



**Bank Financial Group**

# **READER'S GUIDE TO SUPPLEMENTAL FINANCIAL INFORMATION**

**For the 1<sup>st</sup> Quarter Ended January 31, 2010**



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The purpose of this Reader's Guide is to assist users in understanding both the purpose and content of the Supplemental Financial Information document. Each page of this Guide contains categories relevant to the corresponding page in the Supplemental Financial Information document, including Summary, Purpose, Drivers, Formulas and Other Information. The information provided is intended to help readers understand the data on any given page.

This Guide should be viewed in conjunction with the Supplemental Financial Information document located here - [http://www.td.com/investor/2010/2010q1\\_sup.pdf](http://www.td.com/investor/2010/2010q1_sup.pdf) . This document contains footnotes and a glossary in order to assist readers in better understanding the document. All page numbers refer to the most recent quarterly Supplemental Financial Information document unless otherwise noted.

This Reader's Guide will be updated each quarter and should serve as a helpful background document to the Supplemental Financial Information document. Updates to this Reader's Guide may be necessary on a quarterly basis, to reflect changes to the Supplemental Financial Information document. The updated Reader's Guide will be made available at [http://www.td.com/investor/qr\\_2010.jsp](http://www.td.com/investor/qr_2010.jsp) . This version of the Reader's Guide is dated January 31, 2010.

### **How the Bank Reports**

The Bank prepares its Consolidated Financial Statements in accordance with GAAP and refers to results prepared in accordance with GAAP as "reported" results. The Bank also utilizes non-GAAP financial measures referred to as "adjusted" results to assess each of its businesses and to measure overall Bank performance. To arrive at adjusted results, the Bank removes "items of note," net of income taxes, from reported results. The items of note relate to items which management does not believe are indicative of underlying business performance. The Bank believes that adjusted results provide the reader with a better understanding of how management views the Bank's performance. The items of note are listed in the table on the following page.

As explained, adjusted results are different from reported results determined in accordance with GAAP. Adjusted results, items of note, and related terms used in this document are not defined terms under GAAP and, therefore, may not be comparable to similar terms used by other issuers. A reconciliation between the Bank's reported and adjusted results is provided in the "How the Bank Reports" section of the Bank's Quarterly Report to Shareholders located here - [http://www.td.com/investor/2010/2010q1\\_qr.pdf](http://www.td.com/investor/2010/2010q1_qr.pdf) .

Date: March 17, 2010

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Certain comparative amounts have been reclassified to conform with current period presentation

- SUMMARY**
- Income Statement
  - Certain key metrics
- PURPOSE**
- To provide a snapshot of TD Bank Financial Group's (TDBFG) performance at the consolidated level
- DRIVERS**
- Macroeconomic Factors that may have impacted certain line items on this page include, but are not limited to, the following:
    - economic conditions
    - interest rates
    - Canadian and U.S. unemployment rate
    - volatility of global stock markets
    - competition
  - TD-specific factors that may have impacted certain line items on this page include, but are not limited to, the following:
    - strategic decisions/priorities
    - retail/wholesale mix (see page 4 titled 'Segmented Results Summary')
    - lending practices and associated risk tolerance
    - growth: organic and through acquisitions
    - capital-raising activities/funding decisions
    - workforce capability
- FORMULAS**
- The majority of line items on this page are explained in detail on subsequent pages. See page references in the Supplemental Financial Information document.
  - Lines 29-30: After-tax impact of 1% increase in interest rates on Common shareholders' equity and Annual net income:
 

*The purpose of these line items is to indicate the Bank's equity and net interest income that would change over the next 12 months in the event of an immediate and sustained 100 basis point unfavourable interest rate shock. There are many assumptions and steps involved in the calculation of these numbers which cannot be captured in straightforward formulas. This is part of the Bank's interest rate risk disclosure. For more information, see the 'Managing Interest Rate Risk' section on page 74 in the 2009 Annual Report located here - <http://www.td.com/ar2009/index.jsp>*
  - Line 33: Provision for credit losses as a % of net average loans:
 

*[Provision for credit losses x (# of days in year / # of days in period) / Net average loans]*

