ENBRIDGE INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

This Management's Discussion and Analysis (MD&A) dated July 29, 2016 should be read in conjunction with the unaudited financial statements and notes thereto of Enbridge Income Fund (the Fund) as at and for the three and six months ended June 30, 2016, prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). It should also be read in conjunction with the Fund's audited financial statements and notes thereto and MD&A for the year ended December 31, 2015.

The Fund is a member of the Fund Group which also includes Enbridge Commercial Trust (ECT), Enbridge Income Partners LP (EIPLP) and the subsidiaries and investees of EIPLP. The Fund owns a direct investment in ECT and an indirect investment in EIPLP. The financial performance of the Fund is underpinned by the results of EIPLP, which directly holds the underlying operating entities of the Fund Group. Enbridge Inc. (Enbridge), through its wholly-owned subsidiary Enbridge Management Services Inc. (EMSI or the Manager), is responsible for the operations and day-to-day management of the Fund Group. The Manager also provides administrative and general support services to the Fund Group.

The Fund is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta. The Fund, through its indirect investment in EIPLP, is involved in the transportation, storage and generation of energy. EIPLP owns interests in liquids transportation and storage assets, including the Canadian Mainline, a 50% interest in the Canadian and United States portions of the Alliance Pipeline, which transports natural gas, and interests in renewable and alternative power generation assets.

Unless otherwise noted, all financial information is presented in Canadian dollars. Additional information related to the Fund, including its Annual Information Form, is available on SEDAR at www.sedar.com. Additional information related to EIPLP, including its financial statements and MD&A, is also available on SEDAR under the Fund's profile.

THE 2015 TRANSACTION

On September 1, 2015, EIPLP acquired 100% interests in entities holding certain Canadian liquids pipelines, storage and renewable energy assets from Enbridge and certain of its subsidiaries for aggregate consideration of $30.4 billion plus incentive distribution and performance rights, less working capital adjustments (the 2015 Transaction).

The 2015 Transaction resulted in changes to the Fund's method of accounting for its investments in ECT and EIPLP from consolidation accounting to the equity method of accounting due to certain ownership and governance changes (the Accounting Impacts). These changes were applied prospectively from September 1, 2015, the closing date of the 2015 Transaction. The results of operations prior to September 1, 2015 were accounted for on a consolidated basis. As such, the comparative period balances do not follow the same method of accounting as the current period and therefore lack comparability.

ENBRIDGE INCOME FUND PERFORMANCE OVERVIEW

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
(millions of Canadian dollars, except per unit amounts)				
Earnings/(loss)[1]	**(19)**	34	**197**	104
Cash flow data				
Cash provided by operating activities	**102**	114	**255**	203
Cash provided by/(used in) by investing activities	**(1,095)**	16	**(1,157)**	(6)
Cash provided by/(used in) by financing activities	**993**	(110)	**902**	(117)

1 Earnings include consolidated results for all periods prior to September 1, 2015.

EARNINGS

The Fund recognized a loss of $19 million for the three months ended June 30, 2016 compared with earnings of $34 million for the three months ended June 30, 2015. Loss in the current quarter reflected reduced earnings at EIPLP, which underpins the Fund's equity investment earnings, primarily due to lower International Joint Tariff Residual Benchmark Toll and decreased throughput volumes in EIPLP's Liquids segment as a result of the northeastern Alberta wildfires which resulted in reduced oil sands production from facilities in the vicinity of Fort McMurray, Alberta. Production was curtailed longer than originally anticipated, given the severity and longevity of the wildfires and on average, EIPLP's mainline system deliveries were lower by approximately 255,000 barrels per day (bpd) during the months of May and June. This represents an approximate 10% decrease in throughput that EIPLP was delivering prior to the wildfires.

Earnings for the six months ended June 30, 2016 increased to $197 million compared to $104 million for the same period of 2015. The increase in earnings period-over-period resulted from the growth in the asset base of EIPLP as a result of the 2015 Transaction, partially offset by the Accounting Impacts discussed in *The 2015 Transaction*.

The Fund's equity investment earnings in each of the current periods were also impacted by a number of unusual, non-recurring or non-operating factors in EIPLP's earnings, most notably, changes in unrealized derivative fair value gains and losses and pipelines and facilities restart costs incurred as a result of the wildfires.

CASH FLOWS

Cash provided by operating activities during the second quarter and first half of 2016 reflected the impacts to earnings discussed above combined with cash distributions received from ECT. Despite the impacts to earnings, there were no corresponding impacts to the cash distributions received from the Fund's direct and indirect investments in ECT and EIPLP.

Cash provided by operating activities lacks comparability to the corresponding periods of 2015 given the Accounting Impacts.

Cash used in investing activities and cash provided by financing activities for the first half of 2016 reflect the issuance of ordinary trust units of the Fund (Fund Units), purchase of additional common units of ECT and increased Fund Unit distributions, as discussed in *Distributions* and *Liquidity and Capital Resources*.

DISTRIBUTIONS

The following table summarizes the cash distributions declared by the Fund for the six months ended June 30, 2016 and 2015 and the quarters therein.

	2016		2015	
	Distribution Rate[1]	Total	Distribution Rate[1]	Total
(millions of Canadian dollars, except distribution rate)				
Three months ended March 31,	**0.5376**	**103**	0.4723	38
Three months ended June 30,	**0.5376**	**117**	0.4723	37
Six months ended June 30,	**1.0752**	**220**	0.9446	75

1 Distributions are declared monthly and paid in cash in the following month.

For the three and six months ended June 30, 2016, the total distributions declared increased significantly over the comparable periods of 2015 as a result of an increased number of Fund Units outstanding following the 2015 Transaction and the second quarter 2016 equity issuance, as discussed in the *Liquidity and Capital Resources* section, as well as an increase in the distribution rate in January 2016.

FORWARD-LOOKING INFORMATION

Forward-looking information, or forward-looking statements, have been included in this MD&A to provide information about the Fund Group, including management's assessment of future plans and operations of the Fund Group. This information may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as "anticipate", "expect", "project", "estimate", "forecast", "plan", "intend", "target", "believe", "likely" and similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information or statements included or incorporated by reference in this document include, but are not limited to, statements with respect to the following: expected earnings/(loss); expected adjusted earnings/(loss), adjusted earnings/(loss) before interest and income taxes (adjusted EBIT) or expected available cash flow from operations (ACFFO); expected future cash flows; expectations regarding the impact of the wildfires in northeastern Alberta, including on adjusted EBIT and ACFFO; expected capital expenditures; future distributions to the Fund by ECT; and estimated future distributions and distribution targets.

Although the Fund believes these forward-looking statements are reasonable based on the information available on the date such statements are made and processes used to prepare the information, such statements are not guarantees of future performance and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties and other factors, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Material assumptions include assumptions about the following: the expected supply of and demand for crude oil, natural gas, natural gas liquids (NGL) and renewable energy; prices of crude oil, natural gas, NGL and renewable energy; exchange rates; inflation; interest rates; availability and price of labour and construction materials; operational reliability; customer and regulatory approvals; maintenance of support and regulatory approvals for the Fund Group's projects; anticipated in-service dates; weather; the impact of the wildfires in northeastern Alberta; the Fund Group's credit ratings; expected earnings/(loss); expected adjusted earnings/(loss) or adjusted EBIT; expected future cash flows and expected future ACFFO; and estimated future distributions. Assumptions regarding the expected supply of and demand for crude oil, natural gas, NGL and renewable energy, and the prices of these commodities, are material to and underlie all forward-looking statements. These factors are relevant to all forward-looking statements as they may impact current and future level of demand for the Fund Group's services. Similarly, exchange rates, inflation and interest rates impact the economies and business environments in which the Fund Group operates and may impact level of demand for the Fund Group's services and cost of inputs, and are therefore inherent in all forward-looking statements. Due to the interdependencies and correlation of these macroeconomic factors, the impact of any one assumption on a forward-looking statement cannot be determined with certainty, particularly with respect to expected earnings/(loss), adjusted earnings/(loss), adjusted EBIT, ACFFO or estimated future distributions. The most relevant assumptions associated with forward-looking statements on projects under construction, including estimated completion dates and expected capital expenditures include the following: the availability and price of labour and construction materials; the effects of inflation and foreign exchange rates on labour and material costs; the effects of interest rates on borrowing costs; the impact of weather; and customer and regulatory approvals on construction and in-service schedules.

