Peoples Group

PEOPLES GROUP
PUBLIC DISCLOSURES
(BASEL III PILLAR 3 and Leverage Ratio)

As at December 31, 2021

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Peoples Group

Peoples Group – Public Disclosures (Pillar 3 and Leverage Ratio)

Disclosure Policy

This document presents the Basel III Pillar 3 and Leverage Ratio disclosures for Peoples Trust Company and its subsidiaries, including Peoples Bank of Canada (collectively “PG” or “the Company”). These disclosures are made pursuant to requirements of the Office of the Superintendent of Financial Institutions (“OSFI”) and are based on global standards established by the Bank of International Settlements, Basel Committee on Banking Supervision (the “BCBS”).

The Disclosure Policy is approved by the Board and subject to annual review following publication of the Annual Report.

Location and Verification

The Pillar 3 and Leverage Ratio disclosures are published under the Regulatory Disclosures section of the Company’s website. The disclosures in this statement are on a consolidated basis. PG represents the consolidated accounts of Peoples Trust Company including its primary subsidiaries, People’s Bank of Canada (PBC), Peoples Card Services LP (PCS), and Peoples Payment Solutions Ltd (PPS).

This report is subject to internal review and has not been audited by PG’s external auditors.

Background

Peoples Trust Company (PTC) is a Canadian federally regulated trust company incorporated under the *Trust and Loan Companies Act* on October 3, 1978. Peoples Bank of Canada is a chartered bank under Schedule 1 of the *Bank Act* incorporated on July 4, 2019, commencing its operations on November 4, 2019. Both entities are supervised by OSFI and maintain their registered offices at 1400 – 888 Dunsmuir Street, Vancouver, British Columbia, V6C 3K4.

PG provides specialized financial services to the Canadian marketplace.

PG underwrites and services a variety of single-family and multi-family residential mortgage products, as well as other types of loans. PG regularly participates in the National Housing Authority (“NHA program”) Mortgage-Backed Security (“MBS program”), and Canada Mortgage Bond (“CMB program”). Other lending products include asset-backed business lines of credit and consumer financing loans. In addition, PG offers deposit products and, through PCS and PPS, provides card issuing and merchant acquiring services on several payment card networks including Visa, MasterCard, and AMEX. PBC offers insured and uninsured single-family residential (SFR) mortgages and deposit services to the Canadian market, including savings and term deposits.

PG is a group of privately held companies licensed to conduct operations across Canada. Its primary owner is Peoples Group Ltd., a privately held, wholly Canadian-owned Company.

Statement of Risk Appetite

As documented in the Company's Risk Appetite Framework (RAF) and Enterprise Risk Management (ERM) policy, risk appetite is an expression of the level of risk that PG is prepared to accept to achieve its business objectives and optimize returns. The RAF is reviewed and updated by management and approved by the Board annually and when the strategic plans are reassessed.

The COVID-19 pandemic has affected industries across Canada, including the financial sector. During these unprecedented times, PG has maintained a conservative risk profile focused on internal operational effectiveness while concurrently looking for opportunities to diversify.

Risk Management Policies and Objectives

Risk management is the process of identifying, assessing, measuring, mitigating, monitoring, and reporting the principal risks to PG strategic objectives. The Internal Capital Adequacy Assessment Process ("ICAAP") is an integral part of PG's risk management framework. PG performs the ICAAP at least annually. The disclosures in this report are based on the ICAAP.

The Company's ERM and RAF reinforce risk management as an integral part of PG's corporate strategic planning process. PG has identified the following risks as being the most relevant:

Market Risk

In the ordinary course of its operations, PG engages in transactions that give rise to market risk. Market risk is the risk that changes in market prices, such as interest rates and credit spreads, will affect the fair value of future cash flows of PG's financial instruments. PG manages market risk to maintain its exposure on its mortgage, consumer and corporate loan, investment, deposit, MBS, and CMB portfolios within its risk appetite.

PG does not engage in market trading activities or speculative investments.

Interest Rate Risk

Interest rate risk is the risk of loss resulting from changes in interest rates or the volatility of interest rates. Changes in interest rates may adversely affect the future profitability or the fair values of financial instruments.

