



Community Trust Company

Basel III Pillar 3 Disclosures
June 30, 2018

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Part 1 - Scope of Application

Community Trust Company (“CTC” or the “Company”) is a federally regulated company licensed under the Trust and Loan Companies Act (Canada) (the “Act”) and is incorporated and domiciled in Canada. The Company provides estate, trust, deposit, loan and mortgage services including guaranteed investment certificates, registered saving plans, personal loans and residential and non-residential mortgages. CTC participates in the National Housing Authority (“NHA”) Mortgage Backed Security (“MBS”) and Canada Mortgage Bond (“CMB”) programs. CTC is a private company.

This document fulfills a key requirement of the Basel III Framework, encouraging market discipline by allowing market participants to assess increased disclosure surrounding both the risk management framework and the capital adequacy of the Company.

Basis of preparation

This document represents CTC’s Basel III Pillar 3 disclosure made pursuant to the Office of the Superintendent of Financial Institutions (“OSFI”) requirements, which are based on global standards established by the Bank of International Settlements, Basel Committee on Banking Supervision (“BCBS”).

The amounts disclosed in this document for the period December 31, 2017 are audited, the Company’s quarterly interim consolidated financial statements are unaudited, and reflect the financial position and results of operations of the Company consolidated with the financial position and results of operations of its special purpose entity. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), including the accounting requirements specified by the OSFI, and reflect, where necessary, management’s best estimates and judgments. This report and the disclosures within it are unaudited.

The Pillar 3 Disclosures along with the Company’s financial information are presented in Canadian dollars. Except as otherwise indicated, financial information presented in Canadian dollars has been rounded to the nearest thousand.

Significant subsidiaries

The Company owns a subsidiary that holds real estate property for use by the Company. The subsidiary’s results are consolidated into the results of the Company.

Statement of Risk Appetite

Risk appetite is an expression of the level of risk that CTC is prepared to accept to achieve its business objectives. CTC takes a conservative approach to risk and integrates this approach within its business model and strategic objectives.

Verification

The *Pillar 3 Disclosures* are not required to be subjected to external audit. The disclosures are verified and approved through internal reporting procedures of the Company.

Comparison with the Company's Annual Report

The *Pillar 3 Disclosures* have been prepared in accordance with regulatory capital adequacy concepts and rules, as applicable, and otherwise prepared in accordance with *International Financial Reporting Standards* ("IFRS") which is the basis on which the Company's financial statements are prepared.

The preparation of the *Pillar 3 Disclosures* along with the Company's financial statements in conformity with IFRS require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in respective notes of the Company's Annual Report. Questions in respect of the Company's Annual Report or disclosures provided in this document should be directed to the Company's Chief Financial Officer.

Part 2 - Basel and Community Trust Company

The Basel II framework consists of three pillars each of them concentrating on a different aspect of banking regulation.

- Pillar 1 makes recommendations for calculation of minimum capital requirements.
- Pillar 2 discusses the key principles of supervisory review and risk management guidance.
- Pillar 3 complements the first two pillars of Basel II by requiring a range of disclosures on capital and risk assessment processes, aimed at encouraging and reinforcing market discipline. Basel III requires enhanced disclosure specifically as it relates to capital disclosures.

Corporate Governance

The Company maintains a strong culture of corporate governance through its Board oversight structure, which includes the following Board committees:

- Executive Committee
- Credit Review Committee
- Conduct Review and Compensation Committee
- Audit Committee
- Governance and Compliance Committee
- Risk Review Committee

The Company seeks to achieve long-term sustainable risk adjusted growth to ensure its health and stability of earnings while protecting its brand, reputation and the interests of its depositors and customers and investors.

The Board of Directors (“Board”) ensures that:

- Management of regulatory compliance and aims to be fully compliant with the regulatory limits, constraints, and requirements within the respective specified timeframes.
- Maintenance of capital adequacy as required by the regulators.
- Sound and successful management of risks that the Company is exposed to, mainly, but not limited to: credit, competition, funding and liquidity, interest rate, media and reputational, operational, and regulatory risks.
- Maintenance of a stable and strong risk profile and the elimination of risks not central to the business strategy.

Risk Management

The Company’s Management and Board have developed and approved a Capital Management Policy in accordance with its Enterprise Risk Management Framework (“ERM”) which includes the Company’s risk appetite framework and stress testing program. Adherence to the Capital Management Policy ensures that the Company has sufficient capital to maintain its operations based on current activities, expected business developments in the future and the possibility of various disruptive or adverse scenarios. Such scenarios include periods of economic downturn and/or asset re-pricing. In addition, in accordance with the Company’s annual strategic planning, a 3-year forecast is prepared and provides guidance as to the type and extent of capital that will be required over this period of time.

