STREET CAPITAL
BANK OF CANADA™

BASEL III PILLAR 3 DISCLOSURES

DECEMBER 31, 2019

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NATURE OF OPERATIONS

Street Capital Bank of Canada ("Street", "Street Capital Bank", "RFA Bank", the "Bank") is a Canadian federally regulated Schedule I bank. It was founded as Street Capital Financial Corporation in the province of Ontario in 2007, and began operations as Street Capital Bank in February 2017. Following the October 2019 acquisition of the Bank's parent company, as described below, the Bank underwent a further name change. Effective January 1, 2020 it now operates as RFA Bank of Canada. The Bank takes deposits in the form of guaranteed investment certificates ("GICs"), and its business activities are concentrated in residential mortgage lending. The address of its registered office is 1 Yonge Street, Suite 2401, Toronto, Ontario, M5E 1E5.

On October 18, 2019, in a transaction that was announced on June 17, 2019 and approved by shareholders on August 16, 2019, all of the issued and outstanding common shares of Street Capital Group Inc. ("SCGI"), the Bank's parent company, were acquired by RFA Capital Holdings Inc. ("RFA"), a non-publicly traded entity, for $0.68 per share in cash. The transaction (the "RFA Transaction") is described in SCGI's *Notice of Special Meeting of Shareholders and Management Information Circular* dated July 11, 2019, which is available on SEDAR (*www.sedar.com*). Following the transaction, on October 21, 2019 SCGI was delisted from the TSX and ceased to be a reporting issuer in every province of Canada in which it was a reporting issuer. Therefore, the Bank now operates as a wholly-owned subsidiary of a private company.

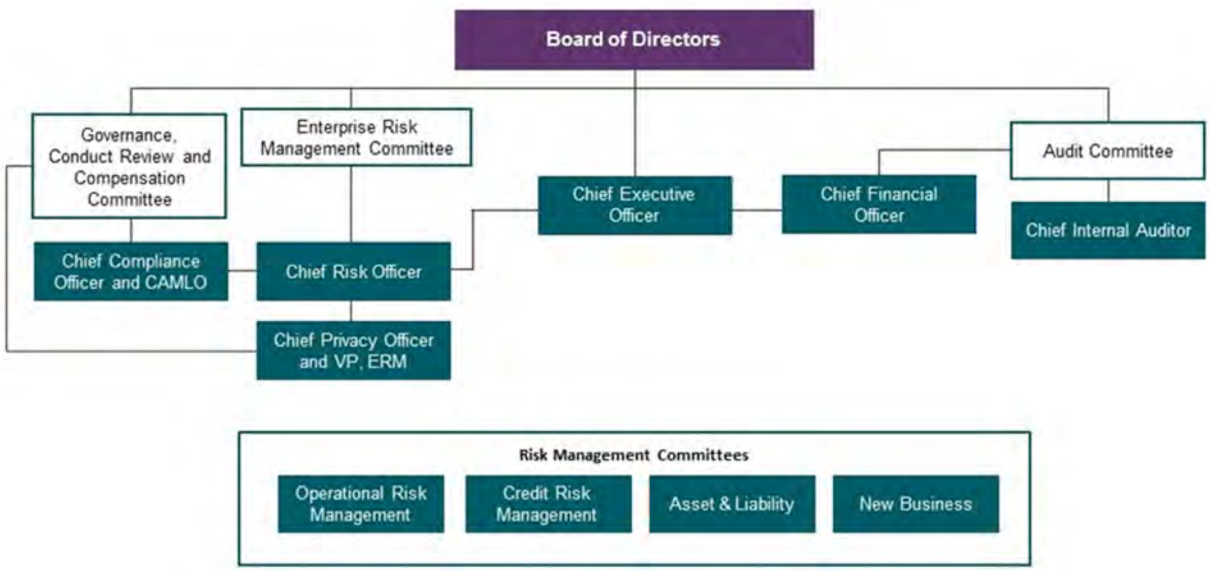
As part of the RFA Transaction, RFA committed to increase the equity capital of the Bank by a minimum of $50 million. This was achieved through a combination of a series of transactions that involved the sale of Bank assets to unrelated third parties, and a capital injection by the Bank's ultimate parent, RFA. The asset sales resulted in the Bank transferring renewal rights to a significant portion of its mortgages under administration in return for a one-time cash payment. The Bank simultaneously sold its deferred placement fees receivable, and wrote off its prepaid portfolio insurance. As a result of the asset sales, the Bank recognized a one-time net gain of $27.8 million in the fourth quarter of 2019.

BASIS OF PREPARATION

These Basel Pillar 3 Disclosures (the "Disclosures"), which are unaudited, represent the Basel III Pillar 3 disclosures for the Bank, and are made pursuant to the Office of the Superintendent of Financial Institutions ("OSFI") requirements, which are based on the global standards that have been established by the Basel Committee on Banking Supervision. The amounts presented are based on the Bank's annual and interim financial statements, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). For the interim and annual periods over the period from Q1 2017 to Q2 2019, the Disclosures, with the exception of Capital and Leverage Ratio tables (which were posted on the Bank's website), were included in the public filings of SCGI, specifically the Interim and Annual Consolidated Financial Statements and the Quarterly and Annual Management's Discussion and Analysis. These filings are available on SEDAR and also on the Bank's website. The Disclosures should be read as an update to information previously reported in those public filings.

RISK GOVERNANCE

The governance framework shown below is in place to ensure appropriate risk oversight and accountability across the Bank.



The Board of Directors is responsible for establishing the overall strategy and objectives of the Bank and the Bank's overall risk appetite. The framework addresses the limits of the risks that the Bank assumes, and the Bank's conduct with respect to its stakeholders. The Bank's strategies and the management of its risks are supported by an overall enterprise risk management ("ERM") framework, which includes policies, procedures and guidelines for each major risk category of the Bank's operations. ERM requires the involvement of the Board of Directors, the Enterprise Risk Management Committee, senior management, and other employees to continually identify, measure, assess, manage and monitor risks that could affect the Bank either positively or negatively. At all levels of the Bank, ERM is applied in defining strategies and setting goals, helping to ensure that these can be accomplished within the Bank's defined risk appetite.

The Bank's risk governance follows the three lines of defense model:

- 1st Line of Defense: business units and their support areas. Management within each business unit is accountable for identifying, assessing, monitoring, managing and reporting the associated risks. The Bank deploys a computerized risk management tool to assist with compliance and reporting.

- 2nd Line of Defense: the Bank's Risk, Finance and Compliance departments. They are responsible for the communication and implementation of the Bank's risk management framework, along with independent assessment, monitoring and reporting on the Bank's risk-taking activities.

- 3rd Line of Defense: Internal Audit. This function is responsible for assessing the effectiveness of the Bank's governance, risk management and control processes, and for reporting their findings and conclusions to the Board of Directors. The Bank's Chief Internal Auditor reports directly to the Audit Committee. The Board's Audit Committee assists the Board with its oversight of the Bank's financial reporting and internal audit functions.

The Bank's actual risk profile is measured against the Board-approved risk appetite at least quarterly, and reported to the Board of Directors. Key risk policies are reviewed at least annually and updated as required.

The Bank is exposed to various types of risk owing to the nature of its business activities, and, like other financial institutions, is exposed to the symptoms and effects of domestic and global economic conditions and other factors that could adversely affect its business, financial condition, and operating results. These risks include strategic, credit, liquidity, interest rate, investment, capital adequacy, operational, reputational, and compliance risk, and many of these cannot be directly controlled by the Bank. The Bank's investment in, and commitment to, risk management is a key component of its long-term success. Specific risk areas are discussed in more detail below.

CAPITAL MANAGEMENT

As a regulated financial institution that is subject to the capital requirements of its regulator, OSFI, the Bank must continually monitor and assess its capital adequacy, under both expected and stressed conditions. An adequate capital reserve provides the Bank with a buffer for reasonably foreseeable losses, ensures that the Bank may absorb such losses, and maintains the stability of the business. Capital adequacy can be affected by changes in the Bank's financial performance, its business plans, or regulatory requirements.

The Bank has a Board-approved Capital Management Policy ("CMP") that is aligned with the Bank's risk appetite and strategic plan. The CMP governs the quantity and quality of capital held, and ensures that it meets regulatory capital requirements, with an overall objective of ensuring that the Bank appropriately balances its capital allocation between retention of a prudent margin above regulatory capital adequacy minimums, and maintenance of sufficient freely available capital to achieve business goals and objectives. Management defines capital as the Bank's equity and retained earnings. The CMP is reviewed at least annually and more often if required by events or changing circumstances.

