



Basel Pillar 3 Disclosures

As at December 31, 2025

Table of Contents

1. Background	1
2. Segmentation and Scope of Application	1
a. Small and Medium-Sized Deposit-Taking Institutions Segmentation Category	1
b. Scope of Application of Pillar 3 Requirements	2
c. Functional and Presentation Currency	2
d. Frequency of Disclosures	2
e. Location of Disclosures	2
f. Limitation of Disclosures	3
3. Risk Management Framework	3
4. Capital Structure	4
5. Capital Adequacy	6
6. Credit Risk	8
a. General	8
b. Impairment	12
c. Allowances	13
7. Credit Risk Mitigation	14
8. Counterparty Credit Risk	15
9. Market Risk	16
10. Operational Risk	17
11. Interest Rate Risk	18
12. Liquidity and Funding Risk	20
13. Remuneration	21
a. General	21
b. Responsibilities of the Board of Directors	21
c. Annual Performance Review and Base Salary Review	22

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 assist the risk management of Shinhan Bank Canada (“SHBC”, “Shinhan”, “We” or “the Bank”) as a subsidiary of Shinhan Bank Korea. Based on the Risk Appetite Framework, that allows Risk Management Department to identify, assess, monitor, and report the risks and establish the internal controls to achieve business objectives.

The Bank assesses all key risks within financial and non-financial risk categories, including but not limited to, credit risk, credit concentration risk, market risk, interest rate risk, funding & liquidity risk, operational risk, IT/cybersecurity risk, compliance risk, reputational risk, strategic risk, climate Risk, third-party risk etc. The assessment process ensures pro-active and efficient risk management with a focus to maintain an adequate capital level against unavoidable risks involved in the business. Reporting is performed on a regular basis, and important items are reported to the Risk Management Committee and/or the Board of Directors by the Risk Management Department. Within the overall Framework, responsible departments manage and monitor risks within the defined risk limits as well as regulatory requirements and take appropriate action.

The Bank’s three lines of defence support the internal control components and include the following:

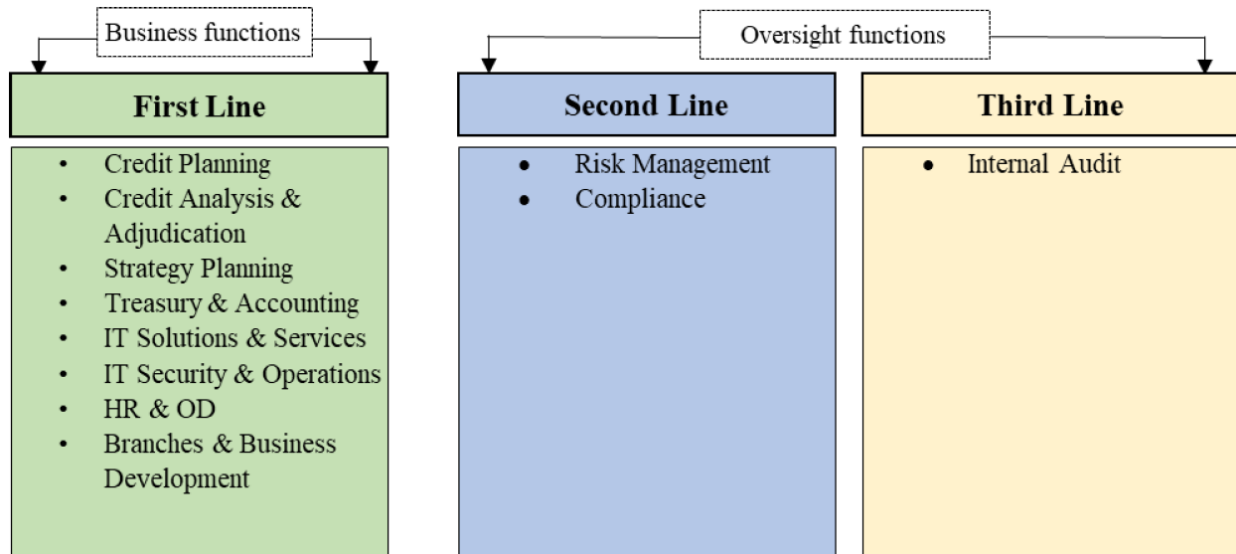


Figure 1: Three lines of Defense

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.
- The Cybersecurity Committee for overseeing technology and cybersecurity risk exposures to the Bank.
- The Data Governance Committee for overseeing data governance and management across 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, 2025.

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, 2025.

