BASEL III PILLAR 3 DISCLOSURES

MARCH 31, 2020

RFA BANK OF CANADA
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NATURE OF OPERATIONS

RFA Bank of Canada ("RFA", "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 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.

COVID-19 PANDEMIC

In late December 2019 the World Health Organization ("WHO") was alerted to several cases of pneumonia in Wuhan, China, which were associated with an unknown virus. This was soon identified as a new form of coronavirus that became known as COVID-19, for which there was no vaccine or targeted treatment. As the number of known cases continued to increase, in late January the WHO declared the outbreak a public health event of international concern. The first COVID-19 case in Canada was confirmed in late January. As cases continued to increase globally, the WHO declared the outbreak a pandemic. By mid-March, a global effort was underway to slow the spread of COVID-19 through curtailing large public and private gatherings, encouraging employees to work from home, closing businesses deemed non-essential, and encouraging individuals to stay home and self-isolate. Although these efforts appear to have helped slow the spread of COVID-19, as of the date of this report the pandemic continues and there is great uncertainty as to when it will end and what the ultimate human and economic toll will be.

The societal and economic disruption resulting from COVID-19 are largely unprecedented and virtually every industry and business have been impacted. The Bank's operational risk management function included preparation for a major business disruption, and on March 16 the Bank invoked its Work from Home Protocol. The daily operations of the Bank have therefore continued with little disruption.

However, the Bank remains vulnerable to the potential economic impact of COVID-19, in particular the risk that a significant percentage of the Bank's mortgagees could either request mortgage payment deferrals, or default on the mortgages, thereby negatively affecting the Bank's cash flows. The curtailment of many business activities, including real estate purchases and sales, could also negatively affect the Bank's plans to grow its balance sheet via the origination or purchase of mortgages. COVID-19 did not become a significant disruptor until the last half of March, and at March 31, 2020 the Bank's cash and operating liquidity had not been materially impacted. However, the Bank continues to monitor the situation and will adjust its forecasts and planned business activities when and as it deems necessary.

More discussion of the impact of COVID-19 on the Bank is included in the following sections of this report.

RISK GOVERNANCE

The Board of Directors is responsible for establishing the overall strategy and objectives of the Bank and the Bank's overall risk appetite, through determining 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:

- First Line of Defense: employees within each business area identify, take and manage risk on a day-to-day basis, adhering to the established risk appetite and supporting policies, guidelines and procedures of the Bank. These groups are also referred to as operational management.

- Second Line of Defense: the Risk Management, Compliance, and Finance functions, represented by the Chief Risk Officer and Chief Privacy Officer, Chief Compliance Officer, Chief Anti-Money Laundering Officer, Chief Financial Officer, and General Counsel and Corporate Secretary, respectively, establish policy and provide direction, guidance, methodology, tools and independent monitoring and analysis of First Line of Defence risk taking and risk management activities. These groups are also referred to as oversight functions, and are responsible for providing enterprise-wide oversight of operational management.

- Third Line of Defense: Internal Audit provides independent assurance on the adequacy and effectiveness of the Enterprise Risk Management Framework ("ERM Framework") and the supporting practices and compliance of the First and Second lines of Defence.

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. At March 31, 2020 the largest potential disruptor to the Bank is the national and global effects of COVID-19. The significance of this risk became apparent in the latter part of Q1 2020, as noted above under *COVID-19 Pandemic*.

In addition to the specific risks associated with COVID-19, the Bank's ongoing 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 economic impact of COVID-19 has the potential to negatively affect the Bank's capital reserve, although at March 31, 2020 this had not yet occurred. OSFI's guidelines on adjusted capital treatment related to COVID-19 are discussed later in this section.

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, such as COVID-19. 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 ERM Committee of the Board, 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 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. To date, there have been no capital injections following the initial $50 million referred to above.

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").

In March 2020, as part of its response to COVID-19, OSFI introduced transitional arrangements for expected credit loss provisioning, which resulted in a portion of allowances that would otherwise be included in Tier 2 capital to instead be included in Common Equity Tier 1 (CET1) capital. The resulting increase to capital is adjusted for tax effects and is subject to a scaling factor that will decrease over time, from 70% in fiscal 2020 to 25% in fiscal 2022. For the Bank, this arrangement resulted in a $0.13 million increase to its CET1 capital at March 31, 2020.