The Company funds its fixed and floating-rate mortgage portfolios with fixed-rate liabilities, demand deposits, fixed-rate term deposits, and a floating-rate secured credit facility. The maturity, cash-flow, re-pricing, and reference rate differences between assets and liabilities create interest rate risk. Changes in interest rates and spreads affect the interest rate margin realized between assets and liabilities.

PG's Interest Rate Risk Policy establishes a short-term and a long-term risk tolerance level, called Earnings-at-Risk (EAR) and Equity Value-at-Risk (EVAR), respectively. The policy is aligned with OSFI B-12 *Interest Rate Risk Management* changes for non-D-SIBs

implemented in January 2022. The changes to OSFI B-12 include four new non-parallel rate shocks and two parallel rate shocks.

Based on interest rate risk modeling both parallel and (new) non-parallel rate shocks implemented in 2021, the most significant adverse position for any of the six rate shocks for EAR and EVAR was -$3.6 million and -$0.8 million, respectively, as at December 31, 2021.

PG hedges the interest rate risk using interest rate swaps and bond forward contracts. Hedge strategies aim to consider interest rate exposures arising from interest rate movements.

In recent years, a sophisticated treasury risk management system was implemented to comprehensively measure, manage, and report interest rate, liquidity, and funding risk thresholds at consolidated and individual product/business lines. Further development work will continue throughout 2022 and beyond.

Credit Risk

Credit Risk is the risk of financial loss resulting from PG's customers and counterparties' failure to honour or perform fully under the terms of a loan or contract. Credit concentration risk arises where there is a concentration of exposures to counterparties exposed to similar risk factors: geographic location, product type, industry sector, or counterparty type.

Within the Company's operations, credit risk arises primarily from mortgages and loans to customers, investment in lease receivables secured by liens on properties, and investments in liquid assets as part of PG's treasury operations.

PG lending policies place conservative limits on loan to value ratios and geographical and single borrower concentrations. Relevant earnings and cash flow factors are also considered. Most of the loan portfolio is insured by Canada Mortgage and Housing Corporation (CMHC) or other Approved Insurers. The Company's investment in lease receivables comprises a significant volume of low-value accounts. Management policy outlines eligibility criteria for the initial purchase and requires ongoing monitoring of arrears and servicer's collection efforts to manage credit risk. Investment policies only permit Treasury to invest in highly rated or government-backed securities subject to prudent concentration limits.

PG uses standard collateral instruments or has specific documentation drawn up by external legal counsel where required. Where applicable, security interests are registered. PG uses a collateral management system to ensure that the collateral has been properly taken, registered, and stored.

To ensure the reliability of collateral valuations, PG has developed comprehensive rules surrounding acceptable types of valuations, including approved lists of qualified appraisers who may value an asset and the frequency of re-valuations.

The Company maintains individual provisions for credit loss and a collective provision to cover expected credit losses that have not yet been specifically identified. Collective general

allowances are maintained in accordance with guidance from IFRS standards and OSFI. The Company reviews general and specific credit loss provisions quarterly to ensure adequate provisions. Collective provisions for expected credit losses are forward-looking.

Facilities where a contractual payment has not been met or the customer is outside of contractual arrangements are deemed past due. Past due facilities include those operating in excess of approved arrangements, or where scheduled repayments are outstanding but do not include impaired assets.

A loan or lease receivable is recognized as impaired when the Company identifies objective evidence that it is no longer reasonably assured of the timely collection of the full amount of principal and interest. As a matter of practice, the loan/lease receivable is reviewed for impairment when it is in legal action or more than three months in arrears. Impairment is construed when the underlying security would not be sufficient to recover the full outstanding amounts of principal, interest, and recovery costs, or there is an occurrence of a loss event that will materially affect the related future cash flows. In this instance, a provision is recorded for the difference between the asset's carrying amount and the present value of the estimated future cash flows.

The following table provides an analysis of past due and impaired loans by type of mortgage asset *(reported in Thousands of Canadian dollars)*.

