

# Desjardins Trust Inc. Financial Information and Information on Risk Management (unaudited)

**For the period ended September 30, 2024**

## Table of contents

|   | Page |  | Page |
|---|------|--|------|
| <b>NOTES TO THE READER</b>                      |      | <b>RISK MANAGEMENT</b>                                     |      |
| Use of this document                            | 2    | Structure and organization of the risk management function | 8    |
| Desjardins Trust Inc. profile                   | 2    | Integrated Risk Management Framework                       | 8    |
| Basis of presentation of financial information  | 2    | Credit risk  | 9    |
|   |      | Market risk  | 10   |
| <b>FINANCIAL INFORMATIONS</b>                   |      | Liquidity risk   | 10   |
| Balance Sheets                                  | 3    | Operational risk   | 10   |
| Statements of Income                            | 4    | Strategic risk   | 11   |
| Statements of Comprehensive Income              | 4    | Reputation risk  | 11   |
| Statements of Changes in Equity                 | 5    | Environmental, social and governance (ESG) risks           | 12   |
| Securities                                      | 5    | Regulatory risks   | 12   |
| Allowance for credit losses on securities       | 6    |  |      |
| Deposits  | 6    | <b>PILLAR 3 DISCLOSURES</b>                                |      |
| Interest rate sensitivity and maturity matching | 6    | Key metrics [KM1]  | 14   |
|   |      | Composition of regulatory capital [CC1]                    | 15   |
| <b>CAPITAL</b>                                  |      | Leverage ratio common disclosure template [LR2]            | 17   |
| Basel III                                       | 7    |  |      |
| Statement of capital                            | 8    |  |      |

## NOTES TO THE READER

### USE OF THIS DOCUMENT

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The Financial Information and Information inherent on Risk Management (the document) is designed to support the transparency and disclosure of Desjardins Trust Inc.'s financial information and information inherent on risk management so that the various financial market participants can assess its risk profile. The information disclosed in this document is unaudited.

The information presented in the "Pillar 3 Disclosure" section have been prepared in accordance with the guidelines issued by the Office of the Superintendent of Financial Institutions (OSFI):

- *Pillar 3 Disclosure Guideline for Small and Medium-Sized Deposit-Taking Institutions (SMSBs)*;
- *Capital Disclosure Requirements*;
- *Leverage Ratio Disclosure Requirements*.

In accordance with the requirements of the *Small and Medium-Sized Deposit-Taking Institutions (SMSBs) Capital and Liquidity Requirements - Guideline*, they are classified into three categories. Based on the criteria set out in Section III of this guideline, Desjardins Trust Inc. is classified in Category II.

For more information, please refer to OSFI's financial data website at: <https://www.osfi-bsif.gc.ca>.

### DESJARDINS TRUST INC. PROFILE

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Desjardins Trust Inc. (the Company) is a trustee incorporated as a trust and loan company. It is registered under the *Trust and Loan Companies Act* (Canada) and provides a range of products and services, including asset custody and trust services to individuals and businesses. It is a wholly-owned subsidiary of Desjardins Financial Holding Inc., which in turn is wholly-owned by the *Fédération des caisses Desjardins du Québec* (the Federation). The address of its head office is 1 Complexe Desjardins, Montréal, Québec, Canada. Through a service and outsourcing agreement, the Company uses the services of the Federation and some of its subsidiaries to support its operations both in terms of managing staff as well as meeting its movable and immovable asset requirements. Under this agreement, the Federation and its subsidiaries agree to provide the Company with substantially all administrative and operating services. The Company is governed by the OSFI.

### BASIS OF PRESENTATION OF FINANCIAL INFORMATION

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The Annual Financial Statements have been prepared by the Company's management in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and the accounting requirements of the *Autorité des marchés financiers* (AMF) in Québec and OSFI, which do not differ from IFRS. IFRS represent Canadian generally accepted accounting principles (GAAP). The unaudited financial information presented in this document is mainly excerpted from the Annual and Interim Financial Statements of the Company. Unless indicated otherwise, amounts are in Canadian dollars.

## FINANCIAL INFORMATION

**Table 1 – Balance Sheets**

| (in thousands of dollars)  | As at<br>September 30, 2024 | As at<br>December 31, 2023 |
|--|-----------------------------|----------------------------|
| <b>ASSETS</b>  |                             |                            |
| Cash   | \$ 27,635                   | \$ 27,918                  |
| Securities at fair value through other comprehensive income                | 959,746                     | 2,517,571                  |
| Securities purchased under reverse repurchase agreements                   | —                           | 241,075                    |
| Amounts receivable from clients  | 34,930                      | 40,521                     |
| Interest receivable  | 4,002                       | 8,398                      |
| Other assets   | 29,649                      | 33,796                     |
| <b>TOTAL ASSETS</b>  | <b>\$ 1,055,962</b>         | <b>\$ 2,869,279</b>        |
| <b>LIABILITIES AND EQUITY</b>  |                             |                            |
| <b>LIABILITIES</b>   |                             |                            |
| Deposits   | \$ 744,358                  | \$ 698,360                 |
| Commitments related to securities lent or sold under repurchase agreements | —                           | 1,888,920                  |
| Deferred tax liabilities   | 207                         | 179                        |
| Other liabilities  | 54,202                      | 47,464                     |
| <b>TOTAL LIABILITIES</b>   | <b>798,767</b>              | <b>2,634,923</b>           |
| <b>EQUITY</b>  |                             |                            |
| Share capital  | 59,972                      | 59,972                     |
| Retained earnings  | 191,833                     | 174,006                    |
| Accumulated other comprehensive income                                     | 5,390                       | 378                        |
| <b>TOTAL EQUITY</b>  | <b>257,195</b>              | <b>234,356</b>             |
| <b>TOTAL LIABILITIES AND EQUITY</b>  | <b>\$ 1,055,962</b>         | <b>\$ 2,869,279</b>        |

Table 2 – Statements of Income

| (in thousands of dollars)  | For the three-month periods ended September 30, |                     | For the nine-month periods ended September 30, |                     |
|--|---|---------------------|--|---------------------|
|  | 2024  | 2023 <sup>(1)</sup> | 2024   | 2023 <sup>(1)</sup> |
| <b>FEE INCOME AND OTHER INCOME</b>   |   |                     |  |                     |
| Securities administration and custodial services   | \$ 22,991                                       | \$ 16,451           | \$ 57,837                                      | \$ 53,894           |
| Individual and business trust services   | 18,110  | 16,701              | 53,061   | 49,274              |
| Other  | 1,126   | 550                 | 4,329  | 1,555               |
|  | 42,227  | 33,702              | 115,227  | 104,723             |
| <b>NET INVESTMENT INCOME</b>   |   |                     |  |                     |
| <b>NET INTEREST INCOME</b>   |   |                     |  |                     |
| Interest income  | 11,661  | 37,178              | 86,219   | 106,589             |
| Interest expense   | (5,965)   | (32,200)            | (67,324)                                       | (91,631)            |
|  | 5,696   | 4,978               | 18,895   | 14,958              |
| <b>OTHER NET INVESTMENT INCOME (LOSS)</b>  |   |                     |  |                     |
| Net realized gains (losses) on securities classified as at fair value through other comprehensive income | 314   | (103)               | 402  | (772)               |
| Other  | (74)  | 34                  | (36)   | 187                 |
|  | 240   | (69)                | 366  | (585)               |
| <b>NET INVESTMENT INCOME</b>   | 5,936   | 4,909               | 19,261   | 14,373              |
| <b>TOTAL INCOME</b>  | 48,163  | 38,611              | 134,488  | 119,096             |
| <b>PROVISION FOR (RECOVERY OF) CREDIT LOSSES<sup>(2)</sup></b>   | 22  | 175                 | (437)  | (1,316)             |
| <b>NON-INTEREST EXPENSE</b>  |   |                     |  |                     |
| Service agreements and outsourcing   | 19,618  | 19,478              | 62,633   | 60,333              |
| Technologies   | 8,888   | 7,372               | 25,291   | 20,983              |
| Fees   | 910   | 686                 | 2,795  | 2,012               |
| Custodian fees   | 3,453   | 3,295               | 10,151   | 9,069               |
| Communications   | 167   | 118                 | 1,867  | 2,051               |
| Other  | 2,783   | 1,894               | 7,855  | 5,053               |
|  | 35,819  | 32,843              | 110,592  | 99,501              |
| <b>INCOME BEFORE INCOME TAXES</b>  | 12,322  | 5,593               | 24,333   | 20,911              |
| Income taxes   | 3,256   | 1,480               | 6,506  | 5,793               |
| <b>NET INCOME FOR THE PERIOD</b>   | \$ 9,066  | \$ 4,113            | \$ 17,827                                      | \$ 15,118           |

(1) Certain comparative figures have been reclassified to conform with the presentation of the financial statements for the current period. These reclassifications had no impact on net income or total assets and liabilities.

