THIRD QUARTER
30 SEPTEMBER 2024
(UNAUDITED)

Quarterly Financial Report

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Management's Discussion and Analysis

Overview

The following Management's Discussion and Analysis (MD&A) of the financial position and results of operations as approved by the Audit Committee on 19 November 2024 is prepared for the third quarter ended 30 September 2024 and is intended to provide users with an overview of our performance including comparatives against the same three and nine 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. 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 third 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 continued to grow modestly past the first half of 2024. This growth was driven primarily by steady consumer spending, recovering investment conditions, and strong government spending amid robust population growth. According to the October 2024 Consensus Forecast, real Gross Domestic Product (GDP) is expected to grow by 1.1% in 2024 following 1.2% in 2023.

While consumer spending continues to support growth, high household debt is limiting some Canadians' ability to spend. The household debt-to-disposable income ratio improved slightly to 176% in the second quarter of 2024, down from 181% a year earlier. However, household debt levels still grew by 4% over the past year. This rising debt, despite higher disposable income, exacerbates financial stability risk especially if interest rates remain high or economic conditions worsen.

Inflation has cooled from previous highs. The Consumer Price Index (CPI) dropped to 1.6% in September 2024, a significant drop from 8.1% in June 2022. This decline is largely due to earlier interest rate hikes. Some cost pressures remain, particularly in housing. Shelter inflation continues to be a challenge, driven by higher mortgage rates and rising rents.

At the same time, the labor market is showing signs of stress, with the unemployment rate generally climbing throughout the year to 6.5% by September 2024. This increase reflects the ongoing adjustments in the labor market as the economy slows and adapts to higher interest rates. While wages have grown 4.6% year-over-year, outpacing inflation, the combination of rising unemployment and high housing costs could put more strain on household finances.

In the housing market, the seasonally adjusted and annualized rate (SAAR) of MLS® sales in the first three quarters of 2024 reached approximately 466,000 units, nearly a 4% increase compared to the same period in 2023. However, demand remained below the past decade's norms, held back by ongoing affordability challenges and softening employment conditions. An increase in property listings has constrained price growth. The seasonally adjusted average price was roughly $679,000 in the first three quarters of 2024, a slight 0.2% decline from the same period in 2023.

Housing starts averaged approximately 244,000 SAAR units in the first three quarters of the year, marking a slight 1% increase compared to the previous year. While this level of construction was strong relative to the past decade's norms, it remained below the historical peaks reached in 2021 and 2022 of around 270,000 units.

These economic conditions continue to have a significant impact on our financial results. Although bond yields have started to decline resulting in unrealized gains on our investments, the discount rate used to remeasure our pension obligation has increased resulting in remeasurement gains on our net defined benefit plans, and the sustained high interest environment from recent interest rate increases has led to continued higher investment and interest income in the first three quarters of 2024. As discussed above, high house prices and interest rates continue to impact transactional homeowner unit volumes. 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

As a significant financial system participant supporting the Government of Canada's goal to make housing more attainable and affordable for Canadians, CMHC continues to execute on multiple fronts including Budget 2024 program funding as well as major projects and initiatives that enhance important organizational capabilities, programs, and processes. Through enhanced planning and prioritization, including the creation of a new internal Planning and Priorities Committee, CMHC will further optimize its resources to deliver on its mandate and business results.

Overall, financial risks remain low and within risk tolerances. Credit risk and liquidity risk remain low and stable. Market risk is consistent with established risk limits and tolerances, as 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, with no signs of immediate elevated risks. Multi-unit insurance risk remains moderate – CMHC is monitoring products with inherently riskier characteristics for potential losses. Capital adequacy risk is moderate as CMHC has suspended dividends to support increased MU volumes and an updated MICAT Guideline regarding the capital requirements for multi-unit residential exposures. However, Corporate-wide Stress Testing (CWST) results in 2024 confirm the adequacy of the capital targets, taking into account the appropriate measures CMHC has planned. These measures support CMHC remaining well capitalized to sustain possible downside scenarios caused by economic headwinds and increasing regulatory requirements.

In addition, strategic and operational risks are moderate and within risk tolerances. Cyber, third-party, and data governance risks continue to be key risks for the corporation. Various transformative programs and initiatives are ongoing to strengthen our control environment in these areas, while ensuring increased operational efficiency and optimized risk management practices and oversight.

For more details, please refer to our 2023 Annual Report[1].

Federal Budget 2024

Update since Q2 2024

Budget 2024 and the 2023 Fall Economic Statement (FES) included new initiatives, additional investments and changes to existing programs which implicate CMHC. Financial authorities were obtained for the Co-Op Housing Development Program (CHDP) in the second quarter of 2024. On June 6, 2024, the federal government launched the CHDP to support a new generation of co-op housing in Canada and help make housing more affordable. The first application intake window was from July 15 to September 15, 2024, with future windows being planned for.

In the third quarter, the Government of Canada has announced the following changes that were previously announced in Budget 2024:

On 16 September 2024, the Deputy Prime Minister and Minister of Finance announced a suite of reforms to mortgage rules to make mortgages more affordable for Canadians and put homeownership within reach. These include:

- Increasing the $1 million price cap for insured mortgages to $1.5 million, effective 15 December 2024, to reflect current housing market realities and help more Canadians qualify for a mortgage with a downpayment below 20 per cent.
- Expanding eligibility for 30 year mortgage amortizations to all first-time homebuyers and to all buyers of new builds, effective 15 December 2024, to reduce the cost of monthly mortgage payments and help more Canadians buy a home.

Additionally, on 8 October 2024, the Minister of Finance announced that starting 15 January 2025, homeowners will be able to refinance their insured mortgages to access the equity in their homes and help pay for the construction of a secondary suite.

These new measures may increase volumes and lead to a change in composition of our Transactional Homeowner Insurance business; however the magnitude is not currently known.

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 have been reporting on the achievement of National Housing Strategy (NHS) targets quarterly at www.placetocallhome.ca.

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

Climate Related Financial Disclosures

Update since Q2 2024

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

In the third quarter of 2024, we continued to integrate assessing climate-related risks into CMHC's existing risk governance. We delivered an update to senior management on climate risk management through a climate literacy session, progressed on emissions reporting, and continued to enhance our understanding of climate-related physical and transition risks and how they could affect our business.

We continuously monitor climate risk management standards. As they evolve, we adapt our plans accordingly.

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

Update since Q2 2024

Guideline E-21 Operational Risk Management and Resilience (ORR)

On 22 August 2024, OSFI published Guideline E-21: Operational Risk and Resilience, which sets expectations for financial institutions to prepare for and recover from severe disruptive events. It enhances expectations for operational risk management and establishes new ones related to operational resilience, business continuity risk management, crisis management, change management, and data risk management. The new provisions, which strive to strengthen operational resilience and identify critical operations come into force September 2025 and September 2026 respectively, and CMHC has developed a plan to align by the effective date.

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 1 January 2027.

Financial Results

Key Financial Highlights

Condensed consolidated balance sheets

As at 30 September 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	23,284	19,407	19,800	18,251	281,266	262,640	(657)	(729)	323,693	299,569
Total liabilities	22,424	18,593	8,569	7,971	279,501	261,183	(659)	(741)	309,835	287,006
Total equity of Canada	860	814	11,231	10,280	1,765	1,457	2	12	13,858	12,563

Total equity of Canada has increased by $1,295 million (10%) due to comprehensive income of $1,585 million, offset by $290 million of dividends declared and paid.