As at Dec 31, 2021	Residential mortgages	Non-residential mortgages	Business/ Consumer Loans	Securitized mortgages	Investment in lease receivables	Total
	$	$	$	$	$	$
Past due but not impaired [1]						
1 – 30 days	2,478	-	108	9,726	19,610	31,922
31 – 60 days	267	-	27	622	2,296	3,212
61 – 90 days	1,458	-	64	292	1,179	2,993
Over 90 days	-	-	-	-	-	-
	4,203	-	199	10,640	23,085	38,127
Impaired						
Loans receivable	18,311	-	576	1,103	22,145	42,135
Specific provision	(2)	-	(424)	-	(8,074)	(8,500)
	18,309	-	152	1,103	14,071	33,635

As at Dec 31, 2020	Residential mortgages	Non-residential mortgages	Business/ Consumer Loans	Securitized mortgages	Investment in lease receivables	Total
	$	$	$	$	$	$
Past due but not impaired [1]						
1 – 30 days	14,230	-	142	6,864	69,307	90,543
31 – 60 days	375	-	35	847	8,517	9,774
61 – 90 days	1,681	-	47	-	2,132	3,860
Over 90 days	-	-	-	-	-	-
	16,286	-	224	7,711	79,956	104,177
Impaired						
Loans receivable	31,116	-	398	2,302	23,909	57,725
Specific provision	(490)	-	(265)	(1)	(5,751)	(6,507)
	30,626	-	133	2,301	18,158	51,218

[1] Residential Mortgages comprise insured and uninsured mortgages

PG has a governance and control framework that facilitates the timely identification of significant increases in credit risk. Under IFRS 9, Financial Instruments for the Recognition of Expected Credit Losses, a provision for expected credit losses on individually significant exposures and credit-impaired loans is measured individually, while the remainder of the portfolio is measured on a collective basis. Based on the change in risk since initial recognition, the portfolio is staged in three categories to calculate expected credit losses considering forward-looking data.

Securitization Risk

Securitization Risk is the risk of credit-related losses occurring that are greater than expected due to a securitization failing to operate as anticipated or of the values and risks accepted or transferred not emerging as expected.

PG is an active issuer and servicing agent in the NHA MBS program and is an issuer and servicing agent to Canada Housing Trust under the CMB program. As issuer, the Company originates mortgage products that are insured and then arranges for the pooling of such mortgages into NHA MBS that also carry a Government of Canada guarantee. The Company, as servicing agent, collects mortgage payments monthly and then distributes principal amounts collected and interest payable on the security.

PG has securitized its own originated insured mortgages to manage its credit risk position, improve regulatory capital ratios, and generate liquidity for the balance sheet.

The Company issues securities backed by single-family and multi-family residential mortgages insured against borrowers' default through the program. Once the mortgage loans are securitized, the Company assigns underlying mortgages and related securities to CMHC. As an issuer of NHA MBS and CMB programs, PG is responsible for advancing all scheduled principal and interest payments to CMHC, irrespective of whether the amounts have been collected on the underlying transferred mortgages and then recovers these amounts from the borrower. The Company participates in the NHA MBS and CMB programs that lead to both on-balance and off-balance sheet treatment.

The Company securitizes mortgages where prepayment and interest rate risk are retained. Given that substantially all the risk and rewards associated with the transferred assets are retained, the transferred mortgages continue to be recognized as residential mortgage loans on the consolidated balance sheet. The cash proceeds from the transfer are treated as secured borrowings and included as a liability on the consolidated balance sheet.

The following is the Company’s net positions on its securitized assets and liabilities *(reported in Thousands of Canadian dollars):*

	2021 $	2020 $
Fair Value of securitized mortgage receivables[1]	1,652,133	1,532,372
Fair value of securitization liabilities	1,529,971	1,429,275
Net Positions	122,162	103,097

[1] At December 31, 2021, securitized mortgage receivable of $137,164 (2020 - $106,370) were not sold to third parties and were held by the Company for liquidity purposes, of which $10,987 (2020 - $8,531) had been pledged as collateral.

