WealthONE BANK OF CANADA

Regulatory Disclosures

December 31, 2017

Scope

This Regulatory Disclosures Report provides the following qualitative and quantitative disclosures relating to Wealth One Bank of Canada (the Bank):

- Disclosures related to the Bank’s lending portfolio, some of which relate to disclosure requirements outlined in Guideline B-20, 'Residential Mortgage Underwriting Practices and Procedures' issued by the Office of the Superintendent of Financial Institutions (OSFI); and

- The Bank’s Basel III Pillar 3 regulatory capital disclosures.

The amounts disclosed in this document are based on the Bank’s financial statements as at December 31, 2017, which reflect its financial position and results of operations. The 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 OSFI, and reflect, where necessary, management’s best estimates and judgments. This report is unaudited.

Overview

Wealth One Bank of Canada is a federally regulated Schedule I chartered bank and is under regulatory supervision by OSFI. Public operations commenced during September, 2016.

The Bank specializes in residential/commercial mortgages and deposit products. The Bank currently serves customers in Ontario and British Columbia. It does not offer products or services in foreign currency or jurisdictions.

Governance

CORPORATE GOVERNANCE

The Bank maintains a rigorous corporate governance structure. It is governed through its Board of Directors (Board), which is comprised of nine directors (one vacancy), of whom five are independent directors. The committees of the Board are comprised of independent directors and their responsibilities are described below.

Governance, Conduct Review and Human Resources Committee (GCRHRC)

- Governance, board evaluation and compensation matters
- Conflicts of interest and Conduct Review, code of conduct and regulatory compliance
- Human resources, performance management and compensation

Audit and Risk Committee (ARC)

- Financial management, reporting and internal and external auditor appointment and evaluation
- Risk management policy, effectiveness and reporting, including definition of the Risk Appetite Statement

The Board and both of its committees hold meetings at least five times annually.

OPERATIONS GOVERNANCE

Management oversight is effected through the committees listed below.

Senior Management Committee (SMC) which has the following responsibilities:

- Developing business strategy
- Developing operating and business plan
- Executing and monitoring of banking operations and administration of the Bank
- Overseeing risk management

Treasury Committee (TC) which has the following responsibilities:

- Overseeing management of liquidity risk, interest rate risk, investment risk, and other aspects of Asset Liability Management
- Ensuring that the Bank has the appropriate quantity and quality of capital
- Monitoring pricing and treasury activities

Credit Committee (CC) which has the following responsibilities:

- Ensuring compliance with operational mandates, policies and procedures, and governing legislation
- Providing guidance on the methodology to continually identify, define, assess, manage, and report credit risk and exposure
- Planning, directing, monitoring and controlling the impact of the Bank's risks arising from its operations

The Bank also has oversight functions which include an Internal Auditor, a Chief Risk Officer, a Chief Compliance Officer and a Chief Anti-Money Laundering Officer that report directly to the CEO and Board committees. The Board seeks to achieve long-term sustainable risk adjusted growth to ensure the health of the Bank and the stability of earnings while protecting the Bank's reputation and the interests of its depositors, customers and investors.

The Internal Auditor assists management in accomplishing its objectives by bringing a systematic, objective and disciplined approach to evaluate and improve the effectiveness of the Bank's risk management, control and governance processes.

Capital Structure and Capital Adequacy

The Board has developed and approved a Capital Management Policy (CMP) in accordance with the Board-approved Risk Appetite Statement (RAS). The CMP addresses minimum regulatory capital requirements as prescribed by regulators and internal capital targets as per the Board-approved RAS, which allows for the appropriate allocation of capital to meet the Bank's strategic goals. The CMP dictates that adequate capital be maintained by the Bank.

Adherence to the CMP ensures that the Bank has sufficient capital to maintain its operations based on current activities, expected future business developments and the possibility of various disruptive or adverse scenarios based on the Bank's stress testing program. Such stress testing scenarios include periods of economic downturn and/or asset re-pricing. In addition, in accordance with the Bank'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 the forecast period.

The overall objective of capital management is to ensure that the Bank has sufficient capital to maintain its operations based on current activities and expected business developments in the future and to provide a return to its shareholders commensurate with the risk of the business.

