589	92
Total	**767**	**573**	**2,817**	**2,606**
Net change in government funding deferred in the period	(59)	(10)	(109)	93
Total government funding recognized[1,2]	**708**	**563**	**2,708**	**2,699**

[1] Includes recoveries of operating expenses of $107 million and $195 million and expected credit loss (recovery) of ($15) million and ($22) million, and excludes $2 million and $3 million of housing programs expenses in which the appropriations are deducted from the carrying amount of the related capital assets, for the three and six months ended 30 June 2024 (three and six months ended 30 June 2023 – $82 million and $206 million, $14 million and $7 million, and $5 million and $15 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 totaled $25 million and $68 million for the three and six months ended 30 June 2024 (three and six months ended 30 June 2023 – $19 million and $34 million).

The following table presents the change in the due from (to) the Government of Canada account. The outstanding balance as at 30 June 2024 is mainly composed of Housing Programs expenses incurred but not yet reimbursed.

(in millions)	As at 30 June 2024	As at 31 December 2023
Balance at beginning of the year	240	(6)
Total government funding	2,817	5,488
Government funding received during the period	(2,593)	(5,483)
Third party remittances from (owing to) the Government of Canada	(8)	(7)
Balance at end of period before prior/future period adjustments	**456**	**(8)**
Net change in One-time top-up to the Canada Housing Benefit advances	(2)	229
Net change in prior period adjustments	(19)	19
Balance at end of period	**435**	**240**

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 2024	As at 31 December 2023
Insurance contracts		
Transactional homeowner	3,136	3,180
Portfolio	114	135
Multi-unit residential	4,199	3,764
Total insurance contract liabilities	**7,449**	**7,079**

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 2024

(in millions)	LRC	LIC	Total
Insurance contract liabilities at beginning of year	**6,876**	**203**	**7,079**
Insurance revenue			
Contracts under the fair value approach	(248)	-	(248)
Other contracts	(298)	-	(298)
	(546)	**-**	**(546)**
Insurance service expenses			
Incurred claims and other insurance expenses	-	90	90
Amortization of insurance acquisition cash flows	24	-	24
Changes to the liabilities for incurred claims	-	(69)	(69)
	24	**21**	**45**
Insurance service result	**(522)**	**21**	**(501)**
Insurance finance expenses	77	4	81
Total changes in the statement of income and comprehensive income before income taxes	**(445)**	**25**	**(420)**
Cash flows			
Premiums received	901	-	901
Claims and other insurance service expense paid[1]	-	(22)	(22)
Insurance acquisition cash flows	(89)	-	(89)
Total cash flows	**812**	**(22)**	**790**
Insurance contract liabilities at end of period	**7,243**	**206**	**7,449**

[1] Includes $8 million of claims administration expense, $3 million of initial provision for properties that we obtained in the year through default management activities, and excludes $4 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 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	(526)	-	(526)
Other contracts	(478)	-	(478)
	(1,004)	**-**	**(1,004)**
Insurance service expenses			
Incurred claims and other insurance expenses	-	156	156
Amortization of insurance acquisition cash flows	41	-	41
Changes to the liabilities for incurred claims	-	(78)	(78)
	41	**78**	**119**
Insurance service result	**(963)**	**78**	**(885)**
Insurance finance expenses (income)	275	3	278
Total changes in the statement of income and comprehensive income before income taxes	**(688)**	**81**	**(607)**
Cash flows			
Premiums received	1,465	-	1,465
Claims and other insurance service expense paid[1]	-	(54)	(54)
Insurance acquisition cash flows	(130)	-	(130)
Total cash flows	**1,335**	**(54)**	**1,281**
Insurance contract liabilities at end of period	**6,876**	**203**	**7,079**

[1] Includes $10 million of claims administration expense, $13 million of initial provision for properties that we obtained in the year through default management activities, and excludes $21 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 30 June 2024 there were nil loss components (31 December 2023 – nil).