The Company uses the Internal Capital Adequacy Assessment Process (“ICAAP”) to determine the quantity and quality of capital to conduct its business activities. In preparing the ICAAP, the high-risk areas established in the ERM are subject to stress testing which incorporates assumptions established in the annual strategic planning process. The results of the stress tests help to determine the magnitude of capital required to enable management and the Board to set capital levels appropriate with the Company’s risk appetite.

The Company’s Risk Review Committee (“RRC”) is responsible for overseeing the types of risk to which the Company may be exposed and of the techniques and systems used to identify, measure, monitor, report on and mitigate those risks. It is also responsible for reviewing capital management plans recommended by Management.

Capital Adequacy

The Company’s objectives with respect to capital management are to comply with capital requirements set by the regulator, to safeguard the Company’s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the development of the business.

Capital levels for Canadian Financial Institutions are regulated pursuant to guidelines issued by OSFI, based on standards issued by the Bank for International Settlements, Basel Committee on Banking Supervision. Regulatory capital is allocated to two tiers: Tier 1 and Tier 2. Tier 1 capital comprises the more permanent components of capital and consists primarily of common shareholders’ equity and

non-cumulative preferred shares. Tier 2 capital consists of subordinated debentures. Total capital is defined as the sum of Tier 1 and Tier 2 capital.

The Company continues to enhance its ICAAP which examines a number of risks which generally are not included in the standardized asset risk weighting model. Internally this model is used to determine additional capital which it may need to be set aside to address these risks.

The responsibility for overall capital allocation principles and decisions rests with the Company's Board. The Board monitors total capital against all material risks identified with respect to the Company's business lines. Through the internal governance processes, the Company's senior management is responsible for the investment and capital allocation decisions and assessments, and ensures that returns on investment are adequate after taking account of capital (capital vs. risk) requirements. The strategy is to allocate capital to business lines on the basis of their economic profit generation, and regulatory and economic capital requirements. The Company prepares its business 'baseline' forecasts (by months) including capital forecasts within its Annual Budget and Capital planning process.

In addition to the Tier 1 and Total capital ratios, Canadian financial institutions are required to ensure that their Leverage Ratio does not breach a minimum level prescribed by OSFI. The Company's Leverage Ratio remains above the minimum prescribed by OSFI.

Capital Growth

During the previous year, \$5,000 in new capital was contributed, in exchange for new shares of the company to support ongoing growth requirements.

Part 3 – General Disclosures

Capital Structure

The Company's internal capital consists of Common Equity Tier 1 capital and Additional Tier 1 capital.

- Common Equity Tier 1 capital consists of common shares and retained earnings.
- Additional Tier 1 capital consists of preferred shares
- The Company has authorized an unlimited number of common shares. As of June 30, 2018, the Company had 3,220,637 common shares issued and outstanding.
- The Company calculates its regulatory capital ratios in accordance with OSFI's Capital Adequacy Guidelines.
- As of Q1-2018 Capital calculations and Risk Weighted Assets calculations on a transitional basis are no longer an OSFI requirement

Capital Structure				
All-In Basis	Sep-30	Dec-31	Mar-31	Jun-30
\$ 000's	2017	2017	2018	2018
Common shares	30,385	30,385	30,385	30,385
Retained earnings	34,177	35,990	38,246	40,474
Accumulated other income (and other reserves)	0	0	0	0
Regulatory adjustments	(961)	(1,393)	(1,324)	(1,264)
Common Equity Tier 1 Capital	63,601	64,982	67,307	69,595
Non - cumulative perpetual preferred shares	12,997	12,997	12,997	12,997
Additional Tier 1 capital	12,997	12,997	12,997	12,997
Net Tier 1 Capital	76,598	77,978	80,304	82,592
Book value of unsecured subordinated debt	-	-	-	-
Less: accumulated amortization for capital adequacy purposes	-	-	-	-
Eligible Stage 1 and Stage 2 Allowance ¹	-	-	2,967	2,925
Tier 2 capital	-	-	2,967	2,925
Total Regulatory capital	76,598	77,978	83,271	85,517

Risk-weighted assets

The Company's risk-weighted assets include all on-balance sheet assets weighted for the risk inherent in each type of asset, an operational risk component based on a percentage of average risk-weighted. The Company uses the standardized approach for credit risk for all on-balance sheet assets, basic indicator approach for operational risk and the standardized approach for market risk.