The Fund Group's forward-looking statements are subject to risks and uncertainties pertaining to operating performance, regulatory parameters, project approval and support, weather, economic and competitive conditions, public opinion, changes in tax law and tax rate increases, exchange rates, interest rates, commodity prices and supply of and demand for commodities, including but not limited to those risks and uncertainties discussed in this MD&A and in the Fund Group's other filings with Canadian securities regulators. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent and the Fund Group's future course of action depends on management's assessment of all information available at the relevant time. Except to the extent required by applicable law, the Fund Group assumes no obligation to publicly update or revise any forward-looking statements made in this MD&A or otherwise, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to the Fund Group or persons acting on the Fund Group's behalf, are expressly qualified in their entirety by these cautionary statements.

NON-GAAP MEASURES

This MD&A contains references to the Fund's adjusted earnings, EIPLP adjusted earnings before interest and income taxes (EIPLP adjusted EBIT) and EIPLP available cash flow from operations (EIPLP ACFFO). The Fund's adjusted earnings represent the Fund's earnings adjusted for unusual, non-recurring or non-operating factors, including unusual, non-recurring or non-operating factors underpinning the Fund's indirect equity earnings of EIPLP. EIPLP adjusted EBIT represent EIPLP's earnings before interest and income taxes, respectively, adjusted for unusual, non-recurring or non-operating factors on a consolidated basis. These factors, referred to as adjusting items, are reconciled and discussed in *Non-GAAP Reconciliation – Fund Earnings to Fund Adjusted Earnings* and *Enbridge Income Partners LP Performance Overview*.

EIPLP ACFFO consists of EIPLP adjusted EBIT further adjusted for non-cash items, representing cash flow from EIPLP's underlying businesses, less deductions for maintenance capital expenditures, interest expense, applicable taxes and further adjusted for unusual, non-recurring or non-operating factors not indicative of the underlying or sustainable cash flows of the business. EIPLP ACFFO is important to partners as the Fund Group's objective is to provide a predictable flow of distributions to unitholders. EIPLP ACFFO represents EIPLP's cash available to fund distributions to partners as well as for debt repayments and reserves.

The Manager believes the presentation of the Fund's adjusted earnings, EIPLP adjusted EBIT and EIPLP ACFFO give useful information to partners and unitholders as they provide increased transparency and insight into the performance of the Fund Group. The Manager uses the Fund's adjusted earnings, EIPLP adjusted EBIT and EIPLP ACFFO to set targets, including the distribution payout target, and to assess the performance of the Fund Group. The Fund's adjusted earnings, EIPLP adjusted EBIT and EIPLP ACFFO are not measures that have standardized meanings prescribed by U.S. GAAP and are not considered U.S. GAAP measures. Therefore, these measures may not be comparable with similar measures presented by other issuers.

The tables below summarize the reconciliation of the GAAP and non-GAAP measures.

NON-GAAP RECONCILIATION – FUND EARNINGS TO FUND ADJUSTED EARNINGS

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
(millions of Canadian dollars)				
Earnings/(loss)[1]	**(19)**	34	**197**	104
Fund Adjusting items:				
Adjusting items at EIPLP[2]	**11**	-	**(164)**	-
Transaction costs[3]	**-**	11	**-**	12
Other[4]	**-**	8	**-**	(10)
Fund Adjusted earnings/(loss)	**(8)**	53	**33**	106

1 *See* The 2015 Transaction *section.*
2 *Represents ECT's portion of the unusual, non-recurring or non-operating items within earnings of EIPLP.*
3 *Includes transaction costs related to the 2015 Transaction. Transaction costs include fees primarily related to financial, technical and legal advisors.*
4 *Primarily includes changes in unrealized derivative fair value gains and losses and unrealized gains and losses on translation of a United States dollar intercompany loan for the three and six months ended June 30, 2015.*

The Fund recognized an adjusted loss of $8 million for the three months ended June 30, 2016 and adjusted earnings of $33 million for the six months ended June 30, 2016, compared with $53 million and $106 million, respectively, for the corresponding periods of 2015. The Fund's adjusted earnings were impacted by the same factors impacting earnings, discussed previously, however, the Fund also adjusted for ECT's portion of the unusual, non-recurring or non-operating items within earnings of EIPLP, the most noteworthy of which related to changes in unrealized derivative fair value gains and losses.

ENBRIDGE INCOME PARTNERS LP PERFORMANCE OVERVIEW

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
(millions of Canadian dollars, except per unit amounts)				
Earnings before interest and income taxes	**348**	715	**1,445**	297
Retrospective adjustments[1]	**-**	(580)	**-**	(41)
Changes in unrealized derivative fair value (gains)/loss	**17**	(19)	**(597)**	41
Other	**41**	(15)	**111**	(87)
EIPLP adjusted EBIT[2]	**406**	101	**959**	210
EIPLP ACFFO[2]	**437**	112	**1,006**	240
Distributions				
Class A unit distributions declared to ECT	**217**	121	**416**	242
Class A unit distribution per unit	**0.5667**	0.4938	**1.1252**	0.9876

1 *The impact of the retrospective adjustments related to the 2015 Transaction has been removed from EIPLP adjusted EBIT to reflect earnings generated under EIPLP's ownership prior to September 1, 2015. Retrospective adjustments also include the impacts of significant, unusual, non-recurring or non-operating factors included in the retrospectively adjusted amounts for U.S. GAAP purposes.*

2 *EIPLP adjusted EBIT and EIPLP ACFFO are non-GAAP measures that do not have a standardized meaning prescribed by U.S. GAAP. For more information, see* Non-GAAP Measures*.*

EIPLP Adjusted EBIT

The increase in EIPLP adjusted EBIT period-over-period is directly attributable to the significant increase of EIPLP's asset base following the 2015 Transaction. The most notable assets contributing incremental EIPLP adjusted EBIT were Canadian Mainline and Regional Oil Sands System.

EIPLP ACFFO

Similar to adjusted EBIT, the increase in EIPLP ACFFO was driven by the significant increase of EIPLP's asset base following the 2015 Transaction. The respective increases were partially offset by higher maintenance capital expenditures, higher interest expense and higher adjusted income taxes expense in 2016, all resulting from increased business activity associated with the increased asset base. The impact of the northeastern Alberta wildfires, also partially offset the increase in EIPLP's ACFFO. Maintenance capital expenditures are expected to further increase in the second half of 2016.

EIPLP Distributions

EIPLP declares distributions to its partners on a monthly basis. The period-over-period increase in the distributions declared to ECT is attributable to the units issued in connection with the 2015 Transaction and an increase in the distribution rate in 2016. The distributions received by ECT are used to fund the fees and distributions payable to its unitholders, Enbridge and the Fund.