Insurance contracts by measurement components

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

As at 30 June 2024

			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	**1,178**	**1,071**	**2,318**	**2,512**	**7,079**
Changes that relate to current services					
CSM recognized for services provided	-	-	(155)	(188)	(343)
Change in the risk adjustment for non-financial risk	-	(71)	-	-	(71)
Experience adjustments	(18)	-	-	-	(18)
Changes that relate to future services					
Contracts initially recognized in the period	(746)	145	-	601	-
Changes in estimates that adjust the CSM	92	93	(80)	(105)	-
Changes that relate to past services					
Changes to the liabilities for incurred claims	(50)	(19)	-	-	(69)
Insurance service result	**(722)**	**148**	**(235)**	**308**	**(501)**
Insurance finance expenses	-	(1)	27	55	81
Total changes in the statement of income and comprehensive income before income taxes	**(722)**	**147**	**(208)**	**363**	**(420)**
Cash flows					
Premiums received	901	-	-	-	901
Claims and other insurance service expense paid[1]	(22)	-	-	-	(22)
Insurance acquisition cash flows	(89)	-	-	-	(89)
Total cash flows	**790**	**-**	**-**	**-**	**790**
Insurance contract liabilities at end of period	**1,246**	**1,218**	**2,110**	**2,875**	**7,449**

[1] Includes $8 million of claims administration expense, $3 million of initial provision for properties that we obtained in the year through default management activities, and excludes $4 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 2023

(in millions)	Present value of future cash flows	Risk adjustment for non-financial risk	CSM		Total
			Contracts under the fair value approach	*Other contracts*	
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	-	-	(350)	(335)	(685)
Change in the risk adjustment for non-financial risk	-	(104)	-	-	(104)
Experience adjustments	(18)	-	-	-	(18)
Changes that relate to future services					
Contracts initially recognized in the period	(1,084)	252	-	832	-
Changes in estimates that adjust the CSM	(58)	43	17	(2)	-
Changes that relate to past services					
Changes to the liabilities for incurred claims	(67)	(11)	-	-	(78)
Insurance service result	**(1,227)**	**180**	**(333)**	**495**	**(885)**
Insurance finance expenses	86	71	54	67	278
Total changes in the statement of income and comprehensive income before income taxes	**(1,141)**	**251**	**(279)**	**562**	**(607)**
Cash flows					
Premiums received	1,465	-	-	-	1,465
Claims and other insurance service expense paid[1]	(54)	-	-	-	(54)
Insurance acquisition cash flows	(130)	-	-	-	(130)
Total cash flows	**1,281**	**-**	**-**	**-**	**1,281**
Insurance contract liabilities at end of year	**1,178**	**1,071**	**2,318**	**2,512**	**7,079**

[1] Includes $10 million of claims administration expense, $13 million of initial provision for properties that we obtained in the year through default management activities, and excludes $21 million of losses on disposal of the properties which are recorded in other income as they are no longer subject to insurance risk.

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 TPG fees balance.

	As at 30 June 2024			As at 31 December 2023		
(in millions)	NHA MBS	CMB	Total	NHA MBS	CMB	Total
Balance at beginning of year	1,874	624	2,498	1,809	581	2,390
TPG and application fees received in the period	325	135	460	740	195	935
TPG and application fees earned in the period	(363)	(77)	(440)	(675)	(152)	(827)
Balance at end of period	**1,836**	**682**	**2,518**	**1,874**	**624**	**2,498**

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 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. We declared and paid dividends of $145 million and $290 million during the three and six months ended 30 June 2024 (first and second quarter of 2023 – $395 million and $395 million).

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

(in millions)	As at 30 June 2024	As at 31 December 2023
Contributed capital	25	25
Accumulated other comprehensive income	(314)	(321)
Reserve fund	122	72
Appropriated retained earnings	10,974	10,564
Unappropriated retained earnings[1]	2,344	2,223
Total equity of Canada[2]	**13,151**	**12,563**
Less: regulatory deductions	(225)	(170)
Total capital available	**12,926**	**12,393**

[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

Mortgage Insurance capital

The following table presents the components of capital available.

(in millions, unless otherwise indicated)	As at 30 June 2024	As at 31 December 2023
Appropriated capital[1]	9,360	9,011
Unappropriated capital	1,411	1,269
Total Mortgage Insurance capital	**10,771**	**10,280**
Less: regulatory deductions	(225)	(170)
Total Mortgage Insurance capital available	**10,546**	**10,110**
Internal target	155%	155%
Operating level	165%	165%
Capital available to minimum capital required (% MICAT)	186%	185%

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

Mortgage Funding capital

Mortgage Funding capital is appropriated 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 an increase to the economic capital required from $1.8 billion to $2.2 billion, effective 1 January 2024, which compares to $4.0 billion of assets available as at 30 June 2024 (31 December 2023 – $4.0 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 target.

The following table presents the components of the capital available.

