

CANADA MORTGAGE AND HOUSING CORPORATION

Covered Bonds Business Supplement

FOURTH QUARTER

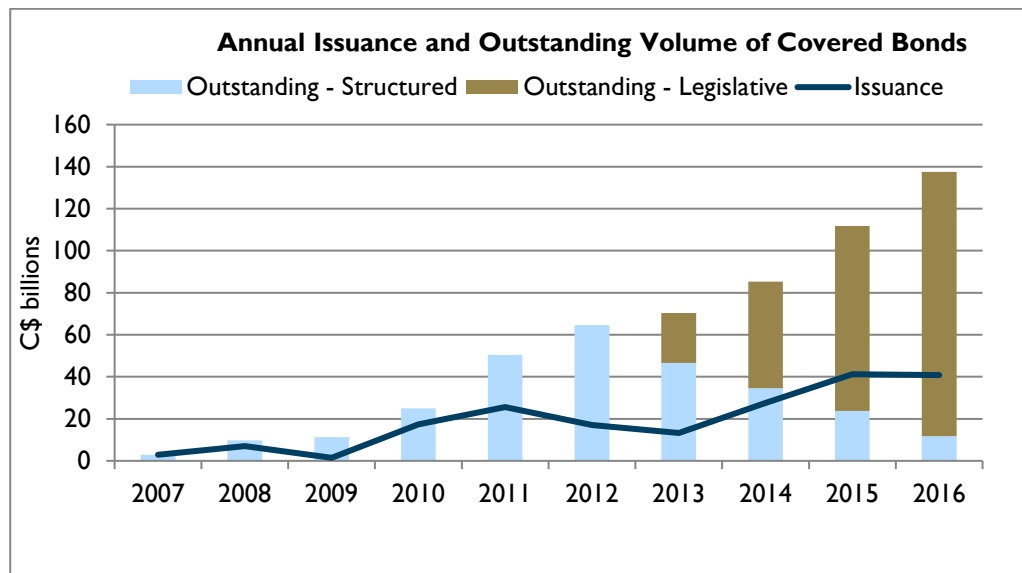
December 31, 2016

The Covered Bonds Business Supplement document is based on publicly available information and provides an overview of covered bond activities undertaken by Canadian financial institutions. For greater details on the requirements and policies of Canadian registered covered bonds, refer to the *Canadian Registered Covered Bond Programs Guide* (http://www.cmhc-schl.gc.ca/en/hoficlincl/cacobo/upload/RegCoveredBondsProgramsGuide_Dec19_2014_en.pdf)

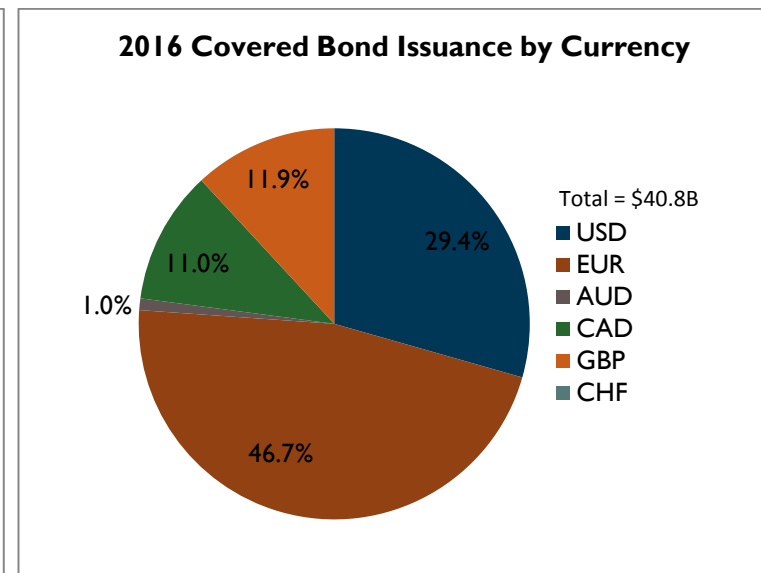
ANNUAL ISSUANCE AND OUTSTANDING VOLUME OF COVERED BONDS

The 2012 amendments to the *National Housing Act* established a legal framework for the registration of covered bond programs in Canada. Under the Act, CMHC is responsible for maintaining a registry of covered bonds issuers and programs. Prior to 2012, covered bonds issued by Canadian financial institutions were issued under structured programs without statutory protection for investors. The Government and CMHC do not provide any guarantees or backing for covered bonds, and covered bond collateral must be composed of one- to four-unit uninsured residential mortgage loans.

