



# **Financial Performance and Regulatory Disclosures Q1 2022**

## **Caution regarding forward-looking statements**

This document contains certain forward-looking statements with respect to Manulife Bank of Canada's ("MBC" or the "Bank") financial condition, results of operations and business. Forward-looking statements can generally be identified by words such as "will," "expects," "believes," "seeks," "estimates," "potential," "possible," "targeting," and variations of these words and similar expressions.

Forward-looking statements involve inherent risks and uncertainties and, therefore, undue reliance should not be placed on them. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. These factors include changes in general economic conditions in the market in which MBC operates, changes to government policy and regulation, and factors specific to MBC.

The forward-looking statements in this document are, unless otherwise indicated, as of the date they are made. MBC makes no commitment to revise or update any forward-looking statements.

## Overview

### About Manulife Bank of Canada

MBC is a Schedule I federally chartered bank and a wholly owned subsidiary of The Manufacturers Life Insurance Company (“MLI”), a wholly owned subsidiary of Manulife Financial Corporation (“MFC”). MFC is a publicly traded financial services group. MBC and its wholly owned subsidiary, Manulife Trust Company (“MTC”), provides a wide range of financial products and services including mortgage and investment loans, and deposit products. Platinum Canadian Mortgage Trust II (“PCMT II”) was established to provide financing for MBC mortgage products through securitization.

### Vision

MBC’s vision is to improve the wealth of Canadians by providing efficient and flexible banking solutions and integrating banking into every client’s financial plan.

### Mission and Values

MFC’s mission is to make decisions easier and customers’ lives better. MFC’s values are the guideposts that help achieve the mission, define who we are and how we work together. These values are:

- Obsess about customers
- Do the right thing
- Think big
- Get it done together
- Own it
- Share your humanity

### Financial Performance and Regulatory Disclosures

This document provides information on the Bank’s consolidated financial performance and includes pertinent disclosures based on the Basel Committee on Banking Supervision’s (“BCBS”) Basel II and III frameworks and the Office of the Superintendent of Financial Institutions (“OSFI”) B-6 and B-20 guidelines. These disclosures are intended to provide market participants with information regarding the risk profile of MBC and the application of the Basel regulatory requirements, as well as information related to MBC’s residential mortgage loans portfolios to enable market participants to evaluate the Bank’s residential mortgage underwriting standards.

The financial data presented in this document represents the consolidated financial results for the Bank, its subsidiary, MTC, and structured entity PCMT II.

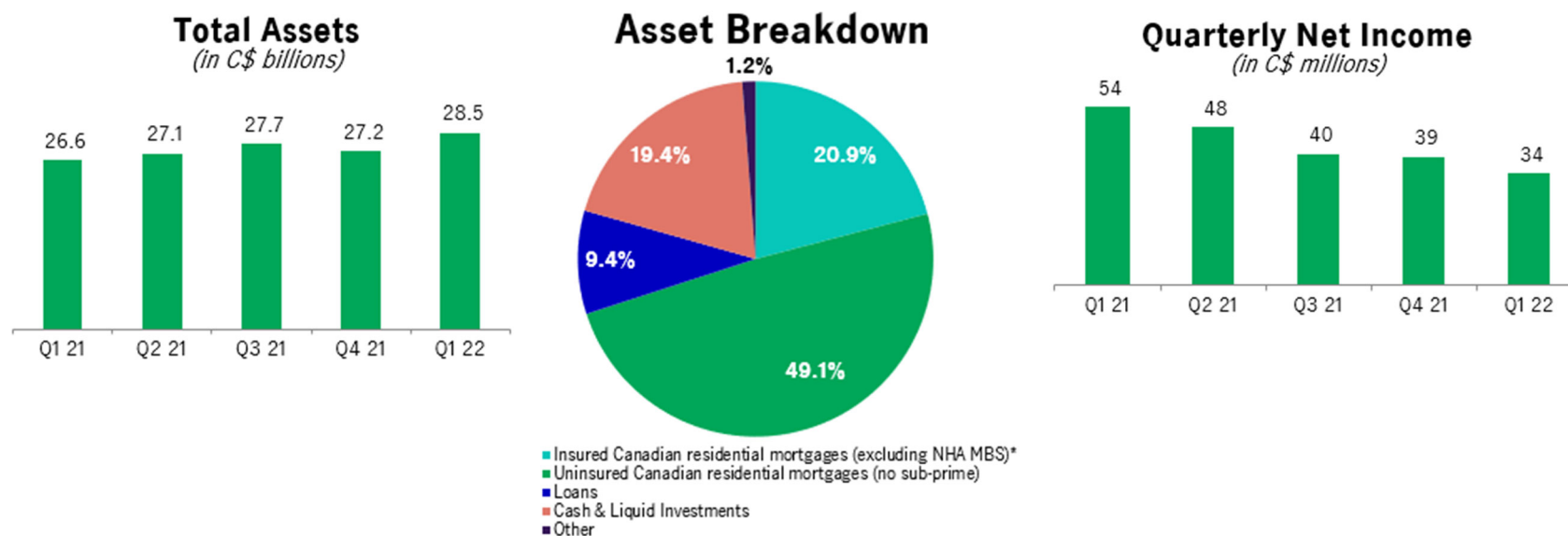
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## Financial Performance<sup>1</sup>

MBC ended the quarter with assets of \$28.5 billion, an increase of \$1.3 billion, or 5%, as compared to December 31, 2021, and an increase of \$1.9 billion, or 7%, as compared to March 31, 2021. The increase over prior quarter and prior year was primarily driven by higher cash assets, mortgages, and other loans.

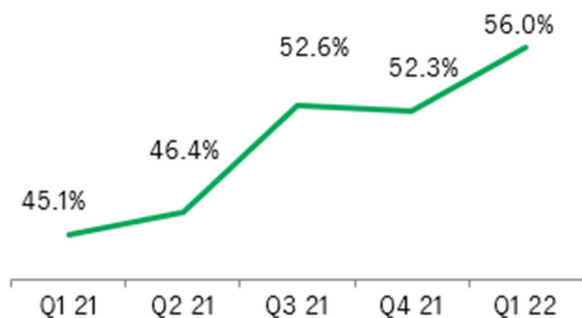
Net income of \$34 million for the three months ended March 31, 2022, decreased by \$5 million, or 13%, as compared to the three months ended December 31, 2021, driven by lower net gains on securities, and lower net interest income. Net income decreased by \$20 million, or 37%, as compared to the three months ended March 31, 2021, primarily driven by lower net gains on securities, lower net interest income, higher provision for credit losses, and higher non-interest expenses.



<sup>1</sup> Financial performance information is provided to enable a reader to assess the Bank's unaudited results of operations and financial condition for the three-month period ended March 31, 2022.

The Banks' efficiency ratio at Q1 2022 of 56.0% was higher, as compared with 52.3% reported at Q4 2021, and 45.1% reported at Q1 2021. The increase over the prior quarter is primarily due to lower net interest income and lower net gains on securities. The increase over the prior year is primarily due to lower net interest income, lower net gains on securities and higher non-interest expenses.

### Efficiency Ratio



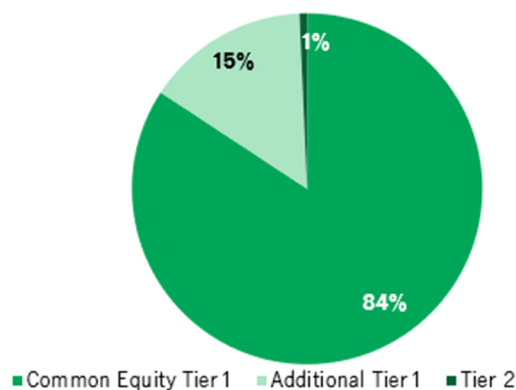
### Capital

Basel III Common Equity Tier 1 (“CET1”) ratio, Tier 1 capital ratio and Total capital ratio were 13.6 per cent, 15.9 per cent and 16.1 per cent, respectively, as at March 31, 2022, well in excess of minimum regulatory capital requirements.

Risk weighted assets as at March 31, 2022 were approximately \$9.7 billion, an increase of ~\$0.4 billion, or ~4%, as compared to the prior quarter. The increase was primarily driven by an increase in cash assets, residential mortgages and other loans. Risk weighted assets as at March 31, 2022, increased ~\$0.9 billion, or ~10%, as compared to March 31, 2021, primarily driven by increases in other loans, residential mortgages, and cash assets.

Refer to the Capital Management section for further discussion on regulatory capital, capital ratios and risk weighted assets.

### Regulatory Capital Breakdown



Total risk-weighted assets

**\$ 9.7 Billion**

Total capital

**\$ 1.6 Billion**

CET1 Capital Ratio

**13.6%**

Tier 1 Capital Ratio

**15.9%**

Total Capital Ratio

**16.1%**

## Credit ratings

On March 28, 2022, Standard & Poor’s reaffirmed Manulife Bank’s long-term deposit rating of A+ and its short-term deposit rating of A-1<sup>2</sup> with a stable outlook. On September 22, 2021, DBRS confirmed Manulife Bank’s long-term issuer rating at AA (low) and reaffirmed its short-term issuer rating of R-1 (middle)<sup>3</sup>. The trends on all ratings are stable.

As of March 31, 2022

### Standard & Poor's

|                   |     |
|-------------------|-----|
| Short-term rating | A-1 |
| Long-term rating  | A+  |

### DBRS

|                   |              |
|-------------------|--------------|
| Short-term rating | R-1 (middle) |
| Long-term rating  | AA (low)     |

## Key strategic priorities

MBC continues to focus on strengthening and growing its core business and customer service, while expanding into complementary products and services to meet a broader range of customer needs. The Bank’s priorities include:

- Digitization and process simplification to improve efficiency;
- Deliver through strategic partnerships, thus keeping fixed costs low;
- Capitalize on the larger growth opportunity in mortgage broker channel while leveraging Manulife One as a core product in advisor channel;
- Optimize new customer acquisition aligned to goal of maximizing earnings;
- Deepen Manulife customer relationships by providing unique offers and integrated banking solutions without significant investment;
- Lead Canadian Segment in simple digital experiences for customers, advisors and mortgage brokers;
- Develop advanced data capabilities for better customer insights and digital presentation of personalized solutions;
- Scale our delivery organization to enable our strategy in an agile manner;
- Focus on digital, strategic partnership management and agile talent to deliver on growth strategies;
- Aligning our Sales organization to focus on the channel opportunities and scalable growth

<sup>2</sup> Long-term debt rated A has “strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.” A is the third highest rating category out of 10. The ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories. A short-term issuer credit rating of A-1 denotes “a strong capacity to meet its financial commitments.” A-1 is Standard & Poor’s highest short term rating category.

<sup>3</sup> Long-term debt rated AA is “of superior credit quality and protection of interest and principal is considered high.” AA is the second-highest rating category out of 10. Each rating category (except AAA and D) is denoted by the subcategories “high” and “low”. The absence of either a “high” or “low” designation indicates the rating is in the “middle” of the category. Short-term debt rated R-1 (middle) is of “superior credit quality and typically exemplifies above-average strength in key areas of consideration for the timely repayment of short-term liabilities.” The rating R-1 (middle) is the second-highest rating category out of 10.

## Financial Performance

| As at balances                             | Q1 2022 |        | Q4 2021 |        | Q3 2021 |        | Q2 2021 |        | Q1 2021 |        |
|--|---------|--------|---------|--------|---------|--------|---------|--------|---------|--------|
| <b>ASSETS</b>                              |         |        |         |        |         |        |         |        |         |        |
| Cash, cash equivalents and restricted cash | \$      | 3,862  | \$      | 3,089  | \$      | 3,897  | \$      | 3,481  | \$      | 3,114  |
| Debt securities                            |         | 236    |         | 243    |         | 244    |         | 226    |         | 263    |
| Equity securities                          |         | 159    |         | 151    |         | 143    |         | 171    |         | 156    |
|  | \$      | 4,257  | \$      | 3,483  | \$      | 4,284  | \$      | 3,878  | \$      | 3,533  |
| Mortgage loans                             | \$      | 21,329 | \$      | 20,933 | \$      | 20,792 | \$      | 20,660 | \$      | 20,660 |
| Other loans                                |         | 2,674  |         | 2,513  |         | 2,346  |         | 2,224  |         | 2,110  |
|  | \$      | 24,003 | \$      | 23,446 | \$      | 23,138 | \$      | 22,884 | \$      | 22,770 |
| Other assets                               | \$      | 252    | \$      | 272    | \$      | 323    | \$      | 316    | \$      | 301    |
| <b>Total assets</b>                        | \$      | 28,512 | \$      | 27,201 | \$      | 27,745 | \$      | 27,078 | \$      | 26,604 |
| <b>LIABILITIES and EQUITY</b>              |         |        |         |        |         |        |         |        |         |        |
| <b>Liabilities</b>                         |         |        |         |        |         |        |         |        |         |        |
| Demand deposits                            | \$      | 12,794 | \$      | 12,746 | \$      | 13,232 | \$      | 12,839 | \$      | 12,534 |
| Term deposits                              |         | 9,006  |         | 8,057  |         | 8,009  |         | 7,798  |         | 7,589  |
|  | \$      | 21,800 | \$      | 20,803 | \$      | 21,241 | \$      | 20,637 | \$      | 20,123 |
| Notes payable                              |         | 4,885  |         | 4,598  |         | 4,591  |         | 4,593  |         | 4,653  |
| Other liabilities                          |         | 133    |         | 121    |         | 156    |         | 110    |         | 117    |
| <b>Total liabilities</b>                   | \$      | 26,818 | \$      | 25,522 | \$      | 25,988 | \$      | 25,340 | \$      | 24,893 |
| <b>Equity</b>                              |         |        |         |        |         |        |         |        |         |        |
| Issued share capital                       |         |        |         |        |         |        |         |        |         |        |
| Preferred shares                           | \$      | 229    | \$      | 229    | \$      | 229    | \$      | 229    | \$      | 229    |
| Common shares                              |         | 267    |         | 267    |         | 267    |         | 267    |         | 267    |
| Contributed surplus                        |         | 428    |         | 428    |         | 428    |         | 428    |         | 428    |
| Retained earnings                          |         | 772    |         | 755    |         | 832    |         | 813    |         | 786    |
| Accumulated other comprehensive income     |         | (2)    |         | -      |         | 1      |         | 1      |         | 1      |
| <b>Total equity</b>                        | \$      | 1,694  | \$      | 1,679  | \$      | 1,757  | \$      | 1,738  | \$      | 1,711  |
| <b>Total liabilities and equity</b>        | \$      | 28,512 | \$      | 27,201 | \$      | 27,745 | \$      | 27,078 | \$      | 26,604 |

|   | 2022 |     | 2021 |     | Fiscal |      |
|---|------|-----|------|-----|--------|------|
|   | Q1   | Q4  | Q3   | Q2  | Q1     | 2021 |
| <b>Revenue</b>  |      |     |      |     |        |      |
| Interest income   | \$   | 162 | \$   | 162 | \$     | 163  |
| Interest expense  |      | 64  |      | 61  |        | 60   |
| <b>Net interest income</b>                                  | \$   | 98  | \$   | 101 | \$     | 103  |
| Fee income  | \$   | 6   | \$   | 6   | \$     | 7    |
| Net gains on securities                                     |      | 4   |      | 8   |        | 12   |
| <b>Non-interest income</b>                                  | \$   | 10  | \$   | 14  | \$     | 19   |
| <b>Total revenue</b>  | \$   | 108 | \$   | 115 | \$     | 122  |
| Provision for (recovery of) credit losses on lending assets |      | 2   |      | 2   |        | (2)  |
| Non-interest expense  |      | 60  |      | 60  |        | 58   |
| <b>Net income before income tax</b>                         | \$   | 46  | \$   | 53  | \$     | 66   |
| Income tax expense  |      | 12  |      | 14  |        | 18   |
| <b>Net income</b>   | \$   | 34  | \$   | 39  | \$     | 48   |

The tables above are a summary of MBC's unaudited consolidated financial statements and are consistent with the unaudited consolidated financial statements filed with OSFI with classification differences due to summarization of results.

## Basel III Pillar 3 Disclosures<sup>4</sup>

MBC is a Schedule I bank regulated by OSFI. MTC is a federally incorporated trust company licensed to operate in Canada with full trust and loan company powers under the Trust and Loan Companies Act (Canada) and is also regulated by OSFI. Canadian Deposit-taking Institutions are subject to OSFI's Capital Adequacy Requirements ("CAR") guideline, which reflects the capital requirements that have been approved by the BCBS reform commonly referred to as Basel III. OSFI's capital requirements are applied at the consolidated MBC level. Refer to the Capital Management section for further details.

### Regulatory approaches used to determine capital requirements

#### *Credit risk*

Banks are permitted a choice of two methodologies in determining the capital requirements for credit risk: the Internal Ratings Based ("IRB") or Standardized Approach. Under the IRB Approach, banks are permitted to determine risk weightings for on and off-balance sheet exposures using internal risk formulas. The Standardized Approach requires banks to use assessments from qualifying rating agencies to determine risk weightings. MBC and MTC apply the Standardized Approach when determining capital requirements for credit risk.

#### *Market risk*

Market risk capital is calculated using one of two methodologies: the Standardized Approach or Internal Models. These requirements apply to banks designated by OSFI as domestic systemically important banks (D-SIBs) and other internationally active institutions. The capital requirements for Market risk are not applicable to MBC and MTC.

#### *Operational risk*

Banks are permitted to apply one of two approaches to calculate capital requirements for operational risk. The Basic Indicator Approach requires banks to hold operational risk capital equal to the average over the previous three years of a fixed percentage of positive annual gross income. The Standardized Approach divides the bank's business activities into eight business lines. For each business line, gross income is multiplied by an assigned factor, and the total capital charge is calculated as the three year average of the simple summation of regulatory capital charges across the business lines in each year. MBC and MTC collectively apply the Basic Indicator Approach to determine operational risk capital requirements.

The following sections outline the Bank's risk management framework and include pertinent disclosures under Basel III Pillar 3 and under OSFI Guideline B-6 Liquidity Principles and B-20 Residential Mortgage Underwriting Practices and Procedures for MBC and MTC.

<sup>4</sup> The financial information included in this Pillar 3 regulatory disclosures below are unaudited and in millions of Canadian dollars, unless otherwise stated.



