

Residential Mortgages Disclosure

First Quarter of 2019

A. Definition of Insured Mortgages

Borrowers purchasing a Residential house with a down payment of less than 20% of the purchase price require Mortgage Loan Insurance. Mortgages sanctioned with such insurance are called "Insured Mortgages". The insurance product is offered by Canada Mortgage and Housing Corporation (CMHC) and other authorised insurers to provide opportunity for borrowers to purchase a home with a down payment as low as 5%. All the insured mortgages at SBIC have been insured with CMHC only.

B. Disclosures:

| Total Residential Mortgages and Home Equity Lines of Credit (HELOC) Portfolio Amount and Percentage that are Insured vs. Uninsured | | | | | | | | |
|---|--------------------|------------------------|--------------------|------------------------|-------------------|-------------|-------------------|----------------|
| As on 31st March 2019 | Insured | | | | Uninsured | | (\$ in 000's) | |
| | Outstanding Amount | Outstanding Percentage | Outstanding Amount | Outstanding Percentage | Total | | | |
| Mortgages | 30,679.14 | 30.68% | 69,327.39 | 69.32% | 100,006.54 | | | |
| HELOC | 0.00 | 0.00% | 4,131.24 | 100.00% | 4,131.24 | | | |
| | 30,679.14 | 29.46% | 73,458.63 | 70.54% | 104,137.78 | | | |
| Provincial Breakdown of Total Residential Mortgages and HELOCs | | | | | | | | |
| (\$ in 000's, % in brackets) | | | | | | | | |
| As on 31st March 2019 | Mortgages | | | | HELOC | | Total | |
| Province | Insured | | Uninsured | | Uninsured | | Total | |
| British Columbia | 9,506.98 | 30.99% | 26,933.22 | 38.85% | 2,171.61 | 52.57% | 38,611.81 | 37.08% |
| Ontario | 21,172.16 | 69.01% | 42,324.22 | 61.05% | 1,959.63 | 47.43% | 65,455.68 | 62.85% |
| New Brunswick | 0.00 | 0.00% | 69.93 | 0.10% | 0.00 | 0.00% | 69.93 | 0.07% |
| Total | 30,679.14 | 100% | 69,327.39 | 100% | 4,131.24 | 100% | 104,137.77 | 100.00% |

| Total Residential Mortgages by Amortization Period | |
|---|---|
| Initial Amortization Period | As Percentage of Total Portfolio |
| 15-20 years | 3.70% |
| 21-25 years | 61.65% |
| 26-30 years | 33.40% |
| Above 30 years | 0.25% |
| less than 15 years | 1.00% |
| Total | 100.00% |

| Provincial Breakdown of Loan to Value Ratio (LTV) for the Newly Originated Uninsured Residential Mortgage Loans and HELOCs during Q1 of 2019 (Jan-Mar'19) | | |
|--|--------------------------------------|-------------------------------------|
| Province | Loan-to-Value Ratio (Average) | |
| | Residential Mortgages | Home Equity Lines of Credit* |
| British Columbia | 0.00% | 0.00% |
| Ontario | 63.17% | 0.00% |
| New Brunswick | - | - |
| Overall Average | 63.17% | 0.00% |

* Where both mortgages and HELOC facilities have been approved against same property, the LTV for the HELOC cannot exceed above 65% of the value of the property.

C. Discussion on Potential Impact on Portfolio in the event of an economic downturn:

The Bank regularly conducts stress tests to consider the potential impact on its Residential mortgage portfolio due to adverse economic events, such as the impact of a downturn in real estate values in Vancouver. The results indicate that since the bank has overall RM exposure of more than 63% in GTA and more than 60% of un insured is also in GTA which has shown consistency in value and growth. Accordingly, the bank has adequate capital for such potential impact to be absorbed easily.