

CANADA MORTGAGE AND HOUSING CORPORATION

# Covered Bonds Business Supplement

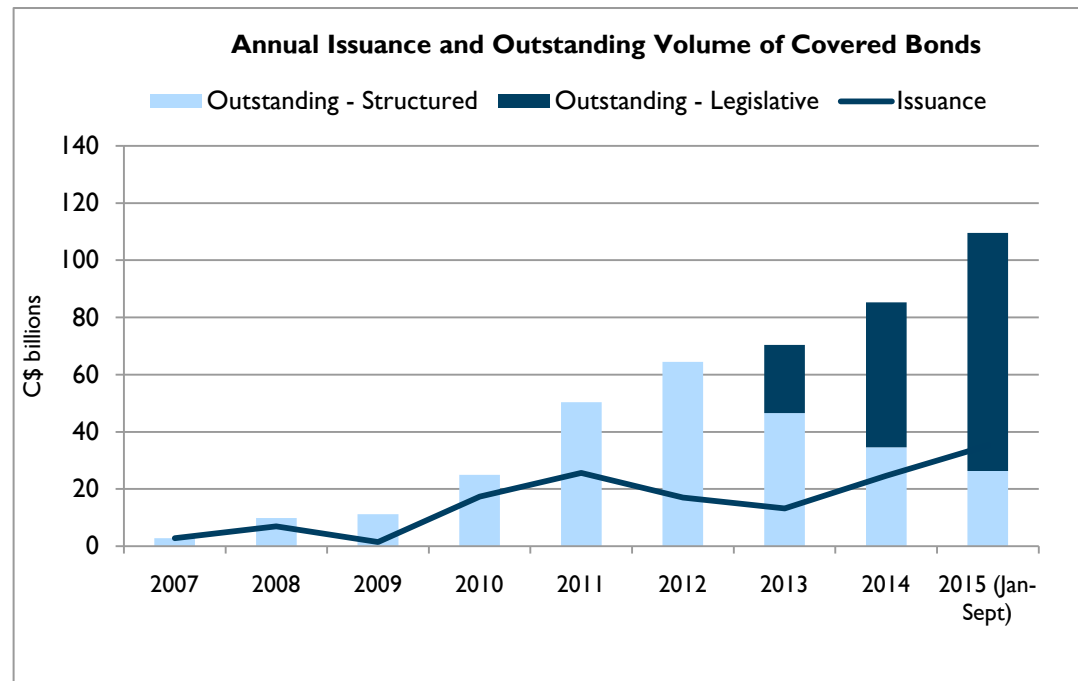
**THIRD QUARTER**  
September 30, 2015

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](http://www.cmhc-schl.gc.ca/en/hoficlincl/cacobo/upload/RegCoveredBondsProgramsGuide_Dec19_2014_en.pdf))

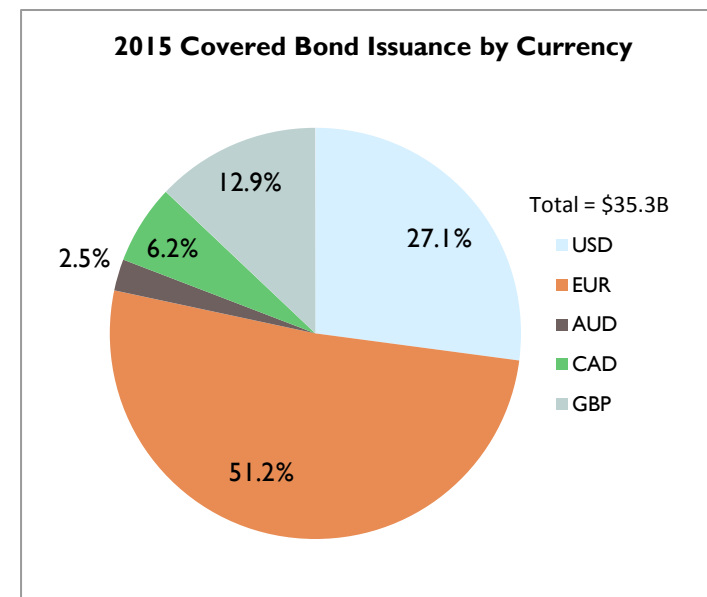
## ANNUAL ISSUANCE AND OUTSTANDING VOLUME OF COVERED BONDS

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 September 2015, the amount of covered bonds outstanding issued under the legislative framework amounted to \$83.3 billion and the 2015 year-to-date issuance amounted to \$35.3 billion.