## Credit Risk

*Credit risk is the risk of loss due to the inability or unwillingness of a borrower or counterparty to fulfil its payment obligations.*

### Key risk factors

Credit risk is one of the most significant risks to the Bank's business, and exists in its lending activities, investment activities and derivative transactions.

### Risk management strategy

Policies establish exposure limits by borrower, quality rating, industry, and geographic region. The Bank currently does not participate in the credit derivative market and does not have exposure to credit default swaps. The Chief Risk Officer ("CRO") and the Manulife Bank Credit Committee set out objectives related to the overall quality and diversification of lending portfolios and establish criteria for the selection of counterparties and intermediaries. The CRO monitors compliance with all credit policies and limits.

The Bank establishes policies and procedures to provide an independent assessment of the existence, quality and value of the credit portfolios, the integrity of the credit process, and to promote the detection of related problems. Internal audit performs periodic assessments of compliance with credit policies and procedures of credit granting and investment originating units.

The Board of Directors of both MBC and MTC ("Board of Directors") are responsible for reviewing and approving all key credit risk management policies. A review system sensitized to prescribed total credit exposure and risk rating thresholds is in place and is maintained with the intent that:

- The borrower's current financial condition is known;
- Collateral security is adequate and enforceable relative to the borrower's current circumstances;
- Credits are in compliance with covenants and margins;
- Early identification and classification of at-risk credit is possible;
- Current information regarding the quality of the loan portfolio is available; and
- Higher risk credits are reviewed in order to assess the risk of default.

The Bank's risk rating systems are designed to assess and monitor credit risk. The risk assessment and monitoring processes for the lending portfolio and derivatives contracts are described below.

### Lending portfolio

Our lending business is focused on residential properties. We have no exposure to oil and gas or other carbon heavy industries.

MBC's flagship product, Manulife One, is an all-in-one banking solution that combines a client's savings and borrowings into one Home Equity Line of Credit ("HELOC") product. This can include a client's traditional mortgage loan, personal loan, lines of credit, chequing and savings accounts, and credit card debt. The Proactive Account Monitoring ("PAM") program is a client engagement program that uses predictive indicators of potential default to select accounts for proactive remediation. High risk clients are contacted before they enter arrears and are encouraged to undertake actions to reduce their borrowing and maintain their good standing.

As at March 31, 2022, the residential mortgage loans portfolio includes \$17.2 billion of Manulife One accounts (December 31, 2021 — \$17.0 billion), with the remaining comprising primarily of amortizing residential mortgage loans. Insured mortgages are insured against loss caused by borrower default under a loan secured by real property. Insurance is provided by the Canada Mortgage and Housing Corporation (“CMHC”) or other authorized insurers.

## **Derivative counterparties**

As at March 31, 2022, the Bank had no active derivative contracts. The following paragraphs outline the derivative counterparty policies relating to comparative periods.

Derivative financial instrument contracts are entered into for asset-liability management purposes to better match the cash flows resulting from different re-pricing, currency and maturity dates of assets and liabilities. The Bank employs defensive hedging strategies to reduce risks in the banking book.

Interest rate risk is the risk that changing interest rates will adversely impact MBC’s financial results. The Bank primarily uses vanilla interest rate swaps, where fixed and floating interest payments based on a specified amount of notional principal for a specified time period are exchanged with a swap counterparty. Foreign exchange risk refers to losses that could result from changes in foreign exchange rates arising from assets and liabilities that are denominated in foreign currency.

MBC limits the types of authorized derivatives and application strategies. Approval is required from MBC’s Asset Liability Committee (“ALCO”) and MFC’s Global ALCO for derivative application strategies and they regularly monitor hedge effectiveness. Counterparties are required to post collateral to cover positive market positions (refer to the Collateral Management section within this document). The derivative counterparty exposure is measured as net potential credit exposure, which takes into consideration mark-to-market values of all transactions with each counterparty and net of any collateral held. Market standard valuation methodologies are used for over the counter (“OTC”) derivatives. Key variables impacting valuations include the Banker’s Acceptance (“BA”), swap rates and foreign currency. Inputs to models are consistent with what market participants would use when pricing the instruments and are deemed observable. Inputs that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data include broker quotes and inputs that are outside the observable portion. These unobservable inputs may involve significant management judgment or estimation. It should be noted that even when unobservable, inputs are based on assumptions deemed appropriate given the circumstances and consistent with what market participants would use when pricing such instruments.

## **Risk control and mitigation**

### ***Diversification***

MBC's credit risk governance policies require an acceptable level of diversification. Limits are in place for several portfolio dimensions including industry, geography, single-name concentrations, and transaction-specific limits. Although the Bank's credit portfolio is heavily weighted to Canadian residential mortgage and other loans, the portfolio is well-diversified geographically within Canada. Credit risk exposures are monitored for concentration risk and such findings are reported to the Board of Directors, the Risk Committee and MLI's credit risk management department on a quarterly basis. Quantitative tables at the end of this section break down MBC's major credit exposure by counterparty, location, and residual contractual maturities.

The average quarterly gross exposure for mortgages was \$20.8 billion (first quarter of 2021 – \$20.3 billion) and the average quarterly gross exposure for other loans was \$3.0 billion (first quarter of 2021 – \$2.4 billion). The average quarterly gross exposure for undrawn commitments was \$13.5 billion (first quarter of 2021 – \$12.1 billion).

### ***Lending portfolio***

In the normal course of business, various indirect commitments are outstanding that are not reflected on the Consolidated Statements of Financial Position, including commitments to extend credit in the form of loans or other financing for specific amounts and maturities. These financial commitments are subject to normal credit standards, financial controls and monitoring procedures.

### ***Collateral management***

Collateral is an integral part of the Bank's credit risk mitigation in its lending portfolio. The purpose of collateral for credit risk mitigation is to minimize losses that would otherwise be incurred, and the Bank generally requires borrowers to pledge collateral when the Bank advances credit. Residential real estate and liquid investments are examples of acceptable collateral.

## Summary of Exposure Covered by Eligible Financial Collateral <sup>(1)</sup>

|                            | Q1 2022   |              | Q4 2021   |       | Q3 2021   |       | Q2 2021   |       | Q1 2021   |       |
|----------------------------|-----------|--------------|-----------|-------|-----------|-------|-----------|-------|-----------|-------|
| Bank <sup>(2)</sup>        | \$        | -            | \$        | -     | \$        | 1     | \$        | 1     | \$        | 1     |
| Other loans <sup>(3)</sup> |           | <b>2,674</b> |           | 2,513 |           | 2,346 |           | 2,224 |           | 2,110 |
| <b>Total Exposure</b>      | <b>\$</b> | <b>2,674</b> | <b>\$</b> | 2,513 | <b>\$</b> | 2,347 | <b>\$</b> | 2,225 | <b>\$</b> | 2,111 |

<sup>(1)</sup> Eligible financial collateral includes cash and deposits as well as qualifying debt securities, equities and mutual funds.

<sup>(2)</sup> Includes exposures to deposit taking institutions, securities firms and certain public sector entities.

<sup>(3)</sup> The maximum exposure is equal to the loan value advanced to a borrower as the value of financial collateral exceeds the amount drawn. The exposure amounts presented are net of allowance for credit losses.

## Derivatives

As at March 31, 2022, the Bank held no derivative instruments. Detailed below are the derivative policies relating to comparative periods.

The Bank has established policies and limits for managing credit risk exposures that may arise with counterparties when entering into derivative transactions. Gross derivative counterparty exposure is measured as the total fair value (including accrued interest) of all outstanding contracts in gain positions excluding any offsetting contracts in negative positions and the impact of collateral on hand.

The Bank limits the risk of credit losses from derivative counterparties by:

- Establishing a minimum acceptable counterparty credit rating from external rating agencies;
- Entering into master netting arrangements which permit the offsetting of contracts in a loss position in the case of a counterparty default; and
- Entering into Credit Support Annex (“CSA”) agreements, whereby collateral must be provided when the exposure exceeds a certain threshold.

The collateral pledged from or to counterparties are primarily investments in the form of government and agency securities. The Bank pledges investments as collateral when the derivative mark-to-market position is negative. When the derivative mark-to-market position is positive, the counterparty is required to pledge investments as collateral. The net market value position of the collateral posted by swap counterparties as at March 31, 2022 was nil (December 31, 2021 – nil). As at March 31, 2022, MBC held no derivative positions and posted no collateral (December 31, 2021 – nil).

The Bank regularly monitors and stress tests collateral posting scenarios applicable to the Bank, including PCMT II, that may encumber a portion of the Bank’s liquid assets. The amount of additional collateral that may be required in all rating downgrade scenarios is expected to be immaterial relative to the Bank’s balance sheet.

## Fair Value of Derivative Instruments and Net Derivative Exposure

|                        | Q1 2022                       |                 |                         | Q4 2021                       |                 |                         | Q3 2021                       |                 |                         | Q2 2021                       |                 |                         | Q1 2021                       |                 |                         |
|------------------------|-------------------------------|-----------------|-------------------------|-------------------------------|-----------------|-------------------------|-------------------------------|-----------------|-------------------------|-------------------------------|-----------------|-------------------------|-------------------------------|-----------------|-------------------------|
|                        | Fair value net <sup>(1)</sup> | Collateral held | Net derivative exposure | Fair value net <sup>(1)</sup> | Collateral held | Net derivative exposure | Fair value net <sup>(1)</sup> | Collateral held | Net derivative exposure | Fair value net <sup>(1)</sup> | Collateral held | Net derivative exposure | Fair value net <sup>(1)</sup> | Collateral held | Net derivative exposure |
| Derivative instruments | \$ -                          | \$ -            | \$ -                    | \$ -                          | \$ -            | \$ -                    | \$ 1                          | \$ 1            | \$ -                    | \$ 1                          | \$ 1            | \$ -                    | \$ 1                          | \$ 1            | \$ -                    |
| Less: accrued interest | -                             | -               | -                       | -                             | -               | -                       | 1                             | -               | -                       | 1                             | -               | -                       | -                             | -               | -                       |
| <b>Total</b>           | <b>\$ -</b>                   | <b>\$ -</b>     | <b>\$ -</b>             | <b>\$ -</b>                   | <b>\$ -</b>     | <b>\$ -</b>             | <b>\$ -</b>                   | <b>\$ 1</b>     | <b>\$ -</b>             | <b>\$ -</b>                   | <b>\$ 1</b>     | <b>\$ -</b>             | <b>\$ 1</b>                   | <b>\$ 1</b>     | <b>\$ -</b>             |

<sup>(1)</sup> Net reflects contractual netting at default. Net amount equals the gross positive or gross negative fair value as there are no offsetting positions held.

## Credit quality

Under IFRS 9 *Financial Instruments* (“IFRS 9”), impairment of financial assets classified as amortized cost or fair value through other comprehensive income (“FVOCI”), and certain undrawn loan commitments and financial guarantees<sup>5</sup> are calculated through an expected credit loss (“ECL”) model. The Bank’s financial instruments in scope of the impairment requirements include the Bank’s lending assets and off-balance sheet commitments, debt securities and other financial assets measured at FVOCI.

ECL allowances represent credit losses that reflect an unbiased and probability-weighted estimate, determined by evaluating a range of possible outcomes and includes forward-looking information. ECLs are calculated on an individual basis or a collective basis, depending on the nature of the underlying portfolio. Changes in the required ECL allowance are recorded in the provision for credit losses in the Consolidated Statements of Income.

The ECL model measures credit losses using a three-stage approach<sup>6</sup>:

- Stage 1 is comprised of all performing financial instruments which have not experienced a significant increase in credit risk (“SICR”) since initial recognition. The determination of SICR varies by product and considers the relative change in the risk of default since origination. 12-month ECLs are recognized for all Stage 1 financial instruments. 12-month ECLs represent the portion of lifetime ECLs that result from default events possible within 12 months of the reporting date.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since original recognition which is not considered to be in default. Full lifetime ECLs are recognized, which represent ECLs that result from all possible default events over the remaining lifetime of the financial instrument. The remaining lifetime is generally based on a financial instrument’s remaining contractual life, except for certain revolving products, where remaining lifetime is based on the period over which the Bank expects to be exposed to credit losses.
- Stage 3 is comprised of financial instruments identified as credit-impaired. Full lifetime ECLs are recognized for Stage 3 financial instruments.

<sup>5</sup> The ECL for off-balance sheet commitments and undrawn facilities is reported in other liabilities in the Bank’s Consolidated Statements of Financial Position.

<sup>6</sup> Financial instruments can migrate in both directions through the stages of the impairment model.

ECLs are measured under four probability-weighted macroeconomic scenarios, which measure the difference between all contractual cash flows that are due to the Bank in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original effective interest rate. This includes consideration of past events, current market conditions and reasonable supportable information about future economic conditions.

Forward-looking macroeconomic variables used in the models are the variables which are most closely related with credit losses in the relevant portfolio. The ECL calculations also include the following elements:

- The probability of default (“PD”); an estimate of the likelihood of default over a given time horizon;
- The loss given default (“LGD”); an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those the lender expects to receive, including from the realization of collateral (net of expected costs of realization and any amounts legally required to be paid to the borrowers) and other credit enhancements that are integral to the contract terms; and
- The exposure at default (“EAD”); an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date.

Financial instruments are written off, either partially or in full, against the related allowance for credit losses when there is no realistic prospect of recovery in respect of those amounts. In subsequent periods, any recoveries of amounts previously written-off are credited to the provision for credit losses.

The estimation and application of forward-looking information and the assessment of SICR requires significant judgement. The Q1 2022 ECLs reflect management’s best estimate of future credit losses based on current market conditions and reasonable and supportable information about forecasts of future economic conditions. Any subsequent changes in forward-looking information will be reflected in the measurement of ECLs in future quarters as appropriate. As the impact to actual credit losses from COVID-19 is uncertain, actual results may differ materially from current estimates.

**Mortgages and Other Loans by Risk Category <sup>(1)</sup>**

|  | Q1 2022          |                 |              |                  | Q4 2021          |                 |              |                  |
|--|------------------|-----------------|--------------|------------------|------------------|-----------------|--------------|------------------|
|  | Stage 1          | Stage 2         | Stage 3      | Total            | Stage 1          | Stage 2         | Stage 3      | Total            |
| <b>Mortgage loans</b>  |                  |                 |              |                  |                  |                 |              |                  |
| 1  | \$ 4,497         | \$ 1,229        | \$ -         | \$ 5,726         | \$ 4,302         | \$ 1,285        | \$ -         | \$ 5,587         |
| 2  | 11,290           | 2,855           | -            | 14,145           | 10,845           | 3,026           | -            | 13,871           |
| 3  | 622              | 188             | -            | 810              | 632              | 218             | -            | 850              |
| 4 or higher  | 473              | 167             | -            | 640              | 471              | 142             | -            | 613              |
| Default  | -                | -               | 19           | 19               | -                | -               | 24           | 24               |
| <b>Total mortgage loans</b>  | <b>\$ 16,882</b> | <b>\$ 4,439</b> | <b>\$ 19</b> | <b>\$ 21,340</b> | <b>\$ 16,250</b> | <b>\$ 4,671</b> | <b>\$ 24</b> | <b>\$ 20,945</b> |
| <b>Allowance for ECLs</b>  | <b>\$ 3</b>      | <b>\$ 7</b>     | <b>\$ 1</b>  | <b>\$ 11</b>     | <b>\$ 3</b>      | <b>\$ 7</b>     | <b>\$ 2</b>  | <b>\$ 12</b>     |
| <b>Mortgages, net of allowance</b>                                     | <b>\$ 16,879</b> | <b>\$ 4,432</b> | <b>\$ 18</b> | <b>\$ 21,329</b> | <b>\$ 16,247</b> | <b>\$ 4,664</b> | <b>\$ 22</b> | <b>\$ 20,933</b> |
| <b>Other loans <sup>(2)</sup></b>                                      |                  |                 |              |                  |                  |                 |              |                  |
| 2  | \$ 241           | \$ -            | \$ -         | \$ 241           | \$ 242           | \$ -            | \$ -         | \$ 242           |
| 3  | 1,869            | 40              | -            | 1,909            | 1,780            | 42              | -            | 1,822            |
| 4 or higher  | 502              | 18              | -            | 520              | 430              | 16              | -            | 446              |
| Default  | -                | -               | 6            | 6                | -                | -               | 4            | 4                |
| <b>Total other loans</b>   | <b>\$ 2,612</b>  | <b>\$ 58</b>    | <b>\$ 6</b>  | <b>\$ 2,676</b>  | <b>\$ 2,452</b>  | <b>\$ 58</b>    | <b>\$ 4</b>  | <b>\$ 2,514</b>  |
| <b>Allowance for ECLs</b>  | <b>\$ 1</b>      | <b>\$ 1</b>     | <b>\$ -</b>  | <b>\$ 2</b>      | <b>\$ 1</b>      | <b>\$ -</b>     | <b>\$ -</b>  | <b>\$ 1</b>      |
| <b>Other loans, net of allowance</b>                                   | <b>\$ 2,611</b>  | <b>\$ 57</b>    | <b>\$ 6</b>  | <b>\$ 2,674</b>  | <b>\$ 2,451</b>  | <b>\$ 58</b>    | <b>\$ 4</b>  | <b>\$ 2,513</b>  |
| <b>Total</b>   |                  |                 |              |                  |                  |                 |              |                  |
| 1  | \$ 4,497         | \$ 1,229        | \$ -         | \$ 5,726         | \$ 4,302         | \$ 1,285        | \$ -         | \$ 5,587         |
| 2  | 11,531           | 2,855           | -            | 14,386           | 11,087           | 3,026           | -            | 14,113           |
| 3  | 2,491            | 228             | -            | 2,719            | 2,412            | 260             | -            | 2,672            |
| 4 or higher  | 975              | 185             | -            | 1,160            | 901              | 158             | -            | 1,059            |
| Default  | -                | -               | 25           | 25               | -                | -               | 28           | 28               |
| <b>Total mortgage and other loans</b>                                  | <b>\$ 19,494</b> | <b>\$ 4,497</b> | <b>\$ 25</b> | <b>\$ 24,016</b> | <b>\$ 18,702</b> | <b>\$ 4,729</b> | <b>\$ 28</b> | <b>\$ 23,459</b> |
| <b>Allowance for ECLs</b>  | <b>\$ 4</b>      | <b>\$ 8</b>     | <b>\$ 1</b>  | <b>\$ 13</b>     | <b>\$ 4</b>      | <b>\$ 7</b>     | <b>\$ 2</b>  | <b>\$ 13</b>     |
| <b>Total mortgage and other loans, net of allowance</b>                | <b>\$ 19,490</b> | <b>\$ 4,489</b> | <b>\$ 24</b> | <b>\$ 24,003</b> | <b>\$ 18,698</b> | <b>\$ 4,722</b> | <b>\$ 26</b> | <b>\$ 23,446</b> |
| <b>Undrawn credit facilities and other off-balance sheet exposures</b> |                  |                 |              |                  |                  |                 |              |                  |
| 1  | \$ 1,600         | \$ 1,132        | \$ -         | \$ 2,732         | \$ 1,578         | \$ 1,137        | \$ -         | \$ 2,715         |
| 2  | 6,975            | 1,788           | -            | 8,763            | 6,580            | 1,840           | -            | 8,420            |
| 3  | 369              | 4               | -            | 373              | 331              | 6               | -            | 337              |
| 4 or higher  | 1,930            | 4               | -            | 1,934            | 1,756            | 1               | -            | 1,757            |
| Default  | -                | -               | 2            | 2                | -                | -               | 1            | 1                |
| <b>Total off-balance sheet exposures</b>                               | <b>\$ 10,874</b> | <b>\$ 2,928</b> | <b>\$ 2</b>  | <b>\$ 13,804</b> | <b>\$ 10,245</b> | <b>\$ 2,984</b> | <b>\$ 1</b>  | <b>\$ 13,230</b> |
| <b>Allowance for ECLs</b>  | <b>\$ 2</b>      | <b>\$ 3</b>     | <b>\$ 2</b>  | <b>\$ 7</b>      | <b>\$ 3</b>      | <b>\$ 3</b>     | <b>\$ 1</b>  | <b>\$ 7</b>      |
| <b>Total off-balance sheet exposures, net of allowance</b>             | <b>\$ 10,872</b> | <b>\$ 2,925</b> | <b>\$ -</b>  | <b>\$ 13,797</b> | <b>\$ 10,242</b> | <b>\$ 2,981</b> | <b>\$ -</b>  | <b>\$ 13,223</b> |

<sup>(1)</sup> For mortgages and loans, an internal risk rating is assigned ranging from "1 - low risk", "2 - normal risk", "3 - medium risk", "4 & higher - high risk" to "default". The internal risk ratings reflect the credit quality of the lending assets. All lending assets that MBC originates are assigned a risk rating.

