Financial Statements of

SBI Canada Bank

December 31, 2024

SBI Canada Bank

December 31, 2024

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Independent Auditor's Report

To the Shareholder of SBI Canada Bank:

Opinion

We have audited the financial statements of SBI Canada Bank (the "Bank"), which comprise the statements of financial position as at December 31, 2024 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

MNP LLP

Toronto, Ontario
March 25, 2025

Chartered Professional Accountants
Licensed Public Accountants

SBI Canada Bank

Statement of financial position
as at December 31, 2024

(In thousands of Canadian dollars)

	Note	2024	2023
		$	$
Assets			
Cash and bank balances:			
Notes and coins		**618**	380
Non-interest-bearing deposits with banks		**9,683**	11,640
		10,301	12,020
Interest-bearing deposits with banks		**23,683**	149,077
Investment securities	4	**173,311**	104,193
Loans and advances to customers	5a	**1,150,480**	1,097,146
Allowance for credit losses	5b	**(6,844)**	(9,261)
		1,143,636	1,087,885
Derivative assets	19	**346**	5,012
Property and equipment	7	**17,097**	16,869
Intangible assets	8	**40**	54
Deferred tax assets	13	**2,066**	2,562
Other assets	9	**8,766**	7,519
Total assets		**1,379,246**	1,385,191
Liabilities			
Deposits from banks	10	**8,058**	110,112
Deposits from customers	11	**1,089,236**	1,010,328
Derivative liabilities	19	**7,090**	139
Other liabilities	12	**46,620**	49,444
Subordinated debt	16	**20,000**	20,000
		1,171,004	1,190,023
Shareholder's equity			
Common share capital	17	**117,784**	117,784
Contributed surplus		**5,934**	5,934
Retained earnings		**84,038**	71,540
Accumulated other comprehensive loss		**486**	(90)
		208,242	195,168
Total liabilities and shareholder's equity		**1,379,246**	1,385,191

Approved by the Board of Directors

_______________ Director

A. Kerins Director

The accompanying notes are an integral part of these financial statements

SBI Canada Bank

Statement of comprehensive income
for the year ended December 31, 2024
(In thousands of Canadian dollars)

	Note	**2024**	2023
		$	$
Interest income:			
Loans		**74,553**	79,602
Deposits		**3,884**	4,667
Investment Securities		**5,217**	2,144
		83,654	86,413
Interest expense:			
Deposits and others		**47,943**	43,197
Subordinated debt		**1,206**	1,258
		49,149	44,455
Net interest income		**34,505**	41,958
Other income	14	**5,840**	4,827
Total revenue		**40,345**	46,785
Provision for credit losses		**(2,417)**	2,769
Non-interest expenses:			
Personnel		**11,451**	9,512
Premises and equipment		**2,944**	2,339
Depreciation and amortization	7, 8	**1,614**	1,475
Other	15	**6,112**	5,949
		22,121	19,275
Net income before income taxes		**20,641**	24,741
Provision for income taxes	13	**5,482**	7,004
Net income for the year		**15,159**	17,737
Other comprehensive loss, net of income tax:			
Change in unrealized losses in investment securities at fair value through other comprehensive income net of income tax expenses of $212 (2023 ($685))		**582**	1,833
Provision for credit losses in investment securities at fair value through other comprehensive income recognized in income		**(6)**	(24)
Total comprehensive income for the year		**15,735**	19,546

SBI Canada Bank

Statement of changes in equity

for the year ended December 31, 2024

(In thousands of Canadian dollars)

2024	**Common share capital**	**Contributed surplus**	**Accumulated other comprehensive Income (loss)**	**Retained earnings**	**Total**
	$	**$**	**$**	**$**	**$**
Balance as at January 1, 2024	**117,784**	**5,934**	**(90)**	**71,540**	**195,168**
Comprehensive income:					
Net income for the year	**-**	**-**	**-**	**15,159**	**15,159**
Other comprehensive income, net of income tax expenses of $212:					
Reclassification of net gain on FVOCI securities to income	**-**	**-**	**116**	**-**	**116**
Net change in unrealized gain on FVOCI securities	**-**	**-**	**460**	**-**	**460**
Total comprehensive Income	**-**	**-**	**576**	**15,159**	**15,735**
Dividend Payment	**-**	**-**	**-**	**2,661**	**2,661**
Balance as at December 31, 2024	**117,784**	**5,934**	**486**	**84,038**	**208,242**

2023	Common share capital	Contributed surplus	Accumulated other comprehensive Income (loss)	Retained earnings	Total
	$	$	$	$	$
Balance as at January 1, 2023	117,784	5,934	(1,899)	55,082	176,901
Comprehensive income:					
Net income for the year	-	-	-	17,737	17,737
Other comprehensive income, net of income tax expenses of $685:					
Reclassification of net gain on FVOCI securities to income	-	-	1,078	-	1,078
Net change in unrealized gain on FVOCI securities	-	-	731	-	731
Total comprehensive Income	-	-	1,809	17,737	19,546
Dividend Payment	-	-	-	1,279	1,279
Balance as at December 31, 2023	117,784	5,934	(90)	71,540	195,168

SBI Canada Bank

Statement of cash flows
for the year ended December 31, 2024
(In thousands of Canadian dollars)

	Note	2024	2023
		$	$
Cash flows from (used in) operating activities			
Net income for the year		**15,159**	17,737
Items not affecting cash:			
Provision for credit losses	5b	**(2,417)**	2,769
Net gains on sale of FVOCI		**(2,115)**	(543)
Revaluation of derivative contracts	14	**(720)**	(765)
Depreciation and amortization	7, 8	**1,614**	1,475
Loss (gain) on disposal of property and equipment		**27**	(388)
Deferred Income taxes	13	**496**	(605)
Changes in:			
Derivatives net		**12,337**	(3,428)
Loans and advances to customers, net		**(53,334)**	108,953
Other assets		**1,204**	202
Deposits from banks		**(102,054)**	(47,453)
Deposits from customers		**78,908**	(53,904)
Current taxes payable / (receivable)		**(5,928)**	2,293
Other liabilities and provisions		**1,054**	7,447
Net cash from (used in) operating activities		**(55,769)**	33,790
Cash flows from (used in) investing activities			
Changes in interest-bearing deposits with banks		**125,394**	(27,651)
Proceeds from sale of investment securities		**238,519**	124,842
Purchase of investment securities		**(304,945)**	(121,772)
Purchase of property and equipment	7	**(740)**	(768)
Net cash from (used in) investing activities		**58,228**	(25,349)
Cash flow used in financing activities			
Payment of lease liabilities	12	**(1,517)**	(121)
Payment of dividend		**(2,661)**	(1,279)
Net cash used in financing activities		**(4,178)**	(1,400)
Effect of exchange rate changes on cash and bank balances		**-**	277
Net changes in cash and bank balances		**(1,719)**	7,318
Cash and cash equivalents, beginning of year		**12,020**	4,702
Cash and cash equivalents, end of year		**10,301**	12,020
Cash flows from operating activities include:			
Amount of interest paid		**48,086**	35,990
Amount of interest received		**83,881**	86,217
Amount of income taxes paid		**8,075**	4,058

(in thousands of Canadian dollars)

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1. Reporting entity

SBI Canada Bank (the "Bank") is a wholly owned subsidiary of State Bank of India (the "parent bank") and is licensed to operate in Canada as a bank with full banking powers under the *Bank Act* (Canada) as a foreign bank subsidiary. The Bank's registered office is at 220 Bay Street, 10th Floor, Toronto, Ontario, M5J 2W4, Canada. The Bank is involved in corporate and retail banking.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with Section 308(4) of the *Bank Act* (Canada), which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions Canada ("OSFI"), the financial statements are to be prepared in accordance with generally accepted accounting principles the primary source of which is the Chartered Professional Accountants Canada Handbook (the "Handbook"). The financial statements comply with Part 1 of the Handbook, IFRS® Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements for the year ended December 31, 2024 were authorized for issue by the Bank's Board of Directors on March 25, 2025.

b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for Fair Value through Other Comprehensive Income ("FVOCI") securities and Fair Value through Profit and Loss ("FVTPL") derivative financial instruments which are measured at fair value.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Bank's functional currency. Except as otherwise indicated, all financial information presented in Canadian dollars has been rounded to the nearest thousand.

d) Use of estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make subjective estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Key sources of estimation uncertainty include the allowance for credit losses ("ACL") on loans and advances to customers (see note 5a and 5b), income taxes (see note 13) and determination of fair value of financial instruments (see note 22). Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

e) Significant judgments

In the preparation of these financial statements, management is required to make significant judgments that affect the carrying amounts of certain assets and liabilities, and the reported amounts of revenue and expenses recorded during the year. Significant judgments have been made in the ACL assessment on loans and advances to customers (see note 3b), income taxes (see note 3l) and determination of the fair value of financial instruments (see note 22).

