Basel Pillar 3 Disclosures

As at December 31, 2024

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1. Background

Shinhan Bank Canada (the "Bank") established on August 22, 2008 is a chartered bank, incorporated and domiciled in Canada. It is a wholly owned subsidiary of Shinhan Bank (the "Parent Bank"), South Korea and is regulated by the Office of the Superintendent of Financial Institutions ("OSFI"). The head office is located at 5140 Yonge Street, Suite 2300, Toronto, Ontario, Canada, M2N 6L7. The Bank primarily operates in the Greater Toronto Area and Greater Vancouver Area.

Effective January 1, 2013, the Bank has adopted the Basel III framework ("Basel III") as required by OSFI. The most significant aspects of Basel III are measures to improve the quality of capital and increase capital requirements for the global financial system. Common equity is required to be the predominant form of capital.

OSFI requires all banks to maintain sufficient capital to meet or exceed its capital adequacy ratios. While the current Capital Adequacy Requirements ("CAR") Guideline has prescribed minimum risk-based capital targets, OSFI may also set higher target capital ratios for individual institutions. The current thresholds of "all in" Common Equity Tier 1 ("CET1"), Tier 1 and Total Capital adequacy ratios (including capital conservation buffer) as per the CAR Guideline that are applicable to the Bank are at 7%, 8.5% and 10.5% respectively.

Further, OSFI revised the Leverage Requirements ("LR") Guideline in January 2022, which is effective from April 2023. In accordance with the revised LR Guideline, OSFI expects all institutions to maintain Leverage ratio that meets or exceeds 3% at all times. Leverage ratio is defined as the capital measure divided by leverage exposure measure. Capital measure is defined as Tier I capital and the leverage exposure measure is the sum of on and off balance sheet exposures of the Bank.

The CAR and LR Guidelines establish two minimum standards, the risk-based capital ratio and the leverage ratio, to provide a framework for assessing the adequacy of capital for all institutions. The leverage ratio provides an overall measure of the adequacy of an institution's capital while the risk-based capital ratio focuses on risk faced by the institution. The Bank complies with OSFI's capital adequacy requirements in respect of risk-based CET 1, Tier 1 and Total Capital ratios as well as the Leverage ratio requirements.

The Basel framework consists of the following three-mutually reinforcing pillars:

- Pillar 1: Prescribes minimum capital requirements for credit risk, market risk and operational risk;
- Pillar 2: Requires the establishment of internal assessment processes and supervisory review to evaluate risk profile and capital adequacy; and
- Pillar 3: Provides market discipline through meaningful disclosures.

Pillar 3 comprises disclosures on the capital adequacy and risk management framework of the Bank. There are no entities that are required to be consolidated with the Bank or that require deduction treatment.

2. Segmentation and Scope of Application

a. Small and Medium-Sized Deposit-Taking Institutions Segmentation Category

SMSBs are segmented into three categories as per OSFI's Small and Medium-Sized Deposit-Taking Institutions ("SMSBs") Capital and Liquidity Requirements - Guideline (2023), Section "Segmentation of SMSBs", for the purposes of capital and liquidity requirements based on general criteria like a) total assets b) total loans, and c) derivative exposure. The Bank is currently categorized as Category II SMSB in accordance with OSFI's Guideline.

b. Scope of Application of Pillar 3 Requirements

The Pillar 3 disclosures of the Bank have been prepared in accordance with International Convergence of Capital Measurement and Capital Standards: A Revised Framework - Comprehensive Version (the Basel II framework) issued by the Basel Committee on Banking Supervision ("BCBS") in June 2006. Subsequently BCBS issued Enhancements to the Basel II Framework in July 2009 and Revisions to the Basel II Market Risk Framework in February 2011 followed by Pillar 3 Disclosure Requirements for Remuneration in July 2011.

The third Pillar of this framework describes the disclosure requirements for institutions subject to the Basel Accord, which in Canada includes banks, bank holding companies and federally regulated trust and loan companies (collectively, the “institutions”). Based on BCBS’ 2012 *Composition of Capital Disclosure Requirements*, OSFI issued an advisory on Public Capital Disclosure Requirements in July 2013 (with subsequent revisions) that provided expectations for Domestic Systemically Important Banks (“DSIBs”) and non-DSIBs. The Bank has been providing quarterly disclosures on its website beginning in 2013 in line with these requirements. Bank’s Pillar 3 disclosures have been prepared in accordance with OSFI's disclosure requirements issued from time to time.

Based on BCBS’ 2014 *Leverage Ratio Framework and Disclosure Requirements*, OSFI issued the revised advisory on Public Disclosure Requirements related to Basel III Leverage Ratio in November 2014 incorporating the expectations from DSIBs and non-DSIBs. The Bank has commenced its Public Disclosure Requirements for Leverage Ratio from December 31, 2015.

OSFI issued the Liquidity Adequacy Requirements (“LAR”) Guideline in November 2014 to assess whether a bank, a bank holding company, a trust and loan company or cooperative credit association maintains adequate liquidity. The LAR Guideline builds on the BCBS Basel III liquidity framework, which encompasses Basel III: The Liquidity Coverage Ratio and the liquidity risk monitoring tools published in January 2013, Basel III: The Net Stable Funding Ratio - consultative document published for comment in January 2014, and the Monitoring tools for intraday liquidity management published in April 2013. The LAR Guideline is applicable for the Bank effective January 2015.

In February 2025, OSFI revised the Pillar 3 Disclosure Guideline for Small and Medium-Sized Deposit-Taking Institutions, which serves as a comprehensive source for Pillar 3 disclosure requirements for SMSBs with fiscal year-end 2024. Bank has prepared Pillar 3 disclosures as per this guideline.

c. Functional and Presentation Currency

The Pillar 3 disclosures are presented in Canadian currency, which is the Bank’s functional currency. Except as otherwise indicated, financial information presented in Canadian dollars has been rounded to the nearest thousand.

d. Frequency of Disclosures

The Pillar 3 disclosures are made on an annual basis and published after the audit of the year-end financial statements. In addition, quantitative disclosures on regulatory capital and leverage ratios are published on a quarterly basis.

e. Location of Disclosures

The Basel - Pillar 3 disclosures are located under the “Regulatory Disclosures” link on the home page of the Bank's website https://www.shinhan.ca/about-us/about-shinhan/financial-information/. The Parent Bank’s consolidated disclosures are https://www.shinhangroup.com/en/ir/disclosure/pillarDisclosure.

Further, additional financial information of the Bank including, Monthly balance sheet details, BCAR capital components, Statement of comprehensive income and Allowances for expected credit losses is available from the OSFI’s website: https://www.osfi-bsif.gc.ca/en/data-forms/financial-data

f. Limitation of Disclosures

The Pillar 3 disclosures are unaudited and have been prepared for complying with OSFI's disclosure requirements explaining the basis on which the Bank has prepared and disclosed information about capital requirements and the management of certain risks and for no other purpose. They do not constitute any form of financial statements and may not be relied upon in making any judgment or investment in the Bank or the Parent Bank.

3. Risk Management Framework

The Bank established a sound Risk Management Policy ("RMP") to identify, assess, monitor, report known and emerging risks and define internal controls to achieve business objectives. The Bank also measures the amount of risk that management is willing to take in pursuit of strategic objectives via its Risk Appetite Framework.