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 March 31, 2020.

The Bank's capital structure is shown below. At March 31, 2020 the Bank had 39,514,043 shares outstanding.

Basel III Regulatory Capital

		March 31, 2020 All-In Basis		December 31, 2019 All-In Basis
(in thousands of $)				
Common Equity Tier 1 capital (CET 1)				
Capital stock	**$**	**42,127**	$	42,127
Contributed surplus		**3,226**		3,226
Retained earnings		**110,780**		110,723
Accumulated other comprehensive income		**1,040**		475
Eligible Stage 1 and Stage 2 allowances		**133**		-
Less: Regulatory adjustments to CET 1 (**Note 1**)		**(1,076)**		(1,398)
Total CET 1 capital	**$**	**156,230**	$	155,153
Additional Tier 1 capital		**-**		-
Total Tier 1 capital	**$**	**156,230**	$	155,153
Total Tier 2 capital (eligible Stage 1 and Stage 2 allowances)		**903**		779
Total regulatory capital	**$**	**157,133**	$	155,932

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.

In March 2020, as part of its response to COVID-19, OSFI issued a guideline for the risk weighting of mortgage loans for which payment deferrals have been granted. Under the Basel II Standardized Approach, which is applicable to the Bank, these loans will not be subject to a different risk weight. This temporary capital treatment will remain in place for the duration of the payment deferral, up to a maximum of 6 months. OSFI will revisit this treatment in the future, as needed.

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

Risk-Weighted Assets

	March 31, 2020			December 31, 2019		
	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	$135,103	20.00%	$ 27,021	$138,677	20.00%	$ 27,735
Securities	22,313	0.00%	-	22,313	0.00%	-
Insured residential mortgages	188,659	1.62%	3,062	182,157	2.00%	3,641
Uninsured residential mortgages	493,305	35.28%	174,018	508,891	35.53%	180,801
Construction mortgages	23,248	-	23,248	23,516	-	23,516
Other assets	61,686	94.72%	58,427	60,543	93.21%	56,429
Total assets subject to risk rating	$924,316	30.92%	$ 285,776	$936,097	31.21%	$ 292,122
Intangible assets	757	-	-	1,090	-	-
Allowance for credit losses	(1,082)	4.23%	(46)	(947)	17.73%	(168)
Total assets	$923,990		$ 285,731	$936,240		$ 291,954
Off-balance sheet exposure (loan commitments)			250			297
Total credit risk	$923,990		$ 285,981	$936,240		$ 292,251
Operational risk (average three-year annual gross income)			108,990			112,243
Total risk-weighted assets	$923,990		$ 394,971	$936,240		$ 404,494

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

	March 31, 2020	December 31, 2019
	All-In Basis	All-In Basis
Regulated capital to risk-weighted assets		
CET 1 ratio	39.55%	38.36%
Tier 1 capital ratio	39.55%	38.36%
Total regulatory capital ratio	39.78%	38.55%
Leverage ratio	16.92%	16.59%
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. During Q1 2020, this risk increased due to COVID-19. The Bank's assessment of and reaction to this is discussed in more detail below, under *Expected Credit Losses*.

The Bank manages credit risk through both its Board of Directors ERM Committee, and its senior management Credit Risk Committee ("CRC"). The ERM Committee 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.

Including and absent factors such as COVID-19, 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.

Beginning in Q2 2018 the Bank also originated prime uninsurable mortgages intended for sale to investors. Prime uninsurable mortgages are mortgages that approximate the credit quality criteria of prime insurable mortgages and are compliant with OSFI's *Guideline B-20 Residential Mortgage Underwriting Practices and Procedures* ("Guideline B-20"), but do not 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.

Since Q4 2019, following the Bank's acquisition by RFA, the Bank has largely ceased selling prime insurable and uninsurable mortgages to investors. The Bank's mortgage sale activity has therefore primarily been the securitization and sale of NHA MBS mortgage loans, as described below.

In Q3 2017, the Bank 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.

As the Bank has increased its focus on more traditional on-balance sheet lending, both before and after the RFA Transaction in Q4 2019, its credit risk has increased, as outlined below.

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.