Details on product and geography are provided on the pages 26-27 titled 'Provisions for Credit Losses'.  
Net average loans are Average loans and acceptances less specific allowances. Net average loans is not provided in this document, but can be calculated using the formula above.
- OTHER INFORMATION**
- The difference between basic and diluted net income per common share: 'Basic earnings per common share' is net income less preferred share dividends divided by the average number of common shares outstanding, while 'diluted earnings per common share' is calculated the same way, except the number of common shares outstanding is adjusted for the dilutive effects of stock options and other common stock equivalents. When discussing Earnings Per Share, diluted is often referenced.
  - For Moody's rationale on their rating, go to [moody.com](http://moody.com) (subscription required to view research reports). For Standard & Poor's rating, go to [ratingsdirect.com](http://ratingsdirect.com) (subscription required to view research reports). The Bank is also rated by DBRS ([dbrs.com](http://dbrs.com)) and Fitch, Inc. ([fitchratings.com](http://fitchratings.com)). Please go to [td.com/investor/credit.jsp](http://td.com/investor/credit.jsp) for a review of the four credit rating agencies' ratings on the Bank.

<b>SUMMARY</b>	<ul style="list-style-type: none"> <li>• Ratios and metrics reflecting TDBFG's performance</li> </ul>
<b>PURPOSE</b>	<ul style="list-style-type: none"> <li>• To show the short-term trend in certain business performance, common share performance and dividend performance metrics</li> </ul>
<b>FORMULAS</b>	<ul style="list-style-type: none"> <li>• Return on common equity <i>[Net Income available to common shareholders x (# of days in year / # of days in period) / Average common equity]</i></li> <li>• Efficiency ratio <i>Non-interest expenses / Total revenue</i></li> <li>• Effective tax rate <i>Provision for income taxes / Net income before tax</i></li> </ul> <hr/> <p><i>Note: the ratios above are disclosed on a reported basis. Management believes that adjusting for items of note will provide ratios that are more indicative of the underlying business performance.</i></p> <hr/> <ul style="list-style-type: none"> <li>• Net interest margin <i>[Net interest income x (# of days in year / # of days in period) / Average earning assets]</i> See page 11 titled 'Net Interest Income and Margin' for a breakdown of Net interest income</li> <li>• Book value per common share <i>(Total Shareholder's Equity - Preferred stock) / Number of common shares outstanding</i> Book value per common share is sometimes referred to as the accounting value of a company's stock, and is often compared to the market price of a company's stock to help ascertain valuation.</li> <li>• Total market capitalization <i>Number of common shares outstanding * Closing market price</i></li> </ul>
<b>OTHER INFORMATION</b>	<ul style="list-style-type: none"> <li>• Price-earnings ratios are also commonly referred to as "earnings multiples". This metric is often used when comparing the valuation of various companies operating within the same industry.</li> <li>• Common dividend payout ratio: The Bank's stated goal is for this ratio to be between 35-45% on an adjusted basis.</li> </ul>

- SUMMARY**
- After-tax impact of certain items affecting the Income Statement
- PURPOSE**
- To itemize certain financial items which management does not believe are indicative of underlying business performance. (Pre-tax numbers can be found in both the Report to Shareholders and the Investor Presentation).
- CROSS REFERENCE**
- Most of these adjustments are explained on the "Adjustment for Items of Note, net of income taxes - Footnotes" page, located on page 46 of the Supplemental Financial Information document.
- OTHER INFORMATION**
- *Amortization of intangibles:* The Bank's other intangible assets consist primarily of core deposit intangibles that represent the intangible value of depositor relationships acquired when deposit liabilities are assumed in an acquisition and term deposit, loan and mutual fund intangibles resulting from acquisitions. Other intangible assets are amortized over their estimated useful life (three to 20 years) proportionate to the expected economic benefit.  
  
Amortization of intangibles primarily relates to the Canada Trust acquisition in 2000, the TD Banknorth acquisition in 2005 and its privatization in 2007, the Commerce acquisition in 2008, the acquisitions by TD Banknorth of Hudson United Bancorp (Hudson) in 2006 and Interchange Financial Services (Interchange) in 2007, and the amortization of intangibles included in equity in net income of TD Ameritrade. For more information on Intangibles, see Note 9 on page 113 in the 2009 Annual Report.
  - *General allowance:* A general allowance is established to recognize losses that management estimates to have occurred in the portfolio at the balance sheet date for loans not yet specifically identified as impaired. The level of general allowance reflects exposures across all portfolios and categories. The general allowance is reviewed on a quarterly basis using credit risk models. The allowance level is calculated using the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). PD is the likelihood that a borrower will not be able to meet its scheduled repayments. LGD is the amount of the loss when a default occurs. EAD is the loss when default occurs expressed as a percentage of the exposure. For more information, see Note 3 on page 99 in the 2009 Annual Report.  
  
