

Residential Mortgage Disclosure

December 31, 2017

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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)

	December 31, 2017											
	Residential Mortgages				HELOCs				Total			
	Insured ⁽¹⁾		Uninsured		Insured ⁽¹⁾		Uninsured		Insured ⁽¹⁾		Uninsured	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Province⁽²⁾												
Atlantic	319,354	6.34	14,593	1.41	-	-	-	-	319,354	6.33	14,593	1.41
Quebec	4,345	0.09	378	0.04	-	-	-	-	4,345	0.09	378	0.04
Ontario	2,137,581	42.40	726,874	70.24	-	-	-	-	2,137,581	42.40	726,874	70.12
Prairies & Territories	1,865,386	37.00	187,753	18.14	-	-	1,211	70.53	1,865,386	36.99	188,964	18.23
British Columbia	714,434	14.17	105,272	10.17	861	100.00	506	29.47	715,295	14.19	105,778	10.20
Total	5,041,100	100	1,034,870	100	861	100	1,717	100	5,041,961	100	1,036,587	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)

	December 31, 2017	
	\$	Total ⁽¹⁾ %
Amortization period		
≤25 years	4,830,614	79.47
>25 years ≤30 years	1,209,557	19.90
>30 years ≤35 years	38,377	0.63
>35 years ≤40 years	-	-
>40 years	-	-
Total	6,078,548	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 December 31, 2017		
	Residential Mortgages %	HELOCs %	Total %
Canada ⁽¹⁾			
Atlantic	-	-	-
British Columbia	59.10	-	59.10
Prairies & Territories	55.88	-	55.88
Quebec	-	-	-
Ontario	61.43	-	61.43
Total	60.69	-	60.69

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