The Company's investment securities may consist of bank debt securities, government and provincial debt securities and corporate debt securities and publicly traded corporate equities. Investment securities have risk-weightings ranging from 0% to 100% based on their credit rating. Mortgages receivables, consisting of residential mortgages, have a risk-weighting of 35%. All other assets are risk-weighted at 100%.

¹ Effective January 1, 2018, Capital Adequacy Requirements permit the addback of Stage 1 and Stage 2 Allowance to Tier 2 Capital

Weighted Assets				
All-In Basis Risk - Weighted Assets \$ 000's	Sep-30 2017	Dec-31 2017	Mar-31 2018	Jun-30 2018
Equities	-	-	-	-
Deposits with regulated financial institutions	46,408	41,986	49,907	48,326
Residential mortgages	243,479	232,647	234,832	242,700
Residential reverse mortgages	106	107	109	0
Non-residential mortgages	155,678	137,848	150,621	165,421
Other assets	58,759	58,862	58,667	59,080
	504,430	471,450	494,136	515,527
Off-balance sheet exposure	-	-	-	-
Credit risk	504,430	471,450	494,136	515,527
Operational risk (average three-year gross income)	35,463	39,088	42,063	45,863
Total risk - weighted assets	539,893	510,538	536,199	561,390

Leverage Ratio (in \$000's)	Sep-30 2017	Dec-31 2017	Mar-31 2018	Jun-30 2018
Tier 1 capital	76,598	77,978	80,304	82,592
Total Exposures	1,013,740	989,627	1,028,199	1,054,533
Leverage ratio	7.56%	7.88%	7.81%	7.83%

Capital ratios				
ALL-IN BASIS	Sep-30 2017	Dec-31 2017	Mar-31 2018	Jun-30 2018
Common Equity Tier 1 Capital Ratio	11.78%	12.73%	12.55%	12.40%
Tier 1 Capital Ratio	14.19%	15.27%	14.98%	14.71%
Total Capital Ratio	14.19%	15.27%	15.53%	15.23%

The Company complied with the OSFI guideline related to capital ratios and Leverage. Both the Tier 1 and Total Capital Ratios remain above OSFI's stated minimum capital ratios of 7% and 10.5%, respectively, for a well-capitalized financial institution.

Credit Risk

Basel III applies three approaches to the calculation of Pillar 1 Credit Risk capital requirements. The basic level, the Standardized Approach, requires the use of external credit ratings to determine the risk weightings applied to rated counterparties. Other counterparties are grouped into broad categories and standardized risk weightings are applied to these categories. The remaining approaches are the Foundation Internal Ratings Based Approach (IRB) and the Advanced IRB Approach. In the Foundation IRB banks are allowed to develop their own empirical model to estimate the probability of default for individual clients or groups of clients. In the Advanced IRB banks develop their own empirical model to quantify required capital for credit risk (including probability of default, exposure at default, loss given default and risk weighted assets).

The Company applies the Standardized approach.

The Company performs regular monitoring of its risks, assessments, and related action plans. Senior management and the Board obtain information that allows them to keep informed regarding the effectiveness of their risk management process and activities. The RRC assists the Board in fulfilling these responsibilities.

Credit risk is the potential for financial loss if a borrower or counterparty in a transaction fails to meet its obligations in accordance with agreed terms. Credit risk on cash and cash equivalents is mitigated by maintaining cash balances at Schedule I Canadian chartered banks. Credit risk on the mortgage loans is mitigated by following Board-approved underwriting policies. Each mortgage originated is limited in maximum dollar amount and loan-to-value ratio in accordance with internal guidelines.

Cash Resources and Securities				
	Sep-30	Dec-31	Mar-31	Jun-30
\$ 000's	2017	2017	2018	2018
Cash and non-interest bearing deposits with banks	36,251	22,943	56,773	57,374
Equities	-	-	-	-
	36,251	22,943	56,773	57,374

Exposure by Loan Types				
	Sep-30	Dec-31	Mar-31	Jun-30
\$ 000's	2017	2017	2018	2018
Single family - residential mortgages	696,329	664,091	667,532	687,310
Multi-family residential mortgages	77,002	65,521	81,929	95,206
Non-Residential mortgages	65,984	62,704	59,568	59,123
Total mortgages	839,315	792,316	809,029	841,639
Personal loans	-	-	-	-
Commercial loans	223	771	398	188
Total loans	223	771	398	188
Total lending	839,538	793,087	809,427	841,827

Impaired Loans

The following table shows mortgages which management considers impaired, and the appraised value of those underlying properties. Mortgages are classified as impaired when, in the opinion of Management, there is reasonable doubt as to the collectability, either in whole or in part, of principal and/or interest.