Capital adequacy risk is the risk that the Bank holds insufficient capital to meet regulatory requirements and any other requirements necessary to manage the organization as a going concern, including during periods of severe but plausible stress. The Bank manages its capital risk through both the CMP and the utilization of an Internal Capital Adequacy Assessment Process ("ICAAP"). The Bank's risk identification and assessment process for capital adequacy risk includes:

- Escalation of current and emerging risks to the Asset and Liability Committee ("ALCO") and the Enterprise Risk Management Committee of the Board ("ERMC") and review of actual results against plan at least monthly
- Use of stress testing and scenario analysis to assess the potential impact of severe but plausible stress
- Integration of business, financial and capital planning processes to assess adequacy of the capital to meet business and financial plans
- Consideration of capital implications for new business initiatives
- Capital contingency planning

Following its October 18, 2019 acquisition of SCGI, RFA has increased the Bank's capital by $50 million. In addition, RFA has committed to cause its investors (the "Investors") to provide an additional $25 million in readily available stand-by capital to the Bank. Subject to the Investors' discretion and the achievement of certain performance targets, it is RFA's intention that the Investors will inject up to an additional $100 million of further equity capital into the Bank over the next five years to support balance sheet growth. RFA has also committed to provide the Bank with access to up to $5 billion of additional mortgage funding.

The Bank calculates its capital ratios and regulatory capital based on the capital adequacy requirements issued by OSFI. These are based on *International Convergence of Capital Measurement and Capital Standards – A Revised Framework* ("Basel II") and *Basel III: A global regulatory framework for more resilient banks and banking systems – A Revised Framework* ("Basel III").

The Bank must maintain minimum levels of capital in order to meet minimum risk-based capital ratios based on Basel II and Basel III. The Bank's capital management policy addresses two regulatory capital requirements: the Leverage Ratio and the Risk-Based Capital Ratios.

The Leverage Ratio is defined as the Capital Measure divided by the Exposure Measure, with the ratio expressed as a percentage. The Capital Measure is the Bank's all-in Tier 1 capital. The Exposure Measure consists of on-balance sheet, derivative, securities financing transactions and off-balance sheet exposures. The minimum leverage ratio for federally regulated deposit-taking institutions such as the Bank is 3%, and OSFI also establishes Leverage Ratio targets for each financial institution, which are confidential. The risk-based capital ratios are composed of the Common Equity Tier 1, Tier 1, and Total Capital Ratios. The Bank was fully compliant with its target regulatory capital and leverage ratio requirements at December 31, 2019.

The Bank's capital structure is shown below. At December 31, 2019 the Bank had 39,514,043 shares outstanding. The increase compared to 13,813,610 shares at December 31, 2018 is part of the capital injection by RFA Capital following the RFA Transaction described above.

Basel III Regulatory Capital

	December 31, 2019 All-In Basis	December 31, 2018 All-In Basis
(in thousands of $)		
Common Equity Tier 1 capital (CET 1)		
Capital stock	**$ 42,127**	$ 16,426
Contributed surplus	**3,226**	2,072
Retained earnings	**110,723**	77,673
Accumulated other comprehensive income	**475**	278
Less: Regulatory adjustments to CET 1 (**Note 1**)	**(1,398)**	(1,234)
Total CET 1 capital	**$ 155,153**	$ 95,215
Additional Tier 1 capital	**-**	-
Total Tier 1 capital	**$ 155,153**	$ 95,215
Total Tier 2 capital (eligible Stage 1 and Stage 2 allowances)	**779**	581
Total regulatory capital	**$ 155,932**	$ 95,796

Note 1: Regulatory adjustments include intangible assets, net of deferred taxes, and securitization-related gains on sale

The Bank's risk-weighted assets are determined by applying the OSFI-prescribed rules to on-balance sheet and off-balance sheet exposures. They include all on-balance sheet assets weighted for the risk inherent in each asset type, an operational risk component based on a percentage of risk-weighted average revenues, and a component based on commitments for on-balance sheet lending. The Bank follows the Basel II Standardized Approach to calculate credit risk, and the Basic Indicator Approach for operational risk.

The Bank's risk-weighted assets are shown below.

Risk-Weighted Assets

	December 31, 2019			December 31, 2018		
	Balance Sheet	Effective Risk Weight	Risk-Weighted Amount	Balance Sheet	Effective Risk Weight	Risk-Weighted Amount
			All-In Basis			All-In Basis
(in thousands of $)						
Cash and cash equivalents	$138,677	20.00%	$ 27,735	$ 74,151	20.00%	$ 14,830
Securities	22,313	0.00%	-	22,313	0.00%	-
Insured residential mortgages	182,157	2.00%	3,641	155,534	0.35%	543
Uninsured residential mortgages	508,891	35.53%	180,801	532,202	35.07%	186,617
Construction mortgages	23,516	-	23,516	-	-	-
Other assets	60,543	93.21%	56,429	159,943	99.24%	158,727
Total assets subject to risk rating	$936,097	31.21%	$ 292,122	$944,143	38.21%	$ 360,717
Intangible assets	1,090	-	-	1,500	-	-
Allowance for credit losses	(947)	17.73%	(168)	(595)	2.35%	(14)
Total assets	$936,240		$ 291,954	$945,047		$ 360,703
Off-balance sheet exposure (loan commitments)			297			662
Total credit risk	$936,240		$ 292,251	$945,047		$ 361,365
Operational risk (average three-year annual gross income)			112,243			118,501
Total risk-weighted assets	$936,240		$ 404,494	$945,047		$ 479,866

The Bank's capital ratios and leverage ratio are shown below. During all periods presented, all capital ratios were above OSFI's stated minimum ratios. The Bank's leverage ratio was also above the minimum ratio that was assigned to the Bank by OSFI.

Capital and Leverage Ratios

	December 31, 2019	December 31, 2018
	All-In Basis	All-In Basis
Regulated capital to risk-weighted assets		
CET 1 ratio	38.36%	19.84%
Tier 1 capital ratio	38.36%	19.84%
Total regulatory capital ratio	38.55%	19.96%
Leverage ratio	16.59%	10.07%
National regulatory minimum		
CET 1 ratio	7.00%	7.00%
Tier 1 capital ratio	8.50%	8.50%
Total regulatory capital ratio	10.50%	10.50%
Leverage ratio	3.00%	3.00%

CREDIT RISK

Credit risk is the risk of financial loss associated with a counterparty's inability or unwillingness to fulfill its payment obligations. The Bank's credit risk is mainly associated with its mortgage lending activity, in the form of the risk of default on the part of the borrower. The Bank manages credit risk through both its Board of Directors ERM Committee ("ERMC"), and its senior management Credit Risk Committee ("CRC"). The ERMC meets at least quarterly, while the CRC meets at least monthly, to review risk factors in the Bank's lending portfolios. Adjustments to the Bank's credit risk limits and other aspects of its lending policies are made as they are identified and recommended.

The Bank's exposure to credit risk varies across its suite of mortgage lending portfolios. Historically, the majority of the Bank's revenue was earned from the placement, servicing and securitization of prime insurable mortgages. Most of the mortgages underwritten by the Bank were sold to institutional investors and were insured or insurable against default by CMHC and other government backed private insurers. This made the associated residual credit risk to the Bank immaterial.

Since Q2 2018 the Bank has been originating, through its network of approved independent mortgage brokers, prime uninsurable mortgages intended for sale to investors. Prime uninsurable mortgages are mortgages that approximate the credit quality of prime insurable mortgages and are compliant with OSFI's Guideline B-20 *Residential Mortgage Underwriting Practices and Procedures* ("Guideline B-20"), but no longer qualify for mortgage insurance due to one or more criteria. The Bank bears credit risk for any loans it may have to reacquire from investors if such loans are deemed by the investor at a later date to be ineligible. To date the volume of returned loans has been minimal.

In Q2 2017, the Bank first diversified its business activities to include uninsured mortgages. This occurred with the launch of the Bank's Street Solutions lending program, which consists of non-prime uninsured mortgages that have typically been funded with CDIC-insurance eligible deposits. The Bank mitigates its risk by targeting the market segment that consists of credit-worthy borrowers who may not qualify for a prime residential mortgage under current regulations, and by limiting its lending areas primarily to urban locations. To date the Bank has not incurred any losses on the Street Solutions portfolio.

Since Q3 2017, the Bank has also diversified its insured mortgage business by securitizing and selling, through the CMB program, 10-year insured NHA MBS mortgage loans on multi-unit residential properties. The underlying mortgage loans are closed to prepayment risk, and the Bank enters into third party arrangements to manage its seller swaps, thereby mitigating its interest rate risk. As a result, the Bank transfers control over the mortgage loans, and does not retain any significant risks and rewards associated with them. They are recognized on the Bank's balance sheet only to the extent of the Bank's continuing involvement in the mortgages, which is limited to a retained interest and the obligations and rights associated with servicing the mortgages. With respect to credit risk, the Bank would be obligated to fund any deficiency in any interest owing to CMB investors in the event that a loan became delinquent during the term of the loan, and to fund the balloon outstanding balance at maturity. However, as the loans under this program are insured, any funding by the Bank should be recoverable through an insurance claim, making the residual credit risk to the Bank very low.

