President's Choice Bank

BASEL III PILLAR 3 DISCLOSURES

June 30, 2016

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TABLE 1 – OVERVIEW & SCOPE OF APPLICATION

This document represents the Basel III Pillar 3 disclosures for President's Choice Bank ("PC Bank" or the "the Bank"). These disclosures are made pursuant to OSFI's Pillar 3 Disclosure Requirements issued in November 2007, and OSFI's Basel III Pillar 3 requirements Advisory issued in July 2013. Basel III, issued in June 2011, is part of the Basel Committee's continuous effort to enhance the banking regulatory framework. It builds on the International Convergence of Capital Measurement and Capital Standards document (Basel II). Basel III is structured around 3 pillars:

- Pillar 1: Minimum Capital Requirements
- Pillar 2: The Supervisory Review Process
- Pillar 3: Market Discipline

Pillar 3 complements both Pillars 1 and 2, by setting disclosure requirements which will allow market participants to assess key pieces of information on the scope of application, capital, risk exposures, risk assessment processes, and hence the capital adequacy of PC Bank.

OSFI requires all institutions to implement the Basel III framework, and the new composition of capital disclosure requirements. This document presents capital structure and adequacy calculations based on Basel III guidelines on both an "All-in" basis (after the transition period for the phasing-in of deductions ends on January 1, 2019) and a "Transitional" basis (before January 1, 2019) as per OSFI requirement.

This report is unaudited and is reported in Thousands of Canadian Dollars, unless otherwise disclosed.

President's Choice Bank Overview

PC Bank is a Schedule I Canadian chartered bank governed by the *Bank Act (Canada)* and is a wholly owned subsidiary of Loblaw Companies Limited ("LCL"). In association with other financial institutions, PC Bank offers, under the President's Choice Financial® brand, a complete line of retail financial services products to individuals who reside in Canada. The key business lines of PC Bank are as follows:

Credit Card

PC Bank launched its credit card program in 2001 and currently offers the *President's Choice Financial* MasterCard ("PC MasterCard") across Canada. The PC MasterCard product attributes include no annual fee and a competitive rewards program which allows customers to earn and redeem PC Points for free groceries at LCL stores. PC Bank records the credit card receivables and associated funding on its balance sheet. In 2014, PC Bank launched the offering of its prepaid MasterCard.

Core Banking

PC Bank launched its core banking business in 1998 through a strategic partnership with a major Canadian Chartered Bank ("Strategic Partner"). Under the President's Choice Financial brand, retail banking products are sold online and in LCL stores at banking pavilions operated by the Strategic Partner. All deposits, investments and lending products issued under the PC Financial brand are recorded by the Strategic Partner on its balance sheet. PC Bank earns income through this partnership.

GIC's

PC Bank launched a broker originated GIC program in 2010. The GIC's offered by PC Bank are insured by Canadian Deposit Insurance Corporation ("CDIC"). PC Bank sells nominee name GIC's through a number of brokers in Canada.

Corporate Governance

The Bank maintains a rigorous corporate governance structure as follows:

- Board of Director's Oversight
    - Risk Committee
    - Audit Committee
    - Conduct Review Committee
    - Governance Committee

- Senior Management Oversight through the following:
    - **Asset Liability Committee ("ALCO") –** assists the Risk Committee of the Board in
        - Overseeing PC Bank's risk management activities by providing strategic direction on the management of liquidity risk, interest rate risk, investment risk, and other aspects of Asset Liability Management;
        - Ensuring that PC Bank has the appropriate quantity and quality of capital, considering its strategic direction & business plans, its risk profile, its emerging risks and stress tests; and
        - Proactively assessing the balance sheet dynamics, having regard to economic data and forecasts, PC Bank's legal structure, market developments, accounting pronouncements, etc.
    - **Enterprise Risk Management Committee ("ERMC") –** provides stewardship over the identification, definition, assessment, management, control, measurement, monitoring and reporting of PC Bank's enterprise risks.
    - **Credit Risk and Fraud Management Committee ("CRFMC") –** has the following key responsibilities:
        - Providing a governance structure that oversees the Credit Risk Management program, including the associated strategies, policies and procedures;
        - Ensuring that Credit Risk and Fraud Risk forecasts are appropriate giving consideration to PC Bank's strategic directions, risk profile and appetite, emerging risks and stress tests;
        - Providing guidance on the methodology to continually identify, define, assess, manage, and report Credit Risk and Fraud Risk exposure.
    - **Operational Risk Management Committee ("ORMC") –** is responsible for planning, directing, monitoring and controlling the impact of PC Bank's risks arising from its operations. Its key responsibilities include:
        - Ensuring PC Bank's compliance with operational mandates, policies and procedures, and governing legislation;
        - Overseeing risk appetite, business continuity management, information security, internal control, outsourcing, social media, legal and regulatory risks management;
        - Overseeing the anti-money laundering and anti-terrorist program;

