Basel III Pillar 3
Disclosures

December 31, 2020

Scope

This report on Basel III Pillar 3 disclosures (the “Disclosures”) is prepared pursuant to the Office of the Superintendent of Financial Institutions (OSFI) regulatory requirements which are based on the global standards that have been established by the Basel Committee on Banking Supervision (BCBS). The amounts disclosed in this document are as at December 31, 2020 and unaudited. The figures were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the accounting requirements specified by OSFI, and reflect where necessary, management’s best estimates and judgments.

Specifically, this report provides qualitative and quantitative disclosures relating to Wealth One Bank of Canada’s Basel III Pillar 3 regulatory capital, lending portfolio, and residential mortgage underwriting practices and procedures as per OSFI B-20 Guideline.

Overview

Wealth One Bank of Canada (the “Bank”) is a federally regulated Schedule I chartered bank under the regulatory supervision of OSFI. Operations of the Bank commenced in September 2016.

The Bank specializes in residential & commercial mortgages, and personal loans secured by insurance policies and deposits. The Bank currently serves customers primarily in Ontario and British Columbia and offers its products or services in Canadian dollars only.

COVID-19 Pandemic

In December 2019, the World Health Organization (“WHO”) was alerted to several cases of pneumonia in Wuhan, China, which was soon identified as a new form of coronavirus that became known as COVID-19. As there was no vaccine or targeted treatment at that time and cases continued to increase globally, the WHO declared the outbreak a pandemic on March 11, 2020. The emergence and spread of the COVID-19 pandemic caused a major shock to the North American and global economies in 2020. During the first half of 2020, widespread lockdown measures resulted in one of the steepest and most synchronized global recession on record. Extraordinary support from governments and central banks have helped to cushion the impact but recent rising COVID-19 caseloads are constraining the recovery. The impacts that the pandemic will have or continue to have on the economy, the market and the Bank’s business remain uncertain.

Impact on operations

The Bank responded quickly to COVID-19 challenges, with the first priority being the safety and well-being of its employees. The Bank enabled remote working capabilities and by the end of March 2020, all employees were working remotely. Operational stability was maintained during the transition and throughout fiscal 2020.

Payment deferral program

On March 14, 2020 Canada Mortgage and Housing Corporation (“CMHC”) announced a payment deferral program for up to 6 months to assist homeowners facing financial stress due to COVID-19. As part of the program, the Bank granted payment deferrals to 32 residential mortgages. These represented 7.9% of the Bank’s total residential mortgages (vs industry’s average of 15%). All mortgages with deferred payments subsequently resumed by January, 2021. There was no reportable delinquency in the lending portfolio. The provision for credit losses as at December 31, 2020 was $531 thousand, up slightly from $499 thousand in 2019. This increase was primarily due to a slight increase in a management buffer.

Impact on business

Given the pandemic's negative impact on the economy, there was a corresponding negative impact on the bank's financial results. The 150-basis points interest rate cut by the Bank of Canada Bank reduced the Bank' interest margin. The curtailment of many business activities, including real estate purchases and sales, impacted the Bank's plan to grow its mortgage portfolio via origination. In response to the lower origination volume, the Bank established a relationship with a financial institution to purchase some of their mortgages on an ongoing basis starting in September 2020. Total originations volume from September to December increased by 114%, compared to those from the first eight months but overall 2020 origination achieved was still 73% of plan.

With the ongoing uncertainty of COVID-19, the Bank increased its liquidity cushion by $20 million or above, which had a negative impact on net interest margin. As at December 31, 2020, the Bank's unrestricted cash and cash equivalent position was strengthened to $57 million.

Governance

CORPORATE GOVERNANCE

The Board of Directors is responsible for establishing the overall strategy and objectives of the Bank and its overall risk appetite. The risk appetite 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 the enterprise risk management ("ERM") framework which includes policies, management standards, and guidelines for each Bank risk category (e.g., credit risk). ERM involves the Board of Directors, the committees of the Board, senior management, and other employees to identify, measure, manage and monitor risks. 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, accept and manage risk on a day-to-day basis, adhering to the established risk appetite and supporting policies, guidelines and procedures of the Bank.

