

Residential Mortgage Disclosure

September 30, 2019

September 30, 2019 Residential Mortgage Disclosure

In accordance with the *Office of the Superintendent of Financial Institutions Canada (OSFI) Guideline B20 – Residential Mortgage Underwriting Practices and Procedures* issued June 2012, additional disclosure is provided regarding the company's residential mortgage exposure.

The company is limited to providing residential real estate loans of no more than 80% of the collateral value. Lending at a higher loan-to-value (LTV) is permitted but requires default insurance. This insurance is contractual coverage of the eligible facilities that protects the company's real estate secured lending portfolio against potential losses caused by borrower default. It is provided by either government backed entities or other approved private mortgage insurers.

On an annual basis the company performs a stress test to determine the impact of a significant decline in house prices on the residential mortgage portfolio. Due to the high percentage of insured residential mortgages held on the balance sheet and the increase in house prices since initial underwriting, there is very little impact to the company's capital position from this stress event.

Residential mortgages and home equity lines of credit (insured vs. uninsured)

The following table presents amounts of insured and uninsured residential mortgages and home equity lines of credit (HELOCs), by geographic regions.

(Thousands of Canadian dollars, except percentage amounts)

	September 30, 2019											
	Residential Mortgages				HELOCs				Total			
	Insured ⁽¹⁾		Uninsured		Insured ⁽¹⁾		Uninsured		Insured ⁽¹⁾		Uninsured	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Province⁽²⁾												
Atlantic	271,188	6.56	8,516	0.49	-	-	-	-	271,188	6.56	8,516	0.49
Quebec	3,772	0.09	15	-	-	-	-	-	3,772	0.09	15	-
Ontario	1,680,041	40.63	1,477,064	84.76	-	-	-	-	1,680,041	40.62	1,477,064	84.68
Prairies & Territories	1,610,123	38.94	140,673	8.07	-	-	1,086	73.02	1,610,123	38.94	141,759	8.13
British Columbia	569,930	13.78	116,445	6.68	455	100.00	401	26.98	570,385	13.79	116,846	6.70
Total	4,135,054	100	1,742,713	100	455	100	1,487	100	4,135,509	100	1,744,200	100

(1) Default insurance is contractual coverage of eligible facilities whereby the company's exposure to real estate secured lending is protected against potential shortfalls caused by borrower default. This insurance is provided by either government backed or other private mortgage default insurers.

(2) The province represents the location of the property in Canada. There are no foreign operations.

Residential mortgages portfolio by amortization period

The following table provides a summary of the company's residential mortgages by remaining amortization period based on the contractual terms of the mortgage agreement. The table below does not reflect the additional payments which may be made during the term of the mortgage.

(Thousands of Canadian dollars, except percentage amounts)

	September 30, 2019	
	Total ⁽¹⁾	%
	\$	%
Amortization period		
≤25 years	4,331,679	73.67
>25 years ≤30 years	1,412,048	24.02
>30 years ≤35 years	135,982	2.31
>35 years ≤40 years	-	-
>40 years	-	-
Total	5,879,709	100

(1) There are no foreign operations.

Uninsured average loan-to-value ratio: newly originated and acquired

The following table provides a summary of the company's average LTV ratio for newly originated and acquired uninsured residential mortgages and HELOCs by geographic regions.

	Three months ending September 30, 2019		
	Residential Mortgages %	HELOCs %	Total %
Canada ⁽¹⁾			
Atlantic	-	-	-
British Columbia	61.97	-	61.97
Prairies & Territories	71.34	-	71.34
Quebec	-	-	-
Ontario	64.02	-	64.02
Total	64.77	-	64.77

(1) The province represents the location of the property in Canada. There are no foreign operations.