      - Overseeing other operational risks.
  - **Internal Audit ("IAS") –** assists Management in accomplishing its objectives by bringing a systematic, objective and disciplined approach to evaluate and improve the effectiveness of PC Bank's risk management, control and governance processes.

TABLE 2/3 – CAPITAL STRUCTURE AND ADEQUACY

QUALITATIVE DISCLOSURES

PC Bank Risk Management

PC Bank calculates its regulatory capital based on the following methodologies:
- PC Bank manages its credit risk using the standardized approach
- PC Bank does not maintain a trading portfolio, and has minimal market risk from its high quality liquid asset portfolio; and
- PC Bank's operational risk is monitored using the Basic Indicator Approach.

PC Bank has implemented a comprehensive Internal Capital Adequacy Assessment Process ("ICAAP") to identify and assess the material risks that PC Bank faces to ensure that sufficient quality and quantity of capital is available. PC Bank is confident that the Pillar I and Pillar II calculations are appropriate given the PC Bank's business model, inherent risks, internal controls and tools to manage risks and residual risks. The results of the ICAAP performed by PC Bank conclude that the Bank is strongly capitalized.

The guiding principles of ICAAP are summarized below:
- ***Proportionality***: The design of the Bank's ICAAP is proportionate to the risk level, complexity and scale of PC Bank's activities.
- ***Forward Looking****:* In the process of ICAAP, PC Bank considers not only the existing risks faced but also the emerging risks and future business strategies.
- ***Ongoing exercise:*** PC Bank's ICAAP is not a static one-time process but rather a dynamic and continuous exercise to ensure that the PC Bank has robust risk management systems and possesses sufficient capital at all times for risks.
- ***Evolving-nature***: ICAAP is continuously monitored for improvement in accordance with changes to the risk profile and business plans of PC Bank.
- ***Use test***: The methodology and risk limit structures used to measure and compute risk under ICAAP is integrated within the day to day risk practices of PC Bank through the ERM risk monitoring program. Specific limits and tolerances are monitored for capital & capital ratios on a monthly basis by the ERMC to ensure that PC Bank stays within its risk appetite for all capital risks including those relating to ICAAP.

Gross Common Equity Tier I Capital

The capital structure of PC Bank consists of the following which combine to form PC Bank's Gross Common Equity Tier I Capital:
- Common Shares;
- Retained Earnings;
- Contributed Surplus; and
- Accumulated Other Comprehensive Income ("AOCI")

The Bank is a wholly owned subsidiary of Loblaw Companies Limited. The Bank has authorized an unlimited number of common shares without par value. As at June 30, 2016, PC Bank had 42,002 common shares issued and outstanding.

QUANTITATIVE DISCLOSURES

		June 30, 2016	
		All-in	**Transitional**
Total Capital			
1	Directly issued qualifying common share capital plus related stock surplus	47,412	
2	Retained Earnings	899,576	
3	Accumulated other comprehensive income (and other reverves)	(1,412)	
6	Common Equity Tier 1 capital before regulatory adjustments	945,576	
28	Total regulatory adjustments to Common Equity Tier 1	(20,610)	
29	Common Equity Tier 1 Capital (CET1)	924,966	933,775
44	Additional Tier 1 capital (AT1)	-	
45	Tier 1 capital (T1= CET1 + AT1)	924,966	933,775
58	Tier 2 capital (T2)	-	
59	**Total Capital (TC= T1 + T2)**	**924,966**	**933,775**
Risk Weighted Assets Calculation (Standard Approach)			
60	**Total Risk Weighted Assets**	**3,150,933**	**3,159,683**
Captial Ratio			
61	**Common Equity Tier 1 (as % of risk-weighted assets)**	**29.36%**	**29.55%**
62	**Tier 1 (as % of risk-weighted assets)**	**29.36%**	**29.55%**
63	**Total Capital (as % of risk-weighted assets)**	**29.36%**	**29.55%**
OSFI All-in Target			
69	**Common Equity Tier 1 capital all-in target ratio**	**7.0%**	
70	**Tier 1 capital all-in target ratio**	**8.5%**	
71	**Total capital all-in target ratio**	**10.5%**	

