Basel III Pillar 3
Disclosures

December 31, 2023

Basis of Preparation

These Basel III Pillar 3 disclosures (the "**Disclosures**") are prepared pursuant to the Office of the Superintendent of Financial Institutions ("**OSFI**") regulatory requirements and are based on the global standards that have been established by the Basel Committee on Banking Supervision ("**BCBS**"). The amounts disclosed in this document are as of December 31, 2023 and unaudited. The figures were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and the accounting requirements specified by OSFI, and reflect where necessary, management's best estimates and judgments.

Specifically, this report provides qualitative and quantitative disclosures relating to Wealth One Bank of Canada's Basel III Pillar 3 regulatory capital, lending portfolio, and residential mortgage underwriting practices and procedures as per OSFI B-20 Guideline.

Nature of Operations

Wealth One Bank of Canada (the "**Bank**" or "**WealthONE**") is a federally regulated Schedule I chartered bank under the regulatory supervision of OSFI. Operations of the Bank commenced in September 2016.

The Bank specializes in alternative residential mortgages, commercial mortgages, and personal loans secured by insurance policies. The Bank takes deposits from across the country and lends to customers in all provinces (except Quebec). WealthONE offers its products or services in Canadian dollars only. The Bank is domiciled in Canada, with its registered office located at 18 King Street East, Suite 1002, Toronto, Ontario.

The Bank is not considered a Domestic Systemically Important Bank ("**D-SIB**") by OSFI.

Governance

The Board of Directors (the "**Board**") is responsible for establishing the overall strategy and objectives of the Bank and its overall risk appetite. The Risk Appetite Statement ("**RAS**") addresses the limits of the risks that the Bank assumes and its conduct with respect to its stakeholders. The Bank's strategies and the management of its risks are supported by the Enterprise Wide Risk Management ("**ERM**") framework which includes policies, management standards, and guidelines for each Bank risk category. ERM involves the Board of Directors, the committees of the Board, senior management, and other employees to identify, measure, manage and monitor risks. At all levels of the Bank, ERM is applied in defining strategies and setting goals, helping to ensure that these can be accomplished within the Bank's defined risk appetite.

The ERM is applied on an enterprise-wide basis and consists of four key elements:

- Risk Management Culture
- Risk Governance
- Risk Appetite
- Risk Management Tools

The ERM is predicated on the Three-Lines-of-Defence model. Within this model, functional business line staff and management (the first line) incur and own the risks, while Risk Management and other control functions (the second line) provide independent oversight and objective challenge to the first line of defence, as well as monitoring and control of risk management. The Internal Audit function (the third line) provides assurance that control objectives are achieved by the first and second lines of defence.

First Line of Defence

The First Line of Defence is represented by the business units. Business units and support areas maintain responsibility for identifying and managing risk and compliance matters relevant to their areas of control and ownership. At the Bank, the First Line of Defence includes Finance, Treasury, Underwriting, Marketing, Operations, IT, and Human Resources.

The First Line of Defence maintains ownership and responsibility over the risks that arise within their areas of accountability. Business unit managers incorporate risk management and compliance as an integral part of their planning and day-to-day activities.

With respect to ERM, the First Line of Defence is responsible for:

- Owning the risks associated with their business activities;
- Exercising business judgement to evaluate risk;
- Ensuring all activities are within the Bank's risk appetite and risk management policies;
- Identifying and assessing the inherent risks within their respective business units based on likelihood and impact;
- Developing, documenting, and implementing internal control procedures within their departments;
- Ensuring that risk management controls, procedures and compliance are fully integrated into the day-to-day activities and operating practices of their units;
- Continually testing and evaluating internal controls to ensure they are operating effectively;
- Ensuring departmental processes, procedures and resources are sufficient and appropriate for managing the risks within their areas of responsibility; and
- Ensuring timely and accurate escalation and remediation of material risk events.

Second Line of Defence

The Second Line of Defence consists of the oversight functions that independently identify, measure, monitor and report risk on an enterprise basis. Within the Bank the oversight functions include Risk Management and Compliance.

The oversight functions are independent of the business units and report directly to a Committee of the Board (Chief Risk Officer ("**CRO**") to the Risk Committee ("**RC**") and the Chief Compliance Officer ("**CCO**") to the Governance, Conduct Review and Human Resources Committee ("**GCRHRC**")). Collectively these functions also report administratively to the Chief Executive Officer ("**CEO**").

Risk Management has the primary responsibility for overseeing and coordinating all risk functions for the enterprise including the design and implementation of the Bank's Risk Management Framework. Compliance is responsible for overseeing and coordinating compliance activities at the Bank including regulatory compliance, anti-money laundering programs, privacy programs and other legislative/regulatory requirements.

With respect to ERM, the Second Line of Defence is responsible for:

- Independently facilitating and monitoring the implementation of effective risk management practices;
- Policy development, measurement & reporting, limits & controls, and oversight & monitoring;
- Providing objective challenge to the first line of defence;
- Providing training, tools, and advice to support policy development and compliance;
- Identifying, assessing, measuring, and monitoring the risks in their areas of responsibility within the First Line of Defence;

- Providing expert advice to the First Line of Defence where specialist knowledge may be required (i.e., legal advice, interpretation of requirements, engaging third party experts, etc.[1]);
- Providing effective and independent challenge to the First Line's assessment of inherent risk, control effectiveness and management practices[2];
- Developing appropriate policies, processes, and procedures to ensure appropriate oversight, monitoring, and reporting of the Bank's risk exposures and compliance practices;
- Conducting periodic testing of the business unit's implementation of its risk management programs and compliance practices, along with verification of key information provided in management reports;
- Ensuring timely and accurate escalation of material risk and compliance events; and
- Monitoring progress on the remediation of identified risk deficiencies.

