



# **Community Trust Company**

Basel III Pillar 3 Disclosures

September 30, 2020

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## Part 1 - Scope of Application

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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, 2019 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**

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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 makes an adjustment to add back Stage 1 and Stage 2 Expected Credit Loss (“ECL”) allowance. 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.

## **Part 3 – General Disclosures**

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### **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.
- The Company has authorized an unlimited number of common shares. As of December 31, 2019, the Company had 4,857,122 common shares issued and outstanding.
- The Company calculates its regulatory capital ratios in accordance with OSFI’s Capital Adequacy Guidelines.

Capital Structure				
All-In Basis	Dec-31	Mar-31	Jun-30	Sep-30
(in \$000's)	2019	2020	2020	2020
Common shares	120,303	124,146	127,551	130,899
Retained earnings	8,433	7,059	6,796	9,736
Accumulated other income (and other reserves)	-	-	-	-
Regulatory adjustments	(2,597)	(2,217)	(2,149)	(2,608)
Common Equity Tier 1 Capital	126,139	128,989	132,198	138,027
Net Tier 1 Capital	126,139	128,989	132,198	138,027
Eligible Stage 1 and Stage 2 Allowance	3,248	3,527	3,539	2,878
Tier 2 capital	3,248	3,527	3,539	2,878
Total Regulatory Capital	<b>129,387</b>	<b>132,515</b>	<b>135,737</b>	<b>140,905</b>

### 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%.

Weighted Assets				
All-In Basis Risk - Weighted Assets (in \$000's)	Dec-31 2019	Mar-31 2020	Jun-30 2020	Sep-30 2020
Equities	-	-	-	-
Deposits with regulated financial institutions	81,089	153,503	67,867	80,174
Residential mortgages	428,306	440,024	473,938	457,415
Residential reverse mortgages	-	-	-	-
Non-residential mortgages	110,179	87,701	78,773	55,294
Other assets	83,536	92,208	123,703	129,958
	703,110	773,436	744,281	722,841
Off-balance sheet exposure	-	-	-	-
Credit risk	703,110	773,436	744,281	722,841
Operational risk (average three-year gross income)	67,438	70,575	75,188	79,713
<b>Total risk - weighted assets</b>	<b>770,548</b>	<b>844,011</b>	<b>819,469</b>	<b>802,554</b>

Leverage Ratio (in \$000's)	Dec-31 2019	Mar-31 2020	Jun-30 2020	Sep-30 2020
Tier 1 capital	126,139	128,989	132,198	138,027
Total Exposures	1,584,738	1,873,224	1,810,997	1,803,211
Leverage ratio	7.96%	6.89%	7.30%	7.65%

Capital ratios				
	Dec-31	Mar-31	Jun-30	Sep-30
ALL-IN BASIS	2019	2020	2020	2020
Common Equity Tier 1 Ratio	16.37%	15.28%	16.13%	17.20%
Tier 1 Capital Ratio	16.37%	15.28%	16.13%	17.20%
Total Capital Ratio	16.80%	15.70%	16.56%	17.56%

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				
	Dec-31	Mar-31	Jun-30	Sep-30
(in \$000's)	2019	2020	2020	2020
Cash and non-interest bearing deposits with banks	98,088	340,037	250,275	304,167
Equities	-	-	-	-
	<b>98,088</b>	<b>340,037</b>	<b>250,275</b>	<b>304,167</b>

Exposure by Loan Types				
	Dec-31	Mar-31	Jun-30	Sep-30
(in \$000's)	2019	2020	2020	2020
Single family - residential mortgages	1,209,209	1,243,057	1,325,006	1,292,210
Multi-family residential mortgages	81,496	57,790	51,726	30,857
Non-Residential mortgages	22,140	22,651	19,093	16,867
<b>Total mortgages</b>	<b>1,312,845</b>	<b>1,323,498</b>	<b>1,395,825</b>	<b>1,339,934</b>



### 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, or the mortgage is past due 90 days.

Impaired Loans				
	Dec-31	Mar-31	Jun-30	Sep-30
(in \$000's)	2019	2020	2020	2020
Mortgage principal plus accrued interest	6,883	5,836	10,644	5,097
Individual allowances	(101)	(101)	(166)	(65)
	6,782	5,735	10,478	5,032
<b>Appraised value of underlying properties</b>	<b>15,222</b>	<b>13,365</b>	<b>15,587</b>	<b>7,000</b>

\* The table has been revised to reflect specific reserves for impaired loans.