The governance structure for the Bank's credit risk management comprises of the "three lines of defence model", Executive Committees, Senior Management, Board Committees and the Board of Directors.

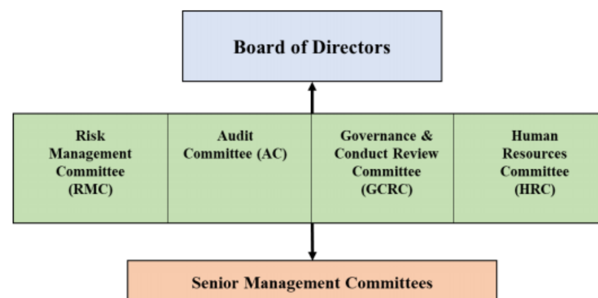

Figure 1: Risk Governance Structure

The Board of Directors (the "Board") has an oversight responsibility for the Bank's risk management framework, including:

- Approving and overseeing strategy, risk management and internal controls; and
- Providing challenge, advice and guidance to the Senior Management of the Bank on operational and business policies, business performance and effectiveness of risk management.

The Risk Management Committee of the Board (the "RMC") is responsible for:

- Assisting the Board in its oversight function with respect to the effectiveness and adequacy of the Bank's overall risk management; and
- Approving material changes to the Bank's strategy and corresponding risk appetite.

The Bank establishes the following management committees in order to identify and monitor risks, outline controls and risk limits, and establish process for monitoring the established risk limits:

- The Asset and Liability Management Committee (the "ALCO") provides oversight to ensure the Bank's assets, liabilities, interest rate risk, and liquidity risks are well managed;

- The Crisis Management Committee (the "CMC") identifies risk factors and monitors the existing risk factors identified at the business-line level;
- The Executive Loan Committee ("the ELC") is responsible for approving the loan that exceeds the approval authority of the President and elevated risk profile credit proposals and
- The Loan Monitoring Committee (the "LMC") decides monitoring grades on borrowers with high exposures to the Bank.

4. Capital Structure

The Bank's total regulatory capital currently comprises Tier 1 and Tier 2 capital components which are subject to the various limits, restrictions and regulatory adjustments as described in Chapter 2 of the CAR Guideline. Tier 1 capital consists of CET 1 capital, which includes common shares and retained earnings less deductions prescribed by OSFI. Tier 2 capital consists of certain eligible loan loss allowances termed as general allowances in CAR Guideline and defined as Stage 1 & Stage 2 allowances under IFRS 9. Table 1 shows the Bank's capital structure as of December 31, 2024.

The Bank's Capital Management Policy, which is reviewed and approved annually by the Board, governs the quantity and quality of capital to be maintained by the Bank. The objective of this policy is to maintain strong and efficient capital levels that are appropriate for business requirements from time to time. The Bank also seeks to optimize return to the sole shareholder and implement systems for monitoring the capital position.

The Bank estimates the regulatory capital requirements in line with the CAR Guideline issued by OSFI. Capital is provided for the purpose of unforeseen and unexpected events based on the risk assessment for each of the underlying asset classes in the Bank's portfolio. Further, in line with industry practice, the Bank acknowledges that capital is not the only mitigating factor for all unforeseen events and contingencies and therefore appropriate risk management and governance practices are in place to actively monitor the risks the Bank is exposed to in the course of carrying on its business.

Table 1. Modified CC1 – Composition of capital for SMSBs as of December 31, 2024.

(Unit: $000s)

		Amounts
	Common Equity Tier 1 capital: instruments and reserves	
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	80,000
2	Retained earnings	17,818
3	Accumulated other comprehensive income (and other reserves)	NA
4	*Directly issued capital subject to phase out from CET1 (only applicable to Federal Credit Unions)*	NA
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	NA
6	**Common Equity Tier 1 capital before regulatory adjustments**	97,818
	Common Equity Tier 1 capital: regulatory adjustments	
28	**Total regulatory adjustments to Common Equity Tier 1**	-741
29	**Common Equity Tier 1 capital (CET1)**	97,077
	Additional Tier 1 capital: instruments	
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	NA
31	of which: classified as equity under applicable accounting standards	NA
32	of which: classified as liabilities under applicable accounting standards	NA
33	*Directly issued capital instruments subject to phase out from Additional Tier 1 (applicable only to Federal Credit Unions)*	NA
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	NA
35	*of which: instruments issued by subsidiaries subject to phase out (applicable only to Federal Credit Unions)*	NA
36	**Additional Tier 1 capital before regulatory adjustments**	NA
	Additional Tier 1 capital: regulatory adjustments	
43	**Total regulatory adjustments to additional Tier 1 capital**	NA
44	**Additional Tier 1 capital (AT1)**	NA
45	**Tier 1 capital (T1 = CET1 + AT1)**	97,077
	Tier 2 capital: instruments and provisions	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	NA
47	*Directly issued capital instruments subject to phase out from Tier 2 (applicable only to Federal Credit Unions)*	NA
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	NA
49	*of which: instruments issued by subsidiaries subject to phase out (applicable only to Federal Credit Unions)*	NA
50	Collective allowances	3,634
51	**Tier 2 capital before regulatory adjustments**	3,634
	Tier 2 capital: regulatory adjustments	
57	**Total regulatory adjustments to Tier 2 capital**	NA
58	**Tier 2 capital (T2)**	3,634
59	**Total capital (TC = T1 + T2)**	100,711
60	**Total risk-weighted assets**	591,659
	Capital ratios	
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	16.41%
62	Tier 1 (as a percentage of risk-weighted assets)	16.41%
63	Total capital (as a percentage of risk-weighted assets)	17.02%
	OSFI target	
69	Common Equity Tier 1 target ratio	7.00%
70	Tier 1 capital target ratio	8.50%
71	Total capital target ratio	10.50%
	Capital instruments subject to phase-out arrangements (For Federal Credit Unions only)	
80	Current cap on CET1 instruments subject to phase-out arrangements	NA
81	Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)	NA
82	Current cap on AT1 instruments subject to phase-out arrangements	NA
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	NA
84	Current cap on Tier 2 instruments subject to phase-out arrangements	NA
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	NA

The Bank complies with OSFI's capital adequacy requirements. The Senior Management of the Bank reviews the capital adequacy ratios on a monthly basis. In addition, the capital adequacy position and the risk-weighted assets are reported to the Board on a quarterly basis.

5. Capital Adequacy

The Bank has a capital management process in place to measure and monitor its available capital and assess adequacy of the capital. This process aims to maintain a cost-effective capital structure that provides adequate returns to the Bank's shareholder. The Bank's Senior Management and the Board of Directors regularly review results of related businesses, returns to total shareholder equity and level of dividends if any to the shareholder.

Internal Capital Adequacy Assessment Process ("ICAAP")

Within the Bank's risk management framework, Bank implements an Internal Capital Adequacy Assessment Process ("ICAAP") to determine the appropriate level of capital needed to meet regulatory standards, internal thresholds and current/future business requirements even under stressful scenarios. This process covers capital planning over a three-year horizon, alongside the identification and measurement of material risks including the correlation between risk and capital.

Stress testing, integral to both the ICAAP and our risk management framework, provides insights into the potential effects of extreme yet plausible scenarios on the Bank's risk profile and capital adequacy. Following a stress-testing framework approved by the Board, we conduct stress tests across our portfolios to assess their impact on capital ratios and the adequacy of capital reserves for current and future periods.