In Q4 2019 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 the Bank expanded its uninsured lending to include participation in construction loans, which the Bank purchases from third parties. At March 31, 2020, this portfolio consisted of three loans on condominium projects. The single loan outstanding at December 31, 2019 was repaid in Q1. The Bank mitigates its risk on construction loans by extensive due diligence on each potential project, by limiting the amount of individual loans, and by ensuring that all loans have a well-defined exit strategy.

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

Similarly, in Q1 2020 the Bank began purchasing funded prime open insured mortgages from the same third party from which it purchases non-prime uninsured mortgages. Although insured mortgages are associated with a lower inherent credit risk, the Bank also mitigates its credit risk on these mortgages in a similar manner as described above for the non-prime uninsured mortgages.

The Bank mitigates its credit risk on the mortgages that it underwrites by applying a detailed set of Board-approved credit policies and underwriting procedures, which are in compliance with OSFI's 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. This includes application of 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 portfolios on an ongoing basis and performs stress testing that includes scenarios 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. COVID-19 also carries the risk of increased mortgage defaults.

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 53% of balances outstanding at March 31, 2020 are owed by five borrowers or borrowing groups. The construction mortgage loans outstanding at March 31, 2020 are for properties in Calgary (61%) and Toronto (39%). 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 Bank's outstanding mortgages, both gross and net of allowance for credit losses, at March 31, 2020.

(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, 2020	**$508,891**	**$172,769**	**$ 23,516**	**$ 8,976**	**$ 209**	**$714,361**
Originations	**3,712**	-	-	-	-	**3,712**
Purchases / Buybacks	**72,096**	**92,660**	**25,019**	-	**2,493**	**192,268**
Sales / Derecognition	**(3,781)**	**(54,167)**	**(25,000)**	**(8,976)**	-	**(91,924)**
Net repayments and other [1]	**(87,613)**	**(22,603)**	**(287)**	-	**(2,429)**	**(112,932)**
March 31, 2020	**$493,305**	**$188,659**	**$ 23,248**	**$ -**	**$ 273**	**$705,485**
Allowance for credit losses	**(984)**	-	**(98)**	-	-	**(1,082)**
Net at March 31, 2020	**$492,321**	**$188,659**	**$ 23,150**	**$ -**	**$ 273**	**$704,403**
Credit loss %	**(0.20%)**	**0.00%**	**(0.42%)**	**0.00%**	**0.00%**	**(0.15%)**

[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 shows the geographic distribution of the mortgages that the Bank holds on-balance sheet.

(in thousands of $)	Alberta	British Columbia	Ontario	All Other Provinces	Total
					March 31, 2020
Held for sale	**$ 5,311**	**$ 6,359**	**$ 27,070**	**$ 5,806**	**$ 44,546**
Held to collect					
Single-family insured	**$ 22,559**	**$ 12,670**	**$ 96,324**	**$ 11,601**	**$ 143,154**
Single-family uninsured	**17,318**	**87,645**	**383,824**	**5,477**	**494,264**
Construction loans	**14,098**	**-**	**9,150**	**-**	**23,248**
Bridge loans	**-**	**273**	**-**	**-**	**273**
Total held to collect	**$ 53,975**	**$ 100,588**	**$ 489,298**	**$ 17,078**	**$ 660,939**
As a % of portfolio	**8.17%**	**15.22%**	**74.03%**	**2.58%**	**100.00%**
All gross loans	**$ 59,286**	**$ 106,947**	**$ 516,368**	**$ 22,884**	**$ 705,485**
As a % of portfolio	**8.40%**	**15.16%**	**73.19%**	**3.24%**	**100.00%**

	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%

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
					March 31, 2020
Held for sale	**80.46%**	**71.74%**	**77.53%**	**85.94%**	**78.24%**
Held to collect					
Single-family insured	**81.72%**	**79.60%**	**81.96%**	**79.21%**	**81.53%**
Single-family uninsured	**74.02%**	**69.98%**	**71.57%**	**67.48%**	**71.33%**
Total held to collect	**78.42%**	**71.19%**	**73.77%**	**76.02%**	**73.69%**
All gross loans	**78.68%**	**71.23%**	**73.98%**	**79.27%**	**74.01%**

	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%

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

(in thousands of $)