3. Material accounting policies

The material accounting policies used in the preparation of these financial statements, including the accounting requirements of OSFI, are summarized below. These accounting policies conform, in all material respects, to IFRS Accounting Standards.

a) Cash and bank balances

Cash and bank balances comprise cash, deposits with banks and highly liquid investments that are convertible to cash and subject to insignificant risk of changes in value. Such investments have an original term to maturity of less than three months from the date of acquisition.

b) Financial instruments

Classification

Financial assets in accordance with IFRS 9, *Financial Instruments* ("IFRS 9") are measured at initial recognition at fair value, and are classified and subsequently measured at FVTPL, FVOCI or amortized cost based on our business model for managing the financial instruments and the contractual cash flow characteristics of the instrument.

Business model assessment

We determine our business models at the level that best reflects how we manage portfolios of financial assets to achieve our business objectives. Judgment is used in determining our business models, which is supported by relevant, objective evidence including:

- How the economic activities of our businesses generate benefits, for example through trading revenue, enhancing yields or hedging funding or other costs and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of our businesses, for example, market risk, credit risk, or other risks associated with our business and the activities undertaken to manage those risks;
- Historical and future expectations of sales of the loans or securities portfolios managed as part of a business model; and
- The compensation structures for managers of our businesses, to the extent that these are directly linked to the economic performance of the business model.

Our business models fall into three categories, which are indicative of the key strategies used to generate returns:

- Held to Collect ("HTC"): The objective of this business model is to hold loans and securities to collect contractual principal and interest cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.
- Held to Collect & Sell ("HTC&S"): Both collecting contractual cash flows and sales are integral to achieving the objective of the business model.
- Other fair value business models: These business models are neither HTC nor HTC&S, and primarily represent business models where assets are held for trading ("HFT") or managed on a fair value basis.

3. Material accounting policies (continued)

b) Financial instruments (continued)

SPPI assessment

Instruments held within a HTC or HTC&S business model are assessed to evaluate if their contractual cash flows are comprised of solely payments of principal and interest. SPPI payments are those which would typically be expected from basic lending arrangements.
Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time.
Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

Measurement

Cash and bank balances are carried at amortized cost in the statement of financial position. The Bank's loans and advances to customers are measured at amortized cost, investment securities at either amortized cost or FVOCI. Financial liabilities, excluding derivative liabilities, are measured at amortized cost. Derivative financial instruments are measured at FVTPL.

For investment securities classified as FVOCI, gains or losses arising from changes in fair value are recognized directly in equity, impairment gains or losses are included in provision for credit losses ("PCL") in the statement of comprehensive income and correspondingly reduce the accumulated changes in fair value included in other comprehensive income until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity, determined using the weighted average cost method, is included in the net income for the period. When a FVOCI investment securities is sold, the gain or loss is recorded as other income as net gains on sale of FVOCI investment securities.

Financial assets carried at amortized cost are measured using the effective interest method, and are presented net of any ACL, calculated in accordance with our policy for allowance for credit losses, as described below. Interest income, including the amortization of premiums and discounts on loans, interest-bearing deposits and securities measured at amortized cost are recorded in interest income. Impairment gains or losses are recorded as PCL in the statement of comprehensive income.

The Bank accounts for all of investment securities using settlement date accounting and changes in fair value between the trade date and settlement date are reflected within other income as income (loss) from investment securities designated at FVTPL, and changes in the fair value of investment securities at FVOCI between the trade and settlement dates are recorded in other comprehensive income ("OCI") except for changes in foreign exchange rates on investment securities, which are recorded in other income as foreign exchange gain.

Allowance for credit losses

An ACL is established for financial assets that are measured at amortized costs. Assets subject to impairment assessment include loans and advances to customers, investment securities at FVOCI, interest-bearing deposits with banks and cash and bank balances. ACL on loans and advances from customers measured at amortized cost is presented in allowance for credit losses. ACL on investment securities at FVOCI is presented in accumulated OCI. Other financial assets carried at amortized cost are presented net of ACL on the statement of financial position.

Off-balance sheet items subject to an impairment assessment include financial guarantees and undrawn loan commitments. ACL on off-balance sheet items is separately calculated and included in other liabilities as allowance for off-balance sheet commitments.

3. Material accounting policies (continued)

b) Financial instruments (continued)

Allowance for credit losses (continued)

The expected credit losses (“ECL”) model is based on probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”) inputs and takes into account the expected timing of the loss. The ECL model also incorporates forward-looking economic information, primarily forecasts of the Canada unemployment rate, Canada housing price index, Bank of Canada overnight interest rate, the level of the Toronto Stock Exchange index (TSX), the 3-month US Treasury bill rate, the USD/CAD exchange rate as well as the use of experienced credit judgment, where applicable. There is significant management judgment involved in determining the ACL estimate based on the ECL model.

The Bank’s impairment model measures ACLs using a three-stage approach, based on the extent of credit deterioration since origination:

- Stage 1 – For financial assets that have not experienced a significant increase in credit risk (“SICR”) since initial recognition, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months.
- Stage 2 – For financial assets that have experienced a SICR, but are not considered to be in default, the allowance is based on the probability of default over the remaining estimated life of the loan. This stage includes loans that are 30 days past due.
- Stage 3 – Financial assets that are considered to be in default, which includes those financial assets that are 90 days past due, are included in this stage and the ACL captures the lifetime ECLs.

The ECL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period. For financial guarantees, credit loss estimates are based on the expected payments required under the guarantee contract.

The ACL represents an unbiased estimate of expected credit losses on our financial assets as at the balance sheet date. Judgment is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward-looking information. Changes in the underlying assumptions and estimates may result in changes to the allowance from period to period that significantly affect our results of operations.

Measurement of allowance of credit losses

ACL are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows.

PD represents the likelihood that a financial asset will default over the following 12 months or, depending on credit deterioration from origination of the financial asset over the expected life of the loan. LGD is the amount that is expected not to be recovered in the event of default. EAD is the estimate of the outstanding amount of credit exposure at the time a default may occur. For undrawn amounts, EAD includes an estimate of any further amounts to be drawn at the time of default. These inputs are modelled based on historical data and reasonable and supportable information about future economic conditions, where appropriate.

3. Material accounting policies (continued)

b) Financial instruments (continued)

Measurement of allowance of credit losses (continued)

Where modelling of a parameter is carried out on a collective basis, the financial assets are grouped on the basis of shared risk characteristics that include instrument type, credit risk rating, industry and geographical location of the borrower. The groupings are subject to regular review to ensure that exposures within a particular group remain approximately homogeneous. All loans and advances to customers and other financial instruments except for non-mortgage retail loans are assessed on an individual basis, as per the Credit Allowance Policy of the Bank.

Significant increase in credit risk

At each reporting date, the Bank assesses whether there has been a SICR since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information and the impact of forward-looking macroeconomic factors. Instruments which are 30 days past due are generally considered to have experienced a SICR, even if our other metrics do not indicate that a SICR has occurred. For loans and advances to customers and investment securities, SICR is assessed at the segment level and considers the proportionate change in PD, as well as the absolute change in PD.

The Bank's impairment model measures ACL using the above-mentioned three-stage approach, based on the extent of credit deterioration since origination. As credit risk changes each period, a financial asset can transfer between stages.

Forward-looking macroeconomic information

The allowance reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts. The inputs (PD, LGD and EAD) used to estimate ACL are modelled based on macroeconomic variables that are most closely related with credit losses associated with the Bank's portfolio.

The measurement of ACL for each stage and the assessment of SICR considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information relies on the Bank's management to exercise significant judgment.

Our estimation of ACL is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our scenarios are based on macroeconomic forecasts published by other banks.

Scenarios are designed to capture a wide range of possible outcomes and weighted according to our best estimate of the relative likelihood of the range of outcomes that each scenario represents. Scenario weights take into account historical frequency, current trends, and forward-looking conditions and are updated on a quarterly basis. All scenarios considered are applied to all portfolios subject to ACL with the same probabilities.

Our assessment of SICR is based on changes in probability-weighted forward-looking lifetime PDs as at the reporting date, using the same macroeconomic scenarios as the calculation of ACL. See note 6 for variables applied to the model.

3. Material accounting policies (continued)

b) Financial instruments (continued)

Definition of default and write-off

The Bank considers a financial asset to be in default if one or more loss events has occurred which has a negative impact on the estimated future cash flows of the financial assets that can be reliably estimated. The Bank considers that default has occurred and classifies the financial asset as credit impaired when it is more than 90 days past due.

The Bank writes off an impaired financial asset and the related ACL, either partially or in full, when there is no realistic prospect of further recovery. In subsequent periods, if there are any recoveries of amounts previously written-off as a result of a debt sale or other repayment, the amount is credited to the provision for credit losses.