The Bank regularly updates and refines these stress tests to ensure they effectively capture material risks and reflect potential significant market shifts caused by prevailing macroeconomic conditions.

Through the ICAAP, we determine the necessary capital level by considering various factors, including our strategic focus, business plan, growth objectives, regulatory capital requirements, and assessment of material risks under Pillar 1 (regulatory) risks and Pillar 2 (idiosyncratic – bank specific) risks, as well as the results of stress testing and scenario analysis. The ICAAP undergoes an annual review, deliberation, and approval by the Board.

This comprehensive approach allows us to implement appropriate management strategies in response to stressful events, thereby ensuring that our capital levels remain sufficient to support our operations at all times.

The Board maintains an active oversight of the Bank's capital adequacy levels. A summary of the capital adequacy position, the risk weighted assets and the leverage ratio are reported to the Board on a quarterly basis. Further, the ICAAP also serves as a mechanism for the Board to assess and monitor the Bank's capital adequacy position over a three-year time horizon.

Capital ratios are calculated by dividing regulatory capital by RWAs, which receive a specific risk weight determined by characteristics of assets. As at December 31, 2024, the Tier 1 capital ratio and total capital ratio of the Bank were 16.41% and 17.02% respectively, which are complied with the regulatory and internal targets.

Leverage ratio is computed by dividing Tier 1 capital by the total exposure. As at December 31, 2024, the leverage ratio of the Bank was 8.60%, which is within the regulatory and internal targets. Table 2 shows the breakdown of RWAs, capital and leverage ratios as of every quarter from December 2023 to December 2024.

Table 2. KM1 Key prudential regulatory metrics.

(Unit: $000s)

		T 2024.12	T-1 2024.09	T-2 2024.06	T-3 2024.03	T-4 2023.12
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	97,077	97,233	97,276	97,044	97,037
2	Tier 1	97,077	97,233	97,276	97,044	97,037
3	Total capital	100,711	101,016	101,205	101,239	100,896
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	591,659	597,135	560,089	548,979	555,706
4a	Total risk-weighted assets (pre-floor)	591,659	597,135	560,089	548,979	555,706
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	16.41%	16.28%	17.37%	17.68%	17.46%
5a	CET1 ratio (%) (pre-floor ratio)	16.41%	16.28%	17.37%	17.68%	17.46%
6	Tier 1 ratio (%)	16.41%	16.28%	17.37%	17.68%	17.46%
6a	Tier 1 ratio (%) (pre-floor ratio)	16.41%	16.28%	17.37%	17.68%	17.46%
7	Total capital ratio (%)	17.02%	16.92%	18.07%	18.44%	18.16%
7a	Total capital ratio (%) (pre-floor ratio)	17.02%	16.92%	18.07%	18.44%	18.16%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0%	0%	0%	0%	0%
10	Bank G-SIB and/or D-SIB additional requirements (%)	[Not applicable for SMSBs]				
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)*	9.41%	9.28%	10.37%	10.68%	10.46%
	Basel III Leverage ratio					
13	Total Basel III leverage ratio exposure measure	1,129,428	1,151,771	1,097,781	1,060,785	1,078,658
14	Basel III leverage ratio (row 2 / row 13)	8.60%	8.44%	8.86%	9.15%	9.00%

***Note:** (9.41% = 16.41% - 7%), where 7% = 4.5% (CET1 regulatory minimum capital requirement) + 2.5% (capital conservation buffer requirement)

6. Credit Risk

a. General

Credit risk is the risk to earnings or capital arising from an obligor's failure to meet the terms of its contract with Bank or otherwise fail to perform as agreed. Credit risk is found in all activities where success depends on the performance of a counterparty, issuer, or borrower. Credit risk is one of the significant financial risks faced by the Bank and arises predominantly from loans to customers.

Business Model and Credit Risk Profile:

The Bank opened its door to Canadian market in 2009 and since then offering loans in form of Mortgages (Residential & Commercial) and Loans (personal loans and lines of credit). The Bank's identified geographic markets are province of Ontario, British Columbia and Alberta. Loan applications received outside these geographies are considered on a case-by-case basis. Majority of credit risk exposure is comprised of consumer and commercial lending. Other credit risk exposures include:

- Import and Export: including bill discounts, documentary credit and collections
- Investment: including overnight call loans and placements to financial institutions

The Bank has instituted formal credit procedures for performing credit assessments, including reviews, as documented in Loan Policies and Guidelines ("LP&G"), Residential Mortgage Underwriting Policy ("RMUP") and Credit Risk Management Policy ("CRMP") that are approved by the Board/Senior Management. Credit policies ensure that an appropriate balance exists between achieving business objectives and maintaining a sound credit portfolio. These policies outline procedures for identifying and measuring credit risk, evaluating and approving credit applications, and monitoring & controlling credit risk. LP&G along with CRMP provides a comprehensive guidance for managing loan portfolio during entire loan life cycle starting from origination to subsequent administration. Further, commercial exposure is managed in accordance with the provisions of LP&G and residential mortgage exposure is governed by RMUP of the Bank.

Consumer Credit Risk: The Bank at present focuses on conventional Residential Mortgages ("RM") portfolio, which comprises 65% of the total exposures (credit exposure including fund operations, off-balance sheet and undrawn commitments) as of December 31st 2024. To cater the market demands, the Bank offers various lending programs under residential mortgages as well as other consumer credit facilities in the form of personal loans and lines of credit for its clients. The Bank has a robust underwriting process to ensure prudent and sound credit assessment. The Bank's consumer borrowers undergo a series of checks right from background check to income verification and a stringent AML check. Further, the Risk Management Department ("RMD") plays a pivotal role in mitigating credit risk by vetting RM approvals as a part of Quality Assurance Guideline. The Bank on-boards reputable mortgage brokers and relies on third party appraisal reports to ascertain the fair market value of the collateral at origination. The Bank actively monitors the underlying collateral value of outstanding loans on continuous basis.

Commercial Credit Risk: Commercial portfolio of the Bank comprises of commercial real estate and other commercial loans. Commercial mortgages contribute 83% of the commercial portfolio as of December 31st 2024. As part of overall credit risk management, the Bank assigns an internal risk rating to a commercial borrower. Approval process is delegated to various officials and committees in accordance with LP&G. Quantitative analysis includes a credit review of the financial statements trend & ratio analysis. Qualitative analysis includes a review of non-financial parameters including management experience, business location, competition and the presence of any industry entry barrier in the marketplace and overall reliability of the revenue, financial statements & banking transaction. Credit risk pertaining to the commercial borrowers is assessed on an ongoing basis through annual reviews and renewals upon maturity.

Credit Risk Management Policy and Credit Risk Limits:

The Bank uses a holistic approach to formulate credit risk management policy and set up credit risk limits. Portfolio concentration limits are established for specific products, regions, or credit activities on an aggregated basis. While defining credit risk limits, the Bank takes into consideration regulatory - updates, borrowers' profile, evolving industry trends, macro-economic situation, target market/segments as per the Bank's strategy and business plan etc. Based on stakeholders' feedback, portfolio limits are amended from time to time to address credit risk associated with the credit portfolio. These limits, along with management-level operating thresholds, are approved annually by the Board and undergo annual review for ongoing appropriateness and effectiveness.