Third Line of Defence

Internal Audit represents the Third Line of Defence and reports directly to the Audit Committee ("**AC**") of the Board and administratively to the CEO. The core responsibility of Internal Audit is to provide an independent and objective assessment of the adequacy of the Bank's enterprise risk management and compliance programs and the effectiveness of its internal controls.

With respect to ERM, Internal Audit is responsible for:

- Independent monitoring and oversight;
- Developing an audit plan, using a risk-based approach to determine areas of focus; scheduling engagements on a rotational basis, while engaging outside experts when required;
- Evaluating the design of the Bank's policy, governance, and internal control frameworks;
- Assessing the adequacy of risk management, compliance, financial and management reporting policies, processes and procedures;
- Testing the level of compliance with the rules, regulations, and policies applicable to the business, along with the effectiveness of underlying internal controls; and
- Reporting findings and recommended action plans for remediation to Senior Management, the Audit Committee, and the Board.

In carrying out its duties, Internal Audit will also provide an independent evaluation of the second line of defence, including but not limited to:

- Testing the adherence and operating effectiveness of second line functions to their established mandates as set by the Board and independent Board committees they report to;
- Assessing the suitability of the overall approach to risk management and compliance, given the size, complexity, and overall risk profile of the Bank; and
- Evaluating the appropriateness and quality of independent challenge provided by second line functions to first line business units.

[1] In providing advice, the oversight functions are not assuming responsibility for or managing the risks. The risks remain with the business units.

[2] Independent Challenge means developing an independent view regarding the quality and sufficiency of the business unit's risk management activities, including the identification and assessment of risks; identification and assessment of controls, risk response (e.g., acceptance, transfer, or mitigation), quality and frequency of monitoring and report activities and management of deficiencies.

Board Level Committees

To assist in exercising its responsibilities, the Board has established four standing committees: the Audit Committee (“**AC**”), the Risk Committee (“**RC**”), the Governance, Conduct Review and Human Resource Committee (“**GCRHRC**”), and the Credit Review Committee (“**CRC**”).

In addition to the four standing committees, the Board may, from time-to-time form ad hoc/special committees to accomplish specific objectives that do not fall naturally within the mandates of any of the standing committees. Ad hoc committees are dissolved once their objectives have been met.

Each committee has a written mandate approved by the Board that sets out its responsibilities and qualifications for committee membership under applicable laws and regulations. The GCRHRC reviews the committee mandates at least annually to ensure appropriate allocation of responsibilities. The committees regularly review and assess the adequacy of their own mandates to ensure that regulatory requirements and best practices are reflected and may recommend changes over time for approval by the Board.

Committees meet as required to consider matters brought to it for consideration by Management or at the request of the Board. All meetings are minuted and available for review. Standing committee composition is recommended annually by the GCRHRC and approved by the Board. Participation on ad hoc committees is by resolution of the Board at the time the committee is formed. Following each meeting, the committee Chair reports to the Board verbally and in writing on the committee’s activities and makes such recommendations as are deemed appropriate in the circumstances.

Each committee assesses its effectiveness annually to ensure that it has effectively fulfilled its responsibilities as set out in its mandate. The Chair of each committee, in consultation with the committee members and senior management, develops work plans for the year, which provide a thematic view of the forward agenda and are intended to focus the committee on the most important aspects of its mandate with sufficient frequency.

Governance, Conduct Review and Human Resources Committee

The GCRHRC acts as the nominating committee responsible for recommending to the Board individuals qualified to become directors. The GCRHRC also oversees the Board’s evaluation process for approving directors. The GCRHRC is responsible for advising the Board in applying governance principles, monitoring developments in corporate governance, and adapting best practices to the needs and circumstances of the Bank. The GCRHRC also considers and recommends to the Board candidates for CEO and, in consultation with the CEO, for such other senior executive management roles as the Board may request from time to time.

The GCRHRC fulfills the role of a conduct review committee for the Bank as required by the Act. In this capacity, the GCRHRC ensures that management has established practices and procedures relating to self-dealing and personal loans as required by the Act. It monitors procedures to resolve conflicts of interest, reviews and approves the Bank’s Code of Conduct and obtains assurances that the Bank has processes in place to ensure adherence to the Code.

The GCRHRC also acts as the compensation committee of the Board. In this capacity, the GCRHR Committee is responsible for advising the Board on succession planning, compensation, and human resources policies and practices. The GCRHRC evaluates the annual performance of the CEO against Board approved goals and objectives and provides recommendations to the Board for CEO compensation in line with market best practices. In addition, the GCRHRC will also make recommendations to the Board on the compensation of other senior executive management personnel and its directors. The GCRHRC also reviews executive talent development strategies, succession plans for key senior leadership roles and readiness of the Bank’s executive talent to deliver the Bank’s strategic goals annually.

Finally, the GCRHRC oversees all compliance activities of the Bank ensuring that management has appropriate policies, processes, and procedures in place to ensure the Bank remains in compliance with its regulatory requirements. The GCRHRC regularly reviews and recommends to the Board for approval, compliance policies significant to the Bank, including but not limited to the Regulatory Compliance Policy, the Anti-Money Laundering Policy, and the Privacy Policy. The GCRHRC also assists the Board in its oversight of the effectiveness and independence of the Bank's Compliance function.