(2) Represents the provision for (recovery of) expected credit losses on securities classified as at fair value through other comprehensive income.

Table 3 – Statements of Comprehensive Income

| (in thousands of dollars)   | For the three-month periods ended September 30, |          | For the nine-month periods ended September 30, |           |
|---|---|----------|--|-----------|
|   | 2024  | 2023     | 2024   | 2023      |
| <b>Net income for the period</b>  | \$ 9,066  | \$ 4,113 | \$ 17,827                                      | \$ 15,118 |
| <b>Other comprehensive income, net of income taxes</b>  |   |          |  |           |
| <b>Items that will be reclassified subsequently to the Statements of Income</b>   |   |          |  |           |
| Net change in unrealized gains and losses on debt securities classified as at fair value through other comprehensive income |   |          |  |           |
| Net unrealized gains (losses)   | 4,628   | (643)    | 5,531  | 240       |
| Provision for (recovery of) credit losses recognized in net profit or loss  | 15  | 129      | (337)  | (967)     |
| Reclassification of net (gains) losses to the Statements of Income  | (230)   | 76       | (182)  | 567       |
| <b>Total other comprehensive income, net of income taxes</b>  | 4,413   | (438)    | 5,012  | (160)     |
| <b>COMPREHENSIVE INCOME FOR THE PERIOD</b>  | \$ 13,479                                       | \$ 3,675 | \$ 22,839                                      | \$ 14,958 |

**Table 4 – Statements of Changes in Equity**

For the nine-month periods ended September 30

| (in thousands of dollars)                 | Accumulated other comprehensive income |                   |                      |              |
|---|--|-------------------|----------------------|--------------|
|   | Share capital                          | Retained earnings | comprehensive income | Total equity |
| <b>BALANCE AS AT DECEMBER 31, 2023</b>    | \$ 59,972                              | \$ 174,006        | \$ 378               | \$ 234,356   |
| Net income for the period                 | —                                      | 17,827            | —                    | 17,827       |
| Other comprehensive income for the period | —                                      | —                 | 5,012                | 5,012        |
| Comprehensive income for the period       | —                                      | 17,827            | 5,012                | 22,839       |
| <b>BALANCE AS AT SEPTEMBER 30, 2024</b>   | \$ 59,972                              | \$ 191,833        | \$ 5,390             | \$ 257,195   |
| <b>BALANCE AS AT DECEMBER 31, 2022</b>    | \$ 59,972                              | \$ 150,661        | \$ (3,711)           | \$ 206,922   |
| Net income for the period                 | —                                      | 15,118            | —                    | 15,118       |
| Other comprehensive income for the period | —                                      | —                 | (160)                | (160)        |
| Comprehensive income for the period       | —                                      | 15,118            | (160)                | 14,958       |
| <b>BALANCE AS AT SEPTEMBER 30, 2023</b>   | \$ 59,972                              | \$ 165,779        | \$ (3,871)           | \$ 221,880   |

**Table 5 – Securities**

As at September 30, 2024

(in thousands of dollars)

| Securities issued or guaranteed by:                                 | Terms to maturity |             |            |
|---|-------------------|-------------|------------|
|   | Under 1 year      | Over 1 year | Total      |
| Canadian government entities  | \$ 249,962        | \$ 13,540   | \$ 263,502 |
| Provincial government entities and municipal corporations in Canada | 305,441           | 41,315      | 346,756    |
| <b>Other securities:</b>  |                   |             |            |
| Financial institutions and other issuers                            | 129,087           | 220,401     | 349,488    |
| <b>Total securities</b>   | \$ 684,490        | \$ 275,256  | \$ 959,746 |

As at December 31, 2023

(in thousands of dollars)

| Securities issued or guaranteed by:                                 | Terms to maturity |             |              |
|---|-------------------|-------------|--------------|
|   | Under 1 year      | Over 1 year | Total        |
| Canadian government entities  | \$ 200,907        | \$ 24,294   | \$ 225,201   |
| Provincial government entities and municipal corporations in Canada | 295,016           | 15,545      | 310,561      |
| <b>Other securities:</b>  |                   |             |              |
| Financial institutions and other issuers                            | 1,762,869         | 218,940     | 1,981,809    |
| <b>Total securities</b>   | \$ 2,258,792      | \$ 258,779  | \$ 2,517,571 |

As at September 30, 2024

**Distribution by province**  
(excluding securities issued or guaranteed by Canadian government entities)

| (in thousands of dollars)                      | British Columbia | Alberta    | Saskatchewan | Manitoba  | Ontario    | Québec     | Newfoundland and Labrador | Nova Scotia | New Brunswick | International | Total      |
|--|------------------|------------|--------------|-----------|------------|------------|---------------------------|-------------|---------------|---------------|------------|
| Securities issued or guaranteed <sup>(1)</sup> | \$ 10,017        | \$ 102,882 | \$ 4,885     | \$ 25,137 | \$ 140,028 | \$ 18,105  | \$ 34,376                 | \$ 5,811    | \$ 5,515      | \$ —          | \$ 346,756 |
| Other securities <sup>(2)</sup>                | 37,004           | 33,656     | —            | —         | 182,977    | 95,851     | —                         | —           | —             | —             | 349,488    |
|  | \$ 47,021        | \$ 136,538 | \$ 4,885     | \$ 25,137 | \$ 323,005 | \$ 113,956 | \$ 34,376                 | \$ 5,811    | \$ 5,515      | \$ —          | \$ 696,244 |

As at December 31, 2023

**Distribution by province**  
(excluding securities issued or guaranteed by Canadian government entities)

| (in thousands of dollars)                      | British Columbia | Alberta    | Saskatchewan | Manitoba  | Ontario    | Québec       | Newfoundland and Labrador | Nova Scotia | New Brunswick | International | Total        |
|--|------------------|------------|--------------|-----------|------------|--------------|---------------------------|-------------|---------------|---------------|--------------|
| Securities issued or guaranteed <sup>(1)</sup> | \$ 25,593        | \$ 80,291  | \$ 4,736     | \$ 23,732 | \$ 102,192 | \$ 49,116    | \$ —                      | \$ 19,944   | \$ 4,957      | \$ —          | \$ 310,561   |
| Other securities <sup>(2)</sup>                | 87,741           | 135,832    | 9,984        | —         | 763,178    | 980,161      | —                         | —           | —             | 4,913         | 1,981,809    |
|  | \$ 113,334       | \$ 216,123 | \$ 14,720    | \$ 23,732 | \$ 865,370 | \$ 1,029,277 | \$ —                      | \$ 19,944   | \$ 4,957      | \$ 4,913      | \$ 2,292,370 |

<sup>(1)</sup> Provincial government entities and municipal corporations in Canada.<sup>(2)</sup> Financial institutions and other issuers.

