# BofA CANADA BANK

Basel 3 Pillar 3 Disclosures

As at December 31, 2015

# 1. Scope of Application

This document sets out the Basel 3 Pillar 3 disclosures applicable to BofA Canada Bank ("the Bank") as set out in the July 2013 Office of Superintendent of Financial Institutions ("OSFI") Advisory Letter entitled: "Public Capital Disclosure Requirements related to Basel 3 Pillar 3" and including revisions issued in April 2014 under "Revisions to Public Capital Disclosure Requirements related to Basel 3 Pillar 3". It should be noted that none of the April 2014 revisions impacted the Bank's Basel 3 Pillar 3 disclosures.

The Bank is licensed to operate as a Schedule II Bank in Canada with full powers under Canada's Bank Act as a foreign bank subsidiary. The Bank was incorporated by Letters Patent dated August 22, 1997 and received the Order to Commence and Carry-on Business from OSFI on November 22, 1997.

On October 1, 2012, FIA Card Services, N.A. ("FIA"), a subsidiary of Bank of America Corporation ("BAC"), transferred ownership of its wholly-owned subsidiary, the Bank, to SNC Securities Limited ("SNC") and ultimately to BofA Canada Holdings ULC ("Holdings"). Holdings is a wholly-owned subsidiary of SNC which in turn is a wholly-owned subsidiary of Bank of America, N. A.

In accordance with Bank of America's Basel 3 Pillar 3 protocol, these disclosures are published on Bank of America's corporate website (www.bankofamerica.com).

# 2. Capital Structure

**Qualitative disclosures**

As noted in Annex 5 – "Disclosure requirements for non-Domestic Systemically Important Banks" (non-DSIBs) of OSFI's July 2013 Advisory Letter, the Bank's Modified Capital as at December 31, 2015 is as follows (all amounts are in thousands). The Bank does not hold any tier 2 capital.

**Quantitative disclosures**

**Table 1**

| | **Modified Capital Disclosure Template** | All-in | Transitional |
|---|---|---|---|
| 1 | Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus | $342,647 | N/A |
| 2 | Retained earnings | 643,249 | N/A |
| 3 | Accumulated other comprehensive income (and other reserves) | (39) | N/A |
| 6 | **Common Equity Tier 1 capital before regulatory adjustments** | $985,857 | N/A |
| 28 | Common Equity Tier 1 capital: regulatory adjustments | - | N/A |
| 29 | **Common Equity Tier 1 capital (CET1)** | $985,857 | $985,857 |
| 44 | Additional Tier 1 capital (AT1) | - | N/A |
| 45 | **Tier 1 capital (T1 = CET1 + AT1)** | $985,857 | $985,857 |
| 58 | **Tier 2 capital (T2)** | - | N/A |
| 59 | **Total capital (TC = T1 + T2)** | $985,857 | $985,857 |
| 60 | **Total risk-weighted assets** | 31,823 | 31,823 |
| | **Capital Ratios** | | |
| 61 | Common Equity Tier 1 (as percentage of risk-weighted assets) | 3,098.0% | 3,098.0% |
| 62 | Tier 1 (as percentage of risk-weighted assets) | 3,098.0% | 3,098.0% |
| 63 | Total capital (as percentage of risk-weighted assets) | 3,098.0% | 3,098.0% |
| | **OSFI all-in target** | | |
| 69 | Common Equity Tier 1 capital all-in target ratio | 10.5% | N/A |

## 3. Capital Adequacy

**Quantitative disclosures**

The following table shows the Bank's capital requirements as at December 31, 2015 under the Basel 3 Pillar 1 framework:

**Table 2**

| *(dollars in thousands)* | **As at December 31, 2015** |
|---|---|
| Total tier 1 capital[1] | **$ 985,857** |
| Credit risk | **6,848** |
| Operational risk | **24,975** |
| Total risk weighted assets[2] | **$ 31,823** |
| **Pillar I Capital Requirement** | |
| Total tier 1 capital ratio | **3,098.0%** |
| Total capital ratio | **3,098.0%** |

1 The Bank does not hold any tier 2 or tier 3 capital and therefore tier 1 capital is equal to total capital

2 Credit risk is determined under the standardized approach, as defined in the guideline issued by OSFI; the Bank does not have any positions that gives rise to market risk capital requirement; operational risk is determined under the basic indicator approach, as defined in the guideline issued by OSFI.

## 4. Credit Risk – General Disclosures

**Qualitative disclosures**

Credit risk is the risk of financial loss arising from the inability of a borrower or counterparty to meet its obligations. The Bank has no outstanding loans at this time and no future plans to reinstate any lending activity. The Bank principally exposes itself to credit risk due to its bank accounts with a Canadian financial institution. As of December 31, 2015, the Bank had $14 million exposure in its Bank accounts. Under the Basel 3 framework, the bank has adopted the standardized approach for calculating the capital requirements arising from its credit exposures.

**Quantitative disclosures**

The following table shows the Bank's total gross credit risk exposures for financial instruments measured as the amount outstanding:

**Table 3**

| *(dollars in thousands)* | **As at December 31, 2015** | |
|---|---|---|
| | **Outstanding amount** | **Year to Date average** |
| Cash and due from Banks | **$ 14,032** | **$19,374** |
| Investment Securities | **967,924** | **982,832** |
| Income taxes receivable | **4,014** | **72** |
| Deferred tax asset | **14** | **139** |
| Other assets | **14** | **93** |
| | **$ 985,998** | **$ 1,002,511** |

## 5. General Disclosures for Exposures Related to Counterparty Credit Risk

The Bank does not have exposures to counterparty credit risk.

## 6. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people / systems or from external events. Operational risk is embedded in all of the Bank's activities including practices and controls used to manage other risks. Failure to manage operational risk can result in direct and indirect financial loss, reputational impact, regulatory censure, or failure in the management of other risks such as credit risk.

In line with the OSFI Capital Adequacy Ratio guidelines, the Bank has adopted the basic indicator approach for operational risk under the Basel 3 Pillar I framework. The operational risk is calculated by applying a 15% factor to the Bank's average gross income over a three year period. The result of this adoption amounted to a risk-weighted asset amount of $25 million as at December 31, 2015.

## 7. Litigation Risk

In accordance with the applicable accounting guidance, the Bank establishes reserves for litigation when those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, the Bank does not establish reserves. Based on current knowledge management does believe that loss contingencies are both probable and estimable and, accordingly, the Bank has not established a reserve as of December 31, 2015.

## 8. Remuneration Disclosure

There was only one employee active in the first half of the year and none in the second half of the year. There are no plans to hire any employees.