Total assets increased by $24,124 million (8%) primarily due to:

- An increase in loans at amortized cost of $20,431 million (8%) as new issuances of Canada Mortgage Bond (CMB) program loans due to the CMB expansion announced in September 2023 exceeded maturities, resulting in $17,446 million (7%) increased loans. In addition, there was $2,998 million of additional loans under the Apartment Construction Loan Program (ACLP), Canada Greener Homes Loan (CGHL), and Affordable Housing Fund (AHF) programs.
- An increase in investment securities at fair value through other comprehensive income (FVOCI) of $2,243 million (11%) mainly due to the reduction and then full suspension of dividends and unrealized gains due to decreases in interest rates.
- An increase in accrued interest receivable of $787 million (93%) related to CMB program loans primarily driven by higher volumes, interest rates and timing, as larger coupon payments are received in the second and fourth quarters of the year.
- An increase in securities purchased under resale agreements of $401 million (57%) mainly due to the investment of funds not disbursed as loans for the ACLP and AHF programs.
- An increase in Due from Government of Canada of $351 million (146%) driven mainly by approval of the last remaining action plan for one of the Federal/Provincial/Territorial housing agreements from prior year.

Total liabilities increased by $22,829 million (8%) mainly driven by $21,096 million (8%) of higher borrowings at amortized cost related to the CMB program and increased borrowings from the Government of Canada to fund ACLP, CGHL and AHF program loans as noted above. In addition, insurance contract liabilities increased by $861 million (12%) mainly attributed to new multi-unit business in 2024, and accrued interest payable increased $781 million (99%) mainly due to higher CMB volumes, interest rates and timing as explained above.

Condensed consolidated statements of income and comprehensive income

Three months ended 30 September

(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	980	1,345	-	-	-	-	-	-	980	1,345
Housing programs expenses	(884)	(1,275)	-	-	-	-	-	-	(884)	(1,275)
Premiums and fees earned	-	-	10	9	226	209	-	-	236	218
Insurance service result	-	-	211	237	-	-	-	-	211	237
Operating expenses	(94)	(90)	(49)	(40)	(14)	(15)	-	-	(157)	(145)
All other income[1]	-	6	70	62	34	26	-	5	104	99
Income (loss) before income taxes	**2**	**(14)**	**242**	**268**	**246**	**220**	**-**	**5**	**490**	**479**
Income taxes	(3)	2	(60)	(66)	(61)	(55)	-	(2)	(124)	(121)
Net income (loss)	**(1)**	**(12)**	**182**	**202**	**185**	**165**	**-**	**3**	**366**	**358**
Other comprehensive income (loss)	(2)	35	278	(67)	76	(50)	(11)	3	341	(79)
Comprehensive income (loss)	**(3)**	**23**	**460**	**135**	**261**	**115**	**(11)**	**6**	**707**	**279**

[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 (expenses).

Quarter to date (QTD) 2024 vs QTD 2023

Government funding and housing programs expenses have decreased compared to the same quarter last year, mainly driven by a decrease of $824 million for the Rapid Housing Initiative (RHI), partially offset by increases of $191 million for the Canada Community Housing Initiative (CCHI) and $102 million for the Canada Housing Benefit (CHB) programs. Due to the nature of many NHS programs, funding patterns may vary significantly year over year.

Total income before income taxes increased by $11 million (2%) from the same quarter last year mainly due to:

- An increase of $17 million (8%) in guarantee fees earned in the Mortgage Funding Activity due to increases in guarantee fee rates in recent years and higher National Housing Act Mortgage-Backed Securities (NHA MBS) and CMB annual issuance limits.
- An increase of $16 million (100%) in all other income in the Housing Programs Activity due to a loss on the sale of an investment property in the same quarter of last year versus nil in this quarter.
- The above increases were partially offset by a decrease in insurance service result of $26 million (11%) mainly driven by higher arrears in multi-unit insurance.

Other comprehensive income (OCI), net of tax, increased by $420 million (532%) from the same quarter last year mainly due to economic movements:

- Bond yields decreased leading to an increase in unrealized gains on investments of $429 million. By comparison, in the same quarter of last year, bond yields increased leading to unrealized losses of $207 million.
- Discount rates decreased leading to an increase in insurance finance expenses for insurance contracts issued in the quarter of $83 million. By comparison, discount rates increased in the same quarter of last year, leading to an increase in insurance finance income for insurance contracts issued of $56 million.
- Remeasurement losses on the net defined benefit plans of $5 million, as the discount rate decreased in the quarter, compared to a remeasurement gain of $72 million due to a discount rate increase in the same quarter last year.

Nine months ended 30 September

(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	3,688	4,044	-	-	-	-	-	-	3,688	4,044
Housing programs expenses	(3,422)	(3,776)	-	-	-	-	-	-	(3,422)	(3,776)
Premiums and fees earned	-	-	29	24	666	616	-	-	695	640
Insurance service result	-	-	712	672	-	-	-	-	712	672
Operating expenses	(300)	(298)	(147)	(122)	(49)	(49)	-	-	(496)	(469)
All other income[1]	16	19	195	121	82	69	3	10	296	219
Income (loss) before income taxes	**(18)**	**(11)**	**789**	**695**	**699**	**636**	**3**	**10**	**1,473**	**1,330**
Income taxes	1	(1)	(195)	(175)	(174)	(159)	(1)	(3)	(369)	(338)
Net income (loss)	**(17)**	**(12)**	**594**	**520**	**525**	**477**	**2**	**7**	**1,104**	**992**
Other comprehensive income (loss)	63	53	357	6	73	(46)	(12)	3	481	16
Comprehensive income (loss)	**46**	**41**	**951**	**526**	**598**	**431**	**(10)**	**10**	**1,585**	**1,008**

[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 (expenses).

Year to Date (YTD) 2024 vs YTD 2023

Government funding and housing programs expenses decreased compared to the same nine-month period last year, mainly driven by a decrease of $1,227 million for the RHI and $257 million for the one-time top-up to the Canada Housing Benefit. These decreases are partially offset by increases of $417 million for the Housing Accelerator Fund (HAF), $162 million for the CCHI, $128 million for the AHF, $142 million for the CHB and $90 million for the Affordable Housing Innovation Fund. As noted above, funding patterns may vary significantly year over year.

Total income before income taxes increased by $143 million (11%) from the nine-month period last year mainly due to:

- An increase in all other income of $77 million (35%) mainly due to an increase of $11 million (13%) in net interest income and an increase in investment income of $168 million (43%) mainly due to higher interest rates and higher holdings in the insurance and mortgage funding portfolios in conjunction with the dividend reduction and then full suspension. These were partially offset by an increase of $62 million (49%) in insurance finance expenses due to higher balances of insurance contract liabilities and higher locked-in discount rates and an increase of $52 million in net losses on financial instruments mainly due to losses on loans issued below market value in the CGHL portfolio, as more loans were issued in 2024 compared to the same nine-month period of last year.
- An increase in insurance service result of $40 million (6%) mainly due to higher insurance revenue as a result of higher multi-unit volumes compared to the same nine-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 $50 million (8%) in guarantee fees earned in the Mortgage Funding Activity, as described previously.

Other comprehensive income (OCI), net of tax, increased by $465 million (2,906%) from the same nine-month period last year mainly due to lower bond yields, which led to an increase in unrealized gains on investments of $517 million (462%). In addition, remeasurement gains on our defined benefit plans increased by $26 million (25%) due to a higher than expected return on plan assets, compared to a lower than expected return on plan assets in the same period of last year. This was partially offset by a decrease in insurance finance income for contracts issued of $78 million (300%) due to lower discount rates.