The Bank's TC ensures adherence to the CMP on at least a monthly basis and the ARC monitors capital management in accordance with the CMP.

The Bank uses the annual 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 Enterprise Wide Risk Management Framework (EWRMF) and Risk Appetite Statement (RAS) 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 quantum of capital required to enable management and the Board to set capital levels appropriate with the RAS. The ARC is responsible for reviewing capital management plans recommended by management. The ICAAP is reviewed by the ARC and approved by the Board.

The Bank's capital resources consist of common shares.

The Bank's regulatory capital requirements are specified by OSFI guidelines. These requirements are consistent with the framework of risk based capital standards developed by the Basel Committee on Banking Supervision and are referred to as Basel III. The Bank complies with Basel III capital requirements as required by OSFI.

The Bank's capital structure, risk-weighted assets, capital and leverage ratios, as of December 31, 2017 are detailed in the tables below. All amounts, other than percentages, are in $000s.

	Modified Capital Disclosure Template	All-in	Transitional
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	50,000	
2	Retained earnings (deficit)	(20,927)	
6	**Common Equity Tier 1 capital before regulatory adjustments**	29,073	
28	Total regulatory adjustments to Common Equity Tier 1	(586)	
29	**Common Equity Tier 1 capital (CET1)**	**28,487**	**28,617**
44	**Additional Tier 1 capital (AT1)**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**28,487**	**28,617**
58	**Tier 2 capital (T2)**		
59	**Total capital (TC = T1 + T2)**	**28,487**	**28,617**
Total Risk Weighted Assets			
60	**Total risk weighted assets**	**60,955**	**61,072**
Capital ratios			
61	Common Equity Tier 1 (as percentage of risk weighted assets)	46.73%	46.86%
62	Tier 1 (as a percentage of risk weighted assets)	46.73%	46.86%
63	Total capital (as a percentage of risk weighted assets)	46.73%	46.86%
OSFI all-in target			
69	Common Equity Tier 1 capital all-in target ratio	7.00%	
70	Tier 1 capital all-in target ratio	8.50%	
71	Total capital all-in target ratio	10.50%	

The Bank fully applies the Basel III deductions to calculate the leverage ratio as per OSFI's Leverage Requirements Guideline. The table below details the Bank's leverage ratio position under Basel III leverage requirements as of December 31, 2017.

	Item	Leverage Ratio Framework
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	131,745
2	Asset amounts deducted in determining Basel III "all-in" Tier 1 capital	(586)
3	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of lines 1 and 2)	**131,159**
Derivative exposures		
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	-
5	Add on amounts for PFE associated with all derivative transactions	-
11	**Total derivative exposures**	-
Securities financing transaction (SFTs) exposures		
16	**Total SFTs exposures**	-
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	5,798
18	(Adjustments for conversion to credit equivalent amounts)	(5,096)
19	**Off-balance sheet items** (sum of lines 17 and 18)	702
Capital and total exposures		
20	**Tier 1 capital**	**28,487**
21	**Total exposures** (sum of lines 3,11,16, and 19)	**131,861**
Leverage ratios		
22	**Basel III leverage ratio**	**21.60%**

Risk-Weighted Assets

The following table provides a breakdown of credit and operational risk exposures as of December 31, 2017.

	$000s	
	Gross Exposure	Risk Weighted Assets
Deposits with Regulated Financial Institutions	$ 4,733	$ 1,346
Government issued or guaranteed securities	16,464	4,060
Residential mortgages	81,816	28,636
Commercial mortgages	16,949	16,949
Secured loans	10,705	7,297
Other assets	2,528	1,942
Total credit risk	133,195	60,230
Operational risk	58	725
Total risk weighted assets	$ 133,253	$ 60,955

Risk Management

Risk management is the subject of the Bank's Enterprise Wide Risk Management Framework (EWRMF). Its goals are to ensure that the outcomes of risk taking activities are consistent with the Bank's strategies and risk appetite and that there is an appropriate balance between risk and reward in order to maximize the Bank's profitability. The Bank's EWRMF provides the foundation for achieving these goals.

