



RFA CAPITAL HOLDINGS INC.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS EXCEPT WHERE SPECIFIED)



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Management's Responsibility for Financial Reporting

The consolidated financial statements of RFA Capital Holdings Inc. (the "Group") as of December 31, 2024, have been prepared by management. Management is responsible for the integrity and fairness of the financial information presented. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which are International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in effect at December 31, 2024, and pursuant to the requirements of the *Bank Act* (Canada) (the "Bank Act"), which is applicable to the Group. The consolidated financial statements reflect amounts that must, of necessity, be based on management's best judgments and estimates, with appropriate consideration regarding materiality.

As part of its responsibility for the fairness and integrity of the Group's consolidated financial information, management is responsible for the implementation of supporting accounting systems. Management therefore maintains and monitors a system of internal controls. These controls are designed to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized, and that the financial records are accurate and complete. Management also administers a program of ethical business conduct, whose controls include, among other things, quality standards in hiring and training employees, written policies and procedures, compliance with authorization limits for managers, appropriate management information systems, and a corporate code of conduct and ethical behaviour.

Ernst & Young LLP has been appointed as the independent auditor by the Group's Board of Directors to perform an annual audit of the Group's consolidated financial statements. Their report follows.

The Group's Board of Directors is responsible for reviewing and approving the consolidated financial statements and oversight of management's preparation and presentation of the consolidated financial statements, management's maintenance of internal controls, and management's assessment of significant transactions and related party transactions.



Ben Rodney
Chair of Board of Directors, RFA Capital Holdings Inc.

Toronto, Canada
October 28th, 2025

Independent auditor's report

To the Shareholders of
RFA Capital Holdings Inc. and its subsidiaries

Opinion

We have audited the consolidated financial statements of **RFA Capital Holdings Inc.** and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of income and comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
October 28, 2025



RFA CAPITAL HOLDINGS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024 AND 2023
(Expressed in thousands of Canadian dollars, except where specified)

	Notes	December 31, 2024	December 31, 2023
		\$	\$
Assets			
Cash and cash equivalents	3	147,641	79,210
Restricted cash	3	1,222	1,491
Marketable securities	3	59,224	57,830
Current income taxes receivable	13	2,607	-
Loans			
Mortgages and loans			
Single-family residential	4	1,908,613	1,522,284
Construction	4	128,634	283,107
Commercial	4	99,165	132,275
		2,136,412	1,937,666
Allowance for credit losses	4	(14,874)	(4,813)
		2,121,538	1,932,853
Investments	5	75,459	63,277
Investment property	6	10,284	11,200
CMB retained interest	7	100,656	71,480
Other assets	8	27,652	18,961
Deferred income tax asset	13	-	1,732
Goodwill and intangible assets	9	26,294	11,887
Total assets		2,572,577	2,249,921
Liabilities and Equity			
Liabilities			
Deposits	10	2,143,045	1,891,082
Accounts payable and accrued liabilities	11	95,015	72,902
Due to related parties	19	34,965	12,726
Current income taxes payable	13	174	480
Deferred income tax liabilities	13	1,645	4,424
Total liabilities		2,274,844	1,981,614
Equity			
Share capital	17	212,200	212,200
Accumulated other comprehensive income (loss)		537	(1,547)
Retained earnings		74,368	57,654
Total shareholders' equity		287,105	268,307
Non-controlling interest		10,628	-
Total equity		297,733	268,307
Total liabilities and equity		2,572,577	2,249,921

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:



Ben Rodney
Chair of Board of Directors, RFA Capital Holdings Inc.



Peter Churchill-Smith
Director, RFA Capital Holdings Inc.

RFA CAPITAL HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

(Expressed in thousands of Canadian dollars, except where specified)

	Notes	December 31, 2024	December 31, 2023
		\$	\$
Interest income			
Single-family residential		117,898	79,198
Construction		23,204	31,421
Commercial		10,341	11,107
Other		8,717	7,217
		160,160	128,943
Interest expense			
Deposits and other		99,177	74,563
Net interest income		60,983	54,380
Non-interest income			
Gain on sale of mortgages		37,988	32,536
Gain on sale of renewals	19	12,500	10,000
Securitization income	7	7,630	2,087
Income from investments		1,600	2,449
Fees and other income		2,758	1,881
Other losses		(916)	-
		61,560	48,953
Provision for credit losses		10,248	1,652
Mortgage expenses		37,680	33,079
		74,615	68,602
Operating expenses			
Salaries and benefits		33,863	27,924
General and administrative	16	17,260	12,837
		51,123	40,761
Income before income taxes		23,492	27,841
Provision for (recovery of) income taxes			
Current	13	7,772	15,606
Deferred	13	(1,047)	(7,275)
		6,725	8,331
Net income		16,767	19,510
Net income attributable to non-controlling interest		53	-
Net income attributable to RFA Capital Holdings Inc.		16,714	19,510
Earnings per share (\$)	20		
Basic and diluted EPS		0.08	0.09

The accompanying notes are an integral part of these consolidated financial statements.

RFA CAPITAL HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

(Expressed in thousands of Canadian dollars, except where specified)

	December 31, 2024	December 31, 2023
	\$	\$
Net income attributable to RFA Capital Holdings Inc.	16,714	19,510
Other comprehensive income		
Items that will not be subsequently reclassified to net income:		
Equity securities designated at FVOCI		
Net unrealized gains due to changes in fair value	1,835	648
Income tax expense	(479)	(169)
	1,356	479
Items that will be subsequently reclassified to net income:		
Debt instruments at FVOCI		
Net unrealized gains due to changes in fair value	972	932
Reclassification of net realized gains to net income	(100)	(187)
Income tax expense	(228)	(194)
	644	551
Foreign currency adjustments	84	-
Net other comprehensive income	2,084	1,030
Comprehensive income	18,798	20,540

The accompanying notes are an integral part of these consolidated financial statements.

RFA CAPITAL HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of Canadian dollars, except where specified)

	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$
Balance – December 31, 2023	212,200	57,654	(1,547)	-	268,307
Net income	-	16,714	-	-	16,714
Acquisition of Five Continents	-	-	-	10,628	10,628
Other comprehensive income ⁽¹⁾	-	-	2,084	-	2,084
Balance – December 31, 2024	212,200	74,368	537	10,628	297,733
Balance – December 31, 2022	212,200	38,144	(2,577)	-	247,767
Net income	-	19,510	-	-	19,510
Other comprehensive income ⁽¹⁾	-	-	1,030	-	1,030
Balance – December 31, 2023	212,200	57,654	(1,547)	-	268,307

⁽¹⁾ Net of tax

The accompanying notes are an integral part of these consolidated financial statements.

RFA CAPITAL HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of Canadian dollars, except where specified)

	December 31, 2024	December 31, 2023
	\$	\$
Operating activities		
Net income attributable to RFA Capital Holdings Inc.	16,714	19,510
<i>Non-cash items</i>		
Income taxes - deferred	(1,047)	(7,275)
Amortization and depreciation	831	571
Provision for credit losses	10,248	1,652
Fair value adjustments	1,153	(1,347)
<i>Changes in assets and liabilities</i>		
Mortgages	(198,746)	(152,387)
Restricted cash	269	(210)
CMB retained interest	(29,176)	6,541
Accounts payable and accrued liabilities	23,106	17,925
Deposits	251,963	145,854
Other assets	(10,733)	(4,642)
Current income taxes	(2,913)	(15,863)
Cash provided by operating activities	61,669	10,329
Investing activities		
Purchase of investments	(11,131)	(11,444)
Proceeds from sale of investments	22,500	-
Purchase of capital assets	(100)	(282)
Acquisition of Five Continents	(3,514)	-
Cash provided by (used in) investing activities	7,755	(11,726)
Financing activities		
Payment of lease liabilities	(763)	(1,018)
Mortgage notes payable	(230)	(203)
Cash used in financing activities	(993)	(1,221)
Net increase (decrease) in cash and cash equivalents	68,431	(2,618)
Cash and cash equivalents, beginning of year	79,210	81,828
Cash and cash equivalents, end of year	147,641	79,210
Supplementary information		
Interest received	157,941	127,086
Interest paid	81,561	52,553
Income taxes paid	11,387	31,074

The accompanying notes are an integral part of these consolidated financial statements.

RFA CAPITAL HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of Canadian dollars, except where specified)

1. CORPORATE INFORMATION

RFA Capital Holdings Inc. (the “Initial Corporation” or “Company”) was formed under the laws of Ontario on June 10, 2019 for purposes of investing in RFA Bank of Canada (the “Bank”), formerly referred to as Street Capital Group Inc. (“SCGI”) and RFA Mortgage Corporation (“RFA MC”). The Group’s business activities are concentrated in single-family residential mortgages, commercial and construction lending. The address of its registered office is 145 King Street West, Suite 300, Toronto, Ontario, Canada, M5H 1J8.

On October 18, 2019, the Initial Corporation purchased all of the shares of RFA MC from its original shareholders in exchange for shares in the Initial Corporation. As a result, RFA MC became a wholly owned subsidiary of the Initial Corporation. On that same date, the Initial Corporation also purchased all the shares of SCGI and its subsidiaries.

On September 1, 2020, through an organizational restructure, the Initial Corporation amalgamated with SCGI and its subsidiary, Street Capital Acquisition Inc., to form RFA Capital Holdings Inc., as it stands as of the date of this report (“RFA”, or the “Group”).

On November 30, 2024, the Initial Corporation purchased 25% of the common shares of Five Continents Holdings Limited (“Five Continents”). The Group has control over Five Continents, through its 100% ownership of RFA Cayman Holdings Inc. (“RFA Cayman”) and 50% ownership of RFA Capital Holdings International Ltd.

These consolidated financial statements include the accounts of the Group and its wholly owned subsidiary companies and partnerships: the Bank, RFA MC, RFA Diversified Investments LP, RFA Diversified Investments GP Inc., TM Investments Management Corp, TM Investments GP Inc, Knightsbridge Capital Management LP, Counsel GP Ltd., 2775378 Ontario Inc., RFA Cayman, RFA Capital Holdings International Ltd. and Five Continents.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements of RFA have been prepared on a going concern basis. These consolidated financial statements for the years ended December 31, 2024 and 2023 were approved and their issue authorized by the Board of Directors on April 30, 2025.

Basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of the Group and its subsidiaries as at December 31, 2024 and 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars. For each entity in the Group, items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot exchange rate on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate on the reporting date. All foreign exchange differences are taken to other operating income or expense in the income statement. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

Foreign operations

In the Group's consolidated financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than Canadian dollars are translated into Canadian dollars upon consolidation. Assets and liabilities have been translated into Canadian dollars at the closing rate at the reporting date. Income and expenses have been translated into Canadian dollars at the average rate over the reporting period. Exchange differences are booked through other comprehensive income (loss).

Use of judgments and estimates

The preparation of consolidated financial statements in accordance with IFRS requires the use of estimates, assumptions and judgments that affect the reported amounts of revenue, expenses and other comprehensive income (loss). Actual results may differ from these estimates.

Management has made judgments in the application of its accounting policies with respect to derecognition of financial assets under current securitization programs, as well as in its determination of fair value of financial instruments. Management reviews its estimates, assumptions and judgments on an ongoing basis, and at least quarterly.

Derecognition

Management applies its judgment with respect to derecognition of mortgages under securitization transactions in determining whether the risk and rewards of ownership of the assets have been substantially transferred, substantially retained or neither substantially transferred nor retained. In cases where the Group securitizes and sells multi-unit residential securities ("MURS") through the Canada Mortgage Bond ("CMB") program, the associated mortgages are recognized on the Group's consolidated statements of financial position only to the extent of the Group's continuing involvement in the mortgages. This is limited to a retained interest associated with the future cash flows, and the obligations and rights associated with servicing the mortgages. The valuation of the retained interest requires judgment with respect to the assumptions such as discount factors applied to measure the fair value of cash flows. Management's judgment is that the risks and rewards of the loans are fully transferred to third parties, because a) the loans are either closed to prepayment or the Group has passed on the prepayment risk to a third party, and there is no prepayment risk associated with either the retained interest or loan servicing; and b) the Group enters into arrangements with third parties to manage interest rate risk associated with the CMB seller swap. The loans are therefore effectively derecognized when securitized and sold. At times, the Group may securitize MURS that are in excess of the Group's allotment under the CMB program. These surplus mortgages are then sold to a third party. In the case of whole loan sales of prime mortgages, management determined that it transferred substantially all of the risks and rewards of ownership of the mortgage loans to the purchaser, and it therefore derecognized the mortgage loans.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

Use of judgments and estimates continued

Fair value of financial instruments

A key area where management makes estimates is in the determination of the fair values of financial instruments, including the determination of discount rates, mortgage prepayment rates, residual cash flow entitlements and impairment of intangible assets. See Note 15, *Fair Value of Financial Instruments and Risk Management* for more details on the Group's financial instruments.

Impairment of financial assets

Under IFRS 9 – *Financial Instruments* (“IFRS 9”), the expected credit loss (“ECL”) model requires management to make judgments and estimates in a number of areas. Management must exercise significant judgment in determining:

- Changes in the credit quality of an individual borrower and/or mortgage loan;
- Changes in the forward-looking macroeconomic variables used in the Group's ECL models, and particularly in the variables that the Group deems to be most correlated with changes in credit quality;
- Changes in the design of the models that the Group uses to determine ECLs; and
- Migrations of mortgage loans between stages.

These variables are discussed in more detail below, under *Impairment of financial instruments – expected credit loss model*.

Material accounting policy information

Classification and measurement of financial instruments

The Group accounts for its financial instruments according to the requirements of IFRS 9, and the Group's disclosures relating to such areas as classification and measurement, impairment and hedge accounting are as required by IFRS 7 – *Financial Instruments: Disclosures* (“IFRS 7”).

Under IFRS 9, all financial assets are initially recognized at fair value. Subsequent to acquisition, financial assets, except equity instruments and derivatives are classified and measured based on the combined assessment of: i) an entity's business model for managing financial assets; and ii) the contractual cash flow characteristics of those assets.

The IFRS 9 classifications of financial assets are:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income (“FVOCI”), with gains or losses recycled to profit or loss on derecognition;
- Financial assets at fair value through profit and loss (“FVTPL”) including standalone derivatives that are held outside of a hedging relationship; and
- Equity instruments at FVOCI if an irrevocable election is made at initial recognition, with no recycling of gains or losses to profit or loss on derecognition.

Debt instruments are classified and measured at amortized cost when: i) they are held within a business model with an objective of collecting contractual cash flows (“held to collect”); and ii) the contractual cash flows consist solely of payments of principal and interest (“SPPI”). Sales may occur so long as they are incidental to the Group's business model and are not frequent and significant.

Debt instruments are classified as FVOCI when they are: i) held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and ii) the contractual cash flows collected are SPPI. All other debt instruments are classified at FVTPL.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

Material accounting policy information continued

Classification and measurement of financial instruments continued

The accounting policies for the Group's individual financial instruments are discussed in more detail below.

- *Cash and cash equivalents:* Include cash deposited with regulated financial institutions and other short-term highly liquid investments with original maturities of three months or less, such as treasury bills or bankers' acceptances. Interest income earned on cash and cash equivalents is included in Interest income – Other in the consolidated statements of income and comprehensive income.
- *Restricted cash:* Includes cash that is contractually restricted, related to principal and interest payments collected on behalf of mortgage servicers or collected in connection with securitization activities.
- *Marketable securities:* Consist of third-party issued CMBs, provincial bonds, federal government bonds, and equity securities. The CMBs, provincial bond and federal government bond purchases and maturities are accounted for on a trade date basis, and are either held to collect or held to sell, and are therefore classified as FVOCI. At each reporting date, the fair value is determined by reference to published market values at that date. The changes in fair value are reported as a component of Other comprehensive income (loss), net of tax. The coupon interest earned is reported as a component of Interest income – Other in the consolidated statements of income and comprehensive income. Any realized gain or loss on derecognition is reported as a component of Fees and other income in the consolidated statements of income and comprehensive income.

The equity securities are accounted for on a trade date basis, and an irrevocable election has been made to account for these as FVOCI. At each reporting date, the fair value is determined by reference to published market values at that date. The changes in fair value are reported as a component of Other comprehensive income (loss), net of tax.

- *Single-family residential - Originated and purchased uninsured mortgages:* These mortgages are carried at amortized cost, net of acquisition costs, premium, discounts and deferred income, using the effective interest rate method. The associated interest revenue is reported as a component of Interest income – Single-family residential on the consolidated statements of income and comprehensive income.
- *Single-family residential - Stamped mortgages:* These consist of prime insured mortgages either previously originated or purchased that have been stamped but not sold. These are carried at amortized cost using the effective interest rate method. The associated interest revenue is reported as a component of Interest income – Single-family residential on the consolidated statements of income and comprehensive income.
- *Single-family residential - Purchased insured open mortgages:* These mortgages are prime single-family residential mortgages that are open to prepayment that are purchased from a third party. They are carried at amortized cost using the effective interest rate method. The associated interest revenue is reported as a component of Interest income – Single-family residential on the consolidated statements of income and comprehensive income.
- *Single-family residential - Prime insured mortgages:* These mortgages are prime single-family residential closed mortgages that are purchased from a third party. These mortgages are carried at amortized cost using the effective interest rate method. The associated interest revenue is reported as a component of Interest income – Single-family residential on the consolidated statements of income and comprehensive income.
- *Single-family residential - Prime insured mortgages - held for sale:* These consist of renewals from prior originations of prime insured mortgages that are being held for sale or securitization for a short period of time. These mortgages are classified as FVTPL. Fair value is determined by the amount that is expected to be received from the investor of these mortgages using posted market values, where available, or by discounting the expected future cash flows, adjusting for prepayment and credit loss assumptions, if applicable, at current rates for offered loans with similar terms. The fair value changes are reported in the consolidated statements of income and comprehensive income as part of Fees and other income.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

Material accounting policy information continued

Classification and measurement of financial instruments continued

- *Single-family residential – Bridge loans:* These consist of bridge loans originated. The bridge loans are recorded at amortized cost as they are held to collect, and cash flows consist solely of principal and interest.
- *Commercial loans:* The Group invests in uninsured commercial loans. They are carried at amortized cost using the effective interest rate method. The associated interest revenue is reported as a component of Interest income – Commercial on the consolidated statements of income and comprehensive income.
- *Construction loans:* The Group invests in uninsured land and construction loans. They are carried at amortized cost using the effective interest rate method. The associated interest revenue is reported as a component of Interest income – Construction on the consolidated statements of income and comprehensive income.
- *Investment - Deferred servicing strip:* The Group purchased this asset from a third party. It represents the present value of the spread between the servicing fees received from investors and those paid to the servicer on a portfolio of loans over the life of the portfolio. The deferred servicing strip is carried at FVTPL with any fair value changes recognized in Fees and other income on the consolidated statements of income and comprehensive income.
- *Investments - Renewal Securitization Notes:* These consist of notes acquired from various series of Renewal Strip Limited Recourse Financing Notes. The notes are held to collect but are classified as FVTPL due to the characteristics of the cash flows.
- *Investments - Investment bonds:* These are accounted for on a trade date basis and are held for sale, and are therefore classified as FVTPL. Any changes in fair value are recognized in Fees and other income on the consolidated statements of income and comprehensive income.
- *CMB retained interest:* As described above under *Derecognition*, the CMB retained interest receivable is associated with the Group's participation in the CMB program, through which it securitizes and sells 5-year and 10-year insured mortgage loans on multi-unit residential properties. The amounts are carried at amortized cost using the effective interest rate method. The associated gain on sales and accretion income is reported as Securitization income on the consolidated statements of income and comprehensive income
- *Deposits:* The Group's deposits, which are sourced through the Canadian Investment Regulatory Organization ("CIRO") and Mutual Fund Dealers Association of Canada dealers who distribute Bank issued 1 to 5-year guaranteed investment certificates ("GICs"), are carried at amortized cost, net of deferred broker agent commissions. The commissions are amortized and calculated on an effective yield basis as a component of interest expense and reported in Interest expense – Deposits and other on the consolidated statements of income and comprehensive income. Interest expense is allocated over the contractual deposit term by applying the effective interest rate to the deposit principal amount and is also included in Interest expense – Deposits and other.
- *Accounts payable and accrued liabilities:* Include amounts owing to suppliers, interest payable on customer deposits, and accrued wages payable. The amounts are carried at amortized cost.
- *Accounts payable to related parties:* These comprise amounts owing for purchase of investment bonds and purchases on behalf of the related parties. The amounts are carried at amortized cost.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

Impairment of financial instruments – expected credit loss model

Under IFRS 9, the accounting for mortgage and other loan loss impairments is based on a forward-looking ECL model. The ECL model requires an entity to record an allowance for ECLs for all loans and other debt instruments that are classified and measured at either amortized cost or FVOCI. The calculated allowance is designed to be an unbiased and probability-weighted amount that has been determined by evaluation of possible outcomes, the time value of money, reasonable and supportable information about past events, and current and forecasted economic conditions.

