CANADA MORTGAGE AND HOUSING CORPORATION

2016-2020 SUMMARY OF THE CORPORATE PLAN

Including Summaries of the
2016 Operating Budget and the 2016 Capital Budget

Canada

CMHC SCHL

CMHC's 2016-2020 Corporate Plan was approved by the Governor in Council on Dec. 10, 2015. The Summary of the 2016-2020 Corporate Plan has been prepared in accordance with section 125 of the Financial Administration Act (FAA) and serves to inform Canadians and Parliamentarians of the major objectives and priorities for the upcoming planning period, and reflects the current directions identified by Government and through internal management processes. Pursuant to section 153(1) of the FAA, the Summary excludes commercially sensitive information, which if disclosed, would be detrimental to the commercial interest of CMHC. For information on progress against the 2015-2019 Corporate Plan, consult the CMHC 2015 Annual Report to be tabled within 15 sitting days of March 31, 2016.

Canada Mortgage and Housing Corporation (CMHC) adheres to Government of Canada policy on access to information by people with disabilities. If you wish to receive this publication in alternative formats call 1-800-668-2642.

© Canada Mortgage and Housing Corporation

All rights reserved. No portion of this Summary may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, electronic, photocopying, recording or otherwise without prior written permission from CMHC. Furthermore, no portion of the Summary may be translated without prior written permission from CMHC.

TABLE OF CONTENTS

FOREWORD

I am pleased to submit Canada Mortgage and Housing Corporation's (CMHC's) Summary of the 2016-2020 Corporate Plan, which outlines the Corporation's directions for the next five years.

Backed by 70 years of experience, CMHC manages federal housing investments to improve access to affordable, suitable and adequate housing for Canadians in need, including First Nations communities. These federal investments help our vulnerable populations such as persons with disabilities, seniors and Indigenous Peoples.

As housing is important to the economy and to the lives of Canadians, CMHC ensures that timely and insightful housing analysis is available to decision makers who need it. CMHC also anticipates housing issues and provides high-quality advice and guidance to the Government of Canada in support of its commitments to social infrastructure and affordable housing. This will ultimately contribute to a stable, competitive and innovative housing system for Canada.

CMHC's mortgage loan insurance activities facilitate access to a range of housing options for Canadians while its securitization activities help ensure financial institutions have access to a reliable supply of funds for mortgage lending. Together, these activities contribute to the stability of the Canadian financial system and housing markets. A continuing priority for CMHC and the Government of Canada is to balance the risks these government-backed programs may pose with the benefits they bring to Canadians.

As the Government takes steps to strengthen its role in supporting affordable housing, CMHC will continue to be a source of innovation in improving access to a broad range of housing choices for Canadians, including both homeownership and rental housing, while helping vulnerable Canadians access the affordable housing they need.

Jean-Yves Duclos
Minister of Families, Children and Social Development

SUBSEQUENT EVENTS

Since the preparation of the 2016-2020 Corporate Plan, the Government of Canada has announced the following:

Rules for Government-Backed Mortgage Loan Insurance

On December 11, 2015, the Minister of Finance announced changes to the rules for government-backed mortgage loan insurance in order to contain risks in the housing market, reduce taxpayer exposure and support long-term stability. Effective February 15, 2016, the minimum down payment for new insured mortgages will increase from 5% to 10% for the portion of the house price above $500,000. The 5% minimum down payment for properties up to $500,000 remains unchanged.

Guarantee Fees and Annual Limits for new Guarantees

On December 11, 2015, CMHC announced the following changes with respect to its securitization programs:

Guarantee Fees

Effective July 1, 2016, fees charged to Issuers of National Housing Act Mortgaged-Backed Securities (NHA MBS) and Canada Mortgage Bonds (CMB) will be adjusted from current levels. The revised fee structure is intended to encourage the development of private market funding alternatives by narrowing the funding cost difference between government sponsored and private market funding sources.

Guarantee Limits for 2016

For 2016, the Minister of Finance has authorized CMHC to provide up to $105 billion (2015 - $80 billion) for new guarantees of market NHA MBS and up to $40 billion (2015 - $40 billion) of new guarantees for CMB. The CMB and NHA MBS guarantee fees were restructured to achieve a separation of pricing for the two programs. Therefore the increase in the annual guarantee limit for NHA MBS is to accommodate NHA MBS used for CMB starting July 1, 2016 that will now be subject to the annual limit for new guarantees of market NHA MBS. This limit excludes NHA MBS issuance as original or reinvestment assets for CMB series issued on or before June 30, 2016. These limits are separate and distinct from the $600 billion limit on mortgage insurance-in-force.

Amendments to the Insurable Housing Loan Regulations

On February 10, 2016 the Government of Canada published amendments to the Insurable Housing Loan Regulations in the Canada Gazette.

These amendments, which were first announced in Economic Action Plan 2013, prohibit the use of taxpayer-backed insured mortgages as collateral in securitization vehicles that are not sponsored by Canada Mortgage and Housing Corporation and restore taxpayer-backed portfolio insurance to its original purpose of allowing access to funding for mortgage assets.

CMHC is currently assessing the impact of the regulations on the business operations and will be communicating with the Approved Lenders on the best way to operationalize them.

Federal Budget 2016

On March 22, 2016, as part of Budget 2016, *Growing the Middle Class*, the Minister of Finance announced the following measures, which will be implemented through CMHC.

Expanding Affordable Housing

To give Canadians greater access to more affordable housing, Budget 2016 proposes to invest in the following initiatives, which reflect the Government's commitment to social infrastructure, including investments for First Nations, Inuit and northern housing. A significant portion of these investments will be allocated to provinces and territories, which can identify communities where the need for affordable housing is greatest. Investing in affordable housing will provide targeted support to those who need it most and create good jobs that help grow Canada's economy in a clean and sustainable way.

To ensure that these investments are most effective and to help the social housing sector achieve self-reliance, the Government will consult with provinces and territories, Indigenous and other communities, and key stakeholders in the coming year to develop a national housing strategy.

Doubling the Investment in Affordable Housing Initiative: $504.4 million over two years, which is expected to benefit more than 100,000 Canadian households. This investment will support the construction of new affordable housing units, the renovation and repair of existing affordable housing, measures to support housing affordability, such as rent supplements, and measures to foster safe, independent living.

Increasing Affordable Housing for Seniors: $200.7 million over two years to help improve housing conditions for more than 5,000 low-income senior households.

Supporting Energy and Water Efficiency Retrofits and Renovations to Existing Social Housing: $573.9 million over two years to help address the increasing demand for repairs as social housing units age and improve efficiency and reduce energy use, lowering utility costs and making housing more affordable. By improving water and energy efficiency, this investment will also help the social housing sector contribute to Canada's overall plan to reduce greenhouse gas emissions.

Providing Rent Subsidies for Federally Administered Social Housing Providers: Reallocate $30 million over two years to help maintain rent geared to income for households living in social housing until long-term approaches to help the social housing sector achieve self-reliance can be developed through consultations with provinces, territories and stakeholders.

Supporting the Construction of Affordable Rental Housing: $208.3 million over five years toward an Affordable Rental Housing Innovation Fund, to be administered by Canada Mortgage and Housing Corporation. Funding would be used to test innovative business approaches to lower the costs and risks of financing affordable rental housing projects and is expected to support the construction of up to 4,000 new affordable housing rental units over five years.

Up to $500 million in low-cost loans each year for five years under the Affordable Rental Housing Financing Initiative to encourage the construction of affordable rental housing by making low-cost capital available to developers during the earliest, most risky phases of development. This initiative could support the construction of more than 10,000 new rental units over five years.

Supporting Shelters for Victims of Family Violence: $89.9 million over two years, to support the construction or renovation of over 3,000 shelter spaces.

Housing Internship Initiative for First Nations and Inuit Youth (HIIFNIY)

$5 million for 2016-2017 to support internships for up to 625 Indigenous youth. The funding for CMHC's Housing Internship Initiative for First Nations and Inuit Youth (HIIFNIY) comes from the $165.4 million investment to expand opportunities for young Canadians under the Youth Employment Strategy announced in Budget 2016.

Improving Housing in First Nations Communities

To address urgent housing needs on-reserve $137.7 million over two years, mostly to support the renovation and retrofit of existing housing on reserve.

The Government will be working with First Nations communities over the coming year to develop an effective long-term approach to supporting the construction and maintenance of an adequate supply of housing on reserve as part of a broader national housing framework.

Providing Safe Shelter for Victims of Violence in First Nations Communities

$10.4 million over three years to support the renovation and construction of new shelters for victims of family violence in First Nations communities.

Supporting Northern and Inuit Housing

Up to $177.7 million over two years, through the Investment in Affordable Housing initiative to address urgent housing needs.

Assisting Homeowners Affected by Pyrrhotite

Up to $30 million over three years to help more homeowners dealing with the consequences of pyrrhotite.