Leverage Ratio disclosure as at June 30, 2016		
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives, SFTs and grandfathed securitization exposures but including collateral)	3,067,557
2	(Asset amounts deducted in determining Basel III "all-in" Tier 1 capital)	(20,610)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**3,046,947**
Derivative Exposures		
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	540
5	Add-on amount for PFE associated with all derivative transactions	2,023
11	**Total derivative exposures**	**2,563**
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	9,445,846
18	(Adjustments for conversion to credit equivalent amount)	(8,501,261)
19	**Off-balance sheet items**	**944,585**
Capital and Total Exposures		
20	**Tier 1 capital**	**924,966**
21	**Total Exposures**	**3,994,095**
Leverage Ratios		
22	**Basel III leverage ratio**	**23.16**

TABLE 4 – CREDIT RISK: GENERAL DISCLOSURES FOR ALL BANKS

QUALITATIVE DISCLOSURES

The credit risk associated with PC Bank's credit card portfolio is defined as the risk of financial loss resulting from the failure of a debtor, for any reason, to fully honour its financial or contractual obligations.

PC Bank is exposed to credit risk through:

- Acquisition strategies that grant credit to new clients; and
- Account management strategies that grant additional credit to existing clients.

PC Bank acts as an unsecured lender with the objective of managing a portfolio of receivables within the Board approved credit risk appetite and in accordance with the Credit Risk Management & Fraud Policy.

The Credit Risk and Fraud Management Department ("CRFM") is mandated to manage the portfolio and ensure that its concentrations and risk metrics are within the limits prescribed by the risk appetite. To achieve this, CRFM must develop effective credit granting, portfolio management, collection and fraud detection policies and procedures which control the nature, characteristics, diversity and quality of the credit card portfolio.

CRFM must effectively measure and report on key risk indicators at a department level as well as to external and internal oversight personnel. In addition to regular audit and regulatory oversight activities, the Board has established the Credit Risk and Fraud Management Committee. The committee is responsible to assess, review and monitor credit and fraud risks to the bank. This includes oversight of the key indicators, strategy changes, model validation and policy/process change management activities that have been deemed material. All committee activities are regularly reported to the Board via the committee report and the Enterprise Risk Management Committee Report of the Bank.

Allowance for Credit Card Losses

The measurement of the allowance for credit card losses is contained within the Board of Directors' approved Allowance for Credit Risk policy. The allowance for credit card losses is established for impaired loans on the PC Bank's loan portfolio when a loss event has occurred. PC Bank follows the collective allowance approach in measuring the allowance for credit card losses. Objective evidence used to identify impaired loans is when the cardholder enters into bankruptcy and/or defaults/becomes delinquent on their loan obligation. Key portfolio performance metrics, such as monthly write-off rates as a percentage of average receivables and delinquency measures, as well as key macro-economic data are used in assessing the adequacy of the allowance for credit card losses. The allowance for credit card losses is reviewed and recommended by the VP, Credit Risk and the Chief Financial Officer to the Board of Directors for ultimate approval.

For accounting purposes, credit card loans are stated at their amortized cost, which is net of an allowance for credit card losses. Any credit card loan with a payment that is contractually 180 days in arrears, or where likelihood of collection is considered remote, is written off.

QUANTITATIVE DISCLOSURES

The following information provides quantitative analysis of PC Bank's total credit card portfolio by account balance, credit limit, delinquency and geography.