(in millions, unless otherwise indicated)	As at 30 June 2024	As at 31 December 2023
Appropriated capital	1,249	1,180
Unappropriated capital	255	277
Total Mortgage Funding capital available	**1,504**	**1,457**
Economic capital available to economic capital required (%)	111%	109%

Housing Programs 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 (2023 – $240 million), which we have determined through our ORSA to be in a reasonable range. Our reserve fund balance is in compliance with this statutory limit. 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 Housing Programs 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.

(in millions)	As at 30 June 2024	As at 31 December 2023
Reserve fund[1]	124	75
Retained earnings	714	714
Total Lending programs capital available	**838**	**789**

[1] Excludes the impact of eliminations of $2 million (2023 – $3 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 additional 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 Investment Performance and Analytics (IPA) of the Investments and Treasury group. IPA 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 or our internal appraisers who hold recognized and relevant professional qualifications.

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 2024			As at 31 December 2023		
(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]	3,310	3,273	(37)	3,229	3,176	(53)
Loans at amortized cost[3]	280,971	271,351	(9,620)	270,650	261,936	(8,714)
Financial liabilities						
Borrowings at amortized cost[4]	285,596	276,103	(9,493)	274,757	266,144	(8,613)

[1] Does not include cash and cash equivalents of $1,541 million (31 December 2023 – $1,074 million) and securities purchased under resale agreements of $800 million (31 December 2023 – $700 million) carried at amortized cost as the fair value of these financial instruments is equal to their carrying value.

[2] $710 million (31 December 2023 – $444 million) fair value categorized as Level 1 and $2,563 million (31 December 2023 – $2,732 million) fair value categorized as Level 2.

[3] $264,374 million (31 December 2023 – $255,725 million) fair value categorized as Level 2, $6,975 million (31 December 2023 – $6,211 million) fair value categorized as Level 3.

[4] $202,878 million (31 December 2023 – $193,908 million) fair value categorized as Level 1, $73,225 million (31 December 2023 – $72,236 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 2024				As at 31 December 2023			
(in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash equivalents								
Interest bearing deposits with banks	-	139	-	139	-	172	-	172
Federal government issued	-	829	-	829	-	686	-	686
Corporate/other entities	-	3	-	3	-	7	-	7
Total cash equivalents	-	971	-	971	-	865	-	865
Investment securities								
Fair value through profit or loss (FVTPL)								
Debt instruments								
Corporate/other entities	-	21	-	21	-	18	-	18
Provinces/municipalities	-	-	-	-	-	-	-	-
Sovereign and related entities	-	-	-	-	-	-	-	-
Equities								
Limited partnership units	-	-	44	44	-	-	51	51
Total at FVTPL	-	21	44	65	-	18	51	69
FVOCI								
Debt instruments								
Corporate/other entities	3,485	4,094	-	7,579	2,261	5,044	-	7,305
Federal government issued	6,468	2,109	-	8,577	7,587	1,771	-	9,358
Provinces/municipalities	3,564	254	-	3,818	2,685	465	-	3,150
Sovereign and related entities	332	37	-	369	282	67	-	349
Total at FVOCI	13,849	6,494	-	20,343	12,815	7,347	-	20,162
Loans designated at FVTPL	-	33	-	33	-	54	-	54
Loans mandatorily at FVTPL	-	11	483	494	-	12	446	458
Derivatives	-	3	-	3	-	161	-	161
Investment property	-	-	398	398	-	-	398	398
Total assets carried at fair value	**13,849**	**7,533**	**925**	**22,307**	**12,815**	**8,457**	**895**	**22,167**
Liabilities								
Borrowings designated at FVTPL	-	(165)	-	(165)	-	(219)	-	(219)
Derivatives	-	(13)	(55)	(68)	-	(8)	(47)	(55)
Total liabilities carried at fair value	**-**	**(178)**	**(55)**	**(233)**	**-**	**(227)**	**(47)**	**(274)**
Net assets carried at fair value	**13,849**	**7,355**	**870**	**22,074**	**12,815**	**8,230**	**848**	**21,893**

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 2024, there were $2,142 million of transfers from Level 2 to Level 1 and $663 million of transfers from Level 1 to Level 2 (during the twelve months ended 31 December 2023 – $2,289 million and $3,067 million, respectively).