(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	18,248
3	Accumulated other comprehensive income (and other reserves)	NA
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to Federal Credit Unions)</i>	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	98,248
	Common Equity Tier 1 capital: regulatory adjustments	
28	Total regulatory adjustments to Common Equity Tier 1	-2,027
29	Common Equity Tier 1 capital (CET1)	96,221
	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	<i>Directly issued capital instruments subject to phase out from Additional Tier 1 (applicable only to Federal Credit Unions)</i>	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	<i>of which: instruments issued by subsidiaries subject to phase out (applicable only to Federal Credit Unions)</i>	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)	96,221
	Tier 2 capital: instruments and provisions	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	NA
47	<i>Directly issued capital instruments subject to phase out from Tier 2 (applicable only to Federal Credit Unions)</i>	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	<i>of which: instruments issued by subsidiaries subject to phase out (applicable only to Federal Credit Unions)</i>	NA
50	Collective allowances	2,472
51	Tier 2 capital before regulatory adjustments	2,472
	Tier 2 capital: regulatory adjustments	
57	Total regulatory adjustments to Tier 2 capital	NA
58	Tier 2 capital (T2)	2,472
59	Total capital (TC = T1 + T2)	98,693
60	Total risk-weighted assets	558,169
	Capital ratios	
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	17.24%
62	Tier 1 (as a percentage of risk-weighted assets)	17.24%
63	Total capital (as a percentage of risk-weighted assets)	17.68%
	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 is in compliance 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 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, the Bank conducts stress tests across its 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, the Bank determines the necessary capital level by considering various factors, including the 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 the Bank to implement appropriate management strategies in response to stressful events, thereby ensuring that capital levels remain sufficient to support 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. Leverage ratio is computed by dividing Tier 1 capital by the total exposure. Table 2 shows the breakdown of RWAs, capital and leverage ratios as of every quarter from December 2024 to December 2025.

As at December 31, 2025, the Tier 1 capital ratio and total capital ratio of the Bank were 17.24% and 17.68% respectively, which are complied with the regulatory and internal targets. Additionally, the leverage ratio was 8.89%, which was also in compliance with the regulatory and internal targets.

Table 2. KM1 Key prudential regulatory metrics.

(Unit: \$000s)

		T	T-1	T-2	T-3	T-4
		2025.12	2025.09	2025.06	2025.03	2024.12
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	96,221	95,644	95,402	96,461	97,077
2	Tier 1	96,221	95,644	95,402	96,461	97,077
3	Total capital	98,693	98,026	97,701	98,828	100,711
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	558,169	570,379	571,140	584,193	591,659
4a	Total risk-weighted assets (pre-floor)	558,169	570,379	571,140	584,193	591,659
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	17.24%	16.77%	16.70%	16.51%	16.41%
5a	CET1 ratio (%) (pre-floor ratio)	17.24%	16.77%	16.70%	16.51%	16.41%
6	Tier 1 ratio (%)	17.24%	16.77%	16.70%	16.51%	16.41%
6a	Tier 1 ratio (%) (pre-floor ratio)	17.24%	16.77%	16.70%	16.51%	16.41%
7	Total capital ratio (%)	17.68%	17.19%	17.11%	16.92%	17.02%
7a	Total capital ratio (%) (pre-floor ratio)	17.68%	17.19%	17.11%	16.92%	17.02%
	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 (%)*	10.24%	9.77%	9.70%	9.51%	10.46%
	Basel III Leverage ratio					
13	Total Basel III leverage ratio exposure measure	1,082,422	1,148,658	1,122,337	1,150,862	1,129,428
14	Basel III leverage ratio (row 2 / row 13)	8.89%	8.33%	8.50%	8.38%	8.60%

*Note: (10.24% = 17.24% - 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 is 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:

- Trade Finance: 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 and associated procedures 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.

Consumer Credit Risk: The Bank at present focuses on conventional Residential Mortgages ("RM") portfolio, which comprises 64% of the total exposures (credit exposure including fund operations, off-balance sheet and undrawn commitments) as of December 31st 2025. To cater to 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 82% of the commercial portfolio as of December 31st 2025. 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 as at December 31, 2025 and December 31, 2024 respectively, 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, 2025.

(Unit: \$000s)

	2025 Before CRM				2025 After CRM			
	Assets (Drawn)	Off-Balance Sheet	Commitments (Undrawn)	Total	Assets (Drawn)	Off-Balance Sheet	Commitments (Undrawn)	Total
By exposure type								
Sovereign	254	-	-	254	8,106	654	1,062	9,822
SME	43,491	654	14,218	58,363	6,393	-	915	7,308
Bank	137,667	-	-	137,667	167,919	-	12,251	180,170
RR(Revolvers)	78	-	129	207	78	-	129	207
RR(Others)	111	-	-	111	106	-	-	106
RR(SBE)	8	-	25	33	8	-	25	33
NRR	1,225	-	16	1,241	224	-	6	229
RRE(General)	462,285	-	-	462,285	462,285	-	-	462,285
RRE(General - HELOC)	2,931	-	6,026	8,957	2,931	-	6,026	8,957
RRE(Income Producing)	239,209	-	1,542	240,751	239,209	-	1,542	240,751
RRE(Income Producing - HELOC)	13	-	116	129	13	-	116	129
CRE	177,691	-	6,838	184,529	177,691	-	6,838	184,529
Other Asset	9,426	-	-	9,426	9,426	-	-	9,426
Total exposure	1,074,391	654	28,909	1,103,954	1,074,391	654	28,909	1,103,954