The amount of covered bonds outstanding issued by Canadian financial institutions has increased gradually since 2007. As of December 2016, the amount of covered bonds outstanding issued under the legislative framework amounted to \$125.8 billion and the 2016 year-to-date issuance amounted to \$40.8 billion.



Source: Registered Issuers' websites



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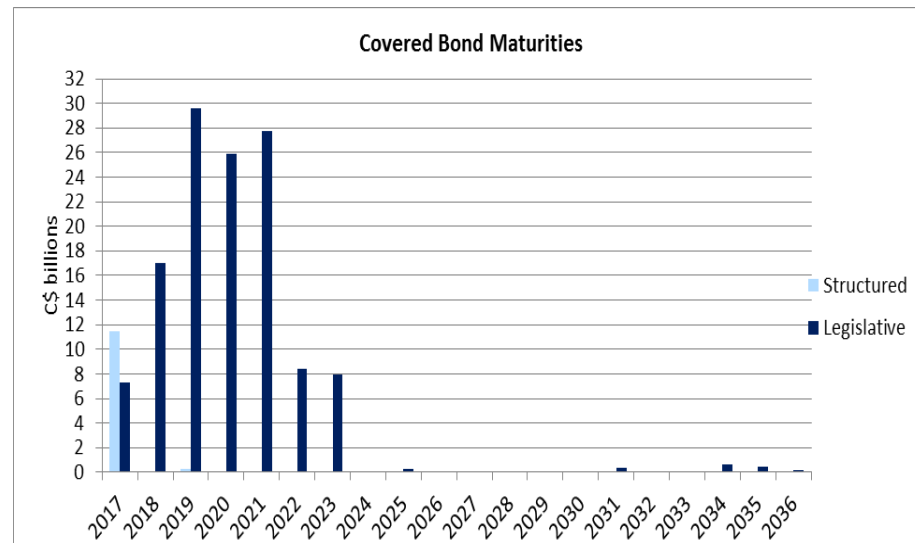
COVERED BONDS ISSUANCE CAPACITY

Canada's six largest banks (Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, Toronto-Dominion Bank) and La Caisse centrale Desjardins have registered covered bonds programs. CMHC acts as the administrator for the legislative covered bonds framework.

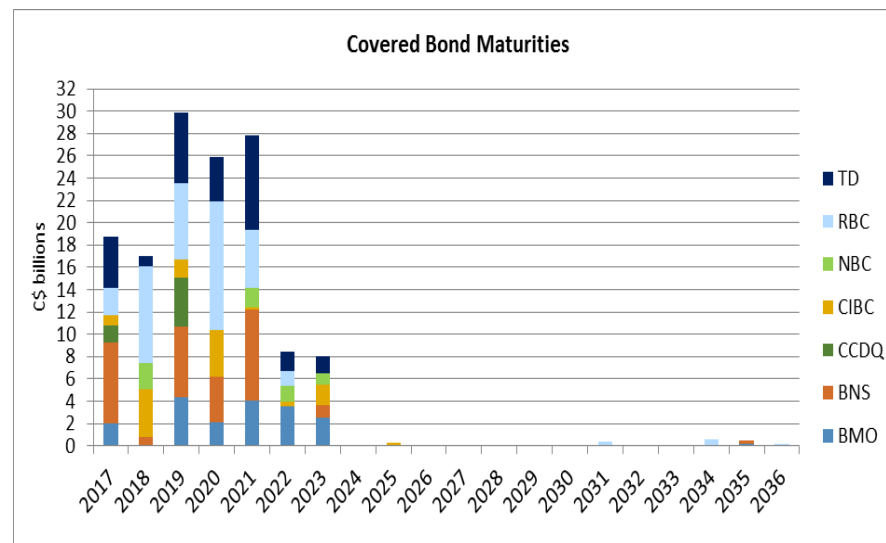
Under federal and provincial regulatory requirements, the aggregate amount of covered bonds issued by an institution cannot exceed the limit as set and calculated by the regulatory bodies.

At this point, all Issuers have the capacity to issue additional covered bonds. Future bond redemptions will also provide additional issuance capacity.

