



BNY MELLON

# BNY Trust Company of Canada

2015 PILLAR 3 DISCLOSURE

Q4 2015

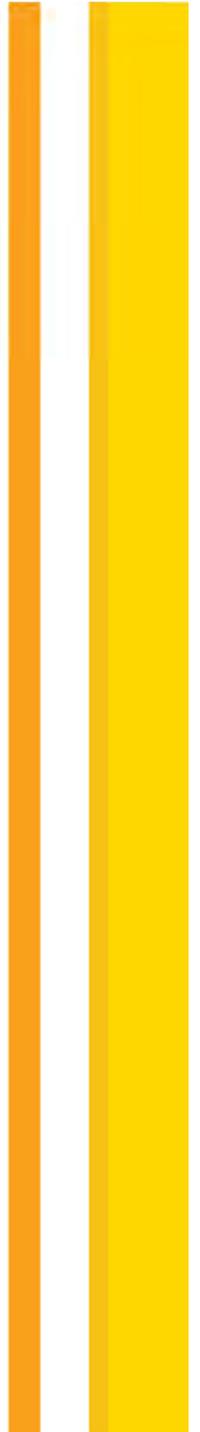


# INTRODUCTION

Effective Q1 2013, the Office of the Superintendent of Financial Institutions (“OSFI”) requires all federally regulated institutions to comply with the new interim public capital disclosure requirements related to Basel III Pillar 3 (“Pillar 3”).

This disclosure represents the ‘Pillar 3’ disclosure for BNY Trust Company of Canada (“BNYTCC”), an indirect wholly owned subsidiary of The Bank of New York Mellon Corporation (“BNY Mellon”).

BNYTCC is a non-deposit taking institution offering corporate trust business which includes trustee, transfer agency, paying agency and other agency services to issuers of public and private debt, including corporations, provinces, and financial institutions. BNYTCC does not make loans or offer personal trust services.



# CAPITAL STRUCTURE

BNYTCC'S CAPITAL INSTRUMENTS CONSIST OF COMMON SHARES AND CONTRIBUTED SURPLUS

	(\$ 000s)	Q1 2015	Q2 2015	Q3 2015	Q4 2015
	<b>Total Capital</b>				
1	Common shares	\$ 10,000	\$ 10,000	\$ 10,000	\$10,000
1	Contributed surplus	26,500	26,500	26,500	26,500
1	Affiliated paid-in capital	56	62	68	75
2	Retained earnings	43,895	44,913	45,817	46,517
6	<b>Gross Common Equity Tier 1 Capital (CET1)</b>	<b>80,451</b>	<b>81,475</b>	<b>82,385</b>	<b>83,092</b>
	Regulatory adjustments applied to CET1				
	Goodwill	(17,415)	(17,415)	(17,415)	(17,415)
	Intangible assets	(5,310)	(4,949)	(4,587)	(4,226)
28	Total adjustments	(22,725)	(22,364)	(22,002)	(21,641)
29	<b>Net Common Equity Tier 1 Capital</b>	<b>57,726</b>	<b>59,111</b>	<b>60,383</b>	<b>61,451</b>
44	Additional Tier 1 Capital	-	-	-	-
45	<b>Net Tier 1 Capital</b>	<b>57,726</b>	<b>59,911</b>	<b>60,383</b>	<b>61,451</b>
58	Tier 2 Capital	-	-	-	-
59	<b>Total Capital</b>	<b>\$ 57,726</b>	<b>\$ 59,911</b>	<b>\$ 60,383</b>	<b>61,451</b>

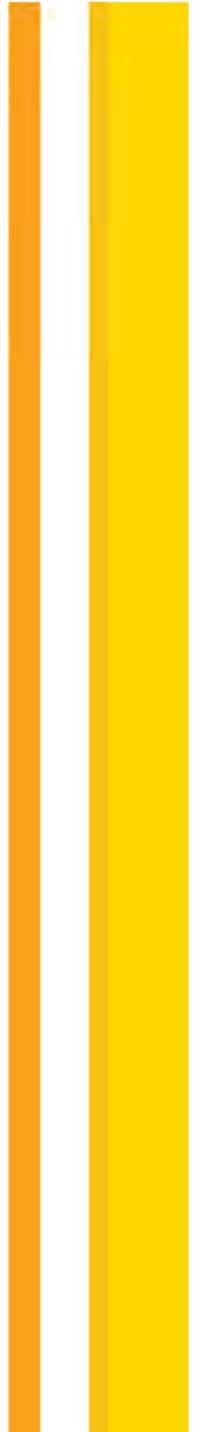
# CAPITAL ADEQUACY

The Board of Directors and senior management of BNYTCC determine the appropriate level of capital in a subjective assessment that considers the institution's internal quantitative risk assessment, regulatory requirements, and the expectations of the marketplace. The objective is to provide a level of capital high enough to support risk and absorb losses in the normal course of business in both current and future activities.

