

CANADA MORTGAGE AND HOUSING CORPORATION

Covered Bonds Business Supplement

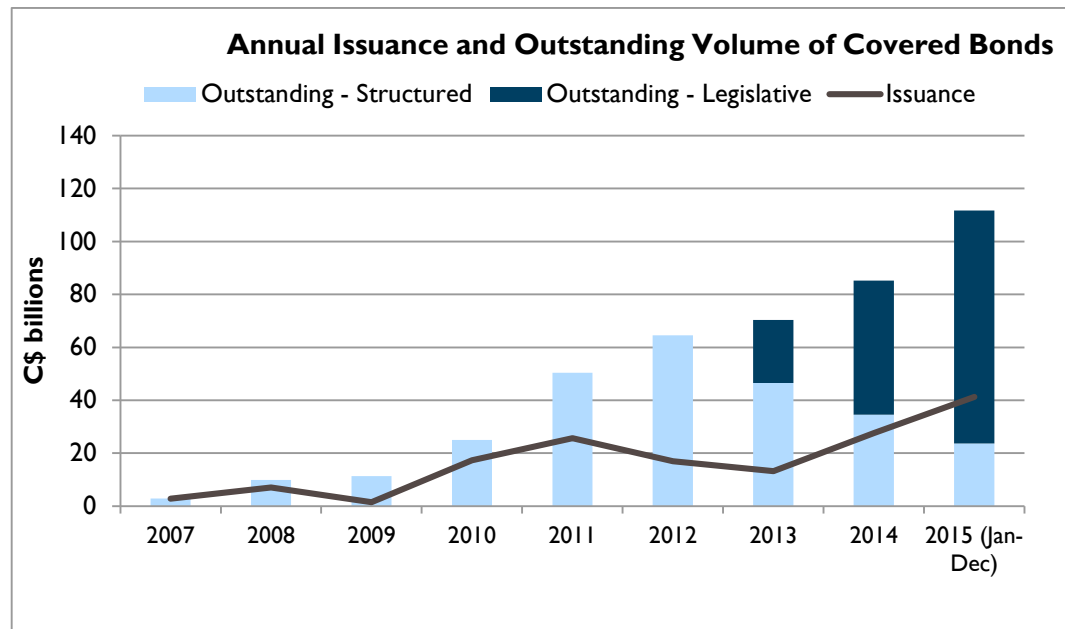
FOURTH QUARTER
December 31, 2015

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)

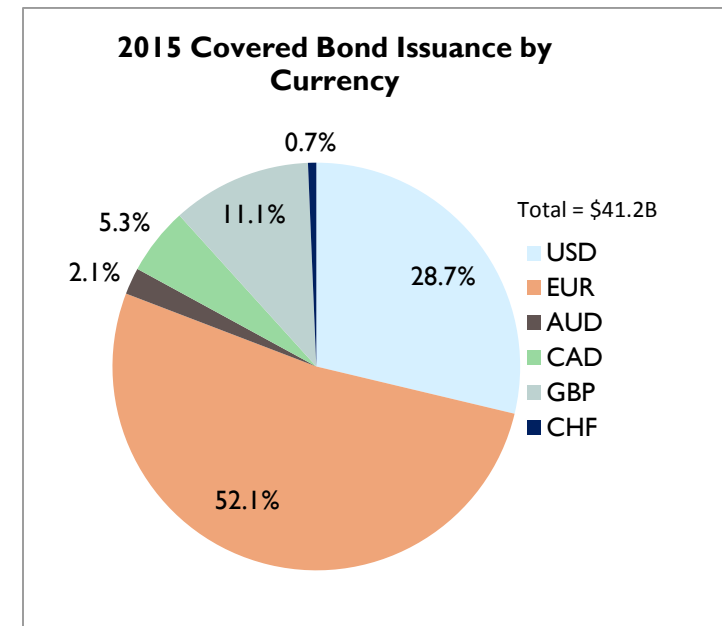
ANNUAL ISSUANCE AND OUTSTANDING VOLUME OF COVERED BONDS

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 2015, the amount of covered bonds outstanding issued under the legislative framework amounted to \$88.0 billion and the 2015 year-to-date issuance amounted to \$41.2 billion.