Modifications

From time to time the Bank may modify the contractual terms of a loan or advance to customers due to a change in the financial condition of the borrower in a way that represents a fundamental change to the contract or changes that may have a significant impact on the contractual cash flows of the asset. In this case, the Bank assesses such renegotiated loan, SICR or advance to customers for impairment consistent with the existing policies for impairment. When renegotiation leads to significant concessions being granted, and the concessions are for economic or legal reasons related to the borrower's financial difficulty that the Bank would not otherwise consider, the loan is assessed for modification and possible derecognition. The Bank considers one or a combination of the following to be significant changes: (1) a change of the stated interest rate, (2) an extension of the maturity date or dates at a stated interest rate lower than the current market rate for a new loan or advance to customers with similar terms, or (3) forgiveness of principal or accrued interest.

c) Derivative financial instruments

Derivative instruments are financial contracts whose value is derived from interest rates, foreign exchange rates, commodity, equity prices or other financial variables.

Derivative financial instruments are recorded on the statement of financial position at fair value. These are reported as assets when they have a positive fair value and as liabilities when they have a negative fair value. Changes in fair value of derivative financial instruments are recognized as other income in the statement of comprehensive income.

d) Property and equipment

Property and equipment include furniture and equipment, computers and leasehold improvements.Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Gains and losses on disposal of these assets are recorded in other income in the year of disposal.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value and is recognized in the statement of comprehensive income on a declining-balance method over the estimated useful lives of the asset. Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

3. Material accounting policies (continued)

d) Property and equipment (continued)

The annual depreciation rates for furniture and equipment and computers are as follows:

Furniture and equipment	20%
Computers	30%

Leasehold improvements are amortized over the term of the related lease using the straight-line method.

e) Right-of-use assets and lease liabilities

The Bank assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains a lease, the Bank will recognize a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset and lease liability are initially measured as an amount equal to the present value of the remaining lease payments over the lease. The discount rate to be used is the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. The Bank uses its incremental borrowing rate as the discount rate.

The ROU asset is depreciated to the earlier of the end of the useful life or lease term using the straight-line method as this reflects the expected pattern of use. At each reporting date, the ROU asset is assessed for indicators of impairment. If an impairment event has occurred, then an impairment loss is recognized.

Lease liabilities

The lease liability is measured at the present value of the lease payments that are not paid at commencement date. It is remeasured when there is a change in future lease payments arising from a change in rates or there is a change in the Bank's estimate of the amount expected to be payable.

f) Intangible assets

Intangible assets are purchased computer software that is not an integral part of the related hardware.

Cost includes expenditure that is directly attributable to the acquisition of the software. Gains and losses on disposal of these assets are recorded in other income in the year of disposal.

Amortization is calculated over the depreciable amount, which is the cost of the software less its residual value and is recognized in the statement of comprehensive income on a declining-balance method over the estimated useful lives of the asset. Amortization methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

The annual amortization rates for various software are as follows:

Banking system software	25%
Other software	30%

3. Material accounting policies (continued)

g) Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on by customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The Bank's potential liability under acceptances is reported as a liability in the statement of financial position. The Bank's recourse against the customer in the event of a call on any of these commitments is reported as an asset of the same amount. Fees earned are reported as other income.

h) Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in provisions due to the passage of time is recognized as interest expense in the statement of comprehensive income.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Bank; or are present obligations that have arisen from past events that are not recognized because it is not probable that settlement will require an outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognized in the financial statements but are disclosed unless the probability of settlement is remote.

i) Guarantees

A guarantee is defined to be a contract that contingently requires the Bank to make payments to a third party based on: (a) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty, (b) failure of another party to perform under an obligating agreement or (c) failure of another third party to pay its indebtedness when due. Significant guarantees that the Bank has provided to third parties include guarantees and standby letters of credit. These are considered guarantees and represent obligations to make payments to third parties, on behalf of customers, if they are unable to make required payments or to meet other contractual requirements. Collateral requirements for guarantees and standby letters of credit are consistent with collateral requirements for loans.

j) Interest

Interest income and expense are recognized in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

3. Material accounting policies (continued)

j) Interest (continued)

Interest income and expense presented in the statement of comprehensive income include:

- Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis; and
- Interest on FVOCI investment securities calculated on an effective interest basis.

k) Foreign currency transactions

Transactions in foreign currencies are translated into Canadian dollars at the spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Canadian dollars at the exchange rate at that date. Foreign currency non-monetary items that are measured at historical cost are translated into Canadian dollars at historical rates. Foreign currency non-monetary items measured at fair value are translated into Canadian dollars using the rate of exchange at the date the fair value was determined.

Translation gains and losses are recognized in the statement of comprehensive income.

l) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

m) Related party transactions

Unless otherwise stated, all related party transactions are considered to be in the normal course of operations and are initially measured at fair value, being the amount of consideration established and agreed to between the related parties.

3. Material accounting policies (continued)

n) Share capital

Common shares are classified as common share capital within shareholder's equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from common share capital, net of any tax effects.

o) Loan fees, prepayment fees, commitment fees and origination costs

Loan origination costs are deferred and amortized into income using the effective interest method over the expected term of the loan. Loan fees are recognized in other income over the appropriate lending or commitment period. Prepayment fees are recognized in other income when received, unless they relate to a minor modification to the terms of the financial asset, in which case the fees are deferred and amortized using the effective interest method over the remaining period.

Loan commitment fees for loans that are likely to be drawn down and other credit-related fees are deferred (together with any incremental costs) and recognized as part of the effective interest on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on a straight-line basis.

p) Current and future changes in material accounting policies

The Bank adopted the amendments to IAS 1 – Presentation of Financial Statements ("IAS 1") on January 1, 2024. These amendments clarify how covenants with which an entity must comply on or before the reporting date affect the classification of a liability. They also require an entity to disclose additional information in the notes to the financial statements to enable stakeholders to understand the risk that non-current liabilities could become repayable within twelve months after the reporting date. The amendments were applied retrospectively with no financial impact on these financial statements.

In April 2024, the IASB issued IFRS 18 – Presentation and Disclosure in Financial Statements ("IFRS 18") to improve reporting of financial performance. IFRS 18 replaces IAS 1, however, it carries forward many requirements from IAS 1 unchanged. IFRS 18 will be effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. IFRS 18 introduces specified subtotals in the statements of income, new disclosures for management-defined performance measures, and additional requirements for the aggregation and disaggregation of information. The Bank is currently assessing the impact of this new standard on the presentation and disclosure of its financial statements.

In May 2024, the IASB published Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 to address matters identified during the post-implementation review of IFRS 9. The amendments clarify the classification of certain financial assets as well as the derecognition of a financial liability and introduce an accounting policy option for the derecognition of financial liabilities settled through electronic transfer if certain conditions are met. The amendments also add disclosure requirements for certain financial instruments. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted, and will apply retrospectively. The Bank is currently assessing the impact of these amendments on its financial statements.

(in thousands of Canadian dollars)

4. Investment securities

(a) Carrying value of securities

(i) FVOCI securities

As at December 31, the fair value of FVOCI securities is as shown below:

	2024				2023			
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value of securities**	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value of securities
	$	**$**	**$**	**$**	$	$	$	$
Treasury bills	**5,263**	**5**	**-**	**5,268**	14,384	-	(11)	14,373
Government bonds	**167,428**	**761**	**(146)**	**168,043**	89,983	310	(473)	89,820
	172,691	**766**	**(146)**	**173,311**	104,367	310	(484)	104,193

As at December 31, the composition and maturity profile of FVOCI securities are as follows:

	2024			**2023**		
	Under 1 year	**2 to 5 years**	**Total**	Under 1 year	2 to 5 years	Total
	$	**$**	**$**	$	$	$
Treasury bills	**5,268**	**-**	**5,268**	14,373	-	14,373
Government bonds	**30,091**	**137,952**	**168,043**	25,192	64,628	89,820
	35,359	**137,952**	**173,311**	39,565	64,628	104,193

As at December 31, 2024, interest-bearing bonds with stated interest rates of 2.10% to 8.50% (2023 - 0.75% to 8.00%) are included within the above FVOCI securities, and do not include any securities (2023 - Nil) denominated in foreign currencies. The treasury bills and government bonds are issued by Canada and Canadian provinces.