**Table 6 – Allowance for credit losses on securities**

| (in thousands of dollars)                                      | As at<br>September 30, 2024 | As at<br>December 31, 2023 |
|--|-----------------------------|----------------------------|
| On securities at fair value through other comprehensive income | \$ 145                      | \$ 582                     |

**Table 7 – Deposits**

| (in thousands of dollars) | As at<br>September 30, 2024 | As at<br>December 31, 2023 |
|---------------------------|-----------------------------|----------------------------|
| <b>Type</b>               |                             |                            |
| Payable on demand         | \$ 295,686                  | \$ 299,737                 |
| Payable on a fixed date   | 448,672                     | 398,623                    |
| <b>Total</b>              | \$ 744,358                  | \$ 698,360                 |

| (in thousands of dollars)       | As at<br>September 30, 2024 | As at<br>December 31, 2023 |
|---------------------------------|-----------------------------|----------------------------|
| <b>Distribution by province</b> |                             |                            |
| Québec                          | \$ 718,276                  | \$ 673,616                 |
| Ontario                         | 26,032                      | 24,693                     |
| New Brunswick                   | 50                          | 51                         |
| <b>Total</b>                    | \$ 744,358                  | \$ 698,360                 |

**Table 8 – Interest rate sensitivity and maturity matching**

| As at September 30, 2024                                    | Terms to maturity |                |               |                |              |              |              | Non-interest-sensitive and provisions | Total |
|---|-------------------|----------------|---------------|----------------|--------------|--------------|--------------|---------------------------------------|-------|
|   | Floating rate     | Under 3 months | 3 to 6 months | 6 to 12 months | 1 to 2 years | Over 2 years |              |                                       |       |
| (in thousands of dollars)                                   |                   |                |               |                |              |              |              |                                       |       |
| <b>Assets</b>   |                   |                |               |                |              |              |              |                                       |       |
| Cash  | \$ —              | \$ —           | \$ —          | \$ —           | \$ —         | \$ —         | \$ 27,635    | \$ 27,635                             |       |
| Securities at fair value through other comprehensive income | —                 | 306,889        | 233,402       | 144,199        | 83,063       | 192,193      | —            | 959,746                               |       |
| Interest receivable   | —                 | —              | —             | —              | —            | —            | 4,002        | 4,002                                 |       |
| Other assets  | —                 | —              | —             | —              | —            | —            | 64,579       | 64,579                                |       |
| <b>Total assets</b>   | \$ —              | \$ 306,889     | \$ 233,402    | \$ 144,199     | \$ 83,063    | \$ 192,193   | \$ 96,216    | \$ 1,055,962                          |       |
| <b>Liabilities and equity</b>                               |                   |                |               |                |              |              |              |                                       |       |
| Deposits  | \$ 295,686        | \$ 47,021      | \$ 52,808     | \$ 105,754     | \$ 96,817    | \$ 146,272   | \$ —         | \$ 744,358                            |       |
| Other liabilities   | —                 | —              | —             | —              | —            | —            | 54,409       | 54,409                                |       |
| Equity  | —                 | —              | —             | —              | —            | —            | 257,195      | 257,195                               |       |
| <b>Total liabilities and equity</b>                         | \$ 295,686        | \$ 47,021      | \$ 52,808     | \$ 105,754     | \$ 96,817    | \$ 146,272   | \$ 311,604   | \$ 1,055,962                          |       |
| <b>Sensitivity gap – Balance Sheet items</b>                | \$ (295,686)      | \$ 259,868     | \$ 180,594    | \$ 38,445      | \$ (13,754)  | \$ 45,921    | \$ (215,388) | \$ —                                  |       |

**Table 8 – Interest rate sensitivity and maturity matching (continued)**

As at December 31, 2023

| (in thousands of dollars)  | Terms to maturity |                |               |                |              |              |              | Non-interest-sensitive and provisions | Total        |
|--|-------------------|----------------|---------------|----------------|--------------|--------------|--------------|---------------------------------------|--------------|
|  | Floating rate     | Under 3 months | 3 to 6 months | 6 to 12 months | 1 to 2 years | Over 2 years |              |                                       |              |
| <b>Assets</b>  |                   |                |               |                |              |              |              |                                       |              |
| Cash   | \$ —              | \$ —           | \$ —          | \$ —           | \$ —         | \$ —         | \$ —         | 27,918                                | \$ 27,918    |
| Securities at fair value through other comprehensive income                | —                 | 1,350,753      | 158,201       | 749,838        | 96,175       | 162,604      | —            | —                                     | 2,517,571    |
| Securities purchased under reverse repurchase agreements                   | —                 | 240,975        | —             | —              | —            | —            | 100          | —                                     | 241,075      |
| Interest receivable  | —                 | —              | —             | —              | —            | —            | 8,398        | —                                     | 8,398        |
| Other assets   | —                 | —              | —             | —              | —            | —            | 74,317       | —                                     | 74,317       |
| <b>Total assets</b>  | \$ —              | \$ 1,591,728   | \$ 158,201    | \$ 749,838     | \$ 96,175    | \$ 162,604   | \$ 110,733   | \$ —                                  | \$ 2,869,279 |
| <b>Liabilities and equity</b>  |                   |                |               |                |              |              |              |                                       |              |
| Deposits   | \$ 299,737        | \$ 49,016      | \$ 63,635     | \$ 75,951      | \$ 103,236   | \$ 106,785   | —            | —                                     | \$ 698,360   |
| Commitments related to securities lent or sold under repurchase agreements | —                 | 1,886,668      | —             | —              | —            | —            | 2,252        | —                                     | 1,888,920    |
| Other liabilities  | —                 | —              | —             | —              | —            | —            | 47,643       | —                                     | 47,643       |
| Equity   | —                 | —              | —             | —              | —            | —            | 234,356      | —                                     | 234,356      |
| <b>Total liabilities and equity</b>  | \$ 299,737        | \$ 1,935,684   | \$ 63,635     | \$ 75,951      | \$ 103,236   | \$ 106,785   | \$ 284,251   | \$ —                                  | \$ 2,869,279 |
| <b>Sensitivity gap – Balance Sheet Items</b>                               | \$ (299,737)      | \$ (343,956)   | \$ 94,566     | \$ 673,887     | \$ (7,061)   | \$ 55,819    | \$ (173,518) | \$ —                                  | \$ —         |

## CAPITAL

### BASEL III

The Company's capital ratios are calculated according to the *Capital Adequacy Requirements Guideline* issued by OSFI.

Capital ratios are expressed as a percentage of regulatory capital to risk-weighted assets. The minimum Common Equity Tier 1 capital ratio that the Company must maintain to meet regulatory requirements is 7%. In addition, the Tier 1 capital ratio and total capital ratio must exceed 8.5% and 10.5%, respectively. These minimum ratios include a 2.5% capital conservation buffer.

OSFI also requires that the Company maintains a leverage ratio greater than 3%. This ratio is defined as the capital measure (namely Tier 1 capital) divided by the exposure measure. The exposure measure includes on-balance sheet assets and securities financing transaction exposures.

During the preparation of the regulatory capital ratios for the first quarter of 2024, an issue related to the regulatory treatment of the TLAC (Total Loss Absorbing Capacity) instruments held by the Company has been identified. This situation has caused a significant decrease in capitalization ratios since the fourth quarter of 2020 and would have been corrected in that quarter if it had then discovered at that time. It should be noted that capital ratios have been below regulatory requirements since the second quarter of 2022. Considering the significant impact on the Company's regulatory capital ratios, OSFI has been immediately informed of the situation. The issue was remedied quickly through the sale of the securities in question. The identified issue and these disposals had no impact on the Company's financial position. Since the second quarter of 2024, the Company's capital ratios have met the minimum regulatory requirements.

During the period ended June 30, 2024, the Company ceased its securities lending activities related to contracts under which it was assuming some risks and transferred these activities to securities lending transactions for which it no longer assumes those risks. The Company was recognizing these securities lending transactions on its balance sheet. In addition, it stopped providing indemnification commitments related to securities lending. These changes in the Company's operations resulted in a significant increase in its ratios.

**Table 9 – Statement of capital<sup>(1)</sup>**

| (in thousands of dollars and as a percentage) | As at<br>September 30, 2024 | As at<br>December 31, 2023 |
|---|-----------------------------|----------------------------|
| <b>Common Equity Tier 1 capital</b>           |                             |                            |
| Common shares                                 | \$ 59,972                   | \$ 59,972                  |
| Retained earnings                             | 191,833                     | 174,006                    |
| Accumulated other comprehensive income        | 5,390                       | 378                        |
| <b>Total Common Equity Tier 1 capital</b>     | <b>\$ 257,195</b>           | <b>\$ 234,356</b>          |
| <b>Total risk-weighted assets</b>             | <b>\$ 523,330</b>           | <b>\$ 1,007,113</b>        |
| <b>Total leverage ratio exposure</b>          | <b>\$ 1,055,962</b>         | <b>\$ 3,052,122</b>        |
| <b>Ratios</b>                                 |                             |                            |
| Common Equity Tier 1 capital ratio            | 49.1%                       | 23.3%                      |
| Tier 1 capital ratio                          | 49.1                        | 23.3                       |
| Total capital ratio                           | 49.1                        | 23.3                       |
| Leverage                                      | 24.4                        | 7.7                        |

(1) Data as at December 31, 2023, are those originally reported for the end of the fourth quarter of 2023. If the TLAC instruments held by the Company had been considered in calculating the ratios as at December 31, 2023, the Company's capital ratios and leverage ratios would have been -3.4% and -1.2%, respectively, as at December 31, 2023.