Source: registered issuers' websites



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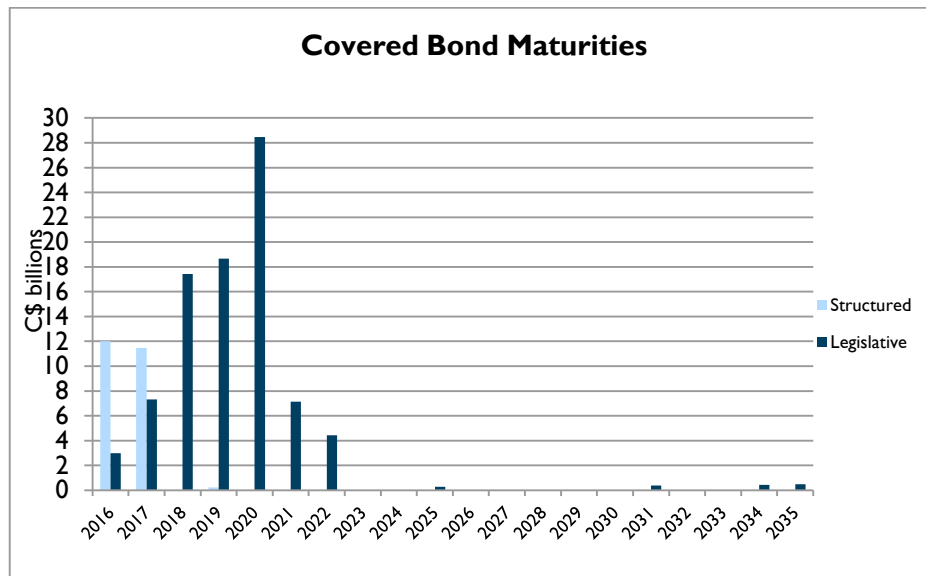
COVERED BONDS ISSUANCE CAPACITY

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.

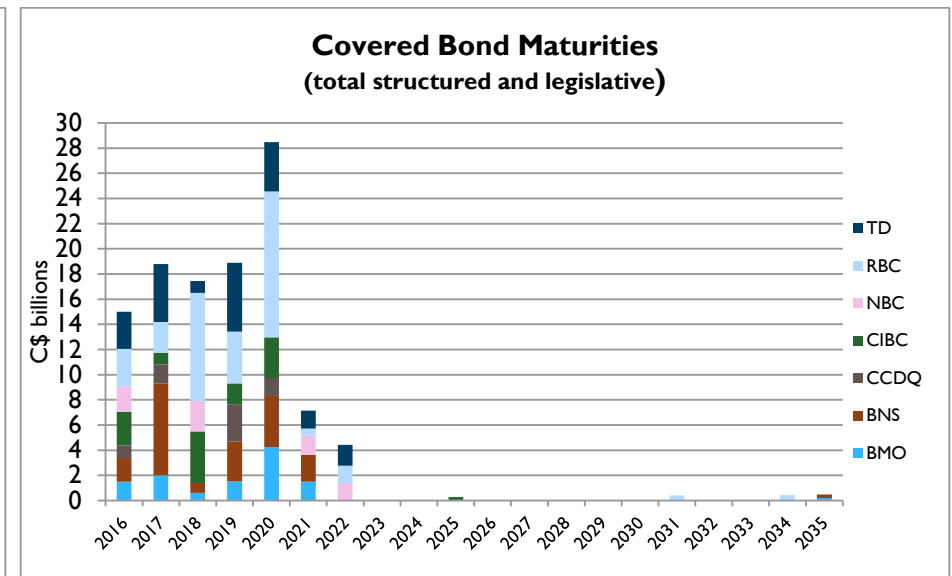
Under federal and provincial regulatory requirements, the aggregate amount of covered bonds issued by an institution cannot exceed the limit as set and calculated by the regulatory bodies.