The EWRMF helps ensure effective reporting and compliance with standards, while enabling the Bank to manage uncertainty and associated risk and opportunity. A component of the EWRMF is the Risk Appetite Statement (RAS), which defines the targets and absolute limits of risk that the Bank is willing to accept in its operations. Both the EWRMF and the RAS are reviewed by ARC and Board approved based upon the recommendation of the ARC.

The ARC is responsible for overseeing the types of risk to which the Bank may be exposed and the techniques and systems used to identify, measure, monitor, report on and mitigate those risks.

The Bank does not maintain a trading portfolio and has minimal market risk from its high quality liquid asset portfolio. Further, the Bank does not have any equity portfolio or trading book and is not exposed to equity risk.

The Bank's business EWRMF and the scope of its operations define the most material risks faced as described below.

Strategic Risk

The Bank is one of Canada's newest financial institutions and has identified a strategic niche that it believes is underserved. The Bank believes that it can establish a competitive advantage through pursuing its business model, operating practices and marketing network.

Funding and Liquidity Risk

Funding and liquidity risk can occur due to the uncertain timing of cash flows and the Bank's reliance on raising funds by the issuance of deposits. The Bank has various funding sources and has created policies and procedures to ensure that cash flows are accurately predicted and monitored. It also maintains sufficient liquid assets to fund its anticipated loan commitments, operations, deposit maturities and interest payments should a shortfall arise.

Credit Risk

Credit risk is the potential for financial loss if the assets as currently reflected on the Bank's balance sheet become impaired and not fully recoverable. This can result from a significant and persistent drop in the value of assets supporting the loan/mortgage and/or customers choosing not to repay their loan/mortgage for an extended period. To mitigate risk, the Bank has developed underwriting criteria which provide reasonable loan to value ratios for the borrower while seeking to provide assurance that the value of the related asset and/or financial capacity of the borrower is sufficient to repay the loan/mortgage. The Bank uses the Standardized Approach to measure credit risk.

Interest Rate Risk

The Bank's operating margin is primarily derived from the spread between interest earned on the investment and lending portfolio, and the interest paid on the debt and deposits used to fund the portfolio. Risk arises from the Bank's assets and liabilities having mismatched re-pricing dates, or being referenced to different underlying instruments. The Bank has adopted practices to manage the spread between interest earned on assets and interest paid on the instruments used to fund them.

The Bank has defined its target appetite for interest rate risk as follows:

> Economic Value - 2.5% loss of Regulatory Capital for a 200 bps parallel shock to interest rates
>
> Net Interest Income Sensitivity - 10% loss of annualized net interest income for a 200 bps parallel shock to interest rates.

The Bank recognizes that managing interest rate risk is a vital component of an effective treasury risk management program. However, during the start-up phase of the Bank, when the Bank's interest earning portfolio is modest, the Net Interest Income Sensitivity test will be less meaningful. As a result, the Bank has determined that the Net Interest Income Sensitivity Risk Metric will be applied when forecast net interest income is equal to or greater than $5 million annually.

As at December 31, 2017 the impact of a 200 bps parallel shock to interest rates is as follows:

	Increase of 200 bps	Decrease of 200 bps
Economic Value (as a % of regulatory capital)	(20.25) %	20.24%
Net Interest Income Sensitivity (as a % of net interest income)	(27) %	14 %

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It is the chance of unexpected income losses or increased costs that may emerge from human, process or system failure and due to external developments. Operational risk includes legal risk and information technology risk, including cybersecurity risk. The Bank uses the Basic Indicator Approach to quantify its exposure to operational risk.

Regulatory Compliance Risk

Regulatory compliance risk arises from a financial institution's non-compliance with applicable laws, rules, regulations and prescribed standards in any jurisdiction in which the institution operates. The Bank addresses regulatory requirements in a timely manner to ensure it is compliant with new applicable regulations. The Compliance Department keeps the management team and the Board informed of new regulations, guidelines and changes to existing regulatory requirements.

Management is aware of the potential negative effects of media and reputation risk exposure. The Bank has implemented complaint and incident resolution processes to mitigate these potential risks.

