

Regulatory Information

Background

As a federally chartered trust company, Equity Transfer & Trust Company ("Equity") is supervised by the Office of the Superintendent of Financial Institutions ("OSFI"). As such, Equity is required to adopt the framework for measuring capital adequacy adopted by the Basel Committee on Banking Supervision ("Basel II"). Pillar 3 of the framework relates to disclosure to be made to allow market participants to assess a financial institution's capital risk exposures, risk assessment processes and hence its capital adequacy.

Capital Risk Exposures

Equity's business is confined to fee-based financial services. As a result its capital risk profile is low because it does not offer deposit-taking, lending and other investment products. Equity's main exposures are to strategic risk and operational risk and, to the extent possible, it has taken action to mitigate if not eliminate the risks. Equity's overall risk tolerance is low and it maintains control policies and procedures to minimize the risks of its business.

Under Basel II Equity has adopted the Standard Approach to credit risk and the Basic Indicator approach to operational risk.

Risk Assessment Processes

Equity has implemented an Enterprise Risk Management ("ERM") process. The process involves comprehensive risk assessments following the approach and standards set out in the COSO Enterprise Risk Management Integrated Framework. The results of the assessments are reviewed by senior management and reported to the Board of Directors. The process is monitored by Equity's internal audit staff. The ERM process is an integral part of Equity's capital adequacy assessment program.

Capital Adequacy

The table below outlines Equity's capital for the past four quarters. Equity's capital consists entirely of tier one capital (Retained Earnings reflects ongoing income earned net of dividends paid out).

Capital Structure

(\$ 000s)	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Tier 1 Capital				
Share Capital	8,327	8,327	8,327	8,327
Contributed Surplus	1,279	1,279	1,279	1,279
Retained Earnings	515	596	880	1,533
Gross Tier 1 Capital	10,121	10,202	10,486	11,139
Deductions including goodwill	5,344	5,935	5,889	5,782
Tier 1 Capital	4,777	4,267	4,597	5,357
Tier 2 Capital	-	-	-	-
Tier 3 Capital	-	-	-	-
Total Capital	4,777	4,267	4,597	5,357

Capital Adequacy

(\$ 000s)	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Credit Risk-Weighted Assets				
On-balance sheet assets	4,988	4,294	4,536	4,728
Off-balance sheet assets	-	-	-	-
Total Credit Risk Items	4,988	4,294	4,536	4,728
Market Risk-Weighted Assets	-	-	-	-
Operational Risk-Weighted Assets	26,300	26,588	26,825	27,538
Total Risk-Weighted Assets	31,288	30,882	31,361	32,266
Total Tier 1 Capital	4,777	4,267	4,597	5,357
Total Tier 1 Capital Ratio	15.27	13.82	14.66	16.60