March 31, 2020	Within 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Total
Street Solutions mortgages	**$ 367,181**	**$ 22,021**	**$ 1,578**	**$ -**	**$ 390,780**
Prime uninsured mortgages	**-**	**3,427**	**3,465**	**-**	**6,892**
Purchased uninsured mortgages	**54,344**	**41,946**	**-**	**-**	**96,290**
Non-securitized insured prime mortgages	**13,010**	**10,162**	**30,426**	**-**	**53,598**
Purchased insured mortgages	**39,041**	**-**	**1,404**	**-**	**40,445**
Stamped insured mortgages	**143**	**5,403**	**5,576**	**-**	**11,123**
Securitized mortgages loans	**54,642**	**28,091**	**-**	**-**	**82,733**
Constructon loans	**-**	**23,248**	**-**	**-**	**23,248**
Bridge loans	**273**	**-**	**-**	**-**	**273**
Total mortgages and loans	**$ 528,635**	**$ 134,299**	**$ 42,449**	**$ -**	**$ 705,383**

December 31, 2019	Within 1 year	1 - 3 years	3 - 5 years	5 - 10 years	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 mortgages loans	56,150	30,327	-	-	86,477
Constructon loans	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

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.

At each measurement date, the calculation of the ECL allowance depends on the following key inputs:

- 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 these inputs can be quite complex, particularly the determination of PD, as they must incorporate both factors unique to the entity and macroeconomic factors that can be associated with increases or decreases in credit risk.

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.
- 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.
- Stage 3 – includes financial instruments that have objective evidence of impairment at the reporting date. The lifetime allowance is recognized.

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. 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.

As discussed above under *COVID-19 Pandemic* and *Credit Risk*, as a mortgage lender the Bank is vulnerable to the negative economic impacts of COVID-19, as the current conditions have increased the risk that borrowers will default on their mortgages. With respect to negative economic impacts, in assessing the risk of its uninsured mortgage defaults the Bank had to specifically consider both the general effects of COVID-19, and the potential effects of the COVID-19-driven oil price shock on mortgagees in Alberta. These factors were not fully incorporated into the Bank's model and its staging and ECL outputs. Although the Bank, after analysis of the outputs, was satisfied with the total ECL calculated for its Street Solutions portfolio, it incorporated a management overlay to reallocate a portion of the mortgages and the associated ECL from Stage 1 to Stage 2. This accounted for the Bank's exposures that, based on supportable and reasonable data, combined with the application of expert credit risk judgment, have experienced SICR due to COVID-19 and the oil price shock, which SICR is not reflected in the underlying PDs used in the model. As the average life of the Street Solutions portfolio is 12 – 18 months, the difference between 12-month ECL and lifetime ECL is immaterial.

In assessing the model outputs for purchased uninsured mortgages, the Bank also concluded that the potential impacts of COVID-19 were not entirely reflected in the underlying PDs. Accordingly, although the Bank did not determine that there had been sufficient SICR to warrant allocation of mortgages to Stage 2, the Bank did incorporate a management overlay to increase the 12-month ECL.

As the COVID-19 pandemic unfolds, the Bank will continue to both update its model and consider the need for management overlay of the model results. This is an unprecedented situation that requires close monitoring and adaptations as new factors are identified and incorporated.

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 March 31, 2020 and December 31, 2019.

(in thousands of $)				March 31, 2020
	Stage 1	Stage 2	Stage 3	Total
Street Solutions uninsured	$ 340,805	$ 47,729	$ 2,095	$ 390,629
Prime uninsured	6,892	-	-	6,892
Purchased uninsured	95,784	-	-	95,784
Non-securitized insured prime	54,054	-	-	54,054
Stamped insured prime	11,123	-	-	11,123
Securitized insured prime	83,037	-	-	83,037
Purchased insured open	40,445	-	-	40,445
Construction loans	23,248	-	-	23,248
Stamped multi-residential	-	-	-	-
Bridge loans	273	-	-	273
Total	$ 655,661	$ 47,729	$ 2,095	$ 705,485

				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

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 for the quarters ending March 31, 2020 and December 31, 2019. 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.

As the Bank has not experienced either write-offs or recoveries within any of its mortgage loan portfolios, no data is shown for the last two items.