The following table provides an analysis of the securitized mortgage receivables *(reported in Thousands of Canadian dollars):*

	2021	2020
	$	$
Securitized Mortgages	1,644,029	1,491,535
Accrued Interest	1,324	1,504
	1,645,353	1,493,039
Less Allowance for credit losses	(204)	(330)
	1,645,149	1,492,709
Prepaid orgination costs	16,579	14,578
Balance	1,661,728	1,507,287

The following table provides an analysis of the securitization liabilities *(reported in Thousands of Canadian dollars):*

	2021	2020
	$	$
Securitization Liabilities	1,531,637	1,406,542
Accrued Interest	1,791	1,958
	1,533,428	1,408,500
Unamortized MBS and CMB program costs	(7,802)	(5,899)
Balance	1,525,626	1,402,601

PG ensures that the credit and funding risks on underlying assets are addressed in accordance with the discussion of the respective risks within this policy. PG also minimizes counterparty risk by ensuring it enters securitization transactions with only Canadian Schedule 1 banks.

Securitization activities that involve off-balance sheet treatment occur when the Company securitizes insured multi-unit closed residential and social housing mortgages where the prepayment rate risk is mitigated, and the principal reinvestment risk is transferred to a third party. Additionally, the Company sells insured residential mortgages to third-party financial institutions prior to securitization. The Company does not retain prepayment risk and interest rate risk related to the transferred mortgages in both situations. There are minimal expected credit losses on the sold mortgages, as the mortgages are insured against default. These transactions, therefore, result in the derecognition of the financial liabilities as third parties assume legal responsibility for the liabilities.

PG generated and securitized a total of $2.0 billion (2020: $1.6 billion) in closed multi-unit residential pools and $567 million (2020: $614 million) in open multi-unit and single-family residential pools for the period ending December 31, 2021. In addition, the Company generated and sold open and closed multi-unit residential pools to third parties in the amount of $1.4 billion (2020: $1.6 billion). Risk is significantly reduced as legal responsibilities are transferred to third parties at the time the loans are sold. The corresponding gains and losses on the closed pools are recognized upon securitization or sale of the mortgages. Open multi-unit and single residential pools earn income over the pool term.

2021 saw CMHC rolling back the CMB program to pre-pandemic levels of $40 billion as well as the phasing out of the Insured Mortgage Purchase Program (IMPP 2.0) as the Canadian mortgage market remained stable and liquid. At the same time, CMHC introduced new affordability-linked pools with preferential pricing and CMB allocations to incentivize new affordable housing to Canadians.

Derivatives

PG enters into derivative agreements as part of the requirement for participating in the CMB Program and its overall asset-liability management (ALM) in the form of interest rate swaps and bond forward contracts. PG enters bond forward contracts to secure interest rates on the future sale of NHA MBS. In contrast, interest rate swaps are used to manage the change in cash flows of future interest payments and prepayments, if any, on assets funded on balance sheet.

The fair value of derivative instruments has been included as part of the "fair value through profit and loss financial instruments mark to market" as reported in the 2021 audited financial statements (Note 22) as an asset of $0.8 million (2020: as a liability of $2.1 million).

Liquidity and Funding Risk

Liquidity and funding risk (LFR) is the risk that PG has insufficient cash balances to settle liabilities and commitments as they come due or to survive a liquidity stress event. The Company's primary funding needs relate to (1) funding of insured mortgages through the NHA MBS / CMB programs and whole loan sales, (2) the funding of conventional mortgages, uninsured single-family mortgages, lease receivables, and consumer loan activities, and (3) the repayment of deposit balances.

LFR is managed according to limits, and asset quality measures set out in the Liquidity and Funding Risk Management Policy. Early Warning Triggers (EWTs), liquidity gaps and cash flow forecasts, various concentration limits, and an internal liquidity stress (survival horizon) model are the principal management information controls used to monitor liquidity daily. PG has a contingency funding plan in place and performs specific scenario stress testing analyses annually.

The Board of Directors has appointed an Assets and Liabilities Committee (ALCO), comprising members of senior management, chaired by SVP, Treasury. The ALCO is responsible for overseeing the management of market, liquidity, and funding risks.

Liquidity risk is also closely supervised by external regulators. Through the liquidity adequacy standard, OSFI requires financial institutions to monitor and report on several comprehensive liquidity requirements. The Company is required to report on the liquidity coverage ratio (LCR), which ensures adequate levels of high-quality liquid assets are held to meet liquidity needs within a 30-day time frame. This is in addition to the net cumulative cash flow (NCCF), which reports cash flows beyond 30 days from the reporting period. As a

liquidity monitoring tool, PG reports the Liquidity Activity Monitor (LAM) return bi-weekly to monitor certain key liquidity account balances.