LIQUIDITY AND CAPITAL RESOURCES

In keeping with its low risk value proposition, the Fund actively monitors and manages exposure to financial risks. The Fund's financing strategy is to maintain strong, investment grade credit ratings and ongoing access to capital markets. To protect against more severe market disruptions, the Manager targets to maintain sufficient liquidity in the form of committed standby credit facilities to finance anticipated operating and capital requirements for at least a year without having to access long-term capital markets.

SOURCES AND USES OF CASH

The Fund's primary uses of cash are distributions to unitholders, investments, administrative expense and interest and principal repayments on the Fund's long-term debt. Liquidity can be met through a variety of sources including cash distributions from ECT, new offerings of debt and equity, draws under the Fund's committed standby credit facilities, as well as loans from affiliates. The Fund maintains a current shelf prospectus for medium-term notes (MTNs) with Canadian securities regulators, which enables ready access to Canadian public capital markets, subject to market conditions.

Long-term Debt
Long-term debt consists of MTNs and a committed credit facility. As at June 30, 2016, the Fund had a $1,500 million committed credit facility, of which $400 million was drawn and letters of credit totalled $11 million, leaving $1,089 million unutilized as at June 30, 2016. The Fund must adhere to covenants under its credit facility agreement, including covenants that limit outstanding debt to a percentage of the Fund's and EIPLP's capitalization. The Fund was in compliance with all covenants as at June 30, 2016.

Equity
During the second quarter of 2016, Enbridge Income Fund Holdings Inc. (ENF) completed a public equity offering of 20.4 million common shares at a price of $28.25 per share (the Offering Price) for gross proceeds of $575 million. Concurrent with the closing of the equity offering, Enbridge subscribed for 5.1 million ENF common shares at the Offering Price, for total proceeds of $143 million, on a private placement basis. ENF used the proceeds from the sale of its common shares to subscribe for 25.4 million Fund Units at the Offering Price for gross proceeds of $718 million.

For the three and six months ended June 30, 2016, ENF retained approximately $14 million and $19 million, respectively, of cash in respect of reinvested dividends from its Dividend Reinvestment and Share Purchase Plan and used the proceeds to purchase 0.5 million and 0.7 million Fund Units, respectively, for gross proceeds equal to the approximate amount of cash retained.

Investments
Also during the second quarter of 2016, the Fund used the proceeds from the Fund Unit issuances, discussed above, to invest in 25.4 million ECT common units for gross proceeds of $718 million. In turn, ECT used the proceeds to invest in 25.4 million Class A units of EIPLP, increasing the Fund's indirect investment in EIPLP to 46.0%. EIPLP used the proceeds to fund the secured capital growth projects within the Fund Group.

Distributions
As discussed in *Enbridge Income Fund Performance Overview – Distributions*, effective with the January 2016 distribution, the Fund's monthly distribution rate increased to $0.1792 per Fund Unit.

ANALYSIS OF CASH DISTRIBUTIONS DECLARED

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
(millions of Canadian dollars)				
Cash provided by operating activities[1]	**102**	114	**255**	203
Earnings/(loss)[1]	**(19)**	34	**197**	104
Cash distributions declared	**117**	79	**220**	158
Excess/(shortfall) of cash provided by operating activities over cash distributions declared	**(15)**	35	**35**	45
Shortfall of earnings over cash distributions declared	**(136)**	(45)	**(23)**	(54)

1 *For the six months ended June 30, 2016, Cash provided by operating activities and Earnings reflect the Accounting Impacts of the 2015 Transaction, as discussed in* The 2015 Transaction*.*

For the three months ended June 30, 2016 cash distributions declared exceeded cash provided by operating activities by $15 million (2015 - $35 million excess of cash provided by operating activities over cash distributions declared). For the six months ended June 30, 2016, cash provided by operating activities exceeded cash distributions declared by $35 million (2015 - $45 million), respectively. Cash provided by operating activities includes the cash distributions received from the Fund's equity investments which may not be reflective of the income from the Fund's equity investments. Cash distributions received from the Fund's investments is the primary source of cash flow the Fund uses to pay distributions to its unitholders and service its long-term debt.

Shortfall of earnings over cash distributions declared were $136 million (2015 - $45 million) and $23 million (2015 - $54 million) in excess of cash distributions for the three and six months ended June 30, 2016, respectively. Earnings reflected non-cash items such as income from equity investments and amortization of deferred financing costs for the second quarter of 2016. The comparative year also reflected depreciation, deferred income taxes and changes in unrealized derivative fair value gains and losses, all of which do not impact cash flow.

QUARTERLY FINANCIAL INFORMATION

	2016		2015				2014	
	Q2	Q1	Q4	Q3[1]	Q2	Q1	Q4	Q3
(millions of Canadian dollars)								
Revenues	**-**	-	-	73	112	113	102	99
Income from equity investments[2,3]	**5**	238	28	1	47	39	34	33
Earnings/(loss)[3]	**(19)**	216	2	14	34	70	26	35
Cash distributions received in excess of/(less than) equity earnings	**123**	(98)	100	78	(9)	(8)	4	4
Cash distributions declared	**117**	103	86	79	79	79	72	56
Cash distributions declared per unit	**0.5376**	0.5376	0.4723	0.4723	0.4723	0.4723	0.4500	0.4058

1 *The third quarter of 2015 includes one month accounted for on a consolidated basis and two months accounted for on an equity method basis as a result of the Accounting Impacts.*

2 *Includes income from the Fund's investment in ECT subsequent to the close of the 2015 Transaction and income from the Fund's investment in Alliance Pipeline prior to the close of the 2015 Transaction recorded within Income from equity investment in ECT and Income from other equity investments on the Statements of Earnings.*

3 *Income from equity investments and Earnings for 2014 have been retrospectively adjusted to furnish comparative information related to the acquisition of Enbridge's 50% interest in the United States portion of the Alliance Pipeline.*

As a result of the Accounting Impacts of the 2015 Transaction, quarterly information presented for periods prior to the close of the 2015 Transaction on September 1, 2015 are presented on a consolidated basis and quarterly information presented for periods subsequent to the close of the 2015 Transaction are presented on an equity method basis. Further, cash distributions declared prior to September 1, 2015 include distributions on both the Fund Units and ECT Preferred Units. Subsequent to September 1, 2015, cash distributions declared include only distributions on the Fund Units.

Therefore, the Fund's quarterly results before and after September 1, 2015 lack comparability and the analysis of the quarterly results described below has been segregated between the equity method basis period and the consolidated basis period.

EQUITY METHOD BASIS

Several factors impact comparability of the Fund's financial results on a quarterly basis through its indirect investment in EIPLP, including, but not limited to, fluctuations in market prices such as foreign exchange rates and commodity prices, disposals of investments or assets and the timing of in-service dates of new projects.

EIPLP actively manages its exposure to market risks including, but not limited to, interest rates, commodity prices and foreign exchange rates. To the extent derivative instruments used to manage these risks are non-qualifying for the purposes of applying hedge accounting, changes in unrealized derivative fair value gains and losses on these instruments will impact earnings.

In addition to the impacts of changes in unrealized derivative fair value gains and losses outlined above, significant items that have impacted quarterly financial information are as follows:

- The second quarter of 2016 includes reduced equity earnings from EIPLP due to the northeastern Alberta wildfires. Also in the second quarter of 2016, the Fund issued 25.4 million Fund Units increasing the total cash distributions declared.
- In the first quarter of 2016, the monthly Fund Unit distribution rate increased to $0.1792 commencing with the January 2016 distribution.
- In the fourth quarter of 2015, cash distributions received from the Fund's investment in ECT were in excess of the equity earnings received from the same investment reflecting the significant cash generating ability in the underlying asset base.
- In the third quarter of 2015, revenues and earnings for the period decreased due to the Accounting Impacts.