The Group's credit provisions are primarily associated with its uninsured residential mortgage loans (consisting of both originated and purchased mortgages) and its commercial and construction loans. As noted above under *Use of judgments and estimates*, the determination of an ECL involves significant management judgment and estimation, including the explicit incorporation of forward-looking information. At each measurement date, the calculation of the ECL allowance depends on the following key inputs that are used to determine the present value of the expected cash shortfalls (defined as the difference between contractual cash flows and expected cash flows, discounted at the effective interest rate over the life of the instrument):

- The probability of default ("PD") – an estimate of the likelihood of default over a specified time horizon;
- The loss given default ("LGD") – an estimate of the loss occurring at the time of default; and
- The exposure at default ("EAD") – an estimate of the exposure at the default date.

The determination of the PD, LGD and EAD parameters can be quite complex, particularly the determination of PD. They must incorporate both factors unique to the entity and macroeconomic variables that can be associated with increases or decreases in credit risk. However, the calculation of the allowance can be summarized as:

$$\text{ECL} = (\text{PD} \times \text{LGD} \times \text{EAD}) \text{ as discounted to the measurement date}$$

The Group's definition of default used to determine ECL corresponds to the definition used for credit risk management purposes. The Group defines default as delinquency of 90 days or more for all residential mortgages.

The general principle of the ECL model is to reflect the pattern of deterioration or improvement in the credit quality of the associated financial instruments. The calculated ECL amount at a given measurement date depends on the change in credit risk since initial recognition, as recorded by the movement of financial instruments among three "stages":

- Stage 1 – includes financial instruments that have not experienced a significant increase in credit risk ("SICR") since initial recognition. An allowance equal to ECLs resulting from default events over the next 12 months ("12-month ECL") is recognized, and interest revenue is calculated on the assets' gross carrying amounts.
- Stage 2 – includes financial instruments that have experienced a SICR since initial recognition, but for which there is no objective evidence of impairment at the reporting date. An allowance equal to ECLs resulting from default events over the assets' lifetime ("lifetime ECL") is recognized, and interest revenue is calculated on the assets' gross carrying amounts. In general, an asset's lifetime is considered to be its remaining contractual maturity.
- Stage 3 – includes financial instruments that are credit impaired or in default. The lifetime allowance is recognized, and interest revenue is calculated on the assets' net carrying amounts, which are determined as the assets' gross carrying amounts net of allowance.

The changes in the ECL allowance at each measurement date are recognized as Provision for credit losses in the Group's consolidated statements of income and comprehensive income.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

Material accounting policy information continued

Impairment of financial instruments – expected credit loss model continued

The identification and assessment of SICR is performed at least quarterly and involves significant management judgment when considering the following factors:

- Migration to a riskier credit score bin relative to initial recognition or renewal;
- Increased credit risk for borrowers vulnerable to payment shock at renewal, and those that have been granted amortization extensions; and
- Identification of all instruments that are 30 days past due, which are migrated to Stage 2 regardless of management's assessment of other credit risk factors.

For financial instruments that migrate to Stage 2, a subsequent improvement in credit risk may result in a reverse migration back to Stage 1 and the reversion to a 12-month ECL rather than a lifetime ECL.

In addition to the assessment of SICR, financial assets are also assessed for impairment at least quarterly. Indicators of possible credit impairment include adverse changes in the payment status of a borrower (e.g., arrears greater than 90 days), deteriorating credit scores, changes in national or local economic conditions such as an increase in the unemployment rate or a decrease in property prices, or a decrease in gross domestic product. Under IFRS 9, the Group's financial instruments are considered impaired when repayment of principal or payment of interest is contractually 90 days in arrears or as otherwise identified by management based on objective evidence of impairment. Impaired loans are moved to Stage 3.

Financial instruments cease to be impaired when all past due amounts, including interest, have been recovered, and the principal and interest are deemed fully collectible in accordance with original or revised contractual terms. This will result in a reverse migration back to Stage 2. Should credit risk improve to the point SICR no longer exists, the exposure will migrate back to Stage 1.

Loans are written off against the respective allowance when there is no realistic prospect of recovery. Any subsequent recoveries are recorded as a credit to Provision for credit losses. All of the Group's mortgages are secured by the underlying property, and its insured mortgages are further secured, thereby helping to mitigate the Group's risk of loss.

Capital assets

The Group's capital assets consist of office furniture, fixtures and equipment, computer hardware and software, and leasehold improvements. Capital assets are recorded at cost, which includes expenditures that are directly attributable to the asset acquisitions, and are amortized using the straight-line method over their estimated useful lives on the following basis:

- *Office furniture, fixtures and equipment* – 5 years;
- *Computer hardware* – 5 years;
- *Computer software* – 3 years; and
- *Leasehold improvements* – 5 years or remaining lease term.

At each reporting date, the Group assesses whether there are any indications that a capital asset may be impaired. If indicators of impairment exist, the Group performs an impairment test to determine whether an impairment loss should be recognized.

Artwork is recorded at appraised value, which represents deemed cost.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

Material accounting policy information continued

Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognized as a component of Other gains (losses) on the consolidated statements of income and comprehensive income.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized as a component of Other gains (losses) on the consolidated statements of income and comprehensive income. When investment property that was previously classified as capital assets is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Rental income from investment property is recognized as a component of Fees and other income on the consolidated statements of income and comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

Intangible assets

The Group's intangible assets include a servicing strip receivable, software development costs, and customer lists.

The servicing strip receivable represents the present value of the spread between the servicing fees received from investors and those paid to the servicer, on a portfolio of loans over the life of the portfolio. The deferred servicing strip is accounted for using the fair value method with any fair value changes recognized in Interest and other income on the consolidated statements of income and comprehensive income.

Software development costs include purchased and internally developed software. Internally developed software is recognized when the asset costs can be reliably measured and it is probable that associated future economic benefits will accrue to the Group. These internally generated intangible assets consist of systems and software, and include all directly attributable costs necessary to create an asset that is capable of operating as intended by management. A customer list was recognized upon the acquisition of Five Continents. Research and development costs are expensed as incurred. The intangible assets amortized on a straight-line basis over their estimated lives on the following basis are as follows:

- *Internally developed software* – 5 years; and
- *Customer lists* – 20 years.

At each reporting date, the Group qualitatively assesses its intangible assets for indicators of impairment. If such indicators exist, an impairment test is conducted to determine whether the carrying amount of an intangible asset exceeds its recoverable amount. If so, an impairment loss is recognized in the consolidated statements of income and comprehensive income for the difference between the carrying amount and recoverable amount.

Goodwill

Goodwill is measured as the excess of the price paid over the fair value of the net identifiable tangible and intangible assets acquired. Goodwill is recorded at cost less accumulated impairment losses, if any. Goodwill is not amortized. The carrying value of goodwill is tested for impairment annually and more frequently if an event or circumstance indicates the asset may be impaired. The recoverable amount is the higher of an asset's fair value less costs of disposal or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units or "CGUs"). If the recoverable amount of the CGU is less than the assets' carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to reduce the carrying amount of the other assets of the CGU on a pro rata basis. An impairment loss for goodwill is recognized directly in the consolidated statements of income and comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

Material accounting policy information continued

Hedging

The Group has purchased derivative instruments in the form of interest rate swaps for both asset and liability management, and has designated them as fair value hedges. The derivatives allow the Group to manage financial risks, such as movements in interest rates.

In order for a derivative to qualify as an accounting hedge, the hedging relationship must be designated and formally documented at its inception, detailing the particular risk management objective and strategy for the hedge and the specific asset, liability or cash flow being hedged, the hedging instrument, as well as how its effectiveness is being assessed. Changes in the fair value of the derivative must be highly effective in offsetting changes in the fair value of the hedged asset or liability.

Hedge effectiveness is evaluated at the inception of the hedging relationship and on an ongoing basis, retrospectively and prospectively, primarily using quantitative statistical measures of correlation. Hedge ineffectiveness, if any, is a result of differences in maturities and prepayment frequency between hedging instruments and hedged items.

The fair values of these interest rate swap agreements are included in Accounts payable and accrued liabilities with changes in fair value recorded as a component of Fees and other income on the consolidated statements of income and comprehensive income. The change in fair values of the hedge ineffectiveness is recorded as a component of Fees and other income on the consolidated statements of income and comprehensive income.

Leases

These are associated with the Group's leases of premises and office equipment. The Group assesses at contract inception whether a lease exists, that is, if the Group has the right to control the use of the asset. The Group applies a single recognition and measurement approach for all leases, except short-term and low-value leases.

The Group recognizes a right-of-use asset at the lease commencement date. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for remeasurement of lease liabilities. The cost includes the lease liability, direct costs, and lease payments made on or before the commencement date less incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The Group also recognizes a lease liability measured at the present value of lease payments over the lease term. The lease payments include fixed payments less incentives receivable, and variable payments that depend on an index or rate.

To determine the carrying amount of right-of-use assets and lease liabilities, the Group is required to estimate the incremental borrowing rate if the rate implicit in the lease is not readily determinable. The incremental borrowing rate is determined by considering the Group's creditworthiness, lease term, security for the arrangement and value of the right-of-use asset in a similar economic environment. The Group's discount rate for each portfolio of leases is 8.0% for premises and office equipment.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

Material accounting policy information continued

Income taxes

Income taxes consist of both current and deferred taxes. The Group uses the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on the difference between the carrying values of assets and liabilities, and their values for tax purposes. Any change in the net amount of deferred income tax assets and liabilities is included in income. Deferred income tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws that are expected to apply to the Group's taxable income in the periods during which the assets and liabilities will be recovered or settled. Deferred income tax assets are recognized when it is probable that they will be recovered.