## RISK MANAGEMENT

### STRUCTURE AND ORGANIZATION OF THE RISK MANAGEMENT FUNCTION

The Company is exposed to different types of risks in its normal course of operations, including credit risk, market risk, liquidity risk, operational risk, strategic risk, reputation risk, environmental, social and governance risks and regulatory risks. Strict and effective management of these risks is a priority for the Company, its purpose being to support its major orientations, particularly regarding its financial soundness as well as its sustained and profitable growth, while complying with regulatory requirements. The Company considers risk an inextricable part of its development and consequently strives to promote a proactive approach in which everyone in the organization is responsible for risk management.

### INTEGRATED RISK MANAGEMENT FRAMEWORK

The Company's objective in risk management is to optimize the risk-return trade-off by developing and applying integrated risk management strategies, frameworks, practices and procedures to all its operations. To this end, the Company developed an Integrated Risk Management Framework consistent with the organization's business strategies and risk-taking philosophy, which is designed, among other things, to give senior management and the Board of Directors an appropriate level of confidence and comfort regarding the understanding and management of risks associated with the achievement of its objectives, including risks arising from external factors, notably climate change.

This Integrated Risk Management Framework is consistent with that of Desjardins Group (hereinafter also referred to as Desjardins) and covers all of the Company's activities. Like Desjardins Group, the Company uses an overall, coordinated approach to manage its risks in an integrated manner, i.e., by taking into account the interrelationships and interdependencies between the various risks.

As a significant component of the Integrated Risk Management Framework, risk appetite makes it possible to determine the risk type and level that the Company wishes to take to meet its business and strategic objectives. Risk appetite forms an integral part of strategic planning, which makes it possible to guide risk-taking in order to ensure the Company's stability and sustainability in the case of unfavourable future events that could affect reputation, the volatility of profitability, capital adequacy or liquidities. As a result, risk appetite provides a basis for integrated risk by promoting a better understanding of the effect of principal risks and emerging risk factors on the Company's results.

The Risk Appetite Framework reflects the Company's risk-taking philosophy, mission and values and is based on:

- Taking necessary risks to enrich the lives of people and communities and managing such risks conscientiously;
- Protecting the Company's reputation with its members, clients, communities, regulatory authorities and other stakeholders, while respecting its cooperative values;
- Understanding the risks arising from the Company's operations and engaging in only new activities for which the risks are defined, assessed and understood;
- Ensuring the Company's financial sustainability by preserving a capitalization level that is comparable with its industry peers and complies with regulatory requirements;
- Managing liquidities and refinancing activities in order to guard against liquidity risk;
- Thanks to adequate profitability in light of risk exposure, ensuring the Company's sustainability to be able to give back to members and communities as well as meet its financial commitments;
- Acting as a socio-economic leader in the development of a low greenhouse gas emission economy and supporting members, clients and other stakeholders in the transition;
- Taking the appropriate measures against internal and external threats to protect information, including personal information and the safety of our members' and clients' assets, as well as those of the Company;
- Modernizing the Company's technology to adjust to member, client and employee needs;
- Avoiding excessively large risk concentrations;
- Maintaining an effective control environment and promoting sound management of operational and regulatory risks.



The Company's Board of Directors approves the Risk Appetite Framework and ensures that the organization's financial and strategic objectives are in line with its risk appetite. The Risk Appetite Framework is reviewed regularly and submitted to the Board of Directors for approval. The Risk Management Executive Division relays the main guidelines for risk appetite to the business segments and components, and supports them in implementing these concepts by ensuring consistency in all the indicators, their targets, their levels and their limits with the Desjardins Group Risk Appetite Framework.

The risk management function ensures that the Company's risk profile is in line with its risk appetite. Quarterly, it reports to senior management and the Board of Directors on the compliance with the risk appetite statements and indicators. In the event a threshold or limit for a risk appetite indicator is exceeded, the investigation into the situation and the corrective measures, as applicable, are brought to the attention of the authorities concerned.

The Company's structure and governance principles comply with the regulatory criteria applicable to a federal trust company. The Company's Board of Directors is responsible for directing, planning, coordinating and monitoring all its activities. In particular, it is responsible for overseeing risk management, examining internal control systems as well as adopting and properly implementing relevant risk management frameworks. The Board of Directors is supported in its specific risk management responsibilities by the Risk Management Committee, the Management Committee, the Audit Committee and the Review Committee. All of these committees benefit from Desjardins Group's support.

The Company's management is responsible for ensuring that sound risk management practices are complied with. In particular, it ensures that appropriate frameworks are developed, implemented, monitored and reviewed. It also ensures that the Company can identify all significant risks, assess their potential impact and implement practices, procedures and control measures to effectively manage them.

The risk management approach of Desjardins Group and the Company is based on principles promoting the accountability of business units. The risk management function of Desjardins Group and the Company ensures that these units successfully manage and control on a daily basis the risks associated with their activities.

### **Risk management frameworks and practices**

The Company uses risk management frameworks to support its business development and meet its strategic objectives. It takes the necessary measures to ensure that they are implemented, applied and maintained in order to meet the regulatory requirements to which it is subject.

The main risk management frameworks address in particular the following:

- Integrated risk management approach;
- Risk appetite, including statements and indicators;
- Strategic and reputation risk management;
- Environmental, social and governance risk management;
- Risk modelling governance;
- Stress testing;
- Internal capital adequacy assessment;
- Operational and regulatory risk management;
- Liquidity risk management;
- Market risk management;
- Credit, counterparty and issuer risk management;
- Securities lending;
- Investments.

## **CREDIT RISK**

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### **Counterparty and issuer risk**

*Counterparty and issuer risk is a credit risk relating to various types of transactions involving securities, financial derivative instruments and securities loans.*

Limits by commitments, issuers and counterparties, borrowers, groups of borrowers and industries are prescribed by policies. They are reviewed by management and the Risk Management Committee, which recommend them to the Board of Directors.

### **Mitigating credit risk**

In its securities lending transactions, which were carried out until June 30, 2024, and included repurchase and reverse repurchase agreements and securities borrowing and lending, the Company used various techniques to reduce its counterparty credit risk.

Securities lending transactions were governed by standard industry agreements. To mitigate its credit risk exposure, the Company also required financial collateral (pledge) on these transactions.

The Company accepts from its counterparties only financial collateral that complies with the eligibility criteria set out in its policies. These criteria allow for the timely realization of collateral, if necessary, in the event of default. The types of collateral received and pledged by the Company are mainly cash and government securities.

## MARKET RISK

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*Market risk refers to the risk of loss arising from changes in the fair value of financial instruments as a result of fluctuations in the parameters affecting this value, in particular, interest rates, exchange rates, credit spreads, stock prices and their volatility.*

The Company is exposed to market risk primarily through its financial intermediation activities and, until June 30, 2024, its securities lending activities. The Company has adopted policies that set out the principles, limits and procedures to use in managing market risk.

Interest rate risk is the main component of market risk to which the Company is exposed. Sound and prudent management is applied to optimize net interest income while minimizing the negative incidence of interest rate movements. The established policies describe the principles, limits and procedures that apply to interest rate risk management. The Company's Management Committee is responsible for analyzing and approving the various interest rate matching strategies while respecting the parameters defined in the policies.

Additional information of the Company's position with respect to interest rate sensitivity and maturity matching is provided in Table 8, "Interest rate sensitivity and maturity matching," in this document.

## LIQUIDITY RISK

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*Liquidity risk refers to Desjardins Group's capacity to raise the necessary funds (by increasing liabilities or converting assets) to meet a financial obligation, whether or not it appears on the Combined Balance Sheets.*

The Company manages liquidity risk in order to ensure that it has timely and cost-effective access to the funds needed to meet its financial obligations as they become due, in both routine and crisis situations. Managing this risk involves maintaining a sufficient level of liquid securities. In addition, the Company ensures, through Desjardins Group, that there are stable and diversified sources of funding, that indicators are monitored and that there is a contingency plan to implement in the event of a liquidity crisis.

