

## 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	Q3,2013	Q4,2013	Q1,2014	Q2,2014
Ontario	67.03%	74.89%	64.87%	59.74%
Quebec	67.31%	73.65%	73.35%	56.68%
Total Newly Originated	<b>67.22%</b>	<b>74.00%</b>	<b>71.28%</b>	<b>57.22%</b>

AMORTIZATION PERIOD OF TOTAL RESIDENTIAL MORTGAGES AND HELOCS (%)

AMORTIZATION	Q3,2013	Q4,2013	Q1,2014	Q2,2014
	%	%	%	%
25 years or fewer	72.53%	73.54%	74.31%	75.25%
25 - 30 years	17.04%	16.50%	16.35%	16.94%
30 - 35 years	10.12%	9.65%	9.13%	7.72%
35 - 40 years	0.31%	0.31%	0.21%	0.09%
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) (%)

	Q3,2013		Q4,2013		Q1,2014		Q2,2014	
	\$	%	\$	%	\$	%	\$	%
Insured*	54,050	41.45%	52,623	39.82%	52,050	39.61%	51,136	38.25%
Uninsured	76,350	58.55%	79,530	60.18%	79,348	60.39%	82,569	61.75%
Total	130,400	100.00%	132,153	100.00%	131,398	100.00%	133,705	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		Q3,2013		Q4,2013		Q1,2014		Q2,2014	
		\$	%	\$	%	\$	%	\$	%
BC	insured	407	0.31%	406	0.31%	404	0.31%	402	0.30%
	uninsured	369	0.28%	228	0.17%	226	0.17%	224	0.17%
Ontario	insured	11,750	9.01%	11,830	8.95%	11,647	8.86%	11,183	8.36%
	uninsured	22,805	17.49%	23,013	17.41%	22,327	16.99%	21,437	16.03%
Quebec	insured	41,893	32.13%	40,387	30.56%	39,999	30.44%	39,551	29.58%
	uninsured	53,176	40.78%	56,289	42.60%	56,795	43.23%	60,908	45.56%
Total	insured	54,050	41.45%	52,623	39.82%	52,050	39.61%	51,136	38.24%
	uninsured	76,350	58.55%	79,530	60.18%	79,348	60.39%	82,569	61.76%

#### 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.