### 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				
	Dec-31	Mar-31	Jun-30	Sep-30
(in \$000's)	2019	2020	2020	2020
<b>Stage 3 allowances</b>				
Balance, beginning of year	136	136	169	498
Provision for credit losses	-	33	349	(296)
Write-offs	-	-	-	-
Recoveries	-	-	(20)	-
<b>Balance, end of year/ quarter</b>	<b>136</b>	<b>169</b>	<b>498</b>	<b>203</b>
<b>Stage 1 &amp; 2 allowances</b>				
Balance, beginning of year / quarter	2,895	3,286	3,779	3,806
Provision for credit losses	391	493	27	(928)
Balance, end of year / quarter	3,286	3,779	3,806	2,878
Total allowances	3,422	3,948	4,304	3,080
<b>As a % of total mortgages outstanding</b>	<b>0.64%</b>	<b>0.75%</b>	<b>0.78%</b>	<b>0.60%</b>

\* The table has been revised to reflect Stage 1, 2 & 3 allowances as per IFRS 9. In the prior quarters, the table reflected individual and collective allowances.

### 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:

Securitized Assets				
	Dec-31	Mar-31	Jun-30	Sep-30
(in \$000's)	2019	2020	2020	2020
Carrying amount of mortgages securitized and sold	2,585,872	2,814,651	3,422,657	3,405,866
Carrying value of securitization retained interests	66,439	76,249	85,669	96,161
Fair value of derivative assets	13,900	11,716	10,157	10,667
Fair value of derivative liabilities	13,900	11,716	10,157	10,667
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.

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				
	Dec-31	Mar-31	Jun-30	Sep-30
(in \$000's)	2019	2020	2020	2020
<b>Interest sensitive</b>				
Total assets	1,430,659	1,685,038	1,725,003	1,662,267
Total liabilities and equity	1,342,395	1,612,380	1,661,533	1,591,803
Total interest rate sensitivity gap	88,264	72,658	63,470	70,464
<b>Non-interest sensitive</b>				
Total assets	96,977	102,612	110,602	120,928
Total liabilities and equity	185,241	175,270	174,072	191,392
Total interest rate sensitivity gap	(88,264)	(72,658)	(63,470)	(70,464)

### **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				
	Dec-31	Mar-31	Jun-30	Sep-30
	2019	2020	2020	2020
	\$	\$	\$	\$
Before-tax impact on net income of:				
100 bps increase in interest rates	1,858	204	(1,305)	(2,216)
100 bps decrease in interest rates	(1,350)	(173)	1,307	2,218
300 bps increase in interest rates	5,674	1,307	(3,377)	(6,268)
300 bps decrease in interest rates	(4,001)	(511)	3,926	6,658

\* Prior quarter numbers have been revised and will not match the previously reported quarters.



## Additional disclosures

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### 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](http://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 2019, 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 \$6.7 million.

## Appendix 1 – Basel III Capital Disclosures – September 30, 2020

(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	1,783,195
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	3,080
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	(2,608)
4	Adjustments for derivative financial instruments	0
5	Adjustment for securities financial transactions (i.e. repo assets and similar secured lending)	8,222
6	Adjustment for off balance-sheet items (i.e., credit equivalent amounts of off-balance sheet exposures)	11,322
7	Other Adjustments for Sovereign issued securities	0
8	<b>Leverage Ratio Exposure</b>	<b>1,803,211</b>

## Appendix 2 – BCBS Leverage Ratio Disclosures – September 30, 2020

(in thousands of Canadian dollars, except %)		
Leverage Ratio Common Disclosure		
	Item	Leverage Ratio Framework
<b>On-balance sheet exposures</b>		
1	On-balance sheet items (excluding derivative and SFTs, but including collateral)	1,774,709
2	(Assets amounts deducting determining Basel III Tier 1 Capital)	(2,608)
3	<b>Total on-balance sheet exposures</b> (excluding derivative and SFTs) (sum of lines 1 and 2)	1,772,101
<b>Derivative exposures</b>		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	16,192
5	Add-on amounts for PFE associated with all derivatives transactions	3,595
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	<b>Total derivative exposures (sum of lines 4 to 10)</b>	19,788
<b>Securities financing transaction exposures</b>		
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	<b>Total securities financing transaction exposures (sum of lines 12 to 15)</b>	-
<b>Other off-balance sheet exposures</b>		
17	Off-balance sheet exposure at gross notional amount	38,953
18	(Adjustments for conversion to credit equivalent amounts)	(27,631)
19	<b>Off-balance sheet items (sum of lines 17 and 18)</b>	11,322
<b>Capital and total exposures</b>		
20	<b>Tier 1 capital</b>	138,027
21	<b>Total exposures (sum of lines 3, 11, 16 and 19)</b>	1,803,210
<b>Leverage ratio</b>		
22	<b>Basel III leverage ratio</b>	7.65%