General Bank of Canada

Regulatory Disclosures

These disclosures represent the Basel III Pillar 3 disclosures for General Bank of Canada (the "Bank") as at December 31, 2023 representative of the Bank's fiscal year-end, pursuant to the Office of the Superintendent of Financial Institutions ("OSFI") Pillar 3 Disclosure Guideline for Small and Medium-Sized Deposit-Taking Institutions (SMSBs). SMSBs are segmented into three categories for the purposes of their capital, liquidity, and Pillar 3 disclosure purposes. The Bank has been classified as a Category II SMSB. The following disclosures represents the Bank's full qualitative disclosures that are provided annually.

Description of the Bank

The Bank is a Schedule 1 Canadian charter bank governed by the Bank Act (Canada). The Bank received approval to commence and carry on business on April 12, 2005. The Bank offers financial service products to individuals and businesses who reside in Canada. The Bank has no subsidiaries, and all operations are conducted in Canada.

The Bank utilizes an indirect business model to provide its financial service offerings. The Bank offers secured lending focused on retail indirect automotive finance, commercial term finance, and private and corporate aviation finance.

The Bank offers Guaranteed Investment Certificates ("GICs") and High Interest Savings Accounts (HISAs) through any one of a number of deposit brokers or investment advisors, and the Bank is a CDIC member financial institution.

Capital and Capital Management

Capital and leverage ratios were calculated using the Basel III framework. Regulatory capital includes Common Equity Tier 1 (CET1), additional Tier 1 and Tier 2 capital. CET1 capital mainly consists of common shares, retained earnings and other components of equity. Tier 1 capital comprises predominantly CET1, with additional items that consist of capital instruments such as certain preferred shares. Tier 2 capital includes subordinated debentures that meet certain criteria and certain loan loss allowances. Total Capital is the sum of CET1, additional Tier 1 and Tier 2 capital.

Regulatory adjustments under Basel III include full deductions of intangibles, certain deferred tax assets, and non-significant investments in banking, financial and insurance entities.

Regulatory capital ratios are calculated by dividing Tier 1 capital by risk-weighted assets. The Bank's assets, by classes, are risk weighted, with additional consideration given to the Bank's operational risk, relying on the Basic Indicator Approach to quantify operational risk. OSFI provides two

approaches to determining credit risk, those being the Standardized Approach versus the Internal Ratings Based Approach, with the Bank following the former.

	December 31, 2023 (000's)			
	Risk Weighted			
Asset Class with Risk Weight %		**Value**		**Capital Allocated**
Cash and equivalents 20%	$	48,266	$	6,033
Consumer retail loans 75%		1,454,370	$	181,796
Commercial loans 35%-100%		728,654	$	91,082
Investments 100%		3,284	$	411
All other 100%		100,289	$	12,536
Total Adjusted Risk-Weighted Assets		2,334,863		291,858
Operational Risk		101,031		10,103
Total Risk-Weighted Assets	$	2,435,894	$	301,961
Surplus Capital			$	26,302
Total Capital			$	328,263

OSFI formally establishes risk-based capital targets for deposit-taking institutions in Canada. These targets are currently a CET1 Ratio of greater than or equal to 7.0% and Tier 1 ratio of greater than or equal to 8.5%, and a Total capital ratio of greater than or equal to 10.5%. In addition, Canadian banks are required to ensure that their leverage ratio, which is calculated by dividing Total capital by Total assets, does not fall below a minimum, as prescribed by OSFI for each bank individually. During 2023 and 2022 we have complied with all capital requirements imposed by OSFI.

	Basel III 2023 $	Basel III 2022 $
Regulatory capital and capital ratios ($ thousands)		
Capital		
Tier 1 capital	**319,419**	271,506
Tier 2 capital	**8,844**	6,950
Total capital	**328,263**	278,456
Risk-weighted assets		
Credit risk	**2,334,863**	1,941,724
Operational risk	**101,031**	85,747
Total risk weighted assets	**2,435,894**	2,027,471
Capital ratios		
Tier 1 capital	**13.11%**	13.39%
Leverage ratio	**9.74%**	9.96%

The Bank is privately held, and issues only one class of capital to a private shareholder, and as such any further disclosure of the terms and conditions of all capital instruments is not relevant.