(in thousands of Canadian dollars)

5a. Loans and advances to customers

As at December 31, an analysis of the Bank's loans and advances to customers by category is as follows:

			2024			2023
	Gross amount	**ACL**	**Carrying amount**	Gross amount	ACL	Carrying amount
	$	**$**	**$**	$	$	$
Retail customers:						
Mortgage lending	**153,223**	**243**	**152,980**	150,066	734	149,332
Personal loans	**8,239**	**5**	**8,234**	8,593	3	8,590
	161,462	**248**	**161,214**	158,659	737	157,922
Corporate customers:						
Mortgage lending	**244,509**	**1,131**	**243,378**	238,082	1,541	236,541
Syndication	**741,058**	**5,461**	**735,597**	696,740	6,969	689,771
Other	**3,451**	**4**	**3,447**	3,665	14	3,651
	989,018	**6,596**	**982,422**	938,487	8,524	929,963
	1,150,480	**6,844**	**1,143,636**	1,097,146	9,261	1,087,885

As at December 31, 2024, loans and advances to customers include $581,651 (2023 - $495,731) denominated in foreign currencies, which are principally U.S. dollar-denominated.

The gross carrying amount of loans and advances to customers represents the maximum exposure to credit risk at the end of the reporting period without taking into account any collateral, undrawn commitments or other credit enhancements.

The bank holds collateral on all its mortgage portfolios in the form of real property. The fair value of collateral held against mortgages is based on appraisals at the time the loan was originated. Appraisals are only updated should circumstances warrant.

5b. Allowance for credit losses for loans and advances to customers

The following table shows the continuity in the allowance for credit losses by stage for the year ended December 31:

	2024	2023
Stage 1 & 2 allowance for credit losses:		
Balance at January 1	**9,261**	6,470
Charges (Recoveries) for the year (net)	**(2,417)**	2,791
Balance at December 31	**6,844**	9,261

There are no loans and advances receivables classified as stage 3.

(in thousands of Canadian dollars)

6. Credit risk exposure and allowance

The following table sets out the Bank's credit risk exposure for financial assets (including loans and advances to customers, investment securities and all cash and bank balances), and commitments and guarantees as at December 31, 2024 and 2023. Stage 1 represents those performing assets with a 12-month expected credit loss allowance, Stage 2 represents performing assets with a lifetime expected credit loss allowance, and Stage 3 represents impaired assets with a lifetime credit loss allowance. As of December 31, 2024 and 2023 there were no impaired assets.

2024			
	Stage 1	**Stage 2**	**Total**
Financial assets			
A. SBIC 0 to 12	1,251,133	52,948	1,304,081
B. SBIC 13	-	34,011	34,011
C. SBIC 14	-	2,127	2,127
D. SBIC 15	-	17,567	17,567
E. Impaired	-	-	-
Gross carrying amount	**1,251,133**	**106,653**	**1,357,786**
Allowance for credit losses	3,805	3,057	6,862
Net carrying amount	**1,247,328**	**103,596**	**1,350,924**

	Stage 1	**Stage 2**	**Total**
Commitments and guarantees			
A. SBIC 0 to 12	129,080	47	129,127
B. SBIC 13	-	-	-
C. SBIC 14	-	-	-
D. SBIC 15	-	-	-
E. Impaired	-	-	-
Gross carrying amount	**129,080**	**47**	**129,127**
Allowance for credit losses	99	-	99
Net carrying amount	**128,981**	**47**	**129,028**

(in thousands of Canadian dollars)

6. Credit risk exposure and allowance (continued)

2023			
(Thousands of Canadian dollars)	Stage 1	Stage 2	Total
Financial assets			
A. SBIC 0 to 12	1,101,991	198,944	1,300,935
B. SBIC 13	-	40,853	40,853
C. SBIC 14	-	18,311	18,311
D. Impaired	-	-	-
Gross carrying amount	1,101,991	258,108	1,360,099
Allowance for credit losses	3,506	5,799	9,305
Net carrying amount	1,098,485	252,309	1,350,794

(Thousands of Canadian dollars)	Stage 1	Stage 2	Total
Commitments and guarantees			
A. SBIC 0 to 12	77,457	50,708	128,165
B. SBIC 13	-	-	-
C. SBIC 14	-	-	-
D. Impaired	-	-	-
Gross carrying amount	77,457	50,708	128,165
Allowance for credit losses	41	32	73
Net carrying amount	77,416	50,676	128,092

The allowance for undrawn commitments and guarantees issued is included in other liabilities in the statement of financial position.

The following table shows the continuity in the loss allowance for financial assets, and commitments and guarantees which is recorded as other liabilities, for the year ended December 31.

2024	**Stage 1**	**Stage 2**	**Total**
Balance at January 1	3,547	5,831	9,378
New originations	1,291	17	1,308
Transfer to Stage 1	613	(1,571)	(958)
Transfer to Stage 2	(457)	1,248	791
Collections	(472)	(2,254)	(2,726)
Remeasurements	(618)	(214)	(832)
Balance at December 31	**3,904**	**3,057**	**6,961**

2023	Stage 1	Stage 2	Total
Balance at January 1	2,800	3,809	6,609
Charges for the year	747	2,022	2,769
Balance at December 31	3,547	5,831	9,378

(in thousands of Canadian dollars)

6. Credit risk exposure and allowance (continued)

The Bank has following internal risk rating categories:

Risk Categories	Risk Rating SBIC	Category	Risk Rating SBIC	Category
Satisfactory	0	Extremely Low Risk	5 to 6	Normal Risk
	1 to 2	Very Low Risk	7 to 9	Medium Risk
	3 to 4	Low Risk	10 to 12	High Risk
Watch	SBIC13	Especially Mentioned Account		
Classified	SBIC14	Sub-Standard	SBIC16	Loss
	SBIC15	Doubtful		

Forward-looking variables

Our ACL reflects our economic outlook as at December 31, 2024. Subsequent changes to this forecast and related estimates will be reflected in our ACL in future periods. These scenarios assume monetary policy responses that return the economy to a long-run, sustainable growth rate within the forecast period. The possibility of a deeper recession and a more prolonged recovery as compared to the base scenario, including further monetary policy responses to elevated inflation rates which may increase credit risk, is reflected in our general pessimistic scenario. The optimistic scenario reflects slightly stronger economic growth than the base scenario. The factors considered for ACL calculations are:

1. Mortgages – Canada housing price index and unemployment rate
2. Treasury and money market – 3-month Treasury bill rate
3. Syndicated loans – TSX index and USD/CAD exchange rate

	2024 (12 Months)			2023 (12 Months)		
	Pessimistic (30%)	**Base (50%)**	**Optimistic (20%)**	Pessimistic (30%)	Base (50%)	Optimistic (20%)
Canada unemployment rate (%)	6.74	6.70	6.65	6.04	6.00	5.95
Canada housing price index	123.87	124.6	125.32	128.28	129.00	129.71
BOC Overnight interest rate (%)	3.16	3.25	3.33	4.91	5.00	5.08
TSX index	24,459	24,600	24,740	20,539	20,500	20,640
3-month Treasury bill rate (%)	3.01	3.10	3.18	4.91	5.00	5.08
USD/CAD exchange rate	1.44	1.43	1.42	1.31	1.30	1.29

(in thousands of Canadian dollars)

7. Property and equipment

Cost:

	Furniture and equipment	Computers	Leasehold improvements	Right-of-use assets*	Total
	$	$	$	$	$
Balance at January 1, 2024	**879**	**401**	**2,903**	**18,187**	**22,370**
Acquisitions	**214**	**108**	**418**	**1,115**	**1,855**
Disposals	**49**	**-**	**-**	**44**	**93**
Balance at December 31, 2024	**1,044**	**509**	**3,321**	**19,258**	**24,132**
Balance at January 1, 2023	1,532	383	3,177	15,946	21,038
Acquisitions	219	22	527	2,691	3,459
Disposals	872	4	801	450	2,127
Balance at December 31, 2023	879	401	2,903	18,187	22,370

Accumulated depreciation:

	Furniture and equipment	Computers	Leasehold improvements	Right-of-use assets*	Total
	$	$	$	$	$
Balance at January 1, 2024	**504**	**318**	**1,445**	**3,234**	**5,501**
Depreciation for the year	**91**	**41**	**251**	**1,217**	**1,600**
Disposal	**22**	**-**	**-**	**44**	**66**
Balance at December 31, 2024	**573**	**359**	**1,696**	**4,407**	**7,035**
Balance at January 1, 2023	1,231	290	2,045	3,406	6,972
Depreciation for the year	104	32	249	1,073	1,458
Disposals	831	4	849	1,245	2,929
Balance at December 31, 2023	504	318	1,445	3,234	5,501

Carrying amounts:

	Furniture and equipment	Computers	Leasehold improvements	Right-of-use assets*	Total
	$	$	$	$	$
Balance at December 31, 2024	**471**	**150**	**1,625**	**14,851**	**17,097**
Balance at December 31, 2023	375	83	1,458	14,953	16,869

*The Bank leases comprise mainly office and branch premises. The lease term on premises ranges from 1 to 10 years with most leases having an option to extend the lease at the end of the lease term.