CONSOLIDATED BASIS

Significant items that have impacted quarterly financial information are as follows:

- In the second quarter of 2015, the Fund realized a second full quarter of benefits from the transaction with Enbridge which was completed in late 2014 (the 2014 Transaction).
- In the first quarter of 2015, the Fund realized a full quarter of benefits from the 2014 Transaction. Earnings also included the benefit of favourable foreign exchange on the translation of a United States dollar denominated intercompany loan partially offset by unrealized derivative fair value losses.
- In the fourth quarter of 2014, the Fund issued 13.9 million Fund Units and ECT issued 15.2 million ECT Preferred Units to partially finance the 2014 Transaction. As a result, the Fund had higher earnings and increased its monthly distribution per unit to $0.1574 commencing with the November 2014 distribution.
- In the third quarter of 2014, the Fund incurred $5 million of advisory fees and recorded an after-tax unrealized gain of $9 million on foreign exchange in connection with the 2014 Transaction.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Maintaining a reliable and low risk business model is central to the Fund Group's objective of paying out a predictable cash flow to unitholders. The Fund Group actively manages both financial and non-financial risk exposures. The Fund Group performs an annual corporate risk assessment to identify all potential risks. Risks are ranked based on severity and likelihood both before and after mitigating actions. In addition, the Fund Group has adopted a Cash Flow at Risk (CFAR) policy to manage exposure to movements in interest rates, foreign exchange rates and commodity prices. CFAR is a statistically derived measurement that quantifies the maximum adverse impact on cash flows over a specified period of time within a pre-defined level of statistical confidence. The Fund Group's CFAR limit has been set at 2.5% of forward annual ACFFO of the Fund Group.

The Fund's earnings, cash flows and Other comprehensive income/(loss) (OCI) are subject to movements in interest rates. The Fund uses a combination of qualifying and non-qualifying derivative instruments to manage these risks. Refer to the Fund's 2015 Annual MD&A for further details on financial instrument risk management.

THE EFFECT OF DERIVATIVE INSTRUMENTS ON THE STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

The following table presents the effect of cash flow hedges on the Fund's earnings and comprehensive income.

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
(millions of Canadian dollars)				
Amount of unrealized gains/(loss) recognized in OCI				
Cash flow hedges				
Interest rate contracts	**(44)**	10	**(111)**	(9)
Foreign exchange contracts	**-**	-	**-**	1
Commodity contracts	**-**	(2)	**-**	-
	(44)	8	**(111)**	(8)
Amount of (gains)/loss reclassified from Accumulated other comprehensive income (AOCI) to earnings *(effective portion)*				
Interest rate contracts[2]	**2**	1	**3**	2
Commodity contracts[3]	**-**	-	**-**	(1)
	2	1	**3**	1
Amount of loss reclassified from AOCI to earnings *(ineffective portion and amount excluded from effectiveness testing)*				
Interest rate contracts[2]	**2**	-	**2**	-
Amount of unrealized gains/(loss) from non-qualifying derivatives included in earnings				
Foreign exchange contracts[1]	**-**	19	**-**	(41)
	-	19	**-**	(41)

1 Reported within Other income in the Statements of Earnings.
2 Reported within Interest expense in the Statements of Earnings.
3 Reported within Electricity sales revenues in the Statements of Earnings.

LIQUIDITY RISK

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations, including commitments and guarantees, as they become due. In order to mitigate this risk, the Fund forecasts cash requirements over the near and long term to determine whether sufficient funds will be available when required. The Fund's primary sources of liquidity and capital resources are funds generated from its indirect investment in EIPLP, draws under committed credit facilities, issuances of MTNs and the issuance of Fund Units. The Fund also maintains a current MTN shelf prospectus with Canadian securities regulators, which enables, subject to market conditions, ready access to Canadian public capital markets. Additional liquidity, if necessary, is expected to be available through intercompany transactions with Enbridge or other related entities.

CREDIT RISK

Entering into derivative financial instruments may result in exposure to credit risk. Credit risk arises from the possibility that a counterparty will default on its contractual obligations. The Fund enters into risk management transactions only with institutions that possess investment grade credit ratings. Credit risk relating to derivative counterparties is mitigated by credit exposure limits and contractual requirements, netting arrangements and ongoing monitoring of counterparty credit exposure using external credit rating services and other analytical tools.

CHANGES IN ACCOUNTING POLICIES

ADOPTION OF NEW STANDARDS

Simplifying the Presentation of Debt Issuance Costs

Effective January 1, 2016, the Fund adopted Accounting Standards Update (ASU) 2015-03 on a retrospective basis which, as at December 31, 2015, resulted in a decrease in Deferred amounts and other assets of $7 million and a corresponding decrease in Long-term debt of $7 million. The new standard requires debt issuance costs related to a recognized debt liability to be presented in the Statements of Financial Position as a direct deduction from the carrying amount of that debt liability, consistent with the presentation of debt discounts or premiums. Further, effective January 1, 2016, the Fund adopted ASU 2015-15 which clarifies that debt issuance costs associated with line-of-credit arrangements may be deferred as an asset and subsequently amortized over the term of the arrangement. The adoption of ASU 2015-15 did not have a material impact on the Fund’s financial statements.

Amendments to the Consolidation Analysis

Effective January 1, 2016, the Fund adopted ASU 2015-02 on a modified retrospective basis, which amended and clarified the guidance on variable interest entities (VIEs). There was a significant change in the assessment of limited partnerships and other similar legal entities as VIEs, including the removal of the presumption that the general partner should consolidate a limited partnership. As a result, the Fund has determined that the limited partnership that is currently equity accounted for is a VIE. The amended guidance did not impact the Fund’s accounting treatment of the entity, however, material disclosures for VIEs have been provided, as necessary.

Development Stage Entities

Effective January 1, 2016, the Fund adopted ASU 2014-10, relating to the amendment eliminating the exception to the sufficiency of equity at risk criteria for development stage entities on a retrospective basis. The new criteria amended the consolidation guidance to eliminate the development stage entity relief when applying the VIE model and evaluating the sufficiency of equity at risk. The adoption of the pronouncement did not have a material impact on the Fund’s financial statements.

FUTURE ACCOUNTING POLICY CHANGES

Simplifying the Equity Method of Accounting

ASU 2016-07 was issued in March 2016 with the intent of simplifying the equity method of accounting by eliminating the requirement to retrospectively apply the equity method to an investment that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. Consequently, the equity method of accounting will be applied prospectively from the date significant influence is obtained. The cost of acquiring an additional interest in the investee, if any, will be added to the current basis of the previously held interest. For available-for-sale securities that become eligible for the equity method of accounting, any unrealized gain or loss recorded within AOCI will be recognized in earnings on the date the investment initially qualifies for the use of the equity method. The Fund is currently assessing the impact of the new standard on its financial statements. The accounting update is effective for annual and interim periods beginning on or after December 15, 2016 and is to be applied prospectively.

Derivative Contract Novations on Existing Hedge Accounting Relationships
ASU 2016-05 was issued in March 2016 with the intent of clarifying that a change in one of the counterparties to the derivative instrument does not require de-designation of that hedge accounting relationship provided that all other hedge accounting criteria continue to be met. The Fund is currently assessing the impact of the new standard on its financial statements. The accounting update is effective for annual and interim periods beginning on or after December 15, 2016 and may be applied on a prospective or modified retrospective basis.