<sup>(2)</sup> Other loans include credit card.

**Mortgages and Other Loans by Risk Category <sup>(1)</sup>**

|  | Q3 2021          |                 |              |                  | Q2 2021          |                 |              |                  |
|--|------------------|-----------------|--------------|------------------|------------------|-----------------|--------------|------------------|
|  | Stage 1          | Stage 2         | Stage 3      | Total            | Stage 1          | Stage 2         | Stage 3      | Total            |
| <b>Mortgage loans</b>  |                  |                 |              |                  |                  |                 |              |                  |
| 1  | \$ 4,534         | \$ 1,158        | \$ -         | \$ 5,692         | \$ 4,515         | \$ 1,266        | \$ -         | \$ 5,781         |
| 2  | 11,465           | 2,228           | -            | 13,693           | 11,173           | 2,325           | -            | 13,498           |
| 3  | 607              | 152             | -            | 759              | 545              | 177             | -            | 722              |
| 4 or higher  | 479              | 157             | -            | 636              | 498              | 152             | -            | 650              |
| Default  | -                | -               | 24           | 24               | -                | -               | 22           | 22               |
| <b>Total mortgage loans</b>  | <b>\$ 17,085</b> | <b>\$ 3,695</b> | <b>\$ 24</b> | <b>\$ 20,804</b> | <b>\$ 16,731</b> | <b>\$ 3,920</b> | <b>\$ 22</b> | <b>\$ 20,673</b> |
| <b>Allowance for ECLs</b>  | <b>\$ 3</b>      | <b>\$ 7</b>     | <b>\$ 2</b>  | <b>\$ 12</b>     | <b>\$ 3</b>      | <b>\$ 9</b>     | <b>\$ 1</b>  | <b>\$ 13</b>     |
| <b>Mortgages, net of allowance</b>                                     | <b>\$ 17,082</b> | <b>\$ 3,688</b> | <b>\$ 22</b> | <b>\$ 20,792</b> | <b>\$ 16,728</b> | <b>\$ 3,911</b> | <b>\$ 21</b> | <b>\$ 20,660</b> |
| <b>Other loans <sup>(2)</sup></b>                                      |                  |                 |              |                  |                  |                 |              |                  |
| 2  | \$ 228           | \$ -            | \$ -         | \$ 228           | \$ 214           | \$ -            | \$ -         | \$ 214           |
| 3  | 1,642            | 39              | -            | 1,681            | 1,537            | 34              | -            | 1,571            |
| 4 or higher  | 423              | 11              | -            | 434              | 419              | 17              | -            | 436              |
| Default  | -                | -               | 4            | 4                | -                | -               | 4            | 4                |
| <b>Total other loans</b>   | <b>\$ 2,293</b>  | <b>\$ 50</b>    | <b>\$ 4</b>  | <b>\$ 2,347</b>  | <b>\$ 2,170</b>  | <b>\$ 51</b>    | <b>\$ 4</b>  | <b>\$ 2,225</b>  |
| <b>Allowance for ECLs</b>  | <b>\$ 1</b>      | <b>\$ -</b>     | <b>\$ -</b>  | <b>\$ 1</b>      | <b>\$ 1</b>      | <b>\$ -</b>     | <b>\$ -</b>  | <b>\$ 1</b>      |
| <b>Other loans, net of allowance</b>                                   | <b>\$ 2,292</b>  | <b>\$ 50</b>    | <b>\$ 4</b>  | <b>\$ 2,346</b>  | <b>\$ 2,169</b>  | <b>\$ 51</b>    | <b>\$ 4</b>  | <b>\$ 2,224</b>  |
| <b>Total</b>   |                  |                 |              |                  |                  |                 |              |                  |
| 1  | \$ 4,534         | \$ 1,158        | \$ -         | \$ 5,692         | \$ 4,515         | \$ 1,266        | \$ -         | \$ 5,781         |
| 2  | 11,693           | 2,228           | -            | 13,921           | 11,387           | 2,325           | -            | 13,712           |
| 3  | 2,249            | 191             | -            | 2,440            | 2,082            | 211             | -            | 2,293            |
| 4 or higher  | 902              | 168             | -            | 1,070            | 917              | 169             | -            | 1,086            |
| Default  | -                | -               | 28           | 28               | -                | -               | 26           | 26               |
| <b>Total mortgage and other loans</b>                                  | <b>\$ 19,378</b> | <b>\$ 3,745</b> | <b>\$ 28</b> | <b>\$ 23,151</b> | <b>\$ 18,901</b> | <b>\$ 3,971</b> | <b>\$ 26</b> | <b>\$ 22,898</b> |
| <b>Allowance for ECLs</b>  | <b>\$ 4</b>      | <b>\$ 7</b>     | <b>\$ 2</b>  | <b>\$ 13</b>     | <b>\$ 4</b>      | <b>\$ 9</b>     | <b>\$ 1</b>  | <b>\$ 14</b>     |
| <b>Total mortgage and other loans, net of allowance</b>                | <b>\$ 19,374</b> | <b>\$ 3,738</b> | <b>\$ 26</b> | <b>\$ 23,138</b> | <b>\$ 18,897</b> | <b>\$ 3,962</b> | <b>\$ 25</b> | <b>\$ 22,884</b> |
| <b>Undrawn credit facilities and other off-balance sheet exposures</b> |                  |                 |              |                  |                  |                 |              |                  |
| 1  | \$ 1,863         | \$ 870          | \$ -         | \$ 2,733         | \$ 1,914         | \$ 876          | \$ -         | \$ 2,790         |
| 2  | 6,994            | 1,152           | -            | 8,146            | 6,849            | 1,153           | -            | 8,002            |
| 3  | 304              | 3               | -            | 307              | 285              | 6               | -            | 291              |
| 4 or higher  | 1,695            | 1               | -            | 1,696            | 1,783            | 1               | -            | 1,784            |
| Default  | -                | -               | 2            | 2                | -                | -               | 4            | 4                |
| <b>Total off-balance sheet exposures</b>                               | <b>\$ 10,856</b> | <b>\$ 2,026</b> | <b>\$ 2</b>  | <b>\$ 12,884</b> | <b>\$ 10,831</b> | <b>\$ 2,036</b> | <b>\$ 4</b>  | <b>\$ 12,871</b> |
| <b>Allowance for ECLs</b>  | <b>\$ 3</b>      | <b>\$ 3</b>     | <b>\$ -</b>  | <b>\$ 6</b>      | <b>\$ 3</b>      | <b>\$ 3</b>     | <b>\$ 1</b>  | <b>\$ 7</b>      |
| <b>Total off-balance sheet exposures, net of allowance</b>             | <b>\$ 10,853</b> | <b>\$ 2,023</b> | <b>\$ 2</b>  | <b>\$ 12,878</b> | <b>\$ 10,828</b> | <b>\$ 2,033</b> | <b>\$ 3</b>  | <b>\$ 12,864</b> |

<sup>(1)</sup> For mortgages and loans, an internal risk rating is assigned ranging from "1 - low risk", "2 - normal risk", "3 - medium risk", "4 & higher - high risk" to "default". The internal risk ratings reflect the credit quality of the lending assets. All lending assets that MBC originates are assigned a risk rating.

<sup>(2)</sup> Other loans include credit card.



**Mortgages and Other Loans by Risk Category <sup>(1)</sup>**

|  | Q1 2021          |                 |              |                  |
|--|------------------|-----------------|--------------|------------------|
|  | Stage 1          | Stage 2         | Stage 3      | Total            |
| <b>Mortgage loans</b>  |                  |                 |              |                  |
| 1  | \$ 5,167         | \$ 760          | \$ -         | \$ 5,927         |
| 2  | 11,848           | 1,447           | -            | 13,295           |
| 3  | 547              | 180             | -            | 727              |
| 4 or higher  | 513              | 179             | -            | 692              |
| Default  | -                | -               | 33           | 33               |
| <b>Total mortgage loans</b>  | <b>\$ 18,075</b> | <b>\$ 2,566</b> | <b>\$ 33</b> | <b>\$ 20,674</b> |
| <b>Allowance for ECLs</b>  | <b>\$ 3</b>      | <b>\$ 9</b>     | <b>\$ 2</b>  | <b>\$ 14</b>     |
| <b>Mortgages, net of allowance</b>                                     | <b>\$ 18,072</b> | <b>\$ 2,557</b> | <b>\$ 31</b> | <b>\$ 20,660</b> |
| <b>Other loans <sup>(2)</sup></b>                                      |                  |                 |              |                  |
| 2  | \$ 203           | \$ -            | \$ -         | \$ 203           |
| 3  | 1,450            | 40              | -            | 1,490            |
| 4 or higher  | 396              | 18              | -            | 414              |
| Default  | -                | -               | 4            | 4                |
| <b>Total other loans</b>   | <b>\$ 2,049</b>  | <b>\$ 58</b>    | <b>\$ 4</b>  | <b>\$ 2,111</b>  |
| <b>Allowance for ECLs</b>  | <b>\$ 1</b>      | <b>\$ -</b>     | <b>\$ -</b>  | <b>\$ 1</b>      |
| <b>Other loans, net of allowance</b>                                   | <b>\$ 2,048</b>  | <b>\$ 58</b>    | <b>\$ 4</b>  | <b>\$ 2,110</b>  |
| <b>Total</b>   |                  |                 |              |                  |
| 1  | \$ 5,167         | \$ 760          | \$ -         | \$ 5,927         |
| 2  | 12,051           | 1,447           | -            | 13,498           |
| 3  | 1,997            | 220             | -            | 2,217            |
| 4 or higher  | 909              | 197             | -            | 1,106            |
| Default  | -                | -               | 37           | 37               |
| <b>Total mortgage and other loans</b>                                  | <b>\$ 20,124</b> | <b>\$ 2,624</b> | <b>\$ 37</b> | <b>\$ 22,785</b> |
| <b>Allowance for ECLs</b>  | <b>\$ 4</b>      | <b>\$ 9</b>     | <b>\$ 2</b>  | <b>\$ 15</b>     |
| <b>Total mortgage and other loans, net of allowance</b>                | <b>\$ 20,120</b> | <b>\$ 2,615</b> | <b>\$ 35</b> | <b>\$ 22,770</b> |
| <b>Undrawn credit facilities and other off-balance sheet exposures</b> |                  |                 |              |                  |
| 1  | \$ 2,523         | \$ 348          | \$ -         | \$ 2,871         |
| 2  | 7,422            | 521             | -            | 7,943            |
| 3  | 269              | 6               | -            | 275              |
| 4 or higher  | 1,288            | -               | -            | 1,288            |
| Default  | -                | -               | 2            | 2                |
| <b>Total off-balance sheet exposures</b>                               | <b>\$ 11,502</b> | <b>\$ 875</b>   | <b>\$ 2</b>  | <b>\$ 12,379</b> |
| <b>Allowance for ECLs</b>  | <b>\$ 3</b>      | <b>\$ 3</b>     | <b>\$ 1</b>  | <b>\$ 7</b>      |
| <b>Total off-balance sheet exposures, net of allowance</b>             | <b>\$ 11,499</b> | <b>\$ 872</b>   | <b>\$ 1</b>  | <b>\$ 12,372</b> |

<sup>(1)</sup> For mortgages and loans, an internal risk rating is assigned ranging from "1 - low risk", "2 - normal risk", "3 - medium risk", "4 & higher - high risk" to "default". The internal risk ratings reflect the credit quality of the lending assets. All lending assets that MBC originates are assigned a risk rating.

<sup>(2)</sup> Other loans include credit card.

**Gross Credit Exposure <sup>(1)</sup>**

|                                      | Q1 2022              |                        |  |                                |                  | Q4 2021              |                        |  |                                |                  |
|--------------------------------------|----------------------|------------------------|--|--------------------------------|------------------|----------------------|------------------------|--|--------------------------------|------------------|
|                                      | Drawn <sup>(2)</sup> | Undrawn <sup>(3)</sup> | Other off-balance sheet <sup>(4)</sup> | Debt securities <sup>(5)</sup> | Total            | Drawn <sup>(2)</sup> | Undrawn <sup>(3)</sup> | Other off-balance sheet <sup>(4)</sup> | Debt securities <sup>(5)</sup> | Total            |
| <b>By geographic location</b>        |                      |                        |  |                                |                  |                      |                        |  |                                |                  |
| <b>Country <sup>(7)</sup></b>        |                      |                        |  |                                |                  |                      |                        |  |                                |                  |
| United States                        | \$ -                 | \$ -                   | \$ -                                   | \$ 193                         | \$ 193           | \$ -                 | \$ -                   | \$ -                                   | \$ 199                         | \$ 199           |
| Other                                | -                    | -                      | -                                      | 43                             | 43               | -                    | -                      | -                                      | 44                             | 44               |
| <b>Province <sup>(6)</sup></b>       |                      |                        |  |                                |                  |                      |                        |  |                                |                  |
| <b>Canada</b>                        |                      |                        |  |                                |                  |                      |                        |  |                                |                  |
| Ontario                              | \$ 9,912             | \$ 6,446               | \$ 5                                   | \$ -                           | \$ 16,363        | \$ 9,680             | \$ 6,192               | \$ 5                                   | \$ -                           | \$ 15,877        |
| British Columbia                     | 3,716                | 2,466                  | -                                      | -                              | 6,182            | 3,681                | 2,371                  | -                                      | -                              | 6,052            |
| Alberta                              | 3,040                | 1,448                  | 1                                      | -                              | 4,489            | 2,924                | 1,379                  | 1                                      | -                              | 4,304            |
| Quebec                               | 4,952                | 2,225                  | -                                      | -                              | 7,177            | 4,803                | 2,142                  | -                                      | -                              | 6,945            |
| Saskatchewan                         | 774                  | 396                    | -                                      | -                              | 1,170            | 755                  | 380                    | -                                      | -                              | 1,135            |
| Manitoba                             | 506                  | 276                    | -                                      | -                              | 782              | 494                  | 262                    | -                                      | -                              | 756              |
| Atlantic provinces                   | 1,113                | 541                    | -                                      | -                              | 1,654            | 1,119                | 498                    | -                                      | -                              | 1,617            |
| Territories                          | 3                    | -                      | -                                      | -                              | 3                | 3                    | -                      | -                                      | -                              | 3                |
| <b>Total exposure</b>                | <b>\$ 24,016</b>     | <b>\$ 13,798</b>       | <b>\$ 6</b>                            | <b>\$ 236</b>                  | <b>\$ 38,056</b> | <b>\$ 23,459</b>     | <b>\$ 13,224</b>       | <b>\$ 6</b>                            | <b>\$ 243</b>                  | <b>\$ 36,932</b> |
| <b>By counterparty</b>               |                      |                        |  |                                |                  |                      |                        |  |                                |                  |
| Manulife One                         | \$ 17,169            | \$ 11,970              | \$ -                                   | \$ -                           | \$ 29,139        | \$ 17,021            | \$ 11,590              | \$ -                                   | \$ -                           | \$ 28,611        |
| Residential mortgages                | 3,783                | 271                    | -                                      | -                              | 4,054            | 3,532                | 206                    | -                                      | -                              | 3,738            |
| Financial institution <sup>(7)</sup> | -                    | -                      | -                                      | 62                             | 62               | -                    | -                      | -                                      | 63                             | 63               |
| Corporate                            | 812                  | -                      | -                                      | 174                            | 986              | 804                  | -                      | -                                      | 180                            | 984              |
| Personal loans                       | 2,252                | 1,557                  | -                                      | -                              | 3,809            | 2,102                | 1,428                  | -                                      | -                              | 3,530            |
| Other                                | -                    | -                      | 6                                      | -                              | 6                | -                    | -                      | 6                                      | -                              | 6                |
| <b>Total exposure</b>                | <b>\$ 24,016</b>     | <b>\$ 13,798</b>       | <b>\$ 6</b>                            | <b>\$ 236</b>                  | <b>\$ 38,056</b> | <b>\$ 23,459</b>     | <b>\$ 13,224</b>       | <b>\$ 6</b>                            | <b>\$ 243</b>                  | <b>\$ 36,932</b> |
| <b>By contractual maturity</b>       |                      |                        |  |                                |                  |                      |                        |  |                                |                  |
| Within 1 year                        | \$ 2,752             | \$ 1,084               | \$ -                                   | \$ 59                          | \$ 3,895         | \$ 2,645             | \$ 868                 | \$ -                                   | \$ 68                          | \$ 3,581         |
| 1 to 5 years                         | 8,714                | -                      | -                                      | 177                            | 8,891            | 8,247                | -                      | -                                      | 171                            | 8,418            |
| Over 5 years                         | 9                    | -                      | -                                      | -                              | 9                | 8                    | -                      | -                                      | 4                              | 12               |
| No specific maturity                 | 12,541               | 12,714                 | 6                                      | -                              | 25,261           | 12,559               | 12,356                 | 6                                      | -                              | 24,921           |
| <b>Total exposure</b>                | <b>\$ 24,016</b>     | <b>\$ 13,798</b>       | <b>\$ 6</b>                            | <b>\$ 236</b>                  | <b>\$ 38,056</b> | <b>\$ 23,459</b>     | <b>\$ 13,224</b>       | <b>\$ 6</b>                            | <b>\$ 243</b>                  | <b>\$ 36,932</b> |

<sup>(1)</sup> Gross credit risk exposure is before credit risk mitigants. This table excludes equity exposures.