Beginning in Q4 2019, following the RFA Transaction described above under *Nature of Operations*, the Bank has largely ceased selling mortgages to investors, focusing instead on more traditional on-balance sheet lending. This has increased its credit risk, as outlined below.

In Q4 2019, following the RFA Transaction, the Bank also began purchasing funded non-prime uninsured mortgages from a third party. The credit quality of these Alt-A mortgages is similar to the Street Solutions mortgages referenced above. The Bank mitigates its credit risk by reviewing the original underwriting of these mortgages to ensure that their credit quality is aligned with the Bank's risk appetite. Additionally, the purchase agreement allows the Bank to put back, within a specified time frame, mortgages that do not align with the Bank's credit standards. To date the Bank has not incurred any losses on these purchased Alt-A mortgages.

Also in Q4 2019, following the RFA Transaction, the Bank expanded its uninsured lending to include construction loans. At December 31, 2019, this portfolio consisted of one loan, which is a component of a single first mortgage, on a largely completed multi-unit rental apartment building. The Bank has mitigated its risk by limiting its lending to a project that is substantially complete and for which an occupancy certificate has already been obtained. Additionally, the loan is short-term in nature with an exit strategy in place at maturity.

The Bank further broadened its on-balance sheet mortgage portfolio in Q4 2019, when the Bank began purchasing prime insured mortgages that are held for sale. The Bank considers the credit risk on these mortgages to be minimal.

To mitigate its credit risk on all of the mortgages that it underwrites, the Bank applies a detailed set of Board-approved credit policies and underwriting procedures. With respect to the Bank's funding model for insurable mortgages, its underwriting and credit policies are compliant with Guideline B-20. With respect to its uninsured mortgages held on-balance sheet, the Bank has established appropriate credit policies and underwriting requirements, which are also in compliance with Guideline B-20. These policies take into consideration such key factors as asset quality, loan to value ratio, debt service ratio, property location, and economic factors. At the individual transaction level the Bank applies a due diligence process to each mortgage underwritten, with oversight from an experienced management team. All mortgage applications are evaluated and assessed against risk criteria, and additional independent quality assurance procedures are performed on a significant percentage of mortgage files prior to funding. Post-funding reviews are also conducted in order to provide continuous feedback and monitoring of mortgage credit quality.

The Bank reviews the credit performance and credit quality of its mortgage portfolio on an ongoing basis and performs stress testing that includes scenarios that are based on adverse economic events. These scenarios include combinations of increasing unemployment, increasing interest rates and a decline in real-estate values, as well as specific operational and reputational stress tests. Generally, mortgage defaults are correlated to increases in unemployment rates, and in an economic downturn the Bank would expect an increase in mortgage defaults and losses on uninsured mortgages associated with declining real estate values. The Bank's stress testing indicates that the Bank has sufficient capital to absorb stress events associated with an adverse economic event, albeit with reduced income due to increased credit losses.

The Bank's mortgage origination, underwriting and quality assurance processes and controls are designed to provide a high level of assurance that the mortgages it originates comply with all underwriting requirements and do not contain misrepresentations or errors that would increase credit risk beyond the Bank's tolerance. However, there is no absolute assurance that certain employees, brokers or borrowers will not inadvertently or deliberately violate the Bank's underwriting or other policies, or misrepresent information in the mortgage application. Even with reasonable and prudent controls in place, these risks cannot be fully mitigated or eliminated and therefore the practices and processes continue to be evaluated and improved as required.

The maximum credit exposures of the Bank's financial assets are their carrying values as reflected on the statements of financial position. The Bank's uninsured mortgages that are held on-balance sheet are concentrated in the provinces of Ontario and British Columbia. The Bank's NHA insured mortgages for multi-unit residential loans are concentrated in the provinces of Nova Scotia and Ontario, and approximately 59% of balances outstanding at December 31, 2019 are owed by five borrowers or borrowing groups. The single construction mortgage loan outstanding at December 31, 2019 is for a property in British Columbia. Aside from this, the Bank does not have any significant concentrations of credit risk within any geographic region or group of customers. The Bank does business in all provinces except Quebec.

The Bank's credit risk on liquid assets, the majority of which are cash and cash equivalents, is relatively limited. All counterparties with respect to cash and cash equivalents are Schedule I Canadian banks with high credit ratings assigned by international rating agencies. The Bank can purchase highly liquid investments in the form of Government of Canada Treasury Bills and bankers' acceptances, and use them to meet its funding and liquidity requirements, particularly its mortgage lending operations. The investments are readily convertible into cash subject to immaterial changes in fair value, and therefore do not increase the Bank's credit risk.

The table below summarizes the credit quality of the Bank's assets. The Bank considers any loan that is not current to be in default.

(in thousands of $)				**December 31, 2019**
	Defaulted exposures	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values**
Loans	**$ 17,959**	**$ 696,403**	**$ (947)**	**$ 713,414**
Debt Securities	**-**	**22,959**	**-**	**22,959**
Off-balance sheet exposures	**-**	**1,484**	**-**	**1,484**
	$ 17,959	**$ 720,846**	**$ (947)**	**$ 737,857**

				December 31, 2018
	Defaulted exposures	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values**
Loans	$ 8,360	$ 680,375	$ (595)	$ 688,140
Debt Securities	-	22,692	-	22,692
Off-balance sheet exposures	-	9,462	-	9,462
	$ 8,360	$ 712,529	$ (595)	$ 720,294

The table below shows the changes in the Bank's defaulted loans for the years ended December 31, 2019 and 2018.

(in thousands of $)	
Defaulted loans at December 31, 2017	$ 1,408
Loans defaulted in 2018	8,360
Loans returned to non-defaulted status	(1,247)
Other changes (loans paid out)	(161)
Defaulted loans at December 31, 2018	$ 8,360
As a % of total loans	1.21%
Defaulted loans at December 31, 2018	**$ 8,360**
Loans defaulted in 2019	**17,959**
Loans returned to non-defaulted status	**(6,863)**
Other changes (loans paid out)	**(1,497)**
Defaulted loans at December 31, 2019	**$ 17,959**
As a % of total loans	**2.51%**

The majority of the defaults relate to uninsured mortgages, which have increased as the portfolio has become more seasoned since the Bank began originating these mortgages in Q2 2017, and they remain within the Bank's risk appetite. The overall credit quality of uninsured mortgages at origination, as measured by Beacon score, total debt service ratio ("TDS") and loan to value ratio ("LTV") has remained stable. Please see a more detailed discussion of the Bank's loans in arrears under *Expected credit losses*, below.

The table below summarizes the Bank's outstanding mortgages, both gross and net of allowance for credit losses, at December 31, 2019 and 2018.

(in thousands of $)	Total Single Family Uninsured	Total Single Family Insured	Construction Loans	Stamped Multi Residential Loans	Bridge Loans	All Balance Sheet Loans
January 1, 2019	**$532,202**	**$145,022**	**$ -**	**$ 10,716**	**$ 795**	**$688,735**
Originations	**188,286**	**25,903**	**-**	**-**	**35,136**	**249,325**
Purchases / Buybacks	**34,444**	**64,499**	**23,516**	**29,615**	**-**	**152,074**
Sales / Derecognition	**-**	**(34,389)**	**-**	**(31,284)**	**-**	**(65,673)**
Net repayments and other [1]	**(246,041)**	**(28,266)**	**-**	**(71)**	**(35,722)**	**(310,100)**
December 31, 2019	**$508,891**	**$172,769**	**$ 23,516**	**$ 8,976**	**$ 209**	**$714,361**
Allowance for credit losses	**(888)**	**-**	**(59)**	**-**	**-**	**(947)**
Net at December 31, 2019	**$508,003**	**$172,769**	**$ 23,457**	**$ 8,976**	**$ 209**	**$713,414**
Credit loss %	**(0.17%)**	**0.00%**	**(0.25%)**	**0.00%**	**0.00%**	**(0.13%)**
January 1, 2018	$ 204,712	$ 229,015	$ -	$ -	$ 1,402	$ 435,129
Originations	421,386	-	-	-	30,799	452,185
Purchases / Buybacks	1,748	9,079	-	10,810	-	21,637
Sales / Derecognition	(26,210)	(46,103)	-	-	-	(72,313)
Net repayments and other [1]	(69,434)	(46,969)	-	(94)	(31,406)	(147,903)
December 31, 2018	$ 532,202	$ 145,022	$ -	$ 10,716	$ 795	$ 688,735
Allowance for credit losses	(595)	-	-	-	-	(595)
Net at December 31, 2018	$ 531,607	$ 145,022	$ -	$ 10,716	$ 795	$ 688,140
Credit loss %	(0.11%)	0.00%	-	0.00%	0.00%	(0.09%)

[1] *Net repayments and other cateogry consists of all regular and partial loan payments, full payouts, as well as movements in the balances of unamortized origination costs, administrative fees, premium / discount balances and fair value adjustments on loans held for sale.*

The table below show the geographic distribution of the mortgages that the Bank holds on-balance sheet.