Liquidity risk management is a key component of the overall risk management strategy. The Company has established a policy describing the principles, limits, risk appetite thresholds as well as the procedures that apply to liquidity risk management. The policy is reviewed on a regular basis to ensure that it is appropriate for the operating environment, prevailing market conditions and regulatory requirements. It incorporates, in particular, the requirements of OSFI's Guideline B-6, *Liquidity Principles*, as well as monitoring and compliance with the standards for the liquidity coverage ratio (LCR) and net cumulative cash flow (NCCF) under Basel III. This policy has been approved by the Board of Directors and is monitored by the Risk Management Committee. During the quarter, the Company filed with OSFI the monthly reports on LCR and NCCF.

## OPERATIONAL RISK

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*Operational risk is the risk of inadequacy or failure attributable to processes, people, internal systems or external events resulting in losses or failure to achieve objectives and takes into account the impact of failures on the achievement of the strategic objectives of the relevant component or Desjardins Group, as the case may be.*

Operational risk is inherent to all of the activities of Desjardins Group and the Company, including management and control activities in other risk areas such as credit risk, market risk, liquidity risk, etc., as well as activities performed by a third party. Among other things, this risk may lead to losses or the non-achievement of objectives, mainly resulting from theft, fraud, damage to tangible assets, non-compliance with legislation or regulations, systems failures, unauthorized access to computer systems, cyber threats, or problems or errors in process management. To maintain this risk at an acceptable level, an operational risk management framework has been developed and deployed throughout the organization. The framework includes the usual practices for sound management of operations and is based on the three lines of defence model, clearly defining the roles and responsibilities in risk and operations management.

On May 1, 2024, the revised Guideline B-10, *Third-Party Risk Management*, became effective. This prudential guideline applies to federal financial institutions governed by OSFI, including the Company. This guideline implements mechanisms to effectively manage the risks associated with any agreement with a third party throughout the business relationship lifecycle. The Desjardins Group third-party risk management frameworks, which cover the Company, meet the principles and expectations reflected in the new version of the Guideline. Work is underway to achieve full operationalization of the processes adjusted in accordance with this revision.

On August 22, 2024, OSFI issued the final version of Guideline E-21, *Operational Risk Management and Resilience*, which describes OSFI's expectations regarding the effective governance of operational risk and resilience management. This guideline applies to federally-regulated financial institutions as well as to certain Desjardins Group entities. The guideline's expectations will be subject to a phased implementation at Desjardins Group and the Company, which should lead to full adherence by September 1, 2026, the deadline by which OSFI expects entities to be in full compliance.

### Operational risk management framework

The purpose of the operational risk management framework is to identify, measure, mitigate and monitor operational risk as well as make interventions and disclosures in accordance with operational risk appetite and the frameworks adopted by the Board of Directors. It is supported by guidelines setting out operational risk management foundations. At the same time, the operational risk management framework connects with the other areas of risk.

The operational risk management framework is reviewed to ensure its adequacy and its relevance based on developments in industry practices or new regulations.

## Governance

Operational risk management governance emphasizes accountability and effective risk oversight. Operational risk is governed by frameworks, which are reviewed periodically to ensure consistency with the Integrated Risk Management Framework approved by the Board of Directors.

Reporting is done on a regular basis to the committees that provide risk management oversight so that their members can assess the operational risk exposure of Desjardins Group and the Company.

In addition, the main mandate of the Desjardins Group Operational Risk Committee, which is composed of the owners of the operational and regulatory risks categories, is to monitor these two risk categories to which Desjardins Group and the Company are exposed. Its governance is described in the "Integrated Risk Management Framework" section of this document.

## Approaches to identifying, measuring and monitoring operational risk

With respect to the operational risk management framework, the following table illustrates the tools and methods used to identify, measure and monitor operational risk.

|   | Description  |
|---|--|
| <b>Risk disclosures</b>                                   | The nature and levels of operational risks are frequently disclosed to senior management as well as the various committees overseeing risk management. This promotes an effective management of operational risk that enables taking action quickly when required and establish the various priorities based on the importance of the risks involved.  |
| <b>Mitigation measures</b>                                | Desjardins Group and the Company have a structure to ensure sound management of operational risks by overseeing the design and applying robust controls that contribute to risk mitigation. Once risks have been identified and assessed, Desjardins Group and the Company ensure they are maintained at an acceptable level, based on risk appetite, to promote achieving its goals and must continuously ensure the effectiveness of the various existing internal control mechanisms. Accordingly, in the event that established tolerance thresholds are exceeded, action plans are put in place to ensure that risk-taking is always consistent with the risk appetite framework and goals of Desjardins Group and the Company. |
| <b>Risk-sharing and insurance programs</b>                | Desjardins Group and the Company have developed insurance programs to give themselves additional protection against material operational losses. These programs offer protection based on the business segment's needs, the risk tolerance of Desjardins Group and the Company, as well as emerging risks on the market.   |
| <b>Calculation of capital exposed to operational risk</b> | Since April 1, 2023, regulatory capital has been calculated using the new Simplified Standardized Approach. To comply with these changes, the capital requirement calculations have been updated in accordance with the <i>Capital Adequacy Requirements Guideline</i> issued by OSFI. The new approach involves an adjusted gross income component derived from the financial statements of Desjardins Group and the Company. Lastly, this component is combined with a multiplier to obtain the capital requirements for operational risk.   |

## STRATEGIC RISK

*Strategic risk refers to a possible loss in value attributable to the occurrence of external and internal events or the implementation of inadequate strategies or actions that might prevent Desjardins Group and the Company from achieving its strategic objectives.*

This risk forms an integral part of the Integrated Risk Management Framework of Desjardins Group and the Company and is the subject of the Strategic Risk Management Policy. It is first up to senior management and the Board of Directors to address and monitor the development of the strategic orientations of Desjardins Group and the Company, taking into account risk appetite, according to the consultation processes specific to Desjardins. Events that could compromise the achievement of the strategic objectives of Desjardins Group and the Company are systematically and regularly monitored. To this end, Desjardins Group and the Company have implemented an annual process to update the strategic plan, including a critical review, to factor in market developments, in particular major industry trends.

Business segments and support functions periodically identify and assess events and risks that could prevent the achievement of strategic objectives, and report thereon to the appropriate bodies. In addition, strategic positions, business acquisitions, new products and services, projects financed by the investment plan, major initiatives and transactions are subject to a risk analysis, including an objective review before being implemented.

## REPUTATION RISK

*Reputation risk is the risk that a negative perception by the stakeholders, whether or not justified, of the Company's practices, actions or lack of action could have a material unfavourable impact on its income and equity, or may significantly affect the confidence of its members and clients or, more broadly, public opinion.*

A reputation is of critical importance, and reputation risk cannot be managed separately from other risks. Therefore, managing reputation risk in all their operating segments is a constant concern for Desjardins Group and the Company. In that regard, Desjardins Group and the Company seek to ensure that all employees are constantly aware of the potential repercussions of their actions on their reputation and image. Desjardins Group and the Company consider it essential to foster a proactive approach to risk management in which integrity and ethics are fundamental values.

Desjardins Group has defined a management framework, and roles and responsibilities with regard to reputation risk. This framework is in addition to various processes already in place to identify, measure and govern this risk, such as the previously mentioned operational risk management initiatives, the regulatory compliance program, ethical requirements, and reputation risk assessment as part of new initiatives and the introduction of new products. All these aspects are aimed to promote sound reputation risk management. In addition, the President and Chief Executive Officer of Desjardins Group is the main person responsible for the culture change process. The aim of this process is to effect a profound change in behaviour in order to always work in the best interests of members and clients. This approach also contributes to managing reputational risks.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISKS

*ESG risks refer to all environmental, social and governance (ESG) factors that Desjardins Group and the Company must take into account as part of their operations, financing or investing activities and which could result, in particular, in credit risks, asset impairment losses or non-financial risks such as damage to the reputation of Desjardins Group and the Company.*

The Company is increasingly focusing on integrating ESG considerations into its operations. These cross-sectional risks may also materialize indirectly through business relations with other entities whose operations could involve Environmental, Social or Governance issues.

Regarding environmental risks, also including climate change risk, potential financial losses may be related to:

- an internal risk, namely a risk generated by the Company and leading to a negative impact on the environment;
- an external risk, namely an event caused by the environment and having a detrimental effect on the Company.

Climate change risks are defined as an entity's vulnerability or impact related to climate change. They includes both:

- physical risks resulting from climate change that may be due to extreme events (acute) or longer term changes (chronic);
- transition risks resulting from the transition to an economy with low greenhouse gas (GHG) emissions. These can be regulatory, legal, technology, market or reputational factors.