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 2024	**51**	**446**	**398**	**(47)**	**848**
Purchases/issuances	-	50	-	-	50
Net gains (losses) in profit or loss[1,2]	(1)	8	-	(8)	(1)
Cash receipts on settlements/disposals	(6)	(21)	-	-	(27)
Fair value as at 30 June 2024	**44**	**483**	**398**	**(55)**	**870**
Fair value as at 1 January 2023	**78**	**344**	**402**	**(34)**	**790**
Purchases/issuances	-	117	-	-	117
Net gains (losses) in profit or loss[1,2]	-	13	13	(13)	13
Cash receipts on settlements/disposals	(27)	(28)	(17)	-	(72)
Fair value as at 31 December 2023	**51**	**446**	**398**	**(47)**	**848**

[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 2024, which may change materially in subsequent periods. The techniques and unobservable inputs used in valuing the items classified as Level 3 at 30 June 2024 did not materially change from 31 December 2023. 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 2023.

11. Investment Securities

Credit quality

The following table presents the credit quality of our cash equivalents and investment securities based on our internal credit rating system. Amounts in the table represent the gross carrying amounts.

	As at 30 June 2024						As at 31 December 2023					
(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
Cash equivalents	888	428	977	-	-	2,293	686	303	844	-	-	1,833
Investment securities[1]												
FVTPL	21	-	-	-	-	21	18	-	-	-	-	18
FVOCI	9,523	4,019	4,154	2,586	61	20,343	10,199	3,708	3,765	2,421	69	20,162
Amortized cost	1,460	1,500	350	-	-	3,310	1,524	1,399	306	-	-	3,229

[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 $9 million at 30 June 2024 (31 December 2023 – $21 million) with a corresponding gain of $5 million and $12 million recognized in net gains (losses) on financial instruments during the three and six months ended 30 June 2024, respectively (three and six months ended 30 June 2023 – loss of $13 million and loss of $8 million).

12. Loans

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

Six months ended 30 June 2024

(in millions)	Balance at beginning of period	Cash flows: Repayments	Cash flows: Disbursements	Non-cash changes: Fair value changes	Non-cash changes: Accretion	Non-cash changes: ECL	Non-cash changes: Capitalized Interest	Non-cash changes: Transfers[1]	Balance at end of period
FVTPL									
Lending programs	494	(34)	42	8	-	-	-	-	510
MI Activity loans	18	(9)	8	-	-	-	-	-	17
Total at FVTPL	**512**	**(43)**	**50**	**8**	**-**	**-**	**-**	**-**	**527**
Amortized cost									
CMB program loans	255,130	(22,230)	31,378	-	23	-	-	-	264,301
Lending programs[2]	12,616	(336)	2,202	(96)	12	7	64	-	14,469
IMPP loans	2,866	(690)	-	-	-	-	-	-	2,176
MI Activity loans	38	(16)	-	-	4	(1)	-	-	25
Total amortized cost	**270,650**	**(23,272)**	**33,580**	**(96)**	**39**	**6**	**64**	**-**	**280,971**
Total	**271,162**	**(23,315)**	**33,630**	**(88)**	**39**	**6**	**64**	**-**	**281,498**

[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.

[2] Fair value changes for loans at amortized cost relate to losses recognized immediately upon initial advance of loans issued below market value.

Twelve months ended 31 December 2023

		Cash flows		Non-cash changes					
(in millions)	Balance at beginning of period	Repayments	Disbursements	Fair value changes	Accretion	ECL	Capitalized Interest	Transfers[1]	Balance at end of period
FVTPL									
Lending programs	455	(51)	101	18	-	-	-	(29)	494
MI Activity loans	14	(12)	16	-	-	-	-	-	18
Total at FVTPL	**469**	**(63)**	**117**	**18**	**-**	**-**	**-**	**(29)**	**512**
Amortized cost									
CMB program loans	255,903	(46,040)	45,225	-	42	-	-	-	255,130
Lending programs[2]	9,807	(594)	3,397	(109)	5	(2)	83	29	12,616
IMPP loans	3,449	(583)	-	-	-	-	-	-	2,866
MI Activity loans	48	(40)	-	-	14	16	-	-	38
Total amortized cost	**269,207**	**(47,257)**	**48,622**	**(109)**	**61**	**14**	**83**	**29**	**270,650**
Total	**269,676**	**(47,320)**	**48,739**	**(91)**	**61**	**14**	**83**	**-**	**271,162**

[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.

[2] Fair value changes for loans at amortized cost relate to losses recognized immediately upon initial advance of loans issued below market value.

We are assured collection of principal and accrued interest on 99% (31 December 2023 – 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 2024 were $8,430 million (31 December 2023 – $9,028 million), of which $8,031 million are subject to 12-month ECL (31 December 2023 – $8,549 million) and $1 million (31 December 2023 – $2 million) are commitments outstanding on purchased or originated credit impaired loans.