(in thousands of $)	Three months ended March 31, 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Uninsured residential mortgages				
Gross carrying amount, beginning of period	**$ 667**	**$ 53**	**$ 168**	**$ 888**
Mortgages originated	**146**	**-**	**-**	**146**
Transfers from Stage 1	**(238)**	**238**	**-**	**-**
Transfers from Stage 2	**101**	**(101)**	**-**	**-**
Transfers to Stage 3	**(19)**	**-**	**19**	**-**
Mortgages paid or derecognized [1]	**(82)**	**(36)**	**(141)**	**(259)**
Remeasurement	**2**	**207**	**-**	**209**
Gross carrying amount, end of period	**$ 577**	**$ 361**	**$ 46**	**$ 984**
Construction mortgage loans				
Gross carrying amount, beginning of period	**$ 59**	**$ -**	**$ -**	**$ 59**
Mortgages originated	**39**	**-**	**-**	**39**
Gross carrying amount, end of period	**$ 98**	**$ -**	**$ -**	**$ 98**
Total allowance for credit losses	**$ 675**	**$ 361**	**$ 46**	**$ 1,082**

	Three months ended December 31, 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Uninsured residential mortgages				
Gross carrying amount, beginning of period	$ 585	$ 248	$ 109	$ 942
Mortgages originated	53	-	-	53
Transfers from Stage 1	(21)	21	-	-
Transfers from Stage 2	75	(75)	-	-
Transfers to Stage 3	-	(123)	123	-
Mortgages paid or derecognized [1]	(25)	(18)	(64)	(107)
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

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

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, with further migration back to Stage 1 if credit risk improves to the point that SICR since initial recognition no longer exists.

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.

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

(in thousands of $)							**March 31, 2020**
	Current	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**> 90 days**	**Total**
Street Solutions mortgages	**$ 365,676**	**$ 19,720**	**$ 4,014**	**$ 141**	**$ 1,228**	**$ 390,780**
Prime uninsured mortgages	**6,367**	**525**	**-**	**-**	**-**	**6,892**
Purchased uninsured mortgages	**96,290**	**-**	**-**	**-**	**-**	**96,290**
Non-securitized insured prime mortgages	**52,035**	**1,564**	**-**	**-**	**-**	**53,598**
Purchased insured mortgages	**40,445**	**-**	**-**	**-**	**-**	**40,445**
Stamped insured mortgages	**11,123**	**-**	**-**	**-**	**-**	**11,123**
Securitized mortgages loans	**81,388**	**601**	**745**	**-**	**-**	**82,733**
Constructon loans	**23,248**	**-**	**-**	**-**	**-**	**23,248**
Bridge loans	**-**	**273**	**-**	**-**	**-**	**273**
Total mortgages and loans	**$ 676,571**	**$ 22,683**	**$ 4,759**	**$ 141**	**$ 1,228**	**$ 705,383**

						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 mortgages loans	85,728	749	-	-	-	86,477
Constructon loans	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

The increase in the 1 – 30 days bucket for all mortgage loans reflects the impact of payment deferrals requested due to COVID-19. The bridge loan reported as being the 1 – 30 days bucket at March 31, 2020 was paid off in April. The Bank is monitoring the securitized mortgage loan reported as 31 – 60 days overdue but at this point has determined that no provision is required.

At March 31, 2020, 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 March 31, 2020.

At March 31, 2020 the Bank had identified four Street Solutions loans totaling $2.1 million as impaired, and individually assessed (Stage 3) allowances for credit losses of $46 thousand were recorded for these loans. At March 31, 2020, 94.1% of the unimpaired Street Solutions mortgages were current, compared to 97.4% at December 31, 2019.

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, other business activities, and unexpected national and global economic disruptions such as those currently being observed due to COVID-19. 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 economic disruption 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.

At March 31, 2020, the most significant source of potential disruption to the Bank's liquidity was the negative economic impacts that have accompanied COVID-19, in particular the risk that a significant percentage of the Bank's mortgagees could either request mortgage payment deferrals, or default on the mortgages, thereby negatively affecting the Bank's cash flow. COVID-19 did not become a significant economic disruptor until the last half of March, and at March 31, 2020 the Bank's cash and operating liquidity had not been materially impacted. However, the Bank continues to monitor the situation and will adjust its forecasts and planned business activities when and as it deems necessary.