Financial Metrics and Ratios

Mortgage Insurance

(in millions, unless otherwise indicated)	Insurance-in-force ($B) As at 30 September 2024	Insurance-in-force ($B) As at 31 December 2023	Contractual Service Margin (CSM) As at 30 September 2024	Contractual Service Margin (CSM) As at 31 December 2023
Transactional homeowner	164	169	1,806	1,960
Portfolio	68	77	62	78
Multi-unit residential	199	168	3,291	2,792
Total	**431**	**414**	**5,159**	**4,830**

CMHC's total insurance-in-force is $431 billion which is compliant with the legislated limit of $800 billion set by the Government of Canada. This year insurance-in-force increased by $17 billion due to new volumes insured exceeding the run-off of existing policies-in-force. New loans insured were $62 billion, while estimated loan amortization and pay-downs were $45 billion.

CSM increased by $329 million (7%) due to $934 million of CSM on new business and $124 million interest accretion, offset by decreases of $505 million due to earned CSM and $224 million related to changes in estimates of future cash flows.

Three months ended 30 September

	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	13,749	15,623	4,833	5,405	171	189	13	6
Portfolio	1,000	13,147	253	3,387	1	13	1	1
Multi-unit residential	64,979	51,443	16,449	10,505	410	232	1	-
Total	**79,728**	**80,213**	**21,535**	**19,297**	**582**	**434**	**15**	**7**

[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.

Nine months ended 30 September

	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	35,787	36,454	12,387	12,246	436	429	23	32
Portfolio	5,676	21,528	1,506	5,606	7	20	3	3
Multi-unit residential	206,157	156,419	47,624	29,911	1,156	685	4	2
Total	**247,620**	**214,401**	**61,517**	**47,763**	**1,599**	**1,134**	**30**	**37**

[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.

Q3 2024 vs Q3 2023 and YTD 2024 vs YTD 2023

Transactional homeowner unit volumes decreased by 12 and 2 percent for the three and nine 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. The increase in multi-unit residential unit volumes is driven by an increase in units insured under 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 under MLI Select.

Premiums and fees are higher compared to prior year primarily due to higher volumes as well as a pricing increase for multi-unit.

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. The multi-unit dollar value of arrears has increased, consistent with the overall size of the multi-unit insurance business, however these arrears have not materialized to claims.

	Three months ended 30 September		Nine months ended 30 September	
(in percentages)	**2024**	**2023**	**2024**	**2023**
Insurance service expense ratio[1]	17.6	8.8	11.2	8.9
Operating expense ratio	18.8	15.4	18.3	16.5
Combined ratio	36.4	24.2	29.5	25.5
Initial contractual service margin ratio[2]	61.8	68.0	62.5	65.9
Severity ratio	28.6	24.9	27.9	29.9
Return on equity	6.6	8.3	7.4	7.1
Return on required equity	7.4	8.9	8.3	7.7

[1] Insurance service expense ratio on transactional homeowner and portfolio products excluding multi-unit residential was 10.0% and 5.9% for the three and nine months ended 30 September 2024 (4.6% and 7.6% for the three and nine months ended 30 September 2023).

[2] The Initial contractual service margin ratio has been updated from previously published reports, resulting in an increase of 9.9 and 11.8 percentage points for the three and nine months ended 30 September 2023.

Q3 2024 vs Q3 2023 and YTD 2024 vs YTD 2023

The insurance service expense ratio increased primarily due to increasing multi-unit arrears volumes.

The operating expense ratio increased due to higher allocated corporate costs commensurate with the increased size of the multi-unit business and the resources required to support it and as some NHS programs begin to sunset.

The initial contractual service margin ratio decreased mainly due to a higher risk adjustment assumption that was implemented in the fourth quarter of 2023 to cover the cost of capital for the transactional homeowner products.

The severity ratio increased compared to the same three-month period last year due to higher claims paid in the current quarter and it decreased when compared to the same nine-month period last year due to stronger sales proceeds compared to last year.

The return on equity ratio and return on required equity ratio decreased quarter-to-date mainly due to lower insurance service result driven by higher arrears in multi-unit insurance and higher average equity due to the full suspension of the dividend, as we continue to retain capital to support multi-unit insurance business growth.

The return on equity ratio and return on required equity ratio increased year-to-date mainly due to higher investment income driven by higher interest rates and higher holdings in our investment portfolios and higher insurance service result driven by higher multi-unit volumes partially offset by higher average equity as noted above.

	As at 30 September 2024		As at 31 December 2023	
	No. of delinquent loans	Arrears rate	No. of delinquent loans	Arrears rate
Transactional homeowner	2,951	0.38%	3,068	0.38%
Portfolio	801	0.16%	874	0.15%
Multi-unit residential	175	0.49%	119	0.37%
Total	**3,927**	**0.30%**	**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 September 2024	31 December 2023
NHA MBS	267	254
CMB	272	254
Total	**539**	**508**

Total guarantees-in-force represents the maximum principal obligation related to our timely payment guarantee. Guarantees-in-force were $539 billion as at 30 September 2024, an increase of $31 billion (6%) 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 September

	New securities guaranteed ($B)		Guarantee and application fees received[1]	
(in millions, unless otherwise indicated)	2024	2023	2024	2023
NHA MBS	45	42	210	189
CMB	15	9	63	42
Total	**60**	**51**	**273**	**231**

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

Nine months ended 30 September

(in millions, unless otherwise indicated)	New securities guaranteed ($B)		Guarantee and application fees received[1]	
	2024	2023	2024	2023
NHA MBS	118	111	535	504
CMB	46	30	198	128
Total	**164**	**141**	**733**	**632**

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

Q3 2024 vs Q3 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 September		Nine months ended 30 September	
	2024	2023	2024	2023
Operating expense ratio	5.9	6.3	5.9	6.6
Return on equity	45.0	49.0	43.5	48.0

Q3 2024 vs Q3 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 due to the full suspension of the dividend.

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.

Nine months ended 30 September

(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	(3,989)	(4,932)
Less: forecasted lapse for 2024-25 (Actual lapse in 2023-24)	-	(919)
Less: frozen allotment	(31)	(170)
2024-25 (2023-24) government funding recognized in 2024 (2023)	**1,807**	**573**
Total government funding – Nine months ended 30 September	**3,857**	**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 and transfer to Housing, Infrastructure and Communities Canada to support the transition of leadership for housing policy and program development (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 AHF, Pyrrhotite, ACLP, 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 2024, 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 2025. For Mortgage Funding, the Board approved an increase of the economic capital required at the operating level from $1.8 billion to $2.6 billion, effective 1 January 2025. 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 September 2024	As at 31 December 2023
Mortgage Insurance: Capital available to minimum capital required (MICAT)	191	185
Mortgage Funding: Economic capital available to economic capital required	120	109

The Mortgage Insurance capital available to minimum capital required ratio increased compared to last year due to increases in our capital available that was generated from our comprehensive income.

Mortgage Funding capital available to capital required ratio increased compared to last year, mainly due to a higher economic capital available. On 22 August 2024, the Board of Directors approved the temporary suspension of all remaining dividends which contributed to the increase in the economic capital available during the quarter. The dividend was temporarily suspended to help support the growth in our multi-unit insurance business. In addition to this, as part of OSFI's annual risk outlook released on 22 May 2024, OSFI announced new capital requirements for multi-unit residential exposures that will be published in the fourth quarter of 2024. The release of this new framework results in uncertainty in the amount of capital we will be required to hold which contributed to the decision to temporarily suspend the dividend.