Basel III Capital Disclosure

With the implementation of revised guidelines (Basel III) certain classes of capital will be phased out, and/or renamed. The net effect of Basel III on the Bank's capital management will be minimal. As a non domestically systemically important bank, the Bank is required to disclose a modified version of its capital and leverage structure as detailed below.

General Bank of Canada
KM1:Key Metrics
As at September 30,2024
(in thousands of Canadian dollars, except %)

		Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	$ 347,196	$ 338,120	$ 328,650	$ 319,419	$ 300,138
2	Tier 1	347,196	338,120	328,650	319,419	300,138
3	Total capital	356,582	347,143	337,420	328,263	308,343
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	$ 2,659,624	$ 2,546,855	$ 2,450,839	$ 2,435,894	$ 2,335,495
4a	Total risk-weighted assets (pre-floor)	2,659,642	2,546,855	2,450,839	2,435,894	2,335,495
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	13.05%	13.28%	13.41%	13.11%	12.85%
5a	CET1 ratio (%) (pre-floor ratio)	13.05%	13.28%	13.41%	13.11%	12.85%
6	Tier 1 ratio (%)	13.05%	13.28%	13.41%	13.11%	12.85%
6a	Tier 1 ratio (%) (pre-floor ratio)	13.05%	13.28%	13.41%	13.11%	12.85%
7	Total capital ratio (%)	13.41%	13.63%	13.77%	13.47%	13.20%
7a	Total capital ratio (%) (pre-floor ratio)	13.41%	13.63%	13.77%	13.47%	13.20%
	Basel III Leverage ratio					
13	Total Basel III leverage ratio exposure measure	$ 3,554,195	$ 3,406,450	$ 3,315,450	$ 3,278,238	$ 3,183,984
14	Basel III leverage ratio (row 2 / row 13)	9.77%	9.93%	9.91%	9.74%	9.43%

General Bank of Canada
Regulatory Capital
As at September 30, 2024
(in thousands of Canadian dollars, except %)

	Regulatory Capital and Ratios	Q3 2024	Q2 2024
	Common Equity Tier 1 capital: instruments and reserves (000's)		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	155,000	155,000
2	Retained earnings	192,571	183,779
3	Accumulated other comprehensive income (and other reserves)	(354)	(632)
6	**Common Equity Tier 1 capital before regulatory adjustments**	347,217	338,147
	Common Equity Tier 1 capital: regulatory adjustments		
28	Total regulatory adjustments to Common Equity Tier 1	(21)	(27)
29	**Common Equity Tier 1 capital (CET1)**	347,196	338,120
	Additional Tier 1 capital: regulatory adjustments		
45	**Tier 1 capital (T1 = CET1 + AT1)**	347,196	338,120
	Tier 2 capital: instruments and allowances		
50	Collective allowances	9,386	9,023
51	**Tier 2 capital before regulatory adjustments**	9,386	9,023
	Tier 2 capital: regulatory adjustments		
58	**Tier 2 capital (T2)**	9,386	9,023
59	**Total capital (TC = T1 + T2)**	356,582	347,143
60	**Total risk-weighted assets**	2,659,642	2,546,855
	Capital Ratios		
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	13.05%	13.28%
62	Tier 1 (as percentage of risk-weighted assets)	13.05%	13.28%
63	Total capital (as percentage of risk-weighted assets)	13.41%	13.63%
	OSFI target		
69	Common Equity Tier 1 capital target ratio	7.50%	7.50%
70	Tier 1 capital target ratio	8.50%	8.50%
71	Total capital target ratio	10.50%	10.50%