Remuneration

The Bank's compensation program is governed by its Compensation Policy, which is reviewed annually by the GCRHRC. The framework of the compensation program for senior management is comprised of base salary, short-term cash incentives and a long term share option plan. Base salary reflects the senior individual's: (a) level of responsibility, (b) skill and experience, (c) market value of the position and (d) overall performance both individually and in their business unit. Roles are reviewed against market, internal comparators and external comparators. Base salary is reviewed annually and as required by market conditions.

Short Term Incentive Plan

The Bank's short term incentive plan (STIP) is designed to motivate management to meet the Bank's annual business and financial objectives. Every fiscal year, the performance of each individual is measured against the achievement of specific financial and performance goals which may vary from year to year. The STIP program is based on performance against various different performance measures that are designed to focus both management and staff on key drivers of the business as well as value creation over both the short and long term.

The STIP is a self-funded program with minimum financial threshold goals which must be achieved in order to be eligible for a payout. Short-term incentive award targets are determined based on specific factors including role complexity, scope and impact of a role over a 12 month period. All participating staff have a short term cash incentive target that is expressed as a percentage of base salary determined by position and level within the organization. Depending on actual performance relative to set performance targets, cash payouts range from zero to the maximum target within each range. The STIP targets range from 40-100% for management members.

Long Term Incentive Plans

The Bank's Share Option Plan (SOP) is designed to motivate senior management and increase shareholder value. Bank executives participate in the SOP program which awards long term incentives in the form of stock options. Executives are eligible for SOP grants generally on an annual basis. The annual award of grants that an executive is eligible to receive is determined by the GCRHRC.

The table below provides compensation and other emoluments expensed for the year ended December 31, 2017.

	$000s
Management Compensation	
Short-term employee benefits	2,390
Stock-based compensation	95
Total	2,485
Director rememoration and expenses	379

The table presented below provides reporting in accordance with the requirements of OSFI Guideline B-20 – Residential Mortgage Underwriting Practice and Procedures. All amounts, other than percentages, are in $ millions.

Wealth One Bank of Canada

Residential Mortgage Public Disclosure

December 31st, 2017

Insured vs Uninsured Total Residential Mortgage Portfolio										
Type	**Principal Balance Ontario**		**Principal Balance British Columbia**		**Principal Balance Rest of Canada**		**Principal Balance Outside of Canada**		**Principal Balance Total**	
Insured	$0.50	0.80%	$0.38	1.94%	$0.00	0.00%	$0.00	0.00%	$0.88	1.07%
Uninsured	$61.74	99.20%	$19.21	98.06%	$0.00	0.00%	$0.00	0.00%	$80.95	98.93%
Total	**$62.24**	**100.00%**	**$19.59**	**100.00%**	**$0.00**	**0.00%**	**$0.00**	**0.00%**	**$81.83**	**100.00%**

Average LTV of Total Residential Mortgage Portfolio					
Type	**Ontario**	**British Columbia**	**Rest of Canada**	**Outside of Canada**	**Total**
Insured	93.00%	98.00%	0.00%	0.00%	95.00%
Uninsured	66.90%	67.80%	0.00%	0.00%	67.11%
Combined	**67.11%**	**68.38%**	**0.00%**	**0.00%**	**67.41%**

Average Amortization of Total Residential Mortgage Portfolio					
	<= 20 years	**> 20 to <= 25 years**	**> 25 to <= 30 years**	**> 30 years**	**Total**
Total	**1.20%**	**46.43%**	**52.37%**	**0.00%**	**100.00%**

Economic Stress Test

WOBC conducts regular stress testing of its residential mortgage portfolio to measure the impact of a severe economic downturn. Negative implications are managed through mortgage insurance on loans in excess of 80% LTV and prudent underwriting standards and practices.

Stress testing is conducted utilizing a model and incorporates several assumptions. The primary assumptions are:
* Canadian residential real estate values decline by 30%
* Borrowers default on their mortgage loans at a rate 3 times the expected rate

As of December 31, 2017 the stress test results indicate a potential loss of **$1,136,000**.