Audit Committee

Management of the Bank is responsible for the preparation, presentation, and integrity of its financial statements and for maintaining appropriate internal controls over financial reporting to ensure compliance with IFRS, along with applicable laws and regulations. The external auditor is responsible for planning and carrying out, in accordance with applicable professional standards, an audit of the annual financial statements. The AC's purpose is to review the adequacy and effectiveness of these activities and to assist the Board in its oversight of:

- The integrity of the Bank's financial statements;
- The external auditors' qualifications, independence, and performance;
- The effectiveness and independence of the Bank's Internal Auditor; and
- The adequacy and effectiveness of financial controls.

Each member of the Audit Committee must be independent and "financially literate" within the meaning of the rules of the Canadian Securities Administrators ("**CSA**") relating to audit committees. In accordance with applicable regulatory requirements at least one member must have accounting or related financial management expertise, as the Board interprets such qualification in its business judgment.

Risk Committee

The Risk Committee is responsible for overseeing risk management at the Bank, balancing risks and rewards while ensuring that management has in place policies, processes and procedures designed to identify and effectively manage the significant capital, liquidity, credit, and operational risks to which the Bank is exposed. Annually, the RC reviews and recommends to the Board for approval the Bank's RAS and other key risk related policies involving capital, liquidity, credit, and operational risk matters. The RC also assists the Board in its oversight of the effectiveness and independence of the Bank's risk management function.

Credit Review Committee

The Credit Review Committee adjudicates all credit transactions outside of the limits delegated to management of the Bank and within the authorities granted to the CRC by the Board and monitors the portfolio.

The Board has delegated day-to-day responsibility for the execution of the Bank's operating and strategic plan to the CEO. Such delegation ensures a clear separation between the roles and responsibilities of the Board and Senior Management that fosters an environment that is open, transparent, and accountable. The CEO functions within a mandate approved annually by the Board and within limits set out in various documents including the Delegated Lending Authority, Delegated Spending Authority and Banking Resolution.

Management Level Committees

Senior Management Committee ("SMC")

The SMC is the senior leadership team of the Bank, responsible for day-to-day management of the Bank and the achievement of organizational objectives in accordance with Board approved operating and strategic plans. The Committee is comprised of the CEO, its direct reports, and heads of control functions. The SMC works with the Board to assist it in defining organizational objectives; managing risks; setting operating plans, and corporate strategies; along with reviewing significant policies.

There are eight Management Committees established by the CEO for managing the significant risks inherent to the Bank, consisting of the ERM Committee, Credit Committee, Operational Risk Committee, Compliance Committee, Climate Risk Committee, Enterprise Wide Data Privacy and Security Council, Asset Liability Management Committee ("**ALCO**") and Treasury Management Team ("**TMT**"). These Committees operate within a Mandate approved by the CEO. Their purpose is to provide support to the CEO in executing his mandate, while ensuring all senior management is informed of and engaged, to act collectively to close gaps, and in some instances, make decisions that are beyond the limits set for management by the CEO. These Committees hold regular monthly meetings and/or on an ad hoc basis as situations arise. Generally, the mandates of the various committees are as follows:

ERM Committee	• Responsible for providing executive oversight and direction of all enterprise wide risk management activities for the Bank, including but not limited to:
	  ○ Reviewing risk management policies and recommending such for approval by the Board;
	  ○ Review and approval of risk management procedures and standards;
	  ○ Reporting of key risk metrics and trending against the Bank's approved RAS; and
	  ○ Discussing emerging risk trends and directing action relating to risk management and compliance activities for the Bank

Credit Committee	• Opines on transactions that are in excess of credit risk limits provided to management. • Operates as a sub-committee of the ERM Committee.
Operational Risk Committee	• Responsible for overseeing the operational risk of the Bank, including but not limited to, IT and Cybersecurity risk management. • Operates as a sub-committee of the ERM Committee.
Climate Risk Committee Mandate	• Responsible for providing executive oversight and direction over Climate Risk activities for The Bank. • Operates as a sub-committee of the ERM Committee.
Compliance Committee	• Forum where the CCO formally reports on the Bank's compliance activities including any legal and regulatory requirements imposed by various governments, governmental agencies, and regulatory bodies having jurisdiction over the affairs of the Bank. • Operates as a sub-committee of the ERM Committee.

Enterprise Data Privacy and Security Council	• Responsible for providing executive oversight and direction over the Bank's data privacy and security standards & practices.
ALCO	• Responsible for providing executive oversight and direction for liquidity risk, interest rate risk, and market risk, along with asset-liability management activities. • Meets formally, monthly, to discuss balance sheet management, capital, liquidity, market & interest rate risks, business trends and other relevant areas included in its mandate.
TMT	• Operates as a sub-committee of ALCO. • Meets informally, on a weekly basis, in between ALCO meetings, to discuss balance sheet management, capital, liquidity, market & interest risks, business trends and other relevant treasury related topics.

Capital Structure and Capital Adequacy

The Bank's key capital and leverage metrics, as of December 31, 2023, are outlined below.