(in thousands of Canadian dollars)

8. Intangible assets

	Purchased software	Accumulated Amortization	Carrying Amount
	$		$
Balance at January 1, 2024	**888**	**834**	**54**
Amortization	**-**	**14**	**14**
Balance at December 31, 2024	**888**	**848**	**40**
Balance at January 1, 2023	888	817	71
Amortization	-	17	17
Balance at December 31, 2023	888	834	54

9. Other assets

	2024	2023
	$	$
Accrued interest receivable	**4,490**	4,717
Prepaid expenses	**1,713**	2,788
Income tax receivable	**2,451**	-
Other	**112**	14
	8,766	7,519

10. Deposits from banks

	2024	2023
	$	$
Current deposits from banks	**8,058**	10,872
Money market term deposits	**-**	99,240
	8,058	110,112

As at December 31, 2024, deposits from the parent bank and other related parties was $7,589 (2023 - $109,707).

(in thousands of Canadian dollars)

11. Deposits from customers

	2024	2023
	$	$
Retail customers:		
Term deposits	**452,534**	400,915
Current deposits	**109,644**	123,008
Wholesale customers:		
Term deposits	**490,149**	453,358
Current deposits	**36,909**	33,047
	1,089,236	1,010,328

At December 31, 2024, $248,607 (2023 - $282,335) of deposits from customers are expected to be settled more than 12 months after the reporting date. Total deposits include $193,999 (2023 - $166,261) denominated in foreign currencies, which are principally U.S. dollar-denominated.

12. Other liabilities

	2024	2023
	$	$
Accrued interest payable	**27,051**	25,988
Lease liabilities	**15,797**	15,651
Accounts payable	**2,326**	2,856
Income tax payable	**-**	3,477
Cheques and other items in transit	**1,347**	1,361
Deferred income	**-**	38
Allowance for off-balance sheet commitments	**99**	73
	46,620	49,444

As at December 31, 2024, the details relating to the Bank's lease liabilities (at present value) which is included with other liabilities are as follows:

Lease Liabilities	**2024**	2023
	$	$
Analysed as:		
Amounts due within 12 months	**1,066**	930
Amounts due after 12 months	**14,731**	14,721
Balance at December 31	**15,797**	15,651

(in thousands of Canadian dollars)

12. Other liabilities (continued)

As at December 31, 2024, the maturity of the lease obligation, on an undiscounted basis, is as follows:

Maturity Analysis	**2024**	2023
	$	$
Year 1	**1,688**	1,517
Year 2	**1,703**	1,529
Year 3	**1,710**	1,543
Year 4	**1,652**	1,550
Year 5	**1,629**	1,528
Onwards	**12,473**	13,112
Total undiscounted lease obligation	**20,855**	20,779

During the year ended December 31, 2024, the interest expense on lease liabilities was $608 which is presented as part of interest expense, the total outflow for lease payments was $1,517. As at December 31, 2024, the Bank does not have any significant liquidity risk with regards to its lease liabilities, which are monitored regularly within the Bank's operations function.

13. Income taxes

a) Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

The Bank's income taxes for the year ended December 31 are summarized below:

i) Income tax recognized in the statement of comprehensive income

	2024	2023
	$	$
Current tax:		
In respect of the current year	**4,985**	7,609
Deferred tax:		
In respect of the current year	**497**	(605)
	5,482	7,004

(in thousands of Canadian dollars)

13. Income taxes (continued)

ii) Income tax recognized in other comprehensive income

	2024	2023
	$	$
Current tax:		
Fair value remeasurement of FVOCI financial assets	**169**	282
Current tax reclassified to comprehensive income	**43**	403
	212	685

b) Significant components of the Bank's deferred tax assets (liabilities) as at December 31 are:

			2024			2023
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
	$	**$**	**$**	$	$	$
Property and equipment	**-**	**13**	**(13)**	-	179	(179)
Intangible assets	**-**	**11**	**(11)**	-	14	(14)
Allowances for loan losses	**1,820**	**-**	**1,820**	2,471	-	2,471
Net unearned income	**870**	**600**	**270**	886	602	284
Net tax assets	**2,690**	**624**	**2,066**	3,357	795	2,562

c) The following is the analysis of deferred assets (liabilities) presented in the statement of financial position:

2024	**Opening balance**	**Recognised in profit or loss**	**Closing balance**
	$	$	$
Property and equipment	**(179)**	**166**	**(13)**
Intangible assets	**(14)**	**3**	**(11)**
Allowances for loan losses	**2,471**	**(651)**	**1,820**
Net unearned income	**284**	**(14)**	**270**
	2,562	**(496)**	**2,066**

(in thousands of Canadian dollars)

13. Income taxes (continued)

2023	Opening balance	Recognised in profit or loss	Closing balance
	$	$	$
Property and equipment	210	(389)	(179)
Intangible assets	(19)	5	(14)
Allowances for loan losses	1,738	733	2,471
Net unearned income	28	256	284
	1,957	605	2,562

	2024	2023
	$	$
Net income before income taxes	**20,641**	24,741
Income taxes at statutory tax rate	**5,478**	6,566
Increase in income taxes resulting from:		
Non-deductible items	**1**	1
Other	**3**	437
Income taxes	**5,482**	7,004
Effective tax rate	**26.56%**	28.31%

14. Other income

	2024	2023
	$	$
Loan fees	**2,055**	1,804
Revaluation of derivative contracts	**720**	765
Commission on GIC	**50**	325
Net gains on sale of FVOCI investment securities	**2,115**	543
Remittances	**271**	366
Other	**235**	754
Account service fee	**238**	103
Guarantee fees	**81**	82
Collection charges	**70**	77
Letters of credit fees	**5**	8
	5,840	4,827

(in thousands of Canadian dollars)

15. Other non-interest expenses

	2024	2023
	$	$
Advertisement	**375**	651
Association and regulatory	**331**	139
Brokerage and bank charges	**337**	338
Communications	**461**	469
Directors' fees	**314**	303
Insurance	**689**	790
Legal	**146**	263
Parent bank charges	**926**	1,067
Printing and stationery	**106**	114
Professional fees	**1,162**	896
Travelling	**377**	223
Other	**888**	696
	6,112	5,949

16. Subordinated debt

As at December 31, 2024, the Bank has subordinated debt, issued on December 31, 2010 (duly amended on June 27, 2024) with maturity date of December 31, 2040. It is unsecured and subordinated to all of the Bank's deposit liabilities and all other liabilities, issued to its parent bank in the amount of $20,000 (2023 - $20,000).

The subordinated debt bears interest at the rate of three months Term CORRA plus 1% plus 0.32138 percent per annum, payable quarterly in arrears, until its maturity date of December 31, 2040. At the Bank's option, the subordinated debt may be redeemed or purchased by the Bank, with the prior written approval of OSFI to such redemption or purchase, on or after December 31, 2025.

On February 23, 2013, the Bank in discussions with OSFI and its parent bank amended certain terms of the subordinated debt instrument to comply with the requirements of Basel III and the guidance issued by OSFI whereby, under certain triggering events, the amount outstanding under the subordinated debt together with accrued and unpaid interest will automatically be converted into newly issued and fully paid common shares of the Bank.

17. Common share capital

Authorized:

An unlimited number of common shares at par value of $100

Issued and fully paid up

	2024		2023	
	Number	Amount	Number	Amount
		$		$
Balance, beginning of year	**470,090**	**117,784**	470,090	117,784
Balance, end of year	**470,090**	**117,784**	470,090	117,784

(in thousands of Canadian dollars)

18. Capital management

Capital levels for Canadian banks are regulated pursuant to guidelines issued by OSFI. Regulatory capital is allocated to two tiers: Tier 1 and Tier 2. Total capital is defined as the total of Tier 1 and Tier 2 capital less deductions as prescribed by OSFI.

As at December 31, the Bank is in compliance with the requirements for assets to capital multiple and risk-based Tier 1 and capital ratios.

	Basel III as at December 31, 2024	Basel III as at December 31, 2023
	$	$
Regulatory capital and capital ratios:		
Common Equity Tier 1 capital:		
Common shares	**117,784**	117,784
Contributed surplus	**5,934**	5,934
Retained earnings	**84,038**	71,540
Accumulated other comprehensive loss	**486**	(90)
Common Equity Tier 1 capital before regulatory adjustments	**208,242**	195,168
Total regulatory adjustments to Common Equity Tier 1	**(30)**	(40)
Total Tier 1 capital	**208,212**	195,128
Tier 2 capital:		
Subordinated debt	**20,000**	20,000
Eligible Stage 1 and stage 2 allowances	**6,953**	9,364
Total Tier 2 capital	**26,953**	29,364
Total regulatory capital	**235,165**	224,492
Total risk weighted assets	**1,186,042**	1,158,498
Capital ratios:		
Tier 1 capital	**17.56%**	16.84%
Total capital	**19.83%**	19.38%

Capital ratios are calculated by dividing Tier 1 and Total capital by risk-weighted assets ("RWA"). The calculation of RWA is determined by OSFI-prescribed rules relating to on-balance sheet and off-balance sheet exposures and includes an amount for the market risk exposure associated with the Bank's derivative portfolio.