Due to the nature of its operations, the Company has a low exposure to climate-related risks. Through the Integrated Risk Management Framework and the ESG Policy, the Company ensures that those risks are managed at all levels.

## REGULATORY RISKS

The financial services industry is one of the most strictly regulated and monitored sectors. For several years, the regulations governing the industry have been expanding significantly, notably in terms of the extent and the complexity of applicable regulations. The pressure exerted by regulatory authorities is mounting and their oversight powers are increasing, and this exposes Desjardins Group, including the Company, to monetary sanctions and greater reputation risk.

### Regulatory authorities and bodies

This evolution is in response to numerous socio-economic phenomena such as the development of new, increasingly complex financial products, the continuing volatility in the securities industry, increasingly complex financial fraud, the fight against money laundering and terrorist financing, and the fight against tax evasion, to mention but a few. In addition to federal (Canada and the U.S.) and provincial government requirements, due consideration must be given to the requirements of the *Autorité des marchés financiers* (AMF), the Canadian Securities Administrators (CSA), the Office of the Superintendent of Financial Institutions (OSFI), the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and the Canadian Investment Regulatory Organization (CIRO). Complying with legislative and regulatory provisions, such as those on the protection of personal information, laws and regulations governing insurance, the *Foreign Account Tax Compliance Act*, the Standard for Automatic Exchange of Financial Account Information in Tax Matters, the *Dodd-Frank Wall Street Reform and Consumer Protection Act* or the Basel accords, requires considerable technical, human and financial resources and also affects the way the Company manages its current operations and implements its business strategies.

### Compliance management framework

Fulfilling an independent supervisory function, the Vice-President and Chief Compliance and Privacy Officer of Desjardins Group fosters a proactive approach to compliance by fully integrating compliance into the Company's current operations.

The management framework applies to legal and regulatory risks, including the fight against financial crimes and corruption as well as fraud and privacy risks. It is based on identifying and monitoring regulatory obligations and overseeing the functional units subject to them. The compliance management framework provides for the following:

- developing frameworks and documentation to comply with the regulatory requirements in effect;
- implementing training programs and coaching initiatives (advisory role);
- deploying operations oversight and inspection programs;
- reporting on the compliance status to the Company's Board of Directors and senior management.

To maintain its reputation for integrity as well as the confidence of its members and clients, the market and the general public, the Company has also adopted a code of professional conduct applicable to the officers and employees of all its components.

This compliance management framework provides reasonable assurance that the Company's operations are carried out in compliance with applicable regulations. Despite all these efforts, the Company may not be able to predict the exact impact of regulatory developments and appropriately implement strategies to respond. It could then sustain an adverse impact on its financial performance, its operations and its reputation.

## Compliance organizational structure

The Vice-President and Chief Compliance and Privacy Officer of Desjardins Group reports to the Executive Vice-President, Risk Management of Desjardins Group. The Chief Compliance Officers of all the components, including the Company, report to the Vice-President and Chief Compliance and Privacy Officer.

## Legal and regulatory

*Legal and regulatory risk is the risk associated with the non-compliance by Desjardins Group, including the Company, with obligations arising from the anticipation, interpretation or application of a legislative or regulatory provision or a contractual commitment, which could have an impact on the conduct of its operations, its reputation, its strategies and its financial objectives.*

Legal and regulatory risk entails, inter alia, effectively preventing and handling possible disputes and claims that may lead in particular to judgments or decisions by a court of law or regulatory body that could result in orders to pay damages, financial penalties or sanctions. Moreover, the legal and regulatory environment is evolving quickly and could increase the Company's exposure to new types of litigation. In addition, some lawsuits against the Company may be very complex and be based on legal theories that are new or have never been verified. The outcome of such lawsuits may be difficult to predict or estimate until the proceedings have reached an advanced stage, which may take several years. Class action lawsuits or multi-party litigation may feature an additional risk of judgments with substantial monetary, non-monetary or punitive damages. Plaintiffs who bring a class action or other lawsuit sometimes claim very large amounts, and it is impossible to determine the Company's liability, if any, for some time. Legal liability or an important regulatory measure could have an adverse effect on the current activities of the Company, its results of operations and its financial position, in addition to damaging its reputation. Even if the Company won its court case or was no longer the subject of measures imposed by regulatory bodies, these situations could harm its reputation and have an adverse impact on its financial position, due in particular to the costs associated with such proceedings, and its brand image.

## Privacy

*Privacy risk is the risk associated with inadequate handling of personal information (theft or breach, loss, collection, consent management, use, disclosure, retention, destruction or infringement of the rights of individuals related to their personal information) through intentional or unintentional actions (internal threat, error, negligence or omission). The key consequences of privacy risk deal with the Company's reputation, compliance and potential financial losses.*

An Act to modernize legislative provisions as regards the protection of personal information gradually came into force in Québec as of September 2022 and provides for increased powers for the Commission on Access to Information (CAI) with the possibility of imposing more significant sanctions against businesses since September 2023. The final effective date for the new provisions of the Act was September 22, 2024. Desjardins Group, including the Company, has completed the work associated with these new requirements, including obligations related to privacy impact assessments, consent, the confidentiality policy, automated decisions, rights of individuals, third-party management and portability.

On May 15, 2024, the provincial government adopted the *Regulation respecting the anonymization of personal information*, which governs this process in Québec. The new requirements introduced by this regulation confirm the criteria that organizations have to meet in anonymizing personal information. As the requirements for anonymizing personal information under *An Act respecting the protection of personal information in the private sector* are now known, Desjardins Group, including the Company, will be able to complete its work to implement this process.

The federal bill C-27, *An Act to enact the Consumer Privacy Protection Act, the Personal Information and Data Protection Tribunal Act and the Artificial Intelligence and Data Act and to make consequential and related amendments to other Acts* is still under parliamentary consideration. Desjardins Group, including the Company, continues to monitor work in progress.

## Fraud and financial crime

*Fraud and financial crime risk is the risk associated with acts conducted illegally by internal or external parties with the intent to cause harm, benefit from them or misappropriate assets belonging to Desjardins Group, members or clients, or the risk associated with non-compliance by Desjardins Group, including the Company, with obligations arising from the anticipation, interpretation or application of a legislative or regulatory provision regarding financial crimes.*

To protect members and clients as well as the organization, Desjardins Group, including the Company, continually improves its processes and solutions to adequately prevent, detect and deal with fraud. To do so, fraud risks are identified on an ongoing basis and effective and robust mitigation measures are constantly evolving. With respect to the fight against money laundering and terrorist financing, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) imposing monetary sanctions to two Canadian financial institutions in 2023 and one financial institution in 2024 confirms that this regulator is willing to impose more severe sanctions for non-compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. Since July 1, 2024, new regulatory changes have allowed third-party reporting entities to share information to fight against money laundering and terrorist financing.

Desjardins Group, including the Company, has a Financial Crime Governance Framework, which it is continuously improving.