KM1: Key Capital and Leverage metrics

	(Millions of Canadian dollars)	a December 31 2023	b September 30 2023	c June 30 2023	d March 31 2023	e December 31 2022
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	64,503	68,040	72,030	74,258	77,323
2	Tier 1	64,503	68,040	72,030	74,258	77,323
3	Total capital	65,202	68,684	72,593	74,890	77,905
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	293,654	293,489	291,030	285,287	292,741
4a	Total risk-weighted assets (pre-floor)	293,654	293,489	291,030	285,287	292,741
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	22.0%	23.2%	24.7%	26.0%	26.4%
5b	CET1 ratio (%) (pre-floor ratio)	22.0%	23.2%	24.7%	26.0%	26.4%
6	Tier 1 ratio (%)	22.0%	23.2%	24.7%	26.0%	26.4%
6b	Tier 1 ratio (%) (pre-floor ratio)	22.0%	23.2%	24.7%	26.0%	26.4%
7	Total capital ratio (%)	22.2%	23.4%	24.9%	26.3%	26.6%
7b	Total capital ratio (%) (pre-floor ratio)	22.2%	23.4%	24.9%	26.3%	26.6%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
11	Total of bank CET1 specific buffer requirements (%) (row 8)	2.5%	2.5%	2.5%	2.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements (row 5 - 7.0%) (%)	15.0%	16.2%	17.7%	19.0%	19.4%
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	621,799	624,377	625,844	644,088	656,847
14	Basel III leverage ratio (row 2 / row 13)	10.4%	10.9%	11.3%	11.5%	11.8%

The Board has developed and approved a Capital Management Policy ("**CMP**") in accordance with the Board approved RAS. The CMP addresses minimum regulatory capital requirements as prescribed by regulators and internal capital targets as per the RAS, which allows for the appropriate allocation of capital to meet the Bank's strategic goals. The CMP governs the quantity and quality of the Bank's capital. The CMP dictates that adequate capital be maintained by the Bank.

Adherence to the CMP ensures that the Bank has sufficient capital to maintain its operations based on current activities, expected future business developments and the possibility of various disruptive or adverse scenarios based on the Bank's stress testing program. Such stress testing scenarios include periods of economic downturn, credit stress, operational risk events, material changes to interest rates and asset repricing. In addition, in accordance with the Bank's annual strategic planning and Internal Capital Adequacy Assessment Process ("**ICAAP**"), a 3-year financial forecast is prepared and provides guidance as to the type and extent of capital that will be required over the forecast period.

The overall objective of capital management is to ensure that the Bank has sufficient capital to maintain its operations based on current activities and expected future activities and to provide a return to its shareholders commensurate with the risk of the business.

The Bank's ALCO ensures adherence to the CMP, at least monthly, while the RC monitors capital management in accordance with the CMP.

The Bank uses the annual ICAAP to determine the quantity and quality of capital required to conduct its business activities. In preparing the ICAAP, the high-risk areas established in the ERM framework, and the RAS are subject to stress testing which incorporates assumptions established in the annual strategic planning process. The results of stress tests help to determine the quantum of capital required to enable management and the Board to set capital levels appropriate to the risk appetite per the RAS. The RC is responsible for reviewing capital management plans recommended by management. The ICAAP is reviewed by the RC and approved by the Board.

The Bank's capital resources consist of common shares. As of December 31, 2023, the Bank had 165,112,516 common shares issued and outstanding.

The Bank's regulatory capital requirements are specified by OSFI guidelines. These requirements are consistent with the framework of risk-based capital standards developed by the BCBS and are referred to as Basel III. The Bank complies with Basel III capital requirements as required by OSFI.

The Bank's composition of regulatory capital as of December 31, 2023 is outlined below.

CC1: Composition of Capital

The following table provides details of our regulatory capital and required regulatory adjustments under OSFI's CAR guidelines.

Composition of Capital Template (Millions of Canadian dollars, except percentage and otherwise noted)		Q4/23	Q3/23	Q2/23	Q1/23	Q4/22
	Common Equity Tier 1 capital (CET1): Instruments and Reserves					
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	131,486	131,486	131,486	131,486	131,486
2	Retained earnings	(66,819)	(63,247)	(59,207)	(56,964)	(53,748)
3	Accumulated other comprehensive income (and other reserves)	(10)	(28)	(55)	(58)	(191)
6	**Common Equity Tier 1 capital before regulatory adjustments**	**64,657**	**68,211**	**72,224**	**74,464**	**77,547**
28	**Total regulatory adjustments to Common Equity Tier 1**	**154**	**171**	**194**	**206**	**224**
29	**Common Equity Tier 1 capital (CET1)**	**64,503**	**68,040**	**72,030**	**74,258**	**77,323**
36	**Additional Tier 1 capital before regulatory adjustments**	-	-	-	-	
43	**Total regulatory adjustments to Additional Tier 1 capital**	-	-	-	-	-
44	**Additional Tier 1 Capital (AT1)**	-	-	-	-	-
45	**Tier 1 capital (T1 = CET1 + AT1)**	**64,503**	**68,040**	**72,030**	**74,258**	**77,323**
	Tier 2 Capital: Instruments, Provisions and Regulatory Adjustments					
50	Collective allowances	699	644	563	632	582
51	**Tier 2 capital before regulatory adjustments**	**699**	**644**	**563**	**632**	**582**
57	**Total regulatory adjustments to Tier 2 capital**	-	-	-	-	-
58	**Tier 2 capital (T2)**	**699**	**644**	**563**	**632**	**582**
59	**Total capital (TC = T1 + T2)**	**65,202**	**68,684**	**72,593**	**74,890**	**77,905**
60	**Total risk-weighted assets**	**293,654**	**293,489**	**291,030**	**285,287**	**292,741**
	Capital ratios					
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	22.0%	23.2%	24.7%	26.0%	26.4%
62	Tier 1 (as a percentage of risk-weighted assets)	22.0%	23.2%	24.7%	26.0%	26.4%
63	Total capital (as a percentage of risk-weighted assets)	22.2%	23.4%	24.9%	26.3%	26.6%
	OSFI target					
69	Common Equity Tier 1 target ratio	7.0%	7.0%	7.0%	7.0%	7.0%
70	Tier 1 capital target ratio	8.5%	8.5%	8.5%	8.5%	8.5%
71	Total capital target ratio	10.5%	10.5%	10.5%	10.5%	10.5%

Risk-Weighted Assets

The Bank's risk-weighted assets include all on-balance sheet assets weighted for the risk inherent in each type of asset and an operational risk component based on a percentage of average risk-weighted revenues. The bank follows the Basel III standardized approach for credit risk for all on-balance sheet assets and the simplified standardized approach for operational risk.