The General allowance increase in Canadian Personal and Commercial Banking (excluding VFC) and Wholesale Banking is considered an item of note because in Canada, General allowances are calculated using a range-based approach which results in less frequent but larger adjustments. In the U.S., smaller adjustments within a set range are recorded each quarter. As a result, the Bank has historically treated changes in the General allowance as Items of note, similar to other Canadian banks.

- SUMMARY**
- Key income-related metrics by business segment
- PURPOSE**
- To provide a summary of segment results
- CROSS REFERENCE**
- Net Income - Adjusted (line 7) is broken down by Income Statement lines on page 1, lines 1-13, and on each of the business segment pages (pages 5-7 and 9-10).
- DRIVERS**
- Refer to page 1 of this document for a list of factors (Macroeconomic and TD-Specific) that may have impacted certain line items on this page.
- DEFINITIONS**
- *'Corporate'* includes effects of assets securitization programs, treasury management, general provisions for credit losses, the elimination of taxable equivalent and other inter-company adjustments, tax items impact at a corporate level and residual unallocated revenue and expenses.
  - *'Total retail'* is comprised of the following segments: Canadian Personal and Commercial, Wealth Management, and U.S. Personal and Commercial (Canadian dollars).
- OTHER INFORMATION**
- For reporting of geographic results, segments are grouped into Canada, United States and Other international. Transactions are primarily recorded in the location responsible for recording the revenue or assets. This location frequently corresponds with the location of the legal entity through which the business is conducted and the location of the customer.

- SUMMARY**
- Segment-level profit & loss summary
  - Certain key performance indicators
- PURPOSE**
- To illustrate how segment-level income was computed as well as provide a listing of key performance indicators
- CROSS REFERENCE**
- Net interest income (NII)
    - NII is one of two main components of the Bank's revenue. See page 11 titled 'Net Interest Income and Margin' for details. (This page is not broken down by segment, but can be useful in understanding the composition of this number.)
  - Non-interest income
    - Non-interest income is the other main component of the Bank's revenue. See page 12 titled 'Non-Interest Income' for a breakdown. (This page is not broken down by segment, but can be useful in understanding the composition of this number.)
  - Provision for credit losses
    - See page 25 titled 'Provision for Credit Losses' and pages 26-27 titled 'Provision for Credit Losses by Industry Sector and Geographic Location' for specific information on this line item.
  - Non-interest expenses
    - See page 13 titled 'Non-Interest Expenses' for details. (This page is not broken down by segment, but can be useful in understanding the composition of this number.)
- DRIVERS**
- Refer to page 1 of this document for a list of factors (Macroeconomic and TD-Specific) that may have impacted certain line items on this page.
- DEFINITIONS**
- Average loans - personal
    - *- Residential mortgages:* This is comprised of conventional and non-conventional residential mortgage products.
      - Conventional mortgage is one where the principal amount of the mortgage does not exceed the prescribed percentage of the property value for which default insurance is a requirement under the Bank Act. The prescribed percentage of the property value is currently at 80%.
      - High Ratio mortgage also known as non-conventional mortgage is one, where the principal amount of the mortgage exceeds the prescribed percentage of the property value for which default insurance is a requirement under the Bank Act. The prescribed percentage of the property value is currently at 80%.
      - *- HELOCs:* A Home Equity Line of Credit (HELOC) is a loan where a lender agrees to lend a maximum amount within a defined term and the collateral is the borrower's home.
      - *- Other:* This is comprised of other personal loans which includes unsecured lines of credit and other consumer loans.
      - *- Credit card:* This is comprised of Canadian and U.S. credit cards.
    - *Securitization:* The process by which financial assets, mainly loans, are transferred to a trust, which normally issues a series of asset-backed securities to investors to fund the purchase of loans. For accounting purposes, when the financial assets are transferred under terms that transfer control to third parties, and consideration other than beneficial interests in the transferred assets is received, the transaction is recognized as a sale and the related financial assets are removed from the Consolidated Balance Sheet and a gain or loss on sale is recognized. As part of the sale, certain financial assets are retained (beneficial interests) and may consist of an interest-only strip, servicing rights and, in some cases, a cash reserve account. In most cases, the Bank retains the responsibility for servicing the assets securitized. For more details, see page 17 titled 'Loan Securitizations' and Note 5 on page 102 in the 2009 Annual Report.
- OTHER INFORMATION**
- Line items 15, 16, 17, 18 and 20 are "on balance sheet" items (i.e., exclusive of securitized assets).



