



REGULATORY DISCLOSURE

2025-12-31



CORPORATE PROFILE

Bridgewater Bank (the Bank) is a Schedule 1 Bank under the Bank Act (Canada) and is regulated by the Office of the Superintendent of Financial Institutions Canada (OSFI). The Bank is owned by the Alberta Motor Association (AMA), the largest membership service organization in Alberta.

Specializing in residential mortgages and deposit products through a select network of brokers, the Bank serves customers across Canada. The Bank participates in the National Housing Act (NHA) mortgage-backed securities (MBS) and Canada Mortgage Bond (CMB) programs.

SCOPE OF DISCLOSURE

This document is prepared in accordance with OSFI's *Pillar 3 Disclosure Guideline for Small and Medium-Sized Deposit-Taking Institutions (SMSBs) Capital and Liquidity Requirements* for a Category II SMSB. OSFI's requirements are based on the Basel Committee of Banking Supervision (BCBS) Pillar 3 disclosure requirements. Additional disclosure requirements outlined in OSFI Guideline B-20 Residential Mortgage Underwriting Practices and Procedures have been incorporated in this document.

Unless stated otherwise, all figures are in thousands of dollars except for percentages. The information contained in this document has not been audited.

Additional information can be found at Open Government Portal:

<https://search.open.canada.ca/opendata/>

CAPITAL MANAGEMENT

The Bank manages its capital under guidelines established by OSFI which are based on the BCBS framework. The regulatory capital guidelines measure capital in relation to credit, market and operational risks. The Bank uses the Standardized Approach for the measurement of credit risk and the Simplified Standardized Approach for the measurement of operational risk.

The Bank's Capital Management Policy governs the Bank's capital adequacy with respect to regulatory requirements, risk appetite and strategic objectives. The Bank's Internal Capital Adequacy Assessment Process (ICAAP) assesses the Bank's capital plan under stressed conditions to ensure appropriate capital adequacy of the Bank. The Bank has various capital policies, procedures, and controls which it utilizes to achieve its goals and objectives. The Capital Management Policy is reviewed annually by the Board.

Under OSFI's requirements, capital is allocated to two tiers: Tier 1 and Tier 2. Tier 1 capital is further broken into Common Equity Tier 1 (CET1) and Additional Tier 1 capital. CET1 comprises the highest quality of capital and consists primarily of common shares and retained earnings less deductions as prescribed by OSFI. Total regulatory capital is defined as the total of Tier 1 and Tier 2 capital. Included in the Bank's Tier 2 capital is eligible allowances for credit losses.

Annex 3 provides key metrics related to risk-based capital ratios and the leverage ratio.

RISK MANAGEMENT

Risk management is an essential component of the Bank's operations. The Bank invests significantly in risk management practices and resources, and this investment contributes directly to the Bank's profitability.

The Enterprise Risk Management (ERM) Policy governs the risks within the Bank. The Chief Risk Officer (CRO) establishes this policy, and it is approved for use in the Bank by the Board of Governors of AMA and the Board of Directors. The ERM Policy outlines the approach and the strategy of the ERM Program and sets out roles and responsibilities.

The ERM Framework explains the methodology for integrating ERM into all levels of the Bank. The Framework supports the ERM Policy and explains the risk approach. It also establishes the context in identifying, analyzing, evaluating, and monitoring risk. The ERM Framework is embedded within the Bank's overall strategic and operational policies and procedures.

The Bank's business strategies and operations expose us to a wide range of risks that could adversely affect operations and financial condition, which in turn can significantly affect the Bank's profitability and growth objectives. When evaluating risks, management makes decisions about which risks it will accept, mitigate and avoid. These decisions are guided by the Bank's Risk Appetite Statement. The types of risk to which the Bank is subject to include: strategic, credit, interest rate, liquidity, operational, regulatory and reputation.

RISK MANAGEMENT GOVERNANCE STRUCTURE

The Bank takes a prudent approach to managing risk inherent in the business segments within which it operates and ensures that it understands and limits the overall amount of risk in the Bank. It achieves that by establishing a formal risk appetite statement. This statement is reviewed and adjusted annually.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk appetite. The risk appetite statement sets out the overall risk capacity and risk appetite for the Bank, establishes measures and limits on risk and sets out the stress testing program. The Board reviews and approves the key policies to enable effective monitoring of the Bank's significant risks. At least quarterly, a report on the key risks is presented to the Board and its Committees for review and assessment.