The Bank's investment securities portfolio is governed by an Investment Management Policy and may consist of bank notes, government and provincial debt securities, corporate debt securities and securitized instruments. The Bank can only invest in securities with approved counterparties with external short-term and long-term credit ratings of investment grate or better from globally recognized credit rating agencies. Portfolio concentrations by term and risk are set and managed to the Bank's RAS for portfolio duration and credit risk. Investment securities have risk-weightings ranging from 0% to 50% based on the credit rating. Loans receivable consists of residential mortgages, secured loans and commercial mortgages.

The Bank's risk-weighted assets, as of December 31, 2023 are outlined below.

WealthONE BANK OF CANADA

RWA: Risk-Weighted Assets by Risk Type

The following table provides details of our risk-weighted assets by type of risk.

TOTAL CAPITAL RISK-WEIGHTED ASSETS [1] (Millions of Canadian dollars, except percentage and per share amounts)	Q4/2023 Risk-weighted assets All-in Basis			Risk-weighted assets All-in Basis			
	Exposure [2]	Average of risk weights [3]	Standardized Approach [4]	Q3/2023 Total	Q2/2023 Total	Q1/2023 Total	Q4/2022 Total
Credit risk [4]							
Lending-related and other							
Residential mortgages	412,876	36%	150,197	147,257	142,566	138,209	137,683
Other retail (Personal, Credit cards and Small business treated as retail)	58,490	99%	57,768	60,973	69,313	58,565	64,946
Business (Corporate, Commercial, Medium-sized enterprises and Non-bank financial institutions)	60,480	85%	51,672	52,908	54,984	63,018	62,655
Sovereign (Government)	31,926	0%	-	-	2,017	-	-
Bank	52,847	20%	10,569	10,698	3,125	7,565	9,877
Total lending-related and other	**616,619**	**44%**	**270,206**	**271,836**	**272,004**	**267,356**	**275,161**
Other assets	6,033	97%	5,879	4,458	3,310	4,030	4,990
Total credit risk	**622,652**	**44%**	**276,085**	**276,294**	**275,314**	**271,386**	**280,151**
Operational risk [5]			**17,569**	**17,195**	**15,716**	**13,901**	**12,590**
Total risk-weighted assets (RWA)	**622,652**	**47%**	**293,653**	**293,489**	**291,030**	**285,287**	**292,741**

[1] Calculated using OSFI CAR guidelines for Category 2 institutions.

[2] Total exposure represents exposure at default (EAD) which is the expected gross exposure upon the default of an obligor. This amount excludes any allowance against impaired loans or partial write-offs and does not reflect the impact of credit risk mitigation.

[3] Represents the average of counterparty risk weights within a particular category.

[4] For credit risk, our entire portfolio uses the Standardized Approach.

[5] For operational risk, we use the simplified Standardized Approach

Leverage Ratio

The Bank fully applies the Basel III deductions to calculate the leverage ratio as per OSFI's Leverage Requirements Guideline. The Bank's leverage ratio position under Basel III leverage requirements as of December 31, 2023 are outlined in Appendix A.

LR2: Leverage ratio common disclosure template

The following table presents a detailed breakdown of the components of our leverage ratio. Maintaining a prescribed minimum level of leverage helps neutralizes leverage risk in the event of unexpected economic crises. OSFI requires maintenance of a minimum leverage ratio of 3% at all times.

LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE[1] (Millions of Canadian dollars, except percentages)		Q4/2023	Q3/2023	Q2/2023	Q1/2023	Q4/2022
	On-balance sheet exposures					
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures, but including collateral)	614,169	614,416	615,890	636,361	649,942
4	(Asset amounts deducted in determining Basel III Tier 1 capital)	154	171	188	206	224
5	**Total on-balance sheet exposure (excluding derivatives and SFTs)**	**614,015**	**614,245**	**615,701**	**636,155**	**649,718**
	Derivatives exposures					
11	**Total derivative exposures (sum of lines 6 to 10)**	**-**	**-**	**-**	**-**	**-**
	Securities financing transaction exposures					
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**-**	**-**	**-**	**-**	**-**
	Other off-balance sheet exposures					
17	Off-balance sheet exposures at gross notional amount	65,594	76,374	82,457	71,284	65,374
18	(Adjustments for conversion to credit equivalent amounts)	(57,810)	(66,242)	(72,315)	(63,352)	(58,244)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**7,784**	**10,132**	**10,142**	**7,932**	**7,130**
	Capital and Total Exposures					
20	**Tier 1 capital**	**64,503**	**68,040**	**70,781**	**74,258**	**77,322**
21	**Total Exposures (sum of lines 5,11,16 and 19)**	**621,799**	**624,377**	**625,844**	**644,088**	**656,848**
	Leverage ratio					
22	**Basel III leverage ratio**	**10.4%**	**10.9%**	**11.3%**	**11.5%**	**11.8%**

[1] Based on OSFI's LR guideline effective Q2 2023.