As at 31 December 2016	BMO	BNS	CCDQ	CIBC	NBC	RBC	TD	TOTAL
Total Covered Bonds Outstanding (C\$ Equivalent)	18,9	28,0	5,8	13,5	6,5	37,2	27,1	137,5
Legislative Program	16,9	23,4	4,3	12,9	6,5	37,2	24,2	125,8
Structured Program	2,0	4,5	1,4	0,6	0,0	0,0	2,9	11,6
Total Regulatory Covered Bond Limit	26,8	36,2	7,0	20,1	9,0	44,4	45,5	189,2
Remaining Issuance Capacity	7,8	8,2	1,1	6,5	2,4	7,1	18,3	51,7
Total Outstanding as a % of Regulatory Limit	70.7%	77.3%	83.1%	67.5%	73.0%	83.8%	59.7%	72.6%



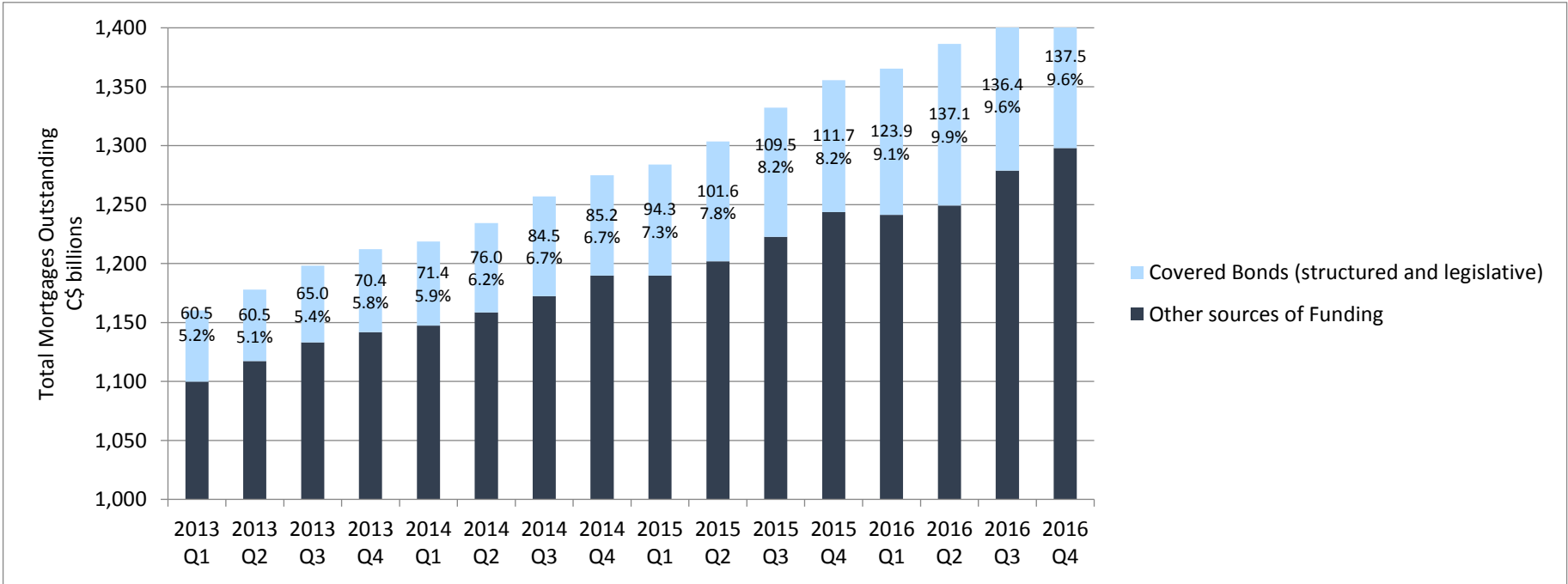
Source: Registered Issuers' websites



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COVERED BONDS AS A SOURCE OF FUNDING

Canadian lenders have continually increased their use of covered bonds as a source of funding. Covered bond funding as a percentage of the total mortgage market increased from 5 per cent in early 2013 to almost 10 per cent in 2016.



Sources: Bank of Canada website, Registered Issuers' websites

REVENUES AND EXPENSE FOR THE ADMINISTRATION OF THE COVERED BONDS FRAMEWORK

The NHA requires that fees for the registration of covered bond issuers and programs as well as ongoing expenses be commensurate with the expenses incurred by CMHC in performing its duties with respect to the administration of the registered covered bond framework.

The fee structure since the inception of the program was \$700,000 for the application fee and \$350,000 for subsequent years. The application fee and the annual fee were decreased in 2016 to \$600,000 and \$250,000 respectively. In December 2016, CMHC announced the annual fee will decrease from \$250,000 to \$225,000 per issuer and the application fee remains unchanged at \$350,000. CMHC will continue to monitor the fees and related expenses to ensure CMHC administers the legislative covered bond program on a cost recovery basis.

	Total since inception (2012 – 2015)	2016
Fees Earned	9,800,000	1,750,000
Expenses		
Internal	4,630,767	1,042,076
External	4,904,732	62,685
Total Expenses	9,535,499	1,104,761