FINANCIAL HIGHLIGHTS

(in millions, unless otherwise indicated)	2014 Actual	2015 Estimate	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan
CORPORATE RESULTS							
Total Assets	248,490	254,200	261,673	272,004	273,987	284,578	281,631
Total Liabilities	230,308	234,499	240,904	250,222	250,762	259,468	254,698
Total Equity of Canada	18,182	19,701	20,769	21,782	23,225	25,110	26,933
Total Revenues	6,199	4,716	4,535	4,712	5,084	5,231	5,409
Total Expenses (including Income Taxes)	3,574	3,334	3,190	3,251	3,337	3,265	3,250
Operating Budget Expense Ratio[1]	15.1%	13.6%	13.3%	12.7%	11.7%	11.8%	11.0%
Net Income	2,625	1,382	1,345	1,461	1,747	1,966	2,159
ASSISTED HOUSING							
Parliamentary Appropriations for Housing Programs	2,010	2,143	2,036	2,038	2,036	1,867	1,791
Net Income	52	15	32	12	7	3	8
Total Equity of Canada	191	183	268	310	357	390	443
MORTGAGE LOAN INSURANCE							
Insurance-in-Force ($B)	543	525	516	505	494	484	475
Total Insured Volumes	82,743	81,928	87,605	82,631	79,941	77,729	76,485
Premiums and Fees Earned	1,688	1,580	1,555	1,529	1,513	1,511	1,526
Claims Paid	419	392	344	323	307	301	306
Insurance Claims	328	355	299	293	278	294	300
Net Income	2,374	1,157	1,061	1,113	1,319	1,426	1,547
Loss Ratio	19.4%	22.4%	19.2%	19.2%	18.3%	19.4%	19.6%
Operating Expense Ratio	14.8%	16.6%	18.7%	20.4%	20.7%	20.7%	19.4%
Combined Ratio	34.2%	39.1%	38.0%	39.6%	39.0%	40.1%	39.1%
Severity Ratio	30.1%	32.0%	30.9%	31.7%	31.5%	31.9%	31.9%
Return on Equity	15.4%	6.8%	5.9%	5.9%	6.7%	6.9%	7.0%
Return on Capital Holding Target	23.6%	12.3%	11.2%	11.3%	12.2%	12.3%	12.7%
Capital Available to Minimum Capital Required (% Minimum Capital Test (MCT))	343%	365%	393%	421%	431%	444%	455%
SECURITIZATION							
Guarantees-in-Force ($B)	422	452	472	502	514	518	497
Annual Securities Guaranteed	117,643	119,000	120,000	120,000	120,000	120,000	120,000
Guarantee and Application Fees Earned	245	292	339	438	560	683	781
Net Income	197	226	260	337	432	527	605
Operating Expense Ratio	10.9%	11.3%	11.8%	10.4%	9.7%	9.4%	9.4%
Return on Required Capital	20.1%	18.8%	20.0%	24.0%	28.3%	31.7%	33.8%
Return on Equity	12.8%	12.5%	12.9%	15.3%	17.4%	18.1%	17.5%
Capital Available to Capital Required (%)	157%	165%	167%	168%	179%	197%	221%

- **Total Revenues** for 2015 are expected to be lower than 2014 due to the non-recurring gains from the implementation of the new investment asset mix in the Mortgage Loan Insurance investment portfolio in 2014. Compared to 2016, Total Revenues increase by 2020 due to higher investment balances and higher Premiums and Fees Earned mainly attributed to Securitization. Parliamentary Appropriations for Housing Programs Expenses are forecast to decrease as a result of the scheduled expiry of the Investment in Affordable Housing (IAH) funding in March 2019.
- **Total Expenses** are projected to fall over the planning period due to lower Housing Programs Expenses as noted above, partially offset by higher Operating Expenses primarily due to increasing guarantee fees paid to the Government of Canada.
- **Net Income** for 2015 is projected to be $1,382 million. Over the planning period, Net Income is projected to range between $1,345 million and $2,159 million.

[1] *This metric has been renamed from the Corporate Operating Expense Ratio.*

OUR STRATEGY: SETTING THE DIRECTION FOR 2016-2020

DRIVERS OF OUR STRATEGY

- *Concern for exposure to loss*
- *Housing price valuation and household debt*
- *Housing data and research gaps*
- *Shifting demographics and economy*
- *Technology advances and security risks*
- *Housing need on reserve and in the North*
- *Availability of affordable rental housing*
- *Evolving operating environment*

Our mandate is to facilitate access to housing and contribute to financial stability.

We facilitate access by:

- Promoting housing affordability and choice
- Facilitating access, competition and efficiency in the provision of housing finance
- Protecting the availability of adequate funding for housing

We contribute to financial stability by:

- Promoting and contributing to the stability of the financial system and housing markets
- Contributing to the wellbeing of the housing sector in the national economy
- Having due regard to the Corporation's exposure to loss

We deliver on our mandate through four business activities – Assisted Housing, Market Analysis and Research, Mortgage Loan Insurance, and Securitization - all of which are supported by our infrastructure of people and processes.

As Canada's economy and demographics change and technology advances, we must adapt to ensure we continue to fulfill our legislated mandate. Recently, we articulated our new mission ***"We help Canadians meet their housing needs"*** and our new vision to be ***"The heart of a world-leading housing system"***. In support of our new mission and vision, we reviewed the drivers and risks affecting our business and developed strategic directions to guide decisions over the medium term. These strategic directions are: ***Align Risk with Mandate, Lead Through Information and Insight*** and ***Be a High-Performing Organization***.

Align Risk with Mandate

Our goal: To be a best-in-class risk manager supported by a consistent risk culture across the organization

Our significant role in the housing finance system requires that we balance the risks of all our activities with the benefits they bring to Canadians. CMHC is an important instrument that the Government of Canada can use over the course of an economic cycle to facilitate access to housing and promote financial stability. At the same time, the very nature of our operations exposes us to risk which we must manage at all times.

A sufficient presence in the market is needed to achieve our mandate. In times of economic duress, we are often called upon to address gaps in the marketplace and promote financial stability. To ensure we are able to take on a more prominent role when necessary, we need to have the operational and product breadth to enable us to scale up quickly and efficiently. We must make the necessary investments in our risk management culture, practices and infrastructure while balancing the scale of our investment relative to our market share and operations.

We remain committed to ensuring that Canadians in need have access to affordable and suitable housing, including on reserve. This will require that we continue to pursue new and innovative approaches to maximize resources, at times taking on risk in order to improve outcomes.

In all of our activities, we must focus our efforts to embed risk management in our planning, processes and reporting – leading to a consistent risk culture across the organization.

Lead Through Information and Insight

Our goal: To be Canada's authority on housing, improving outcomes through timely and relevant data, analysis and knowledge

Housing is important to our economy and to the lives of all Canadians. Timely and relevant information and insights are needed to support informed decision making and improved housing outcomes. Also, we must support improved understanding of current and future housing challenges among decision makers within government, our business lines and the housing industry. This includes research to facilitate access to affordable housing and contribute to the stability of the financial system and housing markets.

Going forward, we must explore ways to maximize the outcomes achieved with our research investments and leverage the participation of others in housing research in Canada by providing access to data.

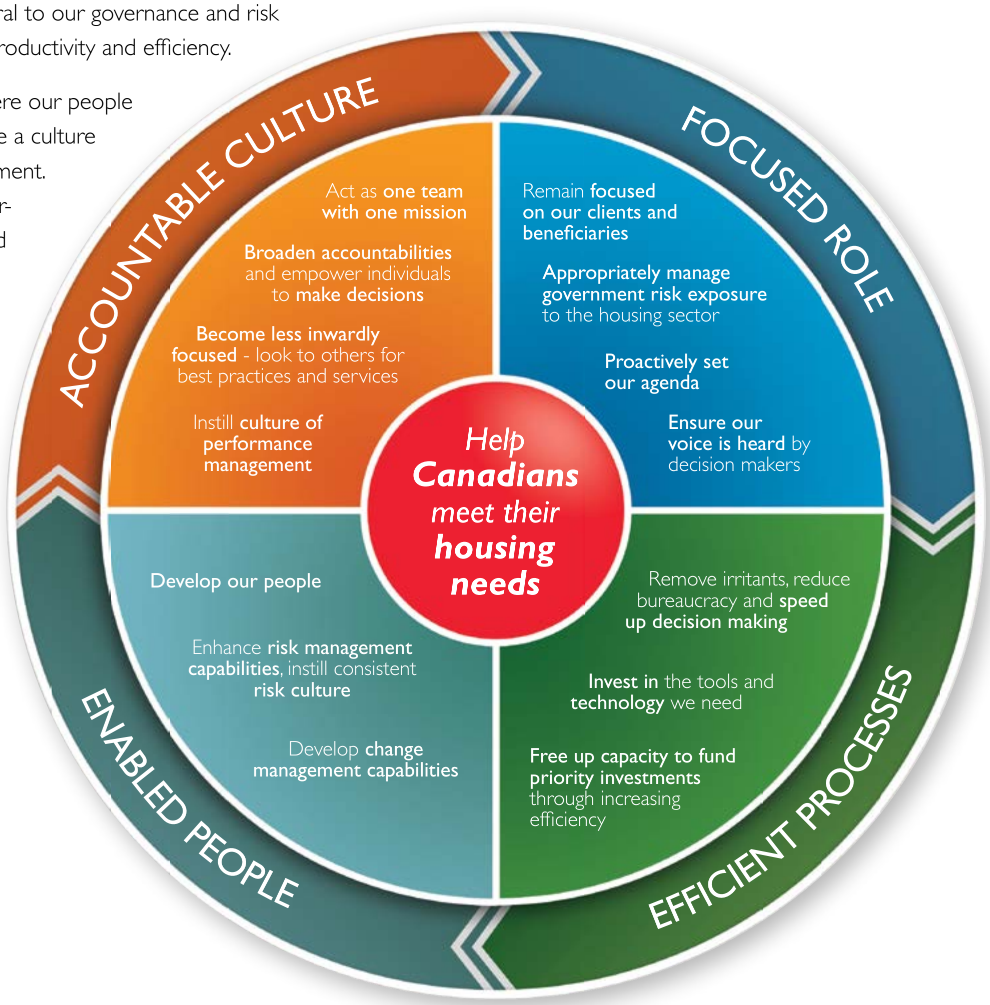
Be a High-Performing Organization

Our goal: To have a focused role, enabled people, efficient processes and an accountable culture

Canadians expect us to be a high-performing organization - efficient and effective in the delivery of our mandate and a prudent manager of public funds. Underpinning this is the need to invest in the modernization of our legacy information and technology infrastructure, so we can manage information and manage change appropriately, reduce the risk of obsolescence and ensure that our client service remains competitive in the marketplace. These investments are integral to our governance and risk management activities and to increasing productivity and efficiency.

We must also create an environment where our people will fulfill their responsibilities and embrace a culture of accountability and continuous improvement. Our commitment to transform to a higher-performing organization was first launched under the program *CMHC in Motion* in 2014. We remain steadfast in our pursuit of the four pillars of *CMHC in Motion*: focused role, enabled people, efficient processes, and accountable culture. Our vision of a workplace community where employees are empowered and inspired to be high-performers will ensure we continue to bring greater value to Canadians.

A summary of medium-term initiatives by strategic direction follows, with more information provided within the activity sections.