At 30 June 2024, the ECL on undrawn loan commitments was $11 million (31 December 2023 – $25 million), and the ECL on loans was $51 million (31 December 2023 – $57 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 2024

		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	219	-	(57)	3	-	-	165
Amortized cost							
Canada mortgage bonds	254,389	31,368	(22,127)	-	23	(3)	263,650
Borrowings from the Government of Canada — Lending programs	17,502	10,995	(8,721)	(68)	62	-	19,770
Borrowings from the Government of Canada — IMPP	2,866	-	(690)	-	-	-	2,176
Total amortized cost	**274,757**	**42,363**	**(31,538)**	**(68)**	**85**	**(3)**	**285,596**
Total	**274,976**	**42,363**	**(31,595)**	**(65)**	**85**	**(3)**	**285,761**

Twelve months ended 31 December 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	-	(162)	7	-	-	219
Amortized cost							
Canada mortgage bonds	254,897	45,204	(45,727)	-	42	(27)	254,389
Borrowings from the Government of Canada — Lending programs	15,424	13,831	(11,755)	(80)	82	-	17,502
Borrowings from the Government of Canada — IMPP	3,449	-	(583)	-	-	-	2,866
Total amortized cost	**273,770**	**59,035**	**(58,065)**	**(80)**	**124**	**(27)**	**274,757**
Total	**274,144**	**59,035**	**(58,227)**	**(73)**	**124**	**(27)**	**274,976**

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 2024, we have excluded $103 million (six months ended 30 June 2023 – $117 million) of CMB maturities from repayments in the previous table (twelve months ended 31 December 2023 – $313 million) and from investment securities – sales and maturities in the consolidated statement of cash flows. We have also excluded $10 million during the six months ended 30 June 2024 (six months ended 30 June 2023 – $11 million) of CMB purchases in the primary market from issuances in the previous table (twelve months ended 31 December 2023 – $21 million) 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 Housing Programs and Mortgage Funding activities.

For 2024, the limits on our short-term borrowings outstanding and long-term borrowings issued are $7.0 billion and $6.5 billion, respectively (31 December 2023 – $6.5 billion and $6.5 billion). Actual short-term borrowings outstanding as at 30 June 2024 were $1.6 billion (31 December 2023 – $939 million). Actual long-term borrowings issued in the three and six months ended 30 June 2024 were $782 million and $2.1 billion (31 December 2023 – $2.4 billion).

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)	**2024**	**2023**	**2024**	**2023**
Financial instruments designated at FVTPL				
Loans	-	-	-	1
Borrowings	(2)	2	(3)	(1)
Total financial instruments designated at FVTPL	**(2)**	**2**	**(3)**	**-**
Financial instruments mandatorily at FVTPL				
Equity securities	-	(3)	(2)	3
Derivatives	(61)	80	(178)	85
Loans	7	2	8	1
Total financial instruments mandatorily at FVTPL	**(54)**	**79**	**(172)**	**89**
Debt instruments held at FVOCI[1]	5	(125)	92	(168)
Loans — amortized cost[2]	(70)	(34)	(123)	(51)
Borrowings — amortized cost[3]	25	19	68	34
Expected credit recoveries (losses) on financial assets	23	(17)	32	(1)
Total	**(73)**	**(76)**	**(106)**	**(97)**

[1] Includes a foreign exchange gain during the three and six months ended of $50 million and $167 million (three and six months ended 30 June 2023 – $100 million loss and $105 million loss) resulting from translation of U.S. dollar-denominated debt instruments.

[2] Includes losses on loans recognized immediately upon initial advance of $56 million and $96 million (three and six months ended 30 June 2023 – $19 million and $31 million) and the amortization of deferred net losses of $14 million and $27 million (three and six months ended 30 June 2023 – $15 million and $20 million).

[3] Includes gains from the issuance of borrowings during the three and six months ended of $25 million and $68 million (three and six months ended 30 June 2023 – $19 million and $34 million).

Deferred net losses on financial instruments

The following table presents the deferred net losses on financial instruments for certain Lending program loans not recognized in the consolidated statement of income and comprehensive income

	Three months ended 30 June		Six months ended 30 June	
(in millions)	2024	2023	2024	2023
Balance at beginning of the period	468	303	433	263
Deferred net losses on financial instruments in the period	38	43	86	88
Recognized net losses on financial instruments in the period	(14)	(15)	(27)	(20)
Balance at end of period	**492**	**331**	**492**	**331**

15. Market Risk

Market risk is the risk of adverse financial impacts arising from changes in underlying market factors, including interest rates and foreign exchange rates. 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 2024.