In addition to the Tier 1 and Total capital ratios, Canadian banks are required to ensure that their leverage ratio, which is calculated by dividing capital measure (Tier 1 capital) by exposure measure (the sum of on-balance sheet items and specified off-balance sheet items, net of specified adjustments), meets or exceeds a minimum level prescribed by OSFI. Capital measure and exposure measure are defined in OSFI’s Leverage Requirements guideline. An analysis of leverage ratio is as follows:

	2024	2023
	$	$
On-balance sheet items and specified off-balance sheet items, net of specified adjustments	**1,443,498**	1,445,779
Leverage Ratio	**14.42%**	13.50%

(in thousands of Canadian dollars)

19. Derivatives

In the ordinary course of business, the Bank uses derivative financial instruments, primarily over-the-counter foreign exchange contracts and interest rate contracts to manage its exposure to currency and interest rate fluctuations, as part of the Bank's asset liability management program.

The Bank economically hedges exposure on its assets and liabilities by entering into foreign exchange contracts and interest rate contracts. These derivatives are not designated for hedge accounting and are carried at FVTPL.

Notional amounts of derivative contracts serve as reference for calculating payments and are a common measure of business volume. The following is a summary of the notional amounts, by remaining term to maturity, of the Bank's derivative positions at the statement of financial position date:

			2024	2023
	Within 1 year	**1 to 5 years**	**Total**	Total
	$	**$**	**$**	$
Foreign exchange contracts	**389,378**	**-**	**389,378**	261,190
Interest rate contracts	**64,769**	**30,350**	**95,119**	76,284
	454,147	**30,350**	**484,497**	337,474

The following is a summary of the fair value of the Bank's derivative portfolio at the statement of financial position date classified by positive and negative fair values:

		2024			2023	
	Positive fair value	**Negative fair value**	**Net fair value**	Positive fair value	Negative fair value	Net fair value
	$	**$**	**$**	$	$	$
Foreign exchange contracts	**84**	**(9,145)**	**(9,061)**	7,347	(10)	7,337
Interest rate contracts	**262**	**(144)**	**118**	669	(129)	540
	346	**(9,289)**	**(8,943)**	8,016	(139)	7,877
Variation Margin	**-**	**2,199**	**2,199**	(3,004)	-	(3,004)
	346	**(7,090)**	**(6,744)**	5,012	(139)	4,873

To reduce adverse liquidity shocks and in order to effectively mitigate counterparty credit risk, variation margin is calculated and exchanged for non-centrally cleared derivatives subject to a single, legally enforceable netting agreement.

(in thousands of Canadian dollars)

19. Derivatives (continued)

Current replacement cost is the fair value of the outstanding derivative financial instruments net of collateral, which represent the Bank’s derivative credit exposure.

Credit equivalent amount is the current replacement cost for favourable contracts plus an amount for the future credit exposure associated with the potential future changes in currency rates for the contracts. Future credit exposure is calculated using a formula prescribed by OSFI.

Risk-weighted amount represents the credit equivalent amount weighted according to the creditworthiness of the counterparty, using factors prescribed by OSFI.

The following is a summary of the Bank's derivative positions and related credit exposures as at December 31:

			2024			2023
	Current replacement cost	**Credit equivalent amount**	**Risk-weighted amount**	Current replacement cost	Credit equivalent amount	Risk-weighted amount
	$	**$**	**$**	$	$	$
Canada						
Foreign exchange contracts	**57**	**5,797**	**1,159**	4,342	12,604	4,483
Interest rate contracts	**359**	**777**	**155**	-	104	21
Other Countries						
Foreign exchange contracts	**359**	**2,053**	**411**	331	2,198	748
Interest rate contracts	**-**	**12**	**12**	-	49	49
	775	**8,639**	**1,737**	4,673	14,955	5,301

20. Related party transactions and balances

The Bank is a wholly-owned subsidiary of the parent bank which is incorporated under the *State Bank of India Act*, 1955, and has its registered office in Mumbai, India. The Bank and the parent bank are part of the group that prepares publicly available consolidated financial statements every year.

a) *Parent bank and its related parties*

The Bank enters into transactions with its parent bank and entities under common control by the parent bank in the normal course of business and on commercial terms which are initially recorded by the Bank at fair value, being the amount of consideration established and agreed to among the related parties.

(in thousands of Canadian dollars)

20. Related party transactions and balances (continued)

a) Parent bank and its related parties (continued)

During the year ended December 31, the balances and transactions with the parent bank and entities under common control by the parent bank are as follows:

	2024	2023
	$	$
Assets:		
Cash and bank balances	**1,705**	2,654
Interest bearing deposits with banks	**3,594**	20,907
Liabilities:		
Deposits from banks	**7,589**	109,707
Derivative liabilities	**-**	69
Other liabilities	**840**	633
Subordinated debt	**20,000**	20,000
Statement of comprehensive income		
Interest income	**76**	99
Interest expenses	**1,285**	3,810
Other income	**-**	7
Non-interest expenses	**975**	1,118

b) Central Government of India related entities

The Bank enters into transactions with other entities under common control by the Central Government of India, which controls a number of government entities, including the Bank's parent bank. These transactions are entered into in the normal course of business and on commercial terms which are initially recorded by the Bank at fair value, being the amount of consideration established and agreed to among the related parties.

During the year ended December 31, the balances and transactions with the Central Government of India related entities are as follows:

	2024	2023
	$	$
Liabilities:		
Deposits from customers	**10,989**	10,590
Statement of comprehensive income		
Interest expenses	**277**	167

(in thousands of Canadian dollars)

20. Related party transactions and balances (continued)

c) *Key management personnel*

Key management personnel ("KMP") are those persons who have authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The definition of KMP in IAS 24, *Related Party Disclosures*, specifies a role and is not limited to a person. KMP include directors (both executive and non-executive) and other members of the management team with significant authority and responsibility for planning, directing and controlling the Bank's activities. The Bank pays no post-employment benefits to KMP.

The following table summarizes the compensation paid to the KMP during the year ended December 31:

	2024	2023
	$	$
Short-term benefits	**2,484**	1,957

As at December 31, 2024 the loan balance outstanding from KMP is $989 (2023 - $976) at rates of interest ranging from 0% to 5.95% (2023 - 5.45% to 7.70%).

21. Geographic information

An analysis of the Bank's total assets and interest income, by geography, on the basis of the location of ultimate risk is as follows:

(a) Assets

	2024	2023
	$	$
Canada	**1,139,640**	1,207,426
United States	**190,191**	123,387
India	**35,955**	51,892
Other countries	**13,460**	2,486
	1,379,246	1,385,191

(b) Interest income

	2024	2023
	$	$
Canada	**74,261**	78,899
United States	**9,393**	7,514
	83,654	86,413

(in thousands of Canadian dollars)

22. Fair values of financial instruments

Fair value measurements of financial assets and liabilities are classified using a fair value hierarchy that has the following levels:

- Level 1 - quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs other than quoted prices that are observable for the asset or liability; and
- Level 3 - inputs that are not based on observable market data.