CORPORATE PLAN FRAMEWORK

OUR MANDATE
Facilitate Access • Contribute to Financial Stability

OUR MISSION
We help Canadians meet their housing needs

OUR VISION
The heart of a world-leading housing system

OUR STRATEGIC DIRECTIONS

Lead Through Information and Insight

Align Risk with Mandate

Be a High-Performing Organization

OUR ACTIVITIES

Assisted Housing
Address housing needs, on and off reserve

Market Analysis and Research
Provide objective information and advice to inform decision making

Mortgage Loan Insurance
Support financing for a range of housing options

Securitization
Facilitate access to funds for mortgage financing

People and Processes
Facilitate the achievement of corporate objectives

Performance Reporting

ULTIMATE OUTCOMES
Canada has a stable, competitive and innovative housing system
Canadians in need have access to affordable and suitable housing

Summary of Medium-Term Initiatives

ALIGN RISK WITH MANDATE

- Maintain a sufficient market presence to enable CMHC to facilitate access to housing and contribute to financial stability
- Develop measures to reduce exposure to loss
- Develop options to diversify financing sources for mortgage lending by financial institutions
- Develop best-in-class modelling capabilities
- Implement a risk culture through "Three Lines of Defence"
- Create and implement affordable housing solutions to improve outcomes
- Improve the performance of the existing social housing stock through expertise and innovation

LEAD THROUGH INFORMATION AND INSIGHT

- Increase availability of quality housing information
- Engage stakeholders and decision makers
- Promote understanding of CMHC's mandate, role, programs and services through enhanced communication
- Improve transparency of reporting

BE A HIGH-PERFORMING ORGANIZATION

- Engage, empower and inspire employees
- Recruit, acquire and retain a diverse and talented workforce
- Support employees in their growth and leadership development and match talent to meet business needs
- Strengthen performance management and improve the link between pay and performance
- Modernize I&T infrastructure and business systems, and enhance technology security programs
- Transform Finance function, processes and systems
- Implement operational efficiencies

RISK MANAGEMENT

In carrying out our Activities, we are responsible for managing the public resources entrusted to our care and for implementing prudent risk management practices with due regard for loss and CMHC's reputation. CMHC is exposed to a variety of risks in its operating environment that could have an impact on the achievement of its objectives. We have a structured risk management approach that ensures regular risk assessment and reporting, including an annual review and approval of the Enterprise Risk Management (ERM) policies, regular updates to the ERM Risk Register, Risk Appetite and Tolerance Statements and Quarterly Risk Management Reports.

We also conduct our Own Risk and Solvency Assessment (ORSA) to identify our risks and assess the adequacy of our risk management and current and likely future capital needs and solvency positions. Stress testing is an important element of the ORSA process. Our stress testing framework specifies that we conduct our corporate-wide stress testing program in parallel with our annual corporate planning process. This scenario and sensitivity testing is used to evaluate how various economic and operational scenarios could potentially affect financial performance, capital levels, and risk tolerance thresholds. These practices also ensure that top and emerging risks are appropriately identified and managed and provide a forward-looking assessment of potential issues.

Enterprise Risk Management Framework

We are committed to continuously refining our approach to risk management in accordance with industry best practices and changes in our operating environment. Our ERM framework has the following components:

Risk Governance Model

We follow a "Three Lines of Defence" operating model to further enhance our risk governance structure and culture. This model promotes the understanding, evaluation and management of risks at all levels of the organization and across all of our activities.

- As the first line of defence, business areas and functional management are primarily responsible for the identification, assessment and management of risks and for establishing specific internal control policies, processes and procedures;
- As the second line of defence, the following offices provide independent oversight and review of business and operational activities, thereby providing additional assurance that business areas are appropriately managing risk:
  - Chief Financial Officer (including Actuarial)
  - Chief Risk Officer
  - Chief Compliance Officer
- As the third line of defence, Internal Audit is responsible for providing independent assurance and assessing the effectiveness of risk management, control and governance processes.

ERM Risk Categories

Our seven ERM risk categories are illustrated below. This categorization is used throughout all Activities to identify, assess, manage and report on risks.

Risk Management Policies

Risk management is an integral part of our decision making – and principal risks and opportunities are systematically identified and managed. Comprehensive ERM policies guide our activities and encourage a risk-aware culture through discussion, evaluation and management of risks across the organization.

Risk Appetite Framework

CMHC's Risk Appetite Framework includes the following components:

Risk Capacity Statement

As a federal Crown Corporation, CMHC's risk capacity is determined by its legislated limits as reflected in the *National Housing Act* (NHA), which includes the limit on outstanding insured amounts of $600 billion, subject to NHA regulations regarding the classes of eligible housing loans that can be insured, and the limit on outstanding guaranteed amounts of principal of $600 billion, subject to the terms and conditions approved by the Minister of Finance.

In addition, we are responsible for promoting the stability of the Canadian housing system, which contributes to the stability of the Canadian financial system. We therefore accept a responsibility to manage certain strategic, operational and financial risks. In managing these risks, we further limit our risk capacity by:

1. Establishing risk appetite principles and statements
2. Actively managing risks we are uniquely able to accept and affect
3. Eliminating risks we cannot control wherever cost effective, whether via outsourcing or hedging activities
4. Mitigating inherent and residual risks

Risk Appetite Principles

We have three risk appetite principles to help all employees understand their role in managing risk at CMHC. In applying the principles, employees are expected to consider both the current operating conditions and the potential impact of new and emerging risks on CMHC's strategies and risk profile.

Principle 1: We will manage risks to ensure they advance the delivery of our mission to help Canadians meet their housing needs.

Principle 2: We will manage risks to ensure that they do not expose the Corporation to undue financial loss.

Principle 3: We will manage risks to ensure that they do not unduly jeopardize the Corporation's reputation.

Corporate Risk Appetite Statement

CMHC is exposed to a variety of risks as it strives to achieve the objectives set out in its Corporate Plan. Our corporate level risk appetite statement describes the level at which risks should be avoided and where strategies must be implemented to manage risk.

We will:

- Manage risks appropriate to the delivery of our mission to help Canadians meet their housing needs, with due regard for loss
- Comply with all applicable statutory and regulatory requirements, including the annual approval of Parliamentary appropriations and our Corporate Plan
- Maintain capital and liquidity levels in Insurance and Securitization to adequately survive significant financial and other crises
- Take appropriate risks in order to explore innovative opportunities which could lead to new processes or improvements to existing processes, and to new products or policy development to help meet our mandate
- Maintain sufficient operational capabilities to be able to provide access to services for Canadians in all regions of Canada and to be able to promote and contribute to the stability of the financial system

In addition, during our five-year corporate planning horizon, we want a very high level of confidence that:

- All Housing Programs funded by the Government of Canada will be spent in accordance with approved program parameters and appropriations will not be underspent by more than a specified percentage net of the risk provision. Overspending of Parliamentary appropriations will not occur
- Long-run Return on Capital for Insurance will not drop by more than a specified percentage from the latest Board-approved targets
- CMHC will earn a reasonable return on capital on timely payment guarantees
- Available Capital held for Securitization will not decline by more than a specified percentage
- Lending will not incur losses of income which will reduce the Reserve Fund to a negative amount
- Operating expenses will not exceed the approved operating budget by more than a specified percentage
- Progress against achieving the Strategic Directions will be substantially on track by year-end

It is unacceptable to us that we would experience a significant negative impact to our reputation or to our ability to achieve key objectives in the Corporate Plan.

Reporting on Risk

We have structured processes which ensure that regular reporting on risk occurs, including:

- Annual review and approval of ERM policies;
- Semi-annual ERM Risk Register;
- Risk Appetite Statement Reports,
- Risk Tolerance Reports and
- Quarterly Risk Management Reports.

Results from this year's stress testing program are set out in Annex C.

2016-2020 ACTIVITY PLANS

Assisted Housing

CMHC provides federal funding in support of housing programs for Canadians in need on and off reserve. Our activities also include lending programs for social housing. The ultimate outcome of our activities is Canadians in need have access to affordable and suitable housing. Immediate and longer-term outcomes are as shown.

Immediate outcome

Federal investments and other CMHC activities help to provide access to affordable, suitable and adequate housing including on reserve.

Longer-term outcome

The rate of housing need off reserve and the rate of households living below standards on reserve do not increase.

Achieving Strategic Directions

CMHC has been entrusted with the management of significant public resources toward housing programs. In support of the strategic direction ***Align Risk with Mandate***, we are committed to maximizing the effectiveness of these federal investments – ensuring that we pursue innovative approaches to improving housing outcomes while managing risk. This also extends to the role we play in advising the federal government on housing policy options and approaches.

Our work over the planning period will support the following medium-term initiatives:

- **Improve the performance of the existing social housing stock through expertise and innovation**
- **Create and implement affordable housing solutions to improve outcomes**

Provinces, territories as well as housing advocacy groups have been asking the federal government to commit funding to keep existing social housing affordable beyond the end of operating agreements and to address capital needs. Most of these operating agreements are scheduled to mature between 2015 and 2025 when mortgages are paid off, with all maturing by 2038 (except on reserve where new commitments continue to be made). Many social housing projects will be able to continue to provide affordable housing to lower-income households once mortgages are paid off and subsidies end, but those projects with a higher proportion of rent-geared-to-income tenants may not generate sufficient revenues to cover operating expenses.

We will work with our partners across the housing spectrum to develop more innovative and collaborative approaches to achieving better housing outcomes for all Canadians, including on reserve and in the North. This includes looking at innovative ways to support the availability of affordable housing and improve housing conditions as federal investments in social housing mature. Enhancing access to affordable capital is one way we can potentially help. This could include, for example, allowing social housing providers to prepay their long-term non-renewable mortgages held by CMHC, without penalty, which would allow them to refinance at more favourable rates. We are also working to ensure the projects administered by CMHC under operating agreements are well managed, including reducing the percentage of higher-risk projects.

In addition, provinces and territories play a critical role in delivering affordable housing through their own programs and have the flexibility to use federal funding under the Investment in Affordable Housing to support social housing projects once agreements end. Our Affordable Housing Centre will continue to develop closer relationships with housing groups that are ready and able to create new affordable housing for their communities, and help existing social housing providers transition to self-sufficient and financially viable business models as their operating agreements end. The goal of the Affordable Housing Centre for 2016 is to increase the number of affordable housing units facilitated to 3,225.

On-reserve housing is an area that requires significant focus as well. We will continue to work with our First Nation clients to help them improve housing conditions in their communities. Current approaches to housing for First Nations will not keep up with the increasing demand. As such, developing new and innovative ways to meet housing needs will be an ongoing priority over the planning period. This will include a review of CMHC's on-reserve housing programs to assess outcomes and their effectiveness in meeting federal government objectives and continuing to identify opportunities to maximize the use and impact of federal funding.