- SUMMARY**
- Segment-level profit & loss summary
  - Certain key performance indicators
- PURPOSE**
- To illustrate how segment-level income was computed as well as provide a listing of key performance indicators.
- CROSS REFERENCE**
- Net interest income (NII)  
NII is one of two main components of the Bank's revenue. See page 11 titled 'Net Interest Income and Margin' for details. (This page is not broken down by segment, but can be useful in understanding the composition of this number.)
  - Non-interest income  
Non-interest income is the other main component of the Bank's revenue. See page 12 titled 'Non-Interest Income' for a breakdown. (This page is not broken down by segment, but can be useful in understanding the composition of this number.)
  - Non-interest expenses  
See page 13 titled 'Non-Interest Expenses' for details. (This page is not broken down by segment, but can be useful in understanding the composition of this number.)
- DRIVERS**
- Refer to page 1 of this document for a list of factors (Macroeconomic and TD-Specific) that may have impacted certain line items on this page.
- DEFINITIONS**
- *Assets under administration:* Assets that are beneficially owned by customers where the Bank provides services of an administrative nature, such as the collection of investment income and the placing of trades on behalf of the clients (where the client has made his or her own investment selection).
  - *Assets under management:* Assets that are beneficially owned by customers, managed by the Bank, where the Bank makes investment selections on behalf of the client (in accordance with an investment policy). In addition to the TD family of mutual funds, the Bank manages assets on behalf of individuals, pension funds, corporations, institutions, endowments and foundations.
- OTHER INFORMATION**
- *Global Wealth net income (line 7):* Represents income generated by Wealth Management's various advisory, distribution and asset management businesses, including TD Waterhouse, TD Mutual Funds and TD Asset Management Inc. Excludes the Bank's equity interest in TD Ameritrade Corporation ("AMTD").
  - *Equity in net income of an associated company, net of income taxes (line 8):* Represents the income received as part of the Bank's interest in AMTD. This includes the net impact of internal management adjustments which are reclassified to other reporting lines in the Corporate segment. As such, this line item differs from 'Equity in net income of an associated company, net of income taxes' on page 1, line 10. This is a function of the difference between GAAP reporting (page 1) and management reporting (page 6).

- SUMMARY**
- Segment-level profit & loss summary
  - Certain key performance indicators
- PURPOSE**
- To illustrate how segment-level income was computed as well as provide a listing of key performance indicators
- CROSS REFERENCE**
- Net interest income (NII)  
NII is one of two main components of the Bank's revenue. See page 11 titled 'Net Interest Income and Margin' for details. (This page is not broken down by segment, but can be useful in understanding the composition of this number.)
  - Non-interest income  
Non-interest income is the other main component of the Bank's revenue. See page 12 titled 'Non-Interest Income' for a breakdown. (This page is not broken down by segment, but can be useful in understanding the composition of this number.)
  - Provision for credit losses  
See page 25 titled 'Provision for Credit Losses' and pages 26-27 titled 'Provision for Credit Losses by Industry Sector and Geographic Location' for specific information on this line item.
  - Non-interest expenses  
See page 13 titled 'Non-Interest Expenses' for details. (This page is not broken down by segment, but can be useful in understanding the composition of this number.)
- DRIVERS**
- Refer to page 1 of this document for a list of factors (Macroeconomic and TD-Specific) that may have impacted certain line items on this page.
  - *Currency impact.* USD/CAD exchange rate fluctuations impact measures on this page. Balance Sheet items are translated using the ending period spot rate. Income Statement items are translated at the average exchange rate over the reporting period.
- DEFINITIONS**
- Average loans - personal
    - *HELOC (line 19).* A Home Equity Line of Credit (HELOC) is a loan where a lender agrees to lend a maximum amount within a defined term and the collateral is the borrower's home.
    - *Other (line 20).* This is comprised of various consumer loans such as: consolidation loans, auto loans, and overdraft protection.
- OTHER INFORMATION**
- As part of our Global product aggregation, results for U.S. credit cards and insurance are included in the Canadian Personal and Commercial segment, while results for U.S. wealth management are included in the Wealth Management segment.