The Bank's liquid assets are as shown below:

		As at
(in thousands of $)	**March 31, 2020**	**December 31, 2019**
Deposits with regulated financial institutions	**$ 108,481**	$ 133,281
Debt securities	**23,723**	22,959
Loans held for sale	**44,545**	72,998
Stamped mortgages	**11,123**	11,204
Total liquid assets	**$ 187,872**	$ 240,443

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 liquidity has also benefited from the cash proceeds received from the asset sales and direct capital injection following the

Q4 2019 RFA Transaction. The Bank's originated on-balance sheet mortgages, in particular Street Solutions uninsured loans, have historically been funded by the Bank's deposit taking activity. However, both Street Solutions uninsured loans and deposits declined during Q1 2020 as the Bank was not actively marketing the Solutions product and therefore did not require additional funding.

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.

The Bank manages duration mismatches between loans and deposits within its 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 $)					**As at March 31, 2020**
	0 - 3 Months	**3 - 12 Months**	**1 to 3 Years**	**Over 3 Years**	**Total**
Remaining contractual term					
Single-family residential mortgages	**$ 107,501**	**$ 366,218**	**$ 82,960**	**$ 42,449**	**$ 599,128**
Deposits (GICs)	**69,743**	**224,191**	**224,869**	**66,628**	**585,430**
Net maturity	**$ 37,758**	**$ 142,028**	**$ (141,910)**	**$ (24,178)**	**$ 13,698**

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 was not 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 the risk increases in a rate-

rising environment. If 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 March 31, 2020. 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 March 31, 2020	
(in thousands of $, except %)	**Increase in interest rates**	**Decrease in interest rates**
100 basis point parallel shift		
Impact on net interest income	**$ 2,343**	**$ (2,335)**
Impact on EVE	**2,546**	**(2,594)**
EVE as a % of shareholders' equity	**1.58%**	**(1.61%)**
200 basis point parallel shift		
Impact on net interest income	**$ 4,802**	**$ (4,669)**
Impact on EVE	**5,186**	**(5,280)**
EVE as a % of shareholders' equity	**3.21%**	**(3.27%)**

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 March 31, 2020 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.

March 31, 2020

(in thousands of $, except %)	Floating Rate	0 to 3 Months	4 Months to 1 Year	1 Year to 5 Years	Non Rate Sensitive	Total [1]
Assets						
Cash and restricted cash	$ -	$ 135,103	$ -	$ -	$ -	$ 135,103
Weighted Average Contractual Rate	-	0.25%	-	-	-	0.25%
Debt securities	-	-	-	23,723	-	23,723
Weighted Average Contractual Rate	-	-	-	2.48%	-	2.48%
Non-securitized mortgages - Purchased insured loans - HFS	987	-	11,855	31,247	456	44,545
Weighted Average Contractual Rate	2.46%	-	2.67%	2.66%	-	2.63%
Securitized mortgages held on-balance sheet	42,466	2,235	27,138	10,894	304	83,037
Weighted Average Contractual Rate	3.43%	2.67%	2.67%	2.49%	-	3.03%
Non-securitized mortgages - Street Solutions	-	92,363	274,818	23,599	(941)	389,839
Weighted Average Contractual Rate	-	5.68%	5.51%	5.67%	-	5.57%
Non-securitized mortgages - Purchased uninsured loans	-	543	53,801	41,947	(691)	95,600
Weighted Average Contractual Rate	-	4.25%	3.90%	3.85%	-	3.91%
Non-securitized mortgages - Purchased insured loans	-	14,432	24,609	1,404	-	40,445
Weighted Average Contractual Rate	-	6.68%	6.82%	3.08%	-	6.64%
Non-securitized mortgages - Construction loan	23,248	-	-	-	(98)	23,150
Weighted Average Contractual Rate	5.36%	-	-	-	-	5.38%
Non-securitized mortgages - stamped mortgages	5,551	-	144	5,428	-	11,123
Weighted Average Contractual Rate	2.74%	-	2.67%	2.71%	-	2.73%
Non-securitized mortgages - other	1,844	163	993	13,402	(10)	16,392
Weighted Average Contractual Rate	3.41%	2.67%	2.67%	2.62%	-	2.71%
Bridge loans	273	-	-	-	-	273
Weighted Average Contractual Rate	8.95%	-	-	-	-	8.95%
Other assets	-	-	-	-	60,760	60,760
Weighted Average Contractual Rate	-	-	-	-	-	0.00%
Total assets	$ 74,369	$ 244,839	$ 393,358	$ 151,644	$ 59,780	$ 923,990
Weighted Average Contractual Rate	2.32%	2.71%	5.08%	3.03%	-	3.57%
Liabilities						
Cashable GICs [2]	$ -	$ 739	$ -	$ -	$ (2)	$ 737
Weighted Average Contractual Rate	-	1.25%	-	-	-	1.25%
Non-cashable GICs	-	69,003	224,191	291,497	(1,928)	582,763
Weighted Average Contractual Rate	-	2.46%	2.59%	2.79%	-	2.68%
Securitization liabilities	42,873	2,288	27,138	10,894	(107)	83,086
Weighted Average Contractual Rate	2.16%	1.77%	1.75%	1.89%	-	1.98%
Other liabilities	-	-	-	-	100,231	100,231
Weighted Average Contractual Rate	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	157,173	157,173
Weighted Average Contractual Rate	-	-	-	-	-	-
Total liabilities and shareholders' equity	$ 42,873	$ 72,030	$ 251,329	$ 302,391	$ 255,367	$ 923,990
Weighted Average Contractual Rate	2.16%	2.43%	2.50%	2.76%	-	1.87%
Excess (deficiency) of assets over liabilities and shareholders' equity	$ 31,496	$ 172,809	$ 142,029	$ (150,747)	$ (195,587)	$ -