Performance Metrics	2016[1]
Housing Programs expenditures for Assisted Housing for 2016-2017 ($M)	1,821
Reduction in the higher-risk projects in CMHC-managed portfolio	2%
Affordable housing units facilitated by the Affordable Housing Centre	3,225
New units committed in 2016-2017 under the On-Reserve Non-Profit Housing Program	702
Direct Lending – subsequent renewals ($M)	811

Capital Management

We maintain a Reserve Fund pursuant to section 29 of the CMHC Act, the intent of which is to address interest rate risk exposure on pre-payable loans as well as credit risk exposure on unsecured loans. The Reserve Fund is subject to a statutory limit of $240 million. Any amount above this limit shall be paid to the Receiver General. A risk-based capital assessment for Lending has started and completion is expected for 2016. To manage capital and to ensure that risk exposures are adequately managed, unrealized amounts (such as gains and losses from financial instruments and Investment Properties as well as re-measurements of the Defined Benefit Pension Plans) are set aside in Retained Earnings, not subject to any limitations. Capital for the lending activity is comprised of Retained Earnings and the Reserve Fund. Total Equity for Assisted Housing includes Available Capital for the lending activity and Contributed Capital for CMHC. The following table presents the components of Total Equity over the planning period:

(in millions)	2014 Actual	2015 Estimate	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan
Retained Earnings	23	50	137	182	231	267	321
Reserve Fund[2]	143	133	131	129	128	127	127
Available Capital	166	183	268	311	359	394	448
Contributed Capital	25	25	25	25	25	25	25
Total Equity	191	208	293	336	384	419	473

Investment Plan

Performance

To the extent the timing of funding of loans and payment of borrowings are mismatched within our Lending Programs, we invest principal repayments in high-quality fixed income and money market instruments, currently with a minimum rating of A, taking into consideration our risk appetite and business activities. Investments under management had a market value of $1.9 billion as at 30 June 2015 ($2 billion as at 30 June 2014). It is expected that over the planning period, the market value of the investments under management will be within $1.9 billion to $2.5 billion.

[1] *Unless otherwise noted*

[2] *Subject to statutory limit of $240 million.*

Market Analysis and Research

Our Market Analysis and Research Activity supports informed decision making through the creation, interpretation and sharing of housing-related data and information. We conduct timely and relevant surveys at the local, provincial and national levels, analyse data, prepare scenario analysis, and undertake research on a range of issues that support a well-functioning housing system and promote housing affordability and choice.

We develop timely information and analysis that meets our internal business needs and we work with external partners, such as provinces and territories, to share information and consider issues from a range of perspectives. These efforts improve the understanding of current and future housing challenges in Canada and facilitate the development of housing-related policy. Ultimately, CMHC's Market Analysis and Research activities aim to facilitate access to housing and contribute to financial stability. Immediate and longer-term outcomes are as shown.

We receive Parliamentary appropriations to partially fund our Market Analysis and Research activities.

Immediate outcome

Housing industry stakeholders are aware of and access research and market analysis information products.

Longer-term outcome

Housing industry stakeholders have more useful information about housing (understandable, timely, relevant and credible) and can make better informed decisions about housing-related matters.

Achieving Strategic Directions

In order to improve housing outcomes through timely, relevant data analysis and knowledge, the following medium-term initiatives, which support CMHC's strategic direction to ***Lead Through Information and Insight***, will be pursued:

- **Increase availability of quality housing information**
- **Engage stakeholders and decision makers**

Heightened concerns continue regarding gaps in information on Canadian housing markets and housing finance, pointing to a need for more data and insightful analysis. Condominium markets, foreign investments, household debt, overvaluation and overbuilding, house price appreciation and mortgage originations are among the more important concerns.

We also recognize the need for research in areas where we can add unique value to decision makers within government, our business lines, and the housing industry. This includes research to facilitate access to affordable housing and contribute to the stability of the financial system and housing markets. Going forward, we will explore innovative approaches and partnerships that will help us maximize the outcomes achieved with our research investments and expand participation in housing research in Canada. It also includes transferring our knowledge in a manner that makes it easier for users to quickly and efficiently find the latest, most relevant information. We will also continue to actively engage stakeholders and decision makers to increase their knowledge of the resources and tools available to them from CMHC.

Our role as a trusted advisor to government on housing-related policy must continue to evolve with the needs of Canadians. It is key for us to anticipate issues of importance to Canadians, to undertake rigorous analysis and proactively formulate sound policy positions for recommendation to the Government of Canada. Meaningful engagement with external housing stakeholders and experts to obtain their insights on priority housing issues will support these efforts. This includes using the National Housing Research Committee as a hub and catalyst for housing research.

Performance Metrics	2016[1]
Expenditure of grants and contribution budget for research and knowledge transfer activities for 2016-2017	100%
Policy and research projects on track to meet key milestones	85%
Overall usefulness of market analysis and research information[2]	85%

[1] *Unless otherwise noted.*

[2] *Market Analysis and Research Information Usefulness Survey - Attributes of overall usefulness include: credible, easy to understand, relevant, useful, current/timely and comprehensive.*

Mortgage Loan Insurance

Immediate outcomes

Lenders are protected from losses due to borrower default and are able to provide mortgage financing at competitive rates.

Ensure Canadians across the country have access to reasonable housing finance options.

Longer-term outcome

Provide Canadians better access to financing for a range of housing options that meet their needs.

In accordance with our mandate, we provide Transactional Homeowner, Portfolio and Multi-unit Residential mortgage loan insurance in all parts of Canada, including in areas or markets not served or under-served by private mortgage insurers. Mortgage loan insurance protects lenders from losses due to borrower defaults. Ultimately, our Mortgage Loan Insurance Activity will contribute to a stable, competitive and efficient housing finance system. Immediate and longer-term outcomes are as shown.

We operate our Mortgage Loan Insurance Activity on a commercial basis with due regard for loss without the need for funding from the Government of Canada. We are expected to generate a reasonable return for the Government of Canada. A detailed description of our products is provided in Annex B – Glossary.

Achieving Strategic Directions

Through our Mortgage Loan Insurance Activity, we play a unique role in the stability of the financial system. We responsibly manage our risk exposure and that of the Government of Canada while ensuring that our products facilitate access to housing finance. Achievement of our strategic directions, in particular ***Align Risk with Mandate***, will entail the following medium-term initiatives:

- Maintain a sufficient market presence to enable CMHC to facilitate access to housing and contribute to financial stability
- Develop measures to reduce exposure to loss

As a Crown corporation, we play a unique role in supporting the stability of Canada's housing finance system and a meaningful presence in the market is needed to achieve our mandate. In times of economic duress, lenders have historically relied more on CMHC than private insurers, and the Government of Canada has often called upon us to address gaps in the marketplace. To ensure we are able to take on a more prominent role when necessary, we need to be of a sufficient size, and have the operational and product breadth to enable us to scale up quickly and efficiently. We continue to work with government on options to better align mortgage loan insurance with our mandate.

Mortgage Loan Insurance Pricing

Mortgage loan insurance pricing is reviewed annually and adjusted as necessary to ensure a reasonable long-term rate of return on capital (RoC) in support of our mandate to operate in a competitive environment.

The annual pricing review is based on:

- a review of the risk factors
- the appropriate levels of capital and RoC that CMHC should be targeting in the current business environment
- expected claim frequency and severity
- expenses (such as the Government of Canada Risk Fee) and investment returns

Performance Metrics	2016
Insurance-in-Force ($B)	516
Operating expense ratio[1]	18.7%
Return on Capital Holding Target	11 - 13%

[1] *The ratio (expressed as a percentage) of Operating Expenses during the period to Premiums and Fees Earned during the period for the Mortgage Loan Insurance Activity.*

Capital Management

Our Capital Management Framework follows guidelines as set out by the Office of the Superintendent of Financial Institutions (OSFI). Under this framework we annually validate both our Internal Capital Target and our Capital Holding Target (Holding Level). The Internal Capital Target is calibrated using specified confidence intervals and is designed to provide management with an early indication of the need to resolve financial problems. As a result of this year's validation process, the Internal Capital Target is set at 205% (2014 – 205%) of the regulatory Minimum Base Required Capital (Minimum Capital).

We operate at Available Capital levels above the Internal Capital Target on all but unusual and infrequent occasions. Accordingly, we have established a Holding Level in excess of the Internal Capital Target. The Holding Level is calibrated using confidence intervals and is designed to provide management with adequate time to resolve financial problems before Available Capital decreases below the Internal Capital Target. As a result of this year's validation process, the Holding Level is set at 220% (2014 – 220%) of the Minimum Capital required.

(in millions, unless otherwise indicated)	2014 Actual[1]	2015 Estimate	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan
Unappropriated Retained Earnings	5,784	7,374	8,250	9,148	9,864	10,816	11,681
Appropriated Capital	10,634	10,344	10,231	10,010	10,277	10,635	10,937
Total Equity	16,418	17,718	18,481	19,158	20,141	21,451	22,618
Capital Available to Minimum Capital Required (100.0% MCT)	343%	365%	393%	421%	431%	444%	455%
CMHC's Internal Capital Target (% MCT)	205%	205%	205%	205%	205%	205%	205%
CMHC's Capital Holding Target (% MCT)	220%	220%	220%	220%	220%	220%	220%

Under our Stress Testing Framework, the Board of Directors annually approves our Stress Testing Program which includes sensitivity testing, solvency testing, stress (reverse stress) testing, and a number of deterministic scenarios. The results of the stress testing program support the new target capital levels.

The economic factors with the largest impact on the financial condition of the Mortgage Loan Insurance Activity are unemployment rates, house prices, and interest rates, in that order. It is highly unlikely that any one of these factors in isolation would trigger liabilities to exceed assets. The combination of rising unemployment rates, rising interest rates and declining house prices leading to liabilities exceeding assets would have to reach levels far outside historical experience and also occur over an extended period of time, allowing for us to take mitigating actions to limit their impact on the Mortgage Loan Insurance Activity. The declines in Available Capital would exceed the requirements of our risk appetite statement early in the period and generate changes in underwriting, products or pricing to offset the economic impact.

Results from our 2015 stress testing exercise confirm that a 220% MCT holding level would allow us to weather a 2008 US-style downturn (i.e. 5 percentage points increase in unemployment and a 30% house price decline) without going below 100% of our minimum capital required.