Operational risk is the primary risk that BNYTCC faces. The BNYTCC Board is focused on reducing and mitigating operational risk through robust control processes, business acceptance procedures and strong risk management and monitoring requirements. BNYTCC does not make loans or offer personal trust services.

For regulatory capital purposes, BNYTCC has elected to utilize the basic indicator approach for assessment of operational risk and the standardized approach for assessment of credit risk.

BNYTCC is well capitalized and is above minimum regulatory capital requirements.



# CAPITAL ADEQUACY

	(\$ 000s)	Q1 2015	Q2 2015	Q3 2015	Q4 2015
	<b>Risk-Weighted Assets</b>				
	Credit Risk-Weighted Assets *	\$ 15,945	\$ 15,137	\$ 15,011	\$15,688
	Operational Risk-Weighted Assets	31,305	31,171	30,994	30,144
60	<b>Total Risk-Weighted Assets</b>	<b>\$ 47,250</b>	<b>\$ 46,308</b>	<b>\$ 46,005</b>	<b>\$45,832</b>
	<b>Capital Ratios – All-in Basis</b>				
61	Common Equity Tier 1 Capital Ratio	122.2%	127.6%	131.2%	134.1%
62	Tier 1 Capital Ratio	122.2%	127.6%	131.2%	134.1%
63	Total Capital Ratio	122.2%	127.6%	131.2%	134.1%
	National Common Equity Tier 1 minimum ratio	7.0%	7.0%	7.0%	7.0%

\* Credit risk-weighted assets include balances with Canadian Schedule II banks and other assets.

	(\$ 000s)	Q1 2015	Q2 2015	Q3 2015	Q4 2015
	<b>On-Balance Sheet Exposures</b>				
1	On-balance sheet items	\$ 86,180	\$ 85,973	\$ 86,049	\$86,636
2	Deductions in determining Tier 1 Capital	(22,725)	(22,364)	(22,002)	(21,641)
3	<b>Total On-Balance Sheet Exposures</b>	<b>\$ 63,455</b>	<b>\$ 63,609</b>	<b>\$ 64,047</b>	<b>\$64,995</b>
	<b>Leverage Ratio – All-in Basis</b>				
20	Tier 1 Capital	57,726	59,111	60,383	61,451
21	Total Exposures	63,455	63,609	64,047	64,995
22	Basel III Leverage Ratio	91.0%	92.9%	94.3%	94.5%

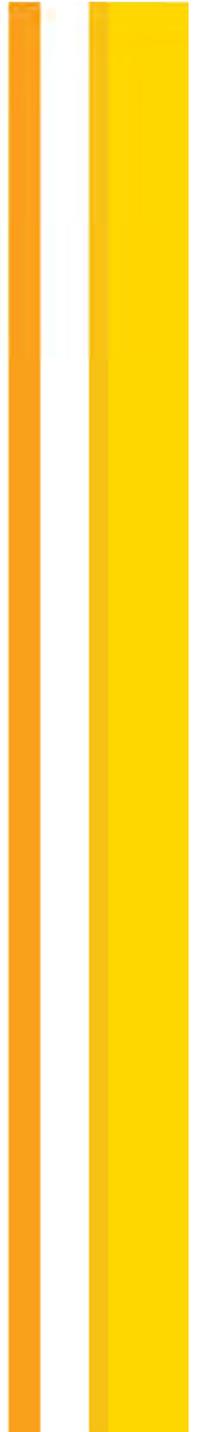
# REMUNERATION

## GOVERNANCE

The Human Resources and Compensation Committee (“HRCC”) of BNY Mellon oversees its enterprise-wide employee compensation and benefit policies and programs which encompasses that of BNYTCC. The HRCC reviews and is responsible for other compensation plans, policies and programs in which executive officers participate and the incentive, retirement, welfare and equity plans in which all employees participate.

The members of the HRCC are non-executive Board members, delegated by BNY Mellon’s Board of Directors to act on behalf of the Board on remuneration matters.

Formal input to the decision-making process on compensation is also provided by BNY Mellon’s Compensation and Oversight Committee (“COC”). The members of the COC are members of BNY Mellon’s senior management and include the Chief Human Resources Officer, the Chief Risk Officer, the Chief Financial Officer and the Risk Management and Compliance Chief Administrative Officer. The COC has responsibility, among other things, to advise the HRCC on compensation risk-related issues.