The Bank employs the industry standard three lines of defence model in the risk appetite statement which include risk management control functions, oversight committees and independent assurance. The Bank's risks include but are not limited to credit risk, interest rate risk, liquidity risk, operational risk and regulatory risk.

ECONOMIC RISK FACTORS

The Bank continues to operate in an economic environment characterized by persistent inflationary pressures, slowing economic growth, and ongoing interest rate volatility. While policy interest rates have moderated following earlier tightening cycles, the broader macroeconomic outlook remains challenging. Economic indicators point to heightened recessionary risks, including increasing unemployment, declining housing prices, and reduced consumer and business confidence, each contributing to elevated levels of risk across the Bank's portfolios.

CREDIT RISK

Credit risk is the risk of loss arising from a borrower or counterparty failing to meet its financial or contractual obligations.

Credit risk management is a component of the Bank's risk appetite framework as approved by the Board and the Risk Committee. Oversight is provided by the Credit Management Committee (CMC), which monitors credit performance, portfolio composition, geographic concentration, arrears and underwriting quality. The CMC reports to the Board Risk Committee, ensuring emerging risks, trends and policy exceptions are appropriately escalated.

The Bank's mortgage portfolio primarily consists of single-family residential mortgages without mortgage impairment insurance. Credit risk is managed in accordance with prudent underwriting policies and standards, diversification strategies and adherence to key metrics. Mortgage loans are collateralized by residential real estate. Insured mortgage receivables have mortgage impairment insurance which further mitigates the risk of loss for these portfolios. The Bank maintains an allowance for expected credit losses.

The Bank is exposed to credit risk through contracts with third parties for mortgage insurance and derivatives utilized to manage interest rate risk. This counterparty credit risk is mitigated by contracting with reputable organizations that have investment-grade credit ratings and by utilizing a number of different organizations, where possible, to minimize the impact of the risk of any one counterparty defaulting on its contractual obligations.

COUNTERPARTY CREDIT RISK AND CREDIT VALUATION ADJUSTMENT

Counterparty credit risk (CCR) is defined as the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. It represents the probability of financial loss when a transaction counterparty fails to fulfill its contractual obligations. In the context of derivatives, CCR is the possibility that the counterparty may default before the final settlement. Overall, it is the risk that one party in a financial contract will not meet its obligations, leading to potential financial loss for the other party. The Bank's CCR exposure comes from the Treasury's execution of derivative hedge transactions with other financial institutions.

Credit valuation adjustment (CVA) is an adjustment made to a derivative's price to compensate a bank for taking on the credit risk of a counterparty during the life of the transaction. It represents the cost of hedging the unique counterparty credit risk of a derivative instruments or portfolio. CVA is the market value of CCR, accounting for the possibility of counterparty default. The Bank records CVA on derivative assets to reflect the credit quality of counterparties. The Bank monitors these exposures regularly, with oversight by the Asset and Liability Committee (ALCO).

The Bank calculates its CVA using the reduced basic approach credit valuation adjustment (BA-CVA) and considers legally enforceable master netting agreements that mitigate credit exposure to each counterparty in determining CVAs, which may be adjusted due to changes in the fair values of its interest rate swaps, collateral, and creditworthiness of the counterparty.

The following table provides the components used for the computation of capital requirements under the reduced BA-CVA for CVA risk:

31-Dec-25		a	b
		Components	Capital requirements under BA-CVA
1	Aggregation of systematic components of CVA risk	\$ 411	
2	Aggregation of idiosyncratic components of CVA risk	\$ 352	
3	Total		\$ 239

INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk is the risk of loss from future changes in the prevailing level of interest rates. The Bank is exposed to interest rate risk as a result of a difference or gap between the maturity or repricing date of interest rate-sensitive assets and liabilities, as well as on unsold mortgage commitments. Certain economic hedges are used to manage the interest rate risk, including bond forwards and interest rate swaps. The Bank uses two interest rate risk sensitivity models to measure the impact of changing interest rates on the Bank's equity position and net interest income for the 12 months following the measurement date. The objective is to measure the interest rate risk within Board approved guidelines.