FUND OWNERSHIP

The following table presents ownership of the Fund:

	As at July 29, 2016
(number of Fund Units outstanding)	
Held by Enbridge	94,150,000
Held by ENF	123,437,756
	217,587,756

ENBRIDGE INCOME FUND

FINANCIAL STATEMENTS
(unaudited)

June 30, 2016

STATEMENTS OF EARNINGS

	Three months ended June 30,		Six months ended June 30,	
	2016	2015[1]	**2016**	2015[1]
(unaudited; millions of Canadian dollars)				
Revenues				
Transportation and other services	**-**	65	**-**	126
Electricity sales	**-**	47	**-**	99
	-	112	**-**	225
Expenses				
Operating and administrative	**-**	31	**1**	48
Operating and administrative - affiliate	**-**	21	**-**	43
Depreciation and amortization	**-**	35	**-**	70
	-	87	**1**	161
	-	25	**(1)**	64
Income from equity investment in Enbridge Commercial Trust *(Note 3)*	**5**	-	**243**	-
Income from other equity investments	**-**	47	**-**	86
Other income	**-**	24	**1**	36
Other income - affiliate	**4**	19	**8**	38
Interest expense	**(28)**	(26)	**(54)**	(52)
	(19)	89	**197**	172
Income taxes	**-**	(55)	**-**	(68)
Earnings/(loss) attributable to unitholders	**(19)**	34	**197**	104

See accompanying notes to the unaudited interim financial statements.

1 Reflects the accounting in effect prior to the close of the 2015 Transaction (Note 1).

STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended June 30,		Six months ended June 30,	
	2016	2015[1]	**2016**	2015[1]
(unaudited; millions of Canadian dollars)				
Earnings/(loss)	**(19)**	34	**197**	104
Other comprehensive income/(loss), net of tax				
Change in unrealized gain/(loss) on cash flow hedges *(Note 4)*	**(43)**	8	**(110)**	(8)
Other comprehensive loss from equity investee *(Note 3)*	**(37)**	-	**(97)**	-
Reclassification to earnings of realized cash flow hedges *(Note 4)*	**2**	2	**3**	2
Reclassification to earnings of unrealized cash flow hedges *(Note 4)*	**2**	-	**2**	-
Change in foreign currency translation adjustment	**-**	(7)	**-**	29
Other comprehensive income/(loss)	**(76)**	3	**(202)**	23
Comprehensive income/(loss) attributable to unitholders	**(95)**	37	**(5)**	127

See accompanying notes to the unaudited interim financial statements.

1 Reflects the accounting in effect prior to the close of the 2015 Transaction (Note 1).

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

Six months ended June 30,	**2016**	2015[1]
(unaudited; millions of Canadian dollars)		
Deficit		
Balance at beginning of period	**(5,171)**	(5,752)
Earnings attributable to unitholders	**197**	104
Enbridge Commercial Trust preferred unit distributions	**-**	(83)
Distributions to trust unitholders	**(220)**	(75)
Redemption value adjustment attributable to Enbridge Commercial Trust preferred units	**-**	520
Redemption value adjustment attributable to trust units *(Note 5)*	**(876)**	474
Equity investment dilution loss, net *(Note 3)*	**(198)**	-
Adjustment to Enbridge Income Partners LP's excess purchase price over historical carrying value acquired *(Note 3)*	**(6)**	-
Balance at end of period	**(6,274)**	(4,812)
Accumulated other comprehensive loss		
Balance at beginning of period	**(108)**	(32)
Other comprehensive income/(loss), net of tax	**(202)**	23
Balance at end of period	**(310)**	(9)
Total unitholders' deficit	**(6,584)**	(4,821)

See accompanying notes to the unaudited interim financial statements.

1 Reflects the accounting in effect prior to the close of the 2015 Transaction (Note 1).

STATEMENTS OF CASH FLOWS

	Three months ended June 30, 2016	Three months ended June 30, 2015[1]	Six months ended June 30, 2016	Six months ended June 30, 2015[1]
(unaudited; millions of Canadian dollars)				
Operating activities				
Earnings/(loss)	**(19)**	34	**197**	104
Depreciation and amortization	**-**	35	**-**	70
Cash distributions in excess of/(less than) equity earnings *(Note 3)*	**123**	(9)	**25**	(17)
Deferred income taxes	**-**	42	**-**	48
Changes in unrealized derivative instrument fair value, net *(Note 4)*	**-**	(19)	**-**	41
Unrealized (gains)/loss on translation of United States dollar intercompany loan receivable	**-**	16	**-**	(55)
Gain on disposition of certain assets help by Enbridge Income Partners LP	**-**	(22)	**-**	(22)
Other	**3**	-	**4**	-
Changes in operating assets and liabilities	**(5)**	37	**29**	34
	102	114	**255**	203
Investing activities				
Acquisition of long-term investment	**(718)**	-	**(718)**	-
Affiliate loans, net	**(377)**	-	**(439)**	-
Additions to property, plant and equipment	**-**	(14)	**-**	(29)
Proceeds from disposition	**-**	26	**-**	26
Long-term receivable from affiliates	**-**	5	**-**	(2)
Contributions to equity investees	**-**	(1)	**-**	(1)
	(1,095)	16	**(1,157)**	(6)
Financing activities				
Net change in bank indebtedness	**(3)**	29	**-**	18
Net change in credit facility draws	**400**	(65)	**400**	(45)
Affiliate loans, net	**-**	5	**-**	8
Trust units issued, net *(Note 5)*	**708**	-	**713**	-
Enbridge Commercial Trust preferred unit distributions	**-**	(42)	**-**	(83)
Trust unit distributions declared	**(117)**	(37)	**(220)**	(75)
Change in distributions payable	**5**	-	**9**	-
	993	(110)	**902**	(177)
Increase in cash and cash equivalents	**-**	20	**-**	20
Cash and cash equivalents at beginning of period	**-**	29	**-**	29
Cash and cash equivalents at end of period	**-**	49	**-**	49

See accompanying notes to the unaudited interim financial statements.

1 Reflects the accounting in effect prior to the close of the 2015 Transaction (Note 1).

STATEMENTS OF FINANCIAL POSITION

	June 30, 2016	December 31, 2015
(unaudited; millions of Canadian dollars)		
Assets		
Current assets		
Demand notes receivable from Enbridge Commercial Trust	**890**	451
Accounts receivable from affiliates	**45**	72
Current portion of derivative assets *(Note 4)*	**2**	-
Current portion of derivative assets from affiliates *(Note 4)*	**15**	22
	952	545
Long-term notes receivable from Enbridge Commercial Trust	**196**	196
Long-term investment *(Note 3)*	**2,173**	1,781
Long-term portion of derivative assets *(Note 4)*	**1**	105
Long-term portion of derivative assets from affiliates *(Note 4)*	**78**	-
Deferred amounts and other assets	**-**	1
	3,400	2,628
Liabilities and unitholders' equity		
Current liabilities		
Interest payable	**19**	20
Current portion of derivative liabilities *(Note 4)*	**18**	25
Current portion of derivative liabilities to affiliates *(Note 4)*	**91**	17
Other accounts payable	**3**	1
Distributions payable to affiliates	**39**	30
Current maturities of long-term debt	**430**	330
	600	423
Long-term debt	**2,368**	2,067
Long-term portion of derivative liabilities *(Note 4)*	**145**	147
Long-term portion of derivative liabilities to affiliates *(Note 4)*	**15**	3
Other long-term liabilities	**1**	1
	3,129	2,641
Trust units *(Note 5)*	**6,855**	5,266
	6,855	5,266
Unitholders' deficit		
Deficit	**(6,274)**	(5,171)
Accumulated other comprehensive loss	**(310)**	(108)
	(6,584)	(5,279)
	3,400	2,628

See accompanying notes to the unaudited interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of Enbridge Income Fund (the Fund) have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements and should be read in conjunction with the Fund's financial statements and notes thereto for the year ended December 31, 2015. In the opinion of management, the interim financial statements contain all adjustments, consisting only of normal recurring adjustments, which management considers necessary to present fairly the Fund's financial position as at June 30, 2016 and results of operations and cash flows for the three and six month periods ended June 30, 2016 and 2015. These interim financial statements follow the same significant accounting policies as those included in the Fund's audited financial statements as at and for the year ended December 31, 2015, except for the adoption of new standards *(Note 2)*. Amounts are stated in Canadian dollars unless otherwise noted.