General Bank of Canada
Leverage Ratio Common Disclosure
As at September 30, 2024
(in thousands of Canadian dollars, except %)

	Item	**Leverage Ratio**	
	On-balance sheet exposures	Q3 2024	Q2 2024
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	3,509,306	3,367,302
4	(Asset amounts deducted in determining Tier 1 capital)	(21)	(27)
5	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)**	**3,509,285**	**3,356,231**
	Derivative exposures		
6	Replacement cost associated with all derivative transactions	1,919	875
11	**Total derivative exposures (sum of lines 6 to 10)**	**1,919**	**875**
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	78,361	95,750
18	(Adjustments for conversion to credit equivalent amounts)	(47,017)	(57,450)
19	**Off-balance sheet items** (sum of lines 17 and 18)	**31,344**	**38,300**
	Capital and Total Exposures		
20	**Tier 1 capital**	**347,196**	**338,120**
21	**Total Exposures** (sum of lines 5, 11, 16 and 19)	**3,554,195**	**3,406,450**
	Leverage Ratios		
22	**Basel III leverage ratio**	**9.77%**	**9.93%**

A 100 basis point increase in interest rates during the year, assuming all other variables were held constant, would result in a $2,510,302 increase to net interest income ($2,866,685 increase in 2022) whereas a 100 basis point decrease would result in a $1,836,595 decrease to net interest income ($2,866,077 decrease in 2022)

Additional bank financial information can be found on OSFI's website at:

http://www.osfi-bsif.gc.ca/Eng/wt-ow/Pages/FINDAT.aspx

Risk Management

Effective risk management plays an essential role in the Bank's ability to remain financially sound and responsible through the identification, assessment, management and monitoring of all applicable types of risk. The Bank is primarily exposed to credit, liquidity, interest rate and operational types of risk.

Senior management is responsible for defining the framework for identifying risks and developing the appropriate risk management policies. The Board of Directors, both directly or through its committees, reviews and approves key policies, and implements specific reporting procedures to enable them to monitor compliance over significant areas of risk.

Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations. The nature of the Bank's lending operations creates an exposure to credit risk resulting from the possible default in payments by borrowers.

The Bank's indirect business model involves engaging in various financial activities through third parties. This model can have implications for the Bank's credit risk profile such as:

1. **Third-Party Risk**: In an indirect model, the Bank may rely on third parties to originate loans or conduct transactions. Weaknesses in the financial health or risk management practices of these third parties can affect the Bank's overall credit risk. The Bank has a Third-Party Risk Management Program aligned with industry best practices and OSFI's Third-Party Risk Management Guideline to mitigate and manage third-party risk, which includes due diligence of key third-party relationships ensuring their risk management practices align with the Bank's standards.

2. **Diversification of Counterparties**: The Bank's indirect model involves dealing with a diverse set of counterparties. This diversification can impact credit risk positively by spreading exposure across various sectors and geographic regions. However, it also requires a thorough assessment of the creditworthiness of each counterparty to mitigate concentration risk.

3. **Underwriting Standards**: The Bank's credit risk profile will depend on the effectiveness of its underwriting standards to help ensure that loans are extended to creditworthy borrowers. The Bank continuously monitors and enforces these standards throughout the lending process. As of December 31st, 2023, the Bank conducts its own credit assessments and does not rely on underwriting standards of third parties to assess credit risk.

4. **Risk Monitoring and Management**: The Bank has mechanisms in place to continually assess the credit risk associated with its indirect exposures. This includes monitoring changes in the financial condition of borrowers, tracking market trends, and promptly responding to emerging risks.

5. **Regulatory Compliance**: Indirect lending often involves compliance with various regulations, and failure to adhere to these regulations can increase credit risk. A comprehensive understanding of regulatory requirements and diligent compliance is essential to manage legal and regulatory risks associated with the indirect business model.