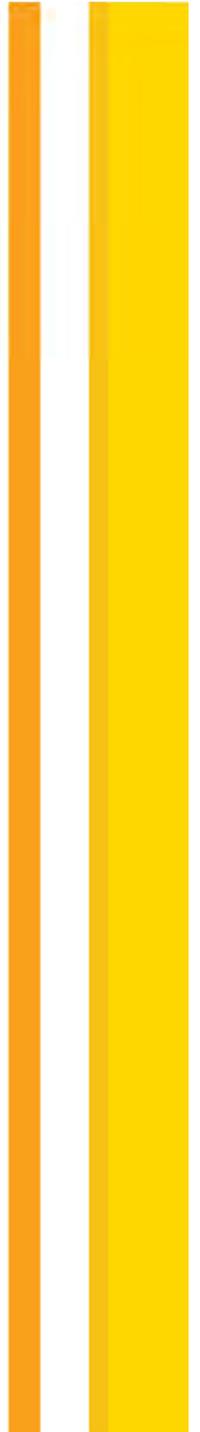


# REMUNERATION

## ALIGNING PAY WITH PERFORMANCE

BNY Mellon's compensation philosophy is to offer a total compensation opportunity that supports the Company's values: Client Focus, Trust, Teamwork and Outperformance. BNY Mellon pays for performance, both at the individual and corporate level. It values individual and team contributions and rewards based on how both contribute to business results. In support of this philosophy, variable compensation is regularly used as a means of recognizing performance.

By implementing BNY Mellon's compensation philosophy and principles, it aligns the interests of its employees and shareholders by encouraging actions that contribute to superior financial performance and long-term shareholder value, by rewarding success and by ensuring that the incentive compensation arrangements do not encourage employees to take unnecessary and excessive risks that threaten the value of the Company or benefit individual employees at the expense of shareholders or other stakeholders.



# REMUNERATION

## REMUNERATION COMPONENTS

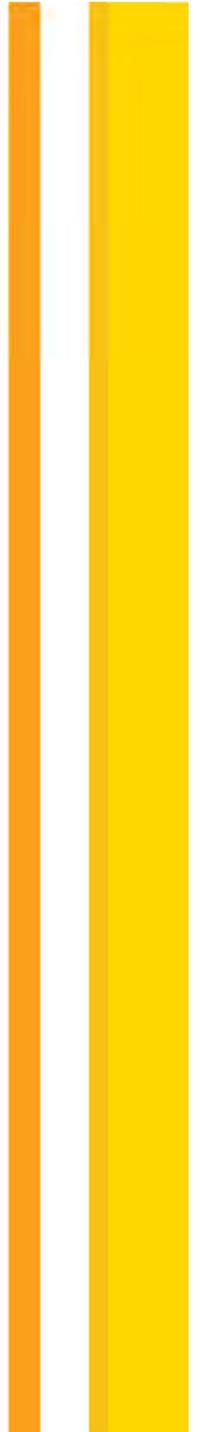
BNYTCC's remuneration components are as follows:

### ***FIXED REMUNERATION***

Fixed remuneration is composed of (i) salary, and (ii) any additional amounts paid as a result of contractual obligations or applicable law, or as a result of market practice, and (iii) any benefits in kind which are awarded as a result of the job rather than the performance within the job.

The fixed remuneration of an employee is determined by the job performed, its level of complexity and responsibility, and the remuneration paid in the market for that type of job. It is set, for all staff, at a rate to be at all times sufficient to provide for full flexibility in the variable remuneration, including a zero variable remuneration.

Employees who have been appointed a director of BNYTCC are not remunerated in their capacity as a director. Independent directors of BNYTCC receive fixed remuneration only. That remuneration takes into account the work required for the participation on the Board and any Board committees.



# REMUNERATION

## ***VARIABLE COMPENSATION FUNDING AND RISK ADJUSTMENT***

The staff of BNYTCC is eligible to be awarded variable compensation. Such variable compensation consists of both cash and deferred components and is determined by the functional hierarchy of the business or business partner service to which the individual staff member belongs, and in accordance with the terms and conditions of the incentive compensation plan that is applicable for the business or business partner service.

The deferred component is intended to align a portion of the variable compensation award with the management of longer term business risk. The deferred compensation component is generally awarded in the form of restricted stock units.

