

*Basel III Pillar 3 Quarterly Supplemental Disclosures of*

**ALTERNA BANK**

**March 31, 2013**

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CS Alterna Bank, a member of the Canada Deposit Insurance Corporation (“CDIC”), operates under the name “Alterna Bank”. It is a Schedule 1 Bank and received letters patent from the Minister of Finance of Canada to operate under the Bank Act on October 2, 2000.

The registered office address of Alterna Bank is 400 Albert Street, Ottawa, Ontario, K1R 5B2. The nature of Alterna Bank’s operations and principal activities are the provision of deposit taking facilities and loan facilities to the clients of the Bank in Ontario and Quebec.

The Pillar 3 Supplemental Disclosures are additional summary descriptions and quantitative financial information which supplement those made in Alterna Bank’s annual audited financial statements.

The table below provides the modified minimum composition of capital disclosures under Basel III as required by the Office of the Superintendent of Financial Institutions Canada (‘OSFI’) for the interim period of the first quarter ended March 31, 2013.

**All amounts in 000's CAD dollars, except where otherwise noted** **31-Mar-13**

| Common Equity Tier 1 capital: instruments and reserves |                                                                                                                                                                   |        |
|--------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| 1                                                      | Directly issued qualifying common share capital (and equivalent for non-stock companies) plus related stock surplus                                               | 15,000 |
| 2                                                      | Retained earnings                                                                                                                                                 | 8,676  |
| 3                                                      | Accumulated other comprehensive income (and other reserves)                                                                                                       | (7)    |
| 4                                                      | Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)                                                              | -      |
| Common Equity Tier 1 capital: regulatory adjustments   |                                                                                                                                                                   |        |
| 5                                                      | Regulatory adjustments applied to Common Equity tier 1 under Basel III                                                                                            | (46)   |
| 6                                                      | Common Equity Tier 1 Capital (CET1)                                                                                                                               | 23,623 |
| Additional Tier 1 capital: instruments                 |                                                                                                                                                                   |        |
| 7                                                      | Directly issued qualifying Additional Tier 1 instruments plus related stock surplus                                                                               | -      |
| 8                                                      | Directly issued capital instruments subject to phase out from Additional Tier 1                                                                                   | -      |
| 9                                                      | 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)        | -      |
| 10                                                     | <i>of which: instruments issued by subsidiaries subject to phase out</i>                                                                                          | -      |
| Additional Tier 1 capital: regulatory adjustments      |                                                                                                                                                                   |        |
| 11                                                     | Regulatory adjustments applied to Additional Tier 1 under Basel III                                                                                               | -      |
| 12                                                     | Additional Tier 1 Capital (AT1)                                                                                                                                   | -      |
| 13                                                     | Tier 1 Capital (T1 = CET1 + AT1)                                                                                                                                  | 23,623 |
| Tier 2 Capital: instruments and provisions             |                                                                                                                                                                   |        |
| 14                                                     | Directly issued qualifying Tier 2 instruments plus related stock surplus                                                                                          | -      |
| 15                                                     | Directly issued capital instruments subject to phase out from Tier 2                                                                                              | -      |
| 16                                                     | 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 ) | -      |
| 17                                                     | <i>of which: instruments issued by subsidiaries subject to phase out</i>                                                                                          | -      |
| 18                                                     | Provisions                                                                                                                                                        | -      |
| Tier 2 Capital: regulatory adjustments                 |                                                                                                                                                                   |        |
| 19                                                     | Regulatory adjustments applied to Tier 2 under Basel III                                                                                                          | -      |
| 20                                                     | Tier 2 Capital (T2)                                                                                                                                               | -      |
| 21                                                     | Total capital (TC = T1 + T2)                                                                                                                                      | 23,623 |
| 22                                                     | Total risk weighted assets                                                                                                                                        | 60,770 |

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| Capital Ratios - Transitional Basis                                                                              |                                                                                               |       |
|------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-------|
| 23                                                                                                               | Common Equity Tier 1 (as a percentage of risk weighted assets)                                | 38.9% |
| 24                                                                                                               | Tier 1 (as a percentage of risk weighted assets)                                              | 38.9% |
| 25                                                                                                               | Total Capital (as a percentage of risk weighted assets)                                       | 38.9% |
| Capital Ratios - All-in Basis                                                                                    |                                                                                               |       |
| 26                                                                                                               | Common Equity Tier 1 (as a percentage of risk weighted assets)                                | 38.9% |
| 27                                                                                                               | Tier 1 (as a percentage of risk weighted assets)                                              | 38.9% |
| 28                                                                                                               | Total Capital (as a percentage of risk weighted assets)                                       | 38.9% |
| National minima - ALL-IN BASIS                                                                                   |                                                                                               |       |
| 29                                                                                                               | National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)             | 7.0%  |
| 30                                                                                                               | National Tier 1 minimum ratio (if different from Basel III minimum)                           |       |
| 31                                                                                                               | National total capital minimum ratio (if different from Basel III minimum)                    |       |
| <i>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)</i> |                                                                                               |       |
| 32                                                                                                               | <i>Current cap on CET1 instruments subject to phase out arrangements</i>                      | -     |
| 33                                                                                                               | <i>Amount excluded from CET1 due to cap (excess over cap after redemption and maturities)</i> | -     |
| 34                                                                                                               | <i>Current cap on AT1 instruments subject to phase out arrangements</i>                       | -     |
| 35                                                                                                               | <i>Amount excluded from At1 due to cap (excess over cap after redemptions and maturities)</i> | -     |
| 36                                                                                                               | <i>Current cap on T2 instruments subject to phase out arrangements</i>                        | -     |
| 37                                                                                                               | <i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>  | -     |