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)	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022 (restated)[1]
Consolidated Results								
Total assets	323,693	311,253	312,424	299,569	294,821	302,978	304,372	297,168
Total liabilities	309,835	298,102	299,592	287,006	282,787	291,078	292,221	285,207
Total equity of Canada	13,858	13,151	12,832	12,563	12,034	11,900	12,151	11,961
Total revenues and government funding	1,533	1,280	2,581	1,937	1,899	1,027	2,642	1,378
Total expenses (including income taxes)	1,167	916	2.207	1,619	1,541	724	2,311	1,009
Net income	366	364	374	318	358	303	331	369
Housing Programs								
Government funding	980	708	2,000	1,450	1,345	563	2,136	810
Net income (loss)	(1)	(17)	1	(8)	(12)	(2)	2	76
Total equity of Canada	860	863	872	814	887	864	872	846
Mortgage Insurance								
Insurance-in-force ($B)[2]	431	424	418	414	405	403	400	399
Total insured volumes[3]	21,535	23,090	16,892	18,709	19,297	17,170	11,296	16,338
Premiums and fees received	582	616	401	423	434	436	264	354
Insurance revenue	256	262	284	266	260	248	230	223
Claims paid	15	9	6	15	7	11	19	20
Insurance service expense	45	5	40	53	23	23	20	18
Net income	182	216	196	156	202	142	176	145
Arrears rate	0.30%	0.28%	0.29%	0.29%	0.28%	0.25%	0.28%	0.25%
Insurance service expense ratio	17.6%	1.9%	14.1%	19.9%	8.8%	9.3%	8.7%	8.1%
Operating expense ratio	18.8%	19.1%	16.9%	18.8%	15.4%	17.3%	17.0%	22.0%
Combined ratio	36.4%	21.0%	31.0%	38.7%	24.2%	26.6%	25.7%	30.1%
Initial contractual service margin ratio[4]	61.8%	62.5%	59.9%	62.7%	68.0%	66.0%	62.2%	65.3%
Severity ratio	28.6%	28.0%	27.5%	26.7%	24.9%	27.4%	33.0%	32.4%
Return on equity	6.6%	8.2%	7.6%	6.2%	8.3%	5.8%	7.2%	5.9%
Return on required equity	7.4%	9.1%	8.4%	6.7%	8.9%	6.1%	7.7%	6.3%
Capital available to minimum capital required (% MICAT)	191%	186%	185%	185%	177%	172%	176%	175%
% Estimated outstanding Canadian residential mortgages with CMHC insurance coverage ($)	19.5%	19.5%	19.4%	19.3%	19.0%	19.1%	19.2%	19.2%
Mortgage Funding								
Guarantees-in-force ($B)[2]	539	528	524	508	493	488	481	471
Securities guaranteed ($B)	60	52	52	55	51	47	43	50
Guarantee and application fees received	273	229	231	303	231	209	192	301
Guarantee and application fees earned	226	222	218	211	209	206	201	193
Net income	185	164	176	168	165	161	151	144
Operating expense ratio	5.9%	6.0%	5.9%	7.0%	6.3%	6.6%	6.5%	7.5%
Return on equity	45.0%	44.7%	48.2%	48.0%	49.0%	47.4%	44.4%	39.0%
Economic capital available to economic capital required[5]	120%	111%	109%	109%	102%	102%	104%	149%
% Estimated outstanding Canadian residential mortgages with CMHC securitization guarantee ($)	24.4%	24.4%	24.4%	23.8%	23.3%	23.2%	23.2%	22.9%

[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 5% to 6% in the quarters Q4 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 September 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

19 November 2024

Consolidated Balance Sheet

(in millions of Canadian dollars)	Notes	As at 30 September 2024	As at 31 December 2023
Assets			
Cash and cash equivalents	20	1,486	1,939
Securities purchased under resale agreements		1,101	700
Accrued interest receivable		1,630	843
Investment securities:			
Fair value through profit or loss	10	61	69
Fair value through other comprehensive income	10, 11	22,405	20,162
Amortized cost	10, 11	3,570	3,229
Derivatives		16	161
Due from the Government of Canada	6	591	240
Loans:	12		
Fair value through profit or loss		530	512
Amortized cost		291,081	270,650
Accounts receivable and other assets		462	479
Investment property		398	398
Defined benefit plans asset		317	187
Deferred income tax assets		45	-
		323,693	**299,569**
Liabilities			
Accounts payable and other liabilities		1,066	573
Income taxes payable		85	545
Accrued interest payable		1,567	786
Derivatives		75	55
Insurance contract liabilities	7	7,940	7,079
Borrowings:	13		
Fair value through profit or loss		147	219
Amortized cost		295,853	274,757
Defined benefit plans liability		181	180
Unearned premiums and fees		2,921	2,776
Deferred income tax liabilities		-	36
		309,835	**287,006**
Commitments and contingent liabilities	20		
Equity of Canada	9		
Contributed capital		25	25
Accumulated other comprehensive income (loss)		32	(321)
Reserve fund		152	72
Retained earnings		13,649	12,787
		13,858	**12,563**
		323,693	**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 September 2024	Three months ended 30 September 2023	Nine months ended 30 September 2024	Nine months ended 30 September 2023
Interest income		2,055	1,820	5,956	5,221
Interest expense		(2,027)	(1,788)	(5,861)	(5,137)
Net interest income		**28**	**32**	**95**	**84**
Insurance revenue	7	256	260	802	738
Insurance service expense		(45)	(23)	(90)	(66)
Insurance service result		**211**	**237**	**712**	**672**
Investment income		198	145	559	391
Net losses on financial instruments	14	(56)	(13)	(162)	(110)
Insurance finance expense for contracts issued		(67)	(47)	(189)	(127)
Net financial result		**75**	**85**	**208**	**154**
Government funding	6	980	1,345	3,688	4,044
Housing programs expenses	6	(884)	(1,275)	(3,422)	(3,776)
Premiums and fees earned		236	218	695	640
Operating expenses		(157)	(145)	(496)	(469)
Other income (loss)		3	(18)	(4)	(26)
Self-insurance service income (expenses)		(2)	-	(3)	7
Income before income taxes		**490**	**479**	**1,473**	**1,330**
Income taxes	18	(124)	(121)	(369)	(338)
Net income		**366**	**358**	**1,104**	**992**
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		400	(216)	323	(176)
Reclassification of losses on debt instruments held at fair value through other comprehensive income on disposal in the year		29	9	82	64
Insurance finance income (expense) for contracts issued		(83)	56	(52)	26
Total items that may be subsequently reclassified to net income		**346**	**(151)**	**353**	**(86)**
Items that will not be subsequently reclassified to net income					
Remeasurement gains (losses) on defined benefit plans	17, 18	(5)	72	128	102
Total other comprehensive income (loss), net of tax		**341**	**(79)**	**481**	**16**
Comprehensive income		**707**	**279**	**1,585**	**1,008**

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

Consolidated Statement of Equity of Canada

		Three months ended 30 September		Nine months ended 30 September	
(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		(445)	(805)	(421)	(900)
Other comprehensive income (loss) — fair value		429	(207)	405	(112)
Fair value reserve balance at end of period		(16)	(1,012)	(16)	(1,012)
Opening insurance finance reserve		131	145	100	175
Other comprehensive income (loss) — insurance finance reserve		(83)	56	(52)	26
Insurance finance reserve balance at end of period		48	201	48	201
Balance at end of period		**32**	**(811)**	**32**	**(811)**
Reserve fund					
Balance at the beginning of period		122	47	72	17
Net income		30	1	80	31
Balance at end of period		**152**	**48**	**152**	**48**
Retained earnings					
Opening retained earnings		13,318	12,488	12,787	12,644
Net income		336	357	1,024	961
Other comprehensive income (loss)		(5)	72	128	102
Dividends	9	-	(145)	(290)	(935)
Total retained earnings		**13,649**	**12,772**	**13,649**	**12,772**
Equity of Canada	9	**13,858**	**12,034**	**13,858**	**12,034**