<sup>(2)</sup> The amount of credit risk exposure resulting from loans advanced to a borrower. The exposure amounts presented in the above tables are gross of allowance for credit losses.

<sup>(3)</sup> The amount of credit risk exposure resulting from the unutilized portion of an authorized credit line or unfunded committed credit facility. These commitments have no fixed maturity dates.

<sup>(4)</sup> Other off-balance sheet items include letters of credit and indemnities.

<sup>(5)</sup> Includes short-term debt securities classified as cash equivalents.

<sup>(6)</sup> Geographic information is based upon address of property mortgaged for mortgage loans and based upon residence of borrower for other loans.

<sup>(7)</sup> Includes exposures to deposit taking institutions, contractual institutions and investment institutes.

**Gross Credit Exposure <sup>(1)</sup> (Continued)**

|                                      | Q3 2021              |                        |  |                                |                    |                  | Q2 2021              |                        |  |                                |                    |                  |
|--------------------------------------|----------------------|------------------------|--|--------------------------------|--------------------|------------------|----------------------|------------------------|--|--------------------------------|--------------------|------------------|
|                                      | Drawn <sup>(2)</sup> | Undrawn <sup>(3)</sup> | Other off-balance sheet <sup>(4)</sup> | Debt securities <sup>(5)</sup> | OTC <sup>(6)</sup> | Total            | Drawn <sup>(2)</sup> | Undrawn <sup>(3)</sup> | Other off-balance sheet <sup>(4)</sup> | Debt securities <sup>(5)</sup> | OTC <sup>(6)</sup> | Total            |
| <b>By geographic location</b>        |                      |                        |  |                                |                    |                  |                      |                        |  |                                |                    |                  |
| <b>Country <sup>(7)</sup></b>        |                      |                        |  |                                |                    |                  |                      |                        |  |                                |                    |                  |
| Canada                               | \$ -                 | \$ -                   | \$ -                                   | \$ -                           | \$ 1               | \$ 1             | \$ -                 | \$ -                   | \$ -                                   | \$ -                           | \$ 1               | \$ 1             |
| United States                        | -                    | -                      | -                                      | 200                            | -                  | 200              | -                    | -                      | -                                      | 188                            | -                  | 188              |
| Other                                | -                    | -                      | -                                      | 44                             | -                  | 44               | -                    | -                      | -                                      | 35                             | -                  | 35               |
| <b>Province <sup>(7)</sup></b>       |                      |                        |  |                                |                    |                  |                      |                        |  |                                |                    |                  |
| <b>Canada</b>                        |                      |                        |  |                                |                    |                  |                      |                        |  |                                |                    |                  |
| Ontario                              | \$ 9,497             | \$ 6,076               | \$ 5                                   | \$ 75                          | \$ -               | \$ 15,653        | \$ 9,318             | \$ 6,052               | \$ 5                                   | \$ 3                           | \$ -               | \$ 15,378        |
| British Columbia                     | 3,649                | 2,309                  | -                                      | -                              | -                  | 5,958            | 3,616                | 2,291                  | -                                      | -                              | -                  | 5,907            |
| Alberta                              | 2,903                | 1,307                  | 1                                      | -                              | -                  | 4,211            | 2,894                | 1,317                  | 1                                      | -                              | -                  | 4,212            |
| Quebec                               | 4,740                | 2,060                  | -                                      | -                              | -                  | 6,800            | 4,727                | 2,052                  | -                                      | -                              | -                  | 6,779            |
| Saskatchewan                         | 754                  | 370                    | -                                      | -                              | -                  | 1,124            | 746                  | 381                    | -                                      | -                              | -                  | 1,127            |
| Manitoba                             | 491                  | 255                    | -                                      | -                              | -                  | 746              | 493                  | 260                    | -                                      | -                              | -                  | 753              |
| Atlantic provinces                   | 1,113                | 501                    | -                                      | -                              | -                  | 1,614            | 1,100                | 512                    | -                                      | -                              | -                  | 1,612            |
| Territories                          | 4                    | -                      | -                                      | -                              | -                  | 4                | 4                    | -                      | -                                      | -                              | -                  | 4                |
| <b>Total exposure</b>                | <b>\$ 23,151</b>     | <b>\$ 12,878</b>       | <b>\$ 6</b>                            | <b>\$ 319</b>                  | <b>\$ 1</b>        | <b>\$ 36,355</b> | <b>\$ 22,898</b>     | <b>\$ 12,865</b>       | <b>\$ 6</b>                            | <b>\$ 226</b>                  | <b>\$ 1</b>        | <b>\$ 35,996</b> |
| <b>By counterparty</b>               |                      |                        |  |                                |                    |                  |                      |                        |  |                                |                    |                  |
| Manulife One                         | \$ 16,971            | \$ 11,422              | \$ -                                   | \$ -                           | \$ -               | \$ 28,393        | \$ 16,913            | \$ 11,452              | \$ -                                   | \$ -                           | \$ -               | \$ 28,365        |
| Residential mortgages                | 3,440                | 131                    | -                                      | -                              | -                  | 3,571            | 3,362                | 208                    | -                                      | -                              | -                  | 3,570            |
| Financial institution <sup>(8)</sup> | -                    | -                      | -                                      | 63                             | 1                  | 64               | -                    | -                      | -                                      | 63                             | 1                  | 64               |
| Corporate                            | 773                  | -                      | -                                      | 181                            | -                  | 954              | 757                  | -                      | -                                      | 163                            | -                  | 920              |
| Personal loans                       | 1,967                | 1,325                  | -                                      | -                              | -                  | 3,292            | 1,866                | 1,205                  | -                                      | -                              | -                  | 3,071            |
| Sovereign <sup>(9)</sup>             | -                    | -                      | -                                      | 75                             | -                  | 75               | -                    | -                      | -                                      | -                              | -                  | -                |
| Other                                | -                    | -                      | 6                                      | -                              | -                  | 6                | -                    | -                      | 6                                      | -                              | -                  | 6                |
| <b>Total exposure</b>                | <b>\$ 23,151</b>     | <b>\$ 12,878</b>       | <b>\$ 6</b>                            | <b>\$ 319</b>                  | <b>\$ 1</b>        | <b>\$ 36,355</b> | <b>\$ 22,898</b>     | <b>\$ 12,865</b>       | <b>\$ 6</b>                            | <b>\$ 226</b>                  | <b>\$ 1</b>        | <b>\$ 35,996</b> |
| <b>By contractual maturity</b>       |                      |                        |  |                                |                    |                  |                      |                        |  |                                |                    |                  |
| Within 1 year                        | \$ 2,591             | \$ 862                 | \$ -                                   | \$ 164                         | \$ 1               | \$ 3,618         | \$ 2,517             | \$ 1,096               | \$ -                                   | \$ 78                          | \$ 1               | \$ 3,692         |
| 1 to 5 years                         | 7,918                | -                      | -                                      | 151                            | -                  | 8,069            | 7,673                | -                      | -                                      | 148                            | -                  | 7,821            |
| Over 5 years                         | 7                    | -                      | -                                      | 4                              | -                  | 11               | 13                   | -                      | -                                      | -                              | -                  | 13               |
| No specific maturity                 | 12,635               | 12,016                 | 6                                      | -                              | -                  | 24,657           | 12,695               | 11,769                 | 6                                      | -                              | -                  | 24,470           |
| <b>Total exposure</b>                | <b>\$ 23,151</b>     | <b>\$ 12,878</b>       | <b>\$ 6</b>                            | <b>\$ 319</b>                  | <b>\$ 1</b>        | <b>\$ 36,355</b> | <b>\$ 22,898</b>     | <b>\$ 12,865</b>       | <b>\$ 6</b>                            | <b>\$ 226</b>                  | <b>\$ 1</b>        | <b>\$ 35,996</b> |

<sup>(1)</sup> Gross credit risk exposure is before credit risk mitigants. This table excludes equity exposures.

<sup>(2)</sup> The amount of credit risk exposure resulting from loans advanced to a borrower. The exposure amounts presented in the above tables are gross of allowance for credit losses.

<sup>(3)</sup> The amount of credit risk exposure resulting from the unutilized portion of an authorized credit line or unfunded committed credit facility. These commitments have no fixed maturity dates.

<sup>(4)</sup> Other off-balance sheet items include letters of credit and indemnities.

<sup>(5)</sup> Includes short-term debt securities classified as cash equivalents.

<sup>(6)</sup> Includes OTC Derivatives.

<sup>(7)</sup> Geographic information is based upon address of property mortgaged for mortgage loans and based upon residence of borrower for other loans.

<sup>(8)</sup> Includes exposures to deposit taking institutions, contractual institutions and investment institutes.

<sup>(9)</sup> Includes exposures to governments, central banks and certain public sector entities.

**Gross Credit Exposure <sup>(1)</sup> (Continued)**

|                                      | Q1 2021              |                        |  |                                |                    |                  |
|--------------------------------------|----------------------|------------------------|--|--------------------------------|--------------------|------------------|
|                                      | Drawn <sup>(2)</sup> | Undrawn <sup>(3)</sup> | Other off-balance sheet <sup>(4)</sup> | Debt securities <sup>(5)</sup> | OTC <sup>(6)</sup> | Total            |
| <b>By geographic location</b>        |                      |                        |  |                                |                    |                  |
| <b>Country <sup>(7)</sup></b>        |                      |                        |  |                                |                    |                  |
| Canada                               | \$ -                 | \$ -                   | \$ -                                   | \$ -                           | 1 \$               | 1                |
| United States                        | -                    | -                      | -                                      | 217                            | -                  | 217              |
| Other                                | -                    | -                      | -                                      | 44                             | -                  | 44               |
| <b>Province <sup>(7)</sup></b>       |                      |                        |  |                                |                    |                  |
| <b>Canada</b>                        |                      |                        |  |                                |                    |                  |
| Ontario                              | \$ 9,124             | \$ 5,831               | \$ 7                                   | \$ 3                           | \$ -               | 14,965           |
| British Columbia                     | 3,593                | 2,187                  | -                                      | -                              | -                  | 5,780            |
| Alberta                              | 2,920                | 1,259                  | 1                                      | -                              | -                  | 4,180            |
| Quebec                               | 4,819                | 1,976                  | -                                      | -                              | -                  | 6,795            |
| Saskatchewan                         | 752                  | 367                    | -                                      | -                              | -                  | 1,119            |
| Manitoba                             | 492                  | 252                    | -                                      | -                              | -                  | 744              |
| Atlantic provinces                   | 1,081                | 499                    | -                                      | -                              | -                  | 1,580            |
| Territories                          | 4                    | -                      | -                                      | -                              | -                  | 4                |
| <b>Total exposure</b>                | <b>\$ 22,785</b>     | <b>\$ 12,371</b>       | <b>\$ 8</b>                            | <b>\$ 264</b>                  | <b>\$ 1</b>        | <b>\$ 35,429</b> |
| <b>By counterparty</b>               |                      |                        |  |                                |                    |                  |
| Manulife One                         | \$ 16,913            | \$ 11,080              | \$ -                                   | \$ -                           | \$ -               | 27,993           |
| Residential mortgages                | 3,363                | 145                    | -                                      | -                              | -                  | 3,508            |
| Financial institution <sup>(8)</sup> | -                    | -                      | -                                      | 57                             | 1                  | 58               |
| Corporate                            | 736                  | -                      | -                                      | 207                            | -                  | 943              |
| Personal loans                       | 1,773                | 1,146                  | -                                      | -                              | -                  | 2,919            |
| Other                                | -                    | -                      | 8                                      | -                              | -                  | 8                |
| <b>Total exposure</b>                | <b>\$ 22,785</b>     | <b>\$ 12,371</b>       | <b>\$ 8</b>                            | <b>\$ 264</b>                  | <b>\$ 1</b>        | <b>\$ 35,429</b> |
| <b>By contractual maturity</b>       |                      |                        |  |                                |                    |                  |
| Within 1 year                        | \$ 2,381             | \$ 828                 | \$ -                                   | \$ 102                         | \$ 1               | 3,312            |
| 1 to 5 years                         | 7,419                | -                      | -                                      | 156                            | -                  | 7,575            |
| Over 5 years                         | 7                    | -                      | -                                      | 6                              | -                  | 13               |
| No specific maturity                 | 12,978               | 11,543                 | 8                                      | -                              | -                  | 24,529           |
| <b>Total exposure</b>                | <b>\$ 22,785</b>     | <b>\$ 12,371</b>       | <b>\$ 8</b>                            | <b>\$ 264</b>                  | <b>\$ 1</b>        | <b>\$ 35,429</b> |

<sup>(1)</sup> Gross credit risk exposure is before credit risk mitigants. This table excludes equity exposures.

<sup>(2)</sup> The amount of credit risk exposure resulting from loans advanced to a borrower. The exposure amounts presented in the above tables are gross of allowance for credit losses.

<sup>(3)</sup> The amount of credit risk exposure resulting from the unutilized portion of an authorized credit line or unfunded committed credit facility. These commitments have no fixed maturity dates.

<sup>(4)</sup> Other off-balance sheet items include letters of credit and indemnities.

<sup>(5)</sup> Includes short-term debt securities classified as cash equivalents.

<sup>(6)</sup> Includes OTC Derivatives.

<sup>(7)</sup> Geographic information is based upon address of property mortgaged for mortgage loans and based upon residence of borrower for other loans.

<sup>(8)</sup> Includes exposures to deposit taking institutions, contractual institutions and investment institutes.