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 December 30, 2015 (C\$ billions)	BMO	BNS	CCDQ	CIBC	NBC	RBC	TD	TOTAL
Total Covered Bonds Outstanding (C\$ Equivalent)	11.6	19.6	6.9	12.8	7.3	32.5	20.9	111.7
Legislative Program	8.0	13.2	4.4	9.5	5.3	32.5	15.0	88.0
Structured Program	3.5	6.4	2.5	3.4	2.0	0.0	5.9	23.7
Total Regulatory Covered Bond Limit	25.2	34.6	7.5	18.5	8.5	43.5	42.7	180.5
Remaining Issuance Capacity	13.7	15.0	0.6	5.7	1.1	11.0	21.8	68.8
Total Outstanding as a % of Regulatory Limit	45.8%	56.8%	91.5%	69.4%	86.8%	74.8%	49.0%	61.9%



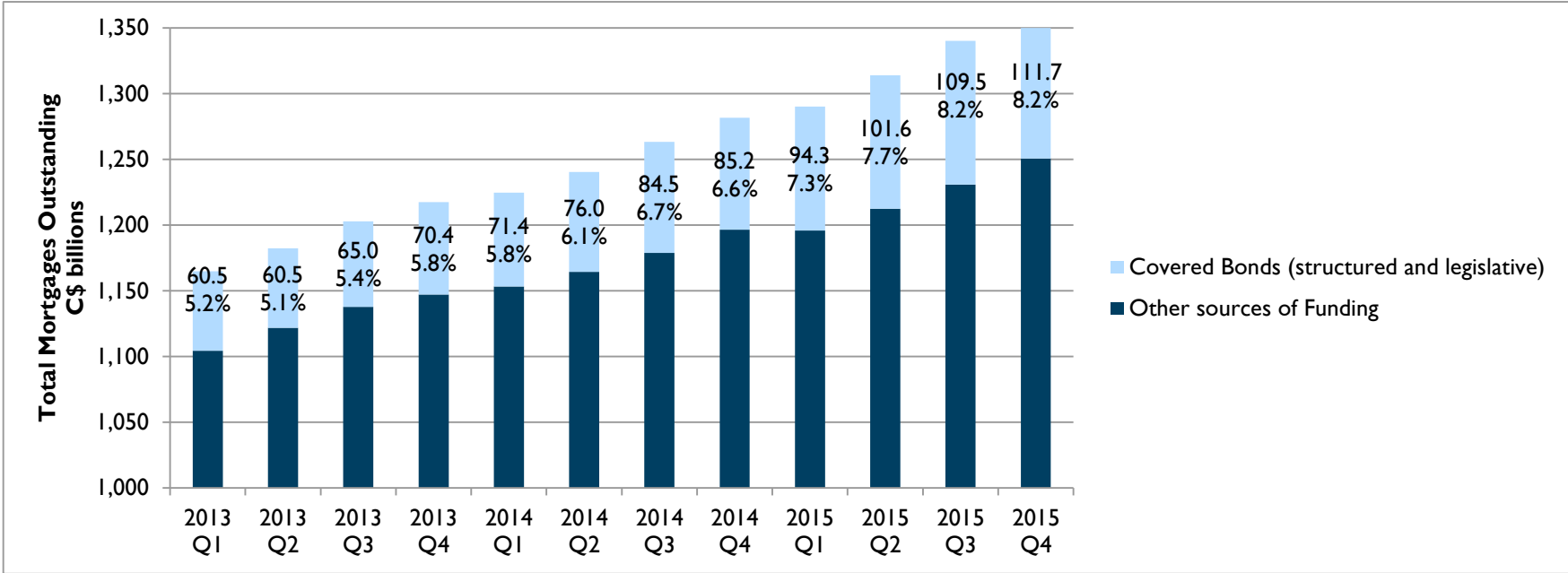
Source: registered issuers' websites



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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 over 8 per cent in 2015.



Sources: Statistics Canada, financial institutions' 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. CMHC will continue to monitor the fees and related expenses to ensure CMHC administers the legislative covered bond program on a cost recovery basis.

	2012	2013	2014	2015	Total since inception
Fees Earned	0	2,800,000	4,550,000	2,450,000	9,800,000
Expenses					
Internal	1,233,197	2,036,177	943,083	418,310	4,630,767
External	1,671,363	2,493,017	381,981	358,371	4,904,732
Total Expenses	2,904,560	4,529,194	1,325,064	776,681	9,535,499