The Leverage Ratio is a non-risk ratio intended to act as a supplementary measure to the risk-based capital requirements. The Leverage ratio is calculated by dividing Tier 1 capital by total exposures.

Risk Management

Effective risk management requires clear articulation of the Bank's risk appetite and how the Bank's risk profile will be managed in relation to that. The Bank's RAS is the primary means used to communicate how the Bank defines risk and determines the risks it is willing to take. In defining its risk appetite, the Bank considers its vision, strategy, and capacity to bear risk. The guiding principles for the Bank's RAS are as follows:

The Bank assumes risks required to meet its strategic objectives, provided those risks:

- Fit the Bank's strategy and can be understood and managed;
- Do not expose the Bank to any significant single loss events; and
- Do not risk harming the Bank's reputation.

The Bank considers current conditions and the impact of emerging risks in developing and applying its risk appetite. Adherence to the risk appetite is managed, controlled, and monitored across the Bank through a broad collection of principles, policies, guidelines, standards, processes, reporting and stress testing programs.

The following risk categories are generally inherent to banks as a regulated financial intermediary.

Strategic Risk

Generally, strategic risk is an inherent risk for any commercial enterprise and can be described as risk stemming from the selection of strategies that may be poorly conceived, or inappropriate for the organization, or where the enterprise is unable to execute upon its strategy. Strategic Risk for a bank may result in unexpected losses arising from cost overruns, outsized risk events or missed revenue expectations and in turn may lead to Capital Risk as described below. Further, the consequences of strategic risk may lead to a bank incurring any or all the other risks described herein.

Capital Risk

Capital for a bank can be defined as shareholder contributions through common and preferred shares, retained earnings, subordinated debt and certain types of reserves. Capital is required by regulators to act as a protective buffer to depositors from losses incurred by the bank. Regulators impose strict minimum amounts in form and type of capital on banks. In addition, regulators require banks to develop and maintain rigorous capital planning regimes to ensure that minimum capital amounts are maintained through normal and stressed operating conditions. A breach of the regulatory minimums may result in severe regulatory sanctions.

Liquidity Risk

Liquidity Risk is defined as the possibility the Bank will be unable to maintain or generate sufficient cash, in a timely manner, to meet its commitments as they come due. Funding and liquidity risk can occur due to mismatches in portfolio duration and the timing of cash flows on assets and liabilities, along with the Bank's reliance on the issuance of deposits as its major source of funding. The Bank has created policies and procedures and meets regularly through ALCO and TMT as outlined above to ensure that cash flows from different funding sources are forecasted and monitored on a timely basis. It also maintains sufficient liquid assets as a buffer to fund its loan commitments, operations, deposit maturities and interest payments should an unexpected funding shortfall arise.

The Bank sources approximately 65% of its deposits through deposit brokers, with the remainder originated directly to customers. Currently, 95% of all deposits are CDIC insured. The Bank's access to deposits depends upon several factors including access to third-party deposit platforms, interest rates offered by competing lenders, economic conditions, and regulatory requirements. The broker network, supplemented by a growing direct deposit business is expected to have more than enough liquidity to meet the Bank's funding needs for its current operations. The Bank maintains internal concentration limits around both individual brokers and depositors, which helps to ensure that the Bank maintains a well-diversified deposit origination platform across multiple channels.

The Bank's risk management policies include the Liquidity and Funding Management Policy. This policy is designed to ensure that cash balances and other high-quality liquid assets are (a) sufficient to meet all cash outflows, for both ordinary and stressed conditions, and (b) in compliance with regulatory requirements such as the Liquidity Adequacy Requirements and OSFI Guideline B-6, Liquidity Principles.

The regulatory requirements include the Liquidity Coverage Ratio ("**LCR**") and Net Cumulative Cash Flow ("**NCCF**") metrics prescribed by OSFI. The LCR reports net cash flow requirements in a stressed environment over a short-term period of 30 days. The NCCF measures detailed cash flows to capture the risk posed by funding mismatches over and up to a 12-month time horizon.

Liquidity risk is managed daily through measuring and monitoring the Bank's liquidity position, and regular liquidity forecasting. Monitoring includes maturity gap analysis, survival horizons and stress testing. Despite maintaining robust funding and liquidity risk processes and daily monitoring, the risk of economic and market disruptions beyond the Bank's control remains. In cases where the disruption is severe or prolonged, the Bank could be required to take further actions, including the activation of Contingency Funding Plans, which may involve curtailing lending, accessing alternative funding, and implementing other mitigating activities to preserve liquidity.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its obligations. A bank incurs credit risk through its loan origination and investment activities. Excessive credit losses can lead to loss of capital and expose the bank to capital risk in excess of its risk appetite per its RAS. The Bank oversees the management of credit risk through its ERM Committee, which is comprised of all members of senior management. The ERM Committee meets regularly to review risks in the lending portfolios and periodically recommends adjustments to credit risk limits and/or policies.

The credit risk management and control functions are detailed in the underwriting, risk and compliance policies and standards. In the underwriting process the Bank relies on information provided by both borrowers and third parties (brokers etc.). If any information is misrepresented and this misrepresentation is not detected prior to funding, the credit risk associated with the transaction may be elevated.

The Bank currently specializes in Prime Uninsured residential mortgages. Within the industry, these are included in a class of mortgages often referred to as "ALT A" residential mortgages. Our target borrower client has a strong credit score, credit history, net worth and fully verified income. Many of our clients are self-employed, entrepreneurs, and/or investors, and while their sources of income are varied, it is always verified. The nature of our residential mortgages requires prudent bespoke underwriting and a strong quality assurance regime, conducted by experienced staff. The Bank mitigates risk by maintaining sufficient equity in its collateral, sufficient to withstand housing market valuation downturns.