Current taxes are the expected taxes payable on the taxable income for the reporting period, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustments to taxes payable in respect of previous years. Income taxes are recognized in the consolidated statements of income and comprehensive income except to the extent that they relate to items recognized directly in equity, in which case the income taxes are also recognized directly in equity.

Revenue recognition

Net interest income or expense

The Group uses the effective interest rate method to record the following:

- All financial assets measured at amortized cost;
- Interest-bearing financial assets measured at FVTPL under IFRS 9;
- Interest income on interest-bearing financial assets measured at FVOCI under IFRS 9; and
- Interest expense for all financial liabilities held at amortized cost.

Gain on sale of single-family renewals

Renewal gains are earned by RFA for the sale of future renewals on the Group's originated mortgages. The renewals are sold with no recourse to the Group and all performance obligations have been satisfied.

Gain on sale of single-family mortgages

Mortgage gains are earned by RFA for its origination and underwriting activities upon the issuance and acceptance of a commitment by the borrower and are recognized when the mortgage ultimately funds. The mortgages are sold on a fully-serviced basis, and Gain on sale of mortgages comprises proceeds from investors less lender buydown.

Also included in Gain on sale of mortgages is deferred servicing revenue due from the investor. RFA charges the investor a deferred servicing fee that is received over the life of the underlying mortgage. The present value of the deferred servicing fee, less RFA's cost of servicing, is recognized as Gain on sale of mortgages in the consolidated statements of income and comprehensive income, and a resulting deferred servicing receivable is recognized in the consolidated statements of financial position.

Securitization income

This includes the gains on the sale of MURS and accretion income. All of these are recognized as Securitization income on the consolidated statements of income and comprehensive income.

Income from investments

This includes dividend income, distribution income and unrealized and realized gains or losses on investments that the Group has made.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

Material accounting policy information continued

Revenue recognition continued

Fees and other income

These consist of various one-time and ongoing fees as part of the Group's mortgage lending operations. Other fees also include rental income earned by office building rentals. The income is recognized monthly per the terms outlined in the lease agreements.

Other gains (losses)

Other gains (losses) include fair value adjustments for various investments that the Group holds and are accounted for using FVTPL.

Future accounting changes

New standards, amendments and interpretations adopted

Interest Rate Benchmark Reform

In December 2021, the Canadian Alternative Reference Rate working group ("CARR") recommended that the Canadian Dollar Offered Rate ("CDOR") should cease calculation and publication after June 2024, with the Canadian Overnight Repo Rate Average ("CORRA") suggested as the replacement benchmark rate. On May 16, 2022, the CDOR administrator announced the cessation of CDOR consistent with the recommendations outlined by CARR. Additionally, on January 11, 2023, CARR announced the development of a forward-looking term CORRA rate ("Term CORRA").

All of the Group's existing agreements that reference CDOR or the Canadian Bankers' Acceptance Rate have transitioned to CORRA as administered by the Bank of Canada or the Term CORRA administered and published by CanDeal Benchmark Solutions and TMX Datalinx on or before June 28, 2024. The transition from CDOR to CORRA had no impact to the Group's consolidated financial statements.

New standards, amendments and interpretations not yet adopted

The new and amended standards that are issued, but not yet effective, up to the issuance date of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 – *Presentation of Financial Statements* ("IFRS 18"), which replaces IAS 1. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

In addition, narrow-scope amendments have been made to IAS 7 – *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method from "profit or loss" to "operating profit or loss" and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18 and the amendments to the other standards are effective for reporting periods beginning on or after January 1, 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Group is currently working to identify all impacts the amendments will have on the Group's consolidated financial statements.

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3. CASH AND CASH EQUIVALENTS, RESTRICTED CASH, AND MARKETABLE SECURITIES

The Group has the following cash and cash equivalents, restricted cash, and marketable securities as at December 31, 2024 and 2023.

	December 31, 2024	December 31, 2023
	\$	\$
Cash on deposit with regulated financial institutions	147,641	79,210
Cash and cash equivalents	147,641	79,210
Restricted cash – servicing	348	40
Restricted cash – securitization	874	1,451
Total restricted cash	1,222	1,491
Provincial bonds	30,006	29,257
Federal Government bonds	9,949	14,809
CMBs	4,993	2,466
Equity securities	14,276	11,298
Marketable securities	59,224	57,830

Restricted cash – servicing consists of mortgage loan repayments collected on behalf of mortgage servicers that are not yet remitted. *Restricted cash – securitization* consists of accrued principal and interest from mortgage loan repayments collected in connection with securitization activities.

Provincial bonds consist of publicly traded provincial issued bonds from both Ontario and Newfoundland with a par value of \$30,182, of which \$10,000 matures in September 2025, \$14,982 matures in June 2026 and \$5,200 matures in June 2027. They are considered part of the Group's liquid assets. As at December 31, 2024, there is an unrealized loss of \$24 (December 31, 2023 - \$579) recognized in accumulated other comprehensive income (loss) ("AOCI") net of tax.

Federal Government bonds consist of publicly traded Government of Canada issued bonds with a par value of \$9,936, of which \$4,950 matures in February 2025 and \$4,986 matures in May 2025. They are considered part of the Group's liquid assets. As at December 31, 2024, there is an unrealized gain of \$134 (December 31, 2023 - \$83) recognized in AOCI net of tax.

CMBs consist of publicly traded debt CMBs, with a par value of \$5,000, which matures in March 2025. They are considered part of the Group's liquid assets. As at December 31, 2024, there is an unrealized loss of \$509 (December 31, 2023 - \$549) recognized in AOCI net of tax.

Equity securities consist of publicly traded shares that the Bank has invested in. As at December 31, 2024, there is an unrealized gain of \$853 (December 31, 2023 - loss of \$479) recognized in AOCI net of tax.

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4. MORTGAGES AND LOANS

(a) Loans

	December 31, 2024	December 31, 2023
	\$	\$
Single-family residential	1,908,613	1,522,284
Construction	128,634	283,107
Commercial	99,165	132,275
Total	2,136,412	1,937,666

A continuity schedule of the Group's mortgages and loans, including its loans held for sale, and gross of allowance for credit losses is shown below:

	December 31, 2023	Originations	Purchases/ Fundings	Sales/ Derecognition	Net Repayment and Other ⁽¹⁾	December 31, 2024
	\$	\$	\$	\$	\$	\$
Total Single-Family Uninsured Loans	1,468,037	871,064	901	-	(473,800)	1,866,202
Total Single-Family Insured Loans	54,247	-	39,346	(24,717)	(26,465)	42,411
Construction Loans	283,107	-	48,426	-	(202,899)	128,634
Commercial Loans	132,275	-	795	-	(33,905)	99,165
Total	1,937,666	871,064	89,468	(24,717)	(737,069)	2,136,412

	December 31, 2022	Originations	Purchases/ Fundings	Sales/ Derecognition	Net Repayment and Other ⁽¹⁾	December 31, 2023
	\$	\$	\$	\$	\$	\$
Total Single-Family Uninsured Loans	1,345,885	577,076	-	-	(454,924)	1,468,037
Total Single-Family Insured Loans	72,482	-	48,395	(20,542)	(46,088)	54,247
Construction Loans	279,246	-	161,874	-	(158,013)	283,107
Commercial Loans	87,727	-	58,479	-	(13,931)	132,275
Total	1,785,340	577,076	268,748	(20,542)	(672,956)	1,937,666

(1) Net repayment and other consists of all regular and partial loan payments, full payouts, as well as movements in the balances of unamortized origination costs, administrative fees, premiums/discount balances and fair value adjustments on loans held for sale.

(b) Geographic distribution

The geographic distribution of the Group's mortgages and loans, including its loans held for sale, and gross of allowances for credit losses is shown below:

	December 31, 2024				
	Alberta	British Columbia	Ontario	All Other Provinces	Total
	\$	\$	\$	\$	\$
Held to Collect					
Single-family insured	9,878	9,797	18,023	4,713	42,411
Single-family uninsured	235,665	258,422	1,309,941	62,174	1,866,202
Construction	15,914	53,893	46,785	12,042	128,634
Commercial	8,790	-	82,484	7,891	99,165
Total Gross Loans	270,247	322,112	1,457,233	86,820	2,136,412
As a % of portfolio	12.6%	15.1%	68.2%	4.1%	100.0%

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4. MORTGAGES AND LOANS CONTINUED

	December 31, 2023				
	Alberta	British Columbia	Ontario	All Other Provinces	Total
	\$	\$	\$	\$	\$
Held to Collect					
Single-family insured	13,746	11,449	23,691	5,361	54,247
Single-family uninsured	164,197	190,851	1,053,966	59,023	1,468,037
Construction	54,488	122,840	86,358	19,421	283,107
Commercial	8,777	-	115,565	7,933	132,275
Total Gross Loans	241,208	325,140	1,279,580	91,738	1,937,666
As a % of portfolio	12.5%	16.8%	66.0%	4.7%	100.0%

(c) Loans by stage

The tables below show the allocation by stage of the balances of the Group's mortgages and loans, including loans held for sale and gross of allowances for credit losses on December 31, 2024 and 2023.

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Originated uninsured mortgages	1,353,032	273,326	25,717	1,652,075
Purchased uninsured mortgages	148,768	58,652	4,309	211,729
Stamped insured mortgages	34,391	-	200	34,591
Other mortgages	10,218	-	-	10,218
Total Single-family mortgages	1,546,409	331,978	30,226	1,908,613
Construction loans	32,951	39,124	56,559	128,634
Commercial loans	85,365	13,800	-	99,165
Total	1,664,725	384,902	86,785	2,136,412

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Originated uninsured mortgages	910,467	193,341	8,600	1,112,408
Purchased uninsured mortgages	269,781	82,010	1,303	353,094
Stamped insured mortgages	38,353	-	210	38,563
Other mortgages	18,219	-	-	18,219
Total Single-family mortgages	1,236,820	275,351	10,113	1,522,284
Construction loans	236,126	-	46,981	283,107
Commercial loans	132,275	-	-	132,275
Total	1,605,221	275,351	57,094	1,937,666

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4. MORTGAGES AND LOANS CONTINUED

(d) Allowance for credit losses

The following tables provide a reconciliation of the opening balance to the closing balance of the total ECL allowance for the Group's insured and uninsured residential mortgages and commercial and construction loans over the years ended December 31, 2024 and 2023.