To ensure prudent credit risk management, the Bank focuses on various elements such as credit risk procedures, governance structure, risk identification; assessment; measurement; mitigation and monitoring.

The Bank has robust stress testing mechanism in place to identify the vulnerabilities and to assess resiliency of its credit portfolio under adverse scenarios. Credit risk profile of the Bank is reported to the Board on a quarterly basis through the RMC. The Board is further apprised of emerging risks, credit policy changes and stress testing outcomes etc.

Credit Risk Management Structure:

Risk Management Department ("RMD") provides independent oversight of the management of risks inherent to the Bank. RMD anticipates, identifies and measures risks in a dynamic operating environment and oversees management of those risks within the limits established by the Board.

Headed by the Chief Risk Officer ("CRO"), the department reports functionally to the RMC and administratively to the CEO. CRO is a member of various committees such as Executive Loan Committee, Asset & Liability Management Committee, Stress Testing Forum, etc.

As an oversight function, RMD independently reviews the new loan proposals and performs asset quality reviews to ensure compliance with the Bank's policies and guidelines. The Bank has a robust challenge process in place, wherein RMD findings and observations pertaining to new loans, renewals and reviews are communicated to the first line of defence and to the approval authorities to facilitate informed decision making on credit applications.

Oversight functions: Risk Management, Compliance and Internal Audit functions are interconnected and work collaboratively to safeguard Bank's interest. Internal Audit function provides independent oversight to ensure risk control measures are effective in managing credit risk and are compliant with regulatory requirements and internal policies.

Snapshot of Credit Exposures:

The Bank applies the Standardized Approach laid out in OSFI's CAR guideline to measure the regulatory capital charge for credit risk.

Tables 3 and 4 provide the Bank's total gross exposures of Dec 31, 2024 and Dec 31, 2023, grouped by various categories: exposure type, geographic location, industry, and remaining contractual maturity. The Bank's exposure consists of Assets (drawn), commitments (undrawn), and other non-derivative off-balance sheet exposures.

Table 3. The gross exposure as of December 31, 2024.

(Unit: $000s)

BY EXPOSURE	2024 Before CRM				2024 After CRM			
	Assets (Drawn)	Off-Balance Sheet	Commitments (Undrawn)	Total	Assets (Drawn)	Off-Balance Sheet	Commitments (Undrawn)	Total
By exposure type								
Sovereign	1,828	-	-	**1,828**	11,821	3,203	2,992	**18,015**
SME	43,045	3,163	17,750	**63,957**	8,193	-	455	**8,648**
Bank	109,335	-	20	**109,355**	136,990	-	15,098	**152,087**
RR(Revolvers)	89	-	222	**310**	89	-	151	**240**
RR(Others)	470	-	30	**500**	330	-	30	**360**
RR(SBE)	55	40	25	**120**	28	-	25	**53**
NRR	2,810	-	709	**3,519**	181	-	5	**186**
RRE(General)	511,496	-	-	**511,496**	511,496	-	-	**511,496**
RRE(General - HELOC)	2,535	-	6,687	**9,221**	2,535	-	6,687	**9,221**
RRE(Income Producing)	239,345	-	-	**239,345**	239,345	-	-	**239,345**
RRE(Income Producing - HELOC)	244	-	135	**379**	244	-	135	**379**
RRE(B20)	587	-	-	**587**	587	-	-	**587**
CRE	196,579	-	8,690	**205,270**	196,579	-	8,690	**205,270**
Other Asset	10,797	-	-	**10,797**	10,797	-	-	**10,797**
Total exposure	**1,119,214**	**3,203**	**34,267**	**1,156,683** **	**1,119,214**	**3,203**	**34,267**	**1,156,683** **

BY GEOGRAPHIC LOCATION	Assets (Drawn)	Off-Balance Sheet	Commitment (Undrawn)	Total
Canada				
Ontario	869,486	3,203	31,027	**903,716**
British Columbia	238,016	-	3,240	**241,256**
Other Provinces & Territories	849	-	-	**849**
Others (International)	**10,863**	**-**	**-**	**10,863**
Total exposure	**1,119,214**	**3,203**	**34,267**	**1,156,683**

BY INDUSTRY	Assets (Drawn)	Off-Balance Sheet	Commitment (Undrawn)	Total
By industry				
Consumer loan				
Residential mortgage	751,178	-	-	**751,178**
Other consumer loan	6,345	-	-	**6,345**
Commercial loan				
Manufacturing	26,988	-	-	**26,988**
Service	191,616	-	-	**191,616**
Retail	18,024	-	-	**18,024**
Other commercial	3,104	-	-	**3,104**
Other credit exposures	121,959	3,203	34,267	**159,429**
Total exposure	**1,119,214**	**3,203**	**34,267**	**1,156,683**

BY RESIDUAL CONTRACTUAL MATURITY	Assets (Drawn)	Off-Balance Sheet	Commitment (Undrawn)	Total
By residual contractual maturity				
Within 3 months	157,400	2,943	1,517	**161,860**
3 months to 1 year	161,151	260	20,896	**182,306**
1 to 5 years	798,095	-	11,854	**809,949**
Over 5 years	2,568	-	-	**2,568**
Total exposure	**1,119,214**	**3,203**	**34,267**	**1,156,683**

Table 4. The gross exposure as of December 31, 2023.

(Unit: $000s)

BY EXPOSURE	2023 Before CRM				2023 After CRM			
	Loans	Off-Balance Sheet	Commitments (Undrawn)	Total	Loans	Off-Balance Sheet	Commitments (Undrawn)	Total
By exposure type								
Sovereign	1,533	-	-	**1,533**	9,364	4,925	2,811	**17,100**
SME	20,600	10,889	4,359	**35,847**	4,064	7	2,884	**6,955**
Bank	138,638	-	20	**138,658**	148,950	6,000	182	**155,132**
RR(Revolvers)	103	-	270	**373**	55	-	166	**221**
RR(Others)	364	-	28	**391**	273	-	28	**301**
RR(SBE)	16	43	55	**115**	-	-	55	**55**
NRR	1,673	-	1,394	**3,067**	220	-	-	**220**
ADC	1,700	-	-	**1,700**	1,700	-	-	**1,700**
RRE(General)	489,650	-	-	**489,650**	489,650	-	-	**489,650**
RRE(General - HELOC)	2,518	-	7,407	**9,925**	2,518	-	7,407	**9,925**
RRE(Income Producing)	204,800	-	-	**204,800**	204,800	-	-	**204,800**
RRE(Income Producing - HELOC)	247	-	182	**429**	247	-	182	**429**
RRE(B20)	4,054	-	-	**4,054**	4,054	-	-	**4,054**
CRE	186,866	-	14,033	**200,899**	186,866	-	14,033	**200,899**
Other Asset	12,408	-	-	**12,408**	12,408	-	-	**12,408**
Total exposure	**1,065,171**	**10,932**	**27,747**	**1,103,850 ****	**1,065,171**	**10,932**	**27,747**	**1,103,850 ****

BY GEOGRAPHIC LOCATION	Assets (Drawn)	Off-Balance Sheet	Commitment (Undrawn)	Total
Canada				
Ontario	857,568	430	20	**858,018**
British Columbia	204,871	10,502	27,727	**243,100**
Other Provinces & Territories	138	-	-	**138**
Others (International)	2,593	-	-	**2,593**
Total exposure	**1,065,171**	**10,932**	**27,747**	**1,103,850****