Market Risk

Market Risk can be defined as the risk of loss due to a rapid and/or sharp movement in a specific market segment where the bank has an unhedged mismatch between its assets and liabilities. Generally, the most common types of market risk for a bank include:

- **Foreign Exchange Risk**: can be defined as a mismatch in currency denomination between its assets and liabilities.
- **Equity and Commodity Risk**: can be defined as an unhedged equity or commodity investment or trading position.
- **Real Estate Risk**: can be defined as an unhedged direct investment in real estate or exposure incurred by lending activities secured by real estate collateral.

A rapid and/or sharp movement in the above noted markets may expose a bank to undue risk to loss of capital. The Bank currently maintains a low level of Market Risk due to limited exposure to the above noted activities per its Board approved RAS.

Interest Rate Risk

Interest Rate Risk can be defined as a mismatch in the type interest rates and / or duration between its assets and liabilities.

The Bank's operating margin is primarily derived from the spread between interest earned on its investment and lending portfolio, and the interest paid on the debt and deposits used to fund the portfolio. Risk arises from the Bank's assets and liabilities having mismatched durations, and/or being referenced to different underlying instruments that re-price at different timeframes, most notably mismatches between fixed and floating rates. The Bank has adopted hedging and other strategies to manage the interest rate risks inherent in the spread between interest earned on assets and interest paid on the liabilities used to fund them.

The Bank has defined its limit for interest rate risk per its RAS as follows:

- Economic Value - 3% loss of Capital for a 200-bps parallel shock to interest rates
- Net Interest Income Sensitivity - 20% loss of annualized net interest income for a 100-bps parallel shock to interest rates.

The table below details the results of sensitivity analysis of interest rate increases and decreases during the 12-month period ending on December 31, 2023. The results of the model are based on several assumptions which can differ as actual rate changes occur; hence actual results could vary from these modeled results.

in thousands of $ except percentage amounts	Increase in Interest Rates	Decrease in Interest Rates
100 basis point parallel shift		
Impact on net interest income	229	(229)
impact on financial position (FP)	(297)	288
FP as a % of shareholders' equity	-0.46%	0.45%
200 basis point parallel shift		
Impact on net interest income	458	(458)
Impact on financial position (FP)	(602)	567
FP as a % of shareholders' equity	-0.93%	0.87%

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. Operational risk includes legal, information and technology risks (including cybersecurity risk).

The Bank has three lines of defence to safeguard against operational risk. The first line of defence is at the transaction level where the Bank's business units are responsible for ensuring that appropriate internal controls are in place and operating effectively. The Bank's Compliance and Risk Management departments serve as the second line of defence, where they provide an enterprise-wide view of specific risks and independently review and challenge the business units' risk and control activities. The Bank also has an Internal Audit function (outsourced to MNP LLP) as the third line of defence. Operational controls are reviewed and/or audited using a risk-based approach and the results of their design and effectiveness are reported to management and the Board.

The Operational Risk Committee is responsible for providing executive oversight and direction of operational risk, and related fraud risk management for the Bank. Operational risk is defined as the risk of loss resulting from human error, inadequate or failed internal processes and systems, or from external events. This includes legal risk but excludes strategic and reputational risk.

The Bank's primary tool for mitigating operational risk exposure is a robust internal control environment, which includes the implementation of policies and procedures, the employment of knowledgeable and experienced senior managers, segregation of duties and appropriate training of all employees. All key controls are subject to ongoing testing and review to ensure they effectively mitigate the Bank's operational risk exposures.

Operational Risk metrics, as detailed in the Bank's RAS, are reported on a regular basis, and shared with Management and Board.

The Bank uses the simplified Standardized Approach to quantify its exposure to operational risk in its calculation of risk-weighted assets. Risk-weighted assets for Operational Risk as of December 31, 2023, and for the last four quarters are outlined above under Risk Weighted Assets.

Fraud and Corruption Risk

Fraud or corruption perpetrated against a bank is usually done for financial gain and may involve individuals external to the bank but also may involve individuals internal to the bank. Fraud may result in a direct loss for the bank or a loss for a bank customer for which the bank must compensate. A fraud on the bank may also incur reputational risk for the bank.

Information Technology Risk

Information Technology Risk arises for a bank because of vulnerabilities to computer systems and information systems management. Information Technology Risk may result in losses for the bank or result in the bank incurring other technology related risks. There are many types of Information Technology risk, however, the most common type of Information Technology Risks for a bank are Information Management Risk where information is not authentic, inappropriately classified, or not properly maintained. Information management failures may result in legislative and/ or regulatory consequences.

Cyber Risk

Cyber Risk can be defined as the risk of theft or disruption of its computer systems and/or sensitive Bank and customer information by criminals and others who gain unauthorized access. These cyber-attacks could lead to ransom demands, loss of reputation or claims for losses by clients.

Climate Risk

Climate Risk can be defined as the risk resulting from climate change affecting natural and human systems. The typical approach in dealing with climate related loss exposure focuses on reducing the vulnerability associated with climate risk by incorporating climate sensitive decision-making in the risk management process. The frequency and intensity of climate related events have increased recently. The Climate Risk Committee is responsible for providing executive oversight and direction of Climate Risk activities for the Bank.