Account Balances	Total Accounts as at June 30 2016			
	Number of Accounts	Percentage of Total Accounts	Receivables Outstanding (in $)	Percentage of Total Receivables
Credit Balance	171,335	4.38%	$ (18,516,426)	-0.66%
No Balance	2,148,974	54.89%	$ -	0.00%
LT or equal $500.00	564,053	14.41%	$ 116,110,660	4.15%
$500.01 to $1000.00	282,153	7.21%	$ 210,165,134	7.51%
$1,000.01 to $3,000.00	458,405	11.71%	$ 831,830,904	29.70%
$3,000.01 to $5,000.00	156,782	4.00%	$ 605,910,357	21.64%
$5,000.01 to $10,000.00	110,173	2.81%	$ 745,986,211	26.64%
GT $10,000.00	22,975	0.59%	$ 308,534,650	11.02%
Totals	3,914,850	100.00%	$ 2,800,021,490	100.00%

Credit Limits	Total Accounts as at June 30 2016			
	Number of Accounts	Percentage of Total Accounts	Receivables Outstanding (in $)	Percentage of Total Receivables
LT or equal $500	284,633	7.27%	$ 12,705,797	0.45%
$500.01 to $1000.00	479,418	12.25%	$ 84,379,844	3.01%
$1,000.01 to $3,000.00	920,042	23.50%	$ 420,413,977	15.01%
$3,000.01 to $5,000.00	673,498	17.20%	$ 456,388,506	16.30%
$5,000.01 to $10,000.00	890,108	22.74%	$ 895,570,161	31.98%
GT $10,000.00	667,151	17.04%	$ 930,563,205	33.25%
Totals	3,914,850	100.00%	$ 2,800,021,490	100.00%

	Total Accounts as at June 30 2016				
Days Delinquent	Number of Accounts	Percentage of Total Accounts		Receivables Outstanding (in $)	Percentage of Total Receivables
Current [(1)]	3,826,420	97.74%	$	2,628,018,223	93.86%
1 day to 29 days	54,581	1.39%	$	104,719,875	3.74%
30 days to 59 days	13,278	0.34%	$	23,546,243	0.84%
60 days to 89 days	6,971	0.18%	$	13,766,874	0.49%
90 days +	13,600	0.35%	$	29,970,275	1.07%
Totals	3,914,850	100.00%	$	2,800,021,490	100.00%

Note 1: Current category includes zero balance, credit balance, and transfers accounts.

	Total Accounts as at June 30 2016				
Province	Number of Accounts	Percentage of Total Accounts		Receivables Outstanding (in $)	Percentage of Total Receivables
Alberta	487,094	12.44%	$	375,833,602	13.42%
British Columbia	559,991	14.30%	$	368,031,166	13.14%
Manitoba	163,578	4.18%	$	138,818,665	4.96%
New Brunswick	62,408	1.59%	$	41,480,951	1.48%
Newfoundland & Labrador	21,816	0.56%	$	17,439,555	0.62%
Nova Scotia	112,888	2.88%	$	78,536,178	2.80%
Northwest Territories	2,073	0.05%	$	1,535,498	0.05%
Nunavut	367	0.01%	$	247,693	0.01%
Ontario	2,042,744	52.18%	$	1,485,668,407	53.07%
Prince Edward Island	14,308	0.37%	$	9,843,794	0.35%
Quebec	344,436	8.80%	$	196,292,267	7.01%
Saskatchewan	95,558	2.44%	$	82,188,705	2.94%
Yukon	3,795	0.10%	$	3,321,048	0.12%
Other	3,794	0.10%	$	783,961	0.03%
Totals	3,914,850	100.00%	$	2,800,021,490	100.00%

Allowance for Credit Card Losses:

The following are the changes in the allowance for credit card losses for the six months ended June 30, 2016:

Allowance for Credit Card Losses, beginning of year	$	54,239
Provision for credit card losses		60,245
Recoveries		9,104
Write-offs		(71,261)
Allowance for Credit Card Losses, June 30, 2016	$	52,327

TABLE 5 – CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH

PC Bank invests in government issued or guaranteed securities, and cash deposits with regulated financial institutions (see details in Table 8).

TABLE 6 – CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO IRB APPROACHES

PC Bank manages credit risk using the standardised approach, and as such, the Bank does not have any portfolios subject to the Internal Ratings-Based (IRB) approach.