The Bank's interest rate risk management policies are approved by the Board and the ALCO. The ALCO establishes and recommends to the Board interest rate risk tolerances, which the Board approves. The ALCO oversees stress testing of interest rate risk and the monitoring of risk mitigation strategies. The finance department is responsible for managing the Bank's interest rate risk positions in accordance with approved policies and assesses the impact of market events on the Bank's net interest income and equity at risk on an ongoing basis.

Based on the Bank's interest rate positions, an immediate and sustained change in interest rates would impact equity as follows:

	31-Dec-25	30-Sep-25	31-Dec-24
Increase of 100 basis points	\$ (2,608)	\$ (2,689)	\$ (2,982)
Decrease of 100 basis points	\$ 2,661	\$ 2,730	\$ 3,005

LIQUIDITY RISK

Liquidity risk is the risk that the Bank cannot generate or obtain sufficient cash or its equivalent in a timely manner at reasonable price to meet commitments as they fall due. The Bank is exposed to liquidity risk from mismatched durations between assets and liabilities, particularly the maturity of mortgages and term deposits. The Bank is also exposed to liquidity risk to the extent that the Bank's unfunded mortgage and repurchase commitments outstanding and trade obligations committed but not yet paid exceed available cash or ability to raise deposits.

The Bank's liquidity and funding risk management policies are approved by the Board and the ALCO. The ALCO establishes and recommends to the Board liquidity risk tolerances, which the Board approves. The Bank's policies address the minimum level of liquid assets, the composition of liquid assets, the stress tests to be completed and the frequency of assessments. The ALCO reviews the composition and terms of assets and liabilities, reviews liquidity and funding policies and regularly monitors compliance with these policies. The ALCO also oversees stress testing of liquidity and funding risk and the monitoring of the Bank's contingency funding plan. The finance department is responsible for managing the Bank's liquidity and

funding positions in accordance with approved policies and assesses the impact of market events on liquidity requirements on an ongoing basis.

The Bank evaluates total liquid assets against funding requirements and stress test scenarios to ensure liquid assets are available to cover current needs and during periods of market stress. Quarterly, standard stress tests are performed in addition to scenarios dependent upon the risks existing at the time testing is performed. The results are reported to the ALCO and the Board.

Liquidity is managed through the management of the amount and contractual terms of deposit funding and the sale or securitization of insured mortgages to investors. The Bank monitors its funding profile and establishes limits to mitigate reliance on any single source of funding. Investors include whole loan investors, MBS investors and the CHT through the CMB program. As the Bank is not rated by a recognized credit agency, a rated intermediary is required to act on the Bank's behalf in dealings with the CHT. The Bank continues to maintain liquidity through raising deposits and issuing MBS. Although the Bank has deposits maturing within one year, liquidity is expected to be maintained through continued mortgage sales or securitizations, renewal of a portion of these deposits and raising new deposits.

The Bank manages its liquidity to comply with OSFI's Liquidity Adequacy Requirements (LAR). The LAR provides guidance on liquidity measures, the liquidity coverage ratio (LCR) and the net cumulative cash flow (NCCF). The LCR is a BCBS designed liquidity measure that requires the Bank to maintain a sufficient stock of high-quality liquid assets to cover a minimum of 30 days of net cash outflows in a stressed environment. The OSFI-designed NCCF measures funding mismatches over and up to a 12-month time horizon.

OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events and includes legal risk. Proactive management of operational risk is the key objective of the Bank as outlined in the Bank's Operational Risk Management Framework (ORMF). The ORMF establishes and tests operational processes to ensure appropriate controls are in place and are effective in the prevention, detection, and mitigation of operational risk exposure.

The ORMF utilizes the three lines of defense approach to provide for effective risk management and control objectives. Each business unit is required to identify and assess its operational risks and ensure that they are managed effectively. This includes the establishment of procedures and guidelines, identification of risks, incident reporting, and corrective measures. The second line of defense provides oversight and review of the business units. The third line of defence provides independent review of first- and second-line activities.