(in thousands of $)	Alberta	British Columbia	Ontario	All Other Provinces	Total
					December 31, 2019
Held for sale	$ 16,609	$ 10,915	$ 36,959	$ 8,514	$ 72,997
Held to collect					
Single-family insured	$ 13,324	$ 7,792	$ 82,962	$ 4,670	$ 108,748
Single-family uninsured	15,781	93,432	394,645	5,033	508,891
Construction loans	-	23,516	-	-	23,516
Bridge loans	-	-	209	-	209
Total held to collect	$ 29,105	$ 124,740	$ 477,816	$ 9,703	$ 641,364
As a % of portfolio	4.54%	19.45%	74.50%	1.51%	100.00%
All gross loans	$ 45,714	$ 135,655	$ 514,775	$ 18,217	$ 714,361
As a % of portfolio	6.40%	18.99%	72.06%	2.55%	100.00%

	Alberta	British Columbia	Ontario	All Other Provinces	Total
					December 31, 2018
Held for sale	$ 609	$ 305	$ 3,592	$ 6,210	$ 10,716
Held to collect					
Single-family insured	$ 17,683	$ 11,486	$ 110,974	$ 4,879	$ 145,022
Single-family uninsured	13,758	92,000	424,184	2,260	532,202
Construction loans	-	-	-	-	-
Bridge loans	132	-	663	-	795
Total held to collect	$ 31,573	$ 103,486	$ 535,821	$ 7,139	$ 678,019
As a % of portfolio	4.66%	15.26%	79.03%	1.05%	100.00%
All gross loans	$ 32,182	$ 103,791	$ 539,413	$ 13,349	$ 688,735
As a % of portfolio	4.67%	15.07%	78.32%	1.94%	100.00%

The table below shows the loan-to-value ("LTV") ratios of the single-family residential mortgage loans that the Bank holds on-balance sheet.

	Alberta	British Columbia	Ontario	All Other Provinces	Total
					December 31, 2019
Held for sale	77.92%	74.93%	77.41%	83.94%	77.89%
Held to collect					
Single-family insured	88.77%	85.73%	84.79%	91.57%	85.64%
Single-family uninsured	74.30%	69.78%	71.40%	69.67%	71.17%
Total held to collect	80.93%	71.00%	73.72%	80.21%	73.72%
All gross loans	80.20%	71.36%	73.99%	81.88%	74.11%

	Alberta	British Columbia	Ontario	All Other Provinces	Total
					December 31, 2018
Held to collect					
Single-family insured	88.40%	84.66%	85.31%	90.41%	85.81%
Single-family uninsured	74.39%	70.70%	71.37%	71.14%	71.33%
Total held to collect	82.27%	72.25%	74.26%	84.31%	74.43%

The tables below show the remaining term to maturity of the principal balances of the Bank's outstanding loans.

(in thousands of $)

	Within 1 year	1 - 3 years	3 - 5 years	5 - 10 years	December 31, 2019 Total
Street Solutions mortgages	$ 454,257	$ 18,133	$ 770	$ -	$ 473,160
Prime uninsured mortgages	-	3,389	4,173	-	7,562
Purchased uninsured mortgages	17,315	11,219	-	-	28,534
Non-securitized insured prime mortgages	10,781	13,385	49,989	-	74,155
Stamped insured mortgages	144	4,874	6,186	-	11,204
Securitized mortgage loans	56,150	30,327	-	-	86,477
Construction loan	23,516	-	-	-	23,516
Stamped multi-residential mortgages	-	-	-	9,199	9,199
Bridge loans	209	-	-	-	209
Total mortgages and loans	$ 562,372	$ 81,327	$ 61,118	$ 9,199	$ 714,016

	Within 1 year	1 - 3 years	3 - 5 years	5 - 10 years	December 31, 2018 Total
Street Solutions mortgages	$ 502,964	$ 25,036	$ 342	$ -	$ 528,342
Prime uninsured mortgages	-	1,904	2,921	-	4,825
Non-securitized insured prime mortgages	1,624	2,274	3,700	-	7,598
Stamped insured mortgages	-	3,502	10,560	-	14,062
Securitized mortgage loans	5,152	117,418	-	-	122,570
Stamped multi-residential mortgages	-	-	-	10,512	10,512
Bridge loans	795	-	-	-	795
Total mortgages and loans	$ 510,535	$ 150,134	$ 17,523	$ 10,512	$ 688,704

Expected credit losses

The Bank complies with the impairment requirements of *IFRS 9 Financial Instruments* ("IFRS 9") to evaluate the credit quality of its mortgages and loans receivable, and to calculate its expected credit losses ("ECLs") on these receivables. Under IFRS 9, the accounting for mortgage and other loan loss impairments is based on a forward-looking ECL model, which requires an entity to record an allowance for ECLs for all loans and other debt instruments that are classified at either amortized cost or fair value through other comprehensive income ("FVOCI"). The calculated allowance is designed to be an unbiased and probability-weighted amount that has been determined by: evaluation of possible outcomes; the time value of money; reasonable and supportable information about past events; and current and forecasted economic conditions. The general principle is that an entity's ECLs should reflect the pattern of deterioration or improvement in the credit quality of the associated financial instruments, and therefore the calculated ECL amount at a given measurement date depends on the entity's identification of increases or decreases in credit risk since initial recognition. This involves significant management judgment.

The Bank's credit provisions are primarily associated with its uninsured non-prime mortgage loans, consisting of its Street Solutions uninsured mortgages, its purchased uninsured mortgages, and its construction mortgage loans. At each measurement date, the calculation of the ECL allowance depends on the following key inputs that are used to determine the present value of the expected cash shortfalls (defined as the difference between contractual cash flows and expected cash flows, discounted at the effective interest rate over the life of the instrument):

- the probability of default ("PD") – an estimate of the likelihood of default over a specified time horizon;
- the loss given default ("LGD") – an estimate of the loss occurring at the time of default; and
- the exposure at default ("EAD") – an estimate of the exposure at the default date.

The determination of the PD, LGD and EAD parameters can be quite complex, particularly the determination of PD. They must incorporate both factors unique to the entity and macroeconomic factors that can be associated with increases or decreases in credit risk. However, the calculation of the allowance can be summarized as:

ECL = (PD x LGD x EAD) as discounted to the measurement date

Increases or decreases in credit risk since initial recognition will cause financial instruments to move among three “stages”:

- Stage 1 – includes financial instruments that have not had a significant increase in credit risk (“SICR”) since initial recognition. An allowance equal to expected credit losses resulting from default events over the next 12 months (“12-month ECL”) is recognized and interest revenue is calculated on the assets’ gross carrying amounts.
- Stage 2 – includes financial instruments that have had SICR since initial recognition, but for which there is no objective evidence of impairment at the reporting date. An allowance equal to expected credit losses resulting from default events over the assets’ lifetime (“lifetime ECL”) is recognized and interest revenue is calculated on the assets’ gross carrying amounts. In general, an asset’s lifetime is considered to be its remaining contractual lifetime.
- Stage 3 – includes financial instruments that have objective evidence of impairment at the reporting date. The lifetime allowance is recognized and interest revenue is calculated on the assets’ net carrying amounts, which are determined as the asset amount net of their lifetime ECL.

The table below shows the allocation by stage of the balances of the Bank’s on-balance sheet mortgages and loans, including loans held for sale, at December 31, 2019 and 2018.