**Loan Impairment by Counterparty and by Geographic Area**

|                                | Q1 2022                   |                    |                                 |                      |                            |                           | Q4 2021            |                                 |                      |                            |                           |                    | Q3 2021                         |                      |                            |  |  |  |
|--------------------------------|---------------------------|--------------------|---------------------------------|----------------------|----------------------------|---------------------------|--------------------|---------------------------------|----------------------|----------------------------|---------------------------|--------------------|---------------------------------|----------------------|----------------------------|--|--|--|
|                                | Past-due but not impaired |                    |                                 | Gross impaired loans | Total past due or impaired | Past-due but not impaired |                    |                                 | Gross impaired loans | Total past due or impaired | Past-due but not impaired |                    |                                 | Gross impaired loans | Total past due or impaired |  |  |  |
|                                | 31 days to 60 days        | 61 days to 90 days | Total past-due but not impaired |                      |                            | 31 days to 60 days        | 61 days to 90 days | Total past-due but not impaired |                      |                            | 31 days to 60 days        | 61 days to 90 days | Total past-due but not impaired |                      |                            |  |  |  |
| <b>By geographic location</b>  |                           |                    |                                 |                      |                            |                           |                    |                                 |                      |                            |                           |                    |                                 |                      |                            |  |  |  |
| <b>Province <sup>(1)</sup></b> |                           |                    |                                 |                      |                            |                           |                    |                                 |                      |                            |                           |                    |                                 |                      |                            |  |  |  |
| <b>Canada</b>                  |                           |                    |                                 |                      |                            |                           |                    |                                 |                      |                            |                           |                    |                                 |                      |                            |  |  |  |
| Ontario                        | \$ 18                     | \$ 5               | \$ 23                           | \$ 5                 | \$ 28                      | \$ 14                     | \$ 4               | \$ 18                           | \$ 6                 | \$ 24                      | \$ 21                     | \$ 3               | \$ 24                           | \$ 7                 | \$ 31                      |  |  |  |
| British Columbia               | 7                         | 1                  | 8                               | 3                    | 11                         | 5                         | 2                  | 7                               | 3                    | 10                         | 4                         | 1                  | 5                               | 3                    | 8                          |  |  |  |
| Alberta                        | 5                         | 1                  | 6                               | 8                    | 14                         | 6                         | 3                  | 9                               | 7                    | 16                         | 9                         | 2                  | 11                              | 6                    | 17                         |  |  |  |
| Quebec                         | 11                        | 2                  | 13                              | 3                    | 16                         | 9                         | 4                  | 13                              | 6                    | 19                         | 10                        | 2                  | 12                              | 6                    | 18                         |  |  |  |
| Saskatchewan                   | 4                         | -                  | 4                               | 3                    | 7                          | 2                         | 1                  | 3                               | 3                    | 6                          | 2                         | -                  | 2                               | 3                    | 5                          |  |  |  |
| Manitoba                       | 1                         | -                  | 1                               | -                    | 1                          | 1                         | -                  | 1                               | -                    | 1                          | 1                         | -                  | 1                               | -                    | 1                          |  |  |  |
| Atlantic provinces             | 2                         | 1                  | 3                               | 3                    | 6                          | 3                         | 1                  | 4                               | 3                    | 7                          | 4                         | -                  | 4                               | 3                    | 7                          |  |  |  |
| <b>Total</b>                   | <b>\$ 48</b>              | <b>\$ 10</b>       | <b>\$ 58</b>                    | <b>\$ 25</b>         | <b>\$ 83</b>               | <b>\$ 40</b>              | <b>\$ 15</b>       | <b>\$ 55</b>                    | <b>\$ 28</b>         | <b>\$ 83</b>               | <b>\$ 51</b>              | <b>\$ 8</b>        | <b>\$ 59</b>                    | <b>\$ 28</b>         | <b>\$ 87</b>               |  |  |  |
| <b>By counterparty</b>         |                           |                    |                                 |                      |                            |                           |                    |                                 |                      |                            |                           |                    |                                 |                      |                            |  |  |  |
| Manulife One                   | \$ 26                     | \$ 6               | \$ 32                           | \$ 14                | \$ 46                      | \$ 26                     | \$ 10              | \$ 36                           | \$ 19                | \$ 55                      | \$ 34                     | \$ 6               | \$ 40                           | \$ 20                | \$ 60                      |  |  |  |
| Residential mortgages          | 14                        | 3                  | 17                              | 5                    | 22                         | 10                        | 4                  | 14                              | 5                    | 19                         | 13                        | 2                  | 15                              | 4                    | 19                         |  |  |  |
| Other loans                    | 8                         | 1                  | 9                               | 6                    | 15                         | 4                         | 1                  | 5                               | 4                    | 9                          | 4                         | -                  | 4                               | 4                    | 8                          |  |  |  |
| <b>Total</b>                   | <b>\$ 48</b>              | <b>\$ 10</b>       | <b>\$ 58</b>                    | <b>\$ 25</b>         | <b>\$ 83</b>               | <b>\$ 40</b>              | <b>\$ 15</b>       | <b>\$ 55</b>                    | <b>\$ 28</b>         | <b>\$ 83</b>               | <b>\$ 51</b>              | <b>\$ 8</b>        | <b>\$ 59</b>                    | <b>\$ 28</b>         | <b>\$ 87</b>               |  |  |  |
|                                |                           |                    |                                 |                      |                            |                           |                    |                                 |                      |                            |                           |                    |                                 |                      |                            |  |  |  |
|                                | Q2 2021                   |                    |                                 |                      |                            |                           | Q1 2021            |                                 |                      |                            |                           |                    |                                 |                      |                            |  |  |  |
|                                | Past-due but not impaired |                    |                                 | Gross impaired loans | Total past due or impaired | Past-due but not impaired |                    |                                 | Gross impaired loans | Total past due or impaired |                           |                    |                                 |                      |                            |  |  |  |
|                                | 31 days to 60 days        | 61 days to 90 days | Total past-due but not impaired |                      |                            | 31 days to 60 days        | 61 days to 90 days | Total past-due but not impaired |                      |                            |                           |                    |                                 |                      |                            |  |  |  |
| <b>By geographic location</b>  |                           |                    |                                 |                      |                            |                           |                    |                                 |                      |                            |                           |                    |                                 |                      |                            |  |  |  |
| <b>Province <sup>(1)</sup></b> |                           |                    |                                 |                      |                            |                           |                    |                                 |                      |                            |                           |                    |                                 |                      |                            |  |  |  |
| <b>Canada</b>                  |                           |                    |                                 |                      |                            |                           |                    |                                 |                      |                            |                           |                    |                                 |                      |                            |  |  |  |
| Ontario                        | \$ 10                     | \$ 5               | \$ 15                           | \$ 5                 | \$ 20                      | \$ 9                      | \$ 1               | \$ 10                           | \$ 5                 | \$ 15                      | \$ 9                      | \$ 1               | \$ 10                           | \$ 5                 | \$ 15                      |  |  |  |
| British Columbia               | 4                         | 1                  | 5                               | 2                    | 7                          | 2                         | -                  | 2                               | 5                    | 7                          | 2                         | -                  | 2                               | 5                    | 7                          |  |  |  |
| Alberta                        | 6                         | 1                  | 7                               | 6                    | 13                         | 3                         | 2                  | 5                               | 11                   | 16                         | 3                         | 2                  | 5                               | 11                   | 16                         |  |  |  |
| Quebec                         | 13                        | 5                  | 18                              | 6                    | 24                         | 7                         | -                  | 7                               | 8                    | 15                         | 7                         | -                  | 7                               | 8                    | 15                         |  |  |  |
| Saskatchewan                   | 2                         | -                  | 2                               | 3                    | 5                          | -                         | -                  | -                               | 3                    | 3                          | -                         | -                  | -                               | 3                    | 3                          |  |  |  |
| Manitoba                       | -                         | 1                  | 1                               | -                    | 1                          | -                         | -                  | -                               | -                    | -                          | -                         | -                  | -                               | -                    | -                          |  |  |  |
| Atlantic provinces             | 3                         | 1                  | 4                               | 4                    | 8                          | 1                         | 1                  | 2                               | 5                    | 7                          | 1                         | 1                  | 2                               | 5                    | 7                          |  |  |  |
| <b>Total</b>                   | <b>\$ 38</b>              | <b>\$ 14</b>       | <b>\$ 52</b>                    | <b>\$ 26</b>         | <b>\$ 78</b>               | <b>\$ 22</b>              | <b>\$ 4</b>        | <b>\$ 26</b>                    | <b>\$ 37</b>         | <b>\$ 63</b>               | <b>\$ 22</b>              | <b>\$ 4</b>        | <b>\$ 26</b>                    | <b>\$ 37</b>         | <b>\$ 63</b>               |  |  |  |
| <b>By counterparty</b>         |                           |                    |                                 |                      |                            |                           |                    |                                 |                      |                            |                           |                    |                                 |                      |                            |  |  |  |
| Manulife One                   | \$ 21                     | \$ 11              | \$ 32                           | \$ 18                | \$ 50                      | \$ 13                     | \$ 2               | \$ 15                           | \$ 30                | \$ 45                      | \$ 13                     | \$ 2               | \$ 15                           | \$ 30                | \$ 45                      |  |  |  |
| Residential mortgages          | 9                         | 2                  | 11                              | 4                    | 15                         | 6                         | 1                  | 7                               | 3                    | 10                         | 6                         | 1                  | 7                               | 3                    | 10                         |  |  |  |
| Other loans                    | 8                         | 1                  | 9                               | 4                    | 13                         | 3                         | 1                  | 4                               | 4                    | 8                          | 3                         | 1                  | 4                               | 4                    | 8                          |  |  |  |
| <b>Total</b>                   | <b>\$ 38</b>              | <b>\$ 14</b>       | <b>\$ 52</b>                    | <b>\$ 26</b>         | <b>\$ 78</b>               | <b>\$ 22</b>              | <b>\$ 4</b>        | <b>\$ 26</b>                    | <b>\$ 37</b>         | <b>\$ 63</b>               | <b>\$ 22</b>              | <b>\$ 4</b>        | <b>\$ 26</b>                    | <b>\$ 37</b>         | <b>\$ 63</b>               |  |  |  |

<sup>(1)</sup> Based upon address of property mortgaged for mortgage loans and residence of borrowers for other loans.

**Allowances by Counterparty and by Geographic Area**

|                                | Q1 2022<br>Allowance |              |             |              | Q4 2021<br>Allowance |              |             |              | Q3 2021<br>Allowance |              |             |              |
|--------------------------------|----------------------|--------------|-------------|--------------|----------------------|--------------|-------------|--------------|----------------------|--------------|-------------|--------------|
|                                | Stage 1              | Stage 2      | Stage 3     | Total        | Stage 1              | Stage 2      | Stage 3     | Total        | Stage 1              | Stage 2      | Stage 3     | Total        |
| <b>By geographic location</b>  |                      |              |             |              |                      |              |             |              |                      |              |             |              |
| <b>Province <sup>(1)</sup></b> |                      |              |             |              |                      |              |             |              |                      |              |             |              |
| Ontario                        | \$ 3                 | \$ 3         | \$ 1        | \$ 7         | \$ 4                 | \$ 3         | \$ 1        | \$ 8         | \$ 4                 | \$ 3         | \$ -        | \$ 7         |
| British Columbia               | 1                    | -            | -           | 1            | 1                    | -            | -           | 1            | 1                    | -            | -           | 1            |
| Alberta                        | 1                    | 2            | 1           | 4            | 1                    | 2            | 1           | 4            | 1                    | 2            | 1           | 4            |
| Quebec                         | 1                    | 3            | 1           | 5            | 1                    | 3            | -           | 4            | 1                    | 2            | 1           | 4            |
| Saskatchewan                   | -                    | 1            | -           | 1            | -                    | 1            | -           | 1            | -                    | 1            | -           | 1            |
| Manitoba                       | -                    | 1            | -           | 1            | -                    | -            | -           | -            | -                    | -            | -           | -            |
| Atlantic provinces             | -                    | 1            | -           | 1            | -                    | 1            | 1           | 2            | -                    | 2            | -           | 2            |
| <b>Total</b>                   | <b>\$ 6</b>          | <b>\$ 11</b> | <b>\$ 3</b> | <b>\$ 20</b> | <b>\$ 7</b>          | <b>\$ 10</b> | <b>\$ 3</b> | <b>\$ 20</b> | <b>\$ 7</b>          | <b>\$ 10</b> | <b>\$ 2</b> | <b>\$ 19</b> |
| <b>By counterparty</b>         |                      |              |             |              |                      |              |             |              |                      |              |             |              |
| Manulife One                   |                      |              |             |              |                      |              |             |              |                      |              |             |              |
| Drawn                          | \$ 1                 | \$ 4         | \$ 1        | \$ 6         | \$ 1                 | \$ 4         | \$ 1        | \$ 6         | \$ 1                 | \$ 4         | \$ 2        | \$ 7         |
| Undrawn <sup>(2)</sup>         | 1                    | 3            | 1           | 5            | 1                    | 3            | 1           | 5            | 1                    | 3            | -           | 4            |
| Other Loans                    |                      |              |             |              |                      |              |             |              |                      |              |             |              |
| Drawn                          | 3                    | 4            | -           | 7            | 3                    | 3            | 1           | 7            | 3                    | 3            | -           | 6            |
| Undrawn <sup>(2)</sup>         | 1                    | -            | 1           | 2            | 2                    | -            | -           | 2            | 2                    | -            | -           | 2            |
| <b>Total</b>                   | <b>\$ 6</b>          | <b>\$ 11</b> | <b>\$ 3</b> | <b>\$ 20</b> | <b>\$ 7</b>          | <b>\$ 10</b> | <b>\$ 3</b> | <b>\$ 20</b> | <b>\$ 7</b>          | <b>\$ 10</b> | <b>\$ 2</b> | <b>\$ 19</b> |

|                                | Q2 2021<br>Allowance |              |             |              | Q1 2021<br>Allowance |              |             |              |
|--------------------------------|----------------------|--------------|-------------|--------------|----------------------|--------------|-------------|--------------|
|                                | Stage 1              | Stage 2      | Stage 3     | Total        | Stage 1              | Stage 2      | Stage 3     | Total        |
| <b>By geographic location</b>  |                      |              |             |              |                      |              |             |              |
| <b>Province <sup>(1)</sup></b> |                      |              |             |              |                      |              |             |              |
| Ontario                        | \$ 4                 | \$ 4         | \$ -        | \$ 8         | \$ 3                 | \$ 4         | \$ 1        | \$ 8         |
| British Columbia               | 1                    | 1            | -           | 2            | 1                    | 1            | -           | 2            |
| Alberta                        | -                    | 2            | 1           | 3            | 1                    | 2            | -           | 3            |
| Quebec                         | 2                    | 3            | 1           | 6            | 2                    | 4            | 1           | 7            |
| Saskatchewan                   | -                    | 1            | -           | 1            | -                    | -            | -           | -            |
| Atlantic provinces             | -                    | 1            | -           | 1            | -                    | 1            | 1           | 2            |
| <b>Total</b>                   | <b>\$ 7</b>          | <b>\$ 12</b> | <b>\$ 2</b> | <b>\$ 21</b> | <b>\$ 7</b>          | <b>\$ 12</b> | <b>\$ 3</b> | <b>\$ 22</b> |
| <b>By counterparty</b>         |                      |              |             |              |                      |              |             |              |
| Manulife One                   |                      |              |             |              |                      |              |             |              |
| Drawn                          | \$ 1                 | \$ 5         | \$ 1        | \$ 7         | \$ 2                 | \$ 5         | \$ 2        | \$ 9         |
| Undrawn <sup>(2)</sup>         | 1                    | 3            | 1           | 5            | 2                    | 3            | 1           | 6            |
| Other Loans                    |                      |              |             |              |                      |              |             |              |
| Drawn                          | 3                    | 4            | -           | 7            | 2                    | 4            | -           | 6            |
| Undrawn <sup>(2)</sup>         | 2                    | -            | -           | 2            | 1                    | -            | -           | 1            |
| <b>Total</b>                   | <b>\$ 7</b>          | <b>\$ 12</b> | <b>\$ 2</b> | <b>\$ 21</b> | <b>\$ 7</b>          | <b>\$ 12</b> | <b>\$ 3</b> | <b>\$ 22</b> |

<sup>(1)</sup> Based upon address of property mortgaged for mortgage loans and residence of borrowers for other loans.

<sup>(2)</sup> Allowance for ECLs relating to off-balance sheet exposures are included as a provision in other liabilities.

## Allowances for Impairment on Mortgages and Loans

|  | Q1 2022     |              |             |              | Q4 2021     |              |             |              | Q3 2021     |              |             |              |
|--|-------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|
|  | Allowance   |              |             |              | Allowance   |              |             |              | Allowance   |              |             |              |
|  | Stage 1     | Stage 2      | Stage 3     | Total        | Stage 1     | Stage 2      | Stage 3     | Total        | Stage 1     | Stage 2      | Stage 3     | Total        |
| Balance, beginning of period               | \$ 7        | \$ 10        | \$ 3        | \$ 20        | \$ 7        | \$ 10        | \$ 2        | \$ 19        | \$ 7        | \$ 12        | \$ 2        | \$ 21        |
| Provision for credit losses:               |             |              |             |              |             |              |             |              |             |              |             |              |
| Transfers to (from) Stage 1 <sup>(1)</sup> | 1           | (1)          | -           | -            | 2           | (2)          | -           | -            | 2           | (2)          | -           | -            |
| Purchases and originations                 | 1           | -            | 1           | 2            | -           | -            | -           | -            | -           | -            | -           | -            |
| Remeasurement <sup>(2)</sup>               | (1)         | 2            | -           | 1            | (2)         | 2            | 1           | 1            | (2)         | -            | 1           | (1)          |
| Derecognitions and maturities              | (2)         | -            | -           | (2)          | -           | -            | -           | -            | -           | -            | -           | -            |
| Write-offs net of recoveries               | -           | -            | (1)         | (1)          | -           | -            | -           | -            | -           | -            | (1)         | (1)          |
| <b>Balance, end of period</b>              | <b>\$ 6</b> | <b>\$ 11</b> | <b>\$ 3</b> | <b>\$ 20</b> | <b>\$ 7</b> | <b>\$ 10</b> | <b>\$ 3</b> | <b>\$ 20</b> | <b>\$ 7</b> | <b>\$ 10</b> | <b>\$ 2</b> | <b>\$ 19</b> |
| <b>Includes:</b>                           |             |              |             |              |             |              |             |              |             |              |             |              |
| Amounts drawn <sup>(3)</sup>               | \$ 4        | \$ 8         | \$ 1        | \$ 13        | \$ 4        | \$ 7         | \$ 2        | \$ 13        | \$ 4        | \$ 7         | \$ 2        | \$ 13        |
| Off-balance sheet exposures <sup>(4)</sup> | 2           | 3            | 2           | 7            | 3           | 3            | 1           | 7            | 3           | 3            | -           | 6            |
|  | <b>\$ 6</b> | <b>\$ 11</b> | <b>\$ 3</b> | <b>\$ 20</b> | <b>\$ 7</b> | <b>\$ 10</b> | <b>\$ 3</b> | <b>\$ 20</b> | <b>\$ 7</b> | <b>\$ 10</b> | <b>\$ 2</b> | <b>\$ 19</b> |

|  | Q2 2021     |              |             |              | Q1 2021     |              |             |              | Fiscal 2021 |              |             |              |
|--|-------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|
|  | Allowance   |              |             |              | Allowance   |              |             |              | Allowance   |              |             |              |
|  | Stage 1     | Stage 2      | Stage 3     | Total        | Stage 1     | Stage 2      | Stage 3     | Total        | Stage 1     | Stage 2      | Stage 3     | Total        |
| Balance, beginning of period               | \$ 7        | \$ 12        | \$ 3        | \$ 22        | \$ 8        | \$ 14        | \$ 4        | \$ 26        | \$ 8        | \$ 14        | \$ 4        | \$ 26        |
| Provision for credit losses:               |             |              |             |              |             |              |             |              |             |              |             |              |
| Transfers to (from) Stage 1 <sup>(1)</sup> | 1           | (1)          | -           | -            | 2           | (2)          | -           | -            | 6           | (5)          | (1)         | -            |
| Transfers to (from) Stage 2 <sup>(1)</sup> | -           | 1            | (1)         | -            | -           | 1            | (1)         | -            | (1)         | 1            | -           | -            |
| Purchases and originations                 | -           | -            | -           | -            | -           | -            | -           | -            | 1           | -            | -           | 1            |
| Remeasurement <sup>(2)</sup>               | (1)         | 1            | -           | -            | (3)         | (1)          | 1           | (3)          | (7)         | 2            | 3           | (2)          |
| Derecognitions and maturities              | -           | (1)          | -           | (1)          | -           | -            | -           | -            | -           | (2)          | -           | (2)          |
| Write-offs net of recoveries               | -           | -            | -           | -            | -           | -            | (1)         | (1)          | -           | -            | (3)         | (3)          |
| <b>Balance, end of period</b>              | <b>\$ 7</b> | <b>\$ 12</b> | <b>\$ 2</b> | <b>\$ 21</b> | <b>\$ 7</b> | <b>\$ 12</b> | <b>\$ 3</b> | <b>\$ 22</b> | <b>\$ 7</b> | <b>\$ 10</b> | <b>\$ 3</b> | <b>\$ 20</b> |
| <b>Includes:</b>                           |             |              |             |              |             |              |             |              |             |              |             |              |
| Amounts drawn <sup>(3)</sup>               | \$ 4        | \$ 9         | \$ 1        | \$ 14        | \$ 4        | \$ 9         | \$ 2        | \$ 15        | \$ 4        | \$ 7         | \$ 2        | \$ 13        |
| Off-balance sheet exposures <sup>(4)</sup> | 3           | 3            | 1           | 7            | 3           | 3            | 1           | 7            | 3           | 3            | 1           | 7            |
|  | <b>\$ 7</b> | <b>\$ 12</b> | <b>\$ 2</b> | <b>\$ 21</b> | <b>\$ 7</b> | <b>\$ 12</b> | <b>\$ 3</b> | <b>\$ 22</b> | <b>\$ 7</b> | <b>\$ 10</b> | <b>\$ 3</b> | <b>\$ 20</b> |

<sup>(1)</sup> Transfers represent stage transfer movements prior to ECL remeasurement.