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 September 2024	Three months ended 30 September 2023	Nine months ended 30 September 2024	Nine months ended 30 September 2023
Cash flows from (used in) operating activities					
Net income		366	358	1,104	992
Adjustments to determine net cash flows from operating activities					
Amortization of premiums and discounts on financial instruments		(22)	(1)	(45)	8
Net (gains) losses on financial instruments		60	(91)	9	134
Capitalized interest	12	(34)	(21)	(98)	(58)
Deferred income taxes	18	(26)	(49)	(145)	(83)
Depreciation, amortization and impairment of fixed and intangible assets		9	11	28	28
Net unrealized (gains) losses on investment property		-	17	-	17
Changes in operating assets and liabilities					
Derivatives		(6)	109	165	(25)
Accrued interest receivable		(586)	(587)	(787)	(578)
Due from the Government of Canada		(125)	181	(299)	(162)
Accounts receivable and other assets		6	(5)	18	152
Accounts payable and other liabilities		333	(253)	493	(186)
Income taxes payable/receivable		(94)	173	(549)	363
Accrued interest payable		566	597	781	565
Insurance contract liabilities		361	209	741	400
Defined benefit plans		8	3	20	3
Unearned premiums and fees		76	39	145	59
Other		6	(1)	6	(6)
Loans	12				
Repayments		5,706	19,973	29,021	35,824
Disbursements		(15,797)	(10,928)	(49,427)	(32,868)
Borrowings	13				
Repayments		(10,746)	(25,596)	(42,341)	(44,342)
Issuances		20,979	16,690	63,342	41,129
		1,040	828	2,182	1,366
Cash flows from (used in) investing activities					
Investment securities					
Sales and maturities		2,634	1,969	8,698	6,519
Purchases		(4,419)	(2,560)	(10,631)	(7,069)
Foreign currency forward contract maturities					
Receipts		114	92	256	224
Disbursements		(86)	(83)	(233)	(264)
Securities purchased under resale agreements		(301)	(221)	(401)	30
Property and equipment and intangible asset acquisitions		(8)	(6)	(34)	(25)
		(2,066)	(809)	(2,345)	(585)
Cash flows used in financing activities					
Dividends paid		-	(145)	(290)	(935)
Change in cash and cash equivalents		(1,026)	(126)	(453)	(154)
Cash and cash equivalents					
Beginning of period		2,512	2,621	1,939	2,649
End of period		1,486	2,495	1,486	2,495
Represented by					
Cash		136	113	136	113
Cash equivalents		1,350	2,382	1,350	2,382
		1,486	2,495	1,486	2,495
Supplementary disclosure of cash flows from operating activities					
Amount of interest received during the period		1,669	1,405	5,933	5,305
Amount of interest paid during the period		1,534	1,318	5,479	4,992
Amount of dividends received during the period		-	1	-	2
Amount of income taxes paid during the period		231	-	1,051	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 nine months ended 30 September 2024 and were approved and authorized for issue by our Audit Committee on 19 November 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 Income and Comprehensive Income. IFRS 18 is required to be implemented by 1 January 2027.

IFRS 18 will include requirements for additional defined subtotals in the statement of income and comprehensive income (classifying 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 are required to be implemented by 1 January 2026.

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 September 2024	31 December 2023
Claim frequency[1]	0.9%	0.7%
Claim severity[2]	42.9%	43.7%
Unemployment rate[3]	5.9%	6.3%
Repeat-sales price index[3]	506	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 September 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	4.0%	4.9%	4.3%	4.8%	4.8%	4.8%	5.0%	4.9%	5.0%	4.9%	4.9%	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.

As interest rates began to decline, we observed a more rapid decrease in the number of negatively amortizing variable rate mortgage (VRM) loans. This downward trend in VRM loans at maximum amortization is expected to persist in the coming quarters as these loans gradually revert to their original amortization schedules. However, until the number of these loans returns to pre-interest rate increase levels, they will continue to impact our required capital. At the balance sheet date, we estimate the MICAT ratio would be 9% 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 September

	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	188	152	-	-	1,868	1,670	(1)	(2)	2,055	1,820
Interest expense	(164)	(125)	-	-	(1,867)	(1,669)	4	6	(2,027)	(1,788)
Net interest income	**24**	**27**	**-**	**-**	**1**	**1**	**3**	**4**	**28**	**32**
Insurance revenue	-	-	256	260	-	-	-	-	256	260
Insurance service expense	-	-	(45)	(23)	-	-	-	-	(45)	(23)
Insurance service result	**-**	**-**	**211**	**237**	**-**	**-**	**-**	**-**	**211**	**237**
Investment income (losses)	-	-	172	122	30	25	(4)	(2)	198	145
Net gains (losses) on financial instruments	(24)	(5)	(34)	(10)	1	(1)	1	3	(56)	(13)
Insurance finance expense for contracts issued	-	-	(67)	(47)	-	-	-	-	(67)	(47)
Net financial result	**(24)**	**(5)**	**71**	**65**	**31**	**24**	**(3)**	**1**	**75**	**85**
Government funding	980	1,345	-	-	-	-	-	-	980	1,345
Housing programs expenses	(884)	(1,275)	-	-	-	-	-	-	(884)	(1,275)
Premiums and fees earned	-	-	10	9	226	209	-	-	236	218
Operating expenses	(94)	(90)	(49)	(40)	(14)	(15)	-	-	(157)	(145)
Other income (loss)	-	(16)	1	(3)	2	1	-	-	3	(18)
Self-insurance service income (expenses)	-	-	(2)	-	-	-	-	-	(2)	-
Income (loss) before income taxes	**2**	**(14)**	**242**	**268**	**246**	**220**	**-**	**5**	**490**	**479**
Income taxes	(3)	2	(60)	(66)	(61)	(55)	-	(2)	(124)	(121)
Net income (loss)	**(1)**	**(12)**	**182**	**202**	**185**	**165**	**-**	**3**	**366**	**358**
Other comprehensive income (loss)	(2)	35	278	(67)	76	(50)	(11)	3	341	(79)
Comprehensive income (loss)	**(3)**	**23**	**460**	**135**	**261**	**115**	**(11)**	**6**	**707**	**279**
Total revenues and government funding[1]	980	1,351	293	308	260	235	-	5	1,533	1,899
Less Inter-segment income (loss)[2]	1	2	3	(1)	(4)	(6)	-	5	-	-
External revenues and government funding	979	1,349	290	309	264	241	-	-	1,533	1,899

[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.