(in thousands of $)				**December 31, 2019**
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Street Solutions uninsured	**$ 441,230**	**$ 27,499**	**$ 4,130**	**$ 472,859**
Prime uninsured	**7,562**	**-**	**-**	**7,562**
Purchased uninsured	**28,470**	**-**	**-**	**28,470**
Non-securitized insured prime	**74,700**	**-**	**-**	**74,700**
Stamped insured prime	**11,204**	**-**	**-**	**11,204**
Securitized insured prime	**86,865**	**-**	**-**	**86,865**
Construction loans	**23,516**	**-**	**-**	**23,516**
Stamped multi-residential	**8,976**	**-**	**-**	**8,976**
Bridge loans	**209**	**-**	**-**	**209**
Total	**$ 682,732**	**$ 27,499**	**$ 4,130**	**$ 714,361**

				December 31, 2018
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Street Solutions uninsured	$ 448,184	$ 78,244	$ 949	$ 527,377
Prime uninsured	4,825	-	-	4,825
Non-securitized insured prime	7,598	-	-	7,598
Stamped insured prime	14,062	-	-	14,062
Securitized insured prime	123,362	-	-	123,362
Stamped multi-residential	10,716	-	-	10,716
Bridge loans	795	-	-	795
Total	$ 609,542	$ 78,244	$ 949	$ 688,735

In addition to the assessment of SICR, financial assets are also assessed for credit impairment at least quarterly. Indicators of possible credit impairment include adverse changes in the payment status of a borrower (e.g.: arrears greater than 90 days); deteriorating credit scores; changes in national or local economic conditions such as an increase in the unemployment rate or a decrease in property prices; or a rapid increase in interest rates. A loan is defaulted and considered impaired when it is 90 days in arrears, or as otherwise identified by management based on objective evidence of impairment. Impaired loans are moved to Stage 3.

Financial instruments cease to be impaired when all past due amounts, including interest, have been recovered, and the principal and interest are deemed fully collectible in accordance with original or revised contractual terms. This will result in migration of the instruments back to Stage 2. Should credit risk improve to the point that SICR since initial recognition no longer exists, there will be further migration back to Stage 1.

Financial instruments that are determined to be uncollectible are written off against the Allowance for Credit Losses. Any subsequent recoveries are recorded as a credit to Provision for Credit Losses. All of the Bank's mortgages receivable are secured by the underlying property, and its insured mortgages are further secured by CMHC, thereby helping to mitigate the Bank's risk of loss. The Bank's risk of loss is greatest on unsecured bridge loans, which are a minor component of the Bank's lending portfolio, and as such do not represent a material loss exposure.

The Bank has developed a model for calculating the ECLs of its uninsured mortgages. The model outputs are evaluated by management and may be adjusted by management to incorporate specific information or one-time events that have not been factored into the model's design.

Aging tables for the outstanding principal balances of the Bank's mortgages and loans are shown below:

(in thousands of $)

December 31, 2019	Current	1 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Street Solutions mortgages	$ 456,764	$ 2,357	$ 8,533	$ 1,376	$ 4,130	$ 473,160
Prime uninsured mortgages	7,562	-	-	-	-	7,562
Purchased uninsured mortgages	28,534	-	-	-	-	28,534
Non-securitized insured prime mortgages	73,748	407	-	-	-	74,155
Stamped insured mortgages	11,204	-	-	-	-	11,204
Securitized mortgage loans	85,728	749	-	-	-	86,477
Construction loan	23,516	-	-	-	-	23,516
Stamped multi-residential mortgages	9,199	-	-	-	-	9,199
Bridge loans	209	-	-	-	-	209
Total mortgages and loans	$ 696,464	$ 3,513	$ 8,533	$ 1,376	$ 4,130	$ 714,016

December 31, 2018	Current	1 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Street Solutions mortgages	$ 521,422	$ 4,913	$ 1,058	$ 416	$ 533	$ 528,342
Prime uninsured mortgages	4,825	-	-	-	-	4,825
Non-securitized insured prime mortgages	7,262	336	-	-	-	7,598
Stamped insured mortgages	14,062	-	-	-	-	14,062
Securitized mortgage loans	121,466	1,104	-	-	-	122,570
Stamped multi-residential mortgages	10,512	-	-	-	-	10,512
Bridge loans	795	-	-	-	-	795
Total mortgages and loans	$ 680,344	$ 6,353	$ 1,058	$ 416	$ 533	$ 688,704

The Bank considers any loan that is not current to be in default. All loans that are contractually 90 days in arrears are classified as impaired and in Stage 3. The Bank makes the decision to write off a loan, either in full or in part, when the amount owing is considered beyond a realistic probability of recovery. This is the case when a loan is sold, when all security has been realized, or when all security has been resolved with a receiver or bankruptcy court.

The $0.41 million insured prime mortgages held for sale that were in the 1 – 30 days category at December 31, 2019 returned to current status in January 2020. The securitized loan balance reported as 1 – 30 days overdue consisted of one loan. Management determined that no provision was required on this loan; this determination will be revisited until the loan is either discharged or returns to current status.

At December 31, 2019, the Bank has not recorded credit provisions on any of its insured mortgages, including both sold and unsold securitized mortgages. Management has determined that the ECL on these mortgages is immaterial, given both their high credit quality, as shown above, and the fact that the mortgages are insured against default. Further, all 10-year insured NHA MBS mortgage loans on multi-unit residential properties securitized through the CMB program and held off-balance-sheet were current as at December 31, 2019.

At December 31, 2019 the Bank had not recorded any write-offs in its residential uninsured portfolios. However, it had identified six Street Solutions loans totaling $4.1 million as impaired, and individually assessed (Stage 3) allowances for credit losses of $0.17 million were recorded for these loans. At December 31, 97.4% of the unimpaired Street Solutions mortgages were current. No other uninsured mortgage loans were either impaired or in arrears at December 31, 2019.

The following tables provide a reconciliation of the opening balance to the closing balance of the total ECL allowances for the Bank's uninsured residential mortgages over the years ending December 31, 2019 and 2018. During 2019, only Street Solutions mortgages had transfers of ECL amounts among Stages 1, 2 and 3 as the other uninsured products held by the Bank did not require provision of lifetime expected credit losses and did not exhibit evidence of impairment. The reconciling items shown below comprise the following components:

- originations, which reflect the increase in the allowance related to mortgages originated during the period;
- transfers between stages, which are assumed to occur prior to any corresponding remeasurement of the allowance;
- the decrease in the allowance related to mortgages derecognized during the period that did not incur a credit loss;
- the impact of changes to the ECL models and their inputs, including changes related to modifications of forward-looking indicators, which include macroeconomic conditions;
- write-offs of mortgages deemed uncollectible; and
- recoveries.

(in thousands of $)	Year ended December 31, 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Uninsured residential mortgages				
Gross carrying amount, beginning of period	$ 403	$ 178	$ 14	$ 595
Mortgages originated	624	-	-	624
Transfers from Stage 1	(251)	156	95	-
Transfers from Stage 2	275	(275)	-	-
Transfers to Stage 3	(99)	(151)	250	-
Mortgages paid or derecognized [1]	(139)	(93)	(191)	(423)
Remeasurement	(146)	238	-	92
Gross carrying amount, end of period	$ 667	$ 53	$ 168	$ 888
Construction mortgage loans				
Gross carrying amount, beginning of period	$ -	$ -	$ -	$ -
Mortgages originated	59	-	-	59
Gross carrying amount, end of period	$ 59	$ -	$ -	$ 59
Total allowance for credit losses	$ 726	$ 53	$ 168	$ 947

	Year ended December 31, 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Uninsured residential mortgages				
Gross carrying amount, beginning of period	$ 269	$ -	$ -	$ 269
Mortgages originated	411	-	-	411
Transfers from Stage 1	(325)	325	-	-
Transfers from Stage 2	-	-	-	-
Transfers to Stage 3	(14)	-	14	-
Mortgages paid or derecognized [1]	(23)	(204)	-	(227)
Remeasurement	85	57	-	142
Gross carrying amount, end of period	$ 403	$ 178	$ 14	$ 595

[1] *This amount includes maturing mortgages that have been renewed.*

STRATEGIC AND BUSINESS RISK

Strategic and business risk is the risk of loss associated with failure to identify appropriate strategies and business activities, to respond to changes in the internal or external business environment, or to implement selected strategies or business activities. Strategic and business risk for the Bank's individual business segments is managed and monitored by senior management through regular weekly meetings. The Board of Directors approves the Bank's strategies at least annually, and reviews results against strategies at least quarterly.

LIQUIDITY AND FUNDING RISK

Liquidity and funding risk is the risk that the Bank is unable to generate or maintain sufficient funds to meet its financial obligations as they come due. This risk arises from the fluctuations in the Bank's cash flows that are associated with its lending and deposit taking, investing, loan sales, securitizations, and other business activities. Effective management of liquidity risk requires that the Bank have sufficient liquid assets available, as needed, to fund new mortgages and to pay cash obligations such as deposit maturities and interest, accounts payable and accrued liabilities, and any other commitments and obligations.

The Bank has a low tolerance for liquidity and funding risk and has a Liquidity and Funding Management policy that is managed in conjunction with other policies, all of which are designed to ensure that cash balances and other high-quality liquid assets are a) sufficient to meet all cash outflows, in both ordinary and stressed conditions, and b) in compliance with regulatory requirements.