<sup>(2)</sup> Remeasurement includes the impact of changes in risk parameters, model assumptions, expert credit judgement and the impact of changes in the forecasts of forward-looking information subsequent to stage migration.

<sup>(3)</sup> Allowance for ECLs relating to amounts drawn is presented as a deduction to the gross carrying amount of the financial asset.

<sup>(4)</sup> Allowance for ECLs relating to off-balance sheet exposures are included as a provision in other liabilities.

## Market Risk

*Market risk is the risk of loss resulting from market price volatility, interest rate changes and adverse foreign currency rate movements. Market price volatility relates to changes in the prices of publicly traded equities and to impacts of interest rate movements on the lending portfolio.*

### Governance structure

The Board of Directors annually review and approve the capital, liquidity, interest rate risk, pledging and investment policies. The Board of Directors have ultimately delegated the responsibility for the strategic management of market, interest rate and liquidity risks to ALCO. The ALCO risk management strategy addresses the interest rate risk arising between asset returns and supporting liabilities and is designed to keep potential losses stemming from these risks within acceptable limits. Actual investment positions and risk exposures are monitored to ensure policy guidelines and limits are adhered to. Positions are reported to ALCO on a monthly basis and to MFC's Global ALCO on a quarterly basis. The Bank invests in common equities based on limits set within the Investment Policy.

### Securities

Debt securities are classified and measured as FVOCI as the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest ("SPPI") and the financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Debt securities are recognized initially at fair value plus directly attributable transaction costs and are subsequently presented in the Consolidated Statements of Financial Position at fair value. Unrealized gains and losses on FVOCI debt securities are recorded in other comprehensive income ("OCI") except for unrealized gains or losses attributable to foreign currency translation, which are included in income. When FVOCI debt securities are sold, the unrealized gains or losses are transferred from accumulated other comprehensive income ("AOCI") to the Consolidated Statements of Income. As at March 31, 2022, the total pre-tax unrealized losses recorded in AOCI related to FVOCI debt securities was \$2 million (December 31, 2021 – nil). The cumulative realized losses arising from the sale of FVOCI debt securities for the three months ended March 31, 2022 was \$1 million (three months ended March 31, 2021 – nil).

Debt securities measured as FVOCI are subject to the impairment requirements of IFRS 9. The ECL allowance is based on credit losses expected to arise over the life of the asset. The Bank recognizes a loss allowance at an amount equal to 12-month ECL for those financial instruments that have not yet seen a significant increase in credit risk since origination, and lifetime ECL once there has been a significant increase in credit risk. The Bank assesses, at each reporting date, whether credit risk has increased significantly by comparing the risk of default as at the reporting date, with the risk of default as at the date of initial recognition. The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Consolidated Statements of Financial Position, which remains at fair value. Instead, an amount equal to the allowance is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets. No ECL was recognized as at March 31, 2022 (December 31, 2021 – nil).

Periodically, MBC holds mortgage backed securities ("MBS") and asset backed securities ("ABS"), which are classified as FVOCI debt investments, and recorded at market values. MBC manages securitization exposures related to short-term and long-term investments to approved limits and rating requirements specified by investment policy guidelines. These securitization positions are managed using a combination of market standard systems and third-party data providers to monitor performance data and manage risks associated with the investments. All securitization exposures



are included in the banking book. As at March 31, 2022, the Bank held nil (December 31, 2021 – nil) MBS and ABS. Refer to the liquidity risk section of this document for quantitative disclosures of the securitization exposures in the banking book.

For debt issues, External Credit Assessment Institutions (“ECAI”) ratings are used for managing market risk and, if not available, MLI’s internal risk ratings are used. When ratings from more than one approved agency are available for a single issue, the priority sequence of rating agencies is Standard & Poor’s (“S&P”), Moody’s Investor Service, DBRS, Fitch Rating Services, and the parent company’s internal risk rating.

Equity securities are classified and measured at FVTPL as these instruments contain contractual cash flows that do not meet the SPPI test (dividend is discretionary and capital gain is not contractual). As at March 31, 2022, the Bank held \$159 million of publicly traded FVTPL equity securities (December 31, 2021 – \$151 million). Equity securities are measured initially at their fair value plus directly attributable transaction costs and are subsequently presented in the Consolidated Statements of Financial Position at their fair values using published bid prices. Changes in fair value and realized gains and losses are recognized in non-interest income in the Consolidated Statement of Income under net gains (losses) on securities. Dividend income is recorded in interest income. Net realized gains arising from the sale of FVTPL equity securities for the three months ended March 31, 2022, were \$10 million (March 31, 2021 – \$5 million). Net unrealized losses recognized in profit or loss for the three months ended March 31, 2022, were \$6 million (net unrealized gains of \$10 million for the three months ended March 31, 2021).

## Interest rate risk

Interest rate risk is identified using a variety of techniques and measures that are primarily based on projecting asset and liability cash flows under a range of current and future interest rate and market return scenarios. MBC uses traditional asset-liability management techniques as well as quantitative methods to stress test the asset-liability portfolio.

MBC applies monthly sensitivity analysis to specifically assess interest rate risk. The results of the analyses are reviewed by ALCO to determine whether they are within prescribed limits for sensitivity of net interest income to changes in the yield curve. The following table shows the sensitivity of MBC's consolidated pre-tax net interest income to interest rate risk over the next 12 months.

| Interest Rate Risk <sup>(1)</sup>                                      |                        |                        |                        |                        |                        |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
|  | Q1 2022 <sup>(2)</sup> | Q4 2021 <sup>(2)</sup> | Q3 2021 <sup>(2)</sup> | Q2 2021 <sup>(2)</sup> | Q1 2021 <sup>(2)</sup> |
| 100 basis point rate increase  | \$ 5                   | \$ -                   | \$ 5                   | \$ 7                   | \$ 9                   |
| 200 basis point rate increase  | 10                     | -                      | 9                      | 14                     | 19                     |
| 100 basis point rate decrease (with 25 basis point cap) <sup>(3)</sup> | (8)                    | (6)                    | (7)                    | (8)                    | (10)                   |
| 200 basis point rate decrease (with 25 basis point cap) <sup>(3)</sup> | (8)                    | (6)                    | (7)                    | (8)                    | (10)                   |

<sup>(1)</sup> A parallel movement in interest rates includes a change in government, swap and corporate rates, with a floor of zero on government rates and corporate spreads.

<sup>(2)</sup> The interest sensitivity assumes that the Bank moves all Bank-administered rates for lending and deposits directly with market rates. The Bank has the ability to mitigate margin impact through its administered rates.

<sup>(3)</sup> The maximum downward shock has been capped at 25 basis points to account for certain rates being floored at zero due to the low interest rate environment.

Derivatives are used to manage interest rate risk. To mitigate the unique risks associated with the use of derivatives, the Bank has specific risk management policies and processes. The policies include limits on the maximum exposure on derivative transactions, authorized types of derivatives and derivative applications, delegated authorization limits for specific personnel and collateral management. The policies also require pre-approval of all derivative application strategies and regular monitoring of the effectiveness of the strategies employed. Currently, the Bank holds no derivative positions.

## Liquidity Risk

***Liquidity risk is the risk of not having access to sufficient funds or liquid assets to meet both expected and unexpected cash and collateral demands.***

At least annually, the Board of Directors reviews and approves the Liquidity and Market Risk Management Policy and reviews the Liquidity Contingency Plan, which ensures the Bank has the infrastructure and control functions in place to meet expected and unexpected liquidity obligations. Risk tolerances and limits are approved by the Board of Directors and define the maximum level of risk the Bank is willing to take regarding liquidity risks. The Liquidity Contingency Plan outlines various liquidity statuses and includes procedures, action plans, communication requirements and roles and responsibilities under each liquidity status.

Liquidity stress testing is completed monthly to monitor and identify sources of potential liquidity strain, and to ensure current exposures remain in accordance with the Bank's established liquidity risk tolerance and limits. In addition to the Bank's internal metrics, the Bank must also comply with OSFI's Liquidity Adequacy Requirements ("LAR") Guideline, which includes the Net Cumulative Cash Flow ("NCCF") and the BCBS prescribed Liquidity Coverage Ratio ("LCR"). All liquidity stress testing is performed by the Bank's Treasury department on a monthly basis and is reported to ALCO and OSFI as required. Key assumptions of the internal stress tests are reviewed and approved annually by ALCO to ensure that they remain reasonable and appropriate.

To meet anticipated liquidity needs in both stable and stressed conditions, the Bank's Treasury department actively manages liquidity risk. The liquidity risk management processes are designed to enable the payment of the Bank's obligations as they come due, under both normal and adverse circumstances. Liquid assets include unencumbered assets that are marketable, can be pledged as security for borrowings, and can be converted to cash in a timeframe that meets liquidity requirements. The Bank's liquid assets as at March 31, 2022, were \$5.5 billion (19 per cent of total assets) compared to \$4.9 billion as at December 31, 2021 (18 per cent of total assets).

Both the minimum NCCF and LCR regulatory targets were met by the Bank during the three months ended March 31, 2022.

## Governance structure

The Board of Directors have the ultimate oversight responsibility for liquidity risk management of the Bank. The liquidity management responsibilities are delegated to the Chief Executive Officer (“CEO”) by the Board of Directors, with the day to day liquidity management of the Bank being delegated to the Bank’s Treasurer and oversight of the Bank’s liquidity risk management framework delegated to the CRO. The Bank’s Treasurer is responsible for providing comprehensive reporting to ALCO to assist the committee in fulfilling its liquidity risk oversight responsibilities.

## Funding

The Bank has developed and continues to develop strategies to diversify funding sources in terms of funding channels and products, taking into consideration the level of reliance on individual funding sources. Diversification of funding is continually monitored and reported to ALCO and the Board of Directors. The Bank’s ability to securitize high quality residential mortgage loans has provided a key source of diversified funding and contingent liquidity. Securitization funding provides the Bank with long-term funding at attractive interest rates. Refer to the Securitization section below for details on the securitization programs.

## Securitization

The Bank acts in the capacity of sponsor, originator, servicer and the provider of credit enhancements for its securitization programs. Mortgage loans purchased by the Bank from third-parties and securitized in the NHA MBS program continue to be serviced by the third-party mortgage servicer. In addition, the Bank also invests in short and long-term investment grade asset-backed securities. The sections below provide an overview of the Bank’s securitization programs.

### ***Manulife One securitization program***

MBC has established the PCMT II program to securitize high quality uninsured Manulife One accounts. The PCMT II securitization program diversifies MBC’s funding capabilities by providing an additional source of funding. The availability of multiple funding channels enhances MBC’s ability to obtain low cost funds and provides increased liquidity. Eligibility criteria are defined in the program documentation. These accounts are pooled by MBC and undivided co-ownership interests in the receivables of the pool are then sold to the program in exchange for cash. The program funds the purchase of the co-ownership interests by issuing term notes. The pool of Manulife One accounts supporting the notes is legally isolated from MBC’s assets and the cash flows generated from the pool are used to provide interest and principal payments on the term notes. MBC’s continuing involvement includes servicing the pool of Manulife One accounts and performing an administrative role for the programs. MBC also provides loans to the program to pay for upfront transaction costs. These loans are subordinate to all notes issued by PCMT II.

MBC provides credit enhancements to PCMT II in the form of an asset pool balance in excess of notes issued, credit enhancement of the ownership interest, and excess spread consisting of excess cash receipts that are only attributable to MBC after the periodic obligations of PCMT II have been met. As at March 31, 2022, cash reserve accounts have been funded for PCMT II in the amount of \$1 million (December 31, 2021 – \$0.5 million). The cash reserve account for PCMT II is funded according to criteria defined in the series agreements.

During the three-month period ended March 31, 2022, no secured term notes have been issued under PCMT II (three month period ended March 31, 2021 – nil). As at March 31, 2022, term notes worth \$2,500 million (December 31, 2021 – \$2,500 million) are outstanding.

### ***NHA MBS securitization program***

MBC securitizes insured amortizing Canadian residential mortgage loans through the NHA MBS program and either holds the securities on the Consolidated Statements of Financial Position or sells them to third party investors. MBC expects to continue to issue NHA MBS in volumes consistent with the growth of insured mortgage assets, subject to CMHC allocations of guarantees for new market NHA MBS.

### ***CMB securitization program***

The CMB program represents the lowest cost funding alternative for the Bank's insured amortizing mortgage products. CMB issuances are backed by NHA MBS pools and the payment structure consists of semi-annual coupon payments and a bullet payment at maturity. At issuance of a CMB, a secured borrowing liability is recorded and the related residential mortgages backing the CMB remain on the Bank's Consolidated Statements of Financial Position.

### ***Securitization accounting***

The Bank's internal Manulife One securitization program does not meet derecognition requirements. Securitized Manulife One accounts remain on MBC's Consolidated Statements of Financial Position as the Bank retains the pre-payment and interest rate risk associated with these accounts, which represents substantially all of the risks and rewards associated with the transferred assets. These transactions are accounted for as secured financing transactions and MBC continues to recognize the accounts as assets and records a secured borrowing liability (i.e. notes payable, which is accounted for at amortized cost). Interest income on the assets and interest expense on the notes payable are recorded using the effective interest rate method. Transactions under the Bank's internal securitization programs are consolidated with MBC.

Residential mortgage loans securitized through the NHA MBS program also remain on MBC's Consolidated Statements of Financial Position as the Bank retains the pre-payment and interest rate risks. MBC also retains the interest spread between the securities and the underlying mortgage assets. If MBC creates an NHA MBS security without selling it, a liability is not recognized. All securitization exposures are included in the banking book.

The Bank also purchases CMHC insured multi-unit residential mortgages from third party originators with negligible pre-payment and credit risk. These mortgages are pooled within the NHA MBS program and subsequently sold into the CMB program. The transaction structure meets specific criteria and qualifies for balance sheet derecognition with an upfront gain recorded on the sale of mortgages. The Bank retains a residual interest, which is recorded as securitization retained interest on the Bank's Consolidated Statements of Financial Position.

### Capital treatment for securitization exposures

As discussed within the Capital Management section of this document, MBC utilizes the Standardized Approach to assign risk weightings to assets, including mortgages in the NHA MBS and PCMT II program that do not qualify for derecognition as detailed above, as well as securitization exposures resulting from short-term and long-term investments. The Bank assigns credit assessments from OSFI authorized ECAI.

| Summary of Securitized Assets <sup>(1)</sup>   |                 |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Securitization program                         | Q1 2022         | Q4 2021         | Q3 2021         | Q2 2021         | Q1 2021         |
| Manulife One securitization                    |                 |                 |                 |                 |                 |
| Securitized mortgages - PCMT II <sup>(2)</sup> | \$ 2,500        | \$ 2,500        | \$ 2,250        | \$ 2,250        | \$ 2,250        |
| Restricted cash <sup>(3)</sup>                 | 1               | 1               | 1               | 1               | -               |
| Total Manulife One securitization              | \$ 2,501        | \$ 2,501        | \$ 2,251        | \$ 2,251        | \$ 2,250        |
| NHA MBS securitization                         |                 |                 |                 |                 |                 |
| NHA MBS unsold <sup>(4)</sup>                  | \$ 1,373        | \$ 1,508        | \$ 1,130        | \$ 1,333        | \$ 1,481        |
| Restricted cash <sup>(3)</sup>                 | 80              | 62              | 62              | 62              | 62              |
| Total NHA MBS securitization                   | \$ 1,453        | \$ 1,570        | \$ 1,192        | \$ 1,395        | \$ 1,543        |
| Sold to CMB                                    | 2,405           | 2,075           | 2,335           | 2,293           | 2,393           |
| <b>Total</b>                                   | <b>\$ 6,358</b> | <b>\$ 6,146</b> | <b>\$ 5,778</b> | <b>\$ 5,939</b> | <b>\$ 6,186</b> |

<sup>(1)</sup> These are securitized mortgages.

<sup>(2)</sup> Under the terms of the series purchase agreements, additional collateral must also be provided to the noteholder as added credit protection.

<sup>(3)</sup> The securitization programs require issuers to maintain additional cash reserves within the principal and interest custodial account to cover deposits of unscheduled principal payments.

<sup>(4)</sup> When a security is created but remains unsold, no liability is recognized.

During the three months ended March 31, 2022, no insured multi-unit residential mortgages were sold into the CMB program and derecognized from the Consolidated Financial Statements (three months ended March 31, 2021 – \$74 million), and no gain on sale was recognized (three months ended March 31, 2021 – \$1 million). As at March 31, 2022, \$1,299 million (December 31, 2021 – \$1,234 million) of insured multi-unit residential mortgages were derecognized from the Consolidated Financial Statements, and securitization retained interests totaling \$56 million (December 31, 2021 – \$58 million) were recorded as Other Assets.

## Operational Risk

*Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems failures, human performance failures or from external events.*

### Key risk factors

Operational risk is inherent in all of MBC's business activities and encompasses a broad range of risks including regulatory compliance failures, legal disputes, technology failures, business interruption, information security and privacy failures, ineffective human resource management, processing errors, modeling errors, ineffective business integration, theft and fraud and damage to physical assets. Exposures can take the form of financial losses, regulatory sanctions, loss of competitive positioning and damage to reputation. Operational risk is embedded in all of the practices used to manage other risks such as credit risk, market risk and liquidity risk. If not managed effectively, operational risk can impact the ability to manage these key risks.

### Risk management strategy

MBC's Operational Risk Management Policy and Framework outline the governance structure, risk appetite, the level of risk tolerance, and set the foundation for mitigating operational risks. This base is strengthened by the establishment of appropriate internal controls and systems and by seeking to retain trained and competent people throughout the organization. Risk management programs have been established across functional business areas for specific operational risks that could materially impact the ability to do business or negatively impact the reputations of MBC, MTC and PCMT II.