Nine months ended 30 September

	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	532	414	-	-	5,426	4,813	(2)	(6)	5,956	5,221
Interest expense	(456)	(351)	-	-	(5,418)	(4,805)	13	19	(5,861)	(5,137)
Net interest income	**76**	**63**	**-**	**-**	**8**	**8**	**11**	**13**	**95**	**84**
Insurance revenue	-	-	802	738	-	-	-	-	802	738
Insurance service expense	-	-	(90)	(66)	-	-	-	-	(90)	(66)
Insurance service result	**-**	**-**	**712**	**672**	**-**	**-**	**-**	**-**	**712**	**672**
Investment income (losses)	-	-	485	333	84	65	(10)	(7)	559	391
Net gains (losses) on financial instruments	(60)	(31)	(87)	(75)	(17)	(8)	2	4	(162)	(110)
Insurance finance expense for contracts issued	-	-	(189)	(127)	-	-	-	-	(189)	(127)
Net financial result	**(60)**	**(31)**	**209**	**131**	**67**	**57**	**(8)**	**(3)**	**208**	**154**
Government funding	3,688	4,044	-	-	-	-	-	-	3,688	4,044
Housing programs expenses	(3,422)	(3,776)	-	-	-	-	-	-	(3,422)	(3,776)
Premiums and fees earned	-	-	29	24	666	616	-	-	695	640
Operating expenses	(300)	(298)	(147)	(122)	(49)	(49)	-	-	(496)	(469)
Other income	-	(13)	(11)	(17)	7	4	-	-	(4)	(26)
Self-insurance service income (expenses)	-	-	(3)	7	-	-	-	-	(3)	7
Income (loss) before income taxes	**(18)**	**(11)**	**789**	**695**	**699**	**636**	**3**	**10**	**1,473**	**1,330**
Income taxes	1	(1)	(195)	(175)	(174)	(159)	(1)	(3)	(369)	(338)
Net income (loss)	**(17)**	**(12)**	**594**	**520**	**525**	**477**	**2**	**7**	**1,104**	**992**
Other comprehensive income (loss)	63	53	357	6	73	(46)	(12)	3	481	16
Comprehensive income (loss)	**46**	**41**	**951**	**526**	**598**	**431**	**(10)**	**10**	**1,585**	**1,008**
Total revenues and government funding[1]	3,704	4,063	939	810	748	685	3	10	5,394	5,568
Less Inter-segment income (loss)[2]	2	6	8	3	(13)	(19)	3	10	-	-
External revenues and government funding	3,702	4,057	931	807	761	704	-	-	5,394	5,568

[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 September 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	1,243	1,169	227	767	16	3	-	-	1,486	1,939
Securities purchased under resale agreements	1,101	700	-	-	-	-	-	-	1,101	700
Accrued interest receivable	65	79	129	98	1,440	667	(4)	(1)	1,630	843
Investment securities:										
Fair value through profit or loss	-	-	61	69	-	-	-	-	61	69
Fair value through other comprehensive income	-	-	18,795	16,808	4,142	3,855	(532)	(501)	22,405	20,162
Amortized cost	3,693	3,456	-	-	-	-	(123)	(227)	3,570	3,229
Derivatives	-	-	16	161	-	-	-	-	16	161
Due from the Government of Canada	591	240	-	-	-	-	-	-	591	240
Loans:										
Fair value through profit or loss	511	494	19	18	-	-	-	-	530	512
Amortized cost	15,614	12,616	25	38	275,442	257,996	-	-	291,081	270,650
Accounts receivable and other assets	58	176	199	190	205	113	-	-	462	479
Investment property	398	398	-	-	-	-	-	-	398	398
Defined benefit plans asset	132	79	174	102	11	6	-	-	317	187
Deferred income tax assets	(122)	-	155	-	10	-	2	-	45	-
	23,284	**19,407**	**19,800**	**18,251**	**281,266**	**262,640**	**(657)**	**(729)**	**323,693**	**299,569**
Liabilities										
Accounts payable and other liabilities	910	440	119	98	37	35	-	-	1,066	573
Income taxes payable	(1)	28	49	486	37	31	-	-	85	545
Accrued interest payable	157	137	-	-	1,414	650	(4)	(1)	1,567	786
Derivatives	68	51	7	4	-	-	-	-	75	55
Insurance contract liabilities	-	-	7,940	7,079	-	-	-	-	7,940	7,079
Borrowings:										
Fair value through profit or loss	147	219	-	-	-	-	-	-	147	219
Amortized cost	21,066	17,502	-	-	275,442	257,996	(655)	(741)	295,853	274,757
Defined benefit plans liability	77	77	98	97	6	6	-	-	181	180
Unearned premiums and fees	-	-	356	278	2,565	2,498	-	-	2,921	2,776
Deferred income tax liabilities	-	139	-	(71)	-	(33)	-	1	-	36
	22,424	**18,593**	**8,569**	**7,971**	**279,501**	**261,183**	**(659)**	**(741)**	**309,835**	**287,006**
Equity of Canada	**860**	**814**	**11,231**	**10,280**	**1,765**	**1,457**	**2**	**12**	**13,858**	**12,563**
	23,284	**19,407**	**19,800**	**18,251**	**281,266**	**262,640**	**(657)**	**(729)**	**323,693**	**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 September		Nine months ended 30 September	
(in millions)	2024	2023	2024	2023
Assistance for housing needs	708	1,141	2,106	2,989
Financing for housing	273	205	1,103	871
Housing expertise and capacity development	59	47	648	139
Total	**1,040**	**1,393**	**3,857**	**3,999**
Net change in government funding deferred in the period	(60)	(48)	(169)	45
Total government funding recognized[1,2]	**980**	**1,345**	**3,688**	**4,044**

[1] Includes recoveries of operating expenses of $95 million and $290 million and expected credit loss (recovery) of $3 million and ($19) million, and excludes $2 million and $5 million of housing programs expenses in which the appropriations are deducted from the carrying amount of the related capital assets, for the three and nine months ended 30 September 2024 (three and nine months ended 30 September 2023 - $76 million and $281 million, $(4) million and $3 million, and $2 million and $16 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 $38 million and $106 million for the three and nine months ended 30 September 2024 (three and nine months ended 30 September 2023 – $29 million and $63 million).

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

(in millions)	As at 30 September 2024	As at 31 December 2023
Balance at beginning of the year	240	(6)
Total government funding	3,858	5,488
Government funding received during the period	(3,503)	(5,483)
Third party remittances from (owing to) the Government of Canada	(11)	(7)
Balance at end of period before prior/future period adjustments	**584**	**(8)**
Net change in One-time top-up to the Canada Housing Benefit advances	24	229
Net change in prior period adjustments	(17)	19
Balance at end of period	**591**	**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 September 2024	As at 31 December 2023
Insurance contracts		
Transactional homeowner	3,256	3,180
Portfolio	109	135
Multi-unit residential	4,575	3,764
Total insurance contract liabilities	**7,940**	**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 September 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	(352)	-	(352)
Other contracts	(450)	-	(450)
	(802)	**-**	**(802)**
Insurance service expenses			
Incurred claims and other insurance expenses	-	136	136
Amortization of insurance acquisition cash flows	37	-	37
Changes to the liabilities for incurred claims	-	(83)	(83)
	37	**53**	**90**
Insurance service result	**(765)**	**53**	**(712)**
Insurance finance expenses	251	7	258
Total changes in the statement of income and comprehensive income before income taxes	**(514)**	**60**	**(454)**
Cash flows			
Premiums received	1,457	-	1,457
Claims and other insurance service expense paid[1]	-	(35)	(35)
Insurance acquisition cash flows	(107)	-	(107)
Total cash flows	**1,350**	**(35)**	**1,315**
Insurance contract liabilities at end of period	**7,712**	**228**	**7,940**

[1] Includes $12 million of claims administration expense, $5 million of initial provision for properties that we obtained throughout year through default management activities, and excludes $12 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 September 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 September 2024

(in millions)	Present value of future cash flows	Risk adjustment for non-financial risk	CSM: *Contracts under the fair value approach*	CSM: *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	-	-	(223)	(282)	(505)
Change in the risk adjustment for non-financial risk	-	(100)	-	-	(100)
Experience adjustments	(24)	-	-	-	(24)
Changes that relate to future services					
Contracts initially recognized in the period	(1,165)	231	-	934	-
Changes in estimates that adjust the CSM	114	110	(83)	(141)	-
Changes that relate to past services					
Changes to the liabilities for incurred claims	(59)	(24)	-	-	(83)
Insurance service result	**(1,134)**	**217**	**(306)**	**511**	**(712)**
Insurance finance expenses	67	67	40	84	258
Total changes in the statement of income and comprehensive income before income taxes	**(1,067)**	**284**	**(266)**	**595**	**(454)**
Cash flows					
Premiums received	1,457	-	-	-	1,457
Claims and other insurance service expense paid[1]	(35)	-	-	-	(35)
Insurance acquisition cash flows	(107)	-	-	-	(107)
Total cash flows	**1,315**	**-**	**-**	**-**	**1,315**
Insurance contract liabilities at end of period	**1,426**	**1,355**	**2,052**	**3,107**	**7,940**