[1] *2014 calculated under the 2013 MCT guideline. 2015 forward calculated under the new customized 2015 MCT guideline for Mortgage Insurers*

Business Resumption Planning

Each year, CMHC conducts business resumption exercises to ensure that service levels can be maintained despite system unavailability at CMHC's primary processing centre. CMHC also maintains five underwriting centres across the country which effectively mitigates the impact of any underwriting centre being unavailable. In addition, as part of CMHC's stress testing program, a table top exercise was conducted this year to explore options available should the primary and back-up facilities for emili, our proprietary online automated mortgage loan insurance risk assessment and approval system, be unavailable for a significant period of time. This allowed us to develop more comprehensive response plans.

Investment Plan

Performance

Investments under management had a market value of $23,128 million as at 30 June 2015[1]. The size of the mortgage loan insurance investment portfolio has grown significantly over the last few years and this trend is expected to continue. The funds available for investment are primarily generated from the cash flows from premiums, application fees, interest and distributions received, net of claims and expenses paid. In 2016, net new funds from mortgage loan insurance operations are expected to total $797 million. As at 30 June 2015, the year-to-date return for the insurance portfolio was 1.81%, (measured on a total return basis). Performance is monitored on an ongoing basis and results are reported in absolute terms and relative to benchmarks.

Investment Outlook and Projected Returns

We completed a strategic asset allocation policy review of the investment portfolio in 2014, which resulted in an increase in fixed income investments to a minimum 90.0% allocation, with a shorter duration more closely matching the duration of the liabilities. To reduce concentration risk in relation to Canadian fixed income investments, foreign bonds will be added to the portfolio, with currency exposures fully hedged.

The projected annual total returns, including both income and price returns, for the portfolio is as follows:

	2016	2017	2018	2019	2020
Projected Annual Total Returns	-0.1%	-1.0%	0.8%	2.9%	2.3%

Actual returns may be significantly different than projections. A 50 basis point difference in return of the portfolio has approximately a $115 million dollar impact on total return. The money market and fixed-income strategies will focus on risk-adjusted book yield, taking into consideration such things as interest rate risks versus the liabilities, credit risk and cash flow requirements. Due to the significance of fixed-income instruments in the asset mix, we supplement our analysis of credit risk at the instrument level by evaluating the overall quality of our credit portfolios. The Mortgage Loan Insurance Fixed Income portfolio has an average credit rating of A+.

The portfolio asset allocation as at 30 June 2015 is 94.5% fixed income, 5.0% equities and 0.5% real estate. Equities are managed on a risk-adjusted basis. Securities are selected on the expectation that they will be able to provide a better risk-adjusted return relative to fixed income. The investment strategy of the real estate portfolio consists of direct and indirect (through joint-ventures, partnerships, and funds) holdings in commercial real estate investments.

[1] *The investments under management exclude investments related to repo activity.*

Securitization

Our securitization guarantee programs enable approved financial entities to pool eligible mortgages into marketable securities that can be sold to investors which generate funds that can then be loaned to residential homeowners. Separate from our securitization guarantee programs, we administer the legal framework for Canadian covered bonds on behalf of the Government of Canada. A detailed description of our programs is provided in Annex B – Glossary. The ultimate outcome of our activities is a stable, competitive and innovative housing system. Immediate and longer-term outcomes are as shown.

Immediate outcomes

A source of reliable funding to the Canadian financial system.

Small lenders are able to benefit from stable access to funds.

Longer-term outcomes

Lenders and issuers rely less on our programs and more on private capital for mortgage funding.

Increased diversification of funding through more covered bonds issuances.

Promoting stability in the financial system and competition in the housing finance system while limiting government risk.

Achieving Strategic Directions

Under ***Align Risk with Mandate***, we are working to balance the risks of our activities with the benefits they bring to Canadians. In the context of our securitization programs, this includes developing ways to ensure that lenders and issuers have other sources of funding for mortgage lending. Our work over the planning period will support the following medium-term initiative:

- **Develop options to diversify financing sources for mortgage lending by financial institutions**

In order to reduce exposure to loss resulting from the timely payment guarantee of our securitization programs, we are working to help lenders and issuers develop other sources of funding for mortgage lending. Our work with government partners is continuing in order to understand, identify and remove barriers to private capital playing a larger role in the Canadian mortgage funding market and improve liquidity in the secondary market for NHA MBS and CMB. The objective is to help attract other financing sources for mortgage lending by financial institutions.

On an annual basis, we review the effectiveness of the pricing of our securitization programs. This includes our ongoing review of guarantee pricing to better reflect market-driven pricing, support further reduction in government risk exposure and encourage the development of alternative funding mechanisms.

Performance Metrics	2016
Operating Expense Ratio[1]	11.8%
Percent of multi-insurer pools - Approved Issuers issuing multi-insurer NHA MBS	10%
Maximum lapse beyond issuer demand in total amount of NHA MBS ($80B) and CMB ($40B) guaranteed ($B for each program)	2
Return on Required Capital	20.0%

[1] *The ratio (expressed as a percentage) of Operating Expenses during the period, exclusive of those related to the administration of the covered bond legal framework, to Guarantee Fees Earned during the period.*

Capital Management

Our Securitization capitalization framework is undergoing a review which could impact the estimate of capital required. The review is focused on ensuring that the capitalization framework comprehensively reflects the risks to which CMHC is exposed.

Our Securitization capitalization methodology is based on regulatory and economic capital principles. Capital required is calculated by applying risk factors to Securitization investment assets and liabilities exposures as defined by OSFI. We appropriate Retained Earnings and Accumulated Other Comprehensive Income (Loss) from the Securitization Activity at 100% of the capital required. Investment Assets and Unappropriated Retained Earnings are available for liquidity and other purposes of our commercial activities.

(in millions)	2014 Actual[1]	2015 Estimate[2]	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan
Securitization Appropriated Capital:							
▪ Appropriated Retained Earnings	1,030	1,094	1,279	1,534	1,727	1,873	2,005
▪ AOCI (Loss)	34	74	(21)	(157)	(245)	(259)	(319)
Total Appropriated Capital	1,064	1,168	1,258	1,377	1,482	1,614	1,686
Unappropriated Retained Earnings	601	762	840	932	1,178	1,561	2,040
Securitization Retained Earnings	1,631	1,856	2,119	2,466	2,905	3,434	4,045
Total Equity	1,665	1,930	2,098	2,309	2,660	3,175	3,726
Capital Available to Capital Required	157%	165%	167%	168%	179%	197%	221%

Investment Plan

Performance

Investments under management totalled $2,382 million (market value) as at 30 June 2015.[3] The size of the securitization portfolio has grown significantly over the last few years and this trend is expected to continue. The money available for investment is primarily generated from the cash flows as a result of guarantee and application fees and interest received, net of claims and expenses paid. In 2016, net new funds from securitization operations are expected to total $561 million. As at 30 June 2015, the year-to-date return for the consolidated securitization portfolio was 1.87%, compared to a consolidated index return of 1.88%.

Investment Outlook and Projected Returns

The following table provides the projected average annual total returns, including both income and price return, for the investment portfolio. When we last reviewed the strategic asset allocation for the Securitization investment portfolio, we determined that this portfolio will hold only Government of Canada bonds and money market instruments. As a result, 100% of the portfolio is invested in highly rated fixed-income instruments. Actual returns may be significantly different than projections. A 50 basis point difference in return of the portfolio has a $12 million impact on total return.

	2016	2017	2018	2019	2020
Projected Annual Total Returns	(3.2%)	(4.2%)	(1.4%)	1.4%	0.3%

[1] *2014 calculated under CMHC's 2013 Capitalization framework*

[2] *2015 forward calculated under CMHC's 2015 Capitalization framework*

[3] *The investments under management exclude investments related to repo activity.*

People and Processes

Our support functions play a pivotal role in ensuring we can meet our corporate objectives and continue to move towards achieving our three strategic directions – ***Be a High-Performing Organization***, ***Align Risk with Mandate***, and ***Lead Through Information and Insight***. These functions support all of CMHC's activities and include:

- Risk
- Regulatory Compliance
- Finance
- Capital Management
- Actuarial
- Internal Audit
- Information and Technology
- Human Resources
- Public Affairs
- Corporate Relations
- Legal Services and Corporate Secretariat
- Administration

Achieving Strategic Directions

Over the planning period we will build on our commitment to transform to a higher performing organization under the program *CMHC in Motion* including the work started in 2015 such as our dialogue on corporate culture, ensuring we bring forward innovative and more efficient processes, responding to our engagement survey results, and encouraging all employees to be ambassadors for our business.

We will also continue to strengthen our diverse and talented workforce through broadened recruitment and retention efforts, as well as the creation of opportunities for career advancement and development across the organization. Our increased emphasis on talent management, leadership strengthening, innovation and change management will help our employees be well positioned to adapt to future challenges, evolving business needs and new corporate priorities.

To foster a performance-driven culture, we are speeding up decision making, simplifying processes and reducing bureaucracy. This involves investing in the required tools and modernizing our technology. Through our five-year strategic investment plan, we are addressing key technology and process gaps, enhancing our security and establishing an information governance and analytics program.

Under our strategic direction of ***Align Risk with Mandate***, we will continue to implement our "Three Lines of Defence" risk governance model and a new framework for Internal Controls. These initiatives support risk management and will reinforce our risk culture by raising awareness that employees at all levels of the organization are responsible for managing risk. Further information on our Enterprise Risk Management Framework is provided in the Risk Management section. We will also continue to enhance our economic capital and stress testing modelling capabilities.

Through our people and process activities, we also support the strategic direction ***Lead Through Information and Insight***. The enhancements we are making to our web and social media presence will help Canadians, the housing industry and decision makers to take advantage of the information and advice we have to offer and make more informed housing decisions. In order to promote understanding of our mandate, role, programs and services, we will be expanding our media outreach and speaking engagement programs. We will also continue to be more transparent in our reporting of our mortgage loan insurance and securitization activities and will explore opportunities to share more information on activities related to our housing programs investments.