Business area managers are accountable for the day-to-day management of the operational risks inherent in their operations. Business and functional areas perform risk control self-assessments to identify, document and assess inherent operational risks and the effectiveness of internal controls. The Bank's CRO and the Bank's Operational Risk Management team provide independent oversight of risk taking and risk mitigation activities across the enterprise. Key risk indicators are monitored and provide early warnings of emerging control issues. Business area managers proactively modify procedures where emerging control issues are identified.

## Capital Management

The Bank's Capital Management Framework provides the policies and processes for defining, measuring and strategically managing capital in a coordinated consistent manner. Within this framework, the Bank utilizes an internal capital adequacy assessment process, which forms strategies for achieving capital targets in a manner consistent with the Bank's risk assessments and business plans. The capital management framework together with related policies, enables the Bank to review its risk profile from a regulatory capital viewpoint with the intent of ensuring that capital levels:

- Remain sufficient to support the Bank's risk profile and outstanding commitments;
- Exceed minimum regulatory capital requirements by an acceptable margin;
- Are capable of withstanding a severe but plausible economic downturn stress scenario; and
- Remain consistent with strategic and operational goals, shareholder and rating agency expectations.

In the assessment of capital adequacy, the Bank adopts regulatory capital definitions and measures. To maintain or adjust the capital structure, the Bank may issue new shares or subordinated debt, adjust the dividend payment to its shareholders, or return capital to shareholders.

The Board of Directors approve the capital plan annually. The Capital Management Committee, which is comprised of executive members of the management team, meets on a regular basis in order to provide oversight of operational capital management. This includes reviews and recommendations of capital management policies for approval by the Board of Directors.

The adequacy of capital is assessed by considering capital requirements necessary to offset unexpected losses arising from credit risk, market risk and operational risk. The minimum regulatory capital that the Bank is required to hold is determined by OSFI. MBC's approach to capital management is aligned to support its business model and strategic direction.

### Regulatory capital

Capital levels for banks are regulated pursuant to guidelines issued by OSFI, which are based on standards issued by the Bank for International Settlements. In December 2010, the BCBS issued "Basel III: A global regulatory framework for more resilient banks and banking systems" ("Basel III"), which focuses on improving the banking industry's ability to absorb shocks from financial and economic stress through increased quality and quantity of capital requirements, measures to reduce build-up of excessive leverage and pro-cyclicality in the banking sector, and new liquidity standards. Capital instruments issued by the Bank are required to meet qualifying criteria before inclusion in the relevant capital category. Effective January 1, 2013, the Bank implemented OSFI's CAR guideline, which reflect the Basel III capital requirements.

In response to the challenges posed by the COVID-19 pandemic, OSFI implemented a number of capital measures to build resilience of federally regulated financial institutions and improve the stability of the Canadian financial system and economy. This included transitional arrangements for the capital treatment of ECLs, and the temporary capital treatment for loans subject to payment deferral, which allows for these loans to continue to be treated as performing loans under the CAR Guideline during the deferral period. These measures were implemented by the Bank during the first quarter of 2020. As of March 31, 2022, the transitional arrangement for the capital treatment of ECLs is still in place and will remain in effect until the end of fiscal 2022.



**Basel III Regulatory Capital**

|   | Q1 2022         | Q4 2021         | Q3 2021         | Q2 2021         | Q1 2021         |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Common Equity Tier 1 capital: instruments and reserves</b>   |                 |                 |                 |                 |                 |
| 1 Directly issued qualifying common share capital plus related stock surplus <sup>(1)</sup>             | \$ 695          | \$ 695          | \$ 695          | \$ 695          | \$ 695          |
| 2 Retained earnings <sup>(2)</sup>  | 772             | 755             | 832             | 813             | 786             |
| 3 Accumulated other comprehensive income (and other reserves)   | (2)             | -               | 1               | 1               | 1               |
| <b>6 Common Equity Tier 1 capital before regulatory adjustments</b>                                     | <b>\$ 1,465</b> | <b>\$ 1,450</b> | <b>\$ 1,528</b> | <b>\$ 1,509</b> | <b>\$ 1,482</b> |
| <b>Common Equity Tier 1 capital: regulatory adjustments</b>   |                 |                 |                 |                 |                 |
| 26 Other deductions or regulatory adjustments to CET1 as determined by OSFI <sup>(3)</sup>              | 1               | 1               | 1               | 2               | 2               |
| 28 Total regulatory adjustments to Common Equity Tier 1   | (152)           | (156)           | (168)           | (175)           | (184)           |
| <b>29 Common Equity Tier 1 capital (CET1)</b>   | <b>\$ 1,314</b> | <b>\$ 1,295</b> | <b>\$ 1,361</b> | <b>\$ 1,336</b> | <b>\$ 1,300</b> |
| <b>29a CET1 capital with transitional arrangements for ECL provisioning not applied<sup>(4)</sup></b>   | <b>\$ 1,313</b> | <b>\$ 1,294</b> | <b>\$ 1,360</b> | <b>\$ 1,334</b> | <b>\$ 1,298</b> |
| <b>Additional Tier 1 capital: instruments</b>   |                 |                 |                 |                 |                 |
| 33 Directly issued capital instruments subject to phase out from Additional Tier 1 <sup>(5)</sup>       | \$ 229          | \$ 229          | \$ 229          | \$ 229          | \$ 229          |
| <b>44 Additional Tier 1 capital (AT1)</b>   | <b>\$ 229</b>   | <b>\$ 229</b>   | <b>\$ 229</b>   | <b>\$ 229</b>   | <b>\$ 229</b>   |
| <b>45 Tier 1 capital (T1 = CET1 + AT1)</b>  | <b>\$ 1,543</b> | <b>\$ 1,524</b> | <b>\$ 1,590</b> | <b>\$ 1,565</b> | <b>\$ 1,529</b> |
| <b>45a Tier 1 Capital with transitional arrangements for ECL provisioning not applied<sup>(4)</sup></b> | <b>\$ 1,542</b> | <b>\$ 1,523</b> | <b>\$ 1,589</b> | <b>\$ 1,563</b> | <b>\$ 1,527</b> |
| <b>Tier 2 capital: instruments and provisions</b>   |                 |                 |                 |                 |                 |
| 50 Eligible allowances  | \$ 11           | \$ 10           | \$ 10           | \$ 11           | \$ 11           |
| <b>58 Tier 2 capital (T2)</b>   | <b>\$ 11</b>    | <b>\$ 10</b>    | <b>\$ 10</b>    | <b>\$ 11</b>    | <b>\$ 11</b>    |
| <b>59 Total Capital (TC = T1 + T2)</b>  | <b>\$ 1,554</b> | <b>\$ 1,534</b> | <b>\$ 1,600</b> | <b>\$ 1,576</b> | <b>\$ 1,540</b> |
| <b>59a Total Capital with transitional arrangements for ECL provisioning not applied<sup>(4)</sup></b>  | <b>\$ 1,553</b> | <b>\$ 1,533</b> | <b>\$ 1,599</b> | <b>\$ 1,574</b> | <b>\$ 1,538</b> |
| <b>60 Total risk weighted assets</b>  | <b>\$ 9,678</b> | <b>\$ 9,291</b> | <b>\$ 9,258</b> | <b>\$ 9,088</b> | <b>\$ 8,777</b> |
| <b>Capital ratios (%)</b>   |                 |                 |                 |                 |                 |
| 61 CET1 Ratio (as percentage of risk-weighted assets)   | 13.6%           | 13.9%           | 14.7%           | 14.7%           | 14.8%           |
| 61a CET1 Ratio with transitional arrangements for ECL provisioning not applied <sup>(4)</sup>           | 13.6%           | 13.9%           | 14.7%           | 14.7%           | 14.8%           |
| 62 Tier 1 Capital Ratio (as percentage of risk-weighted assets)   | 15.9%           | 16.4%           | 17.2%           | 17.2%           | 17.4%           |
| 62a Tier 1 Capital Ratio with transitional arrangements for ECL provisioning not applied <sup>(4)</sup> | 15.9%           | 16.4%           | 17.2%           | 17.2%           | 17.4%           |
| 63 Total Capital Ratio (as percentage of risk-weighted assets)  | 16.1%           | 16.5%           | 17.3%           | 17.3%           | 17.6%           |
| 63a Total Capital Ratio with transitional arrangements for ECL provisioning not applied <sup>(4)</sup>  | 16.1%           | 16.5%           | 17.3%           | 17.3%           | 17.6%           |
| <b>OSFI target</b>  |                 |                 |                 |                 |                 |
| 69 CET1 capital target ratio  | 7%              | 7%              | 7%              | 7%              | 7%              |
| 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%           |

<sup>(1)</sup> MBC is authorized to issue an unlimited number of voting, non-redeemable common shares without nominal or par value. The Bank had 1,809,923 common shares outstanding as at December 31, 2021 (December 31, 2020 - 1,809,923) issued to MLI.

<sup>(2)</sup> A recurring quarterly common equity dividend is paid based on a targeted dividend payout ratio of 35%, as part of MBC's dividend repatriation strategy, subject to review and approval of the Board prior to payment. In addition, during the fourth quarter of 2021, the Bank has also declared and paid a one-time common equity dividend in the amount of \$100 million.

<sup>(3)</sup> As a result of COVID-19, OSFI introduced transitional arrangements for the capital treatment of expected credit loss provisioning. This transitional arrangement commencing in 2020 results in a portion of eligible allowances that would otherwise be included in Tier 2 capital to instead be included in CET1 capital. The adjustment to CET1 capital is measured as the increase in Stage 1 and Stage 2 allowances relative to December 31, 2019. This increased amount is adjusted for tax effects and subject to a scaling factor that will decrease over time. The scaling factor to be applied is 70% for 2020, 50% for 2021 and 25% for 2022.

<sup>(4)</sup> Calculation of regulatory capital without the application of OSFI's transitional arrangements for expected credit losses being applied.

<sup>(5)</sup> MBC is authorized to issue an unlimited number of non-voting, redeemable preferred shares (subject to regulatory approval) entitled to non-cumulative dividends at a predetermined dividend rate, issuable in series, without nominal or par value. As at December 31, 2021, the Bank has issued outstanding series of 229,000 preferred shares to related entities within MFC (December 31, 2020 - 229,000). The dividend rates on these preferred shares range from 5% to 6.25% per annum.

## Risk-weighted Assets

|                                      | Q1 2022                        |                                     | Q4 2021                        |                                     | Q3 2021                        |                                     | Q2 2021                        |                                     | Q1 2021                        |                                     |
|--------------------------------------|--------------------------------|-------------------------------------|--------------------------------|-------------------------------------|--------------------------------|-------------------------------------|--------------------------------|-------------------------------------|--------------------------------|-------------------------------------|
|                                      | Exposure amount <sup>(1)</sup> | Risk-weighted assets <sup>(2)</sup> | Exposure amount <sup>(1)</sup> | Risk-weighted assets <sup>(2)</sup> | Exposure amount <sup>(1)</sup> | Risk-weighted assets <sup>(2)</sup> | Exposure amount <sup>(1)</sup> | Risk-weighted assets <sup>(2)</sup> | Exposure amount <sup>(1)</sup> | Risk-weighted assets <sup>(2)</sup> |
| Residential mortgages <sup>(3)</sup> | \$ 21,163                      | \$ 5,150                            | \$ 20,719                      | \$ 5,018                            | \$ 20,576                      | \$ 4,937                            | \$ 20,488                      | \$ 4,923                            | \$ 20,436                      | \$ 4,809                            |
| Bank                                 | 3,884                          | 777                                 | 3,111                          | 622                                 | 3,845                          | 771                                 | 3,504                          | 701                                 | 3,137                          | 627                                 |
| Other loans                          | 2,765                          | 2,234                               | 2,605                          | 2,114                               | 2,441                          | 1,980                               | 2,317                          | 1,881                               | 2,211                          | 1,792                               |
| Sovereign                            | 1                              | -                                   | 1                              | -                                   | 75                             | -                                   | 1                              | -                                   | -                              | -                                   |
| Equity                               | 159                            | 159                                 | 151                            | 151                                 | 143                            | 143                                 | 171                            | 171                                 | 156                            | 156                                 |
| Corporate                            | 514                            | 395                                 | 524                            | 402                                 | 523                            | 401                                 | 508                            | 397                                 | 528                            | 402                                 |
| Other                                | 262                            | 107                                 | 283                            | 122                                 | 335                            | 159                                 | 330                            | 145                                 | 326                            | 124                                 |
| <b>Total credit risk</b>             | <b>\$ 28,748</b>               | <b>\$ 8,822</b>                     | <b>\$ 27,394</b>               | <b>\$ 8,429</b>                     | <b>\$ 27,938</b>               | <b>\$ 8,391</b>                     | <b>\$ 27,319</b>               | <b>\$ 8,218</b>                     | <b>\$ 26,794</b>               | <b>\$ 7,910</b>                     |
| Operational risk                     | n.a.                           | 856                                 | n.a.                           | 862                                 | n.a.                           | 867                                 | n.a.                           | 870                                 | n.a.                           | 867                                 |
| <b>Total risk-weighted assets</b>    | <b>\$ 28,748</b>               | <b>\$ 9,678</b>                     | <b>\$ 27,394</b>               | <b>\$ 9,291</b>                     | <b>\$ 27,938</b>               | <b>\$ 9,258</b>                     | <b>\$ 27,319</b>               | <b>\$ 9,088</b>                     | <b>\$ 26,794</b>               | <b>\$ 8,777</b>                     |

<sup>(1)</sup> Total exposure represents exposure at default which is the expected gross exposure upon the default of an obligor. This amount is before any specific allowances or partial write-offs and does not reflect the impact of credit risk mitigation and collateral held.

<sup>(2)</sup> Per the guidelines issued by OSFI under the Basel III framework, the Bank calculates credit risk using the standardized approach to credit risk. Operational risk is calculated based on the basic indicator approach.

<sup>(3)</sup> Residential mortgages include Manulife One.

**Leverage Ratio Common Disclosure**

|   | Q1 2022          | Q4 2021          | Q3 2021          | Q2 2021          | Q1 2021          |
|---|------------------|------------------|------------------|------------------|------------------|
| <b>On-balance sheet exposures</b>   |                  |                  |                  |                  |                  |
| 1 On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral) \$ | 28,512           | \$ 27,201        | \$ 27,745        | \$ 27,078        | \$ 26,604        |
| 4 (Asset amounts deducted in determining Tier 1 capital)  | (152)            | (157)            | (168)            | (175)            | (184)            |
| <b>5 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)</b>                              | <b>\$ 28,360</b> | <b>\$ 27,044</b> | <b>\$ 27,577</b> | <b>\$ 26,903</b> | <b>\$ 26,420</b> |
| <b>Derivative exposures</b>   |                  |                  |                  |                  |                  |
| 7 Add-on amounts for potential future exposure associated with all derivative transactions                                    | \$ -             | \$ 1             | \$ 1             | \$ 1             | \$ 1             |
| <b>11 Total derivative exposures (sum of lines 6 to 10)</b>   | <b>\$ -</b>      | <b>\$ 1</b>      | <b>\$ 1</b>      | <b>\$ 1</b>      | <b>\$ 1</b>      |
| <b>Other off-balance sheet exposures</b>  |                  |                  |                  |                  |                  |
| 17 Off-balance sheet exposure at gross notional amount  | \$ 13,804        | \$ 13,230        | \$ 12,884        | \$ 12,871        | \$ 12,380        |
| 18 (Adjustments for conversion to credit equivalent amounts)  | (12,310)         | (11,815)         | (11,504)         | (11,468)         | (11,052)         |
| <b>19 Off-balance sheet items (sum of lines 17 and 18)</b>  | <b>\$ 1,494</b>  | <b>\$ 1,415</b>  | <b>\$ 1,380</b>  | <b>\$ 1,403</b>  | <b>\$ 1,328</b>  |
| <b>Capital and Total Exposures</b>  |                  |                  |                  |                  |                  |
| 20 Tier 1 capital   | \$ 1,543         | \$ 1,524         | \$ 1,590         | \$ 1,565         | \$ 1,529         |
| 20a Tier 1 Capital with transitional arrangements for ECL provisioning not applied <sup>(1)</sup>                             | \$ 1,542         | \$ 1,523         | \$ 1,589         | \$ 1,563         | \$ 1,527         |
| 21 Total Exposures (sum of lines 5, 11, 16 and 19)  | \$ 29,854        | \$ 28,460        | \$ 28,958        | \$ 28,307        | \$ 27,749        |
| <b>Leverage Ratio</b>   |                  |                  |                  |                  |                  |
| 22 Basel III leverage ratio   | 5.2%             | 5.4%             | 5.5%             | 5.5%             | 5.5%             |
| 22a Leverage ratio with transitional arrangements for ECL provisioning not applied <sup>(1)</sup>                             | 5.1%             | 5.3%             | 5.5%             | 5.5%             | 5.5%             |

<sup>(1)</sup> Calculation of regulatory capital without the application of OSFI's transitional arrangements for expected credit losses being applied.

## B20 Disclosures

### Residential mortgage loans and Manulife One

MBC has a conservative and high quality mortgage loans portfolio. As at March 31, 2022, MBC had \$3.8 billion residential mortgage loans, of which \$3.3 billion (87%) were insured<sup>7</sup> and \$0.5 billion (13%) were uninsured. In addition, the Bank had \$17.2 billion of Manulife One loans of which \$4.0 billion (23%) were insured and \$13.2 billion (77%) were uninsured. Overall as at March 31, 2022, MBC had \$21.0 billion in residential mortgage and Manulife One mortgage loans of which \$7.3 billion (35%) were insured. All residential mortgage loans and Manulife One mortgage loans were originated in Canada.

The table outlining the residential mortgage loans and Manulife One portfolios by geographic region<sup>8</sup> and type is included in the quantitative disclosures below.

### Residential mortgage loans and Manulife One (fixed<sup>9</sup>) portfolios by amortization period

A summary of MBC's residential mortgage loans and Manulife One (fixed) by remaining amortization<sup>10</sup> period based on the contractual terms of the mortgage agreement is presented in the quantitative section below.

### Average loan-to-value (LTV) ratio

The LTV ratio factors in the amount of collateral value that supports the loan in comparison to the loan value. The LTV ratio on MBC's total uninsured residential mortgage portfolio, including HELOCs was 50% as at March 31, 2022 (December 31, 2021 – 49%). This calculation is weighted by mortgage balances and adjusted for property values based on the Teranet – National Bank National Composite House Price Index.