Impaired Loans				
	Sep-30	Dec-31	Mar-31	Jun-30
\$ 000's	2017	2017	2018	2018
Mortgage principal plus accrued interest	3,275	2,765	10,311	8,146
Individual allowances	(140)	(155)	(175)	(176)
	3,135	2,610	10,136	7,970
Appraised value of underlying properties	5,900	5,765	15,398	11,686

Allowance for Mortgage Losses

The allowance for mortgage losses is maintained at a level that is considered adequate to absorb incurred losses to the mortgage loan portfolio. A mortgage allowance is recorded when, in the opinion of management, there is no longer reasonable assurance of the collection of the full amount of principal and interest. Mortgage allowances, in an amount that approximates the present value of projected future cash flow shortfalls, are determined based on mortgage loans outstanding and the most recently adjusted appraised value of the underlying properties. The Company has both individual and Expected Credit Loss Allowances as described below.

Individual Allowances

Individual allowances are recorded when, due to identified conditions specific to a particular mortgage, management believes there is no longer reasonable assurance of the collection of the full amount of principal and interest. The Company only reports loans in arrears less than 30 days, where at the end of the subsequent month the loan has moved into the greater than 30 days arrears category.

Expected Credit Loss Allowances

Expected Credit Loss Allowances are provided for losses incurred within the mortgage portfolio but not yet specifically identified and therefore not yet captured in the determination of individual allowances. The Company follows a methodology in assessing its Expected Credit Loss Allowances which considers industry conditions, market conditions, arrears, and trends as well as its own loss history, and considers the impact on the lending portfolio.

Expected Credit Loss Allowances				
	Sep-30	Dec-31	Mar-31	Jun-30
\$ 000's	2017	2017	2018	2018
Individual allowances				
Balance, beginning of year/quarter	140	140	155	175
Provision for credit losses	-	15	35	36
Write-offs	-	-	-	0
Recoveries	-	-	(15)	(35)
Balance, end of year/ quarter	140	155	175	176
Expected Credit Loss Allowances				
Balance, beginning of year/quarter	3,216	3,202	3,129	2,961
Provision for credit losses	(14)	(73)	(168)	66
Balance, end of year / quarter	3,202	3,129	2,961	3,027
Total allowances	3,342	3,284	3,136	3,203
As a % of total mortgages outstanding	0.84%	0.89%	0.81%	0.78%

Operational Risks

Basel II includes capital requirements for operational risk, again utilizing three levels of sophistication. The capital required under the basic indicator approach is a simple percentage of gross revenues, whereas under the standardized approach, it is one of three different percentages of gross revenues allocated to each business line. Both these approaches use an average of the last three financial years' revenues. Finally, the Advanced Measurement Approach, is based on an internally developed risk measurement framework that prescribes the use of (i) Internal loss data (ILD), (ii) External data (ED), (iii) Scenario analysis, and Business environment and internal control factors.

The Company applies the basic indicator approach in determining its operational risk.

In order to ensure that CTC's operational risk does not exceed expected tolerance levels due to the increased volumes detailed in the three-year business plan, CTC undertakes the following actions:

- Ongoing implementation of CTC's ERM solution allows for the monitoring of all types of risks and controls;
- Ongoing implementation of an Operational Risk Framework and Policy;
- Ongoing implementation of a Vendor Management Committee;
- Updating the IT internal control framework and comprehensively documenting IT policies, guidelines and procedures; and
- Revisions, testing and updates to CTC's Business Continuity Plan and Disaster Recovery Plan to reflect updated Recovery Time and Recovery Point objectives derived from company-wide Business Impact Analysis.

CTC uses the Basel Basic Indicator Approach to assess Operational Risk capital requirements.

While operational risk can be monitored and minimized through a sound internal control structure, CTC recognizes that this risk can never be fully eliminated, as such, Management has internally identified its operational risk exposures in its ICAAP. This additional capital covers the additional risk surrounding new IT system implementation risk and cyber risk.