Medium-term Initiatives

Be a High-Performing Organization:

- Engage, empower and inspire employees
- Recruit, acquire and retain a diverse and talented workforce
- Support employees in their growth and leadership development and match talent to meet business needs
- Strengthen performance management and improve the link between pay and performance
- Modernize I&T infrastructure and business systems, and enhance technology security programs
- Transform the Finance function, processes and systems
- Implement operational efficiencies

Align Risk with Mandate:

- Develop best-in-class modelling capabilities
- Implement a risk culture through "Three Lines of Defence"

Lead Through Information and Insight:

- Promote understanding of CMHC's mandate, role, programs and services through enhanced communications
- Improve transparency of reporting

Our operating budget expense ratio, net income and return on equity metrics are important indicators of the performance of the Corporation. They assist us in measuring progress in relation to our strategic directions and core operating activities.

Performance Metrics	2016
Operating Budget Expense Ratio[1]	13.3%
Net Income ($M)	1,345
Return on Equity	6.6%
Improvement in risk management culture:	
▪ Understanding of risk management in risk culture survey	TBD
▪ Achievement of action plan items	90%
Engagement Survey (favourable results):	
▪ Employee engagement	80%
▪ Employee enablement	69%
▪ Authority and empowerment	73%
▪ Innovation	54%
▪ Quality and client focus	80%

[1] *The ratio (expressed as a percentage) of Operating Budget Expenses for all of CMHC's activities (excluding CHT) during the period to Premiums, Fees, Guarantee, and Application Fees Received, Net Interest Income from Lending Programs and normalized Parliamentary Appropriations.*

RESOURCE REQUIREMENTS

Operating Budget

CMHC is undergoing a period of significant change and revitalization, in particular in areas of corporate governance, risk management and modernization of our legacy information and technology infrastructure and applications. We continue to invest in our internal operations to ensure that we continue to have sufficient capability, capacity and infrastructure to manage current and future risks appropriately, both in good times and in bad. Our plan also includes the continuation of a multi-year investment in modernizing outdated technology. In addition to the expected efficiencies new technology will bring, these investments in I&T will allow us to reduce cyber risk, modernize business applications to improve client service allowing us to remain competitive with our private sector peers, and upgrade our information sharing and record keeping.

2014 Results | 2015 Forecast | 2016-2020 Plan

(in millions)	2014 Plan	2014 Actual	2015 Plan	2015 Estimate	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan
Total (excl. Pension/Post Employment Benefits)	328.4	344.7	329.9	324.4	351.8	367.0	366.0	366.4	339.6
Pension/Post Employment Benefits	66.1	40.6	51.8	57.3	57.6	53.8	37.9	24.8	19.9
Total	394.5	385.3	381.7	381.7	409.4	420.8	403.9	391.2	359.5

Following approval of our 2014 budget, the Government of Canada introduced a two-year budget freeze for appropriation-based activities. In the spirit of the budget freeze, we considered the 2013 budget level of $381.7 million as our guidepost for 2014 for both our appropriation-based and commercial operations. In 2014, our actual spending was $385.3 million, which is less than 1% over the 2013 budget. Our 2014 expenditures included one-time restructuring costs which will help to position ourselves as a high-performing organization.

To the fullest extent possible, our investments in strengthening risk governance and I&T modernization have been staged to align with the budget freeze. Through the phasing in of these requirements, the 2015 forecast expenditures are expected to be in line with the budget, but will grow in 2016. Following the completion of our 5-year I&T modernization effort and our transformational efforts planned over the planning horizon, future savings are expected to materialize through reduced operating budget requirements.

	2014 Plan	2014 Actual	2015 Estimate	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan
Total Full-Time Equivalents (FTEs)	1,883	1,812	1,780	1,967	1,926	1,895	1,872	1,857

Our required technology investments and transformational activities are expected to require a significant number of temporary staff, which will decline toward the end of the planning period. FTEs are also declining over the planning horizon as claims and default management activities are expected to moderate for Mortgage Loan Insurance and as Assisted Housing portfolios continue to mature.

Capital Budget

Capital Budget for Loans and Investments

This portion of our Capital Budget provides for lending activities to permit eligible borrowers to acquire, construct or renovate housing under the various assisted housing programs of the NHA, and to help Canadians in need to access affordable, sound and suitable housing. The capital budget authority is also used to refinance privately financed social housing projects under the Assisted Housing Activity.

Capital Budget for Furniture, Equipment and Business Premises

This portion of our capital budget provides for the fit-up of our office space, ongoing repair and replacement of worn out assets, the acquisition of new assets, the principal portion of the long-term lease payments for the National Office "C" Building, as well as a one-time cost of $6 million in 2016 required to fit up additional office space required for CMHC's National Office requirements.

2014 Results | 2015 Forecast | 2016-2020 Plan

(in millions)	2014 Plan	2014 Actual	2015 Plan	2015 Estimate	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan
Total for Loans and Investments	112	110	144	144	171	172	182	188	202
Total Furniture Equipment and Business Premises	7	7	11	11	11	5	4	3	4
Total Capital Budget	119	117	155	155	182	177	186	191	206

In 2014, we made actual capital commitments totalling $117 million which is $2 million (1.6%) lower than plan.

The 2015 estimate is in line with our approved budget. Our capital requirement projections for 2016 are $182 million. The increase over 2015 is due to additional commitment activity under the Direct Lending initiative for new construction under the On-Reserve Non-Profit Housing Program (Section 95) and mortgage assignments for the provincially-administered social housing portfolios, as well as the expansion of the Affordable Housing Centre.

We continue to make commitments for new rental housing in receipt of ongoing federal subsidies under the On-Reserve Non-Profit Housing Program (Section 95) which results in an increase in our Capital Budget for Loans and Investments from 2016 to 2020. The planned number of new units fluctuates based on financial and local on-reserve conditions and is estimated to increase by close to 50% from the 2015 plan to the end of the planning period as a result of our approach to ensuring the full take-up of the appropriations based funding.

Borrowing Plan

Statutory Borrowing Authorities

We derive our borrowing authorities pursuant to subsections 21(1) and (2), and section 22 of the *Canada Mortgage and Housing Corporation Act* and subsections 127(1) and (3) of the *Financial Administration Act*. The Minister of Finance's approval of our borrowing activities is required as part of this Corporate Plan and we comply with the *Minister of Finance Financial Risk Management Guidelines for Crown Corporations*. The Borrowing Plan deals strictly with the direct authority to borrow for the delivery of our programs. Although we consolidate the accounts of CHT into our financial statements, we are not the borrower. CHT borrowings, including those under the CMB program, are therefore excluded from the Borrowing Plan, as are existing mortgages or other debt obligations secured against property that is transferred to us as part of our Insurance and Investment activities.

CMHC has received standing authority to borrow from the Crown Borrowing Program in order to meet the funding requirements forecasted in this document, with total outstanding market and CBP borrowings not exceeding $14.5 billion, which includes borrowings not to exceed $1.5 billion for MILP and not to exceed $13 billion for Lending, Cash and Liquidity Management. Further CBP borrowings above the authorized amount will be subject to approval by the Minister of Finance.

FINANCIAL STATEMENTS AND TABLES

Consolidated Financial Statements

Table 1: Balance Sheet

(in millions)	2014 Actual	2015 Estimate	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan
ASSETS							
Cash and Cash Equivalents	2,169	1,434	1,432	1,418	1,410	1,441	1,356
Securities Purchased Under Resale Agreements	126	-	-	-	-	-	-
Investment Securities:							
Designated at Fair Value through Profit or Loss	1,060	1,308	1,169	1,137	1,067	1,032	807
Available for Sale	21,812	23,367	24,165	24,960	26,333	28,201	29,860
Held for Trading	-	-	-	-	-	-	-
Loans:							
Designated at Fair Value through Profit or Loss	5,503	5,010	4,454	3,962	3,543	3,184	2,881
Loans and Receivables	215,944	221,292	228,561	238,466	239,387	248,254	244,140
Accrued Interest Receivable	719	667	709	820	960	1,121	1,195
Derivatives	105	107	69	42	21	9	4
Due from the Government of Canada	285	275	277	273	270	267	264
Accounts Receivable and Other Assets	767	740	837	926	996	1,069	1,124
Deferred Income Tax Assets	-	-	-	-	-	-	-
Total Assets	248,490	254,200	261,673	272,004	273,987	284,578	281,631
LIABILITIES							
Securities Sold Under Repurchase Agreements	325	250	250	250	250	250	250
Borrowings:							
Designated at Fair Value through Profit or Loss	7,677	7,123	6,331	5,761	5,260	4,841	4,138
Other Financial Liabilities	213,612	218,460	225,692	235,466	236,144	244,808	240,461
Accrued Interest Payable	521	479	534	623	714	837	884
Derivatives	31	26	15	7	3	1	1
Accounts Payable and Other Liabilities	673	871	760	729	840	952	935
Defined Benefit Plans Liability	479	435	361	124	(46)	(110)	(39)
Provision for Claims	778	741	696	666	636	628	622
Unearned Premiums and Fees	6,167	6,044	6,203	6,518	6,870	7,157	7,362
Deferred Income Tax Liabilities	45	70	62	78	91	104	84
Total Liabilities	230,308	234,499	240,904	250,222	250,762	259,468	254,698
EQUITY OF CANADA							
Contributed Capital	25	25	25	25	25	25	25
Accumulated Other Comprehensive Income (Loss)	803	967	597	(17)	(456)	(600)	(943)
Retained Earnings	17,211	18,576	20,016	21,645	23,528	25,558	27,724
Reserve Fund	143	133	131	129	128	127	127
Total Equity of Canada	18,182	19,701	20,769	21,782	23,225	25,110	26,933
Total Liabilities and Equity of Canada	248,490	254,200	261,673	272,004	273,987	284,578	281,631