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Single-Family Mortgages				
Gross carrying amount, beginning of year	1,792	1,178	266	3,236
Mortgages originated	1,657	702	77	2,436
Transfers from Stage 1	(318)	271	47	-
Transfers from Stage 2	262	(346)	84	-
Transfers from Stage 3	-	8	(8)	-
Mortgages paid or derecognized ⁽¹⁾	(342)	(304)	(209)	(855)
Loan write-offs	-	-	(187)	(187)
Remeasurement ⁽²⁾	(672)	249	1,340	917
Gross carrying amount, end of year	2,379	1,758	1,410	5,547
Construction loans				
Gross carrying amount, beginning of year	710	-	281	991
Loans funded	97	61	24	182
Transfers from Stage 1	(161)	117	44	-
Mortgages paid or derecognized ⁽¹⁾	(548)	(89)	(52)	(689)
Remeasurement ⁽²⁾	(59)	244	8,183	8,368
Gross carrying amount, end of year	39	333	8,480	8,852
Commercial loans				
Gross carrying amount, beginning of year	398	-	-	398
Loans funded	2	-	-	2
Transfers from Stage 1	(41)	41	-	-
Mortgages paid or derecognized ⁽¹⁾	(102)	-	-	(102)
Remeasurement ⁽²⁾	88	51	-	139
Gross carrying amount, end of year	345	92	-	437
Unfunded commercial/construction commitments	38	-	-	38
Total allowance for credit losses	2,801	2,183	9,890	14,874

(1) Includes maturing mortgages that have been renewed.

(2) Remeasurement represents the current period change in ECL allowances for transfers, net write-offs, changes in forecasts of forward-looking information, and parameter updates.

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4. MORTGAGES AND LOANS CONTINUED

(d) Allowance for credit losses continued

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Single-Family Mortgages				
Gross carrying amount, beginning of year	1,337	778	52	2,167
Mortgages originated	1,113	609	53	1,775
Transfers from Stage 1	(205)	182	23	-
Transfers from Stage 2	222	(262)	40	-
Mortgages paid or derecognized ⁽¹⁾	(403)	(149)	(30)	(582)
Remeasurement ⁽²⁾	(272)	20	128	(124)
Gross carrying amount, end of year	1,792	1,178	266	3,236
Construction loans				
Gross carrying amount, beginning of year	686	-	-	686
Loans funded	418	-	-	418
Transfers from Stage 1	(121)	-	121	-
Mortgages paid or derecognized ⁽¹⁾	(408)	-	-	(408)
Remeasurement ⁽²⁾	135	-	160	295
Gross carrying amount, end of year	710	-	281	991
Commercial loans				
Gross carrying amount, beginning of year	215	-	-	215
Loans funded	151	-	-	151
Mortgages paid or derecognized ⁽¹⁾	(36)	-	-	(36)
Remeasurement ⁽²⁾	68	-	-	68
Gross carrying amount, end of year	398	-	-	398
Unfunded commercial/construction commitments	188	-	-	188
Total allowance for credit losses	3,088	1,178	547	4,813

(1) Includes maturing mortgages that have been renewed.

(2) Remeasurement represents the current period change in ECL allowances for transfers, net write-offs, changes in forecasts of forward-looking information, and parameter updates.

(e) Credit risk exposure by risk rating

The Group through the Bank has an internal risk rating system that involves judgment and combines multiple factors to arrive at a borrower-specific score to assess the borrower's probability of default ("PD") and ultimately classify the mortgage into one of the categories listed below. The internal risk ratings presented in the table below are defined as follows for uninsured single-family residential mortgages.

- Lower risk – Loans that have below-average PD with credit risk that is lower than the Bank's risk appetite and risk tolerance levels.
- Medium risk – Loans that have an average PD with credit risk that is within the Bank's risk appetite and risk tolerance levels.
- Higher risk – Loans that were originated within the Bank's risk appetite but have subsequently experienced an increase in credit risk that is outside of the Bank's typical risk appetite and risk tolerance levels.

Risk Level	Risk Rating	Beacon Score	Days Past Due	12-month Baseline PD
Lower Risk	B1	>705	-	0.83%
Medium Risk	B2	Within [642,705]	-	2.06%
Medium Risk	B3	Within [591,642]	-	3.51%
Higher Risk	B4	<591	-	5.41%
Higher Risk	B5	-	30-59 days	44.25%
Higher Risk	B6	-	60-89 days	61.16%

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4. MORTGAGES AND LOANS CONTINUED

(e) Credit risk exposure by risk rating continued

The following table categorizes the principal balances, excluding deferred acquisition costs, of the Group's most significant uninsured mortgage portfolios by internal risk rating grade.

	December 31, 2024		December 31, 2023	
	Mortgage Balance	% of Mortgages	Mortgage Balance	% of Mortgages
	\$		\$	
Originated Uninsured				
Lower Risk	816,414	49.3%	454,073	40.8%
Medium Risk	606,366	36.7%	548,486	49.2%
Higher Risk	230,792	14.0%	110,972	10.0%
	1,653,572	100.0%	1,113,531	100.0%
Purchased Uninsured				
Lower Risk	103,168	48.8%	177,151	50.2%
Medium Risk	80,951	38.2%	150,031	42.5%
Higher Risk	27,610	13.0%	25,924	7.3%
	211,729	100.0%	353,106	100.0%

5. INVESTMENTS

	December 31, 2024	December 31, 2023
	\$	\$
Investment in renewal securitization notes	33,095	40,921
Investment bonds	34,833	12,726
Deferred servicing strip	6,231	8,731
Investment in TM Investments LP	1,000	599
Investment in Fleetwood	300	300
	75,459	63,277

The investment in renewal securitization notes represents the Group's investment in the non-amortizing notes issued as Series 2021-1, 2022-1, 2023-1 and 2024-1 Renewal Strip Secured Notes issued by RFA MC Issuer Corporation. The investment principal, annual interest rate and final distribution dates of the notes are as follows:

	Annual Interest Rate	Final Distribution Date	December 31, 2024	December 31, 2023
			\$	\$
Series 2021-1	8%	December 31, 2021	15,690	15,690
Series 2022-1	6%	December 31, 2022	12,000	12,000
Series 2023-1	6%	December 31, 2023	10,000	10,000
Series 2024-1	8%	December 31, 2024	12,500	-
			50,190	37,690
Accrued interest			5,405	3,231
			55,595	40,921
Sale of investments			(22,500)	-
			33,095	40,921

During 2024, the Group sold a senior interest in \$7,500 of the \$12,000 Series 2022-1 Notes at an interest rate of 9% per annum and a senior interest in \$7,500 of the \$10,000 Series 2023-1 Notes at an interest rate of 9% per annum to a related party. In addition, the Group also sold a senior interest in \$7,500 of the \$15,690 Series 2021-1 Notes at an interest rate of 10% per annum to a related party.

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5. INVESTMENTS CONTINUED

The investment bonds are investments in Canadian institutional mortgage securities maturing in 2025 to 2035.

The Group purchased a deferred servicing strip from a third party in 2021. This servicing strip represents the present value of the fixed spread between the servicing fees received from investors that purchased the loans and the rate paid to service the portfolio. The fair value of the deferred servicing strip as at December 31, 2024 is \$6,231 (December 31, 2023 - \$8,731). In 2024, the fair value loss was \$255 (2023 - \$859 gain).

The investment in TM Investments LP represents RFA's interest as a unitholder of the partnership. TM Investments LP is in the business of private lending of single-family residential loans.

6. INVESTMENT PROPERTY

	Cost	Market Value Adjustment	Total
	\$	\$	\$
Investment property, January 1, 2024	10,425	775	11,200
Change in market value	-	(916)	(916)
Investment property, December 31, 2024	10,425	(141)	10,284
Investment property, January 1, 2023	10,232	968	11,200
Additions	193	-	193
Change in market value	-	(193)	(193)
Investment property, December 31, 2023	10,425	775	11,200

The investment property is a suburban office building located in Calgary, Alberta, which has a cost basis of \$10,425 (December 31, 2023 - \$10,425) and is carried at a fair market value of \$10,284 (December 31, 2023 - \$11,200). An unrealized market value loss of \$916 (2023 - \$193) on the office building in Calgary was recognized in Other gains (losses) in the current year.

7. CMB RETAINED INTEREST

As described above under Note 2, *Derecognition*, the CMB retained interest receivable is associated with the Bank's participation in the CMB program, through which it securitizes and sells 5-year and 10-year insured mortgage loans on multi-unit residential properties. A majority of the underlying mortgage loans are closed to prepayment risk; however, the Bank securitizes some mortgage loans that are open to prepayment. For these mortgages, the Bank enters into an arrangement with a third party for a prepayment swap to mitigate the prepayment risk. In addition, the Bank enters into third-party arrangements to manage its seller swaps, thereby mitigating its interest rate risk. As a result, the Bank transfers control over the mortgage loans, and does not retain any significant risks and rewards associated with ownership.

	December 31, 2024	December 31, 2023
	\$	\$
Gain on sales of multi-unit residential mortgages	5,361	435
Accretion	2,269	1,652
	7,630	2,087
Multi-unit residential mortgages securitized and sold	1,012,814	55,695
Gain on sales as a % of mortgages securitized	0.53%	0.78%
Retained interest recognized during the year	42,448	3,739

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8. OTHER ASSETS

	December 31, 2024	December 31, 2023
	\$	\$
Accrued interest receivable	11,343	10,883
Prepaid and other assets	7,788	1,435
Accounts receivable	5,485	3,379
Capital assets	895	1,239
Investment receivable and other	704	521
Deferred placement fees receivable	678	61
Right-of-use assets	495	1,108
Sales taxes receivable	264	335
	27,652	18,961

Accrued interest receivable primarily comprises interest receivable related to the Group's on-balance sheet lending. Prepaid and other assets are related to prepaid corporate insurance, technology costs and rent expenses. Accounts receivable include trade receivables and any other amounts receivable. Investment receivable and other includes tenant and investment-related receivables. Right-of-use assets are associated with leases and result from the Group's adoption of IFRS 16 as described in Note 12, *Right-of-use Assets and Lease Liabilities*.

9. GOODWILL AND INTANGIBLE ASSETS

	December 31, 2024	December 31, 2023
	\$	\$
Goodwill		
RFA MC	6,250	6,250
Five Continents	5,591	-
Intangible assets		
Customer lists	7,245	-
Servicing strip receivable	4,918	3,199
Software development costs	2,290	2,438
	26,294	11,887

Goodwill arose from the acquisition of RFA MC and Five Continents. At each reporting date, the Group assesses goodwill for impairment and adjusts accordingly.