B-20 RESIDENTIAL MORTGAGE DISCLOSURE

Insured or high-ratio mortgages are mortgages with less than 20% down payment on the lesser value of either the purchase price of a home or the appraised value. Below that threshold, the Bank Act requires that mortgage default insurance must be obtained for a fee by a mortgage loan insurance provider. Uninsured or conventional mortgages are mortgage loans that do not exceed 80% of the lesser value of either the purchase price of a home or the appraised value.

Geographic breakdown of single-family residential mortgages

	31-Dec-25		30-Sep-25		31-Dec-24	
Insured mortgages						
British Columbia	\$ 20,079	1.1%	\$ 21,145	1.2%	\$ 23,445	1.2%
Alberta	114,211	6.4%	118,977	6.6%	137,271	7.2%
Saskatchewan	18,583	1.0%	18,990	1.1%	21,111	1.1%
Ontario	46,324	2.6%	48,637	2.7%	55,660	2.9%
Atlantic provinces	52,700	2.9%	55,329	3.1%	64,914	3.4%
Other	5,525	0.3%	6,082	0.3%	6,722	0.4%
Total	\$ 257,422	14.3%	\$ 269,160	15.0%	\$ 309,123	16.2%
Uninsured mortgages						
British Columbia	\$ 278,719	15.5%	\$ 290,830	16.1%	\$ 320,875	16.8%
Alberta	465,580	25.9%	445,009	24.7%	410,906	21.5%
Saskatchewan	62,899	3.5%	60,416	3.3%	53,516	2.8%
Ontario	694,609	38.6%	705,603	39.0%	779,742	41.0%
Atlantic provinces	3,313	0.2%	3,344	0.2%	4,190	0.2%
Other	35,415	2.0%	30,576	1.7%	28,729	1.5%
Total	\$ 1,540,535	85.7%	\$ 1,535,778	85.0%	\$ 1,597,958	83.8%
Total portfolio	\$ 1,797,957	100.0%	\$ 1,804,938	100.0%	\$ 1,907,081	100.0%

Original loan amortization of single-family residential mortgages

	31-Dec-25		30-Sep-25		31-Dec-24	
25 years or less	\$ 507,338	28.2%	\$ 511,398	28.3%	\$ 552,856	29.0%
25-30 years	984,759	54.8%	969,916	53.8%	976,167	51.2%
30-35 years	305,860	17.0%	323,624	17.9%	378,058	19.8%
Total	\$ 1,797,957	100.0%	\$ 1,804,938	100.0%	\$ 1,907,081	100.0%

LTV for uninsured single-family residential loans originated in the quarter

	31-Dec-25	30-Sep-25	31-Dec-24
British Columbia	66.7%	66.7%	67.4%
Alberta	73.8%	71.5%	72.9%
Saskatchewan	76.0%	71.2%	75.5%
Ontario	70.4%	66.4%	64.8%
Other	76.3%	70.5%	72.8%
Total	72.1%	69.2%	69.1%

ANNEX 1 – CAPITAL DISCLOSURES

Modified CC1: Composition of Regulatory Capital				
	31-Dec-25	30-Sep-25	31-Dec-24	
Common Equity Tier 1 capital: instruments and reserves				
1	Directly issued qualifying common share capital plus related stock surplus	\$ 138,000	\$ 138,000	\$ 138,000
2	Retained earnings	30,738	27,537	16,674
6	Common Equity Tier 1 capital before regulatory adjustments	168,738	165,537	154,674
Common Equity Tier 1 capital: regulatory adjustments				
28	Total regulatory adjustments to Common Equity Tier 1	(42)	(66)	(140)
29	Common Equity Tier 1 capital (CET1)	\$ 168,696	\$ 165,471	\$ 154,534
45	Tier 1 capital (T1 = CET1 + AT1)	\$ 168,696	\$ 165,471	\$ 154,534
Tier 2 capital: instruments and provisions				
50	Collective allowances	7,895	7,791	7,875
51	Tier 2 capital before regulatory adjustments	7,895	7,791	7,875
Tier 2 capital: regulatory adjustments				
57	Total regulatory adjustments to Tier 2 capital	-	-	-
58	Tier 2 capital (T2)	\$ 7,895	\$ 7,791	\$ 7,875
59	Total capital (TC = T1 + T2)	\$ 176,591	\$ 173,262	\$ 162,409
60	Total risk-weighted assets	\$ 713,079	\$ 700,780	\$ 701,594
Capital ratios				
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	23.7%	23.6%	22.0%
62	Tier 1 (as a percentage of risk-weighted assets)	23.7%	23.6%	22.0%
63	Total capital (as a percentage of risk-weighted assets)	24.8%	24.7%	23.1%
OSFI target				
69	Common Equity Tier 1 target ratio	7.0%	7.0%	7.0%
70	Tier 1 capital target ratio	8.5%	8.5%	8.5%
71	Total capital target ratio	10.5%	10.5%	10.5%

