Fiduciary Trust Company of Canada - Pillar 3 disclosures

Background

Fiduciary Trust Company of Canada (FTCC) is a federally regulated trust company supervised by the Office of the Superintendent of Financial Institutions (OSFI). As such FTCC is required to adopt the regulatory framework for measuring capital adequacy adopted by the Basel Committee on Banking Supervision (Basel II).

This disclosure document has been prepared by FTCC in accordance with the requirements of Pillar 3 of the framework which relates to disclosures to be made to allow market participants to assess a financial institution's capital risk exposures, risk assessment process and its capital adequacy.

The Company is a wholly-owned subsidiary of Franklin Templeton Investments Corp. (FTIC), which is an indirectly wholly-owned subsidiary of the ultimate parent company, Franklin Resources, Inc. (FRI). FRI, headquartered in San Mateo, California, is a public company registered with the U.S. Securities and Exchange Commission.

These disclosures are published on the Company's website (www.fiduciarytrust.ca). The disclosures are not subject to audit.

Capital Risk Exposures

FTCC is not a deposit taking institution (DTI) and has limited scope of operations. It provides portfolio advisory and trust services to private clients that complement the wealth management business operations of its immediate Canadian parent, FTIC. The operations of the Company expose it to credit risk, pricing risk, liquidity risk and market risk. Market risk includes interest rate and foreign exchange risks.

FTCC's primary objective in managing capital is to maintain its capital ratios to well exceed the regulatory requirements, by setting higher internal targets than those set out by OSFI and forthcoming Basel III requirements while at the same time ensuring that capital is allocated efficiently to business activities appropriate to their risk levels. Senior management believes that FTCC operates within a strong internal control environment, and has established a sound risk management framework that enables it to identify, assess and manage risks and utilize capital in an effective manner.

Capital is managed on a consolidated basis by FTIC under principles that consider all the risks associated with the business, and at the business unit level under the principles appropriate to the jurisdiction in which it operates.

FTCC calculates and reports regulatory capital ratios as prescribed under Pillar 1 of the Basel II framework and has adopted the standardized approach to credit risk and the basic indicator approach to operational risk. A key component of the Company's internal risk and capital framework is the Internal Capital Adequacy Assessment Process (ICAAP) under Pillar 2. The ICAAP is performed annually or more frequently should the need arise. Our overall approach to assessing the adequacy of our internal capital is set out in our ICAAP document which is approved by the board of directors, reviewed by internal audit and submitted to the regulator OSFI.

Risk Assessment Process

In the normal course of business, FTCC's operations are exposed to a number of operational, financial compliance and strategic risks, and those operations involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Company considers the qualitative and quantitative aspects of these risks, assesses the impact and probability of these risks and seeks to monitor and control these risks or combination of risks to within the Company's overall risk tolerance.

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Senior management believes that accepting risks in a controlled manner is core to the financial success of the business and is an inevitable consequence of being in business.

FTCC's risk management policies are largely administered by FTIC and are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information and tracking systems. Management regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

FTCC's risk management process is closely integrated with the framework, controls, policies and procedures of the FRI risk management organization. In addition, internal audit is responsible for the independent review of risk management and the control environment.

Capital Adequacy

The tables below outline FTCC's capital and capital ratios at the end of fiscal 2011 and for the four quarters of fiscal 2012.

CAPITAL RESOURCES

Total Available Capital (in C$000's)	Oct 2011	Jan 2012	Apr 2012	Jul 2012	Oct 2012
Total Capital					
Common shares	$ 5,615	$ 5,615	$ 5,615	$ 5,615	$ 5,615
Retained earnings	5,038	631	1,532	2,431	3,503
Less: Deductible goodwill and certain intangibles	(246)	(246)	(246)	(574)	(506)
Total Capital (Adjusted Net Tier 1 Capital)	$ 10,407	$ 6,000	$ 6,901	$ 7,472	$ 8,612

FTCC's regulatory capital consists of shareholder's equity, net of goodwill and certain intangibles.

CAPITAL RATIOS

At October 31, 2011 and throughout fiscal 2012, FTCC's capital has remained well above minimum regulatory capital requirements as set by OSFI.

	Oct 2011	Jan 2012	Apr 2012	Jul 2012	Oct 2012
Risk-Weighted Assets (in C$000's)					
Credit Risk	$ 5,376	$ 4,588	$ 4,946	$ 5,415	$ 5,742
Operational Risk	$ 35,225	$ 35,788	$ 36,563	$ 37,038	$ 37,500
Assets to Capital Ratio (Tier 1) %					
Total Capital/Risk-Weighted Assets x 100	25.6%	14.9%	16.6%	17.6%	19.9%
Assets to Capital Multiple (ACM)	1.3	1.4	1.5	1.5	1.5