- Second Line of Defense: The Risk Management and other control functions independently facilitate and monitor the implementation of effective risk management practices, establish policy and provide direction, guidance, and objective challenge to the first line of defense and risk management activities.

- Third line of defense - Internal audit provides independent assurance on the adequacy and effectiveness of the ERM framework and the supporting practices and compliance of the first and second lines of defense.

The Bank maintains a rigorous corporate governance structure and oversight. The Board of the Directors (the "Board"), comprised of nine directors including five independent directors, discharges its governance accountability through the following two committees and their responsibilities below:

Board Level Committees:

Governance, Conduct Review and Human Resources Committee (GCRHRC)

- Governance and board evaluation
- Conflicts of interest and conduct review, code of conduct and regulatory compliance
- Human resources, performance management and compensation

Audit and Risk Committee (ARC)

- Financial management and controls
- Internal and external auditor appointment and evaluation
- Risk management, including the Risk Appetite Statement (RAS)
- Capital management

Management Level Committees:

Senior Management Committee (SMC):

- Developing business strategies
- Developing the Annual Operating and Business plan
- Monitoring banking operations and administration
- Overseeing risk management

Asset Liability Committee (ALCO):

- Overseeing management of liquidity, interest rate and investment risks, and other aspects of asset liability management
- Ensuring that the Bank has sufficient required quantity and quality of capital
- Monitoring treasury activities

Credit Committee (CC):

- Providing guidance on the methodology to define, identify, assess, report, and manage the Bank's credit risk and exposure and overall credit quality
- Ensuring compliance with operational mandates, underwriting policies and procedures and governing legislations
- Planning, directing, monitoring and controlling the impact of the Bank's risks arising from its operations

Capital Structure and Capital Adequacy

The Board has developed and approved a Capital Management Policy (CMP) in accordance with the Board-approved RAS. The CMP addresses minimum regulatory capital requirements as prescribed by regulators and internal capital targets as per the RAS, which allows for the appropriate allocation of capital to meet the Bank's strategic goals. The CMP dictates that adequate capital be maintained by the Bank.

Adherence to the CMP ensures that the Bank has sufficient capital to maintain its operations based on current activities, expected future business developments and the possibility of various disruptive or adverse scenarios based on the Bank's stress testing program. Such stress testing scenarios include periods of economic downturn and/or asset re-pricing. In addition, in accordance with the Bank's annual strategic planning, a 3-year forecast is prepared and provides guidance as to the type and extent of capital that will be required over the forecast period.

The overall objective of capital management is to ensure that the Bank has sufficient capital to maintain its operations based on current activities and expected business developments in the future and to provide a return to its shareholders commensurate with the risk of the business.

The Bank's ALCO ensures adherence to the CMP on at least a monthly basis and the ARC monitors capital management in accordance with the CMP.

The Bank uses the annual Internal Capital Adequacy Assessment Process (ICAAP) to determine the quantity and quality of capital to conduct its business activities. In preparing the ICAAP, the high-risk areas established in the Enterprise Wide Risk Management Framework (EWRMF) and the RAS are subject to stress testing which incorporates assumptions established in the annual strategic planning process. The results of the stress tests help to determine the quantum of capital required to enable management and the Board to set capital levels appropriate with the RAS. The ARC is responsible for reviewing capital management plans recommended by management. The ICAAP is reviewed by the ARC and approved by the Board.

The Bank's capital resources consist of common shares. As at December 31, 2020, the Bank had 113,635,720 common shares issued and outstanding.

The Bank's regulatory capital requirements are specified by OSFI guidelines. These requirements are consistent with the framework of risk-based capital standards developed by the BCBS and are referred to as Basel III. The Bank complies with Basel III capital requirements as required by OSFI.

The Bank's capital structure, risk-weighted assets and capital and leverage ratios, as of December 31, 2020 are detailed in the tables below. All amounts, other than percentages, are in $000s.