ANNEX 2 – LEVERAGE RATIO DISCLOSURES

LR2: Leverage Ratio			
	31-Dec-25	30-Sep-25	31-Dec-24
On-balance sheet exposures			
1 On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	\$ 2,099,922	\$ 2,071,913	\$ 2,147,867
4 (Asset amounts deducted in determining Tier 1 capital)	(42)	(66)	(140)
5 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 4)	\$ 2,099,880	\$ 2,071,847	\$ 2,147,727
Derivative exposures			
6 Replacement cost associated with all derivative transactions	403	1,628	2,857
7 Add-on amounts for potential future exposure associated with all derivative transactions	3,135	2,303	1,259
11 Total derivative exposures (sum of lines 6 to 10)	\$ 3,538	\$ 3,931	\$ 4,116
Other off-balance sheet exposures			
17 Off-balance sheet exposure at gross notional amount	9,983	20,291	11,579
18 (Adjustments for conversion to credit equivalent amounts)	(5,990)	(12,175)	(6,947)
19 Off-balance sheet items (sum of lines 17 and 18)	\$ 3,993	\$ 8,116	\$ 4,632
Capital and Total Exposures			
20 Tier 1 capital	168,696	165,471	154,534
21 Total exposures (sum of lines 5, 11 and 19)	2,107,411	2,083,894	2,156,475
Leverage ratios			
22 Basel III leverage ratio	8.0%	7.9%	7.2%

SFTs - Securities Financing Transactions

ANNEX 3 – KEY METRICS DISCLOSURES

KM1: Key Metrics

	31-Dec-25	30-Sep-25	30-Jun-25	31-Mar-25	31-Dec-24
Available capital (amounts)					
1 Common Equity Tier 1 (CET1)	\$ 168,696	\$ 165,471	\$ 161,643	\$ 158,048	\$ 154,534
2 Tier 1	168,696	165,471	161,643	158,048	154,534
Eligible Stage 1 and Stage 2 allowance (re standardized approach) adjusted for ECL transitional arrangements	7,895	7,791	7,842	7,972	7,875
3 Total capital	176,591	173,262	169,485	166,020	162,409
Risk-weighted assets (amounts)					
4 Total risk-weighted assets (RWA)	\$ 713,079	\$ 700,780	\$ 701,384	\$ 710,614	\$ 701,594
4a Total risk-weighted assets (pre-floor)	713,079	700,780	701,384	710,614	701,594
Risk-based capital ratios as a percentage of RWA					
5 CET1 ratio (%)	23.7%	23.6%	23.0%	22.2%	22.0%
5a CET1 ratio (%) (pre-floor ratio)	23.7%	23.6%	23.0%	22.2%	22.0%
6 Tier 1 ratio (%)	23.7%	23.6%	23.0%	22.2%	22.0%
6a Tier 1 ratio (%) (pre-floor ratio)	23.7%	23.6%	23.0%	22.2%	22.0%
7 Total capital ratio (%)	24.8%	24.7%	24.2%	23.4%	23.1%
7a Total capital ratio (%) (pre-floor ratio)	24.8%	24.7%	24.2%	23.4%	23.1%
Basel III Leverage ratio					
13 Total Basel III leverage ratio exposure measure	\$2,107,411	\$2,083,894	\$ 2,111,328	\$ 2,141,361	\$2,156,475
14 Basel III leverage ratio (row 2 / row 13)	8.0%	7.9%	7.7%	7.4%	7.2%