THE 2015 TRANSACTION
On September 1, 2015, Enbridge Income Partners LP (EIPLP) acquired 100% interests in entities holding certain Canadian liquids pipelines, storage and renewable energy assets from Enbridge Inc. (Enbridge) and certain of its subsidiaries for aggregate consideration of $30.4 billion plus incentive distribution and performance rights, less working capital adjustments (the 2015 Transaction).

The 2015 Transaction resulted in changes to the Fund's method of accounting for its investments in Enbridge Commercial Trust (ECT) and EIPLP from consolidation accounting to equity method accounting due to certain ownership and governance changes. These changes were applied prospectively from September 1, 2015, the closing date of the 2015 Transaction. The results of operations prior to September 1, 2015 were accounted for on a consolidated basis.

2. CHANGES IN ACCOUNTING POLICIES

ADOPTION OF NEW STANDARDS
Simplifying the Presentation of Debt Issuance Costs
Effective January 1, 2016, the Fund adopted Accounting Standards Update (ASU) 2015-03 on a retrospective basis which, as at December 31, 2015, resulted in a decrease in Deferred amounts and other assets of $7 million and a corresponding decrease in Long-term debt of $7 million. The new standard requires debt issuance costs related to a recognized debt liability to be presented in the Statements of Financial Position as a direct deduction from the carrying amount of that debt liability, consistent with the presentation of debt discounts or premiums. Further, effective January 1, 2016, the Fund adopted ASU 2015-15 which clarifies that debt issuance costs associated with line-of-credit arrangements may be deferred as an asset and subsequently amortized over the term of the arrangement. The adoption of ASU 2015-15 did not have a material impact on the Fund's financial statements.

Amendments to the Consolidation Analysis
Effective January 1, 2016, the Fund adopted ASU 2015-02 on a modified retrospective basis, which amended and clarified the guidance on variable interest entities (VIEs). There was a significant change in the assessment of limited partnerships and other similar legal entities as VIEs, including the removal of the presumption that the general partner should consolidate a limited partnership. As a result, the Fund has determined that the limited partnership that is currently equity accounted for is a VIE. The amended guidance did not impact the Fund's accounting treatment of the entity, however, material disclosures for VIEs have been provided, as necessary.

Development Stage Entities
Effective January 1, 2016, the Fund adopted ASU 2014-10, relating to the amendment eliminating the exception to the sufficiency of equity at risk criteria for development stage entities on a retrospective basis. The new criteria amended the consolidation guidance to eliminate the development stage entity relief when applying the VIE model and evaluating the sufficiency of equity at risk. The adoption of the pronouncement did not have a material impact on the Fund's financial statements.

FUTURE ACCOUNTING POLICY CHANGES
Simplifying the Equity Method of Accounting
ASU 2016-07 was issued in March 2016 with the intent of simplifying the equity method of accounting by eliminating the requirement to retrospectively apply the equity method to an investment that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. Consequently, the equity method of accounting will be applied prospectively from the date significant influence is obtained. The cost of acquiring an additional interest in the investee, if any, will be added to the current basis of the previously held interest. For available-for-sale securities that become eligible for the equity method of accounting, any unrealized gain or loss recorded within Accumulated other comprehensive income/(loss) (AOCI) will be recognized in earnings on the date the investment initially qualifies for the use of the equity method. The Fund is currently assessing the impact of the new standard on its financial statements. The accounting update is effective for annual and interim periods beginning on or after December 15, 2016 and is to be applied prospectively.

Derivative Contract Novations on Existing Hedge Accounting Relationships
ASU 2016-05 was issued in March 2016 with the intent of clarifying that a change in one of the counterparties to the derivative instrument does not require de-designation of that hedge accounting relationship provided that all other hedge accounting criteria continue to be met. The Fund is currently assessing the impact of the new standard on its financial statements. The accounting update is effective for annual and interim periods beginning on or after December 15, 2016 and may be applied on a prospective or modified retrospective basis.

3. LONG-TERM INVESTMENT

INVESTMENT IN ENBRIDGE COMMERCIAL TRUST
ECT is a VIE as the holders of the common units of ECT lack decision making abilities. Enbridge has the power to make decisions which impact ECT's performance and therefore, the Fund is not considered the primary beneficiary of ECT and equity accounts for its investment in ECT.

As at June 30, 2016, the Fund's maximum exposure to loss is limited to the carrying amount of its equity investment in ECT, which is $2,173 million (December 31, 2015 - $1,781 million). ECT's assets consist primarily of an equity investment in EIPLP and affiliate receivables. ECT's liabilities are primarily comprised of preferred units of ECT (ECT Preferred Units), held by Enbridge, and affiliate loans. As at June 30, 2016, the carrying value of ECT's assets was $4,927 million and the carrying value of its liabilities was $2,754 million.

	June 30, 2016	December 31, 2015
(millions of Canadian dollars)		
Investment balance at beginning of period[1]	**1,781**	1,568
Investment acquired	**718**	3,874
Reversal of redemption value adjustment attributable to ECT Preferred Units	**-**	1,260
The 2015 Transaction adjustments:		
Equity true-up - September 1, 2015	**-**	2,866
EIPLP's excess purchase price over historical carrying value acquired	**(6)**	(7,259)
Equity investment other comprehensive loss	**-**	(32)
Other	**-**	(16)
Equity investment income	**243**	7
Equity investment other comprehensive loss	**(97)**	(3)
Equity investment dilution loss, net	**(198)**	(316)
Distributions	**(268)**	(168)
Investment balance at end of period	**2,173**	1,781

1 *Opening balance for 2015 as at September 1, 2015, following the change in accounting of ECT from consolidation to equity method accounting.*

At June 30, 2016 the Fund owned 305.7 million common units of ECT (December 31, 2015 - 280.3 million common units of ECT), which is all of ECT's issued and outstanding common units. Prior to September 1, 2015, ECT was a subsidiary of the Fund and was consolidated.

INDIRECT INVESTMENT IN EIPLP

EIPLP is considered a VIE as its limited partners lack substantive kick-out rights and participating rights. As the Fund does not have the power to direct the activities that most significantly impact EIPLP's economic performance, the Fund is not considered the primary beneficiary of EIPLP.

As the Fund does not directly own an interest in EIPLP, its maximum exposure to loss equates to its indirect investment in EIPLP through the ownership of ECT. At June 30, 2016, the Fund, through its 100% common unit ownership of ECT, owned 382.2 million (December 31, 2015 - 356.8 million) of EIPLP's issued and outstanding EIPLP Class A units, representing an indirect ownership of 46.0% (2015 - 44.5%) of EIPLP's total issued and outstanding common units.