## PILLAR 3 DISCLOSURES

### Template KM1 – Key metrics (at consolidated group level - Trust)<sup>(1)(2)</sup>

| (in thousands of dollars and as a percentage)                               | As at<br>September 30,<br>2024 | As at<br>June 30,<br>2024 | As at<br>March 31,<br>2024 | As at<br>December 31,<br>2023 | As at<br>September 30,<br>2023 |
|---|--------------------------------|---------------------------|----------------------------|-------------------------------|--------------------------------|
| <b>Available capital (amounts)</b>  |                                |                           |                            |                               |                                |
| 1 Common Equity Tier 1 (CET1)   | \$ 257,195                     | \$ 243,716                | \$ (79,804)                | \$ 234,356                    | \$ 221,880                     |
| 2 Tier 1 capital  | 257,195                        | 243,716                   | (79,804)                   | 234,356                       | 221,880                        |
| 3 Total capital   | 257,195                        | 243,716                   | (79,804)                   | 234,356                       | 221,880                        |
| <b>Risk-weighted assets (amounts)</b>                                       |                                |                           |                            |                               |                                |
| 4 Total risk-weighted assets (RWA)  | \$ 523,330                     | \$ 476,571                | \$ 1,016,934               | \$ 1,007,113                  | \$ 1,146,735                   |
| <b>Risk-based capital ratios as a percentage of RWA</b>                     |                                |                           |                            |                               |                                |
| 5 CET1 ratio  | 49.1%                          | 51.1%                     | (7.8)%                     | 23.3%                         | 19.3%                          |
| 6 Tier 1 ratio  | 49.1%                          | 51.1%                     | (7.8)%                     | 23.3%                         | 19.3%                          |
| 7 Total capital ratio   | 49.1%                          | 51.1%                     | (7.8)%                     | 23.3%                         | 19.3%                          |
| <b>Additional CET1 buffer requirements as a percentage of RWA</b>           |                                |                           |                            |                               |                                |
| 8 Capital conservation buffer requirement                                   | 2.5%                           | 2.5%                      | 2.5%                       | 2.5%                          | 2.5%                           |
| 9 Countercyclical buffer requirement  | —                              | —                         | —                          | —                             | —                              |
| 10 Bank G-SIB additional requirements                                       | —                              | —                         | —                          | —                             | —                              |
| 11 Total of bank CET1 specific buffer requirements (row 8 + row 9 + row 10) | 2.5%                           | 2.5%                      | 2.5%                       | 2.5%                          | 2.5%                           |
| 12 CET1 available after meeting the bank's minimum capital requirements     | 41.1%                          | 43.1%                     | (15.8)%                    | 15.3%                         | 11.3%                          |
| <b>Basel III Leverage ratio</b>   |                                |                           |                            |                               |                                |
| 13 Total Basel III leverage ratio exposure measure                          | \$ 1,055,962                   | \$ 1,037,655              | \$ 3,059,224               | \$ 3,052,122                  | \$ 3,246,360                   |
| 14 Basel III leverage ratio (row 2 / row 13)                                | 24.4%                          | 23.5%                     | (2.6)%                     | 7.7%                          | 6.8%                           |

(1) During the period ended June 30, 2024, the Company ceased its securities lending activities related to contracts under which it was assuming some risks and transferred these activities to securities lending transactions for which it no longer assumes those risks. As mentioned in the "Capital" section, these changes in the Company's operations resulted in particular in a material increase in its ratios.

(2) As mentioned in the "Capital - Basel III" section of this report, the TLAC instruments held by the Company caused a significant decrease in capitalization ratios below regulatory levels as at March 31, 2024. The situation was corrected during the subsequent quarter. Furthermore, data for the previous quarters are those originally reported at the end of each of these quarters in 2023. If the TLAC instruments held by the Company had been considered in calculating the ratios for the comparative quarters, the Company's capital ratios would have been -3.4% as at December 31, 2023, and 1.7% as at September 30, 2023. Leverage ratios would have been -1.2% as at December 31, 2023, and 0.6% as at September 30, 2023.

**Template CC1 - Composition of regulatory capital<sup>(1)(2)</sup>**

| (in thousands of dollars and as a percentage)  | As at<br>September 30,<br>2024 | As at<br>June 30,<br>2024 | As at<br>March 31,<br>2024 | As at<br>December 31,<br>2023 | As at<br>September 30,<br>2023 |
|--|--------------------------------|---------------------------|----------------------------|-------------------------------|--------------------------------|
| <b>Tier 1A capital: Instruments and reserves</b>   |                                |                           |                            |                               |                                |
| 1 Directly issued qualifying common share capital plus related stock surplus   | \$ 59,972                      | \$ 59,972                 | \$ 59,972                  | \$ 59,972                     | \$ 59,972                      |
| 2 Retained earnings  | 191,833                        | 182,767                   | 180,746                    | 174,006                       | 165,779                        |
| 3 Accumulated other comprehensive income (and other reserves)  | 5,390                          | 977                       | 916                        | 378                           | (3,871)                        |
| 4 Directly issued capital subject to phase out from Common Equity Tier 1 regulatory capital  | N/A                            | N/A                       | N/A                        | N/A                           | N/A                            |
| 5 Common share capital issued by subsidiaries and held by third parties (amount allowed in Common Equity Tier 1 capital)   | —                              | —                         | —                          | —                             | —                              |
| <b>6 Gross Common Equity Tier 1 capital</b>  | <b>\$ 257,195</b>              | <b>\$ 243,716</b>         | <b>\$ 241,634</b>          | <b>\$ 234,356</b>             | <b>\$ 221,880</b>              |
| <b>28 Total deductions from adjusted Common Equity Tier 1 capital after allocated and individual threshold deductions</b>  | <b>\$ —</b>                    | <b>\$ —</b>               | <b>\$ 321,438</b>          | <b>\$ —</b>                   | <b>\$ —</b>                    |
| <b>29 Net Common Equity Tier 1 capital (Common Equity Tier 1 capital after all deductions)</b>   | <b>\$ 257,195</b>              | <b>\$ 243,716</b>         | <b>\$ (79,804)</b>         | <b>\$ 234,356</b>             | <b>\$ 221,880</b>              |
| 30 Directly issued qualifying Additional Tier 1 instruments plus related stock surplus   | —                              | —                         | —                          | —                             | —                              |
| 31 Of which: classified as equity under applicable accounting standards  | —                              | —                         | —                          | —                             | —                              |
| 32 Of which: classified as liabilities under applicable accounting standards   | —                              | —                         | —                          | —                             | —                              |
| 33 Directly issued capital instruments subject to phase out from Additional Tier 1   | N/A                            | N/A                       | N/A                        | N/A                           | N/A                            |
| 34 Additional Tier 1 capital instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) | —                              | —                         | —                          | —                             | —                              |
| 35 of which: instruments issued by subsidiaries subject to phase out   | N/A                            | N/A                       | N/A                        | N/A                           | N/A                            |
| <b>36 Gross additional Tier 1 capital</b>  | <b>—</b>                       | <b>—</b>                  | <b>—</b>                   | <b>—</b>                      | <b>—</b>                       |
| <b>43 Total regulatory adjustments to Additional Tier 1 capital</b>  | <b>\$ —</b>                    | <b>\$ —</b>               | <b>\$ —</b>                | <b>\$ —</b>                   | <b>\$ —</b>                    |
| <b>44 Additional Tier 1 capital</b>  | <b>—</b>                       | <b>—</b>                  | <b>—</b>                   | <b>—</b>                      | <b>—</b>                       |
| <b>45 Tier 1 capital</b>   | <b>\$ 257,195</b>              | <b>\$ 243,716</b>         | <b>\$ (79,804)</b>         | <b>\$ 234,356</b>             | <b>\$ 221,880</b>              |
| <b>Tier 2 capital</b>  |                                |                           |                            |                               |                                |
| 46 Directly issued qualifying Tier 2 instruments   | —                              | —                         | —                          | —                             | —                              |
| 47 Directly issued non-qualifying Tier 2 instruments (subject to phase-out from 2013 to 2022)  | N/A                            | N/A                       | N/A                        | N/A                           | N/A                            |
| 48 Capital instruments issued by consolidated subsidiaries to third parties (portion recognized as Tier 2 capital of the parent company)                             | —                              | —                         | —                          | —                             | —                              |
| 49 of which: instruments issued by subsidiaries that will be phased out  | N/A                            | N/A                       | N/A                        | N/A                           | N/A                            |
| 50 Allowances  | —                              | —                         | —                          | —                             | —                              |
| <b>51 Gross Tier 2 capital</b>   | <b>\$ —</b>                    | <b>\$ —</b>               | <b>\$ —</b>                | <b>\$ —</b>                   | <b>\$ —</b>                    |
| <b>57 Total regulatory adjustments to Tier 2 capital</b>   | <b>\$ —</b>                    | <b>\$ —</b>               | <b>\$ —</b>                | <b>\$ —</b>                   | <b>\$ —</b>                    |
| <b>58 Tier 2 capital</b>   | <b>—</b>                       | <b>—</b>                  | <b>—</b>                   | <b>—</b>                      | <b>—</b>                       |
| <b>59 Total capital</b>  | <b>\$ 257,195</b>              | <b>\$ 243,716</b>         | <b>\$ (79,804)</b>         | <b>\$ 234,356</b>             | <b>\$ 221,880</b>              |
| <b>60 Total risk-weighted assets</b>   | <b>\$ 523,330</b>              | <b>\$ 476,571</b>         | <b>\$ 1,016,934</b>        | <b>\$ 1,007,113</b>           | <b>\$ 1,146,735</b>            |
| <b>60a Credit Valuation Adjustment (CVA) risk-weighted assets</b>  | <b>\$ —</b>                    | <b>\$ —</b>               | <b>\$ —</b>                | <b>\$ —</b>                   | <b>\$ —</b>                    |

Footnotes to this table are presented on the next page.