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 $4,286 million in debt instruments denominated in U.S. dollars as at 30 June 2024 (31 December 2023 – $4,127 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.

	Mortgage Insurance		Mortgage Funding	
(in millions)	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Investment securities:				
Interest rate risk on debt instruments				
CAD-denominated securities	165	187	73	78
USD-denominated securities	81	86	-	-
Effect of diversification	1	(1)	-	-
Total VaR	**247**	**272**	**73**	**78**

Interest rate sensitivity

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

For the Housing Programs 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 2024 after accounting for derivatives.

The Housing Programs 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 2024 is presented in the following table.

	As at 30 June 2024 Interest rate shift		As at 31 December 2023 Interest rate shift	
(in millions)	-200 bps	+200 bps	-200 bps	+200 bps
Increase (decrease) in fair value of net assets[1]	(745)	616	(694)	572

[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 2023. 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 2024.

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)	2024	2023	2024	2023
Current service cost	9	6	-	-
Net interest expense (income)	-	(1)	1	2
Expense recognized in net income	**9**	**5**	**1**	**2**
Net actuarial gains (losses) arising from changes in financial assumptions	33	(17)	1	(1)
Return on plan assets, excluding amounts included in net interest expense[1]	(13)	4	-	-
Net remeasurements recognized in other comprehensive income (loss)[2]	**20**	**(13)**	**1**	**(1)**
CMHC's contributions	1	6	1	1
Employee contributions	9	9	-	-
Total contributions	**10**	**15**	**1**	**1**

[1] The return on assets rate used to measure the return on plan assets for the three months ended 30 June 2024 was 0.60% (30 June 2023 – 1.51%).

[2] 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.

Six months ended 30 June

	Pension plans		Other post-employment plans	
(in millions)	2024	2023	2024	2023
Current service cost	18	17	-	-
Net interest expense (income)	(1)	(4)	2	3
Expense recognized in net income	**17**	**13**	**2**	**3**
Net actuarial gains (losses) arising from changes in financial assumptions	137	(86)	4	(4)
Return on plan assets, excluding amounts included in net interest expense[1]	16	125	-	-
Net remeasurements recognized in other comprehensive income (loss)[2]	**153**	**39**	**4**	**(4)**
CMHC's contributions	5	14	2	2
Employee contributions	14	14	-	-
Total contributions	**19**	**28**	**2**	**2**

[1] The return on assets rate used to measure the return on plan assets for the six months ended 30 June 2024 was 3.34% (30 June 2023 – 7.18%).

[2] 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.

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 2024 was 5.0% (31 December 2023 – 4.6%).

18. Income Taxes

The following table presents the components of income tax.

	Three months ended 30 June		Six months ended 30 June	
(in millions)	2024	2023	2024	2023
Current income tax expense	163	145	364	251
Deferred income tax relating to origination and reversal of temporary differences	(44)	(38)	(119)	(34)
Total income tax expense included in net income	**119**	**107**	**245**	**217**
Income tax expense (recovery) on other comprehensive income (loss)				
Net unrealized gains (losses) from FVOCI financial instruments	7	(62)	(26)	13
Reclassification of prior years' net unrealized losses realized in the period in net income	11	11	14	18
Insurance finance income (expense) for insurance contracts issued	5	2	10	(10)
Remeasurement gains (losses) on defined benefit plans	3	(2)	24	5
Total income tax expense (recovery) included in other comprehensive income (loss)	**26**	**(51)**	**22**	**26**
Total	**145**	**56**	**267**	**243**

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 $5 million and $11 million for the three and six months ended 30 June 2024 (three and six months ended 30 June 2023 – $4 million and $8 million). In Mortgage Funding, these fees, which are recorded in operating expenses, amount to $8 million and $15 million for the three and six month period ended 30 June 2024 (three and six months ended 30 June 2023 – $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 2024, we have $9,641 million in contractual financial obligations relating to Housing Programs which extend for periods up to 25 years and $317 million in other contractual obligations up to the year 2029 (31 December 2023 – $9,304 million and $280 million, respectively).

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

(in millions)	As at 30 June 2024	As at 31 December 2023
Affordable Rental Housing Innovation Fund	32	35
Apartment Construction Loan Program (ACLP)	802	757
Affordable Housing Fund (AHF)	467	209
Direct Lending (DL) – Economically Hedged	139	172
Total	**1,440**	**1,173**

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