Regulatory Compliance Risk

Regulatory compliance risk is the risk to earnings and capital from the Company's potential non-compliance with laws, rules, regulations, prescribed practices, or ethical standards in any jurisdiction in which it operates.

PG's Conduct, Governance and People Committee and Risk Committee provide oversight and establish policies to ensure the Company operates within the laws and regulations mandatory for financial institutions. Senior management promotes regulatory compliance and embeds it within the corporate culture through formal procedures that adhere to the established policies.

Monthly, the Chief Risk Officer, Chief Operations Officer, Chief Financial Officer, Chief Credit Officer, and Chief Compliance Officer monitor and report regulatory and internal policy non-compliance issues through the Legislative Compliance Certificate, in which the remedial actions required and expected dates of resolution are identified. Once the non-compliance issues are identified, senior management takes immediate action to remedy the issues to avoid significant financial impact to the Company.

The Company implemented a compliance management software that provides a central repository of updated regulatory requirements and assigns accountability to these requirements aligned with specific timelines. The tool provides a formalized process to appropriately address regulatory compliance items.

Strategic Risk

Strategic risk is the risk to earnings arising from the PG's potential inability to implement appropriate business plans and strategies, make decisions, allocate resources, or adapt to changes in the business environment.

The Company mitigates this risk by maintaining diversification of business segments in accordance with market trends. Over the years, the Company has broadened its business operations from conventional lending to expanding the securitization programs and the payment solutions/card services operations. There is a continual focus on the growth of the consumer lending channel through investment in consumer leases and the personal lending business. Finally, PG established PBC in 2019 to further advance the insured and uninsured single-family mortgage portfolio. This will continue in a cautious and gradual manner. The risk to earnings due to challenges in one business segment would be compensated by the other business segments.

Business plans and strategies are developed and implemented by management and approved by the Board of Directors to ensure corporate objectives are met within acceptable levels of risk. The Company carefully researches and monitors growth opportunities and assesses the possible effects on our balance sheet and income statement.

Capital Management

PG's principal goal in managing its capital is to maintain capital ratios above regulatory requirements by establishing more stringent internal targets than those set out by OSFI and the Basel III requirements while still ensuring that capital is efficiently allocated to business operations appropriate to their risk levels.

Capital is managed on a consolidated basis under principles that observe the risks associated with business operations. PG calculates and reports regulatory capital ratios as prescribed under Pillar 1 of the Basel III framework and has adopted the Standardized Approach to credit risk and the Basic Indicator approach to operational risk. PG has complied with all internal and regulatory capital requirements.

PG's capital requirement for operational risk based on December 31, 2021 figures is $21.2 million (December 31, 2020: $19.2 million). The capital requirement after risk weighting is $265.6 million (December 31, 2020: $240.5 million). The Company's capital resources based on December 31, 2021 figures are summarized in Appendix I attached to this policy. The table contained in Appendix I is prepared on the modified disclosure template required by OSFI defined in the BCBS Disclosure Rules.

Regulatory Capital Structure

Total capital comprises three tiers. Tier 1 (core capital) comprises the highest quality capital elements. Tier 2 elements (supplementary capital) include items such as reserves, provisions, and hybrid instruments. Tier 3 capital is used only to meet market risk capital requirements.

Within PG, the total regulatory capital comprises:

- Tier 1 (core capital) comprises only Common shareholders' equity (defined as common shares, contributed surplus, and retained earnings).
- Tier 2 (supplementary capital) comprises the collective allowance for expected credit losses.
- Tier 3 is nil.

Total regulatory capital is calculated and reported under IFRS.

Regulatory ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets ("RWA").

RWA calculation is determined by OSFI-prescribed rules relating to on-balance and off-balance sheet exposures. In addition, OSFI formally establishes risk-based capital targets for deposit-taking institutions.

To provide relief to institutions due to the pandemic, OSFI has allowed a portion of the general allowance for expected credit losses (ECL) balance to be reclassified from Tier 2 capital to

Common Equity Tier 1 capital. PG's Tier 2 capital is proportionately immaterial; therefore, the relief does not significantly impact the Company.