BY INDUSTRY	Assets (Drawn)	Off-Balance Sheet	Commitment (Undrawn)	Total
By industry				
Consumer loan				
Residential mortgage	698,246	-	-	**698,246**
Other consumer loan	5,123	-	-	**5,123**
Commercial loan				
Manufacturing	5,369	-	-	**5,369**
Service	178,232	-	-	**178,232**
Retail	22,475	-	-	**22,475**
Other commercial	3,147	-	-	**3,147**
Other credit exposures	152,579	10,932	27,747	**191,259**
Total exposure	**1,065,171**	**10,932**	**27,747**	**1,103,850****

BY RESIDUAL CONTRACTUAL MATURITY	Assets (Drawn)	Off-Balance Sheet	Commitment (Undrawn)	Total
By residual contractual maturity				
Within 3 months	192,052	4,699	2,772	**199,253**
3 months to 1 year	133,239	6,233	13,582	**153,055**
1 to 5 years	736,602	-	11,393	**747,995**
Over 5 years	3,278	-	-	**3,278**
Total exposure	**1,065,171**	**10,932**	**27,747**	**1,103,850****

***Note**: OSFI has updated Capital Adequacy Guideline in 2023. The revised CAR guideline incorporate the latest and final round of the internationally agreed-upon Basel III reforms into OSFI's related disclosures, resulting in changes of exposure type, such as more risk-sensitive approaches and more granular treatment applies.

****Note**: The number contains exposure to all assets i.e. on-balance sheet, off-balance sheet and undrawn commitments.

*****Note**: Off-Balance Sheet and Undrawn commitments are shown as notional amount.

Note: The Bank has off-balance sheet commitments to extend credit relating to CEBA loans of $552K and $2,720K, as at December 31, 2024 and December 31, 2023, respectively. The Canada Emergency Business Account ("CEBA") loans are funded entirely by the Government of Canada, with the Bank retaining no credit risk. Accordingly, these loans are not recognized on the Bank's balance sheet.

b. Impairment

Impairment is measured as the difference between the recorded value of the loan and its estimated realizable amount, determined by discounting the expected future cash flows at the effective interest rate inherent in the loan at the date of impairment. When the amount and timing of future cash flows cannot be measured with reasonable reliability, either the fair value of any security underlying the loan, net of any expected realization costs, or the observable market price for the loan is used to measure the estimated realizable amount.

A loan that is past due between 1 to 89 days is classified "past due", but not impaired. A loan is considered to be "impaired" when the loan is past due for 90 or more days. As of December 31, 2024, the Bank has one impaired commercial loan with the amount of $367K and two past due residential mortgage loans with the amount of $1,859K.

c. Allowances

The Bank employs a rigorous impairment assessment methodology that encompasses both individual and collective levels. Observable evidence, such as the financial difficulty of borrowers, breaches of contract, and market conditions, serves as the guide to identify impairment. At the core of this methodology lies the three-stage expected credit loss ("ECL") impairment model, which classifies assets based on their credit risk evolution. Assets progress through stages based on evidence of credit deterioration, with each stage dictating the level of loss allowance recognition.

Measurement of ECL

The measurement of ECL is primarily determined by an assessment of the financial asset's Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"). The ECL impairment model measures credit losses using the following three-stage approach based on the extent of credit deterioration on the financial assets since initial recognition.

- In Stage 1 where there has not been a significant increase in credit risk ("SICR") since initial recognition of the financial instrument, a loss allowance is recognized for expected credit losses over the next 12 months.
- For Stage 2 with SICR subsequent to initial recognition but is not considered to be in default, the full anticipated credit losses over the asset's remaining life are recognized.
- Stage 3 considers those financial instruments that have defaulted or expected to default, irrespective of adequacy of collateral. A specific allowance is assessed for such assets.

Forward-looking Information and Integration of Macroeconomic Factors

In evaluating collective allowance, the Bank employs statistical modeling based on historical trends of default probabilities and various macroeconomic factors. Qualitative adjustments or overlays are also finely calibrated to account for management's insights into whether prevailing economic and credit conditions might amplify or mitigate actual losses relative to historical projections. For commercial portfolios, external data on defaults rates, unemployment rate, CPI growth rate and household debt growth rates are factored in the model. Similarly, for residential mortgage portfolios, external data on default rates, GDP growth rates, HPI growth rates and credit liability growth rates are incorporated in the model. For other retail portfolio, external data on default rates, unemployment rate, 5-year bond yields and HPI growth rate are considered in the model.

Multiple Forward-looking Scenarios

The Bank uses forward-looking macroeconomic information available on the public websites. The Bank considers three economic scenarios: Normal, Benign and Adverse scenarios. Normal scenario is based on macroeconomic forecasts released by Schedule 1 Canadian banks. Benign and Adverse scenarios vary relative to our Normal scenario based on possible alternative macroeconomic conditions and management judgement. Each scenario is assigned a probability weighting and these probability-weighted scenarios are incorporated into the measurement of ECL.

Assessment of Expert Credit Judgment ("ECJ")

To augment existing modeling frameworks, ECJ plays a pivotal role in determining the final ECL. In order to factor in the Bank's portfolio characteristic, assessment of ECJ at each reporting date is made to reflect the expected stressed economic scenarios and the adjustment amount is provided on top of ECL as overlay. These adjustments aim to optimize the reliability and supportability of available information, particularly considering the collective nature of the Bank's portfolios.

Conclusion

The Bank's methodology for determining expected credit loss allowances encompasses a meticulous assessment process, integration of forward-looking information, expert credit judgement and adherence to a structured ECL impairment model using three-stage approach. By leveraging these practices, the Bank ensures a comprehensive evaluation of credit risk and maintains prudent provisioning for potential losses.

Table 5. Allowances by geographic area and industry as of December 31, 2024 and December 31, 2023.

(Unit: $000s)

	2024			2023		
	Collective	Individual	Total	Collective	Individual	Total
By geographic location						
Canada						
Ontario	2,795	173	2,968	3,212	473	3,685
British Columbia	834	-	834	646	-	646
Others (Canada)	-	-	-	-	-	-
Others (International)	5	-	5	1	-	1
Total allowance	3,634	173	3,807	3,859	473	4,332

	2024			2023		
	Collective	Individual	Total	Collective	Individual	Total
By Industry						
Consumer loan						
RML	1,687	158	1,845	1,484	-	1,484
Other consumer loan	10	-	10	10	-	10
Commercial loan						
Manufacturing	30	-	30	5	-	5
Service	1,682	15	1,697	2,008	-	2,008
Retail	148	-	148	217	473	690
Other commercial	26	-	26	28	-	28
Other credit exposures	51	-	51	107	-	107
Total allowance	3,634	173	3,807	3,859	473	4,332

	2024			2023		
	Collective	Individual	Total	Collective	Individual	Total
Change in allowance						
Beginning Balance	3,858	473	4,331	3,519	473	3,992
IFRS 9 adoption	-	-	-	-	-	-
Write-offs	-	-473	-473	-	-	-
Recoveries	-	-	-	-	-	-
Charge for impairment	-224	173	-51	340	0	340
Ending Balance	3,634	173	3,807	3,859	473	4,332

