B-20 RESIDENTIAL MORTGAGE GUIDELINES

PUBLIC DISCLOSURES

SEPTEMBER 30, 2019

Overview

This disclosure is prepared in accordance with the requirements of OSFI Guideline B-20 - Residential Mortgage Underwriting Practices and Procedures ("Guideline B-20"). These disclosures are made to enable market participants to conduct an adequate evaluation of the soundness and condition of Street Capital Bank of Canada's (the "Bank") residential mortgage operations.

Insured and uninsured mortgages

The Bank defines "insured" residential mortgage loans as any loan that has been insured individually or as part of a portfolio of loans, by either CMHC or one of two government backed private insurers in the Canadian market. The insurance policy protects the Bank in the event that the borrower defaults on payments or is otherwise unable to meet the contractual obligations of the mortgage.

As of September 30, 2019, approximately $92 million of the Bank's $114 million insured mortgages held on-balance sheet are single-family residential mortgages that the Bank has securitized and sold through the NHA MBS program. These mortgages remain on balance sheet because, as the issuer of the MBS, the Bank is responsible for advancing all scheduled principal and interest payments, thereby retaining prepayment and interest rate risk.

The Bank has securitized an additional $12 million of mortgages through the NHA MBS program that have not yet been sold to investors ("stamped mortgages"). These are a component of the Bank's liquid assets, as they can be readily converted to cash.

Each quarter the Bank securitizes and sells 10-year insured NHA MBS mortgage loans on multi-unit residential properties ("MURS") through the CMB program. The Bank may temporarily carry loans in excess of its CMB allotment on its balance sheet. There were no MURS mortgage on-balance sheet as at September 30, 2019

The Bank's on-balance sheet portfolio consists primarily of uninsured mortgages totaling $559 million, with the largest component of these being $552 million of its Street Solutions product. These are non-prime single-family residential uninsured mortgages, consisting entirely of first mortgages, that provide alternative lending options for achieving the goal of home ownership. The program targets a market segment that consists of credit-worthy, but generally under-served, borrowers who may not qualify for a prime residential mortgage. This segment of borrowers includes:

- New immigrants;
- Self-employed individuals;
- Rental investors; and
- Individuals with slightly bruised credit history.

Uninsured mortgages, by their nature, have a higher degree of credit risk. The Bank mitigates against this risk by adherence to Guideline B-20 compliant credit policies and underwriting requirements, and by targeting the market segment described above. The Bank also mitigates its risk by limiting its lending areas primarily to urban locations.

The tables below detail the geographic distribution and remaining amortization of the insured and uninsured loans that the Bank holds on-balance sheet, inclusive of credit provisions.

Single-family Residential Loans by Province

The Bank originates most of its uninsured Street Solutions mortgages in Ontario and British Columbia. The Company does not do business in Quebec.

	As at September 30, 2019				
(in thousands of $, except %)	**Insured Residential Mortgages**	**Percentage of Total by Province**	**Uninsured Residential Mortgages**	**Percentage of Total by Province**	**Total**
British Columbia	$ 7,863	6.7%	$ 109,685	93.3%	$ 117,548
Alberta	13,454	47.3%	14,993	52.7%	28,447
Prairies	2,120	59.7%	1,432	40.3%	3,552
Ontario	87,706	17.0%	429,688	83.0%	517,394
Atlantic	2,592	46.6%	2,974	53.4%	5,566
	$ 113,735	16.9%	$ 558,772	83.1%	$ 672,507

Insured and Uninsured Single-Family Residential Mortgages by Effective Remaining Amortization Period

	As at September 30, 2019				
(in thousands of $, except %)	**≤ 20 years**	**> 20 and ≤ 25 years**	**> 25 and ≤ 30 years**	**> 30 and ≤ 35 years**	**Total**
Balance outstanding	$ 19,807	$ 104,634	$ 548,066	$ -	$ 672,507
Percentage of total	2.9%	15.6%	81.5%	0.0%	100.0%

Weighted Average LTV Ratios – Uninsured Single-Family Residential Mortgages Originated Q3 2019

The table below shows the weighted average loan to value ("LTV") ratios for all uninsured mortgages originated during Q3 2019.

	For the three months ended September 30, 2019					
	(Held on balance sheet)		**(Originated and sold)**		**(Total originated)**	
(in thousands of $, except %)	**Volume**	**LTV**	**Volume**	**LTV**	**Volume**	**LTV**
British Columbia	$ 2,702	69.8%	$ 30,165	67.4%	$ 32,867	67.6%
Ontario	17,344	69.6%	92,461	69.4%	109,805	69.4%
Alberta	345	57.4%	9,458	73.8%	9,803	73.2%
Prairies	226	61.0%	510	67.5%	736	65.5%
Atlantic	-	0.0%	3,277	72.4%	3,277	72.4%
	$ 20,617	69.3%	$135,871	69.3%	$156,488	69.3%

Economic Downturn

The Bank reviews the credit performance and credit quality of its mortgage portfolio on an ongoing basis and performs stress testing that includes scenarios that are based on adverse economic events. These scenarios include combinations of increasing unemployment, increasing interest rates and a decline in real-estate values, as well as specific operational and reputational stress tests. Generally, mortgage defaults are correlated to increases in unemployment rates, and in an economic downturn the Bank would expect an increase in mortgage defaults and losses on uninsured mortgages associated with declining real estate values. Given the size of the uninsured mortgage portfolio and the LTV ratios in the portfolio, the Bank's stress testing indicates that at September 30, 2019 the Bank has sufficient capital to absorb stress events associated with an adverse economic event, albeit with reduced income due to increased credit losses, and from declines in revenue from expected decreases in prime origination volumes.

The Bank does business in all provinces except Quebec. The Bank's uninsured mortgages that are held on-balance sheet are concentrated in the provinces of Ontario and British Columbia. The Bank's NHA insured MURS mortgages are concentrated in the provinces of Nova Scotia and Ontario, and approximately 71% of balances outstanding at September 30, 2019 are owed by six borrowers or borrowing groups. Aside from this, the Bank does not have any significant concentrations of credit risk within any geographic region or group of customers.