	$000s, except %				
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Common Equity Tier 1 capital:					
Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	82,200	82,200	89,700	89,700	89,700
Retained earnings (deficit)	(35,775)	(37,119)	(38,746)	(40,520)	(41,697)
Accumulated other comprehensive income (loss)	4	1	5	5	0
Common Equity Tier 1 capital before regulatory adjustments	**46,429**	**45,082**	**50,959**	**49,185**	**48,003**
Total regulatory adjustments to Common Equity Tier 1	(230)	(177)	(167)	(153)	(198)
Common Equity Tier 1 capital (CET1)	**46,199**	**44,905**	**50,792**	**49,032**	**47,805**
Additional Tier 1 capital (AT1)	5,000	5,000	6,479	9,708	13,173
Tier 1 capital (T1 = CET1 + AT1)	**51,199**	**49,905**	**57,271**	**58,740**	**60,978**
Tier 2 capital (T2)	0	0	0	0	0
Eligible Collective Allowance	499	499	499	544	532
Total capital (TC = T1 + T2 + ECA)	**51,698**	**50,404**	**57,770**	**59,284**	**61,510**
Total Risk Weighted Assets					
Total risk weighted assets	**162,365**	**174,524**	**180,343**	**196,713**	**208,284**
Capital ratios					
Common Equity Tier 1 (as percentage of risk weighted assets)	28.45%	25.73%	28.16%	24.93%	22.95%
Tier 1 (as a percentage of risk weighted assets)	31.53%	28.59%	31.76%	29.86%	29.28%
Total capital (as a percentage of risk weighted assets)	31.84%	28.88%	32.03%	30.14%	29.53%

As at December 31, 2020, the Common Equity Tier 1, Tier 1 and Total Capital ratios were above OSFI's stated minimum capital ratios of 16%.

Risk-Weighted Assets

The Bank's risk-weighted assets include all on-balance sheet assets weighted for the risk inherent in each type of asset, an operational risk component based on a percentage of average risk-weighted revenues and a market risk component for off-balance sheet derivative financial instruments. The bank uses the standardized approach for credit risk for all on-balance sheet assets and the basic indicator approach for operational risk.

The Bank's investment securities may consist of bank notes, government and provincial debt securities and corporate debt securities. The Bank can only invest in securities with approved counterparties with DBRS Morningstar short-term issue credit rating ranging from R1-low to R1-high and their equivalents. Investment securities have risk-weightings ranging from 0% to 50% based on their credit rating. Loans receivable consists of residential mortgages with risk weighting of 35%, secured loans with risk weighting of 75% and commercial mortgages with a risk weighting of 100%. All other assets are risk-weighted at 100%.

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. This temporary risk weighting was incorporated during the period of payment deferral. As mentioned in the COVID-19 Pandemic section above, all mortgage payment deferrals were resumed by January, 2021.

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

	$000s									
	Dec-19		Mar-20		Jun-20		Sep-20		Dec-20	
	Gross Exposure	Risk Weighted Assets	Gross Exposure	Risk Weighted Assets	Gross Exposure	Risk Weighted Assets	Gross Exposure	Risk Weighted Assets	Gross Exposure	Risk Weighted Assets
Deposits with regulated financial institutions	18,368	4,215	44,952	12,882	34,419	11,554	39,005	11,672	56,800	16,935
Securities	16,097	3,160	5,300	1,000	19,283	0	19,296	0	300	0
Residential mortgages	195,806	68,532	197,395	69,089	195,884	68,560	194,502	68,076	193,279	67,647
Commercial mortgages	44,112	44,112	46,694	46,695	46,398	46,399	57,663	57,663	59,572	59,572
Secured loans	47,268	35,451	49,052	36,789	59,688	44,766	67,126	50,345	72,920	54,690
Other assets	3,156	3,156	3,147	3,147	2,960	2,960	2,801	2,801	3,111	3,111
Total credit risk	324,808	158,626	346,540	169,602	358,632	174,239	380,393	190,557	385,982	201,955
Operational risk	299	3,739	246	4,922	488	6,104	493	6,156	506	6,329
Total	325,107	162,365	346,786	174,524	359,120	180,343	380,886	196,713	386,488	208,284

Leverage Ratio

The Bank fully applies the Basel III deductions to calculate the leverage ratio as per OSFI's Leverage Requirements Guideline. The table below details the Bank's leverage ratio position under Basel III leverage requirements as at December 31, 2020.