These regulatory requirements include the Liquidity Coverage Ratio ("LCR") and Net Cumulative Cash Flow ("NCCF") metrics prescribed by OSFI. The LCR reports net cumulative cash flow requirements in a stressed environment over a short-term period of 30 days. The NCCF measures detailed cash flows to capture the risk posed by funding mismatches over and up to a 12-month time horizon.

Liquidity risk is managed through both daily monitoring and measurement of the Bank's liquidity position, and regular liquidity forecasting. Monitoring includes liquidity metrics such as maturity gap analysis and survival horizons. Even with the Bank's underlying policies and monitoring there is a risk of disruption in the funding markets beyond the Bank's control. In cases where the disruption is severe or prolonged the Bank could be required to take further contingency actions, which could include curtailing lending activity.

The Bank's liquid assets are as shown below:

(in thousands of $)	**As at December 31, 2019**	**December 31, 2018**
Deposits with regulated financial institutions	**$ 133,281**	$ 64,495
Securities	**22,959**	22,692
Loans held for sale	**72,998**	10,716
Stamped mortgages	**11,204**	14,062
Total liquid assets	**$ 240,443**	$ 111,965

At December 31, 2019 the Bank's main sources of cash and operating liquidity are deposits, net interest income, and, to a reduced extent compared to its operations prior to the RFA Transaction, loan sales. The Bank's Q4 2019 purchases of uninsured Alt A mortgages, a construction loan and prime insured loans held for sale were primarily funded with the cash proceeds received from the asset sales and direct capital injection following the RFA Transaction. With respect to the Bank's originated on-balance sheet mortgages, in particular Street Solutions uninsured loans, this lending activity has been funded by the Bank's deposit taking activity. Any duration mismatches between loans and deposits are managed within risk limits. Shown below is a maturity gap table comparing the principal amounts of the Bank's non-securitized on-balance sheet mortgages to its GIC deposits.

(in thousands of $)					**As at December 31, 2019**
	0 - 3 Months	**3 - 12 Months**	**1 to 3 Years**	**Over 3 Years**	**Total**
Remaining contractual term					
Non-securitized mortgages and loans	**$ 195,805**	**$ 310,418**	**$ 50,855**	**$ 70,462**	**$ 627,540**
Deposits (GICs)	**67,609**	**211,305**	**247,365**	**78,772**	**605,051**
Net maturity	**$ 128,196**	**$ 99,113**	**$ (196,510)**	**$ (8,310)**	**$ 22,489**

The Bank's deposits are currently sourced through the deposit broker network, and are CDIC-insured fixed-term GICs. The Bank's access to deposits depends upon a number of factors including access to third-party deposit platforms, interest rates offered by competing lenders, general economic conditions, regulatory requirements, and the securities markets in general. The broker network is expected to have more than sufficient liquidity to meet the Bank's funding needs for the next few years. The Bank is, however, exposed from time to time to deposit dealer-imposed concentration limit restrictions.

As an approved NHA MBS issuer, the Bank can access the NHA MBS market to fund insured mortgages. The Bank's access to liquidity through investors and the NHA MBS securitization market depends on a number of factors, including general economic conditions, spreads on mortgages relative to other investments, and conditions in both the securities markets in general and the MBS market specifically. Accordingly, a decline in investor demand or securitization markets could adversely affect the Bank's ability to originate mortgages, which could negatively impact future financial results.

INTEREST RATE RISK

Interest rate risk is the risk of lost earnings or capital due to changes in interest rates. The Bank is exposed to interest rate risk due to differences between the maturity dates of interest-rate sensitive assets and liabilities. The objective of the Bank's interest rate risk management is to ensure that it is able to realize stable and predictable net interest margin ("NIM"), over specific time periods, despite fluctuations in interest rates. The Bank has a Board-approved market risk management framework that defines strategies and policies that are aligned with the Bank's risk appetite. In addition, the framework specifies stress-testing and sensitivity analysis with regard to interest rates and related factors, along with appropriate use of hedging as a risk management technique. The policies are reviewed at least annually and more often if required by events or changing circumstances.

Historically, the Bank has not been exposed to material levels of interest rate risk arising from prime insurable or prime uninsurable mortgage commitments, because the purchase price for mortgages sold to investors is normally based on customer commitment rates rather than the interest rate at time of funding, thereby passing on the interest rate risk to the investors. Interest rate risk may arise if committed and allocated loans no longer qualify at funding based on individual investor criteria, and are then either funded by the Bank directly or sold to another investor who has different funding criteria. In a rate-rising environment, interest rate risk increases. When the Bank securitizes prime insured mortgages directly, or sells loans on a whole loan basis after funding, it is exposed to interest rate risk arising from both the point the mortgage commitments are issued, and from the time of loan funding to the point of pooling the loan for securitization or loan sale. The level of risk has to date been low overall given low relative volumes of both securitizations and whole loan sales after funding, and as such the Bank historically has not hedged this risk.

The table below details the results of sensitivity analysis of interest rate increases and decreases during the 12-month period beginning on December 31, 2019. The model is based on a number of assumptions, and actual results could vary from these assumptions should an actual rate change occur.

	As at December 31, 2019	
(in thousands of $, except %)	**Increase in interest rates**	**Decrease in interest rates**
100 basis point parallel shift		
Impact on net interest income	**$ 3,184**	**$ (3,205)**
Impact on EVE	**2,881**	**(2,947)**
EVE as a % of shareholders' equity	**1.77%**	**(1.81%)**
200 basis point parallel shift		
Impact on net interest income	**$ 6,367**	**$ (6,412)**
Impact on EVE	**5,717**	**(5,934)**
EVE as a % of shareholders' equity	**3.52%**	**(3.65%)**

The Bank is exposed to interest rate risk due to differences between the maturity dates of interest-rate sensitive assets and liabilities. Shown below is the December 31, 2019 position of the Bank with regard to the interest rate sensitivity of its assets, liabilities and equity. The information presented is based on the contractual maturity date.

December 31, 2019

(in thousands of $, except %)	Floating Rate	0 to 3 Months	4 Months to 1 Year	1 Year to 5 Years	Greater than 5 Years	Non Rate Sensitive	Total [1]
Assets							
Cash and restricted cash	$ -	$ 138,677	$ -	$ -	$ -	$ -	$ 138,677
Weighted Average Contractual Rate	-	1.75%	-	-	-	-	1.75%
Debt securities	-	-	-	22,959	-	-	22,959
Weighted Average Contractual Rate	-	-	-	2.48%	-	-	2.48%
Non-securitized mortgages - Purchased insured loans - HFS	2,902	-	8,919	51,655	-	546	64,022
Weighted Average Contractual Rate	2.98%	-	2.68%	2.59%	-	-	2.60%
Multi-unit residential mortgages - stamped mortgages	-	-	-	-	9,199	(223)	8,976
Weighted Average Contractual Rate	-	-	-	-	2.45%	-	2.51%
Securitized mortgages held on-balance sheet	44,673	-	30,328	11,476	-	388	86,865
Weighted Average Contractual Rate	3.44%	-	2.67%	2.49%	-	-	3.03%
Non-securitized mortgages - Street Solutions	-	171,689	282,568	18,904	-	(1,140)	472,021
Weighted Average Contractual Rate	-	5.02%	5.62%	5.83%	-	-	5.43%
Non-securitized mortgages - Purchased uninsured loans	-	-	17,315	11,219	-	(105)	28,429
Weighted Average Contractual Rate	-	-	4.17%	4.15%	-	-	4.18%
Non-securitized mortgages - Construction loan	23,516	-	-	-	-	(59)	23,457
Weighted Average Contractual Rate	5.05%	-	-	-	-	-	5.06%
Non-securitized mortgages - stamped mortgages	5,594	-	144	5,465	-	-	11,203
Weighted Average Contractual Rate	3.06%	-	2.68%	2.71%	-	-	2.88%
Non-securitized mortgages - other	1,873	391	1,472	14,506	-	(10)	18,232
Weighted Average Contractual Rate	3.21%	3.99%	3.05%	3.23%	-	-	3.23%
Bridge loans	209	-	-	-	-	-	209
Weighted Average Contractual Rate	8.95%	-	-	-	-	-	8.95%
Other assets	-	1,200	-	-	-	59,990	61,190
Weighted Average Contractual Rate	-	1.00%	-	-	-	-	0.02%
Total assets	$ 78,767	$ 311,957	$ 340,746	$ 136,184	$ 9,199	$ 59,387	$ 936,240
Weighted Average Contractual Rate	2.27%	3.55%	4.91%	1.89%	2.45%	-	3.46%
Liabilities							
Cashable GICs [2]	$ -	$ 333	$ -	$ -	$ -	$ -	$ 333
Weighted Average Contractual Rate	-	1.35%	-	-	-	-	1.35%
Non-cashable GICs	-	67,276	211,305	326,137	-	(2,073)	602,645
Weighted Average Contractual Rate	-	2.52%	2.55%	2.84%	-	-	2.71%
Securitization liabilities	46,944	634	30,328	11,476	-	(145)	89,236
Weighted Average Contractual Rate	2.38%	1.75%	1.73%	1.89%	-	-	2.10%
Other liabilities	-	-	-	-	-	87,474	87,474
Weighted Average Contractual Rate	-	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	156,551	156,551
Weighted Average Contractual Rate	-	-	-	-	-	-	-
Total liabilities and shareholders' equity	$ 46,944	$ 68,243	$ 241,633	$ 337,613	$ -	$ 241,807	$ 936,240
Weighted Average Contractual Rate	2.38%	2.51%	2.45%	2.81%	-	-	1.95%
Excess (deficiency) of assets over liabilities and shareholders' equity	$ 31,823	$ 243,714	$ 99,113	$ (201,429)	$ 9,199	$ (182,420)	$ 0

[1] Accrued interest is included in "Other assets" and "Other liabilities", respectively.