Source: registered issuers' websites



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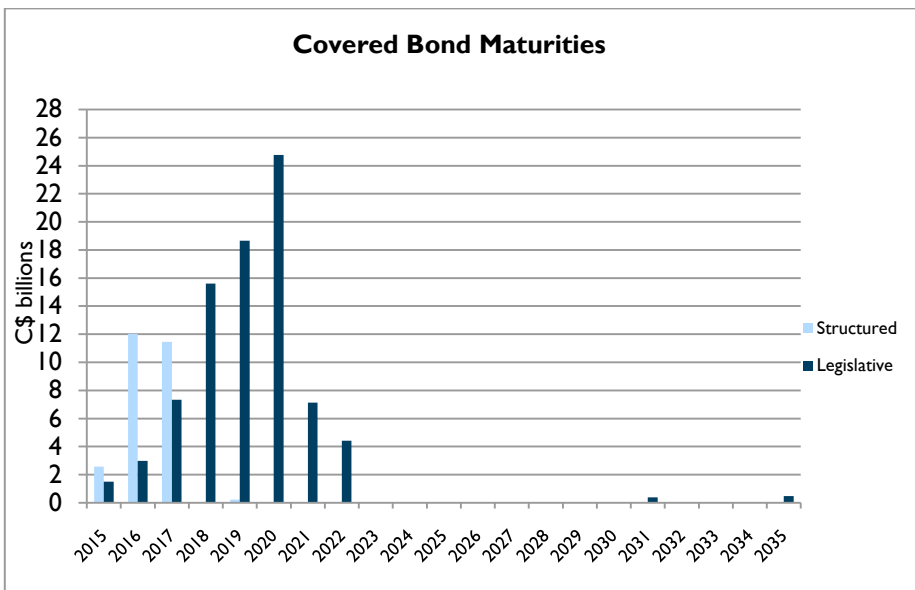
## COVERED BONDS ISSUANCE CAPACITY

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 program and performs this role on a cost recovery basis.

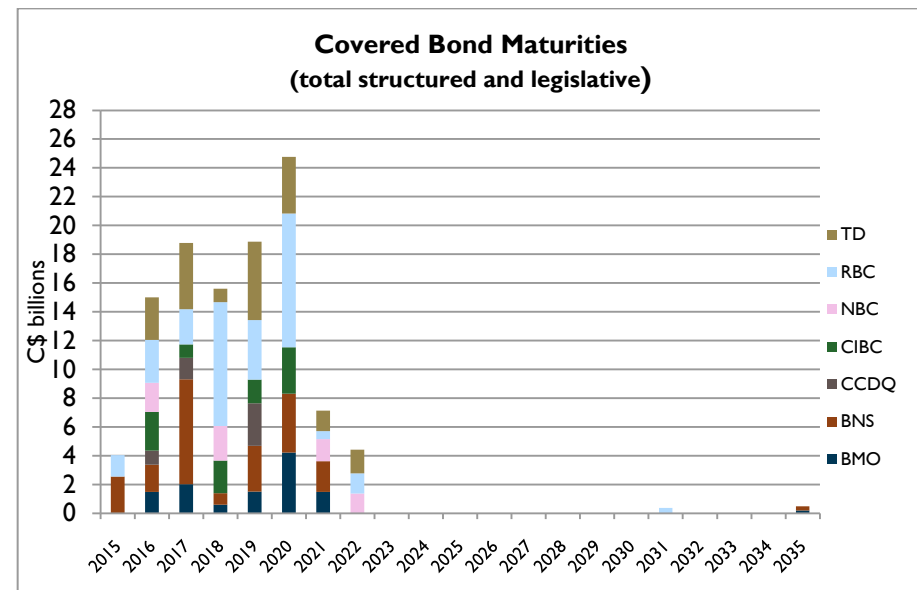
Under federal and provincial regulatory requirements, the aggregate amount of covered bonds issued by an institution cannot exceed the limit as set and calculated by the regulatory bodies.