In addition to the Tier 1 and Total capital ratio, PG must ensure that its leverage ratio, calculated by dividing Tier 1 capital by total on and off-balance sheet exposures, is well above the minimum level prescribed by OSFI. This measure (as summarized in Appendix II) was implemented to ensure financial institutions bear adequate capital levels compared to total assets.

Capital Adequacy

PG uses the annual ICAAP and risk assessment to determine the material risks PG faces, to ensure that sufficient quality and quantity of capital is available to conduct its business activities. The ICAAP analysis is undertaken by senior management and presented to the Company's Board of Directors for review and approval annually, together with the annual budget and capital plan. It is subject to review by the internal audit team. As part of the ICAAP analysis, stress test scenarios are conducted to predict how PG will perform under stressed conditions and determine if additional capital cushion or other mitigating actions are required. The resulting report serves to keep the Board informed of the ongoing assessment of risks facing the Company, the manner in which the Company mitigates those risks, and the adequacy of the Company's capital, should the material risks identified materialize. The ICAAP report is a fundamental part of PG's processes to ensure it has adequate capital and controls to support the Company's current and future activities.

As noted above, the Board of Directors has approved specific policies that seek to manage and mitigate credit, interest rate, liquidity, and securities portfolio risks. These policies are implemented and monitored monthly by management and quarterly by the Board.

In addition to overseeing the management of market, liquidity, and funding risks, members of the ALCO advise on capital utilization and the composition and sourcing of adequate capital. The Audit Committee, consisting solely of non-executive directors, considers the adequacy of internal controls and compliance with regulatory and other requirements. It is the Audit Committee to which the findings of Internal Audit are reported.

Remuneration

PG is subject to data protection legislation when disclosing remuneration information. The *Personal Information Protection and Electronic Documents Act* prohibits disclosing information that may result in individual information being easily identifiable. Therefore, remuneration disclosures will be made on a limited basis in terms of any public or Company-wide circulation. However, all necessary information will be made available to OSFI upon request.

Given the size and relatively less-complex nature of the Company, PG has employed proportionality, but where appropriate, has not assimilated various provisions of the Financial Stability Board's Principles for Sound Compensation Practices within its business model which are generally applicable to systemically important banks (SIBs).

Due to the relatively moderate size and lack of complexity of the Company, PG is not required to appoint an independent Board remuneration committee. Current processes will be kept under review. Should the need arise, PG will consider amending this arrangement to provide a greater independent review.

The Company's Board of Directors is responsible for overseeing compliance with PG's processes on remuneration. The determination of remuneration processes is based on guidance provided by OSFI and subject to input and review by PG's control functions and People and Culture department.

PG endeavours to ensure that its remuneration policy is consistent with its business strategy, the Company's current financial condition, and long-term growth. PG's compensation structure is based on a combination of fixed pay (salary and benefits) and performance-related incentives linked to company-wide measures, as well as the seniority and nature of an individual's employment. Performance measurements used to calculate variable remuneration are therefore adjusted to consider current or potential risks to the Company and are consistent with the need to retain a solid capital base. Guaranteed incentives do not form part of any compensation package, and all incentive systems are non-contractual. Maximum thresholds on fixed and variable remuneration and shareholder compensation have been established and are monitored by OSFI.

During 2021, the total amount of all salaries, bonuses and long-term incentives, and other remuneration for key management and employees whose actions have a material impact on the Company's risk exposure was $10.7 million (2020: $8.4 million). We do not break down this total between key management and "other risk-takers," as all employees who hold material risk positions are in key management roles.