[1] Includes $12 million of claims administration expense, $5 million of initial provision for properties that we obtained in the year through default management activities, and excludes $12 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: *Contracts under the fair value approach*	CSM: *Other contracts*	Total
Insurance contract liabilities at beginning of year	**1,038**	**820**	**2,597**	**1,950**	**6,405**
Changes that relate to current services					
CSM recognized for services provided	-	-	(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 September 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	535	198	733	740	195	935
TPG and application fees earned in the period	(549)	(117)	(666)	(675)	(152)	(827)
Balance at end of period	**1,860**	**705**	**2,565**	**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 did not declare or pay dividends in the current quarter, and we declared and paid $290 million of dividends during the nine months ended 30 September 2024, respectively (three and nine months ended 30 September 2023 - $145 and $935 million).

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

(in millions)	As at 30 September 2024	As at 31 December 2023
Contributed capital	25	25
Accumulated other comprehensive income	32	(321)
Reserve fund	152	72
Appropriated retained earnings	10,681	10,564
Unappropriated retained earnings[1]	2,968	2,223
Total equity of Canada[2]	**13,858**	**12,563**
Less: regulatory deductions	(229)	(170)
Total capital available	**13,629**	**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 September 2024	As at 31 December 2023
Appropriated capital[1]	9,492	9,011
Unappropriated capital	1,739	1,269
Total Mortgage Insurance capital	**11,231**	**10,280**
Less: regulatory deductions	(229)	(170)
Total Mortgage Insurance capital available	**11,002**	**10,110**
Internal target	155%	155%
Operating level	165%	165%
Capital available to minimum capital required (% MICAT)	191%	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 billion of assets available as at 30 September 2024 (31 December 2023 – $4 billion of 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 September 2024	As at 31 December 2023
Appropriated capital	1,181	1,180
Unappropriated capital	584	277
Total Mortgage Funding capital available	**1,765**	**1,457**
Economic capital available to economic capital required (%)	120%	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 within the 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 September 2024	As at 31 December 2023
Reserve fund[1]	154	75
Retained earnings	681	714
Total Lending programs capital available	**835**	**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 September 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]	3,570	3,579	9	3,229	3,176	(53)
Loans at amortized cost[3]	291,081	289,887	(1,194)	270,650	261,936	(8,714)
Financial liabilities						
Borrowings at amortized cost[4]	295,853	294,412	(1,441)	274,757	266,144	(8,613)

[1] Does not include cash and cash equivalents of $1,232 million (31 December 2023 – $1,074 million) and securities purchased under resale agreements of $1,101 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] $897 million (31 December 2023 – $444 million) fair value categorized as Level 1 and $2,682 million (31 December 2023 – $2,732 million) fair value categorized as Level 2.

[3] $281,196 million (31 December 2023 – $255,725 million) fair value categorized as Level 2, $8,691 million (31 December 2023 – $6,211 million) fair value categorized as Level 3.

[4] $248,896 million (31 December 2023 – $193,908 million) fair value categorized as Level 1, $45,516 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 September 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	-	125	-	125	-	172	-	172
Federal government issued	-	127	-	127	-	686	-	686
Corporate/other entities	-	2	-	2	-	7	-	7
Total cash equivalents	-	254	-	254	-	865	-	865
Investment securities								
Fair value through profit or loss (FVTPL)								
Debt instruments								
Corporate/other entities	-	20	-	20	-	18	-	18
Provinces/municipalities	-	-	-	-	-	-	-	-
Sovereign and related entities	-	-	-	-	-	-	-	-
Equities								
Limited partnership units	-	-	41	41	-	-	51	51
Total at FVTPL	-	20	41	61	-	18	51	69
FVOCI								
Debt instruments								
Corporate/other entities	3,622	4,260	-	7,882	2,261	5,044	-	7,305
Federal government issued	6,070	4,006	-	10,076	7,587	1,771	-	9,358
Provinces/municipalities	3,824	211	-	4,035	2,685	465	-	3,150
Sovereign and related entities	375	37	-	412	282	67	-	349
Total at FVOCI	13,891	8,514	-	22,405	12,815	7,347	-	20,162
Loans designated at FVTPL	-	25	-	25	-	54	-	54
Loans mandatorily at FVTPL	-	12	493	505	-	12	446	458
Derivatives	-	16	-	16	-	161	-	161
Investment property	-	-	398	398	-	-	398	398
Total assets carried at fair value	**13,891**	**8,841**	**932**	**23,664**	**12,815**	**8,457**	**895**	**22,167**
Liabilities								
Borrowings designated at FVTPL	-	(147)	-	(147)	-	(219)	-	(219)
Derivatives	-	(8)	(67)	(75)	-	(8)	(47)	(55)
Total liabilities carried at fair value	**-**	**(155)**	**(67)**	**(222)**	**-**	**(227)**	**(47)**	**(274)**
Net assets carried at fair value	**13,891**	**8,686**	**865**	**23,442**	**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 nine months ended 30 September 2024, there were $2,729 million of transfers from Level 2 to Level 1 and $1,699 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	-	56	-	-	56
Net gains (losses) in profit or loss[1,2]	(1)	20	-	(20)	(1)
Cash receipts on settlements/disposals	(9)	(29)	-	-	(38)
Fair value as at 30 September 2024	**41**	**493**	**398**	**(67)**	**865**
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 September 2024, which may change materially in subsequent periods. The techniques and unobservable inputs used in valuing the items classified as Level 3 at 30 September 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 September 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	164	467	718	-	-	1,349	686	303	844	-	-	1,833
Investment securities[1]												
FVTPL	21	-	-	-	-	21	18	-	-	-	-	18
FVOCI	11,045	4,137	4,449	2,713	61	22,405	10,199	3,708	3,765	2,421	69	20,162
Amortized cost	1,552	1,587	431	-	-	3,570	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 $11 million at 30 September 2024 (31 December 2023 – $21 million) with a corresponding loss of $2 million and a gain $10 million recognized in net gains (losses) on financial instruments during the three and nine months ended 30 September 2024, respectively (three and nine months ended 30 September 2023 – gain of $2 million and loss of $6 million).

12. Loans

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

Nine months ended 30 September 2024

		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	494	(30)	45	20	-	-	-	(18)	511
MI Activity loans	18	(11)	12	-	-	-	-	-	19
Total at FVTPL	**512**	**(41)**	**57**	**20**	**-**	**-**	**-**	**(18)**	**530**
Amortized cost									
CMB program loans	255,130	(27,326)	45,850	-	34	-	-	-	273,688
Lending programs[2]	12,616	(520)	3,520	(145)	21	6	98	18	15,614
IMPP loans	2,866	(1,112)	-	-	-	-	-	-	1,754
MI Activity loans	38	(22)	-	-	11	(2)	-	-	25
Total amortized cost	**270,650**	**(28,980)**	**49,370**	**(145)**	**66**	**4**	**98**	**18**	**291,081**
Total	**271,162**	**(29,021)**	**49,427**	**(125)**	**66**	**4**	**98**	**-**	**291,611**

[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

(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	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 September 2024 were $8,323 million (31 December 2023 – $9,028 million), of which $7,936 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 September 2024, the ECL on undrawn loan commitments was $11 million (31 December 2023 – $25 million), and the ECL on loans was $53 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.