7. Credit Risk Mitigation

As part of the Bank's credit risk mitigation approach, the Bank monitors on a regular basis the loan portfolio mix to prevent any concentration of loans to a particular borrower, industry, loan type, or geographic area. The Bank has prudent risk management framework to address the risk arising out of concentration to a single and connected counterparties. The Bank has set limits on Single Entity or Connection exposure limit, Commercial, Residential and Business and Personal Loans, Business for Self, Non GTA/GVA for both Commercial and Residential Loans, Income from Foreign sources, Property type, etc. The Bank employs ongoing monitoring of portfolio quality measures, such as delinquency, score band and risk rating distributions, return assessments, and default levels for tracking credit portfolio performance to align portfolio level credit exposures with the Bank's Risk Appetite Framework thereby maintaining the desired business mix, and preventing undue concentrations of risk. The Bank holds collateral against loans to customers in the form of registered interests over property, other registered securities over assets, and

guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing which were generally conducted by a reputable independent third parties approved by the Bank. The Bank adopts a risk-based approach to determine the frequency & method of inspecting & verifying collateral by considering factors such as type, quality, liquidity, location, volatility, and correlation with the borrower's performance.

The valuation methodology is based on the best industry practices, incorporating Income, Cost, and/or Market approaches in consideration of physical condition and geographical location of collateral. Periodic review and update of the Collateral Valuation Guideline ensures relevance in the evolving market environment. The main types of collateral taken by the Bank are residential properties (single family houses, condominiums, and townhouses), commercial properties (strip plazas, commercial buildings, mixed-use properties, etc.), business chattels, and term deposits held by borrowers.

During COVID-19 pandemic, the Bank offered HASCAP & CEBA loans to help businesses in heavily impacted sectors & offering interest free loans to small businesses & non-profits to cover operational expenses & were 100% guaranteed by government of Canada & are government sponsored programs.

Additionally, the bank regularly evaluates its overall risk appetite, adjusting it as necessary to reflect changing market conditions and business objectives.

Table 6. The credit risk mitigation technique used for the Standardized Approach in 2024 and 2023.

(Unit: $000s)

Exposure Type*	2024
SME	10,300
RR(Revolvers)	71
RR(Others)	140
RR(SBE)	67
NRR	3,053
Total eligible financial collateral	**13,631**

Exposure Type*	2023
SME	9,651
RR(Revolvers)	152
RR(Others)	91
RR(SBE)	59
NRR	2,298
Total eligible financial collateral	**12,252**

*__Note__: OSFI has updated Capital Adequacy Guideline in 2023. The revised CAR guideline incorporate the latest and final round of the internationally agreed-upon Basel III reforms into OSFI's related disclosures, resulting in changes of exposure type, such as more risk-sensitive approaches and more granular treatment applies.

8. Counterparty Credit Risk

Counterparty Credit Risk ("CCR") in the context of Pillar 3 disclosure is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default.

When a business unit does a transaction related to CCR, it confirms that the risk could be managed within the limit approved by the related committee or the Parent Bank before the transaction.

CCR principally arises from foreign exchange swap transactions. As of December 31, 2024, the Bank did not have any exposure at default related to CCR.

9. Market Risk

Market risk is the uncertainty of earnings faced by the Bank as a result of volatility in market factors (i.e., interest rates, currency exchange rates, market liquidity and other asset prices). Market risk events may impact the valuation of investments and the net interest income resulting in an impact on the profit and loss account. The policies approved by the Board for addressing market and liquidity risks are the Liquidity Risk Management Policy, Interest Rate Risk Management Policy and Liquidity Contingency Plan. The Bank's market risk arises from foreign exchange positions stemming from customer FX transactions. As at December 31, 2024, the Bank held $279K of foreign exchange positions. The Bank’s carrying currencies are Canadian Dollar (“CAD”), U.S. dollar (“USD”), Euro (“EUR”), and Korean Won (“KRW”). The greater absolute value between the sum of the Bank's long positions and sum of its short positions in its carrying currencies is used to determine the market risk position.

OSFI CAR guideline (Chapter 9, Eligibility Requirements #2) states that market risk eligibility requirements apply only to internationally active institutions. In addition, Category II SMSBs will be informed by OSFI if the market risk framework is applicable to their institution. Since the Bank is not considered as an internationally active institution and has not been informed by OSFI, the Bank had not considered capital charge for market risk.

Table 7. The components of the Bank’s foreign exchange positions.

(Unit: $000s)

Components	2024	2023
USD Position Amount	2	- 49
CAD/USD Exchange Rate	1.438	1.32
USD Position (CAD Equivalent)	**3**	**- 64**
EUR Position Amount	48	50
CAD/EUR Exchange Rate	1.510	1.464
EUR Position (CAD Equivalent)	**72**	**73**
KRW Position Amount	- 286,387	- 70,217
KRW/CAD Exchange Rate	1,025.69	978.72
KRW Position (CAD Equivalent)	**- 279**	**- 72**
Total Long Position	75	73
Total Short Position	279	136
Maximum Market Position Amount	279	136

10. Operational Risk

Operational risk is the risk of direct or indirect loss arising from people, inadequate or failed internal processes and systems or from external events. It includes legal risk but excludes strategic and reputation risk. The Operational Risk Management Policy, established by the Bank defines the framework adopted for assessing and monitoring operational risks and the overall operating effectiveness of the enterprise-wide internal control environment. Additional policies on Third-party Risk Management, Information Technology, Cybersecurity and Fraud have also been established.

The Board approves and periodically reviews the operational risk management framework and ensures that Senior Management implements the policies, processes and systems of the operational risk management framework effectively at all decision levels. It also approves and periodically reviews the risk appetite and tolerance statement for operational risk that articulates the nature, types and levels of operational risk that the Bank is willing to assume.

The governance structure to manage operational risk as follows:

- The 1st Line of Defense – includes the business lines/operational functions and support areas that acknowledge and manage the operational risk that incurs in conducting their activities.
- The 2nd Line of Defense – includes the oversight functions, Risk Management and Compliance, who objectively identify, measure, monitor and report operational risk on an enterprise basis.
- The 3rd Line of Defense – includes the Internal Audit function that provides independent assessment and report on the effectiveness of the first and second line of defense functions.

The RMD under the supervision of CRO provides oversight over operational risk within the Bank. Operational risk identification, assessment, measurement, monitoring and reporting to the RMC and the Board are done on a quarterly basis. The Bank utilizes various tools such as Risk & Control Self-Assessment ("RCSA"), Operational Risk Event and Loss Data Collection, and Key Risk Indicator ("KRI") to identify and assess inherent risks. Operational risk events along with root cause analysis and corrective action plan implemented, RCSA, KRI & annual BCP results, Third-party SLA breaches and Cybersecurity incidents are reported to the RMC and the Board. For identification and assessment of operational risks in new products/processes, all proposals have to undergo risk review as defined in the Risk review policy. Business line prepares control plan for mitigating the risks identified by the oversight functions.

The Bank has developed and implemented a Business Continuity Plan ("BCP"). This plan is designed to facilitate continuity of mission critical activities in the event of a disaster or an emergency situation. Business Impact Analysis ("BIA") is conducted to determine the Recovery Time Objectives ("RTO") enabling a prudent approach for operational resilience.