6. **Technology and Data Risks**: The Bank's indirect model relies on technology for data exchange and processing. Credit risk is also influenced by the effectiveness of the Bank's technological

infrastructure and data security measures. Inadequate technology or data breaches can lead to operational disruptions and increased credit risk.

7. **Economic and Market Conditions**: The Bank's credit risk profile is influenced by broader economic and market conditions and may be exposed to economic cycles or fluctuations in specific markets. Assessing and factoring in these macroeconomic variables is crucial for managing credit risk effectively.

In summary, the Bank's indirect business model introduces complexities and considerations that impact its credit risk profile. The Bank manages credit risk through a combination of robust risk assessment, effective monitoring mechanisms, and compliance with regulatory standards. The Bank's credit risk profile has remained stable through multiple economic cycles, representing an overall low credit risk profile.

The Bank's credit risk management policies and credit limits are critical components of its risk management framework. The Bank has established a risk appetite and risk tolerance in alignment with its overall risk management strategy that defines the level of risk it is willing to accept in pursuit of its business objectives.

The Board of Directors is responsible for the oversight of credit risk management. The Asset Liability and Risk Management Committee (ALRM) of the Board, monitors and approves the credit risk management program. The ALRM supports the senior management Risk and Compliance Committee (RCC) and the Chief Risk Officer in the development and implementation of sound and prudent policies and procedures to effectively manage and control credit risk.

Credit risk management policies and procedures include credit risk assessment criteria, credit score and risk grading models to assess the creditworthiness of borrowers, clear underwriting standards including specific criterial for loan approval, stress testing to evaluate the impact of adverse economic scenarios on the credit portfolio, risk limits including individual exposures and overall portfolio concentrations aligned with the risk appetite and regulatory requirements, monitoring and reporting and review and update requirements to ensure response to changes in market conditions, regulatory requirements or the Bank's risk profile.

The Bank's credit risk management structure is well defined and explicit in terms of both functional and individual roles, responsibilities, and accountabilities.

Business units are responsible for the day-to-day management of the loan portfolios and are considered a first line of defence function. The business units are also responsible for the implementation of the Bank's credit strategy, policies, and procedure which includes conducting due diligence, the assignment of credit ratings to assess creditworthiness, and formal review and approval of credit applications. In addition, the business units ensure appropriate documentation is in place,

conduct portfolio management, credit monitoring, and reporting to Senior Management and the Board.

The Chief Risk Officer, as the head of the second line of defence, collaborates closely with Senior Management to establish the Bank's credit risk strategy and policies that align to the Board approved risk appetite. Risk Management is responsible for independent oversight activities that objectively identify, measure, monitor and report credit risk and compliance on an enterprise basis. The risk management group confirm that credit risk management practices and processes are integrated into the day-to-day implementation of credit risk management by the first line of defence. Risk Management establishes limits on credit exposures and implements controls to ensure adherence to established limits. In addition, Risk Management develop methodologies to independently measure credit risk and generate reports on credit risk exposure. Risk Management also conduct credit risk model validation to ensure the accuracy and reliability of credit risk models and conducts stress testing to assess the impact of adverse economic conditions on the credit portfolio. Risk Management independently reports to Senior Management and the Board of Directors on the credit risk profile of the Bank.

The Bank utilizes the three lines of defence model which is a risk governance framework that provides structure around risk management and internal controls designed to facilitate an effective risk management system. The model supports the Bank's achievement of strategic objectives and facilitates strong governance and risk management. Within the model each of the three lines plays a distinct role in the Bank's control environment and managing risk.

The business unit is the first line of defence as it is their responsibility to manage credit risk on a day-to-day basis. The business unit adheres to the Bank's credit risk policies to ensure credit risk is managed within the Bank's risk appetite and strategy. To foster robust and effective credit risk management throughout the Bank, the Risk Management group provide risk and compliance oversight. Considered the second line of defence, Risk Management are responsible for independent, objective, and effective challenge, without fear of reprisal, of the business function credit risk management practices. Internal audit is the Bank's third line of defence and provide independent assurance to Senior Management and the Board of Directors that the Bank's credit risk management controls, processes, and systems, across the enterprise, function as intended.