Table 2: Statement of Income, Comprehensive Income and Equity of Canada

(in millions)	2014 Actual	2015 Estimate	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan
REVENUES							
Parliamentary Appropriations for Housing Programs	2,010	2,143	2,036	2,038	2,036	1,867	1,791
Premiums and Fees Earned	1,933	1,872	1,894	1,967	2,073	2,194	2,307
Interest Income							
Loans	5,444	4,790	4,703	5,015	5,462	5,655	6,075
Other	66	56	62	71	78	82	75
	5,510	4,846	4,765	5,086	5,540	5,737	6,150
Interest Expense	5,408	4,750	4,654	4,971	5,421	5,609	6,010
Net Interest Income	102	96	111	115	119	128	140
Investment Income	608	376	379	548	812	996	1,116
Net Realized Gains (Losses)	1,454	132	7	(38)	(31)	(28)	(23)
Net Unrealized Gains (Losses)	9	3	9	(12)	(17)	(16)	(9)
Other Income	83	94	99	94	92	90	87
Total Revenues	6,199	4,716	4,535	4,712	5,084	5,231	5,409
EXPENSES							
Housing Programs	2,010	2,143	2,036	2,038	2,036	1,867	1,791
Insurance Claims	328	355	299	293	278	294	300
Operating Expenses	374	397	428	453	461	469	459
Total Expenses	2,712	2,895	2,763	2,784	2,775	2,629	2,550
Income before Income Taxes	3,487	1,821	1,772	1,928	2,309	2,602	2,859
Income Taxes	862	439	427	467	562	636	700
NET INCOME	2,625	1,382	1,345	1,461	1,747	1,966	2,159
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX Items that Will Be Subsequently Reclassified to Net Income:							
Net Unrealized Gains (Losses) from Available for Sale Financial Instruments	469	294	(343)	(628)	(439)	(159)	(343)
Reclassification of Prior Years' Net Unrealized (Gains) Losses Realized in the Period in Net Income	(609)	(130)	(27)	14	-	15	-
Total Items that Will Be Subsequently Reclassified to Net Income	(140)	164	(370)	(614)	(439)	(144)	(343)
Items that Will Not Be Subsequently Reclassified to Net Income:							
Remeasurements of the Net Defined Benefit Plans	(141)	(27)	93	166	135	63	7
Other Comprehensive Income	(281)	137	(277)	(448)	(304)	(81)	(336)
COMPREHENSIVE INCOME	2,344	1,519	1,068	1,013	1,443	1,885	1,823
CONTRIBUTED CAPITAL	25	25	25	25	25	25	25
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)							
Balance at Beginning of Year	943	803	967	597	(17)	(456)	(600)
Other Comprehensive Income (Loss)	(140)	164	(370)	(614)	(439)	(144)	(343)
Balance at End of Year	803	967	597	(17)	(456)	(600)	(943)
RETAINED EARNINGS							
Balance at Beginning of Year	14,718	17,211	18,576	20,016	21,645	23,528	25,558
Net Income	2,625	1,382	1,345	1,461	1,747	1,966	2,159
Other Comprehensive Income (Loss)	(141)	(27)	93	166	135	63	7
Transferred to Reserve Fund	9	10	2	2	1	1	-
Balance at End of Year	17,211	18,576	20,016	21,645	23,528	25,558	27,724
RESERVE FUND							
Balance at Beginning of Year	152	143	133	131	129	128	127
Transferred from Retained Earnings	(9)	(10)	(2)	(2)	(1)	(1)	-
Balance at End of Year	143	133	131	129	128	127	127
EQUITY OF CANADA	18,182	19,701	20,769	21,782	23,225	25,110	26,933

Table 3: Statement of Cash Flows

(in millions)	2014 Actual	2015 Estimate	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Net Income	2,625	1,382	1,345	1,461	1,747	1,966	2,159
Items not Affecting Cash or Cash Equivalents:							
Amortization of Premiums and Discounts on Financial Instruments	86	(102)	(100)	(70)	(57)	(10)	9
Deferred Income Taxes	12	25	(9)	17	13	13	(20)
Change in Fair Value of Financial Instruments Carried at Fair Value	(9)	(3)	(9)	12	17	16	9
Net (Gain) Loss on Financial Instruments	(1,454)	(132)	(7)	38	31	28	23
Net Change in Non-cash Operating Assets and Liabilities:							
Accrued Interest Receivable	140	53	(43)	(110)	(140)	(161)	(74)
Derivatives	4	-	-	-	-	-	-
Due from the Government of Canada	26	10	(2)	4	3	3	3
Accounts Receivable and Other Assets	(5)	27	(97)	(89)	(70)	(73)	(55)
Accrued Interest Payable	(131)	(42)	55	89	91	124	46
Accounts Payable and Other Liabilities	206	198	(111)	(30)	111	112	(17)
Defined Benefit Plans Liability	129	(45)	(73)	(237)	(170)	(65)	71
Provision for Claims	(91)	(37)	(45)	(31)	(30)	(8)	(6)
Unearned Premiums and Fees	(344)	(123)	160	315	352	287	205
Other	(28)	(156)	284	457	352	154	120
Loans:							
Repayments	63,261	34,124	33,190	30,551	39,506	31,559	44,512
Disbursements	(39,164)	(39,113)	(40,082)	(40,096)	(40,116)	(40,127)	(40,138)
Borrowings:							
Repayments	(65,689)	(35,024)	(34,169)	(31,228)	(40,156)	(32,149)	(45,215)
Issuances	42,025	39,446	40,812	40,584	40,444	40,451	40,204
	1,599	490	1,098	1,636	1,928	2,121	1,836
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES							
Change in Investment Securities	(874)	(1,276)	(1,101)	(1,650)	(1,937)	(2,089)	(1,922)
Change in Securities Purchased Under Resale Agreements	(126)	126	-	-	-	-	-
Change in Securities Sold under Repurchase Agreements	234	(75)	-	-	-	-	-
	(766)	(1,225)	(1,101)	(1,650)	(1,937)	(2,089)	(1,922)
Increase (Decrease) in Cash and Cash Equivalents	833	(735)	(2)	(14)	(8)	32	(86)
CASH AND CASH EQUIVALENTS							
Beginning of Year	1,336	2,169	1,434	1,432	1,418	1,409	1,441
End of Year	2,169	1,434	1,432	1,418	1,409	1,441	1,355
Supplementary Disclosure of Cash Flow from Operating Activities							
Amount of Interest Received During the Year	6,405	5,329	5,193	5,593	6,276	6,601	7,211
Amount of Interest Paid During the Year	5,686	4,790	4,596	4,881	5,330	5,485	5,964
Amount of Dividends Received During the Year	78	40	43	45	47	50	54
Amount of Income Taxes Paid During the Year	503	297	446	313	389	493	575

ANNEXES

Annex A – Corporate Profile and Governance

Mandate and Legislative Framework

CMHC is a federal Crown corporation incorporated under the *Canada Mortgage and Housing Corporation Act* (CMHC Act) and is accountable to Parliament through the Minister for CMHC[1] (the Minister). Our legislative framework consists of the CMHC Act, the National Housing Act (NHA) and the Financial Administration Act (FAA).

As set out in the NHA, CMHC's mandate is to promote the construction of new houses, the repair and modernization of existing houses, and the improvement of housing and living conditions. In relation to financing for housing, the NHA's purpose is to promote housing affordability and choice; to facilitate access to and competition and efficiency in the provision of housing finance; to protect the availability of adequate funding for housing; and to contribute to the well-being of the housing sector.

Additional "objects" in the NHA relate to the Corporation's housing finance activities. These are: a) to promote the efficient functioning and competitiveness of the housing finance market; b) to promote and contribute to the stability of the financial system, including the housing market; and c) to have due regard to the Corporation's exposure to loss.

Annual Reviews by the Superintendent of Financial Institutions

The NHA specifies that the Superintendent of Financial Institutions, at least once each calendar year, will make or cause to be made any examination or inquiry that the Superintendent considers to be necessary or expedient to determine if the Corporation is carrying out any or all of its commercial activities in a safe and sound manner with due regard to loss. The Superintendent reports the results and recommendations to the Board of Directors, the Minister and the Minister of Finance.

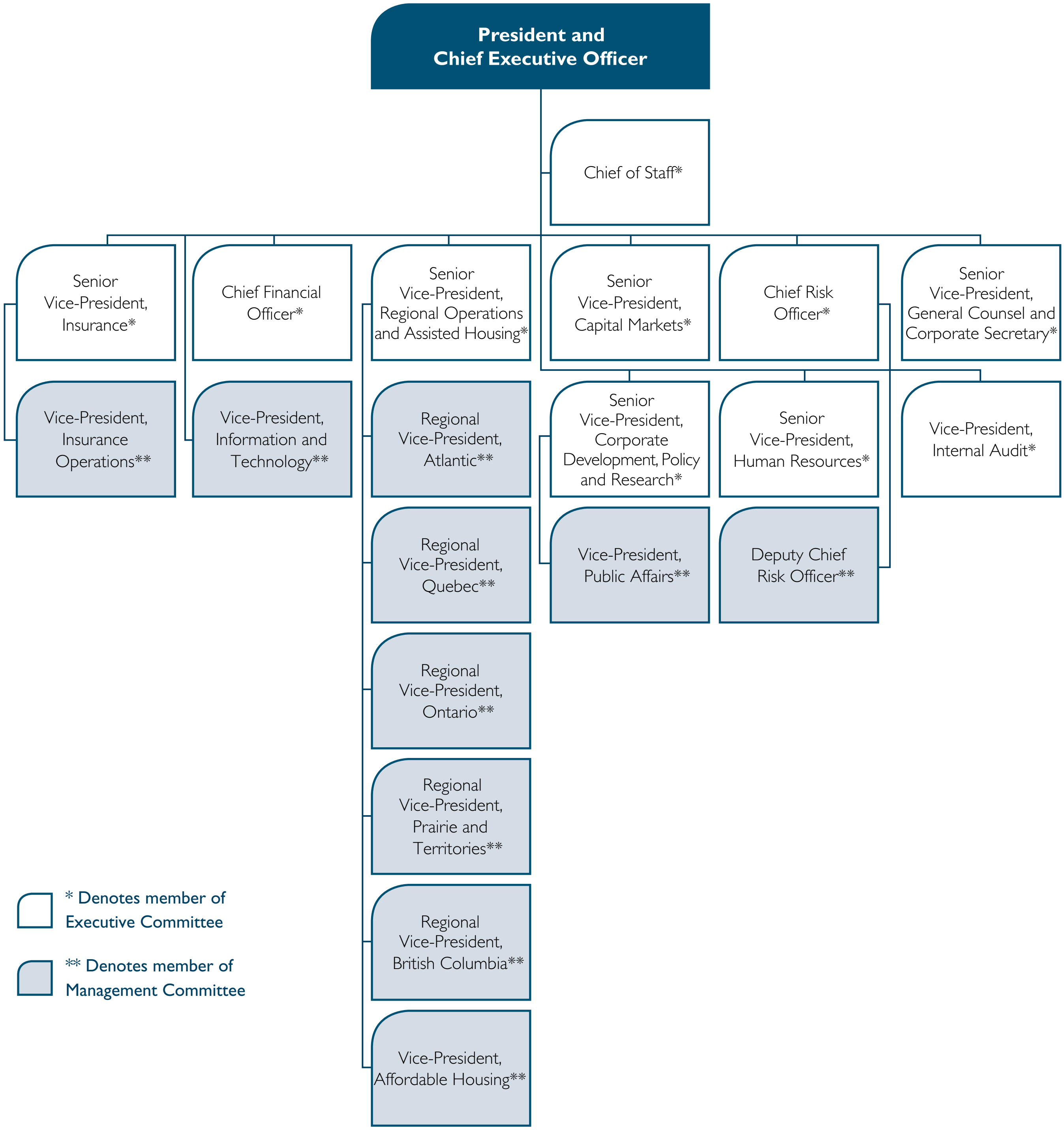
Corporate Structure

The Board of Directors is responsible for managing the affairs of the Corporation and the conduct of our business in accordance with applicable legislation as well as the governing by-laws of the Corporation. The Board comprises the Chairperson, the President and Chief Executive Officer (CEO), the Minister's Deputy Minister, the Deputy Minister of Finance, and eight other directors. Board members are appointed pursuant to sub-sections 6(2) and 6(4) of the CMHC Act. Charters for the Board's committees (Audit, Corporate Governance and Nominating, Human Resources, and Risk Management) are posted on CMHC's website.