TABLE 7 – CREDIT RISK MITIGATION

PC Bank's loans receivable consists of credit card receivables exclusively. The credit card loans are unsecured and are not guaranteed. The Bank invests in government issued or guaranteed securities, and cash deposits with regulated financial institutions. PC Bank has immaterial credit risk from its high quality liquid asset portfolio.

TABLE 8 – GENERAL DISCLOSURE FOR EXPOSURES RELATED TO COUNTERPARTY CREDIT RISK

PC Bank does not have large counterparty exposure to financial guarantors, investment banks or derivative counterparties. PC Bank conservatively manages its counterparty credit risk exposures by setting internal limits on total exposure, tenor and ratings for each of the counterparties.

From time to time, PC Bank enters into foreign exchange forward agreements to hedge its exposure on certain USD payables. During 2015, PC Bank entered into USD foreign exchange forward agreements, which mature on various dates up to December 2016. In the second quarter of 2016, PC Bank entered into additional USD foreign exchange forward agreements which mature on various dates up to December 2017. These agreements qualify for hedge accounting as cash flow hedges of future foreign currency transactions.

During Q1 2016, PC Bank entered into interest rate swaps and short term bond forwards to manage its interest rate exposures. These agreements qualified for hedge accounting.

The counterparty exposure to the derivative counterparties has been included in the table below.

QUANTITATIVE DISCLOSURES

	June 30, 2016	
	Amount	**Risk Weight**
Deposits with Regulated Financial Institutions	$ 85,941	20%
Deposits with Regulated Financial Institutions	$ 4,898	50%
Government Issued or Guaranteed Securities	$ 152,768	0%
Derivatives exposures	$ 2,563	20%

TABLE 9 – SECURITIZATION: DISCLOSURE FOR STANDARDISED APPROACH

QUALITATIVE DISCLOSURES

Securitization Risk is defined as the inability to secure suitable securitization arrangements for funding purposes and PC Bank's failure to meet the securitization covenant requirements. PC Bank acts as the originator and sponsor of its securitization program. PC Bank does not invest in asset backed securities or provide liquidity facilities for asset backed commercial paper.

PC Bank is dependent on its securitization program to finance a portion of its credit card receivables. The securitization program includes following two key channels.

- Term Notes issued by Eagle Credit Card Trust ("Eagle"): During 2013, Eagle issued 2013-1 $400 million of senior and subordinated term notes with a maturity date of October 17, 2018 at a weighted average interest rate of 2.91%. In September 2015, Eagle issued 2015-1 $250 million of senior and subordinated term notes with a maturity date of September 17, 2020 at a weighted average interest rate of 2.23%.

- Asset Backed Commercial Paper issued by Other Independent Securitization Trusts at variable rates matures by 2019.

- During 2016, PC Bank recorded a net reduction of $75 million of co-ownership interests in the securitized receivables held by the Other Independent Securitization Trusts.

Eagle Credit Card Trust - Ratings Information

	As at June 30, 2016		
	DBRS	**Fitch**	**Moody's**
Eagle Series 2013-1 Class A Notes	AAA (sf)	AAA (sf)	Aaa (sf)
Eagle Series 2013-1 Class B Notes	A (sf)	A (sf)	Aa2 (sf)
Eagle Series 2013-1 Class C Notes	BBB (sf)	BBB (sf)	A1 (sf)
Eagle Series 2015-1 Class A Notes	AAA (sf)	AAA (sf)	NA
Eagle Series 2015-1 Class B Notes	A (sf)	A (sf)	NA
Eagle Series 2015-1 Class C Notes	BBB (sf)	BBB (sf)	NA

QUANTITATIVE ANALYSIS:
(In Millions of Canadian Dollars)

		June 30, 2016
Credit card receivables, net of allowance for impairment	**$**	**2,751**
Securitized to Eagle Credit Card Trust	$	650
Securitized to Other Independent Securitization Trusts	$	475

TABLE 10 /11 – MARKET RISK

PC Bank does not maintain a trading portfolio, and has minimal market risk from its high quality liquid asset portfolio.

TABLE 12 – OPERATIONAL RISK

PC Bank uses the basic indicator approach to measure operational risk.

TABLE 13 – EQUITIES: DISCLOSURES FOR BANKING BOOK POSITIONS

PC Bank does not have any banking book or equity portfolios. Therefore, the Bank has no equity risk.

