

GLOSSARY OF FINANCIAL AND BANKING TERMS

ASSETS UNDER ADMINISTRATION Assets which are owned by customers for which the Bank provides management and custodial services.

AVERAGE EARNING ASSETS The average of deposits with other banks, loans and securities based on daily or weekly balances for the period ending October 31 in each fiscal year.

AVERAGE TOTAL ASSETS The average of total assets based on daily or weekly balances for the period ending October 31 in each fiscal year.

BASIS POINT A measurement unit defined as one hundredth of one per cent.

COMMITMENTS TO EXTEND CREDIT Credit facilities provided to customers which are usually for a specified term and interest rate.

CURRENT REPLACEMENT COST The estimated amount that would be received by the Bank if the contracts were sold.

DERIVATIVE FINANCIAL INSTRUMENTS See individual definitions of equity contracts, financial futures, foreign currency, interest rate and equity options, foreign exchange forward contracts, forward rate agreements and interest rate and cross currency swaps.

DOCUMENTARY AND COMMERCIAL LETTERS OF CREDIT Written undertakings by the Bank on behalf of its customers (normally importers), authorizing a third party (normally an exporter) to draw drafts on the Bank up to a stipulated amount under specific terms and conditions to facilitate international trade.

EARNINGS PER COMMON SHARE Net income for the year (after the deduction of preferred share dividends), divided by the daily average equivalent of fully paid common shares outstanding. Fully diluted earnings per share reflect the effects of all potential dilutive factors, such as the exercise of employee stock options.

EQUITY CONTRACTS Transactions that generally involve the contractual exchange of equity related payments with interest rate related payments, both based on a specified amount of notional principal for a specified time.

FINANCIAL FUTURES Future commitments to purchase or deliver securities or money market instruments on a specified future date at a specified price. The instruments are obligations between the Bank and the organized exchange upon which the contract is traded.

FOREIGN CURRENCY, INTEREST RATE AND EQUITY OPTIONS Agreements between two parties in which the writer of the option grants the buyer the future right, but not the obligation, to buy or to sell, at or by a specified date, a specific amount of a financial instrument or commodity at a price agreed when the option is arranged.

FOREIGN EXCHANGE FORWARD CONTRACTS Commitments to purchase or sell foreign currencies for delivery at a specified date in the future at a fixed rate.

FORWARD RATE AGREEMENTS Contracts fixing an interest rate to be paid on a notional deposit of specified maturity commencing at a specified future date.

GUARANTEES AND STANDBY LETTERS OF CREDIT Commitments issued by the Bank guaranteeing the obligations or performance of its customers to third parties and for which the Bank has recourse against its customers.

IMPAIRED LOANS Loans, where in management's opinion, there has been a deterioration of credit quality to the extent that the Bank no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. Interest on impaired loans subsequently received is recorded as interest income only when management has reasonable assurances as to the timely collection of the full amount of the principal and interest. Included in impaired loan figures are: loans, term preferred shares, income debentures, small business bonds, small business development bonds that qualify as loan substitutes, deposits with banks and derivative financial instruments.

INTEREST RATE AND CROSS CURRENCY SWAPS Transactions that generally involve the contractual exchange of fixed and floating rate interest payment obligations and/or currencies, on a specified amount of notional principal for a specified period of time.

INTEREST RATE SENSITIVE ASSETS/LIABILITIES Earning assets and interest-bearing liabilities that mature or are repriced within specified time frames, or have interest rates that float in relation to a base rate such as the Bank's prime rate.

LIQUIDITY The ability to meet on time all deposit withdrawals, debt maturities and commitments to provide credit through the provision of assets readily convertible to cash, or the capacity to borrow and refund maturing liabilities.

LOCATION OF ULTIMATE RISK The location of residence of the customer or, if guaranteed, the guarantor. However, where the customer or guarantor is a branch office, the location of residence of the head office is used, and where most of the customer's or guarantor's assets or the security for the asset are situated in a different country, that country is deemed to be the location of ultimate risk. Foreign currency assets are not necessarily utilized in or repaid from the geographic areas in which they are included.

NET COMMON EQUITY Common shareholders' equity less intangible assets.

NET INTEREST INCOME The difference between interest income on earning assets and interest expense on interest-bearing liabilities. In the Management discussion and analysis of operating performance, this is expressed on a taxable equivalent basis.

NET INTEREST RATE MARGIN Net interest income on a taxable equivalent basis before net investment securities gains (losses) as a percentage of average earning assets.

NOTE ISSUANCE FACILITIES AND REVOLVING UNDERWRITING FACILITIES Undertakings from the Bank where a customer issues short-term notes and is unable to sell the notes at a prescribed price, the Bank will buy them at that price.

NOTIONAL PRINCIPAL A reference amount on which payments for derivative financial instruments are based.

PRODUCTIVITY RATIO Non-interest expenses, excluding one-time costs or credits, as a percentage of the sum of net interest income on a taxable equivalent basis and other income.

PROVISION FOR CREDIT LOSSES Amount added to the allowance for credit losses to bring it to a level that management considers adequate to absorb all credit related losses in its portfolio.

REPURCHASE AGREEMENTS Involve the sale of a security with the commitment by the seller to repurchase the security at a specified price.

RETURN ON ASSETS Net income as a percentage of average total assets, which indicates how effectively a bank has used its total resources.

RETURN ON COMMON EQUITY Net income applicable to common shareholders as a percentage of average common shareholders' equity. A broad measurement of a bank's effectiveness in employing shareholders' funds.

RISK-ADJUSTED (BIS) CAPITAL Consists of tier 1 and tier 2 capital as defined by the OSFI under the Bank for International Settlements (BIS) framework. Tier 1 capital is common shareholders' equity plus qualifying non-cumulative perpetual preferred shares less goodwill. Tier 2 capital includes subordinated debt and other preferred shares, less investments in associated corporations and amortization of subordinated notes.

RISK-BASED (BIS) CAPITAL RATIOS Risk-adjusted capital as a percentage of risk-weighted assets. The OSFI requires a total capital ratio of at least 8%, a tier 1 capital ratio of at least 4% and a maximum assets to capital multiple of 20.

RISK-WEIGHTED ASSETS Assets calculated by applying a predetermined risk-weight factor to the face amount of each asset and the notional principal amount of each off-balance sheet contract. The risk-weight factors are established by the OSFI to convert assets and off-balance sheet exposures to a comparable risk level.

SECURITIES PURCHASED UNDER REALE AGREEMENTS Involve the purchase of a security, normally a government bond, with the commitment by the buyer to resell the security to the original seller at a specified price.

TAXABLE EQUIVALENT BASIS (TEB) A conversion process whereby non-taxable income (income from Canadian securities including common and preferred shares, income debentures, term preferred shares and shares in affiliates) received by the Bank is adjusted to an equivalent before-tax basis.

TOTAL MARKET RETURN The change in market price plus dividends paid during the year as a percentage of the prior year's closing market price per common share.