[2] Cashable GICs are redeemable by the depositor after 90 days from the issue date.

INVESTMENT RISK

Investment risk is the risk of loss of earnings and capital due to changes in the fair value of investments. The Bank has adopted a Board-approved investment policy that specifies the sources of cash to be invested and the constraints within which investments can be made. The policy is designed to help mitigate credit, liquidity and market risk. It is reviewed at least annually, and more often if required by events or changing circumstances.

At December 31, 2019 the Bank's investment risk is largely limited to its investment in CMBs having a par value of $22.5 million, which had a fair value of $23.0 million at December 31, 2019. More complex investing activities are expected to occur as deposit taking and uninsured lending operations expand, although the timing of such activities is uncertain. The CMBs are also readily converted to cash and the Bank considers them to be part of its liquid assets.

Operational Risk

Operational risk is the risk of loss resulting from either inadequate or failed internal processes, people and systems, or from external events. Operational risk cannot be completely eliminated, since it is inherent in all business activities, and it can take many forms such as fraud or other financial loss, reputational harm, regulatory enforcement actions, equipment damage, system failure, cyber security, business disruption, human error, and natural disasters. While aware of these constraints, the Bank takes proactive steps to mitigate its operational risk. It has adopted an ERM Framework that includes strategies to manage operational risk, including avoidance, insurance, acceptance, and mitigation by controls. The Bank also employs a risk and compliance information system that facilitates the application of enhanced operational risk management techniques.

Key components of the Bank's ERM Framework include:

- risk and control self-assessments by individual business units;
- risk assessment of new business initiatives;
- risk monitoring through the use of Key Risk Indicators ("KRIs");
- reporting and analysis of internal and external risk events, and the development of action plans when required;
- mitigation plans for known operational risks; e.g.: business continuity planning;
- stress testing and scenario analysis;
- risk assessment and due diligence regarding third-party service providers, both prior to engagement and as periodic follow-ups; and
- maintenance of appropriate insurance coverage.

Mortgage fraud risk

As part of its normal operations as a mortgage lender, the Bank is exposed to an inherently high level of fraud risk through the mortgage origination and underwriting processes. As mortgage underwriting and mortgage insurance qualification requirements become more stringent, either as a result of changes in regulatory requirements, or through changes in general industry practice, the inherent risk of mortgage fraud such as misrepresentation in mortgage documents can increase. This is particularly the case when income qualification rules are tightened within an environment of high home prices and increasing interest rates. As well, the Bank's mortgage lending operations are dependent on a network of mortgage brokers, some of whom may represent a material volume of the Bank's aggregate mortgage originations. In evaluating mortgage eligibility, the Bank relies on information provided by mortgage applicants and other third parties, including mortgage brokers.

The Bank has quality control and fraud management practices in place that are designed to mitigate mortgage fraud risk, by preventing and detecting misrepresentations of borrower information. These include enhanced documentation requirements for higher risk borrowers and greater due diligence with respect to new mortgage brokers, However, the Bank's financial position and results of operations could be negatively impacted if information is intentionally misleading or does not fairly represent an applicant's financial position, and this is not detected by the Bank's controls.

If the Bank chooses to cease doing business with any particular broker or brokers as a result of identifying mortgage fraud or any other misrepresentation on the part of the broker, this could have a material adverse effect on its financial results.

REPUTATIONAL RISK

Reputational risk is the risk that stakeholders, including the general public, third parties with whom the Bank deals, regulators or employees, will, with or without basis, judge the Bank's operations, actions or business practices unfavorably. This could result in a decline in the Bank's earnings, economic value, capital, brand, liquidity, or customer base. Reputational risk is pervasive through all of the Bank's activities.

To manage its reputational risk, the Bank has developed a Reputational Risk framework, which includes a Reputation Risk Management Policy that sets out the principles and organization structures and processes related to managing reputational risk. Key components of reputational risk management include:

- mandating and ensuring compliance by all employees with the Bank's Code of Conduct and Ethical Behaviour;
- risk management and internal control (through ERM policies);
- specific identification and prevention of reputational risk events;
- monitoring potential sources of reputational risk such as negative media, emerging risks, employee engagement and survey results, etc.; and
- incident management (includes a communication response plan).

COMPLIANCE RISK

Compliance risk is the risk of the Bank's non-compliance with applicable legislation, regulatory requirements, or Board-mandated policies and procedures. It is particularly significant in instances where non-compliance could negatively impact the Bank's reputation and/or soundness. Compliance risk is managed primarily by the Bank's Chief Compliance Officer and Chief Anti-Money Laundering Officer, with assistance from other senior management.

REMUNERATION

Compensation determination

The Bank's Board is responsible for the oversight of all aspects of the Bank's compensation. This includes the Bank's policies and programs, including changes and updates to executive compensation and Board compensation, payouts of performance bonuses, and regular review of existing compensation programs. Board approval of the above is based on the recommendations made by the Board's Governance, Conduct Review and Compensation Committee (the "GCRC Committee"). The GCRC Committee has four members, of whom three are independent (at December 31, 2019, one independent position was vacant). The GCRC Committee, with the assistance of the Vice President of Human Resources, is responsible for ensuring that the Bank's compensation program is reasonable, appropriate, and aligns the interests of executives with the interest of key stakeholders. The GCRC Committee holds regular meetings at which no members of the Bank's management are present, and reports to the Board at least quarterly. The GCRC Committee held six meetings during 2019.

The GCRC Committee directly oversees the compensation of the Bank's Chief Executive Officer ("CEO"), including the determination of the CEO's goals, and evaluation of the CEO's performance with respect to those goals. The Bank's CEO in turn recommends to the GCRC Committee the compensation of the Bank's executive management team, consisting of the Chief Financial Officer, Chief Risk Officer, Chief Information Officer, Chief Internal Auditor, Vice President of Operations, Vice President of Credit Operations, and Vice President of Human Resources. The goals and objectives of the executive management team are aligned with those of the CEO, who evaluates the executive management's team performance and reports conclusions and/or further recommendations to the GCRC Committee.

The compensation of other employees is determined by individual members of the executive management team, with assistance from the Vice President of Human Resources, and primarily consists of base salary and short-term cash incentives. All employees are included in a benefits plan that includes health care, dental care, life insurance, and other benefits including capped employer matching of employee contributions to a group registered retirement savings plan.

Executive compensation objectives and risks

The Bank's executive compensation plan is intended to be market competitive with similar organizations when the Bank or its individual business units meet or exceed their respective annual goals. The Bank's executive compensation plan was redesigned in 2017, with the GCRC Committee obtaining the assistance of a third-party compensation consulting firm, to achieve better alignment with the Financial Stability Board ("FSB") principles. As part of this redesign, variable compensation was adjusted to include both a short-term cash component and a mid to long-term equity component that was linked to the publicly traded shares of the Bank's parent company, SCGI. Additionally, specific weightings between corporate and individual performance criteria were introduced.

The October 2019 acquisition of SCGI and the subsequent delisting of its common shares, as discussed above under *Nature of Operations*, have made it necessary to redesign the mid to long-term equity component of the Bank's executive compensation plan. As of the date of these Disclosures, the GCRC Committee and Board of Directors have not finalized the nature of this redesign.

The broad objectives of the Bank's executive compensation plan are to ensure that compensation is aligned with the Bank's overall strategy, the Financial Stability Board ("FSB") Principles, and the Bank's risk appetite, and that management's interests are aligned with those of key stakeholders. The key components of such a plan are:

- emphasizing pay for performance by having a significant portion of executive compensation "at risk";
- ensuring that variable compensation linked to Bank performance is structured so as not to encourage excessive risk taking by those employees who are in a position to directly influence Bank results;
- providing compensation opportunities that attract and retain talented and committed executives on a long-term basis; and
- directly aligning the interests of executives with the long-term interests of shareholders by awarding share-based compensation at current market prices, which have value to the executives only through share price appreciation over the mid and long term. As noted above, this component was in place at the beginning of 2019 but is no longer applicable at the date of these Disclosures.