TABLE 14 – INTEREST RATE RISK

QUALITATIVE DISCLOSURES

Interest Rate Risk is defined as the risk of loss resulting from changes in interest rates or in the volatility of interest rates; this includes the rising cost of funds and lower margins experienced as interest rates rise.

To mitigate this risk, the Bank undertakes the following mitigation steps:

- The Interest Rate Risk Policy is the key Board policy that governs Interest Rate risk at PC Bank. Key principles of the Interest Rate Risk Policy are:
  - Preserving the long-term value of the spread income generated by its business, regardless of changes in interest rates
  - Managing asset and liability cash flows in a way that maximizes earnings within approved risk appetite levels;

- Management is responsible for monitoring, managing and reporting interest rate risk in accordance with Board approved policies. ALCO meets on a monthly basis and reviews the cost of funds by channel, the funding plan, the fixed floating mix, the sensitivity of Net Interest Income of PC Bank and regulatory capital to parallel and non-parallel movement in interest rates. ALCO reports to the Risk Committee of the Board on a quarterly basis. On an annual basis, the Risk Committee of the Board approves the Interest Rate Risk Management plan.

From time to time, PC Bank may enter into derivative contracts to manage interest rate risk. During Q1 2016, PC Bank entered into interest rate swaps and short term bond forwards to manage its interest rate exposures.

QUANTITATIVE ANALYSIS

Limit Structure - PC Bank monitors the following limits to ensure adherence to the above listed policies

Fixed Floating Mix

- An adequate mix of fixed and floating-rate instruments serves to ensure diversification of interest rate exposure. The acceptable range for the "floating" portion of the mix is set to be between 10% and 40%. The acceptable range for the "fixed" portion of the mix is set to be between 60% and 90%.
- PC Bank has sought to eliminate its floating rate exposure and as of June 30, 2016, PC Bank had virtually zero floating rate exposure. This is due to the execution of interest rate swaps in Q1 intended to reduce floating rate exposure.

Net Interest Income ("NII") Sensitivity
(All measured in Canadian Dollars)

- For ±200 bps adverse parallel movement in interest rates, impact not more than 7.5% of 12-month forward Net Interest Income.
- As of June 30, 2016, Net Interest Income sensitivity ratio of PC Bank was 1.78% for a 200 bps adverse movement in interest rates.

Market Value Sensitivity

(All measured in Canadian Dollars)

- For ±200 bps parallel movement the impact on regulatory capital is not more than 10%
- As of June 30, 2016, Market Value sensitivity of PC Bank was 1.61% for a 200 bps adverse movement in interest rates.

LIQUIDITY RISK

Liquidity refers to the capacity of PC Bank to generate or obtain sufficient cash or its equivalent in a timely manner at a reasonable price to meet its commitments as they fall due and to fund new business opportunities as part of going-concern operations. Liquidity risk is the potential for losses to be incurred from holding insufficient liquidity to survive a contingent stress event.

In May 2014, OSFI released the final Guideline on "Liquidity Adequacy Requirements" ("LAR"). The LAR guideline establishes two minimum standards based on the Basel III framework: the Liquidity Coverage Ratio ("LCR") effective January 1, 2015, and the net Stable Funding Ratio ("NSFR") effective January 1, 2018. The Bank is required to comply with a LCR limit from January 2015. During 2016, PC Bank was in compliance with the LCR requirements.

PC Bank holds liquid assets in the form of balances with banks and high quality securities sufficient to meet its regulatory and operational needs as well as expected and unexpected outflows. Liquid assets are also monitored daily and supported by a range of early warning indicators. As at June 30, 2016, liquid assets were $244 million.

PC Bank has a comprehensive liquidity risk framework guided by:

- Board approved policies reviewed at least annually;
- Board approved funding plan that provides effective diversification in the sources and tenor of funding;
- Sensitivity analysis and stress testing on a regular basis for a variety of scenarios; and
- Ensuring Treasury operations are supported by appropriate expertise and capabilities.

CURRENCY RISK

PC Bank is exposed to immaterial currency risk as the bank carries insignificant assets in foreign currency. From time to time, PC Bank may enter into derivative contracts to manage currency risk related to expenses paid to the US vendors. Please refer to Table 8 for further information.