	$000s, except %	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
On-balance sheet exposures						
1	On-balance sheet assets - for purposes of the Leverage Ratio	321,830	344,622	356,625	377,379	380,600
2	Asset amounts deducted in determining Basel III "all-in" Tier 1 capital	(230)	(177)	(166)	(154)	(198)
3	**On-balance sheet assets - excluding derivatives and SFTs**	321,600	344,444	356,459	377,225	380,402
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	-	-	-	-	-
11	**Total derivative exposures**	-	-	-	-	-
Securities financing transaction (SFTs) exposures						
16	**Total SFTs exposures**	-	-	-	-	-
Other off-balance sheet exposures						
17	Off-balance sheet exposure at gross notional amount	26,233	23,765	26,132	33,412	34,793
18	(Adjustments for conversion to credit equivalent amounts)	(20,101)	(19,324)	(21,211)	(27,299)	(27,866)
19	**Off-balance sheet items** (sum of lines 17 and 18)	6,132	4,441	4,921	6,113	6,927
Capital and total exposures						
20	**Tier 1 capital**	**51,199**	**49,905**	**57,271**	**58,740**	**60,978**
21	**Total exposures** (sum of lines 3,11,16, and 19)	**327,732**	**348,885**	**361,380**	**383,338**	**387,329**
Leverage ratios						
22	**Basel III leverage ratio**	**15.62%**	**14.30%**	**15.85%**	**15.32%**	**15.74%**

The Leverage Ratio is a non-risk ratio intended to act as a supplementary measure to the risk-based capital requirements. The Leverage ratio is calculated by dividing Tier 1 capital by total exposure. The Bank's Leverage Ratio as at December 31, 2020 was above the minimum assigned to the Bank by OSFI (10%).

Risk Management

The Bank's EWRMF provides the foundation for its risk management processes.

A component of the EWRMF is the RAS. It defines the absolute limits of risk that the Bank is willing to accept in its operations. Another component of the EWRMF is the requirement for effective risk reporting and compliance with relevant standards pertaining to risk management. Both the EWRMF and the RAS are reviewed by the ARC and approved by the Board.

The ARC is responsible for overseeing the types of risk to which the Bank may be exposed and the techniques and systems used to identify, measure, monitor, report and mitigate those risks.

The Bank does not maintain a trading portfolio and has minimal market risk from its high quality liquid investments. Further, the Bank does not have any equity investments and is not exposed to any equity risk.

The EWRMF defines the most material risks faced by the Bank as described below.

Strategic Risk

The Bank believes that it can establish a competitive advantage through pursuing its business model, operating practices and marketing network. 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 those strategies at least quarterly.

Funding and Liquidity Risk

Funding and liquidity risk can occur due to the uncertain timing of cash flows and the Bank's reliance on the issuance of deposits as its major source of funding. The Bank has created policies and procedures to ensure that cash flows from different funding sources are forecasted and monitored on a timely basis. It also maintains sufficient liquid assets as a buffer to fund its loan commitments, operations, deposit maturities and interest payments should an unexpected funding shortfall arise.

Majority of 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 several factors including access to third-party deposit platforms, interest rates offered by competing lenders, economic conditions and regulatory requirements. The broker network is expected to have more than enough liquidity to meet the Bank's funding needs for the next few years. The Bank is exposed to deposit dealer-imposed concentration limit restrictions. The risk has been proactively mitigated through a more diverse dealer network.

The Bank's risk management policies include the Liquidity and Funding Management Policy. This policy is designed to ensure that cash balances and other high-quality liquid assets are a) sufficient to meet all cash outflows, for both ordinary and stressed conditions, and b) in compliance with regulatory requirements such as the Liquidity Adequacy Requirements and OSFI Guideline B-6, Liquidity Principles.

The regulatory requirements include the Liquidity Coverage Ratio ("LCR") and Net Cumulative Cash Flow ("NCCF") metrics prescribed by OSFI. The LCR reports net 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 daily through measuring and monitoring the Bank's liquidity position, and regular liquidity forecasting. Monitoring includes maturity gap analysis, survival horizons and stress testing. Even with the Bank's underlying funding and liquidity risk processes 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. COVID-19 did not affect the Bank's cash or operating liquidity, which has remained strong. However, the Bank continues to monitor the COVID-19 situation and will adjust its forecasts and planned business activities as necessary.