Furthermore, the Company requires employees who receive awards to agree to clawback and/or forfeiture provisions on such awards in the event of fraud or conduct contributing to financial restatement or irregularities.



# REMUNERATION

## **DEFERRAL POLICY AND VESTING CRITERIA**

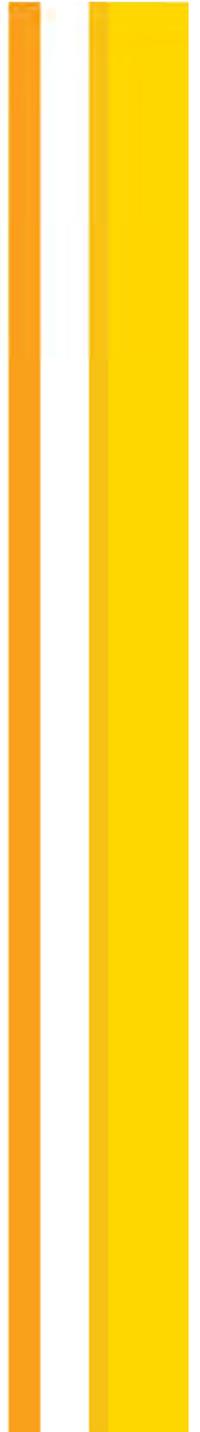
The deferred component of the variable compensation award is generally delivered as restricted stock units whose value is tied to BNY Mellon's share price. The percentage of the variable compensation award to be deferred depends on the level of the position and the amount of the award. All deferred awards are subject to terms and conditions that provide for forfeiture or clawback in certain circumstances.

## **VARIABLE REMUNERATION OF CONTROL FUNCTION STAFF**

The variable compensation awarded to control function staff (e.g. audit, legal, compliance and risk) is dependent on performance which is assessed according to the achievement of objectives specific to their functional role which is independent of the activities they oversee. This remuneration is benchmarked against the market level and funded independently of individual business line results and adjusted based on BNY Mellon's overall annual financial performance.

## **QUANTITATIVE REMUNERATION DISCLOSURE**

Quantitative remuneration information for BNYTCC will not be disclosed due to the confidentiality of the information.





Pillar 3 disclosures are required for a consolidated group covered by the Basel III framework. Pending implementation of the Basel III framework by the Bank of New York Mellon Corporation, there is currently no comparable disclosure provided on a consolidated basis by BNYTCC's parent. As such, this disclosure has been prepared for BNYTCC as a federally regulated entity.

This disclosure has been approved by the BNYTCC Board of Directors on April 16, 2015.

Information in this report has been prepared solely to meet the disclosure requirements of OSFI and the Basel Committee on Banking Supervision ("BCBS") and to provide certain specified information about capital and other risks and details of the management of those risks and for no other purpose. This disclosure does not constitute any form of financial statement on BNYTCC nor does it constitute any form of contemporary or forward looking record or opinion about BNYTCC.

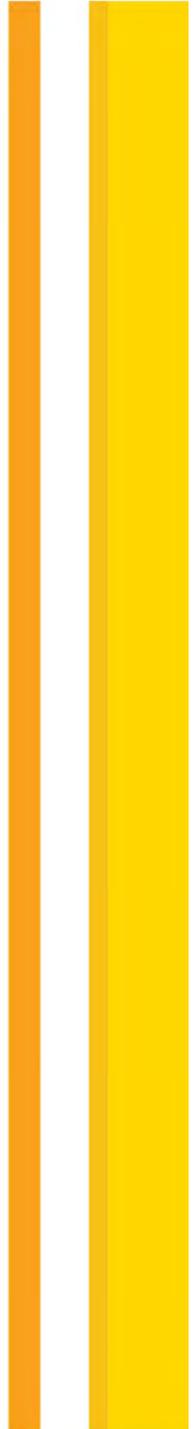
Unless indicated otherwise, information contained within this document has not been subject to audit.

BNYTCC will reassess the need to publish some or all of the disclosures more frequently than quarterly in light of any significant change to the relevant characteristics of its business including disclosure about capital resources and adequacy and information about risk exposure and other items prone to rapid change.

BNYTCC's Board, at its discretion, may omit one or more of the disclosures if the information provided by such disclosures is not regarded as material. The criterion for materiality used in these disclosures is that BNYTCC will regard as material any information where omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

BNYTCC's Board, at its discretion, may omit one or more of the disclosures if those items include information which, in the light of requirements is regarded as proprietary or confidential.

BNY Trust Company of Canada  
320 Bay Street  
11th Floor  
Toronto, ON  
M5H 4A6





BNY MELLON

| **Invested**