- SUMMARY**
- Segment-level profit & loss summary in U.S. Dollars (pre-translation)
  - Certain key performance indicators
- PURPOSE**
- To illustrate how segment-level income was computed as well as provide a listing of key performance indicators in U.S. Dollars (pre-translation)
- CROSS REFERENCE**
- Page 7 titled 'U.S. Personal and Commercial Banking Segment - Canadian Dollars' is equal to this page using the applicable foreign exchange rate(s).
- DRIVERS**
- Refer to page 1 of this document for a list of factors (Macroeconomic and TD-Specific) that may have impacted certain line items on this page.
- OTHER INFORMATION**
- The foreign exchange rate used for Income Statement metrics is the daily average rate for the fiscal quarter, measured on a monthly basis.
  - The foreign exchange rate used for Balance Sheet metrics (spot) is as of the last day of the fiscal quarter.
  - The foreign exchange rate used for Balance Sheet metrics (average) is the monthly average rate for the fiscal quarter, averaged for the quarter.

- SUMMARY**
- Segment-level profit & loss summary
  - Certain key performance indicators
- PURPOSE**
- To illustrate how segment-level income was computed as well as provide a listing of key performance indicators
- CROSS REFERENCE**
- Net interest income ('NII')
 

NII is one of two main components of the Bank's revenue. See page 11 titled 'Net Interest Income and Margin' for details. (This page is not broken down by segment, but can be useful in understanding the composition of this number).

Net interest income within Wholesale Banking is calculated on a taxable equivalent basis (TEB), which means that the value of non-taxable or taxexempt income, including dividends, is adjusted to its equivalent before-tax value. Using TEB allows the Bank to measure income from all securities and loans consistently and makes for a more meaningful comparison of net interest income with similar institutions. The TEB adjustment reflected in Wholesale Banking is reversed in the Corporate segment.
  - Non-interest income
 

Non-interest income is the other main component of the Bank's revenue. See page 12 titled 'Non-Interest Income' for a breakdown. (This page is not broken down by segment, but can be useful in understanding the composition of this number.)
  - Provision for credit losses
 

See page 25 titled 'Provision for Credit Losses' and pages 26-27 titled 'Provision for Credit Losses by Industry Sector and Geographic Location' for specific information on this line item.
  - Non-interest expenses
 

See page 13 titled 'Non-Interest Expenses' for details. (This page is not broken down by segment, but can be useful in understanding the composition of this
- DRIVERS**
- Refer to page 1 of this document for a list of factors (Macroeconomic and TD-Specific) that may have impacted certain line items on this page.
- DEFINITIONS**
- *Trading-related income* (TEB) is the total of net interest income on trading positions and trading income.
    - Trading-related income comprises net interest income, trading income and income from loans designated as trading under the fair value option that are managed within a trading portfolio.
    - Trading-related income by product line depicts trading income for each major trading category.
    - Trading income includes realized and unrealized gains and losses on trading securities, trading derivatives and loans designated as trading under the fair value option.

- SUMMARY**
- Segment-level operational summary
  - Breakdown of the various items of note that are removed from reported results when calculating adjusted figures
- PURPOSE**
- To illustrate how segment-level income was computed
- CROSS REFERENCE**
- See page 3 of this document for more information on 'Adjustments for certain items of note'.
- DRIVERS**
- Refer to page 1 of this document for a list of factors (Macroeconomic and TD-Specific) that may have impacted certain line items on this page.
- DEFINITIONS**
- *Corporate*: includes effects of assets securitization programs, treasury management, general provisions for credit losses, the elimination of taxable equivalent and other inter-company adjustments, tax items' impact at a corporate level and residual unallocated revenue and expenses.
  - *Securitization*: see page 5 of this document
- OTHER INFORMATION**
- The corporate management function of the Bank is comprised of audit, legal and compliance, corporate and public affairs, economics, enterprise technology solutions, finance, treasury and balance sheet management, human resources, marketing, office of the ombudsman, enterprise real estate management, risk management, global physical security, strategic sourcing, global strategy, enterprise project management, corporate environment initiatives, and corporate development.
  - An enterprise Direct Channels and Distribution Strategy group has been established within Corporate Operations that is responsible for the online, phone, and ABM/ATM channels, delivering a best in class experience across TD's North American businesses. The vision of the Direct Channels group is to create an even more integrated, seamless, effortless, and legendary customer and client experience for TD Bank, America's Most Convenient Bank, TD Canada Trust, TD Wealth Management, and TD Insurance across all channels.
  - Corporate segment's mandate is to provide centralized advice and counsel to our key businesses and to those who serve our global customers directly. This includes support from a wide range of functional groups, as well as the design, development, and implementation of processes, systems, and technologies to ensure that the Bank's key businesses operate efficiently, reliably, and in compliance with all applicable regulations.
  - Amortization of intangible expense is included in the Corporate segment. Accordingly, net income for the business segments is presented before amortization of intangibles, as well as any other items of note not attributed to the operating segments.