BY GEOGRAPHIC LOCATION	Assets (Drawn)	Off-Balance Sheet	Commitment (Undrawn)	Total
Canada				
Ontario	821,394	654	27,737	849,785
British Columbia	212,160	-	1,172	213,332
Other Provinces & Territories	301	-	-	301
Others (International)	40,536	-	-	40,536
Total exposure	1,074,391	654	28,909	1,103,954

BY INDUSTRY	Assets (Drawn)	Off-Balance Sheet	Commitment (Undrawn)	Total
By industry				
Consumer loan				
Residential mortgage	701,253	-	-	701,253
Other consumer loan	4,543	-	-	4,543
Commercial loan				
Manufacturing	29,730	-	-	29,730
Service	180,522	-	-	180,522
Retail	10,981	-	-	10,981
Other commercial	15	-	-	15
Other credit exposures	147,347	654	28,909	176,911
Total exposure	1,074,391	654	28,909	1,103,954

BY RESIDUAL CONTRACTUAL MATURITY	Assets (Drawn)	Off-Balance Sheet	Commitment (Undrawn)	Total
By residual contractual maturity				
Within 3 months	187,040	200	715	187,955
3 months to 1 year	312,003	454	17,762	330,218
1 to 5 years	573,589	-	8,891	582,479
Over 5 years	1,759	-	1,542	3,301
Total exposure	1,074,391	654	28,909	1,103,954

Table 4. 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

Note: The Bank has extended credits relating to the Canada Emergency Business Account (“CEBA”) loans of \$240K and \$552K, as at December 31, 2025 and December 31, 2024, respectively. The 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, 2025, the Bank has no impaired commercial loans and one impaired residential mortgage loan with residual unrecovered portion amount of \$140K.

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 default 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 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, 2025 and December 31, 2024.

(Unit: \$000s)

	2025			2024		
	Collective	Individual	Total	Collective	Individual	Total
By geographic location						
Canada						
Ontario	1,907	183	2,090	2,795	173	2,968
British Columbia	550	-	550	834	-	834
Others (Canada)	-	-	-	-	-	-
Others (International)	15	-	15	5	-	5
Total allowance	2,472	183	2,655	3,634	173	3,807

	2025			2024		
	Collective	Individual	Total	Collective	Individual	Total
By Industry						
Consumer loan						
RML	715	183	898	1,687	158	1,845
Other consumer loan	2	-	2	10	-	10
Commercial loan						
Manufacturing	26	-	26	30	-	30
Service	1,564	-	1,564	1,682	15	1,697
Retail	115	-	115	148	-	148
Other commercial	-	-	-	26	-	26
Other credit exposures	50	-	50	51	-	51
Total allowance	2,472	183	2,655	3,634	173	3,807

	2025			2024		
	Collective	Individual	Total	Collective	Individual	Total
Change in allowance						
Beginning Balance	3,634	173	3,807	3,858	473	4,331
IFRS 9 adoption	-	-	-	-	-	-
Write-offs	-	-15	-15	-	-473	-473
Recoveries	-	-	-	-	-	-
Charge for impairment	-1,162	25	-1,137	-224	173	-51
Ending Balance	2,472	183	2,655	3,634	173	3,807

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 Property 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 2025 and 2024.

(Unit: \$000s)

Exposure Type*	2025	Exposure Type*	2024
SME	6,634	SME	10,300
RR(Others)	5	RR(Revolvers)	71
NRR	961	RR(Others)	140
		RR(SBE)	67
		NRR	3,053
Total eligible financial collateral	7,600	Total eligible financial collateral	13,631

*Note: OSFI has updated Capital Adequacy Guideline in 2023. The revised CAR guideline incorporates 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, 2025, 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, 2025, the Bank held \$142K 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	2025	2024
USD Position Amount	9	2
CAD/USD Exchange Rate	1.372	1.438
USD Position (CAD Equivalent)	12	3
EUR Position Amount	49	48
CAD/EUR Exchange Rate	1.612	1.510
EUR Position (CAD Equivalent)	79	72
KRW Position Amount	53,997	- 286,387
KRW/CAD Exchange Rate	1,058.14	1,025.69
KRW Position (CAD Equivalent)	51	- 279
Total Long Position	142	75
Total Short Position	0	279
Maximum Market Position Amount	142	279

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, 2025, the average three-year adjusted gross income was \$22.34 million as detailed below and as per Simplified Standardized approach followed by the Bank, the capital requirement for operational risk was \$ 3.35 million.