Intangible assets consist of customers lists, servicing strip receivable and software development costs.

The servicing strip receivable represents the present value of the spread between the servicing fees received from investors and the rate paid to sub-servicers to service the portfolio. The fair value of the servicing strip receivable as at December 31, 2024 was \$4,918 (December 31, 2023 - \$3,199). In 2024, the fair value gain was \$23 (2023 - \$678 loss).

Software development costs of \$2,290 (December 31, 2023 - \$2,430) consist of internally generated systems and software and include all directly attributable costs necessary for development of the assets.

Intangible assets are amortized on a straight-line basis over their estimated lives. At each reporting date, an impairment test is conducted to determine whether the carrying amount of an intangible asset exceeds its recoverable amount. If so, an impairment loss is recognized in the consolidated statements of income and comprehensive income for the difference between the carrying amount and recoverable amount.

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10. DEPOSITS

The Group through the Bank offers deposits, in the form of GICs, through deposit broker agents. These deposits are eligible to be insured by Canada Deposit Insurance Corporation (“CDIC”) up to \$100 per depositor. Deposit terms range from one to five years.

Total deposits include deferred deposit agent commissions, as shown below as at December 31, 2024 and 2023.

	December 31, 2024	December 31, 2023
	\$	\$
Deposit principal	2,147,798	1,894,883
Deferred deposit agent commissions	(4,753)	(3,801)
Net deposits	2,143,045	1,891,082

Shown below is a maturity table of the remaining term to maturity for these deposits as at December 31, 2024 and 2023.

	December 31, 2024				
	Cashable	Within 1 Year	1 – 3 Years	3 – 5 Years	Total
	\$	\$	\$	\$	\$
Deposit maturities	15,310	1,338,243	740,887	48,605	2,143,045
Average contractual rate	4.47%	4.61%	4.28%	4.11%	4.49%

	December 31, 2023				
	Cashable	Within 1 Year	1 – 3 Years	3 – 5 Years	Total
	\$	\$	\$	\$	\$
Deposit maturities	31,440	1,129,718	664,374	65,550	1,891,082
Average contractual rate	4.35%	4.63%	4.43%	4.10%	4.54%

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11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2024	December 31, 2023
	\$	\$
Accrued interest payable	64,183	50,509
Accrued compensation	10,266	7,731
Property mortgage liabilities	7,759	7,989
Accounts payable and other	2,980	293
Accrued liabilities	3,017	2,203
Tenant inducements	2,612	-
Accrued commissions payable	2,577	1,287
Lease liabilities	677	1,447
Payment due to mortgage servicers	659	988
Sales taxes payable	285	-
Accrued restructuring costs	-	455
	95,015	72,902

Accrued interest payable primarily comprises interest payable on customer deposits. Accrued compensation comprises corporate bonuses and other compensation. Property mortgage liabilities consist of a mortgage related to the investment property in Calgary, Alberta, and other property liabilities. The property mortgage has a principal amount of \$8,500 with an interest rate of 3.78% per annum due in May 2028.

Accrued commissions payable consist of commissions to brokers. Accrued liabilities primarily consist of accrued audit and other professional services fees and commissions payable to dealers. Lease liabilities are described in Note 12, *Right-of-use Assets and Lease Liabilities*. Accrued restructuring costs are largely related to the reorganization following the acquisition of the Group's parent company by RFA.

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group reports its right-of-use assets and lease liabilities as components of Other assets and Accounts payable and accrued liabilities, respectively, in its consolidated statements of financial position. The tables below show continuity schedules of the right-of-use assets and lease liabilities for the years ended December 31, 2024 and 2023.

	Premises	Equipment	Total
	\$	\$	\$
Right-of-use assets at December 31, 2023	1,051	57	1,108
Depreciation	(599)	(14)	(613)
Right-of-use assets at December 31, 2024	452	43	495
Right-of-use assets at December 31, 2022	1,907	1	1,908
Additions	-	66	66
Depreciation	(856)	(10)	(866)
Right-of-use assets at December 31, 2023	1,051	57	1,108
	Premises	Equipment	Total
	\$	\$	\$
Lease liabilities at December 31, 2023	1,379	68	1,447
Payments	(849)	(11)	(860)
Interest accretion	86	4	90
Lease liabilities at December 31, 2024	616	61	677
Lease liabilities at December 31, 2022	2,397	-	2,397
Additions	-	68	68
Payments	(1,173)	(4)	(1,177)
Interest accretion	155	4	159
Lease liabilities at December 31, 2023	1,379	68	1,447

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13. INCOME TAXES

The Group recognized the following income tax expense in its income from operations for the years ended December 31, 2024 and 2023:

	Years ended December 31,	
	2024	2023
	\$	\$
Current tax expense	7,772	15,606
Deferred tax recovery	(1,108)	(7,282)
Deferred tax attributable to changes in tax rates and laws	61	7
Total income tax expense recognized in income	6,725	8,331

The Group's income tax expense differs from the provision computed at statutory rates for the years ended December 31, 2024 and 2023 as follows:

	Years ended December 31,	
	2024	2023
	\$	\$
Income before income taxes	23,492	27,841
Income tax expense based on the statutory income tax rate	6,131	7,267
Increase in income taxes resulting from:		
Non-deductible items	78	268
Non-deductible penalties	-	759
Other	516	37
Total income tax expense recognized in income	6,725	8,331

The combined Canadian federal and provincial statutory income tax rate used for 2024 is 26.10% (2023 - 26.10%), and the effective tax rate for 2024 is 28.60% (2023 - 29.92%).

As at December 31, 2024, the Group has \$1,645 (December 31, 2023 - \$2,692) in deferred income tax liabilities. The composition of the Group's net income tax liabilities for the years ended December 31, 2024 and 2023 is shown below:

	December 31, 2023	Recognized in income	December 31, 2024
	\$	\$	\$
Capital assets	(708)	(459)	(1,167)
Specified debt obligations	(20,141)	98	(20,043)
Non-performing loans	1,020	529	1,549
Right-of-use assets	(414)	206	(208)
Lease liability	435	(214)	221
Other	394	297	691
	(19,414)	457	(18,957)
Tax losses – non capital	16,722	416	17,138
Corporate minimum tax credit	-	174	174
	(2,692)	1,047	(1,645)

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13. INCOME TAXES CONTINUED

	December 31, 2022	Recognized in income	December 31, 2023
	\$	\$	\$
Capital assets	(706)	(2)	(708)
Specified debt obligations	(25,903)	5,762	(20,141)
Non-performing loans	618	402	1,020
Right-of-use assets	(585)	171	(414)
Lease liability	646	(211)	435
Other	405	(11)	394
	(25,525)	6,111	(19,414)
Tax losses – non capital	15,558	1,164	16,722
	(9,967)	7,275	(2,692)

Deferred tax assets and liabilities are presented net on the consolidated statements of financial position where there is a legal right of offset. The consolidated statements of financial position include deferred tax assets and deferred tax liabilities as follows:

	December 31, 2024	December 31, 2023
	\$	\$
Deferred income tax liabilities	1,645	4,424
Deferred income tax assets	-	(1,732)
	1,645	2,692

As at December 31, 2024, the Group has approximately \$24,665 (December 31, 2023 - \$27,694) of tax loss carryforwards available expiring between 2028-2042. No tax recovery related to these tax loss carryforwards has been recognized in deferred income taxes as at December 31, 2024 (December 31, 2023 - nil).

14. COMMITMENTS AND CONTINGENCIES

(a) Mortgage commitments

As at December 31, 2024 and December 31, 2023, the Group has outstanding commitments related to its single-family, commercial and construction originations. Such offers to extend credit are in the normal course of business and the amount represents the maximum amount that the Group would be obligated to fund. In the course of its operations, the Group does not expect to fund 100% of its outstanding loan commitments.

Undrawn commitments related to commercial and construction loans are \$11,146 as at December 31, 2024 (December 31, 2023 - \$62,926) for which \$38 is set aside as an allowance for credit losses (December 31, 2023 - \$188). Single-family commitments are \$nil at December 31, 2024 (December 31, 2023 - \$nil).

(b) Contingencies

The Group, from time to time, is involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Group is not aware of any pending or threatened proceedings that would have a material adverse effect on the financial condition or future results of the Group.

(c) Letter of credit facility

The Group has a \$10 million (2023 - \$10 million) standby letter of credit facility with a Schedule I Canadian financial institution. The standby letter of credit facility is effective until September 30, 2025 at a rate of up to 180 basis points per annum. As at December 31, 2024, \$nil (December 31, 2023 - \$nil) is used from this standby letter of credit facility.

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15. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The amounts set out in the following table represent the carrying value and fair value of the Group's financial instruments as at December 31, 2024 and December 31, 2023. The estimated fair values approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly market transaction in the principal or most advantageous market accessible to the Group.

	December 31, 2024					December 31, 2023	
	FVTPL	FVOCI	Amortized Cost	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$	\$	\$	\$	\$	\$	\$
Financial assets							
Marketable securities	-	59,224	-	59,224	59,224	57,830	57,830
Originated uninsured	-	-	1,652,075	1,652,075	1,668,731	1,112,408	1,117,255
Purchased uninsured	-	-	211,729	211,729	212,803	353,094	352,735
Stamped mortgages	-	-	34,591	34,591	33,922	38,563	37,917
Other mortgages	-	-	10,218	10,218	10,284	18,219	16,806
Construction loans	-	-	128,634	128,634	128,801	283,107	283,799
Commercial loans	-	-	99,165	99,165	99,385	132,275	132,374
Deferred servicing strip	6,231	-	-	6,231	6,231	8,731	8,731
Investment bonds	34,833	-	-	34,833	34,833	12,726	12,726
CMB retained interest	-	-	100,656	100,656	100,656	71,480	71,480
Renewal securitization	33,095	-	-	33,095	33,095	40,921	40,921
Investment in Fleetwood	-	-	300	300	300	300	300
Derivative asset	38	-	-	38	38	9	9
	74,197	59,224	2,237,368	2,370,789	2,388,303	2,129,663	2,124,161
Financial liabilities							
Deposits	-	-	2,143,045	2,143,045	2,161,943	1,891,082	1,885,953
	-	-	2,143,045	2,143,045	2,161,943	1,891,082	1,885,953

The Group uses the following hierarchy for determining the fair value of financial instruments:

Level 1 – inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs are other than quoted prices included within Level 1, and may include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are not active; and
- Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments.

