

Basel III Pillar 3 and Leverage Ratio Quarterly Supplemental Disclosures of

ALTERNA BANK

September 30, 2016

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CS Alterna Bank, a member of the Canada Deposit Insurance Corporation (“CDIC”), operates under the name “Alterna Bank”. It is a Schedule 1 Bank and received letters patent from the Minister of Finance of Canada to operate under the Bank Act on October 2, 2000. The registered office address of Alterna Bank is 319 McRae, Ottawa, Ontario, K1Z 0B9.

The Pillar 3 and Leverage Ratio Disclosures are additional summary descriptions and quantitative financial information. The disclosures produced within this document have been prepared in accordance with minimum disclosure requirements interpreted by the Office of the Superintendent of Financial Institutions Canada (‘OSFI’) and established under the OSFI Advisory on Pillar 3 Disclosure Requirements (November 2007), related OSFI guidelines and letters and Basel III leverage ratio framework and disclosure requirements (September 2014).

The table below provides the modified minimum composition of capital disclosures under Basel III as required by the OSFI for the quarter ended September 30, 2016.

all amounts in 000's CAD dollars, except where noted		30-Sep-16	
		All-in	Transitional
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	15,000	
2	Retained earnings	11,422	
3	Accumulated other comprehensive income (and other reserves)	621	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	27,043	
Common Equity Tier 1 capital: regulatory adjustments			
28	Total regulatory adjustments to Common Equity Tier 1	-	
29	Common Equity Tier 1 capital (CET1)	27,043	
Additional Tier 1 capital: regulatory adjustments			
45	Tier 1 capital (T1 = CET1 + AT1)	27,043	27,043
Tier 2 capital: regulatory adjustments			
59	Total capital (TC = T1 + T2)	27,043	27,043
60	Total risk-weighted assets	62,373	62,383
Capital ratios			
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	43.36%	
62	Tier 1 (as percentage of risk-weighted assets)	43.36%	
63	Total capital (as percentage of risk-weighted assets)	43.36%	
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 difference between the all-in and transitional capital ratios above is due to the deduction of deferred tax asset from CET1 and Risk Weighted Assets; this deduction is phased-in during the transition period of 2013 to 2018.

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The table below summarizes the Bank's all-in Basel III Leverage Ratio for the quarter ended September 30, 2016.

all amounts in 000's CAD dollars, except where noted		30-Sep-16
	Item	Leverage Ratio Framework
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	301,134
2	(Asset amounts deducted in determining Basel III "all-in" Tier 1 capital)	-
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	301,134
Derivative exposures		
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	88
5	Add-on amounts for PFE associated with all derivative transactions	82
11	Total derivative exposures (sum of lines 4 to 10)	170
Securities financing transaction exposures		
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	24,458
18	(Adjustments for conversion to credit equivalent amounts)	(21,989)
19	Off-balance sheet items (sum of lines 17 and 18)	2,469
Capital and Total Exposures		
20	Tier 1 capital	27,043
21	Total Exposures (sum of lines 3, 11, 16 and 19)	303,773
Leverage Ratios		
22	Basel III leverage ratio	8.90%