The Bank considers operational resilience as one of the key components of effective operational risk management. To align with OSFI Guideline E-21 (Operational Risk Management and Resilience) requirements, the Bank has started strengthening its operational resilience by identifying and assessing critical operations, developing thresholds for the critical operations to withstand disruptions, and testing when tolerances for disruptions would be breached. Critical third-parties are also included in scenario testing.

The Bank follows a risk reduction approach of strengthening its internal controls to mitigate its inherent risk. Additionally, the Bank also transfers its risk through insurance coverage, when possible. The Bank accepts risks, which are within its Risk Appetite Framework.

The Bank implemented the Simplified Standardized approach to measure the capital charge for operational risk. As at December 31, 2024, the average three-year adjusted gross income was $22.95 million as detailed below and as per Simplified Standardized approach followed by the Bank, the capital requirement for operational risk was $ 3.44 million.

Table 8. Capital charge for operational risk as of December 31, 2024 (Simplified Standardized approach).

(Unit: $000s)

Components	Year 1	Year 2	Year 3
	2022.12	2023.12	2024.12
Interest-earning Assets	896,268	1,047,252	1,103,082
2.25% of Interest-earning Assets	20,166	23,563	24,819
NII excluding dividends	20,131	24,327	18,534
Min (2.25% of IEA, NII excluding dividends)	**20,131**	**23,563**	**18,534**
Dividend Income	-	-	-
Fee and Commission Income	2,404	2,099	2,103
Other Income	-	-	-
Net Profit/Loss (Trading Book)	-	-	-
Net Profit/Loss (Banking Book)	-	-	-
AGI, before M&A Adjustment	**22,535**	**25,662**	**20,637**
Adjustment for Mergers, Acquisitions and Divestitures	-	-	-
AGI, after M&A Adjustment	**22,535**	**25,662**	**20,637**

Year 1	Year 2	Year 3	Three-Year Average of AGI	Required Capital Fixed Rate	Capital Charge under SSA	RWA
22,535	25,662	20,637	22,945	15%	3,442	43,021

Table 9. Capital charge for operational risk as of December 31, 2023 (Simplified Standardized approach).

(Unit: $000s)

Year 1	Year 2	Year 3	Three-Year Average of AGI	Required Capital Fixed Rate	Capital Charge under SSA	RWA
16,747	22,535	25,662	21,648	15%	3,247	40,590

Climate Risk Management

Climate risks are dynamic, evolving with the global transition to a net-zero economy. The Bank remains vigilant in monitoring these developments and has recently participated in the OSFI mandated Standardized Climate Scenario Exercise ("SCSE") in 2024-25. The Bank has an appropriate governance & accountability structure in place under the Stress Testing Policy to manage Environmental, Social, and Governance ("ESG") events including climate risk. OSFI Guideline B-15 disclosure requirements are applicable to the Bank with effect from fiscal year-ending 2025. In this regard, the Bank has devised an internal Climate Task Force entrusted with responsibility to deliberate and develop a policy on Climate Risk Management.

11. Interest Rate Risk

Interest rate risk ("IRR") is the risk to earnings or capital arising from movements in interest rates in the banking book. Earnings from interest-sensitive assets and the overall value of the loan and investment portfolios will be impacted by changes in interest rates. IRR arises from differences between the timing of rate changes and the timing of cash flows (re-pricing risk) as well as changing rate relationships across the spectrum of maturities (yield curve risk). The Bank is exposed to on-balance and off-balance sheet assets and liabilities that are sensitive to interest rate fluctuations via maturity mismatch.

Interest rate risk is managed primarily through monitoring interest rate gaps and by having Board approved gap limits. The Bank established the interest rate gap limits that are sufficient to support the normal operations. ALCO is the monitoring body for compliance with these limits and is assisted by the RMD.

Interest rate gap position as of December 31st, 2024:

The gap for any given tenor bucket represents the potential borrowings from, or placements to the markets (internal or external) required due to the earlier of the re-pricing and maturity dates of liabilities or assets. The following table sets out an interest rate gap analysis across various periods:

Table 10. Interest rate risk and book value of each class of asset and liability as of December 31, 2024.

(Unit: $000s)

Time Band	Floating	Within 3 months	3 months to 1 year	Greater than 1 year	Non-rate Sensitive	Total
Assets						
Cash and cash equivalents	7,000	-	-	-	897	7,897
Deposits with regulated financial institutions	-	91,803	-	-	-	91,803
Securities	-	-	-	253	-	253
Loans	495,195	10,527	64,014	435,824	2,226	1,007,786
Other assets	-	-	-	-	5,775	5,775
Sum	502,195	102,330	64,014	436,077	8,898	1,113,514

Time Band	Floating	Within 3 months	3 months to 1 year	Greater than 1 year	Non-rate Sensitive	Total
Liabilities						
Payable on demand	102,285	-	-	-	1,404	103,689
Payable on fixed date	-	235,760	484,407	70,460	-	790,627
Lease liabilities	-	146	393	1,178	-	1,717
Other liabilities	-	20,000	65,000	15,000	21,556	121,556
Sum	102,285	255,906	549,800	86,638	22,960	1,017,589
Total Gap	**399,910**	**(153,576)**	**(485,786)**	**349,439**	**(14,062)**	**95,925**

Further, the Bank supplements monitoring of gap limits by performing interest rate sensitivity analysis to assess the impact of hypothetical interest rate shocks (both parallel and non-parallel shifts) across the yield curve on rate sensitive assets and liabilities. Sensitivity limits are set to control the Bank's interest rate risk exposure from both earnings and economic value perspectives with results of analysis reported to ALCO and the Board on regular basis.

The following Table 11 shows the change in the portfolio's economic value of equity ("EVE") and net interest income ("NII") for upward and downward rate shocks according to management's method for measuring IRRBB as of December 31, 2024 and December 31, 2023.

Table 11. Changes in net interest income and economic value of equity as of December 31, 2024 and December 31, 2023.

(Unit: $000s)

NII Change Scenarios	2024.12	2023.12
Parallel Shocks		
ΔNII under 100 bps Parallel Up Shocks	657	2,313
ΔNII under 100 bps Parallel Down Shocks	(765)	(2,313)
ΔNII under 200 bps Parallel Up Shocks	1,311	4,332
ΔNII under 200 bps Parallel Down Shocks	(1,526)	(4,450)

EVE Change Scenarios	2024.12	% of CET 1 Capital	2023.12	% of CET1 Capital
Parallel Shocks				
ΔEVE under 100 bps Parallel Up Shocks	(4,609)	-4.75%	(3,338)	-3.44%
ΔEVE under 100 bps Parallel Down Shocks	4,468	4.60%	4,125	4.25%
ΔEVE under 200 bps Parallel Up Shocks	(9,291)	-9.57%	(8,208)	-8.46%
ΔEVE under 200 bps Parallel Down Shocks	9,349	9.63%	8,618	8.88%
Non-parallel Shocks				
ΔEVE under Steepener Scenario	(804)	-0.83%	(3,062)	-3.16%
ΔEVE under Flattener Scenario	(1,408)	-1.45%	1,080	1.11%
ΔEVE under Short Rate Up Scenario	(4,863)	-5.01%	(2,196)	-2.26%
ΔEVE under Short Rate Down Scenario	4,752	4.89%	2,195	2.26%

12. Liquidity and Funding Risk

Liquidity and funding risk is the risk when the Bank is unable to obtain sufficient cash or cash equivalents in a timely manner at a reasonable cost to meet its commitments. Maintaining diverse funding sources and liquidity is vital for the Bank's continued operations. These risks arise from various factors, including market disruptions and changes in key funding channels, many of which are beyond the Bank's control. The Bank's aim is to secure sufficient funding both in quantity and duration to fully back customer assets and uphold an appropriate level of cash and high-quality liquid assets even in challenging times to fulfill payment commitments promptly.