Reporting plays a critical role in the overall management and mitigation of credit risk within the Bank. Effective reporting includes performance trends, actual results compared to projections, precise and informative narrative, and segmented performance. The main content of the reporting on credit risk exposure includes at minimum a comparison of outstanding amounts against established credit limits, analysis on portfolio quality, analysis on portfolio losses, assessment of the Bank's credit risk profile versus the approved credit risk appetite, and other risks associated with the Bank's credit risk exposures. Topics such as changes in strategy, model validation, stress testing, policy and process

changes deemed material and emerging risks are reported when determined relevant by the risk management group and/or Senior Management.

							As at December 31, 2023	
	Floating rate to 3 months $	3-6 months $	6-12 months $	1-2 years $	2-5 years $	Over 5 years $	Non-interest sensitive $	Total $
($ thousands)								
Assets								
Cash	400,048	–	–	–	–	–	–	400,048
Loans	584,885	105,427	229,271	566,084	1,015,500	235,917	43,297	2,780,381
Marketable securities	5,457	11,633	3,579	4,875	–	–	(1,865)	23,679
Other	–	–	–	–	–	–	27,207	27,207
Total	990,390	117,060	232,850	570,959	1,015,500	235,917	68,639	3,231,315
Liabilities								
Deposits	229,481	313,604	571,801	582,542	887,326	–	–	2,584,754
Interest rate swaps *	220,000	–	(110,000)	(40,000)	(70,000)	–	–	–
Secured debt	243,595	–	–	–	–	–	–	243,595
Other	–	–	–	–	–	–	83,509	83,509
Total	693,076	313,604	461,801	542,542	817,326	–	83,509	2,911,858
Interest Rate Sensitive Gap	297,314	(196,544)	(228,951)	28,417	198,174	235,917		
Cumulative Gap	297,314	100,770	(128,181)	(99,764)	98,410	334,327		
Cumulative Gap as a Percentage of Total Assets	9%	3%	-4%	-3%	3%	10%		

* Interest rate swaps are included in this table at the notional amount

Operational risk

Operational risk is the potential for loss resulting from some external event, human error or inadequacy or failure of processes, procedures, or controls. Operational risk can affect the Bank's financial position, reputation, competitive position, and regulatory position. The Bank is exposed to operational risk from internal business processes and activities as well as from activities that are outsourced.

The management of operational risk is an integral part of the Bank's overall risk management framework and covers all functions within the Bank. Effective operational risk management helps the Bank to improve the reliability of its business operations, strengthen decisions making processes, and achieve strategic objectives, while ensuring business continuity in the event of disruptions to operations.

The Bank has an established Operational Risk Management Policy that is approved by the Board that requires the Bank to establish appropriate oversight and effective management of the significant operational risks it faces, in line with applicable legislation and the Bank's risk appetite. The Bank's Operational Risk Management Framework is approved by Senior Management and outlines the process for identifying, measuring, monitoring, controlling, and reporting on operational risks. The framework includes key operational risk management policies such as Third-Party Risk Management, Business Continuity Policy, Information Security Policy, Cyber Security Policy, Model Risk

Management Policy, and Physical Security and Safety Policy. Internal controls are embedded in Bank's day-to-day business and are designed to ensure, to the extent possible, that the Bank's activities are efficient and effective, information is reliable, timely and complete. Operational risks, like all risks, are ever evolving and the Bank continues to advance its risk management practices and abilities to help it understand, and improve, how it identifies and responds to risks across the organization.

Business units have ownership of risk whereby they acknowledge and manage operational risk that incurs in conducting its activities. As the first line of defence, the business unit is responsible for planning, directing, and controlling the day-to-day operations of a significant activity/enterprise-wide process and for identifying and managing the inherent operational risks in products, activities, processes, and systems for which it is accountable. Business units are also responsible for designing processes and controls to ensure operational risks are managed in line with the Bank's risk appetite framework.