Credit Risk

Credit risk is the potential for financial loss if the assets as currently reflected on the Bank's balance sheet become impaired and not fully recoverable. This can result from a significant and persistent drop in the value of assets supporting the loan/mortgage and/or customers choosing not to repay their loan/mortgage for an extended period. To mitigate credit risk, the Bank has developed underwriting criteria which provide reasonable loan to value ratios for various type of borrower while seeking to provide assurance that the value of the related asset and/or financial capacity of a borrower is sufficient to repay the loan/mortgage. The Bank uses the Standardized Approach to measure credit risk. The Bank monitors and manages the credit quality of its loan portfolios including arrears on an ongoing basis.

Interest Rate Risk

The Bank's operating margin is primarily derived from the spread between interest earned on the investment and lending portfolio, and the interest paid on the debt and deposits used to fund the portfolio. Risk arises from the Bank's assets and liabilities having mismatched re-pricing dates, or being referenced to different underlying instruments. The Bank has adopted practices to manage the spread between interest earned on assets and interest paid on the instruments used to fund them.

The Bank has defined its appetite for interest rate risk limit as follows:

> Economic Value - 10% loss of Regulatory Capital for a 200 bps parallel shock to interest rates
>
> Net Interest Income Sensitivity - 20% loss of annualized net interest income for a 200 bps parallel shock to interest rates.

The table below details the results of sensitivity analysis of interest rate increases and decreases during the 12-month period beginning on December 31, 2020. The results of the model are based on several assumptions which can differ as actual rate changes occur; hence actual results could vary from these modeled results.

$000s, except %	Increase in Interest Rates	Decrease in Interest Rates
100 basis point parallel shift		
Impact on net interest income	$ 913	$ (887)
Impact on financial position (FP)	452	(443)
FP as a % of shareholders' equity	0.69%	(0.68%)
200 basis point parallel shift		
Impact on net interest income	$ 1,830	$ (1,774)
Impact on financial position (FP)	896	(899)
FP as a % of shareholders' equity	1.38%	(1.38%)

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal and information technology risk, including cybersecurity risk.

The Bank has three lines of defense to safeguard against operational risk. The first line of defense is at the transaction level where the Bank's business units are responsible for ensuring that appropriate internal controls are in place and operating effectively. The Bank's Compliance Department and the CRO serve as a second line of defense, where they provide an enterprise-wide view of specific risks and independently reviews and challenges the business units' risk and control activities. The Bank also has an Internal audit function (outsourced to MNP LLP) as the third line of defense. Operational controls are reviewed and/or audited using a risk-based approach and the results of their design and effectiveness are reported to management and the Board.

The Bank's primary tool for mitigating operational risk exposure is a robust internal control environment, which includes the implementation of policies and procedures, the employment of knowledgeable and experienced senior managers, segregation of duties among employees and appropriate training of all employees. All key controls are subject to ongoing testing and review to ensure they effectively mitigate the Bank's operational risk exposures.

The Bank uses the Basic Indicator Approach to quantify its exposure to operational risk in its calculation of risk-weighted assets. Operation risk as at December 31, 2020 and for the last four quarters are shown in the table under the Risk-Weighted Assets section above.

Regulatory Compliance Risk

Regulatory compliance risk arises from a financial institution's non-compliance with applicable laws, rules, regulations and prescribed standards in any jurisdiction in which the Bank operates. The Compliance Department keeps the management team and the Board informed of new regulations, guidelines and changes to existing regulatory requirements. The Bank addresses any changes in regulatory requirements in a timely manner to ensure it is compliant with new applicable regulations.

Management is aware of the potential negative effects of media and reputation risk exposure. The Bank has implemented complaint and incident resolution processes to mitigate these potential risks.