Nine months ended 30 September 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	-	(77)	5	-	-	147
Amortized cost							
Canada mortgage bonds	254,389	45,840	(27,223)	-	34	(7)	273,033
Borrowings from the Government of Canada — Lending programs	17,502	17,502	(13,929)	(106)	97	-	21,066
Borrowings from the Government of Canada — IMPP	2,866	-	(1,112)	-	-	-	1,754
Total amortized cost	**274,757**	**63,342**	**(42,264)**	**(106)**	**131**	**(7)**	**295,853**
Total	**274,976**	**63,342**	**(42,341)**	**(101)**	**131**	**(7)**	**296,000**

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 nine months ended 30 September 2024, we have excluded $103 million (nine months ended 30 September 2023 – $248 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 nine months ended 30 September 2024 (nine months ended 30 September 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 September 2024 were $1.9 billion (31 December 2023 – $939 million). Actual long-term borrowings issued in the three and nine months ended 30 September 2024 were $1.2 billion and $3.3 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 September		Nine months ended 30 September	
(in millions)	2024	2023	2024	2023
Financial instruments designated at FVTPL				
Loans	1	-	1	1
Borrowings	(2)	(2)	(5)	(3)
Total financial instruments designated at FVTPL	**(1)**	**(2)**	**(4)**	**(2)**
Financial instruments mandatorily at FVTPL				
Equity securities	-	1	(2)	4
Derivatives	36	(100)	(142)	(15)
Loans	12	7	20	8
Total financial instruments mandatorily at FVTPL	**48**	**(92)**	**(124)**	**(3)**
Debt instruments held at FVOCI[1]	(77)	81	15	(87)
Loans — amortized cost[2]	(60)	(39)	(183)	(90)
Borrowings — amortized cost[3]	38	29	106	63
Expected credit recoveries (losses) on financial assets	(4)	10	28	9
Total	**(56)**	**(13)**	**(162)**	**(110)**

[1] Includes a foreign exchange loss during the three months ended 30 September 2024 of $56 million and a gain during the nine months ended 30 September 2024 of $111 million (three and nine months ended 30 September 2023 – $97 million gain and $8 million loss) resulting from translation of U.S. dollar-denominated debt instruments.

[2] Includes losses on loans recognized immediately upon initial advance of $49 million and $145 million (three and nine months ended 30 September 2023 – $31 million and $62 million) and the amortization of deferred net losses of $12 million and $39 million (three and nine months ended 30 September 2023 – $9 million and $29 million).

[3] Includes gains from the issuance of borrowings during the three and nine months ended of $38 million and $106 million (three and nine months ended 30 September 2023 – $29 million and $63 million).

Deferred losses on financial instruments

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

	Three months ended 30 September		Nine months ended 30 September	
(in millions)	2024	2023	2024	2023
Balance at beginning of the period	492	331	433	263
Deferred losses on financial instruments in the period	42	57	128	145
Recognized losses on financial instruments in the period	(12)	(9)	(39)	(29)
Balance at end of period	**522**	**379**	**522**	**379**

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 nine months ended 30 September 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 hedging of currency risk. We held $4,435 million in debt instruments denominated in U.S. dollars as at 30 September 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 September 2024	31 December 2023	30 September 2024	31 December 2023
Investment securities:				
Interest rate risk on debt instruments				
CAD-denominated securities	167	187	73	78
USD-denominated securities	80	86	-	-
Effect of diversification	4	(1)	-	-
Total VaR	**251**	**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 September 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 September 2024 is presented in the following table.

	As at 30 September 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]	(844)	698	(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 nine months ended 30 September 2024 which is reflected in the expected credit loss provision as outlined in Notes 11 and 12.

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 September

	Pension plans		Other post-employment plans	
(in millions)	2024	2023	2024	2023
Current service cost	9	7	1	-
Net interest expense (income)	(1)	(1)	1	1
Expense recognized in net income	**8**	**6**	**2**	**1**
Net actuarial gains (losses) arising from changes in financial assumptions	(105)	236	(4)	8
Return on plan assets, excluding amounts included in net interest expense[1]	101	(159)	-	-
Net remeasurements recognized in other comprehensive income (loss)[2]	**(4)**	**77**	**(4)**	**8**
CMHC's contributions	1	4	1	-
Employee contributions	5	6	-	-
Total contributions	**6**	**10**	**1**	**-**

[1] The return on assets rate used to measure the return on plan assets for the three months ended 30 September 2024 was 5.23% (30 September 2023 – (5.46%)).

[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.

Nine months ended 30 September

(in millions)	Pension plans 2024	Pension plans 2023	Other post-employment plans 2024	Other post-employment plans 2023
Current service cost	27	24	1	-
Net interest expense (income)	(2)	(5)	3	4
Expense recognized in net income	**25**	**19**	**4**	**4**
Net actuarial gains arising from changes in financial assumptions	32	150	-	4
Return on plan assets, excluding amounts included in net interest expense[1]	117	(34)	-	-
Net remeasurements recognized in other comprehensive income[2]	**149**	**116**	**-**	**4**
CMHC's contributions	6	18	3	2
Employee contributions	19	20	-	-
Total contributions	**25**	**38**	**3**	**2**

[1] The return on assets rate used to measure the return on plan assets for the nine months ended 30 September 2024 was 8.57% (30 September 2023 – 1.72%).

[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 September 2024 was 4.7% (31 December 2023 – 4.6%).

18. Income Taxes

The following table presents the components of income tax.

(in millions)	Three months ended 30 September 2024	Three months ended 30 September 2023	Nine months ended 30 September 2024	Nine months ended 30 September 2023
Current income tax expense	150	170	514	421
Deferred income tax relating to origination and reversal of temporary differences	(26)	(49)	(145)	(83)
Total income tax expense included in net income	**124**	**121**	**369**	**338**
Income tax expense (recovery) on other comprehensive income (loss)				
Net unrealized gains (losses) from FVOCI financial instruments	136	(71)	110	(58)
Reclassification of prior years' net unrealized losses realized in the period in net income	13	3	27	21
Insurance finance income (expense) for insurance contracts issued	(27)	18	(17)	8
Remeasurement gains (losses) on defined benefit plans	(3)	13	21	18
Total income tax expense (recovery) included in other comprehensive income (loss)	**119**	**(37)**	**141**	**(11)**
Total	**243**	**84**	**510**	**327**

19. Related Party Transactions

We defer and amortize fees paid to the Government in recognition of its financial backing of the Mortgage Insurance and Mortgage Funding Activities. In Mortgage Insurance, these fees are included in acquisition costs and 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 $6 million and $17 million for the three and nine months ended 30 September 2024 (three and nine months ended 30 September 2023 – $5 million and $13 million). In Mortgage Funding, these fees, which are recorded in operating expenses, amount to $7 million and $22 million for the three and nine months ended 30 September 2024 (three and nine months ended 30 September 2023 – $8 million and $23 million). All other material related party transactions and outstanding balances are disclosed in relevant notes.

20. Commitments and Contingent Liabilities

As at 30 September 2024, we have $8,712 million in contractual financial obligations relating to Housing Programs which extend for periods up to 25 years and $328 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 September 2024	As at 31 December 2023
Affordable Rental Housing Innovation Fund	31	35
Apartment Construction Loan Program (ACLP)	782	757
Affordable Housing Fund (AHF)	308	209
Direct Lending (DL) – Economically Hedged	125	172
Total	**1,246**	**1,173**

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