Level 3 – one or more significant inputs to the valuation methodology are unobservable.

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15. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

The following tables present the financial instruments measured at fair value as at December 31, 2024 and 2023, as classified by the fair value hierarchy described above:

	December 31, 2024			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Marketable securities	59,224	-	-	59,224
Investment bonds	34,833	-	-	34,833
Renewal securitization note	-	-	33,095	33,394
Derivative asset	-	38	-	38
	94,057	38	33,095	127,489

	December 31, 2023			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Marketable securities	57,830	-	-	57,830
Investment bonds	12,726	-	-	12,726
Renewal securitization note	-	-	40,921	40,921
Derivative asset	-	9	-	9
	70,556	9	40,921	111,486

Credit risk

Credit risk is the risk of financial loss associated with a counterparty's inability or unwillingness to fulfill its payment obligations. The Group's credit risk is mainly associated with its residential mortgage, and construction and commercial lending activities and underlying risk of default on the part of the borrower.

Credit risk is primarily applicable to the Bank and is managed through prudent risk management policies and procedures in the Bank that emphasize quality and diversification of investment and lending activities. Credit policies include credit risk limits in alignment with the Risk Appetite Framework.

The Bank manages credit risk through its Credit Committee ("CC"). The CC meets at minimum monthly to review risk factors, credit performance and credit quality of the Bank's lending portfolios, and to manage new construction credit submissions and the overall portfolio quality trends. Adjustments to the Bank's lending policies are recommended for approval at these meetings and presented to the Board and Enterprise Risk Management Committee for final approval if required.

The Bank mitigates its credit risk on the mortgages that it underwrites by operating within detailed Board-approved underwriting policies and management underwriting guidelines, and procedures in compliance with OSFI's B-20 Guideline. These policies and procedures take into consideration such key factors as credit quality, loan-to-value ratio, down payment, debt service ratio, income sustainability, and property value assessment and location. Underwriting includes application of a due diligence process to each mortgage underwritten with oversight from an experienced management team. All mortgage applications are evaluated and assessed against risk criteria, and additional independent quality assurance procedures are performed on a significant percentage of mortgage files prior to funding. Post-funding reviews are also conducted by the second line of defence to provide continuous feedback and monitoring of mortgage credit quality and compliance with underwriting policies and guidelines.

The Bank's mortgage origination, underwriting and asset quality processes and controls are designed to provide a high level of assurance that the mortgages it originates comply with the Bank's policies, underwriting requirements, and mitigates misrepresentations or errors that would increase credit risk beyond the Bank's tolerance.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Credit risk continued

The maximum credit exposure of the Group's financial assets is equal to the carrying values as reflected on the consolidated statements of financial position plus undrawn commitments primarily related to commercial and construction loans.

Liquidity and funding risk

Liquidity and funding risk is the inability to generate or obtain sufficient cash or cash equivalents in a timely manner and at a reasonable cost to meet its obligations (both on-and off-balance sheet) as they fall due.

This risk applicable primarily to the Bank, arises from the fluctuations in the Bank's cash flows that are associated with its lending and deposit-taking, investing, loan sales, securitizations, other business activities, and unexpected national and global economic disruptions. Effective management of liquidity risk requires that the Bank has sufficient liquid assets available, as needed, to fund new mortgages and to pay cash obligations such as deposit maturities and interest, accounts payable and accrued liabilities, and any other commitments and obligations.

Liquidity risk is managed through both daily monitoring and measurement of the Bank's liquidity position, and regular liquidity forecasting. Monitoring includes liquidity metrics such as maturity gap analysis and survival horizons. Even with the Bank's underlying policies and monitoring, there is a risk of economic disruption beyond the Bank's control. In cases where the disruption is severe or prolonged, the Bank could be required to take further contingency actions, which could include curtailing lending activity and selling of assets to generate cash flow.

The Group's liquid assets are as shown below:

	December 31, 2024	December 31, 2023
	\$	\$
Deposits with regulated financial institutions	147,641	79,210
Marketable securities	44,948	46,532
Stamped mortgages	34,591	38,563
Total liquid assets	227,180	164,305

The Group, through the Bank, has access to liquidity through the ability to issue term deposits eligible for CDIC insurance. Deposits are currently sourced through the deposit broker network, and availability depends upon several factors including access to third-party deposit platforms, interest rates offered by competing lenders, general economic conditions, regulatory requirements, and the securities markets in general. The broker network is expected to have more than enough liquidity to meet the Bank's funding needs for the next few years. The Bank is, however, exposed from time to time to deposit dealer-imposed concentration limit restrictions. The risk has been proactively mitigated through a more diverse dealer network.

The Group also has an agreement with a Canadian Schedule I Chartered bank that enables it to execute repurchase agreements for liquidity purposes. The facility provides liquidity and allows the Group to encumber certain eligible securities for financing purposes. As part of the agreement, the Group may sell assets to the counterparty at a specified price with an agreement to repurchase at a specified future date. The interest rate on the borrowings is driven by market spot rates at the time of borrowing. The Group will execute these repurchase agreements to provide alternative sources of liquidity when it is efficient and effective to do so. There are no assets outstanding with this facility as at December 31, 2024 or 2023.

As an approved *National Housing Act* mortgage-backed securities ("NHA MBS") issuer, the Group through the Bank can access the NHA MBS market to purchase and securitize insured mortgages. The NHA MBS securitization market depends on several factors, including general economic conditions, spreads on mortgages relative to other investments, and conditions in both the securities markets in general and the MBS market specifically. A decline in investor demand or securitization markets could adversely affect the Bank's ability to sell MBSs, which could negatively impact future financial results.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

The Group through the Bank manages duration mismatches between loans and deposits within its risk limits. Shown below is a maturity gap table comparing the principal amounts of the Group's on-balance sheet mortgages, commercial and construction loans to deposits.

December 31, 2024					
Remaining Contractual Term	0 – 3 Months	3 – 12 Months	1 – 3 Years	Over 3 Years	Total
	\$	\$	\$	\$	\$
Single-family residential mortgages	204,081	791,233	910,923	2,374	1,908,613
Construction loans	94,127	25,084	9,423	-	128,634
Commercial loans	38,106	26,794	34,265	-	99,165
Deposits (GICs)	(237,225)	(1,117,948)	(743,617)	(49,008)	(2,147,798)
Net Maturity	99,089	(274,837)	210,994	(46,634)	(11,386)

December 31, 2023					
Remaining Contractual Term	0 – 3 Months	3 – 12 Months	1 – 3 Years	Over 3 Years	Total
	\$	\$	\$	\$	\$
Single-family residential mortgages	176,040	742,385	594,947	8,912	1,522,284
Construction loans	124,094	141,281	17,732	-	283,107
Commercial loans	13,355	38,104	80,816	-	132,275
Deposits (GICs)	(172,261)	(989,763)	(666,833)	(66,026)	(1,894,883)
Net Maturity	141,228	(67,993)	26,662	(57,114)	42,783

Market risk

Market risk is the adverse impact on the value of assets, liabilities and capital from changes in market prices and rates, the correlations among them, and their levels of volatility.

As of December 31, 2024, the Group's investment risk is largely limited to its third-party CMBs, provincial bonds, federal government bonds, and equity securities. The CMBs, provincial bonds and Federal government bonds are readily convertible to cash and the Group considers them to be part of its liquid assets. The table below details the par value and fair value of the Group's investments.

	December 31, 2024		December 31, 2023	
	Par Value	Fair Value	Par Value	Fair Value
	\$	\$	\$	\$
Provincial bonds	30,182	30,006	30,182	29,257
Federal Government bonds	9,936	9,949	14,936	14,809
CMBs	5,000	4,993	2,490	2,466
	45,118	44,948	47,608	46,532
Equity securities	13,121	14,276	11,978	11,298
	58,239	59,224	59,586	57,830

Interest rate risk

Interest rate risk is adverse movements in interest rates in the banking book leading to lost earnings or capital. The Group is exposed to interest rate risk due to (1) differences between the maturity dates of interest-rate sensitive assets and liabilities, and (2) floating rate assets that are funded by fixed rate liabilities. The objective of interest rate risk management is to ensure that the Group can realize stable and predictable net interest margin, over specific time periods, despite fluctuations in interest rates. In addition, the Group performs stress-testing and sensitivity analysis with respect to interest rates and related factors.

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15. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Market risk continued

Interest rate risk continued

The Group is exposed to interest rate risk due to differences between the maturity dates of interest-rate sensitive assets and liabilities. Shown below are the December 31, 2024 and December 31, 2023 positions of the Group's assets, liabilities and equity by maturity and weighted average contractual rate.

	December 31, 2024					
	Floating Rate	0 – 3 Months	4 Months – 1 Year	1 Year – 5 Years	Non-Rate Sensitive	Total
	\$	\$	\$	\$	\$	\$
Assets						
Cash and restricted cash	148,863	-	-	-	-	148,863
<i>Weighted avg. contractual rate</i>	3.62%	-	-	-	-	3.62%
Debt securities	-	-	4,993	39,955	-	44,948
<i>Weighted avg. contractual rate</i>	-	-	2.42%	2.64%	-	2.63%
Equity securities	-	-	-	-	14,276	14,276
<i>Weighted avg. contractual rate</i>	-	-	-	-	-	-
Originated uninsured	-	151,105	649,024	853,649	(1,703)	1,652,075
<i>Weighted avg. contractual rate</i>	-	6.94%	6.93%	6.72%	-	6.83%
Purchased uninsured	-	50,069	139,552	22,108	-	211,729
<i>Weighted avg. contractual rate</i>	-	7.63%	7.45%	7.24%	-	7.47%
Stamped mortgages	11,554	-	-	22,761	276	34,591
<i>Weighted avg. contractual rate</i>	4.35%	-	-	2.01%	-	2.79%
Other mortgages	1,727	2,051	2,863	3,577	-	10,218
<i>Weighted avg. contractual rate</i>	5.49%	8.32%	9.32%	4.32%	-	6.72%
Commercial loans	81,280	-	8,000	10,000	(115)	99,165
<i>Weighted avg. contractual rate</i>	7.97%	-	3.55%	9.00%	-	7.71%
Construction loans	128,801	-	-	-	(167)	128,634
<i>Weighted avg. contractual rate</i>	10.62%	-	-	-	-	10.62%
Other assets	-	-	-	-	228,078	228,078
<i>Weighted avg. contractual rate</i>	-	-	-	-	-	-
Total assets	372,225	203,225	804,432	952,050	240,645	2,572,577
Liabilities						
Cashable GICs ⁽¹⁾	-	5,707	9,615	-	(34)	15,288
<i>Weighted avg. contractual rate</i>	-	4.51%	4.46%	-	-	4.48%
Non-cashable GICs	-	231,518	1,108,333	792,626	(4,720)	2,127,757
<i>Weighted avg. contractual rate</i>	-	4.74%	4.59%	4.27%	-	4.53%
Other liabilities	-	-	-	-	131,799	131,799
<i>Weighted avg. contractual rate</i>	-	-	-	-	-	-
Equity	-	-	-	-	297,733	297,733
<i>Weighted avg. contractual rate</i>	-	-	-	-	-	-
Total liabilities and equity	-	237,225	1,117,948	792,626	424,778	2,572,577
Excess (deficiency) of assets over liabilities and equity	372,225	(34,000)	(313,516)	159,424	(184,133)	-

(1) Cashable GICs are redeemable by the depositor after 90 days from the issue date.