Reputational Risk

A bank is susceptible to reputational risk primarily as the result of the occurrence of another risk type event or events as described herein such that the bank loses the confidence of its customers, shareholders, regulators, and other stakeholders to the point that such negatively impacts normal course operations or causes significant financial loss. Regulatory Compliance Risk

Regulatory Compliance Risk arises from a financial institution's non-compliance with applicable laws, rules, regulations, and prescribed standards in any jurisdiction in which the Bank operates. The Compliance Department keeps the management team and the Board informed of new regulations, guidelines, and changes to existing regulatory requirements. The Bank addresses any changes in regulatory requirements in a timely manner to ensure it is compliant with new applicable regulations.

Management monitors and is aware of the potential negative effects of media and reputation risk exposure. The Bank has implemented complaint and incident resolution processes to mitigate these potential risks.

Money Laundering & Terrorist Financing Risk

Money Laundering & Terrorist Financing Risk can be defined as the bank's vulnerability to unwittingly aid or allow criminals and others to disguise, process and/or hold money derived from criminal activity or to finance terrorist activities. If these activities were to occur within the bank it would be susceptible to loss of reputation and severe regulatory sanctions.

Remuneration

The Bank's compensation program is governed by its Compensation Policy, which is reviewed regularly by the GCRHRC to ensure alignment with the Bank's objectives and compliance with OSFI Corporate Governance Guideline and Financial Stability Board's ("**FSB**") Principles for Sound Compensation and Implementation Standards. The framework of the compensation program for senior management is comprised of base salary, short-term cash incentives and a long-term share option plan. Total compensation reflects the senior individual's: (a) level of responsibility, (b) skill and experience, (c) market value of the position and (d) overall performance, individually, by their business unit and the Bank as a whole. Roles are reviewed against market, internal comparators, and external comparators. Base salary is reviewed annually and as required by market conditions.

Short Term Incentive Plan

The Bank's short term incentive plan ("**STIP**") is designed to motivate management to meet the Bank's annual business and financial objectives. Every fiscal year, the performance of each individual is measured against the achievement of specific financial and performance goals which may vary from year to year. The STIP program is based on performance against various performance measures that are designed to focus both management and staff on key objectives and drivers of the business as well as value creation over both the short and long term.

The STIP is set annually based on a scorecard of financial and non-financial objectives which must be achieved to be eligible for a payout. Short-term incentive award targets are determined based on specific factors including role complexity, scope, and impact of the role over a 12-month period. Staff with a primary responsibility of underwriting credit do not participate in the STIP program, however, are eligible to receive other forms of variable compensation based on their quality assurance results. All participating staff have a short-term cash incentive target that is expressed as a percentage of base salary determined by position and level within the organization. Depending on actual performance relative to set performance targets, cash payouts range from zero to the maximum target within each range. The base STIP targets range from 50-100% of base salary, with an ability to increase up to 75%-150% upon the achievement of stretch targets for management members.

Long Term Incentive Plan

The Bank's Share Option Plans ("**SOP**") are designed to reward performance for directors and senior management to increase shareholder value. Bank directors and executives participate in the SOP programs which award long term incentives in the form of stock options. The award of grants that a director or executive is eligible to receive is determined by the GCRHRC on an annual basis.

The table below provides director and executive compensation and other emoluments expensed for the year ended December 31, 2023.

	For the year ended December 31,			
(in thousands of $)		2023		2022
Short-term employee benefits	$	4,081	$	2,258
Termination benefits		-		-
Stock based compensation		(2,153)		1,022
Total Compensation	**$**	**1,928**	**$**	**3,280**

Residential Mortgage B-20 Disclosures

The table presented below provides disclosures in accordance with the requirements of OSFI Guideline B-20, Residential Mortgage Underwriting Practice and Procedures. The following table shows the composition of the residential mortgage portfolio and average loan-to-value ("**LTV**") ratio by geographic region and insured type. The overall LTV, which measures the outstanding mortgage balance as a percentage of the most recent appraised value of the property, at 60.4% indicates significant collateral which would mitigate the risk from economic downturns.

All amounts, other than percentages, are in $ millions.

Insured vs. Uninsured Residential Mortgage Portfolio								
Type	**Principal Balance Ontario**		**Principal Balance British Colombia**		**Principal Balance Rest of Canada**		**Principal Balance Total**	
Insured	-	0.00%	-	0.00%	-	0.00%	**-**	**0.00%**
Uninsured	$311.53	75.75%	$51.65	12.56%	$48.06	11.69%	**$411.24**	**100.00%**
Total	**$311.53**	**75.75%**	**$51.65**	**12.56%**	**$48.06**	**11.69%**	**$411.24**	**100.00%**

Average LTV of Residential Mortgage Portfolio				
Type	**Ontario**	**British Colombia**	**Rest of Canada**	**Total**
Insured	0.00%	0.00%	0.00%	0.00%
Uninsured	60.44%	50.93%	65.81%	60.40%
Total	**60.44%**	**50.93%**	**65.81%**	**60.40%**

Average Amortization of Total Residential Mortgage Portfolio					
Type	**<=20 years**	**>20 to <=25 years**	**>25 to <=30 years**	**>30 years**	**Total**
Total	**2.55%**	**8.94%**	**88.51%**	**0.00%**	**100.00%**

Economic Stress Test

The Bank conducts regular stress testing of its residential mortgage portfolio to measure the impact of a severe economic downturn. Negative implications are managed through strong credit history, conservative LTVs, applicant net worth and prudent underwriting standards and practices.

Stress testing is conducted utilizing a model and incorporates several assumptions. The primary assumptions used were:

* Canadian residential real estate values decline by 30%
* Borrowers default on their mortgage loans at a rate 3 times the expected rate

As of December 31, 2023, the stress test results indicated a potential loss of **$4.26** million**.**