Alterna Bank

Alterna Bank - Quarterly Reporting
Residential Mortgage and Home Equity Lines of Credit (HELOC) Portfolio

Average LOAN TO VALUE ON NEWLY ORIGINATED UNINSURED RESIDENTIAL MORTGAGES AND HELOCS by Geographic location is:

PROVINCE	Q2,2013	Q3,2013	Q4,2013	Q1,2014
Ontario	78.53%	67.03%	74.89%	64.87%
Quebec	64.72%	67.31%	73.65%	73.35%
Total Newly Originated	**67.06%**	**67.22%**	**74.00%**	**71.28%**

AMORTIZATION PERIOD OF TOTAL RESIDENTIAL MORTGAGES AND HELOCS (%)

AMORTIZATION	Q2,2013	Q3,2013	Q4,2013	Q1,2014
	%	%	%	%
25 years or fewer	71.12%	72.53%	73.54%	74.31%
25 - 30 years	16.98%	17.04%	16.50%	16.35%
30 - 35 years	11.26%	10.12%	9.65%	9.13%
35 - 40 years	0.64%	0.31%	0.31%	0.21%
Over 40 years	0.00%	0.00%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%

TOTAL RESIDENTIAL MORTGAGE LOANS AND HELOCS - INSURED VS UNINSURED ($ 000's) (%)

	Q2,2013		Q3,2013		Q4,2013		Q1,2014	
	$	%	$	%	$	%	$	%
Insured*	53,087	41.42%	54,050	41.45%	52,623	39.82%	52,050	39.61%
Uninsured	75,088	58.58%	76,350	58.55%	79,530	60.18%	79,348	60.39%
Total	128,175	100.00%	130,400	100.00%	132,153	100.00%	131,398	100.00%

*Insured refers to mortgages insured against loss caused by default on the part of the borrower under a loan secured by real property.

TOTAL RESIDENTIAL MORTGAGE LOANS AND HELOCS - INSURED VS UNINSURED BY GEOGRAPHIC LOCATION ($ 000's)

PROVINCE		Q2,2013		Q3,2013		Q4,2013		Q1,2014	
		$	%	$	%	$	%	$	%
BC	insured	409	0.32%	407	0.31%	406	0.31%	404	0.31%
	uninsured	827	0.65%	369	0.28%	228	0.17%	226	0.17%
Ontario	insured	12,121	9.46%	11,750	9.01%	11,830	8.95%	11,647	8.86%
	uninsured	22,399	17.48%	22,805	17.49%	23,013	17.41%	22,327	16.99%
Quebec	insured	40,557	31.64%	41,893	32.13%	40,387	30.56%	39,999	30.44%
	uninsured	51,862	40.45%	53,176	40.78%	56,289	42.60%	56,795	43.23%
Total	insured	53,087	41.42%	54,050	41.45%	52,623	39.82%	52,050	39.61%
	uninsured	75,088	58.58%	76,350	58.55%	79,530	60.18%	79,348	60.39%

Commentary

Management conducted a credit risk stress test in which properties in our geographical markets would be significantly devalued. The test indicated that this could result in a moderate increase in mortgage defaults which would lead to a moderate increase in the provision for loan losses and collection costs as well as a small reduction in net interest income. Management believes the Bank is well capitalized to absorb such losses.