Table 8. Capital charge for operational risk as of December 31, 2025 (Simplified Standardized approach).

(Unit: \$000s)

Components	Year 1	Year 2	Year 3
	2023.12	2024.12	2025.12
Interest-earning Assets	1,047,252	1,103,082	1,062,301
2.25% of Interest-earning Assets	23,563	24,819	23,902
NII excluding dividends	24,327	18,534	17,535
Min (2.25% of IEA, NII excluding dividends)	23,563	18,534	17,535
Dividend Income	-	-	-
Fee and Commission Income	2,099	2,103	3,180
Other Income	-	-	-
Net Profit/Loss (Trading Book)	-	-	-
Net Profit/Loss (Banking Book)	-	-	-
AGI, before M&A Adjustment	25,662	20,637	20,715
Adjustment for Mergers, Acquisitions and Divestitures	-	-	-
AGI, after M&A Adjustment	25,662	20,637	20,715

Year 1	Year 2	Year 3	Three-Year Average of AGI	Required Capital Fixed Rate	Capital Charge under SSA	RWA
25,662	20,637	20,715	22,338	15%	3,351	41,884

Table 9. Capital charge for operational risk as of December 31, 2024 (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
22,535	25,662	20,637	22,945	15%	3,442	43,021

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. The Bank 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 various pertinent and emerging risks. The Bank’s climate risk management framework is governed by the Climate Risk Management Policy approved by the Board in 2025.

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, 2025:

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, 2025.

(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	6,077	-	-	-	639	6,716
Deposits with regulated financial institutions	-	91,889	-	-	-	91,889
Securities	-	251	-	-	-	251
Loans	441,456	58,260	195,861	270,987	140	966,704
Other assets	-	-	-	-	4,401	4,401
Sum	447,533	150,400	195,861	270,987	5,180	1,069,961

Time Band	Floating	Within 3 months	3 months to 1 year	Greater than 1 year	Non-rate Sensitive	Total
Liabilities						
Payable on demand	103,879	-	-	-	1,955	105,834
Payable on fixed date	-	200,206	437,145	65,907	-	703,258
Lease liabilities	-	152	396	863	-	1,411
Other liabilities	-	25,000	91,166	31,861	15,418	163,445
Sum	103,879	225,358	528,707	98,631	17,373	973,948
Total Gap	343,654	(74,958)	(332,846)	172,356	(12,193)	96,013

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, 2025 and December 31, 2024.

Table 11. Changes in net interest income and economic value of equity as of December 31, 2025 and December 31, 2024.

(Unit: \$000s)

NII Change Scenarios	2025.12	2024.12
Parallel Shocks		
ΔNII under 100 bps Parallel Up Shocks	1,484	657
ΔNII under 100 bps Parallel Down Shocks	(1,567)	(765)
ΔNII under 200 bps Parallel Up Shocks	2,967	1,311
ΔNII under 200 bps Parallel Down Shocks	(3,134)	(1,526)

EVE Change Scenarios	2025.12	% of CET 1 Capital	2024.12	% of CET1 Capital
Parallel Shocks				
ΔEVE under 100 bps Parallel Up Shocks	(1,424)	-1.49%		
ΔEVE under 100 bps Parallel Down Shocks	1,241	1.30%		
ΔEVE under 200 bps Parallel Up Shocks	(2,992)	-3.13%		
ΔEVE under 200 bps Parallel Down Shocks	2,763	2.89%		
Non-parallel Shocks				
ΔEVE under Steeper Scenario	(888)	-0.93%	(804)	-0.83%
ΔEVE under Flattener Scenario	208	0.22%	(1,408)	-1.45%
ΔEVE under Short Rate Up Scenario	(842)	-0.88%	(4,863)	-5.01%
ΔEVE under Short Rate Down Scenario	607	0.63%	4,752	4.89%

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, 2025 is 171.31%, 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. 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 workforce. 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 decision makers of the Bank.

As of December 31, 2025, there were 12 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: 2

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, 2025, 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 remuneration 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 are reviewed periodically in order to align employee compensation closer to the market and retain good talent.

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 FY2025, 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 2025 and 2024.

(Unit: \$000s)

Remuneration	2025	2024
Fixed remuneration		
Salary, allowance, and defined contribution pension plan	2,472	2,711
Variable remuneration		
Performance-based incentives	322	342
Total	2,794	3,053

*** END OF DOCUMENT ***