Organisational Framework and Policy

The Bank's organizational framework and policy concerning liquidity risk management entail oversight by the Board. The Framework includes Board-approved Liquidity Risk Management Policy, Fund Management Policy, and Liquidity Contingency Plan, delineating risk assessment, operations, and management methodologies to ensure alignment with regulatory and internal limits.

To further fortify its liquidity position, the Bank sets management and board limits exceeding regulatory mandates. These limits, established annually in accordance with the Risk Appetite Framework, are approved by the Board and integrated into the Liquidity Risk Management Framework, subject to monthly monitoring. ALCO oversees liquidity risk including Early Warning Indicators identified in Liquidity Contingency Plan and Liquidity & Funding Risk Parameters adherence to Board approved limits.

The Bank also monitors liquidity risk through liquidity ratios and regulatory reports such as Net Cumulative Cash Flows ("NCCF") and Liquidity Coverage Ratio ("LCR") on a regular basis. The LCR of the Bank as of December 31, 2024 is 159.51%, maintaining over 100% as per regulatory requirement by OSFI.

Liquidity Stress Tests

Liquidity stress testing is conducted regularly to evaluate the Bank's resilience in extreme crisis scenarios. These tests encompass both bank-specific and market-wide stress scenarios to identify potential sources of strain, gauge the impact on funding requirements, and ensure alignment with the Bank's established liquidity and funding risk parameters. The results of liquidity stress tests, along with liquidity limits, are submitted to and reviewed by RMC and the Board.

The primary objective of liquidity risk management is to uphold the ability even in adverse conditions to meet all liability repayments and fund investment opportunities promptly and affordably. This involves raising adequate funds either by augmenting liabilities or converting assets into cash swiftly and at a reasonable cost.

13. Regulatory Compliance Risk

OSFI released the Integrity and Security Guideline ("I&S Guideline") on January 31, 2024. This new guidance focuses on federally regulated financial institutions ("FRFIs") acting with integrity and securing themselves against diverse threats, including foreign interference, malicious activity and undue influence.

As required by OSFI, the Bank has reviewed its business operations against OSFI expectations for the integrity and security of the Bank, including protection against foreign interference. This has been ensured by the Bank through the establishment, implementation, maintenance, and adherence to adequate policies and procedures to protect against threats to integrity and security, including foreign interference. During the past year, the Bank completed a documented assessment of existing policies and procedures against expectations set out in the I&S Guideline, and the gaps that had been identified were promptly addressed by the January 31, 2025 deadline, ensuring that the effectiveness of the Bank's policies and procedures are demonstrable and will be assessed on a periodic basis.

The Bank's compliance and commitment under I&S Guideline, is based on the likelihood that integrity is increased by (i) ensuring that senior leaders (i.e. the Board and Senior Management) demonstrate integrity through their words, actions and decisions; (ii) promoting a culture that encourages ethical behavior, and is deliberately shaped, evaluated and maintained; (iii) requiring effective oversight of Senior Management, clear communications of expectations, and regular monitoring of compliance with codes of conduct and conflict of interest policies and procedures that are assessed for effectiveness and reviewed and updated periodically; and (iv) maintaining an effective, bank-wide Regulatory Compliance Management ("RCM") Framework that addresses, actions, behaviours, and decisions against compliance requirements which provide for effective channels to raise concerns over non-compliance and also provides for constructive feedback.

The Bank's threat landscape emphasizes security considerations related to third parties and to the implementation of protective measures for physical premises, personnel, technology assets, and sensitive data. Existing policies & procedures are designed to align with OSFI Guidelines and are periodically reviewed to ensure compliance with regulatory updates and evolving expectations, particularly in relation to the I&S guideline.

14. Remuneration

a. General

The Bank's remuneration program is to compensate its employees at an adequate level that is internally fair and externally competitive in order to attract and retain skilled workforces. The Bank's remuneration practices are to actively reflect its management strategies and objectives and to promote a performance-oriented environment through an effective motivation and reward platform for the employees.

While the remuneration practices must consider the performance goals, they must also consider the risk appetite that is determined by Senior Management. Senior Management refers to the executive level employees who are responsible for making decisions on major risk-related or management-related issues. They are the material risk-takers of the Bank.

As of December 31, 2024, there were 14 employees considered to be Senior Management of the Bank, and they are as follows:

- President & CEO: 1
- Vice Presidents (CXO level): 9
- Other VP's, Branch Managers: 4

The amount of inherent risk may differ due to the nature of work each of them is responsible for, but the Bank has its Risk Appetite Framework in place to limit the amount of risk they can take.

b. Responsibilities of the Board of Directors

The Board oversees and is ultimately responsible for the remuneration of the Bank's employees. As of December 31, 2024, there were 8 members on the Board. Five of the Board members were independent non-executive directors, selected and appointed based on their qualifications and relevant experiences.

Concerning remunerations for Senior Management, the Directors of the Bank:

- Establish a remuneration structure under the guidance of the remuneration policy of the Parent Bank for the expatriates and Canadian practices for all other employees;
- Ensure the remuneration practices are arranged in line with the Bank's management objectives and risk appetite; and
- Monitor and review the remuneration system annually to ensure it operates as intended.

The Bank has the Human Resources Policies and Procedures, which address remuneration policies for all employees, and the Human Resources & Organizational Development department regularly reviews the compensation structure so that it operates as intended, as indicated above.

Compensation across the Bank including for Senior Management was reviewed and increases were approved by the Board effective February 27, 2024 in order to move our compensation closer to the market and to retain good talent. Further, we continued to benchmark our compensation against the market during the year to stay competitive.

c. Annual Performance Review and Base Salary Review

A key goal for the Bank's annual Performance Management Program is to maintain a competitive position within the market by providing Senior Management with the opportunity to adjust their base salary and receive a performance bonus.

Merit increases are tied to the employee's performance of their role and are evaluated annually based on pre-established standards. The performance evaluation is based on key metrics set by the Board through mandates (where appropriate), the Bank's Strategic Plan, Departmental goals, as well as from global targets by the Parent Bank. These targets are directly linked to the performance of the Bank and are specific and

relevant to each business unit and are individually measurable toward the employee's performance evaluation. These metrics are set at the beginning of each year. In FY2024, the Board has approved a goal-based performance management system that aligns with the goals of the Bank and also evaluates competencies such as a risk mindset, driving a compliance culture and ensuring an audit-ready environment.

Table 12. The total value of remuneration awarded to Senior Management for 2024 and 2023.

(Unit: $000s)

Remuneration	2024	2023
Fixed remuneration		
Salary, allowance, and defined contribution pension plan	2,711	2,724
Variable remuneration		
Performance-based incentives	342	431
Total	**3,053**	**3,156**

* The Table 12. in 2024 Pillar 3 Report incorporates expatriate profit-sharing and incentive payment information for both 2023 and 2024 which was not included last year.

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