The Bank regularly monitors the credit quality of its portfolio and has implemented a program (PAM), where the Bank proactively takes corrective actions prior to loans going into arrears. The Bank also performs stress tests in order to assess the expected losses on the portfolio in a scenario of a severe shock to the real estate market. The tests indicate that MBC is well positioned to absorb credit losses resulting from conditions assumed in the stress tests.

The following provides a summary of the weighted average LTV ratio by geographic region<sup>11</sup> and type for newly originated and acquired uninsured mortgage loans and HELOCs (including refinances with increase in funds or limits) during the current period.

<sup>7</sup> Insured mortgage loans and Manulife One accounts refer to mortgage loans and accounts whereby the exposure to default is mitigated by insurance through the CMHC or other private mortgage default insurers.

<sup>8</sup> Region is based upon address of property mortgaged.

<sup>9</sup> Fixed represents the amortizing portion of the Manulife One account.

<sup>10</sup> Remaining amortization is the difference between the contractual amortization and the time elapsed since origination.

<sup>11</sup> Region is based upon address of property mortgaged.

## B20 - Mortgages by Province

|  | Q1 2022                |                          |                  |             | Q4 2021                |                          |                  |             | Q3 2021                |                          |                  |             |
|--|------------------------|--------------------------|------------------|-------------|------------------------|--------------------------|------------------|-------------|------------------------|--------------------------|------------------|-------------|
|  | Insured <sup>(2)</sup> | Uninsured <sup>(2)</sup> | Total            | Total %     | Insured <sup>(2)</sup> | Uninsured <sup>(2)</sup> | Total            | Total %     | Insured <sup>(2)</sup> | Uninsured <sup>(2)</sup> | Total            | Total %     |
| <b>Residential mortgages<sup>(1)</sup></b> |                        |                          |                  |             |                        |                          |                  |             |                        |                          |                  |             |
| Alberta                                    | \$ 716                 | \$ 48                    | \$ 764           | 20%         | \$ 610                 | \$ 42                    | \$ 652           | 18%         | \$ 588                 | \$ 38                    | \$ 626           | 18%         |
| Atlantic provinces                         | 212                    | 34                       | 246              | 7%          | 209                    | 32                       | 241              | 7%          | 199                    | 33                       | 232              | 7%          |
| British Columbia                           | 244                    | 43                       | 287              | 8%          | 237                    | 39                       | 276              | 8%          | 230                    | 37                       | 267              | 8%          |
| Manitoba                                   | 90                     | 5                        | 95               | 3%          | 87                     | 5                        | 92               | 3%          | 84                     | 5                        | 89               | 2%          |
| Ontario                                    | 669                    | 121                      | 790              | 20%         | 642                    | 118                      | 760              | 21%         | 629                    | 117                      | 746              | 22%         |
| Québec                                     | 1,235                  | 179                      | 1,414            | 37%         | 1,184                  | 165                      | 1,349            | 38%         | 1,162                  | 169                      | 1,331            | 39%         |
| Saskatchewan                               | 169                    | 17                       | 186              | 5%          | 146                    | 15                       | 161              | 5%          | 132                    | 16                       | 148              | 4%          |
| Territories                                | -                      | 1                        | 1                | 0%          | -                      | 1                        | 1                | 0%          | -                      | 1                        | 1                | 0%          |
| <b>Total</b>                               | <b>\$ 3,335</b>        | <b>\$ 448</b>            | <b>\$ 3,783</b>  | <b>100%</b> | <b>\$ 3,115</b>        | <b>\$ 417</b>            | <b>\$ 3,532</b>  | <b>100%</b> | <b>\$ 3,024</b>        | <b>\$ 416</b>            | <b>\$ 3,440</b>  | <b>100%</b> |
| <b>Manulife One</b>                        |                        |                          |                  |             |                        |                          |                  |             |                        |                          |                  |             |
| Alberta                                    | \$ 776                 | \$ 1,311                 | \$ 2,087         | 12%         | \$ 794                 | \$ 1,300                 | \$ 2,094         | 12%         | \$ 819                 | \$ 1,291                 | \$ 2,110         | 12%         |
| Atlantic provinces                         | 233                    | 537                      | 770              | 4%          | 246                    | 531                      | 777              | 5%          | 259                    | 523                      | 782              | 5%          |
| British Columbia                           | 596                    | 2,191                    | 2,787            | 17%         | 626                    | 2,180                    | 2,806            | 17%         | 657                    | 2,163                    | 2,820            | 17%         |
| Manitoba                                   | 100                    | 261                      | 361              | 2%          | 102                    | 252                      | 354              | 2%          | 106                    | 249                      | 355              | 2%          |
| Ontario                                    | 1,255                  | 6,439                    | 7,694            | 45%         | 1,310                  | 6,236                    | 7,546            | 44%         | 1,384                  | 6,060                    | 7,444            | 44%         |
| Québec                                     | 852                    | 2,086                    | 2,938            | 17%         | 883                    | 2,024                    | 2,907            | 17%         | 924                    | 1,984                    | 2,908            | 17%         |
| Saskatchewan                               | 194                    | 337                      | 531              | 3%          | 198                    | 337                      | 535              | 3%          | 207                    | 343                      | 550              | 3%          |
| Territories                                | -                      | 1                        | 1                | 0%          | -                      | 2                        | 2                | 0%          | -                      | 2                        | 2                | 0%          |
| <b>Total</b>                               | <b>\$ 4,006</b>        | <b>\$ 13,163</b>         | <b>\$ 17,169</b> | <b>100%</b> | <b>\$ 4,159</b>        | <b>\$ 12,862</b>         | <b>\$ 17,021</b> | <b>100%</b> | <b>\$ 4,356</b>        | <b>\$ 12,615</b>         | <b>\$ 16,971</b> | <b>100%</b> |
| <b>Q2 2021</b>                             |                        |                          |                  |             |                        |                          |                  |             |                        |                          |                  |             |
|  | Insured <sup>(2)</sup> | Uninsured <sup>(2)</sup> | Total            | Total %     | Insured <sup>(2)</sup> | Uninsured <sup>(2)</sup> | Total            | Total %     |                        |                          |                  |             |
| <b>Residential mortgages<sup>(1)</sup></b> |                        |                          |                  |             |                        |                          |                  |             |                        |                          |                  |             |
| Alberta                                    | \$ 578                 | \$ 34                    | \$ 612           | 18%         | \$ 568                 | \$ 32                    | \$ 600           | 18%         |                        |                          |                  |             |
| Atlantic provinces                         | 185                    | 30                       | 215              | 6%          | 171                    | 30                       | 201              | 6%          |                        |                          |                  |             |
| British Columbia                           | 225                    | 34                       | 259              | 8%          | 214                    | 32                       | 246              | 7%          |                        |                          |                  |             |
| Manitoba                                   | 83                     | 5                        | 88               | 3%          | 81                     | 5                        | 86               | 2%          |                        |                          |                  |             |
| Ontario                                    | 608                    | 109                      | 717              | 21%         | 584                    | 106                      | 690              | 21%         |                        |                          |                  |             |
| Québec                                     | 1,176                  | 158                      | 1,334            | 40%         | 1,244                  | 167                      | 1,411            | 42%         |                        |                          |                  |             |
| Saskatchewan                               | 122                    | 14                       | 136              | 4%          | 115                    | 14                       | 129              | 4%          |                        |                          |                  |             |
| <b>Total</b>                               | <b>\$ 2,977</b>        | <b>\$ 385</b>            | <b>\$ 3,362</b>  | <b>100%</b> | <b>\$ 2,977</b>        | <b>\$ 386</b>            | <b>\$ 3,363</b>  | <b>100%</b> |                        |                          |                  |             |
| <b>Manulife One</b>                        |                        |                          |                  |             |                        |                          |                  |             |                        |                          |                  |             |
| Alberta                                    | \$ 831                 | \$ 1,294                 | \$ 2,125         | 13%         | \$ 870                 | \$ 1,299                 | \$ 2,169         | 13%         |                        |                          |                  |             |
| Atlantic provinces                         | 262                    | 525                      | 787              | 5%          | 274                    | 519                      | 793              | 5%          |                        |                          |                  |             |
| British Columbia                           | 683                    | 2,149                    | 2,832            | 17%         | 726                    | 2,116                    | 2,842            | 17%         |                        |                          |                  |             |
| Manitoba                                   | 107                    | 249                      | 356              | 2%          | 113                    | 244                      | 357              | 2%          |                        |                          |                  |             |
| Ontario                                    | 1,344                  | 5,993                    | 7,337            | 43%         | 1,433                  | 5,789                    | 7,222            | 42%         |                        |                          |                  |             |
| Québec                                     | 909                    | 2,013                    | 2,922            | 17%         | 963                    | 1,998                    | 2,961            | 18%         |                        |                          |                  |             |
| Saskatchewan                               | 211                    | 341                      | 552              | 3%          | 222                    | 345                      | 567              | 3%          |                        |                          |                  |             |
| Territories                                | -                      | 2                        | 2                | 0%          | -                      | 2                        | 2                | 0%          |                        |                          |                  |             |
| <b>Total</b>                               | <b>\$ 4,347</b>        | <b>\$ 12,566</b>         | <b>\$ 16,913</b> | <b>100%</b> | <b>\$ 4,601</b>        | <b>\$ 12,312</b>         | <b>\$ 16,913</b> | <b>100%</b> |                        |                          |                  |             |

<sup>(1)</sup> Residential mortgages exclude Manulife One accounts.

<sup>(2)</sup> The amounts presented for residential mortgages and Manulife One are gross of allowance for expected credit losses.

## B20 - Average LTV Ratios for Uninsured Residential and Manulife One Mortgages Originated During the Quarter

| Average LTV ratio % | Q1 2022                              |                      |                             |            | Q4 2021                              |                      |                             |            | Q3 2021                              |                      |                             |            |
|---------------------|--------------------------------------|----------------------|-----------------------------|------------|--------------------------------------|----------------------|-----------------------------|------------|--------------------------------------|----------------------|-----------------------------|------------|
|                     | Residential mortgages <sup>(1)</sup> |                      | Manulife One <sup>(2)</sup> |            | Residential mortgages <sup>(1)</sup> |                      | Manulife One <sup>(2)</sup> |            | Residential mortgages <sup>(1)</sup> |                      | Manulife One <sup>(2)</sup> |            |
|                     | Revolving <sup>(3)</sup>             | Fixed <sup>(3)</sup> | Total                       | Total      | Revolving <sup>(3)</sup>             | Fixed <sup>(3)</sup> | Total                       | Total      | Revolving <sup>(3)</sup>             | Fixed <sup>(3)</sup> | Total                       | Total      |
| Alberta             | 63%                                  | 58%                  | 14%                         | 72%        | 64%                                  | 56%                  | 17%                         | 73%        | 70%                                  | 57%                  | 16%                         | 73%        |
| Atlantic provinces  | 69%                                  | 54%                  | 16%                         | 70%        | 66%                                  | 54%                  | 15%                         | 69%        | 66%                                  | 58%                  | 14%                         | 72%        |
| British Columbia    | 62%                                  | 51%                  | 6%                          | 57%        | 56%                                  | 53%                  | 7%                          | 60%        | 58%                                  | 53%                  | 8%                          | 61%        |
| Manitoba            | 74%                                  | 61%                  | 14%                         | 75%        | 60%                                  | 61%                  | 12%                         | 73%        | 55%                                  | 60%                  | 15%                         | 75%        |
| Ontario             | 60%                                  | 52%                  | 9%                          | 61%        | 62%                                  | 54%                  | 9%                          | 63%        | 61%                                  | 54%                  | 10%                         | 64%        |
| Quebec              | 59%                                  | 59%                  | 13%                         | 72%        | 57%                                  | 60%                  | 12%                         | 72%        | 63%                                  | 60%                  | 12%                         | 72%        |
| Saskatchewan        | 68%                                  | 57%                  | 17%                         | 74%        | 84%                                  | 58%                  | 13%                         | 71%        | 63%                                  | 57%                  | 14%                         | 71%        |
| Territories         | 0%                                   | 0%                   | 0%                          | 0%         | 0%                                   | 0%                   | 0%                          | 0%         | 0%                                   | 0%                   | 0%                          | 0%         |
| <b>Average</b>      | <b>62%</b>                           | <b>54%</b>           | <b>10%</b>                  | <b>64%</b> | <b>60%</b>                           | <b>55%</b>           | <b>10%</b>                  | <b>65%</b> | <b>62%</b>                           | <b>55%</b>           | <b>10%</b>                  | <b>65%</b> |

| Average LTV ratio % | Q2 2021                              |                      |                             |            | Q1 2021                              |                      |                             |            |
|---------------------|--------------------------------------|----------------------|-----------------------------|------------|--------------------------------------|----------------------|-----------------------------|------------|
|                     | Residential mortgages <sup>(1)</sup> |                      | Manulife One <sup>(2)</sup> |            | Residential mortgages <sup>(1)</sup> |                      | Manulife One <sup>(2)</sup> |            |
|                     | Revolving <sup>(3)</sup>             | Fixed <sup>(3)</sup> | Total                       | Total      | Revolving <sup>(3)</sup>             | Fixed <sup>(3)</sup> | Total                       | Total      |
| Alberta             | 73%                                  | 59%                  | 13%                         | 72%        | 68%                                  | 56%                  | 17%                         | 73%        |
| Atlantic provinces  | 68%                                  | 53%                  | 18%                         | 71%        | 73%                                  | 51%                  | 23%                         | 74%        |
| British Columbia    | 69%                                  | 53%                  | 9%                          | 62%        | 73%                                  | 52%                  | 9%                          | 61%        |
| Manitoba            | 27%                                  | 61%                  | 15%                         | 76%        | 45%                                  | 61%                  | 15%                         | 76%        |
| Ontario             | 64%                                  | 54%                  | 11%                         | 65%        | 63%                                  | 53%                  | 12%                         | 65%        |
| Quebec              | 68%                                  | 59%                  | 13%                         | 72%        | 70%                                  | 59%                  | 14%                         | 73%        |
| Saskatchewan        | 68%                                  | 54%                  | 19%                         | 73%        | 77%                                  | 53%                  | 21%                         | 74%        |
| Territories         | 79%                                  | 0%                   | 0%                          | 0%         | 0%                                   | 0%                   | 0%                          | 0%         |
| <b>Average</b>      | <b>68%</b>                           | <b>55%</b>           | <b>12%</b>                  | <b>67%</b> | <b>68%</b>                           | <b>54%</b>           | <b>13%</b>                  | <b>67%</b> |

<sup>(1)</sup> LTV is calculated using the outstanding amount and weighted by the outstanding amount of each loan.

<sup>(2)</sup> Manulife One comprising of both revolving and fixed components is secured by the same collateral (residential property).

<sup>(3)</sup> LTV is calculated based on the authorized limit for revolving component and outstanding amount for the fixed component of Manulife One accounts and weighted by the total borrowing limit for each account. For the revolving component of Manulife One accounts, the average LTV ratio based on the outstanding amount and weighted by total outstanding amount for Manulife One accounts is 41% compared to 54% based on the authorized limits for the three month period ended March 31, 2022, and 42% compared to 55% based on the authorized limits for the three month period ended December 31, 2021.

## B20 - Mortgages by Amortization Period

|                      | Residential mortgages |             |             |             |             | Manulife One (fixed) |             |             |             |             |
|----------------------|-----------------------|-------------|-------------|-------------|-------------|----------------------|-------------|-------------|-------------|-------------|
|                      | Q1 2022               | Q4 2021     | Q3 2021     | Q2 2021     | Q1 2021     | Q1 2022              | Q4 2021     | Q3 2021     | Q2 2021     | Q1 2021     |
| Less than 20 years   | 22%                   | 22%         | 22%         | 22%         | 22%         | 26%                  | 26%         | 26%         | 26%         | 26%         |
| 20-25 years          | 73%                   | 73%         | 73%         | 72%         | 73%         | 50%                  | 51%         | 50%         | 50%         | 50%         |
| 25-30 years          | 5%                    | 5%          | 5%          | 6%          | 5%          | 22%                  | 22%         | 23%         | 22%         | 22%         |
| 30 years and greater | 0%                    | 0%          | 0%          | 0%          | 0%          | 2%                   | 1%          | 1%          | 2%          | 2%          |
| <b>Total</b>         | <b>100%</b>           | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b>          | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |

## Glossary

### Basel III framework

- Pillar 1 – CAR: Outlines methodologies to calculate capital and set minimum capital requirements;
- Pillar 2 – Supervisory Review: Requires banks to maintain a formal internal capital adequacy assessment process, subject to supervisory review; and
- Pillar 3 – Market Discipline: Complements other pillars by providing enhanced public disclosures to enable market participants to understand the risk profile of the bank and assess the application of Basel III capital requirements.

### Risk weighted assets (“RWA”)

Under Basel III, OSFI requires banks to meet minimum risk-based capital requirements for exposures to credit risk, operational risk and market risk, where there are significant trading activities. Risk-weighted assets are calculated for each of these types of risks and added together to determine total risk weighted assets.

### Common Equity Tier 1 (“CET1”) capital

Comprised mainly of common shares, retained earnings and AOCI, net of applicable regulatory adjustments.

### Additional Tier 1 capital

Consists of Tier 1 instruments issued that do not meet the criteria of CET1, contributed surplus from the issuance of instruments not included in CET1, instruments issued by consolidated subsidiaries not included in CET1, net of applicable regulatory adjustments.

### Tier 2 capital

Consists of eligible general allowances and subordinated debt, net of applicable regulatory adjustments.

### Capital ratios

Regulatory capital ratios are calculated by dividing CET1, Tier 1 and Total Capital by risk-weighted assets. In addition to the CET1, Tier 1 and Total Capital Ratios, Canadian Deposit-taking Institutions are required to ensure that a Leverage Ratio meets a minimum level prescribed by OSFI. All items that are deducted from capital are excluded from total assets.

### Leverage ratio

The Leverage Ratio is calculated by dividing the Bank’s Tier 1 Capital by the Bank’s Total Exposure. The Bank’s Total Exposure is the sum of the following: (a) on-balance sheet exposures; (b) derivative exposures; (c) securities financing transaction exposures; and (d) off-balance sheet exposures.

### Efficiency ratio

The ratio represents total money expended to earn a dollar of revenue i.e. a ratio of expense to revenue. A low ratio indicates that the Bank has been efficiently utilizing its resources.