No risks have been identified as arising from the Bank's compensation policies or practices that are reasonably likely to have a material adverse effect on the Bank, as the Bank's compensation program is designed to include components that discourage senior management, who are considered the Bank's material risk-takers, from taking unnecessary and excessive risks that could have a material adverse effect on the Bank. These include, in addition to the risk governance framework and associated controls discussed above under *Risk Governance*:

- base salaries that are sufficiently competitive and not subject to performance risk, with the portion of variable compensation that is deferred and linked to both short and long term performance increasing in tandem with an individual employee's level of responsibility and ability to directly influence the Bank's operating results;
- for executives, senior managers, and employees in financial risk and control functions, linking a greater percentage of their variable compensation to individual performance goals and control effectiveness, rather than to corporate results;
- an organization structure that includes the Chief Internal Auditor reporting directly to the Audit Committee, and regular meetings between the Audit Committee Chair and executives in charge of other control functions;
- the discretion of the GCRC Committee and the Board to reduce payout of one or more components of variable compensation, if it is determined that a given result was achieved by activities and operations that were outside of the Bank's risk appetite. This included the right, under certain circumstances, to claw back proceeds realized from share-based compensation; and
- the authority of the GCRC Committee and the Board to adjust variable compensation in response to events and factors outside of the Bank, which were not included in the initial design of variable compensation or in the goals set for a given performance year, and which are beyond the Bank's control. Any such adjustments would be made with the intent of ensuring that compensation remained aligned with both individual performance and the appropriate level of risk.

Components of executive compensation

Note: the compensation components discussed below are those that were in place at the beginning of 2019 and did not anticipate the acquisition of SCGI and the subsequent delisting of its common shares. In addition to redesigning the mid to long-term component, the GCRC Committee is expected to fully review all aspects of the current executive compensation plan.

Fixed compensation: base salary The base salaries of the Bank's executive officers are evaluated annually by the GCRC Committee, with input from the Vice President of Human Resources. The review considers achievement of corporate and personal goals, level of responsibility, internal equity and, where relevant information is available, external pay practices.

Variable compensation: short term incentive The short term incentive was set at 50% of variable compensation, and consists of an annual cash bonus linked to current fiscal year key operational and risk management goals, and allocated between corporate and personal performance. A Risk Metric Multiplier may be applied to the corporate performance component, resulting in a payout ranging from 0% to 115% of this element, subject to number and severity of enterprise risk breaches.

Variable compensation: mid to long-term incentive As noted above, the mid to long-term incentives were set at 50% of variable compensation and designed to consist of share-based compensation. The two components were common stock options, vesting over four years with a term of six years, and Restricted Share Units ("RSUs") vesting over three years with a one-third payout based on current share price at the end of each year.

Executive compensation in 2019

The 2019 performance goals were linked to the Bank's historical operating model and to strengthening the Bank's capital position. However, for 2019, the mid to long-term incentive was expected to consist entirely of RSUs, to be awarded in March 2020. Due to the delisting of SCGI's common shares in October 2019, the mid to long-term incentive was instead paid out in cash, at the same percentage payout as the short-term incentive.

The table below reports remuneration paid or payable to the senior management team and the Board of Directors for the year ended December 31, 2019.

Remuneration amount (in $000 Cdn)		Executive management	Other material risk-takers
Fixed	**Number of employees (Note 1)**	22	-
	Total fixed remuneration	**5,527**	-
	Cash based	4,795	
	Deferred	-	
	Equity	-	
	Other	-	
	Deferred	-	
Fixed	**Directors' fees**	732	
Variable	**Number of employees**	22	-
	Total variable remuneration	**5,732**	-
	Cash based (Note 2)	3,668	
	Deferred	-	
	Equity-based (Note 3)	2,064	
	Deferred	-	
	Other	-	
	Deferred	-	
	Total remuneration	**11,259**	-

Note 1 Includes 11 individuals whose employment was terminated during 2019, and is therefore not representative of the current number of individuals comprising the senior management team.

Note 2 \$0.74 million of this amount was paid to members of the Bank's executive team upon the acquisition of all shares of SCGI by RFA Capital Holdings. This was a transaction cost to RFA Capital Holdings and no expense was recognized in the Bank.

Note 3 \$1.94 million of this amount was paid to members of the Bank's executive team as part of the acquisition of shares of SCGI by RFA Capital Holdings. This represented the redemption, at \$0.68/RSU, of all outstanding RSUs that had been awarded as compensation in prior years. This was a transaction cost to RFA Capital Holdings and no expense was recognized in the Bank.

The table below reports special payments, consisting of guaranteed bonus, signing bonus and termination payments paid or payable to the senior management team for the year ended December 31, 2019.

Special payments (in $000 Cdn)	Guaranteed bonuses		Sign-on awards		Severance payments (Note 1)	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management	15	1,206	1	50	12	9,257
Other material risk takers	-	-	-	-	-	-

Note 1: the severance reported in this table is in addition to the remuneration reported in the table above.

CAPITAL DISCLOSURE TEMPLATE

	Regulatory Capital and Ratios	All-in
	Common Equity Tier 1 capital: instruments and reserves	
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	45,353
2	Retained earnings	110,723
3	Accumulated other comprehensive income (and other reserves)	475
4	*Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)*	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	
6	**Common Equity Tier 1 capital before regulatory adjustments**	156,551
	Common Equity Tier 1 capital: regulatory adjustments	
28	Total regulatory adjustments to Common Equity Tier 1	(1,398)
29	**Common Equity Tier 1 capital (CET1)**	155,153
	Additional Tier 1 capital: instruments	
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	
31	of which: classified as equity under applicable accounting standards	
32	of which: classified as liabilities under applicable accounting standards	
33	*Directly issued capital instruments subject to phase out from Additional Tier 1*	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	
35	*of which: instruments issued by subsidiaries subject to phase out*	
36	**Additional Tier 1 capital before regulatory adjustments**	-
	Additional Tier 1 capital: regulatory adjustments	
43	**Total regulatory adjustments to Additional Tier 1 capital**	
44	**Additional Tier 1 capital (AT1)**	-
45	**Tier 1 capital (T1 = CET1 + AT1)**	155,153
	Tier 2 capital: instruments and allowances	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	*Directly issued capital instruments subject to phase out from Tier 2*	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	
49	*of which: instruments issued by subsidiaries subject to phase out*	
50	Collective allowances	779
51	**Tier 2 capital before regulatory adjustments**	779
	Tier 2 capital: regulatory adjustments	
57	**Total regulatory adjustments to Tier 2 capital**	
58	**Tier 2 capital (T2)**	779
59	**Total capital (TC = T1 + T2)**	155,932
60	**Total risk-weighted assets**	
60a	**Common Equity Tier 1 (CET1) Capital RWA**	404,494
60b	**Tier 1 Capital RWA**	404,494
60c	**Total Capital RWA**	404,494
	Capital Ratios	
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	38.36%
62	Tier 1 (as percentage of risk-weighted assets)	38.36%
63	Total capital (as percentage of risk-weighted assets)	38.55%
	OSFI all-in target	
69	Common Equity Tier 1 capital all-in target ratio	7.00%
70	Tier 1 capital all-in target ratio	8.50%
71	Total capital all-in target ratio	10.50%
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)	
80	*Current cap on CET1 instruments subject to phase out arrangements*	
81	*Amounts excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	
82	*Current cap on AT1 instruments subject to phase out arrangements*	
83	*Amounts excluded from AT1 due to cap (excess over cap after redemptions and maturities)*	
84	*Current cap on T2 instruments subject to phase out arrangements*	
85	*Amounts excluded from T2 due to cap (excess over cap after redemptions and maturities)*	

LEVERAGE RATIO TEMPLATE

	Item	Leverage Ratio Framework
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	936,240
2	(Asset amounts deducted in determining Basel III "all-in" Tier 1 capital)	(1,398)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**934,842**
	Derivative exposures	
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivative transactions	-
6	Gross up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivative transactions)	-
8	(Exempted CCP-leg of client cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**-**
	Securities financing transaction exposures	
12	Gross SFT assets recognised for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk (CCR) exposure for SFTs	-
15	Agent transaction exposures	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**-**
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	1,484
18	(Adjustments for conversion to credit equivalent amounts)	(1,187)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**297**
	Capital and Total Exposures	
20	**Tier 1 capital**	**155,153**
21	**Total Exposures (sum of lines 3, 11, 16 and 19)**	**935,139**
	Leverage Ratios	
22	**Basel III leverage ratio**	**16.59%**