Remuneration

The Bank's compensation program is governed by its Compensation Policy, which is reviewed regularly by the GCRHRC to ensure alignment with the Bank's objectives and compliance with OSFI Corporate Governance Guideline - Financial Stability Board's (FSB) Principles for Sound Compensation and Implementation Standards. The framework of the compensation program for senior management is comprised of base salary, short-term cash incentives and a long term share option plan. Base salary reflects the senior individual's: (a) level of responsibility, (b) skill and experience, (c) market value of the position and (d) overall performance both individually and in their business unit. Roles are reviewed against market, internal comparators and external comparators. Base salary is reviewed annually and as required by market conditions.

Short Term Incentive Plan

The Bank's short term incentive plan (STIP) is designed to motivate management to meet the Bank's annual business and financial objectives. Every fiscal year, the performance of each individual is measured against the achievement of specific financial and performance goals which may vary from year to year. The STIP program is based on performance against various different performance measures that are designed to focus both management and staff on key objectives and drivers of the business as well as value creation over both the short and long term.

The STIP is a self-funded program with minimum financial threshold goals which must be achieved in order to be eligible for a payout. Short-term incentive award targets are determined based on specific factors including role complexity, scope and impact of the role over a 12 month period. All participating staff have a short term cash incentive target that is expressed as a percentage of base salary determined by position and level within the organization. Depending on actual performance relative to set performance targets, cash payouts range from zero to the maximum target within each range. The STIP targets range from 40-100% for management members.

Long Term Incentive Plans

The Bank's Share Option Plans (SOP) are designed to motivate directors and senior management to increase shareholder value. Bank directors and executives participate in the SOP programs which award long term incentives in the form of stock options. The award of grants that a director or executive is eligible to receive is determined by the GCRHRC on an annual basis.

The table below provides director and executive compensation and other emoluments expensed for the year ended December 31, 2020.

	$000s
Management Compensation	
Salaries, Benefits & Short-term incentives	$ 1,715
Termination benefits	571
Long term Stock-based compensation	(178)
Total Remunerations	**$ 2,108**

Residential Mortgage Disclosures

The table presented below provides disclosures in accordance with the requirements of OSFI Guideline B-20, Residential Mortgage Underwriting Practice and Procedures. The following table show the composition of the residential mortgage portfolio and average loan-to-value (LTV) ratio by geographic region and insured type. The overall LTV, which measures the outstanding mortgage balance as a percentage of the most recent appraised value of the property, at 64.92% indicates significant collateral which would mitigate the risk from economic downturns.

All amounts, other than percentages, are in $ millions.

Residential Mortgage Public Disclosure

December 31, 2020

Insured vs Uninsured Total Residential Mortgage Portfolio

Type	Principal Balance Ontario		Principal Balance British Columbia		Principal Balance Rest of Canada		Principal Balance Outside of Canada		Principal Balance Total	
Insured	$1.85	1.27%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$1.85	0.95%
Uninsured	$143.93	98.73%	$49.35	100.00%	$0.00	0.00%	$0.00	0.00%	$193.28	99.05%
Total	**$145.78**	**100.00%**	**$49.35**	**100.00%**	**$0.00**	**0.00%**	**$0.00**	**0.00%**	**$195.13**	**100.00%**

Average LTV of Total Residential Mortgage Portfolio

Type	Ontario	British Columbia	Rest of Canada	Outside of Canada	Total
Insured	91.48%	0.00%	0.00%	0.00%	91.48%
Uninsured	66.22%	60.15%	0.00%	0.00%	64.67%
Combined	**66.54%**	**60.15%**	**0.00%**	**0.00%**	**64.92%**

Average Amortization of Total Residential Mortgage Portfolio

Type	<= 20 years	> 20 to <= 25 years	> 25 to <= 30 years	> 30 years	Total
Total	**1.89%**	**36.97%**	**61.14%**	**0.00%**	**100.00%**

Economic Stress Test

The Bank conducts regular stress testing of its residential mortgage portfolio to measure the impact of a severe economic downturn. Negative implications are managed through strong credit history, conservative LTV's, applicant net worth and prudent underwriting standards and practices.

Stress testing is conducted utilizing a model and incorporates several assumptions. The primary assumptions used were:
* Canadian residential real estate values decline by 30%
* Borrowers default on their mortgage loans at a rate 3 times the expected rate

As of December 31, 2020, the stress test results indicated a potential loss of **$ 1.99 million.**