Securitization Risk

Securitization Risk is the risk of credit related losses greater than expected due to a securitization failing to operate as anticipated, or of the values and risks accepted or transferred, not emerging as expected.

CTC is an active issuer in the MBS and CMB programs. As an issuer the Company generates or acquires mortgage products that are CMHC insured and arranges for the pooling of such mortgages into MBS that also carry a Government of Canada guarantee. The Company utilizes a servicing agent that collect mortgage payments monthly and then distribute principal amounts collected and interest payable on the security.

CTC purchases and sells third party originated CMHC Mortgages in order to manage credit risk and improve capital ratios, as well as to generate liquidity and income for the Company.

Through the program, CTC issues securities backed by multi-family residential mortgages that are insured against borrowers' default. Once the mortgages are securitized, CTC assigns underlying mortgages to CMHC. As an issuer of MBS, CTC is responsible for advancing all scheduled principal and interest payments to CMHC, including transfer or payment in the event the amounts have not been collected on the underlying mortgages, and then recovers these amounts from the borrower.



The sale of mortgages under the above programs results in derecognition of the mortgages under IFRS accounting standards, as CTC does not retain the prepayment and interest rate risk associated with the mortgages, which represents the transfer of significant risk and rewards associated with the transferred assets. In securitization transactions where the MBS qualify for derecognition, the Company retains the interest-only strip, which consists of the interest differential between the interest earned on the underlying mortgages and the MBS coupon. The securitization retained interests are classified as loans and receivables in the consolidated statements of financial position and are subsequently measured at amortized cost using the effective interest rate method. The Company assesses at each reporting date whether there is objective evidence that the securitization retained interests are impaired.

The following are the Company's positions held on its securitized assets and liabilities:

\$ 000's	Sep-30 2017	Dec-31 2017	Mar-31 2018	Jun-30 2018
Carrying amount of mortgages securitized and sold	1,585,655	1,585,520	1,627,054	1,706,730
Carrying value of securitization retained interests	44,172	44,504	43,700	43,746
Fair value of derivative assets	19,982	18,612	18,716	17,747
Fair value of derivative liabilities	19,982	18,612	18,716	17,747
Net position on derivatives	-	-	-	-

Equity Risk

The Company's equity risk is driven by market factors impacting the value of the Securities Investment Portfolio ("Portfolio"), such as, but not limited to movements in; foreign exchange, commodity prices, interest rates, credit spread and equity prices that may negatively impact the income or the value of the underlying Portfolio.

The risk relating to the Portfolio is the uncertainty associated with the valuation of assets arising from changes in equity markets. The portfolio is intended to be held for a longer term to provide both income and capital appreciation. In recognition of the higher market risk associated with this portfolio the company has established higher return objectives. CTC restricts the total Portfolio to 60% of its regulatory capital. In accordance with policy, CTC utilizes loss mitigation strategies to prevent any potential negative effects that would otherwise result in loss of capital.

Effective Q1-2016, CTC disposed of the positions in its Securities Investment Portfolio and has not since reinvested in this portfolio.

The Board of Directors monitors total capital against all material risks identified with respect to the Company's business lines. Through the internal governance processes, the Company's senior management is responsible for the investment and capital allocation decisions and assessments, and ensures that returns on investment are adequate after taking account of capital (capital vs. risk) requirements.

Interest Rate Risk

The Company's operating margin is primarily derived from the spread between interest earned on the mortgage portfolio and the interest paid on the debt and deposits used to fund the portfolio. Mortgages have various interest rate reset terms, ranging from variable to five-year.

The Company's Asset Liability and Capital Committee is responsible for monitoring, managing and reporting interest rate risk in accordance with Board approved policies. Compliance with various internal limits for net interest income and market value sensitivities are reported to the Risk Review Committee which has the oversight responsibility for risk practices.

The Company is exposed to interest rate risk as a result of the mismatch, or gap, between the maturity or reprising date of interest sensitive assets and liabilities. The following table identifies the Company's assets and liabilities which are sensitive to interest rate movements and those which are non-interest rate sensitive.

Interest Sensitive and Non-Sensitive Asset and Liabilities				
	Sep-30	Dec-31	Mar-31	Jun-30
\$ 000's	2017	2017	2018	2018
Interest sensitive				
Total assets	911,050	854,452	924,833	951,731
Total liabilities and equity	866,606	840,712	869,308	885,075
Total interest rate sensitivity gap	44,444	13,740	55,525	66,656
Non-interest sensitive				
Total assets	76,246	109,096	75,614	74,889
Total liabilities and equity	120,690	122,836	131,139	141,545
Total interest rate sensitivity gap	(44,444)	(13,740)	(55,525)	(66,656)

Interest rate sensitivity

The following table provides the potential after-tax impact of an immediate and sustained 100 bps increase or decrease in interest rates on Net income. These sensitivities are hypothetical and should be used with caution.