Template CC1 - Composition of regulatory capital<sup>(1)(2)</sup> (continued)

| (in thousands of dollars and as a percentage)   | As at<br>September 30,<br>2024 | As at<br>June 30,<br>2024 | As at<br>March 31,<br>2024 | As at<br>December 31,<br>2023 | As at<br>September 30,<br>2023 |
|---|--------------------------------|---------------------------|----------------------------|-------------------------------|--------------------------------|
| <b>Capital ratios and buffers</b>   |                                |                           |                            |                               |                                |
| 61 Common Equity Tier 1 (as % of risk-weighted assets)  | 49.1%                          | 51.1%                     | (7.8)%                     | 23.3%                         | 19.3%                          |
| 62 Tier 1 (as % of risk-weighted assets)  | 49.1%                          | 51.1%                     | (7.8)%                     | 23.3%                         | 19.3%                          |
| 63 Total capital (as % of risk-weighted assets)   | 49.1%                          | 51.1%                     | (7.8)%                     | 23.3%                         | 19.3%                          |
| <b>OSFI target</b>  |                                |                           |                            |                               |                                |
| 69 Common Equity Tier 1 target ratio  | 7.0%                           | 7.0%                      | 7.0%                       | 7.0%                          | 7.0%                           |
| 70 Tier 1 capital target ratio  | 8.5%                           | 8.5%                      | 8.5%                       | 8.5%                          | 8.5%                           |
| 71 Total capital target ratio   | 10.5%                          | 10.5%                     | 10.5%                      | 10.5%                         | 10.5%                          |
| <b>Applicable caps on the inclusion of allowances in Tier 2</b>   |                                |                           |                            |                               |                                |
| 76 Allowances eligible for inclusion in Tier 2 capital in respect of exposures subject to the Standardized Approach (prior to application of cap) | \$ —                           | \$ —                      | \$ —                       | \$ —                          | \$ —                           |
| 77 Cap on inclusion of allowances in Tier 2 capital under the Standardized Approach   | —                              | —                         | —                          | —                             | —                              |

(1) During the period ended June 30, 2024, the Company ceased its securities lending activities related to contracts under which it was assuming some risks and transferred these activities to securities lending transactions for which it no longer assumes those risks. As mentioned in the "Capital" section, these changes in the Company's operations resulted in particular in a material increase in its ratios.

(2) As mentioned in the "Capital - Basel III" section of this report, the TLAC instruments held by the Company caused a significant decrease in capitalization ratios below regulatory levels as at March 31, 2024. The situation was corrected during the subsequent quarter. Furthermore, data for the previous quarters are those originally reported at the end of each of these quarters in 2023. If the TLAC instruments held by the Company had been considered in calculating the ratios for the comparative quarters, the Company's capital ratios would have been -3.4% as at December 31, 2023, and 1.7% as at September 30, 2023.



Template LR2 - Leverage ratio common disclosure template<sup>(1)(2)</sup>

|   |   | a                              | b                         |                            |                               |                                |
|---|---|--------------------------------|---------------------------|----------------------------|-------------------------------|--------------------------------|
|   |   | As at<br>September 30,<br>2024 | As at<br>June 30,<br>2024 | As at<br>March 31,<br>2024 | As at<br>December 31,<br>2023 | As at<br>September 30,<br>2023 |
| (in thousands of dollars and as a percentage)     |   |                                |                           |                            |                               |                                |
| <b>On-balance sheet exposures</b>                 |   |                                |                           |                            |                               |                                |
| 1   | On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures, but including collateral)                   | \$ 1,055,962                   | \$ 1,037,655              | \$ 2,496,505               | \$ 2,628,204                  | \$ 2,745,193                   |
| 2   | Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework (IFRS) | —                              | —                         | —                          | —                             | —                              |
| 3   | (Deductions of receivable assets for cash variation margin provided in derivatives transactions)  | —                              | —                         | —                          | —                             | —                              |
| 4   | (Asset amounts deducted in determining Tier 1 capital)  | —                              | —                         | —                          | —                             | —                              |
| 5   | <b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)</b>  | <b>\$ 1,055,962</b>            | <b>\$ 1,037,655</b>       | <b>\$ 2,496,505</b>        | <b>\$ 2,628,204</b>           | <b>\$ 2,745,193</b>            |
| <b>Derivative exposures</b>                       |   |                                |                           |                            |                               |                                |
| 6   | Replacement cost associated with all derivative transactions  | —                              | —                         | —                          | —                             | —                              |
| 7   | Add-on amounts for potential future exposure associated with all derivative transactions  | —                              | —                         | —                          | —                             | —                              |
| 8   | (Exempted central counterparty-leg of client cleared trade exposures)   | —                              | —                         | —                          | —                             | —                              |
| 9   | Adjusted effective notional amount of written credit derivatives  | —                              | —                         | —                          | —                             | —                              |
| 10  | (Adjusted effective notional offsets and add-on deductions form written credit derivatives)   | —                              | —                         | —                          | —                             | —                              |
| 11  | <b>Total derivative exposures (sum of lines 6 to 10)</b>  | <b>—</b>                       | <b>—</b>                  | <b>—</b>                   | <b>—</b>                      | <b>—</b>                       |
| <b>Securities financing transaction exposures</b> |   |                                |                           |                            |                               |                                |
| 12  | Gross SFT assets recognized for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions      | \$ —                           | \$ —                      | \$ 288,967                 | \$ 241,075                    | \$ 234,123                     |
| 13  | (Netted amounts of cash payables and cash receivables of gross SFT assets)  | —                              | —                         | —                          | —                             | —                              |
| 14  | Counterparty credit risk (CCR) exposure for SFTs  | —                              | —                         | 273,752                    | 182,843                       | 267,044                        |
| 15  | Agent transaction exposures   | —                              | —                         | —                          | —                             | —                              |
| 16  | <b>Total securities financing transaction exposures (sum of lines 12 to 15)</b>   | <b>\$ —</b>                    | <b>\$ —</b>               | <b>\$ 562,719</b>          | <b>\$ 423,918</b>             | <b>\$ 501,167</b>              |
| <b>Other off-balance sheet exposures</b>          |   |                                |                           |                            |                               |                                |
| 17  | Off-balance sheet exposure at gross notional amount   | —                              | —                         | —                          | —                             | —                              |
| 18  | (Adjustments for conversion to credit equivalent amounts)   | —                              | —                         | —                          | —                             | —                              |
| 19  | <b>Off-balance sheet items (sum of lines 17 and 18)</b>   | <b>—</b>                       | <b>—</b>                  | <b>—</b>                   | <b>—</b>                      | <b>—</b>                       |
| <b>Capital and total exposures</b>                |   |                                |                           |                            |                               |                                |
| 20  | Tier 1 capital  | 257,195                        | 243,716                   | (79,804)                   | 234,356                       | 221,880                        |
| 21  | <b>Total exposures (sum of lines 5, 11, 16 and 19)</b>  | <b>\$ 1,055,962</b>            | <b>\$ 1,037,655</b>       | <b>\$ 3,059,224</b>        | <b>\$ 3,052,122</b>           | <b>\$ 3,246,360</b>            |
| <b>Leverage ratio</b>                             |   |                                |                           |                            |                               |                                |
| 22  | Basel III leverage ratio  | 24.4%                          | 23.5%                     | (2.6)%                     | 7.7%                          | 6.8%                           |

(1) During the period ended June 30, 2024, the Company ceased its securities lending activities related to contracts under which it was assuming some risks and transferred these activities to securities lending transactions for which it no longer assumes those risks. As mentioned in the "Capital" section, these changes in the Company's operations resulted in particular in a material increase in its ratios.

(2) As mentioned in the "Capital - Basel III" section of this report, the TLAC instruments held by the Company caused a significant decrease in capitalization ratios below regulatory levels as at March 31, 2024. The situation was corrected during the subsequent quarter. Furthermore, data for the previous quarters are those originally reported at the end of each of these quarters in 2023. If the TLAC instruments held by the Company had been considered in calculating the ratios for the comparative quarters, the Company's leverage ratios would have been -1.2% as at December 31, 2023, and 0.6% as at September 30, 2023.