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

Amounts as at September 30, 2015 (C\$ billions)	BMO	BNS	CCDQ	CIBC	NBC	RBC	TD	TOTAL
<b>Total Covered Bonds Outstanding (C\$ Equivalent)</b>	<b>11.6</b>	<b>22.2</b>	<b>5.4</b>	<b>10.7</b>	<b>7.3</b>	<b>31.3</b>	<b>20.9</b>	<b>109.5</b>
Legislative Program	8.0	13.2	3.0	7.4	5.3	31.3	15.0	83.3
Structured Program	3.5	9.0	2.5	3.4	2.0	0.0	5.9	26.3
Total Regulatory Covered Bond Limit	26.1	33.6	7.5	18.2	8.4	43.7	42.4	179.9
Remaining Issuance Capacity	14.5	11.4	2.0	7.5	1.0	12.4	21.5	70.4
Total Outstanding as a % of Regulatory Limit	44.3%	66.0%	73.1%	59.0%	87.8%	71.6%	49.4%	60.9%



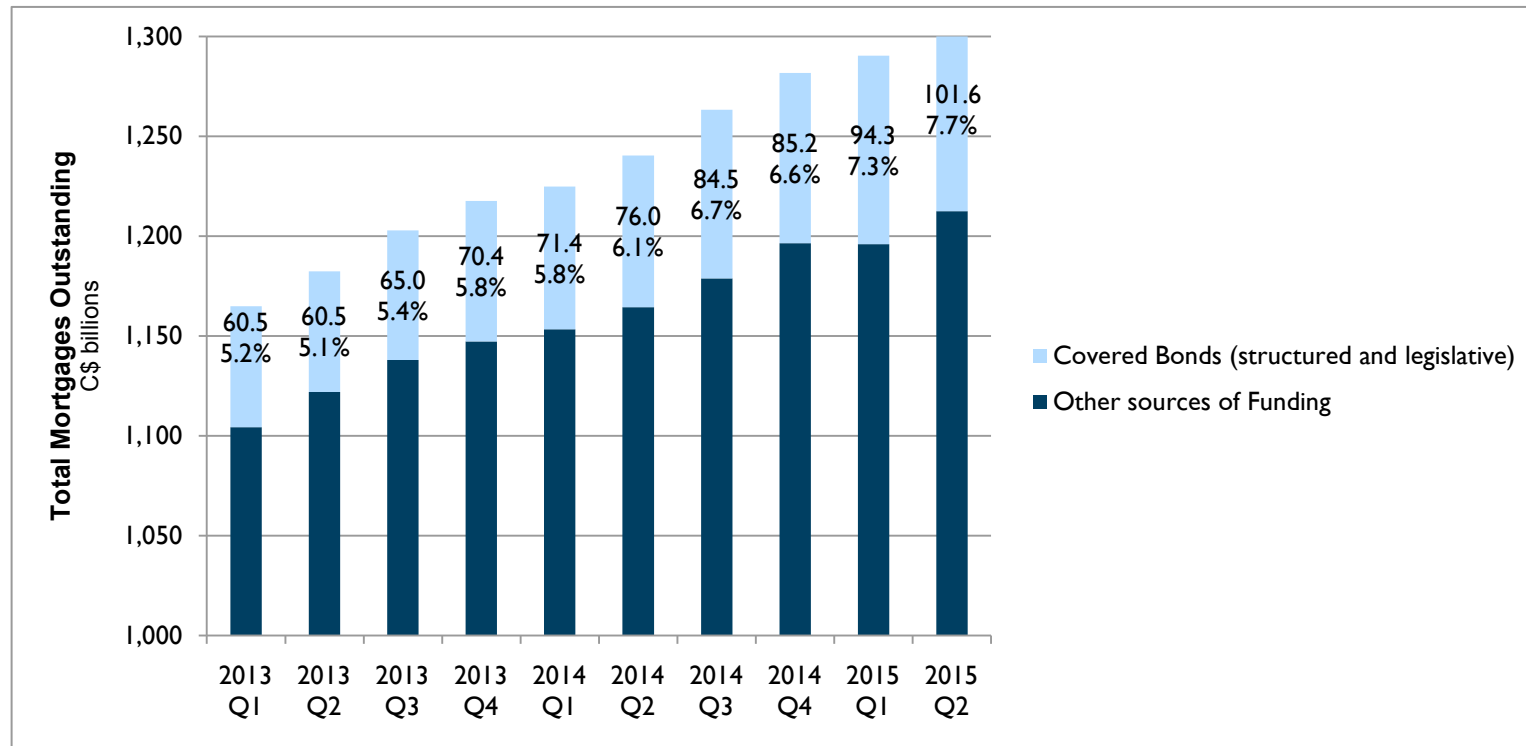
Source: registered issuers' websites



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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 8 per cent in 2015.



Sources: Bank of Canada, financial institutions' websites