[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 March 31, 2020 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 $23.7 million at March 31, 2020. 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.

As noted above under *COVID-19 Pandemic*, the Bank's operational risk planning included the possibility of this type of disruption. Several months prior to the beginning of the pandemic, the Bank had already tested its Work from Home Protocol. The majority of employees were therefore able to begin working from home immediately after given the directive.

Along with other financial institutions, and many other businesses, the Bank did experience a very large increase in customer service calls and emails, and responses were delayed until both the volume was reduced and additional resources could be deployed.

The Bank has also slightly modified certain of its controls to accommodate its Work from Home Protocol.

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.

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.

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	110,780
3	Accumulated other comprehensive income (and other reserves)	1,040
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**	157,173
	Common Equity Tier 1 capital: regulatory adjustments	
28	Total regulatory adjustments to Common Equity Tier 1	(943)
29	**Common Equity Tier 1 capital (CET1)**	156,230
29a	**Common Equity Tier 1 capital (CET1) with transitional arrangements for ECL provisioning not applied**	156,097
	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)**	156,230
45a	**Tier 1 capital with transitional arrangements for ECL provisioning not applied**	156,097
	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	903
51	**Tier 2 capital before regulatory adjustments**	903
	Tier 2 capital: regulatory adjustments	
57	**Total regulatory adjustments to Tier 2 capital**	
58	**Tier 2 capital (T2)**	903
59	**Total capital (TC = T1 + T2)**	157,133
59a	**Total capital with transitional arrangements for ECL provisioning not applied**	157,133
60	**Total risk-weighted assets**	
60a	**Common Equity Tier 1 (CET1) Capital RWA**	394,971
60b	**Tier 1 Capital RWA**	394,971
60c	**Total Capital RWA**	394,971
	Capital Ratios	
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	39.55%
61a	Common Equity Tier 1 with transitional arrangements for ECL provisioning not applied	39.52%
62	Tier 1 (as percentage of risk-weighted assets)	39.55%
62a	Tier 1 with transitional arrangements for ECL provisioning not applied	39.52%
63	Total capital (as percentage of risk-weighted assets)	39.78%
63a	Total capital with transitional arrangements for ECL provisioning not applied	39.78%
	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)	923,990
2	(Asset amounts deducted in determining Basel III "all-in" Tier 1 capital)	(1,076)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**922,914**
	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	1,562
18	(Adjustments for conversion to credit equivalent amounts)	(1,250)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**312**
	Capital and Total Exposures	
20	**Tier 1 capital**	**156,230**
20a	**Tier 1 capital with transitional arrangements for ECL provisioning not applied**	**156,097**
21	**Total Exposures (sum of lines 3, 11, 16 and 19)**	**923,226**
	Leverage Ratios	
22	**Basel III leverage ratio**	**16.92%**
22a	**Basel III leverage ratio with transitional arrangements for ECL provisioning not applied**	**16.91%**