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15. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Market risk continued

Interest rate risk continued

	December 31, 2023					
	Floating Rate	0 – 3 Months	4 Months – 1 Year	1 Year – 5 Years	Non-Rate Sensitive	Total
	\$	\$	\$	\$	\$	\$
Assets						
Cash and restricted cash	80,701	-	-	-	-	80,701
<i>Weighted avg. contractual rate</i>	5.15%	-	-	-	-	5.15%
Debt securities	-	-	2,466	44,066	-	46,532
<i>Weighted avg. contractual rate</i>	-	-	2.42%	2.64%	-	2.63%
Equity securities	-	-	-	-	11,298	11,298
<i>Weighted avg. contractual rate</i>	-	-	-	-	-	-
Originated uninsured	-	96,248	494,233	523,049	(4,001)	1,109,529
<i>Weighted avg. contractual rate</i>	-	6.18%	6.37%	6.82%	-	6.59%
Purchased uninsured	-	73,511	239,708	39,887	(334)	352,772
<i>Weighted avg. contractual rate</i>	-	5.62%	6.50%	7.20%	-	6.40%
Stamped mortgages	13,594	313	361	23,854	407	38,529
<i>Weighted avg. contractual rate</i>	6.10%	3.44%	3.29%	2.01%	-	3.49%
Other mortgages	1,603	4,958	8,578	2,748	-	17,887
<i>Weighted avg. contractual rate</i>	6.42%	7.44%	8.06%	3.85%	-	7.10%
Commercial loans	114,623	-	-	18,000	(746)	131,877
<i>Weighted avg. contractual rate</i>	9.18%	-	-	6.58%	-	8.88%
Construction loans	283,799	-	-	-	(1,683)	282,116
<i>Weighted avg. contractual rate</i>	10.27%	-	-	-	-	10.27%
Other assets	-	-	-	-	178,680	178,680
<i>Weighted avg. contractual rate</i>	-	-	-	-	-	-
Total assets	494,320	175,030	745,346	651,604	183,621	2,249,921
Liabilities						
Cashable GICs ⁽¹⁾	-	6,724	24,759	-	(28)	31,455
<i>Weighted avg. contractual rate</i>	-	4.12%	4.40%	-	-	4.34%
Non-cashable GICs	-	165,536	965,004	732,860	(3,773)	1,859,627
<i>Weighted avg. contractual rate</i>	-	3.74%	4.72%	4.34%	-	4.49%
Other liabilities	-	-	-	-	90,532	90,532
<i>Weighted avg. contractual rate</i>	-	-	-	-	-	-
Equity	-	-	-	-	268,307	268,307
<i>Weighted avg. contractual rate</i>	-	-	-	-	-	-
Total liabilities and equity	-	172,260	989,763	732,860	355,038	2,249,921
Excess (deficiency) of assets over liabilities and equity	494,320	2,770	(244,417)	(81,256)	(171,417)	-

(1) Cashable GICs are redeemable by the depositor after 90 days from the issue date.

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16. GENERAL AND ADMINISTRATIVE EXPENSES

	Years ended December 31,	
	2024	2023
	\$	\$
Professional services	3,997	1,414
Information technology and telecom	3,326	2,916
Insurance and regulatory costs	3,292	1,909
Sales and marketing	2,399	2,060
Facilities and office	1,742	2,100
Administration fees	1,516	1,400
Depreciation and amortization	831	571
Other	157	467
	17,260	12,837

17. SHARE CAPITAL

	December 31,	December 31,
	2024	2023
	\$	\$
Issued:		
Common Class A shares (6,250,000 units)	6,250	6,250
Common Class B shares (191,350,010 units)	191,350	191,350
Common Class C1 shares (14,600,000 units)	14,600	14,600
	212,200	212,200

The Group's authorized share capital consists of an unlimited number of Class A, B and C1 common shares, voting, dividends at the discretion of the Board of Directors. There were no share transactions during 2024 or 2023.

18. CAPITAL MANAGEMENT

The Group includes the Bank, which is a regulated financial institution that is subject to the capital requirements of its regulator, OSFI, the Bank must continually monitor and assess its capital adequacy under both expected and stressed conditions. An adequate capital reserve provides the Bank with a buffer for reasonably foreseeable losses, ensures that the Bank may absorb such losses, and maintains the stability of the business. Capital adequacy can be affected by changes in the Bank's financial performance, its business plans, or regulatory requirements.

Capital adequacy risk is the risk that the Bank holds insufficient capital to meet regulatory requirements and any other requirements necessary to manage the organization as a going concern, including during periods of severe but plausible stress (such as rising interest rates or housing downturn).

19. RELATED PARTY TRANSACTIONS

The Group's related parties include the following individuals or entities:

- Other entities under common control;
- Key management personnel, consisting of the Group's directors and officers, and other employees having authority and responsibility for planning, directing and controlling the Group's activities; and
- Entities controlled by key management personnel.

Transactions with related entities

The following table presents the Group's outstanding balances from related party transactions.

	December 31, 2024	December 31, 2023
	\$	\$
Payable to RFA Capital Inc.	34,965	12,726

All related party transactions in the normal course of operations are measured at the agreed-upon exchange amount, have no fixed terms of repayment and are non-interest bearing. The Group's related parties include its parent and related entities under common control.

The balance due to RFA Capital Inc., the Group's parent company, as at December 31, 2024 of \$34,965 (December 31, 2023 - \$12,726) is mainly for the purchase of investment bonds. During 2024, the Group paid \$1,515 (2023 - \$1,400) in administration fees to the Group's parent company.

During 2024, \$12,500 (2023 - \$10,000) in gain on sale of renewals was received from RFA MC Issuer Corporation, an entity under common control. The Group also purchased notes issued as Series 2024-1 and Series 2023-1 Renewal Strip Secured Notes issued by RFA MC Issuer Corporation of \$12,500 (2023 - \$10,000) as described under Note 5, *Investments*. During 2024, the Group sold a senior interest in \$7,500 of the \$12,000 Series 2022-1 Notes at an interest rate of 9% per annum and a senior interest in \$7,500 of the \$10,000 Series 2023-1 Notes at an interest rate of 9% per annum to a related party. In addition, the Group also sold a senior interest in \$7,500 of the \$15,690 Series 2021-1 Notes at an interest rate of 10% per annum to a related party.

During 2024, the Group entered into a \$3 million revolving loan at a rate of Prime plus 4% per annum from a related party and paid \$89 (2023 - \$nil) in interest expense to the related party. This amount was repaid during the year and the balance at December 31, 2024 is \$nil (December 31, 2023 - \$nil).

Compensation of key management personnel and employee benefits

Key management personnel of the Group consist of individuals that have authority and accountability for planning, directing and controlling the activities of the Group, directly or indirectly. Key management personnel include the members of the Board of Directors.

The remuneration of directors and key management personnel during the year is shown below:

	Years ended December 31,	
	2024	2023
	\$	\$
Short-term benefits	4,261	4,542
Termination	152	-
	4,413	4,542

In the ordinary course of business, the Group may underwrite mortgages for its senior management, other related parties, and Group employees. The mortgage terms are similar to those offered to unrelated parties. As at December 31, 2024, there are no outstanding mortgage loans made to key management personnel (December 31, 2023 - \$nil).

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20. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated based on net income attributable to shareholders of the Company divided by the weighted average number of common shares outstanding during the years.

21. ACQUISITION OF FIVE CONTINENTS

On November 30, 2024, the Group completed the acquisition of 25% the common shares of Five Continents. The Group has control over Five Continents, through it's 100% ownership of RFA Cayman and 50% ownership of RFA Capital Holdings International Ltd. Five Continents is a professional services firm that specializes in providing discretionary asset management services and related corporate, advisory and director services, located in Cayman Islands.

The fair values of the assets and liabilities acquired were as follows:

	\$
Purchase price	13,844
Cash	1,515
Other assets	1,270
Customer lists	7,077
Accounts payable and accrued liabilities	(1,480)
Fair value of net assets acquired	8,382
Goodwill	5,462
Non-controlling interest	10,330

The assets and liabilities of RFA Cayman as at December 31, 2024 and the income and expenses of RFA Cayman for the period ended December 31, 2024 are consolidated into Group's consolidated financial statements.

22. SUBSEQUENT EVENTS

On September 15, 2025, the Company and Artis Real Estate Investment Trust ("Artis") announced that they had entered into an agreement pursuant to which the parties will combine, and the Company will acquire all of the outstanding units of Artis through a court-approved plan of arrangement (the "Transaction"). Following completion of the Transaction, Artis will become a subsidiary of the combined company which will operate as ("RFA Financial"). Holders of Artis common units (the "Artis Unitholders") will receive one common share of RFA Financial for each Artis unit held immediately prior to the effective time of the Transaction, subject to customary adjustments set out in the Arrangement Agreement (the "Exchange Ratio"). As a result of the Transaction, current holders of Artis common units will own 68.0% of the common shares of RFA Financial, while current holders of common shares of RFA will own the remaining 32.0% of the common shares of RFA Financial.