The fair value measurements are categorized in their entirety as determined on the basis of the lowest level input that is significant to each fair value measurement. Financial assets, consisting of investment securities as described in note 4, and trading financial assets and liabilities, namely the derivatives, are all categorized as Level 2 in the fair value hierarchy. Indicative market prices from Bloomberg / Reuters are used for valuing the bonds. Indicative foreign currency swap points and market yield curves from Bloomberg / Reuters are used for valuing the derivative contracts (foreign exchange swap and interest rate swaps). There was no transfer of financial assets or liabilities between fair value hierarchy during the year. An analysis of the classification of the Bank's financial instruments within the fair value hierarchy at December 31 is as follows:

2024	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets:				
Investment securities				
Financial assets at FVOCI	**-**	**173,311**	**-**	**173,311**
Derivatives				
Foreign exchange contracts	**-**	**84**	**-**	**84**
Interest rate contracts	**-**	**262**	**-**	**262**
	-	**173,657**	**-**	**173,657**
Financial liabilities				
Derivatives				
Foreign exchange contracts	**-**	**6,946**	**-**	**6,946**
Interest rate contracts		**144**	**-**	**144**
	-	**7,090**	**-**	**7,090**

2023	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets:				
Investment securities				
Financial assets at FVOCI	-	104,193	-	104,193
Derivatives				
Foreign exchange contracts	-	4,343	-	4,343
Interest rate contracts	-	669	-	669
	-	109,205	-	109,205
Financial liabilities				
Derivatives				
Foreign exchange contracts	-	10	-	10
Interest rate contracts		129	-	129
	-	139	-	139

(in thousands of Canadian dollars)

22. Fair values of financial instruments (continued)

The carrying values and fair values of financial instruments are as follows:

	2024			2023		
	Carrying value	**Fair value**	**Fair value to carrying value variance**	Carrying value	Fair value	Fair value to carrying value variance
	$	**$**	**$**	$	$	$
Assets						
Cash and bank balances	**10,301**	**10,301**	**-**	12,020	12,020	-
Interest-bearing deposits with banks	**23,683**	**23,683**	**-**	149,077	149,077	-
Investment securities	**173,311**	**173,311**	**-**	104,193	104,193	-
Loans and advances to customers	**1,143,636**	**1,133,579**	**(10,057)**	1,087,885	1,077,477	(10,408)
Other assets	**9,112**	**9,112**	**-**	12,531	12,531	-
	1,360,043	**1,349,986**	**(10,057)**	1,365,706	1,355,298	(10,408)
Liabilities						
Deposits from banks	**8,058**	**8,058**	**-**	110,112	110,112	-
Deposits from customers	**1,089,236**	**1,087,583**	**(1,653)**	1,010,328	1,006,379	(3,949)
Other liabilities	**53,710**	**51,909**	**(1,801)**	49,583	52,776	3,193
Subordinated debt	**20,000**	**20,000**	**-**	20,000	20,000	-
	1,171,004	**1,167,550**	**(3,454)**	1,190,023	1,189,267	(756)

Due to their short-term nature, the carrying values of certain financial instruments are assumed to approximate their fair values. These financial instruments include cash and bank balances, interest-bearing deposits with banks. Other assets include derivative assets and other liabilities include derivative liabilities.

The estimated fair value of loans and advances with customers reflects changes in credit risk and general interest rates that have occurred since the loans were originated. The particular valuation methods used are as follows:

(a) For floating rate loans, fair value is assumed to be equal to book value as the interest rates on these loans automatically reprice to market.

(b) For all other loans, fair value is determined by discounting the expected future cash flows of the loans at market rates for loans with similar terms and credit risks.

The fair values of demand deposits are assumed to be equal to their carrying values. The estimated fair values of fixed rate deposits payable on a fixed date are determined by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and risks.

The fair value of subordinated debt approximates carrying value as the interest rate automatically reprices to market.

(in thousands of Canadian dollars)

23. Commitments and contingencies

Letters of credit commitments

In the normal course of its business, the Bank issues various unfunded credit-related facilities, including letters of credit and commitments, to extend credit on behalf of its customers. These amounts, which are not included in the statement of financial position, are as follows:

	2024	2023
	$	$
Commitments to extend credit	**107,723**	108,858

Litigation

The Bank is involved in matters involving litigation arising out of the ordinary course and conduct of its business. Management assesses such claims and where considered likely to result in a material exposure and, where the amount of the claim is quantifiable, provisions for loss are made based on management's assessment of the likely outcome. The Bank does not provide for claims that are considered unlikely to result in a significant loss, claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable. As at December 31, 2024 and 2023, management considers that the aggregate liability resulting from such litigation and other matters is not material to the Bank’s financial position or results of operations.

24. Guarantees

As at December 31, the guarantees issued and outstanding are as follows:

	2024	2023
	$	$
Maximum potential future payment:		
Bank Guarantee	**5,565**	4,831

As many of these guarantees will expire or terminate without being drawn upon and do not take into consideration the possibility of recovery by means of recourse provisions or from collateral held or pledged, the contractual amounts are not indicative of future cash requirements or credit risk and may not bear any relationship to the Bank's expected losses from these arrangements..

25. Risk management framework

As a financial intermediary, the Bank is exposed to various types of risks. The Bank has an Enterprise Risk Management ("ERM") framework that consists of:

- A formal risk governance structure;
- Risk policies and procedures;
- Risk appetite and limit structure;
- Risk assessment tools;
- A common taxonomy of risk terms;
- New product and initiatives process;
- Reporting of enterprise wide risks;
- Independent review and assessment of risks; and
- Training

The Bank's ERM framework ensures that effective processes are in place for:

- Identifying current and emerging risks;
- Developing risk assessment and measurement systems;
- Establishing policies, practices and other control mechanisms to manage risks;
- Developing risk tolerance limits for approval by the Risk Management Committee of the Board ("RMCB") and the Board of Directors;
- Continual evaluation of risk appetite and tolerance, managed through setting risk limits and monitoring of utilization;
- Identifying corrective action plans where needed; and
- Integrated reporting of enterprise risk monitoring to Senior Management, the RMCB and the Board of Directors

The guiding principles behind the risk management practices at the Bank include:

- Establishing a "strong tone at the top" and strengthen the risk culture;
- Defining the risk appetite;
- Risk assessment and measurement, including scenario and stress consideration;
- Integrating risk management into organizational decision making at all levels and optimizing the risk-reward balance in all decision making; and
- Portfolio diversification

25. Risk management framework (continued)

The Bank has adopted the three lines of defence model for risk management. The branches, Credit Processing Cells, and other departments at Corporate Office not specifically identified as the second or third lines of defence, constitute the first line of defence in the management of risks pertaining to their area of operations. The first line is responsible for the day-to-day risk management and control. The Chief Risk Officer and the Chief Compliance Officer are the second line of defence. The Chief Internal Auditor is the third line of defence and provides independent assurance.

The key risks that the Bank is primarily exposed to include credit, market (including interest rate risk, foreign exchange risk), liquidity risk and operational risk. The approach of management to handle the key risks facing the Bank is outlined below:

a) Concentration Risk

The Bank manages industry concentrations as part of its credit risk tolerance framework by setting exposure limits on selected industries and borrowers. For personal customers, the Group also manages key concentrations in relation to high loan-to-value ratios.

Limits are set on credit risk exposures, thus protecting the Bank from excessive losses resulting from the default of a single customer group.

The highest individual exposure of the Bank excluding other financial institutions and government issued investment securities as of December 31, 2024 is $50.7 million. The total exposure of top 10 borrowers is amounting to $414.1 million.

b) Credit risk

Credit risk is the risk that unexpected losses may arise as a result of the Bank's borrowers or market counterparties failing to meet their obligations to pay. The Bank's Credit Risk Management Policy ("CRMP"), and the Residential Mortgage Underwriting Policy (“RMUP”) which are approved by its Board of Directors / RMCB, describe the principles that underlie and drive the Bank's approach to credit risk management. The CRMP / RMUP aim to optimize the Bank's risk-adjusted rate of return whilst maintaining the Bank's credit risk exposures within limits and parameters, as approved by the Board of Directors of the Bank.

The Bank takes a three-tier approach to assessment of credit risk – the transaction being proposed by a business unit (first tier), an independent challenge by the risk department (second tier) and assessment and adjudication of the same by an appropriate authority / independent credit committee (third tier). The CRMP / RMUP lay down a structured and standardized credit approval process, which includes a well-established procedure of independent and comprehensive credit risk assessment and the assignment of an internal risk rating to the borrower. The risk rating is a critical input for the credit approval process and is also an input in arriving at the credit risk spread and level of credit allowance for the proposal.

The approval process is delegated to various officials and committees as per the guidelines approved by the Board of Directors. Credit proposals are approved by these officials and committees based on, among other things, the amount and internal risk rating of the facility. There is a Corporate Credit & Investment Committee (the "CCC") which recommends all proposals that are beyond its powers for consideration of the RMCB / Board of Directors.

Monitoring credits, whilst ongoing, can also be triggered by any material credit event coming to the Bank's notice through either primary or secondary sources. All commercial and corporate borrower accounts are reviewed at least on an annual basis.

25. Risk management framework (continued)

Credit risk is also managed at the portfolio level by monitoring and reporting to the RMCB and the Board of Directors the key parameters of risk concentration; namely, product specific exposures, large exposures, industry/sectoral exposures and country/geographical exposures. As at December 31, 2024, the Bank’s exposure to credit risk is described in notes 3(b) and 5(a) on the gross loans and advances to customers outstanding and in note 22 on the fair value of financial instruments.

c) *Market and Liquidity risk*

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, exchange rates, asset prices, etc.). The policies approved by the Board of Directors for addressing market risk are the Securities and Investment Policy, Interest Rate Risk Management Policy and ERM Policy. The Asset Liability Management Committee ("ALCO") considers various investment and treasury operations matters, including the implementation of risk mitigation measures. Furthermore, an independent Treasury Back Office is set up to monitor and report the various risk limits.