- SUMMARY**
- Interest Income, Interest Expense, Average assets used in Net Interest Margin ('NIM') calculation
- PURPOSE**
- To show various line items that contribute to Net Interest Income ('NII'). Other lines included to facilitate calculation of NIM, including TEB (Taxable Equivalent Basis) adjustment, average total assets, and average earning assets.
- CROSS REFERENCE**
- NII is one of two main components of the Bank's revenue. NII is included in the Highlights page. NII on this page also represents the summation of NII on each of the segment pages (5-7; 9-10).
  - See Table 5 on page 22 of the 2009 Annual Report for a detailed table on Net Interest Income on Average Earning Balances.
- FORMULAS**
- Net interest margin as a % of average earning assets:  
$$[Net\ interest\ income * (\#\ of\ days\ in\ year / \#\ of\ days\ in\ period) / Average\ earning\ assets]$$

This ratio is also found on page 2, line 12.
- DEFINITIONS**
- *Average earning assets*: The average carrying value of deposits with banks, loans and securities based on daily balances for the quarterly period. Examples of earning assets include Loans, Securities, and Interest-bearing deposits with banks. Examples of non-earning assets include Goodwill, Derivatives, and Land, buildings and equipment.
  - *Taxable Equivalent Basis (TEB)*: A non-GAAP financial measure that increases revenues and the provision for income taxes by an amount that would increase revenues on certain tax-exempt securities to an equivalent before-tax basis to facilitate comparison of net interest income from both taxable and tax-exempt sources.
  - *Decrease (increase) in NII from Impaired Loans*: The 'Gross' number represents foregone net interest income on impaired loans. In other words, if impaired loans were \$0 this quarter (i.e. all loans were repaying as agreed), NII would have been higher by the amount in the line titled 'Gross'. 'Recoveries' refers to net interest income previously assumed non-recoverable that has been collected.

- SUMMARY**
- Breakdown of Non-Interest Income
- PURPOSE**
- To show the major line items comprising Non-Interest Income, which when combined with Net Interest Income equals Total Revenue
- CROSS REFERENCE**
- Non-interest income is one of two main components of the Bank's revenue. Non-interest income is included on the Highlights page. Non-interest income on this page also represents the total of Non-interest income on each of the segment pages (5-7; 9-10).
- DEFINITIONS**
- *Credit Fees*: Credit fees are fees associated with the granting of debt, such as renewal fees, amendment fees, extension fees, etc.
  - *Net securities (losses) gains*: Refers to gains and losses resulting from sales in various portfolios, such as public equity investment, merchant banking and securities portfolios.
  - *Trading income (loss)*: Trading income has two main parts: net interest income and non-interest income. This line reflects the non-interest income component. This line affects both the Wholesale and the Corporate segments.
  - *Service Charges*: Examples include monthly charges on chequing accounts, wire transfers, money orders, drafts and NSF cheques.
  - *Securitization*: See page 5 of this document
  - *Income from financial instruments designated as trading under the fair value option*: The Bank can designate a financial instrument as trading using the Fair Value Option. Using the Fair Value Option allows the Bank to manage portfolios where financial assets and liabilities are recorded and managed on a fair value basis. For an explanation of the criteria required for designating an asset or liability under the Fair Value Option, see page 101 in the 2009 Annual Report.
  - *Other*: This includes a number of items, including changes in the fair value of derivatives hedging the reclassified available-for-sale debt securities portfolio and changes in fair value of credit default swaps hedging the corporate loan book. These two items are identified as items of note on page 3 titled 'Adjustment for Items of Note, net of income taxes'.