Under the direction of the Chief Risk Officer, the risk management group, is responsible for the independent oversight activities that objectively identify, measure, monitor and report operational risk on an enterprise basis. Risk Management supports the identification and escalation of trends and emerging risks to Senior Management and the Board for awareness and potential action.

Internal Audit acts as the Bank's third line of defence and is accountable to periodically examine, evaluate, and report to both Senior Management and the Board on the adequacy and effectiveness of the operational risk management program and processes.

As a category II SMSB, the Bank is mandated by OSFI to calculate operational risk capital charge via the Simplified Standardized Approach ("SSA"). Institutions using the SSA must hold capital for operational risk equal to 15% of average annual adjusted gross income over the previous 12 fiscal quarters.

Risk reporting is seen as one of the more important aspects of risk management to effectively communicate various risk information to stakeholders. A key objective of risk reporting is to communicate the overall profile of operational risk across all business areas and types of risk. Senior Management and the Board receive regular reports on critical operational risk issues, any breaches of the Bank's risk tolerance/appetite, recent significant risk events and losses including lessons learned and actions taken, and any evolving risks and relevant external events that have the potential to impact the Bank's risk policy adherence and its risk capital. The Bank maintains a register of operational risk events that allows the Bank to track management action plans taken to mitigate risks or close control gaps.

Senior Management and the Board receive regular reports on critical operational risk issues or major loss events facing the bank and its control/mitigations. Operational risk reporting includes tracking across key areas, risk appetite metrics, results of risk and control assessments, issue management status, operational loss event(s) if applicable, and annual program updates.

In traditional risk/reward decisions, the Bank can expect to gain a higher rate of return on its capital by assuming more risk. Operational risk does not follow that same logic. An increase in operational risk is generally not expected to result in a higher return. The Bank recognizes that it is not possible, or necessarily desirable, to eliminate all the risks inherent in its activities.

The Bank understands the risks attendant to its business model, including each business line and product, and how they relate to the Bank's strategy and risk appetite. Operational risks are carefully analyzed, including to ensure that the benefit of risk mitigation exceeds the costs of those measures. Given the resources available to the Bank, it must evaluate the trade-offs between allocating resources to mitigate one risk compared to another. Risk prioritization occurs to inform decision-making on risk responses and optimize the allocation of resources. The prioritization of risks, given their severity, the importance of the corresponding business objective, and the Bank's risk appetite help the Bank in its decision-making. Risks that are likely to approach or exceed risk appetite may be given priority. Risk of greater priority are more likely to be those that affect the Bank and/or the business unit level as a whole or arise at the business unit level.

From all risks identified management selects and deploys a risk response. Management considers the severity and prioritization of the risk as well as the business context and associated business objectives. Finally, the risk response also accounts for the performance targets of the organization. Risk responses fall within the following categories:

- Accept – The Bank decides to accept the risk but may introduce mitigating internal controls.
- Avoid –The Bank feels the risk is unacceptable and will avoid the risk completely.
- Exploit / Pursue - Action is taken that accepts the risk to achieve improved performance and steps taken to leverage opportunities.
- Reduce – Action is taken to reduce the severity of the risk and limit the potential harm the risk may cause.
- Transfer – In circumstances where internal controls do not adequately address the risk and risk avoidance is not a reasonable option the Bank can complement controls by seeking to transfer the risk or shift the loss or liability to external parties such as through insurance.

Both risk acceptance and risk reduction include various strategies and measures implemented by the Bank to minimize the potential negative impact of uncertainties and threats to the Bank's financial stability and operations. The Bank develops robust procedures and controls to minimize the risk of loss, implements effective monitoring systems, supports employee awareness and knowledge to enhance their understanding of risk management practices and develops plans to ensure the Bank can respond effectively to unexpected events.