The key risks to which the Bank is exposed from a market risk perspective relate to:

i) Interest rate risk:

Interest rate risk is defined as the exposure of a bank's financial condition to adverse movements in interest rates. Earnings from interest-sensitive investment securities and the overall value of the investment securities portfolio will be impacted by changes in interest rates. The measurement process used by the Bank currently includes the use of repricing gap reports and estimation of the sensitivity of the Bank's net interest income (“NII”) and economic value of equity (“EVE”) to changes in the level of interest rates.

The adverse impact on NII of a 200-basis-point parallel shift in interest rates shall not exceed 5.50% of the Bank's net capital funds. As at December 31, 2024, the impact of a 200-basis-point parallel shift in interest rates would have a $9.14 million impact on net income before income taxes. The Bank uses interest rate contracts, as appropriate, to manage its exposure to interest rate fluctuation.

(in thousands of Canadian dollars)

25. Risk management framework (continued)

Interest rate risk profile:

An analysis of the Bank's financial instruments position exposed to interest rate risk by the contractual repricing or maturity dates, whichever is earlier, as at December 31, 2024, is as follows:

	1 month or less	3 months or less	4 months to 1 year	1 to 5 years	Over 5 years	Non-rate sensitive	Total
	$	$	$	$	$	$	$
Assets							
Cash and bank balances	-	-	-	-	-	10,301	10,301
Interest-bearing deposits with banks	23,694	-	-	-	-	-	23,694
Investment securities	299	9,967	25,094	137,951	-	-	173,311
Loans and advances to customers *	655,360	71,161	236,832	189,126	-	-	1,152,479
Other assets	-	-	-	-	-	8,766	8,766
	679,353	81,128	261,926	327,077	-	19,067	1,368,551
Liabilities and Shareholder's Equity							
Deposits from banks	-	-	-	-	-	8,058	8,058
Deposits from customers	85,736	102,130	518,013	295,630	58,779	28,948	1,089,236
Other liabilities	-	-	-	-	-	49,906	49,906
Subordinated debt	-	20,000	-	-	-	-	20,000
	85,736	122,130	518,013	295,630	58,779	86,912	1,167,200
Variable / Fixed interest rate swaps	(95,119)	-	64,769	30,350	-	-	-
Total gap	498,498	(41,002)	(191,318)	61,797	(58,779)	(67,845)	201,351

* Loans and advances to customers includes unearned fee income and excludes prepaid fee expense for the purpose of this analysis

ii) Foreign exchange risk:

The risk arises due to positions in non-Canadian dollar denominated assets and liabilities. The risk originates as a result of the impact on revenue due to the potential revaluation of non-Canadian dollar assets and liabilities. The aggregate net overnight open exchange position across all foreign currencies as per Risk Appetite Statement shall not exceed U.S. $6 million. The Bank uses foreign exchange contracts, as appropriate, to manage its exposure to currency fluctuations as described in note 19. The Bank’s main exposure to foreign exchange risk, primarily U.S. dollars, is described in notes 4, 5 and 11. As at December 31, 2024, the impact of a 10 percent change in the Canadian dollar relative to the U.S. dollar would have a $19.6 thousand (December 31, 2023 - $34.8 thousand) impact on net income before income taxes.

iii) Liquidity risk:

Liquidity risk relates to the potential difficulty in accessing financial markets in order to meet payment obligations. It includes both the risk of unexpected increase in the cost of funding the assets and the risk of being unable to liquidate investments in a timely manner at a reasonable price. Treasury ensures that adequate liquidity is maintained at all times through systematic funds planning and maintenance of liquid investments. In addition, liquidity stress testing analysis is regularly performed to assess the Bank's ability to withstand an extreme crisis situation.

25. Risk management framework (continued)

Treasury is responsible for managing the market risk of treasury positions and the day-to-day liquidity of the Bank. It is subject to periodic review by the Risk Department / Internal Audit. Senior management also regularly monitors the positions taken. The ALCO and the RMCB undertake a periodic review of the market risk and liquidity position of the Bank.

d) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events.

The Bank has developed and implemented an Operational Risk Management framework which is embedded in the ERM Policy. The Operational Risk Management framework covers the aspects pertaining to minimizing losses due to process failures, losses due to fraud, impact of failures in technology/systems and continuity in the Bank's operations.

The RMCB, comprising senior management, is responsible for the development, implementation, maintenance and review of the Operational Risk Management framework. The Bank has implemented operational risk management tools such as Risk and Control Self Assessments, Business Process Mapping, Loss Data monitoring, etc.to identify and ensure effective control of its operational risks.

To identify operational risks in new products/processes, all such proposals are examined by the Bank Management Committee, comprising senior management, after obtaining inputs from all the relevant groups and control functions in the Bank.

The Bank has in place an Enterprise Culture and Conduct Framework.

The Bank has developed and implemented a Business Continuity Plan ("BCP"). This plan is designed to facilitate continuity in critical business operations in the event of a disaster or an emergency situation. The BCP has been formulated on the basis of a business impact analysis carried out for the individual groups involving identification of critical activities and determination of their recovery time objectives.

The Bank has developed and implemented a Third Party Policy to mitigate third party risks and ensure the application of a standardized approach for all third party arrangements entered into by the Bank. All proposed third party arrangements are assessed for their criticality prior to engaging, and the proposal is approved by the appropriate authority.

The Bank has an Information Security Policy, Cyber Security Policy and IT Policy that sets the guiding principles to achieve confidentiality, integrity and availability of information and information systems used by the users.

Group risk management framework:

The Bank is subject to the group risk management framework, which has been developed by the parent bank, in order to identify, evaluate and manage key risks on a group-wide basis. The framework is applicable to all overseas bank entities, including the subsidiaries, of the parent.

(in thousands of Canadian dollars)

26. IBOR Transition update

Various interest rate and other indices that are deemed to be “benchmarks” including the London Interbank Offered Rate (LIBOR) are the subject of international regulatory guidance and proposals for reform.

Following the previous announcements by various regulators, the publication of LIBOR settings for all sterling, Japanese yen, Swiss franc and euro, as well as 1-week and 2-month USD LIBOR settings was discontinued on December 31, 2022. The publication of the remaining USD LIBOR settings was ceased after 30 June 2023. In March 2022, the Adjustable Interest Rate (LIBOR) Act was enacted in the U.S., which allows for contracts that do not contain adequate fallback provisions to automatically transition to Secured Overnight Financing Rate (SOFR) upon the cessation of USD LIBOR.

On May 16, 2022, Refinitiv Benchmark Services (UK) Limited (RBSL), the administrator of the Canadian Dollar Offered Rate (CDOR), announced that the calculation and publication of all tenors of CDOR will permanently cease immediately following a final publication on June 28, 2024. The fixed spreads to be used in the transition to the relevant alternative benchmark rates (ABR) for each CDOR setting were also defined for certain of our CDOR-linked products as a result of the announcement. OSFI expects all new derivatives and securities to transition to the alternative rates by June 30, 2023, with no new CDOR exposures after that date, with limited exceptions. OSFI also expects all loan agreements referencing CDOR to be transitioned by June 28, 2024, and federally regulated financial institutions to prioritize system and model updates to accommodate the use of the Canadian Overnight Repo Rate Average (CORRA) prior to June 28, 2024

To manage our transition to ABRs, the Bank implemented a comprehensive enterprise-wide program and governance structure that addresses the key areas of impact including contract remediation, funding and liquidity planning, risk management, financial reporting and valuation, systems, processes and client education and communication. Transition activities are focused on two broad streams of work: (i) developing new ABR linked products, and (ii) conversion of existing USD LIBOR and CDOR based contracts to ABRs. Our program timelines are ultimately dependent on broader market acceptance of products that reference the new ABRs and our clients’ readiness and ability to adopt the replacement products. Significant matters that we continue to evaluate include client product offerings, short and long-term funding strategies, and our hedging programs. In line with the recommended target dates for the cessation of USD LIBOR and CDOR based products provided by our regulators the Bank completed transition activities to move to ABRs and currently has no exposure with these reference rates.

The following table presents the approximate gross outstanding balances of assets and liabilities that are indexed to CDOR.

Exposure CDOR Subject to Reform	**2024**	**2023**
Loans and advances to customers	-	179,843
Subordinated debt	-	20,000

27. Comparative Figures

Certain comparative figures have been reclassified to conform to the current period’s presentation. Such reclassifications did not affect net income (loss), comprehensive income (loss) or shareholders’ equity.

28. Subsequent Events

Subsequent to year end, the United States government announced new tariffs on imported goods which has caused significant economic uncertainty in Canada. The effects of the tariffs on the Bank are currently uncertain.

At its meeting on March 25, 2025, the Board of Directors approved a dividend of $3,790 to its parent bank.