	June 30, 2016	December 31, 2015
(millions of Canadian dollars)		
Investment balance at beginning of period[1]	**3,902**	3,086
Investment acquired	**718**	3,874
The 2015 Transaction adjustments:		
Equity true-up - September 1, 2015	**-**	4,687
EIPLP's excess purchase price over historical carrying value acquired	**(6)**	(7,259)
Equity investment other comprehensive loss	**-**	(32)
Other	**-**	(16)
Equity investment income	**403**	104
Equity investment other comprehensive loss	**(97)**	(3)
Equity investment dilution gain/(loss), net	**(198)**	(316)
Distributions	**(416)**	(223)
Investment balance at end of period	**4,306**	3,902

1 *Opening balance for 2015 as at September 1, 2015, following the change in accounting of ECT from consolidation to equity method accounting.*

Summarized financial information of EIPLP accounted for under the equity method was as follows:

	Three months ended June 30,	Six months ended June 30,
	2016	**2016**
(millions of Canadian dollars)		
Revenues	**742**	**2,282**
Earnings	**250**	**1,030**

	June 30, 2016	December 31, 2015
(millions of Canadian dollars)		
Current assets	**836**	794
Property, plant and equipment, net	**21,995**	21,064
Other non-current assets	**3,831**	3,776
Current liabilities	**2,455**	1,928
Long-term debt	**5,543**	5,575
Other non-current liabilities	**9,301**	9,368

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

MARKET RISK

The Fund's earnings, cash flows and other comprehensive income (OCI) are subject to movements in interest rates, foreign exchange rates and commodity prices (collectively, market risk). Formal risk management policies, processes and systems have been designed to mitigate these risks.

The following summarizes the types of market risks to which the Fund is exposed and the risk management instruments used to mitigate them.

Interest Rate Risk

The Fund's earnings, cash flows and OCI are exposed to short term interest rate variability due to the regular repricing of its variable rate debt, primarily credit facilities. Floating to fixed interest rate swaps are used to hedge against the effect of future interest rate movements. The Fund has implemented a program to mitigate the volatility of short-term interest rates on interest expense with the execution of floating to fixed rate interest rate swaps at an average swap rate of 2.3%.

The Fund's earnings, cash flows and OCI are also exposed to variability in longer term interest rates ahead of anticipated fixed rate debt issuances. Forward starting interest rate swaps may be used to hedge against the effect of future interest rate movements. The Fund has implemented a program to mitigate its exposure to long-term interest rate variability on select forecast term debt issuances with the execution of floating to fixed interest rate swaps at an average swap rate of 2.8%.

The Fund uses qualifying derivative instruments to manage interest rate risk.

TOTAL DERIVATIVE INSTRUMENTS

The following table summarizes the Statements of Financial Position location, carrying value and fair value of the Fund's derivative instruments. The Fund did not have any outstanding fair value hedges or net investment hedges as at June 30, 2016 or December 31, 2015.

The Fund enters into individual International Swaps and Derivatives Association, Inc. agreements, or other similar derivative agreements, with certain of its derivative counterparties. These agreements provide for the net settlement of derivative instruments outstanding with specific counterparties in the event of bankruptcy or other significant credit event, and would reduce the Fund's credit risk exposure on derivative asset positions outstanding with the counterparties in these particular circumstances. The following table also summarizes the maximum potential settlement in the event of these specific circumstances. All amounts are presented gross in the Statements of Financial Position.

June 30, 2016	Derivative Instruments used as Cash Flow Hedges	Non-Qualifying Derivative Instruments	Total Gross Derivative Instruments as Presented	Amounts Available for Offset	Total Net Derivative Instruments
(millions of Canadian dollars)					
Current portion of derivative assets					
Foreign exchange contracts	**-**	**2**	**2**	**-**	**2**
	-	**2**	**2**	**-**	**2**
Current portion of derivative assets – affiliates					
Foreign exchange contracts	**-**	**15**	**15**	**(2)**	**13**
	-	**15**	**15**	**(2)**	**13**
Long-term portion of derivative assets					
Foreign exchange contracts	**-**	**1**	**1**	**-**	**1**
	-	**1**	**1**	**-**	**1**
Long-term portion of derivative assets - affiliates					
Foreign exchange contracts	**-**	**78**	**78**	**(1)**	**77**
	-	**78**	**78**	**(1)**	**77**
Current portion of derivative liabilities					
Interest rate contracts	**(3)**	**-**	**(3)**	**-**	**(3)**
Foreign exchange contracts	**-**	**(15)**	**(15)**	**-**	**(15)**
	(3)	**(15)**	**(18)**	**-**	**(18)**
Current portion of derivative liabilities - affiliates					
Interest rate contracts	**(89)**	**-**	**(89)**	**-**	**(89)**
Foreign exchange contracts	**-**	**(2)**	**(2)**	**2**	**-**
	(89)	**(2)**	**(91)**	**2**	**(89)**
Long-term portion of derivative liabilities					
Interest rate contracts	**(67)**	**-**	**(67)**	**-**	**(67)**
Foreign exchange contracts	**-**	**(78)**	**(78)**	**-**	**(78)**
	(67)	**(78)**	**(145)**	**-**	**(145)**
Long-term portion of derivative liabilities - affiliates					
Interest rate contracts	**(14)**	**-**	**(14)**	**-**	**(14)**
Foreign exchange contracts	**-**	**(1)**	**(1)**	**1**	**-**
	(14)	**(1)**	**(15)**	**1**	**(14)**
Total net derivative liability					
Interest rate contracts	**(173)**	**-**	**(173)**	**-**	**(173)**
Foreign exchange contracts	**-**	**-**	**-**	**-**	**-**
	(173)	**-**	**(173)**	**-**	**(173)**

December 31, 2015	Derivative Instruments used as Cash Flow Hedges	Non-Qualifying Derivative Instruments	Total Gross Derivative Instruments as Presented	Amounts Available for Offset	Total Net Derivative Instruments
(millions of Canadian dollars)					
Current portion of derivative assets - affiliates					
Foreign exchange contracts	-	22	22	-	22
	-	22	22	-	22
Long-term portion of derivative assets					
Foreign exchange contracts	-	105	105	-	105
	-	105	105	-	105
Current portion of derivative liabilities					
Interest rate contracts	(3)	-	(3)	-	(3)
Foreign exchange contracts	-	(22)	(22)	-	(22)
	(3)	(22)	(25)	-	(25)
Current portion of derivative liabilities - affiliates					
Interest rate contracts	(17)	-	(17)	-	(17)
	(17)	-	(17)	-	(17)
Long-term portion of derivative liabilities					
Interest rate contracts	(42)	-	(42)	-	(42)
Foreign exchange contracts	-	(105)	(105)	-	(105)
	(42)	(105)	(147)	-	(147)
Long-term portion of derivative liabilities - affiliates					
Interest rate contracts	(3)	-	(3)	-	(3)
	(3)	-	(3)	-	(3)
Total net derivative liability					
Interest rate contracts	(65)	-	(65)	-	(65)
Foreign exchange contracts	-	-	-	-	-
	(65)	-	(65)	-	(65)

The following table summarizes the maturity and notional principal or quantity outstanding related to the Fund's derivative instruments.

June 30, 2016	2016	2017	2018	2019	2020	Thereafter
Interest rate contracts - short-term borrowings *(millions of Canadian dollars)*	**137**	**326**	**319**	**1**	**-**	**-**
Interest rate contracts - long-term borrowings *(millions of Canadian dollars)*	**720**	**330**	**100**	**-**	**-**	**-**
Foreign exchange contracts - United States dollar forwards - purchase *(millions of United States dollars)*	**55**	**99**	**92**	**57**	**63**	**291**
Foreign exchange contracts - United States dollar forwards - sell *(millions of United States dollars)*	**55**	**99**	**92**	**57**	**63**	**291**

December 31, 2015	2016	2017	2018	2019	2020	Thereafter
Interest rate contracts - short-term borrowings *(millions of Canadian dollars)*	301	326	319	1	-	-
Interest rate contracts - long-term borrowings *(millions of Canadian dollars)*	720	330	100	-	-	-
Foreign exchange contracts - United States dollar forwards - purchase *(millions of United States dollars)*	87	86	86	57	63	291
Foreign exchange contracts - United States dollar forwards - sell *(millions of United States dollars)*	87	86	86	57	63	291

Effect of Derivative Instruments on the Statements of Earnings and Comprehensive Income
The following table presents the effect of cash flow hedges on the Fund's earnings and comprehensive income.