At the senior management level, the Executive Committee's mandate is to focus on significant strategic, policy and risk issues. A Management Committee focuses on operational issues and decisions with cross-sectoral impact.

[1] *The Minister designated for the purpose of the CMHC Act and the NHA is currently the Minister of Families, Children and Social Development.*

The following shows CMHC's management structure as at 5 November 2015:



CMHC's national office is in Ottawa. The Corporation has five regional business centres situated in Halifax, Montreal, Toronto, Calgary and Vancouver. There are approximately 1,900 CMHC employees. CMHC provides advisory and other services to the Canada Housing Trust (CHT) and the First Nations Market Housing Fund (FNMHF). We also manage and administer Granville Island on behalf of the Government of Canada.

Annex B – Glossary

For definitions of Non-IFRS Financial Measures, please consult our Annual Report.

Other Glossary Terms

Canada Housing Trust (CHT)

The CHT is a special purpose trust that acquires interests in eligible insured housing loans, such as NHA MBS, and issues CMB. The CHT also purchases highly rated investments and undertakes certain related financial hedging activities. We consolidate the accounts of CHT with securitization. CHT's assets and liabilities are neither owned by nor held for our benefit. The beneficiaries of the trust, after payment of all obligations, are one or more charitable organizations.

Canada Mortgage Bonds (CMB)

Under the CMB Program, CHT, a special purpose trust, issues non-amortizing CMBs to investors and uses the proceeds to purchase NHA MBS issued under the NHA MBS program. Monthly cash flows from the amortizing NHA MBS are transformed via swaps into non-amortizing bond cash flows with fixed or floating rate interest payments and principal at maturity (a "bullet" payment). The timely payment of interest and principal on CMB to investors is guaranteed by CMHC and backed by the Government of Canada.

emili

A proprietary online automated mortgage loan insurance risk assessment and approval system we developed.

Investment in Affordable Housing 2011-2019 (IAH)

Since April 2011, new federal funding for affordable housing has been provided through the IAH. Originally announced as a three-year commitment (2011-2014), the IAH has been extended to 2019 for a total federal investment of more than $1.9 billion over eight years toward reducing the number of Canadians in housing need. Under the IAH, provinces and territories cost-match the federal investment and are responsible for program design and delivery.

Legal Framework for Canadian Registered Covered Bond Programs

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

Lending Programs

We provide loans to social housing groups, First Nations, provinces, territories and municipalities who sponsor federally-subsidized social housing. Our loan portfolio is comprised of a mix of renewable and non-renewable loans which may be on or off-reserve. Direct Lending is the current borrowing initiative we use to refinance our renewable loans as well as to finance new commitments on-reserve. Because we obtain funding for these loans through the Crown Borrowing Program, we can offer loans below market interest rates - at initiation or at renewal. This helps to reduce project operating costs, which in turn lowers federal subsidies for social housing. On Government of Canada direction, CMHC has also offered loans to support other housing-related purposes.

Mortgage-Backed Securities

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

Multi-unit Residential Loans

Loans for the construction, purchase and refinancing of Multi-unit Residential properties consisting of 5 or more units. These properties include rental buildings, licensed care facilities, retirement homes, affordable housing projects and purpose-built student housing.

National Housing Research Committee

The National Housing Research Committee, established in December 1986, is a long-standing committee made up of federal, provincial, industry, social housing and consumer representatives devoted to the advancement of housing research. Canada Mortgage and Housing Corporation co-chairs Full Committee meetings and most Working Groups, and provides the Secretariat.

Portfolio Loans

Pools of low ratio mortgages that are under repayment and secured by residential properties of 4 or fewer units. Unlike Transactional Homeowner Insurance, premiums are not passed on to the borrower.

Transactional Homeowner Insurance

Insurance against borrower default for loans secured by residential properties of 4 or fewer units at the time the loan is originated, the cost of which is paid to CMHC by lenders but usually passed on to the borrower. There are two types of Transactional Homeowner insured loans:

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

Annex C – Corporate-wide Stress Scenarios

Impacts of Three Deterministic Stress Testing Scenarios

The Corporate Plan baseline scenario is broadly consistent with a relatively stable economic environment over the five- year planning horizon. Our significant role in the Canadian housing and financial system requires us to continuously assess the Corporation's risk exposure and to update our capital and contingency management plan. For this purpose, management has selected three deterministic stress scenarios for our annual stress testing program, taking into consideration global economic and regulatory environments. Brief descriptions and impacts of the three scenarios are provided below.

Note: The stress scenarios are not forecasts of economic, financial, and operational conditions and events. They are extreme tail events, specifically designed to provide analytical avenues to estimate CMHC's potential maximum risk exposures and to help enhance mitigation measures.

Oil Price Shock Scenario

The scenario envisages an extreme fall in oil prices from current levels to US$35 per barrel by 2017 and sustained low prices over the next 5 years. The oil price shock is driven by supply-side factors and accompanied by a prolonged global recession.

Global Deflation Scenario

The scenario takes as a starting point sharp falls in the stock markets in major countries and house prices, against the background of a strongly deflationary environment in several countries. Given the magnitude of the economic turmoil, consumers and investors further delay their spending and investments. Monetary and fiscal responses are not successful in timely stimulating aggregate demand. Recovery does not start until 2020.

BC Earthquake Scenario

The scenario considers a 9.0-magnitude earthquake 75km off the west coast of Vancouver Island and 300km from Metro Vancouver area. About three minutes of shaking from the earthquake is felt by millions of people over a wide area including much of British Columbia and Washington State in the U.S. The earthquake brings down many unreinforced masonry buildings and older buildings. Critical infrastructures and services are disrupted, including Vancouver and Victoria International Airports, bridges and highways, and energy transmission and telecommunication system. Furthermore, it is assumed that the severe earthquake could threaten the financial viability of a regional financial institution.

Comparison to Previous Economic Recessions

In comparison with historical recessions, the 2015 Global Deflation Scenario assumes a severe and persistent economic downturn not seen since the great depression in 1930s, with a 59% Canadian stock market crash and an unemployment rate of 15.9%, unprecedented in the past half century. Compared with 1980s recessions, the oil price shock scenario has similar peak-to-trough changes in terms of real GDP, HPI and S&P/TSX levels, albeit with a much longer economic downturn.

The earthquake scenario will have some regional impacts for 1-2 quarters, with negligible macroeconomic impacts at the national level. The scenario's main economic indicators follow the regular economic trends, similar to the baseline scenario.

Results

With corporate–wide capital in excess of $17 billion at the end of 2014, CMHC is able to withstand the three deterministic stress scenarios, the most severe of which is the global deflation scenario due to the persistence and severity of unemployment and house price declines.

Annex D – Orders in Council

Order in Council on CMHC's Pension Plan (P.C. 2014-1380)

An Order in Council was issued in December 2014, indicating that CMHC should undertake the following:

"(a) to ensure that its pension plan will provide

(i) a 50:50 current service cost-sharing ratio between employee and employer for pension contributions, to be phased in for all members by December 31, 2017, and

(ii) for any employee hired on or after January 1, 2015, that the normal age of retirement is raised to 65 years and that the age at which retirement benefits are available, other than those received at the normal age of retirement, corresponds with the age at which they are available under the Public Service Pension Plan; and

(b) to outline its implementation strategy with respect to the commitments set out in paragraph (a) in its next corporate plan and subsequent corporate plans until the commitments are fully implemented."

We continue to take steps to ensure the long-term sustainability of our pension plan and to manage costs. Currently, the pension plan has two components: a defined benefit component for eligible employees hired before April 2013 and a defined contribution component, which came into effect for eligible employees as of April 2013. In late 2015, we announced a new defined benefit pension plan design for all CMHC employees, reflecting criteria of uniformity, risk sharing, competitiveness and cost control. The new pension plan responds to the 2014 Order in Council directive and will come into effect in January 2018. CMHC will also introduce changes to its post-employment benefits using the same criteria as the pension plan, effective January 2018.

Order in Council on Travel, Hospitality, Conference and Event Expenditure Policies

An Order in Council was issued in July 2015, directing CMHC:

"(a)to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with CMHC's legal obligations; and

(b)to report on the implementation of this directive in CMHC's next corporate plan."

An analysis was completed in July 2015 confirming that CMHC's policies are generally aligned with applicable Treasury Board requirements. However, full alignment and compliance with the directive will continue in 2016. Enhanced reporting and monitoring would follow in Q2 2016.

2016-2020
SUMMARY OF THE **CORPORATE PLAN**

Canada Mortgage and Housing Corporation (CMHC) has been helping Canadians meet their housing needs for more than 70 years.

As Canada's authority on housing, we contribute to the stability of the housing market and financial system, provide support for Canadians in housing need, and offer unbiased housing research and advice to Canadian governments, consumers and the housing industry. Prudent risk management, strong corporate governance and transparency are cornerstones of our operations.

Canada Mortgage and Housing Corporation offers a wide range of housing-related information. For more information, visit the Corporation's website at www.cmhc.ca or call 1-800-668-2642.

68500 08-04-16