BPS Increases and Decreases				
	Sep-30	Dec-31	Mar-31	Jun-30
\$ 000's	2017	2017	2018	2018
After-tax impact on Net income of:				
100 bps increase in interest rates	1,514	1,772	1,538	183
100 bps decrease in interest rates	(1,514)	(1,772)	(1,485)	(183)
300 bps increase in interest rates	4,541	4,780	4,611	548
300 bps decrease in interest rates	(4,541)	(4,780)	(3,871)	(548)

Additional disclosures

OSFI B-20 Guideline

The Company discloses information in respect of its residential mortgage portfolio in accordance with the OSFI B-20 Residential Mortgage Underwriting Practices and Procedures Guideline, November 2014. The Company also discloses, in accordance with Capital Disclosure requirements of OSFI, the main features of its regulatory capital instruments. Both of these additional disclosures can be found on the Company's website at www.communitytrust.ca.

Remuneration

CTC is subject to data protection legislation when disclosing remuneration information. The Personal Information Protection and Electronic Documents Act prohibits disclosing information that may result in individual information being easily identifiable. Remuneration disclosures are therefore made on a limited basis in terms of any public or company-wide circulation. All necessary information will be made available to OSFI upon request.

The Company's Conduct Review and Compensation Committee is responsible for oversight of the compensation pertaining to senior management, with ultimate responsibility borne by the Board. The Company's Compensation Management Policy outlines the principles to which the Board ensures alignment to. These principles are aligned with the Financial Stability Board's Principles for Sound Compensation Practices.

The Compensation Management Policy outlines the requirements for remuneration packages to be consistent within its business strategy, current financial condition, and long-term growth objectives.

The Company's compensation structure is based on a combination of fixed pay (salary and benefits) and performance related incentives linked to company-wide measures, as well as the seniority and nature of an individual's employment. Performance measurements used to calculate variable remuneration are therefore adjusted to take into account current or potential risks to the Company, and are consistent with the need to retain a strong capital base.

For the year ended 2017, the total amount of all salaries, bonuses and long term incentives and other remuneration for key management employees whose actions have a material impact on the risk exposure of the Company, and members of the Board of Directors, was \$2.0 million.

Appendix 1 – Basel III Capital Disclosures – June 30, 2018

(in thousands of Canadian dollars, except %)		
Summary comparison of accounting assets vs leverage ratio exposure		
	Item	In Canadian dollars
1	Total consolidated assets as per published financial statements	1,026,620
2	Adjustment for investments in banking, financial, insured and/or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	3,202
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	(1,264)
4	Adjustments for derivative financial instruments	18,882
5	Adjustment for securities financial transactions (i.e. repo assets and similar secured lending)	0
6	Adjustment for off balance-sheet items (i.e., credit equivalent amounts of off-balance sheet exposures)	7,092
7	Other Adjustments	0
8	Leverage Ratio Exposure	1,054,532

Appendix 2 – BCBS Leverage Ratio Disclosures – June 30, 2018

(in thousands of Canadian dollars, except %)

Leverage Ratio Common Disclosure		
	Item	Leverage Ratio Framework
On-balance sheet exposures		
1	On-balance sheet items (excluding derivative and SFTs, but including collateral)	1,012,075
2	(Assets amounts deducting determining Basel III Tier 1 Capital)	(1,264)
3	Total on-balance sheet exposures (excluding derivative and SFTs) (sum of lines 1 and 2)	1,010,811
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	17,747
5	Add-on amounts for PFE associated with all derivatives transactions	18,882
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	Total derivative exposures (sum of lines 4 to 10)	36,629
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	CCR exposure for SFT assets	
15	Agent transaction exposures	
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	28,562
18	(Adjustments for conversion to credit equivalent amounts)	(21,470)
19	Off-balance sheet items (sum of lines 17 and 18)	7,092
Capital and total exposures		
20	Tier 1 capital	82,592
21	Total exposures (sum of lines 3, 11, 16 and 19)	1,054,532
Leverage ratio		
22	Basel III leverage ratio	7.83%