APPENDIX I – BASEL III COMMON DISCLOSURES AS AT DECEMBER 31, 2021

	Modified Capital Disclosure Template	(000's)
	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	26,884
2	Retained earnings	316,542
3	Accumulated other comprehensive income (and other reserves)	
4	*Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)*	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	
6	**Common Equity Tier 1 capital before regulatory adjustments**	343,426
	Common Equity Tier 1 capital: regulatory adjustments	
28	Total regulatory adjustments to Common Equity Tier 1	7,537
29	Common Equity Tier 1 capital (CET1)	335,889
29A	Common Equity Tier 1 capital (CET1) with transitional arrangements for ECL provisioning not applied	335,164
	Additional Tier 1 capital: instruments	
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	
31	of which: classified as equity under applicable accounting standards	
32	of which: classified as liabilities under applicable accounting standards	
33	*Directly issued capital instruments subject to phase out from Additional Tier 1*	
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)	
35	*of which: instruments issued by subsidiaries subject to phase out*	
36	**Additional Tier 1 capital before regulatory adjustments**	
	Additional Tier 1 capital: regulatory adjustments	
43	Total regulatory adjustments applied to Additional Tier 1 under Basel 3	
44	Additional Tier 1 capital (AT1)	
45	Tier 1 capital (T1 = CET1 + AT1)	335,889
45A	Tier 1 capital with transitional arrangements for ECL provisioning not applied.	335,164
	Tier 2 capital: instruments and allowances	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	
47	Directly issued and capital instruments subject to phase out from Tier 2	
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)	
49	*of which: instruments issued by subsidiaries subject to phase out*	
50	Collective allowances	4,127
51	**Tier 2 capital before regulatory adjustments**	4,127
	Tier 2 capital: regulatory adjustments	
57	Total regulatory adjustments applied to Tier 2 under Basel 3	
58	Tier 2 capital (T2)	4,127
59	Total capital (TC = T1 + T2)	340,016
59A	Total capital with transitional arrangements for ECL provisioning not applied	340,016
60	Total risk-weighted assets	2,029,685
60a	Common Equity Tier 1 (CET1) Capital RWA	
60b	Tier 1 Capital RWA	
60c	Total Capital RWA	
	Capital ratios	

61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	16.55%
61A	Common Equity Tier 1 with transitional arrangements for ECL provisioning not applied	16.51%
62	Tier 1 (as a percentage of risk-weighted assets)	16.55%
62A	Tier 1 Capital Ratio with transitional arrangements for ECL provisioning not applied	16.51%
63	Total capital (as a percentage of risk-weighted assets)	16.75%
63A	Total Capital Ratio with transitional arrangements for ECL provisioning not applied	16.75%
	OSFI all-in target	
69	Common Equity Tier 1 capital all-in target ratio	7.00%
70	Tier 1 capital all-in target ratio	8.50%
71	Total capital all-in target ratio	10.50%
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)	
80	*Current cap on CET1 instruments subject to phase out arrangements*	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	
82	*Current cap on AT1 instruments subject to phase out arrangements*	
83	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*	
84	*Current cap on T2 instruments subject to phase out arrangements*	
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*	

Memo Item:

-Line items 28, 43, & 57 aggregate all regulatory adjustments for that particular tier of capital.

APPENDIX II – LEVERAGE RATIO COMMON DISCLOSURE FOR NON-DSIBs

As at December 31, 2021

	Item	Leverage Ratio Framework ($000's)
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	5,028,060
2	(Asset amounts deducted in determining Basel III "all-in" Tier 1 capital)	(8,262)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)** (sum of lines 1 and 2)	**5,019,798**
Derivative exposures		
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	7,627
5	Add-on amounts for PFE associated with all derivative transactions	
6	Gross up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivative transactions)	
8	(Exempted CCP-leg of client cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	**Total derivative exposures** (sum of lines 4 to 10)	**7,627**
Securities financing transaction exposures		
12	Gross SFT assets recognised for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk (CCR) exposure for SFTs	
15	Agent transaction exposures	
16	**Total securities financing transaction exposures** (sum of lines 12 to 15)	
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	1,636,673
18	(Adjustments for conversion to credit equivalent amounts)	(1,090,075)
19	**Off-balance sheet items** (sum of lines 17 to 18)	**546,598**
Capital and Total Exposures		
20	**Tier 1 capital**	**335,889**
20a	**Tier 1 capital with transitional arrangements for ECL provisioning not applied**	**335,164**
21	**Total Exposures** (sum of lines 3, 11, 16 and19)	**5,574,023**
Leverage Ratios		
22	**Basel III leverage ratio**	**6.03%**
22a	**Basel III leverage ratio with transitional arrangements for ECL provisioning not applied**	**6.01%**