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
(millions of Canadian dollars)				
Amount of unrealized gains/(loss) recognized in OCI				
Interest rate contracts	**(44)**	10	**(111)**	(9)
Foreign exchange contracts	**-**	-	**-**	1
Commodity contracts	**-**	(2)	**-**	-
Total unrealized gains/(loss) recognized in OCI	**(44)**	8	**(111)**	(8)
Amount of (gains)/loss reclassified from AOCI to earnings *(effective portion)*				
Interest rate contracts[1]	**2**	1	**3**	2
Commodity contracts[2]	**-**	-	**-**	(1)
Total (gains)/loss reclassified from AOCI to earnings *(effective portion)*	**2**	1	**3**	1
Amount of loss reclassified from AOCI to earnings *(ineffective portion and amount excluded from effectiveness testing)*				
Interest rate contracts[1]	**2**	-	**2**	-

1 Reported within Interest expense in the Statements of Earnings.
2 Reported within Electricity sales revenues in the Statements of Earnings.

The estimated net amount of existing losses reported in AOCI that is expected to be reclassified to net income within the next 12 months is $10 million. Actual amounts reclassified to earnings depend on the interest rates in effect when derivative contracts that are currently outstanding are settled.

Non-Qualifying Derivatives
The following table presents the unrealized gains and losses associated with changes in the fair value of the Fund's non-qualifying derivatives.

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
(millions of Canadian dollars)				
Foreign exchange contracts[1]	**-**	19	**-**	(41)
Total unrealized derivative fair value gain/(loss)	**-**	19	**-**	(41)

1 Reported within Other income in the Statements of Earnings.

LIQUIDITY RISK
Liquidity risk is the risk that the Fund will not be able to meet its financial obligations, including commitments, as they become due. In order to manage this risk, the Fund forecasts the cash requirements over the near and long term to determine whether sufficient funds will be available when required. The Fund's primary sources of liquidity and capital resources are funds generated from its indirect investment in EIPLP, draws under committed credit facilities, issuance of medium-term notes (MTNs) and the issuance of trust units. The Fund also maintains a current MTN shelf prospectus with Canadian securities regulators, which enables, subject to market conditions, ready access to Canadian public capital markets. Additional

liquidity, if necessary, is expected to be available through intercompany transactions with Enbridge or other related entities.

CREDIT RISK

Entering into derivative financial instruments may result in exposure to credit risk. Credit risk arises from the possibility that a counterparty will default on its contractual obligations. The Fund enters into risk management transactions only with institutions that possess investment grade credit ratings. Credit risk relating to derivative counterparties is mitigated by credit exposure limits and contractual requirements, netting arrangements and ongoing monitoring of counterparty credit exposure using external credit rating services and other analytical tools.

The Fund had group credit concentrations and maximum credit exposure, with respect to derivative instruments, in the following counterparty segments:

	June 30, 2016	December 31, 2015
(millions of Canadian dollars)		
European financial institutions	**3**	-
Due from affiliate	**93**	127
	96	127

FAIR VALUE MEASUREMENTS

The Fund's financial assets and liabilities measured at fair value on a recurring basis include derivative instruments. The fair value of derivative instruments reflects the Fund's best estimates of market value based on generally accepted valuation techniques or models and supported by observable market prices and rates. When such values are not available, the Fund uses discounted cash flow analysis from applicable yield curves based on observable market inputs to estimate fair value.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund categorizes those financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement.

Level 1

Level 1 includes financial instruments measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date. An active market for a financial instrument is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund did not have any financial instruments categorized as Level 1 as at June 30, 2016 or December 31, 2015.

Level 2

Level 2 includes financial instrument valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Financial instruments in this category are valued using models or other industry standard valuation techniques derived from observable market data. Such valuation techniques include inputs such as quoted forward prices, time value, volatility factors and broker quotes that can be observed or corroborated in the market for the entire duration of the financial instrument. Financial instruments valued using Level 2 inputs include non-exchange traded derivatives such as over-the-counter interest rate swaps for which observable inputs can be obtained.

Level 3

Level 3 includes financial instrument valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the financial instruments' fair value. Generally, Level 3 financial instruments are longer dated transactions, occur in less active markets, occur at locations where pricing information is not available or have no binding broker quote to support Level 2 classification. The Fund did not have any financial instruments categorized as Level 3 as at June 30, 2016 or at December 31, 2015.

The Fund uses the most observable inputs available to estimate the fair value of its financial instruments. When possible, the Fund estimates the fair value of its financial instruments based on quoted market prices. If quoted market prices are not available, the Fund uses estimates from third party brokers. For non-exchange traded derivatives classified in Levels 2 and 3, the Fund uses standard valuation techniques to calculate the estimated fair value. These methods include discounted cash flows for forwards and swaps. Depending on the type of financial instrument and nature of the underlying risk, the Fund uses observable market prices (interest or foreign exchange) and volatility as primary inputs to these valuation techniques. Finally, the Fund considers its own credit default swap spread as well as the credit default swap spreads associated with its counterparties in its estimation of fair value.

The Fund has categorized its financial instruments, measured at fair value as follows:

June 30, 2016	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
(millions of Canadian dollars)				
Financial assets				
Current derivative assets	**-**	**17**	**-**	**17**
Long-term derivative assets	**-**	**79**	**-**	**79**
Financial liabilities				
Current derivative liabilities	**-**	**(109)**	**-**	**(109)**
Long-term derivative liabilities	**-**	**(160)**	**-**	**(160)**
Total net liability	**-**	**(173)**	**-**	**(173)**

December 31, 2015	Level 1	Level 2	Level 3	Total Gross Derivative Instrument
(millions of Canadian dollars)				
Financial assets				
Current derivative assets	-	22	-	22
Long-term derivative assets	-	105	-	105
Financial liabilities				
Current derivative liabilities	-	(42)	-	(42)
Long-term derivative liabilities	-	(150)	-	(150)
Total net liability	-	(65)	-	(65)

Changes in the net fair value of derivative instruments classified as Level 3 in the fair value hierarchy were as follows:

	Six months ended June 30,	
	2016	2015
(millions of Canadian dollars)		
Level 3 net derivative asset at beginning of period	**-**	2
Total gains, unrealized		
Included in OCI	**-**	(1)
Settlements	**-**	-
Level 3 net financial asset at end of period	**-**	1

The Fund’s policy is to recognize transfers as at the last day of the reporting period. There were no transfers between levels as at June 30, 2016 and December 31, 2015.

FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

At June 30, 2016, the Fund’s long-term debt had a fair value of $2,498 million (December 31, 2015 - $2,395 million). This fair value measurement has been classified as a Level 2 fair value measurement.

5. TRUST UNITS

	2016		2015	
Six months ended June 30,	Number of Units	Amount	Number of Units	Amount
(millions of Canadian dollars, number of units in millions)				
Fund units, beginning of period	**191**	**5,266**	80	3,187
Issued	**26**	**737**	-	-
Share issue costs	**-**	**(24)**	-	-
Redemption value adjustment	**-**	**876**	-	(474)
Fund units, end of period[1]	**217**	**6,855**	80	2,713

1 Enbridge owned 94.2 million trust units at June 30, 2016 (2015 - 10 million).