- SUMMARY**
- Breakdown of Non-Interest Expenses
- PURPOSE**
- To show the major line items comprising Non-Interest Expenses
- CROSS REFERENCE**
- Total non-interest expenses at the bottom of the page is for total bank. This figure is also included on the Highlights page.
  - *Amortization of other intangibles:* For details on the intangibles included here, see the footnotes in the 'Reconciliation of Non-GAAP Financial Measures; Adjusted Net Income to Reported Net Income' table in the Report to Shareholders. Also, this line represents the pre-tax amount of the Item of Note, for which the after-tax amounts are located on page 3 titled 'Adjustment for Items of Note, net of income taxes'. The exception is amortization of intangibles related to TD AMERITRADE Holding Corporation, which is reported as part of 'Equity in net income of an associated company' on page 6, line 8.
- DEFINITIONS**
- *Restructuring costs:* This line relates to recent acquisitions, and includes items such as the termination of leases/branch consolidations. Restructuring costs differ from integration costs, which are incorporated in several lines on this page. Restructuring (and integration) charges considered one-time in nature are included on page 3 titled 'Adjustment for Items of Note, net of income taxes'.



- SUMMARY**
- Assets, Liabilities, Shareholders' Equity
- PURPOSE**
- To provide a quarterly trend of the major categories that comprise the Balance Sheet. All numbers are on a spot basis as of the last day of each fiscal quarter.
- DRIVERS**
- Factors that may have impacted certain line items on this page include, but are not limited to:
    - Loans:
      - the Bank's ability to generate loans/relative market share
      - underwriting standards/risk appetite
      - interest rates/competitive forces
    - Deposits:
      - the Bank's ability to attract deposits/relative market share
      - interest rates/competitive forces
      - customers' desire for insured instruments/"flight to safety"
- CROSS REFERENCE**
- Allowance for loan losses  
See page 22 titled 'Allowances for Credit Losses' and page 23-24 titled 'Allowances for Credit Losses by Industry Sector and Geographic Location'.
  - Investment in TD Ameritrade  
See page 30 titled 'Analysis of Change in Non-controlling Interests and Investment in TD Ameritrade'.
  - Goodwill  
See page 16 titled 'Intangibles and Goodwill, and Restructuring Costs'.
  - Other intangibles  
See page 16 titled 'Intangibles and Goodwill, and Restructuring Costs'.
- DEFINITIONS**
- *Loans*
    - *Business and government loans designated as trading under the fair value option:* Certain financial assets and liabilities can be held at fair value on the Balance Sheet if they are reliably measurable, meet one or more of certain criteria, and if the asset or liability is so designated by the Bank. For more information, see Note 3 on page 99 in the 2009 Annual Report.
  - *Other*
    - *Customers' liability under acceptances:* A form of negotiable short-term debt issued by TDBFG's customers, which the Bank guarantees for a fee. They are considered lower credit risk to holders because the Bank provides a guarantee on behalf of the customer, essentially providing customers the use of the bank's credit standing.
  - *Deposits*
    - *Personal - non-term:* These deposits are comprised of demand and notice deposits. Demand deposits are those for which the Bank does not have the right to require notice prior to withdrawal. These deposits are in general chequing accounts, some of which earn interest. Notice deposits are those for which the Bank can legally require notice prior to withdrawal. These deposits are in general savings accounts.
    - *Personal - term:* These deposits are payable on a fixed date of maturity. They are purchased by customers to earn interest over a fixed period. The terms are from one day to ten years. (For more information, see Note 12 on page 114 in the 2009 Annual Report).
    - *Trading:* These deposits represent the Bank's own borrowings in the wholesale market, and are a source of funding for the Wholesale Bank. Trading deposits are used to fund trading assets, including securities and derivatives, for the Wholesale Bank. They are fair-valued to create better matching between trading assets and trading liabilities, which avoids accounting mismatches.
- OTHER INFORMATION**
- Credit cards includes personal credit cards only. Business credit cards are included in 'Business and government'.
  - Quality of loans and/or associated security/insurance held is not reflected on this page, but should be taken into consideration when comparing assets to those of other financial institutions.

## Unrealized Gain (Loss) on Banking Book Equities and Assets Under Administration and Management - Reader's Guide



- SUMMARY**
- Balance sheet value, Fair Value and Unrealized gain/(loss) on banking book equities and, Assets under administration (AUA) and Assets under management (AUM) breakdown by segment
- PURPOSE**
- To provide a breakdown of Balance sheet value, Fair Value and Unrealized gain/(loss) on banking book equities between Public and Privately held securities and provide a summary of AUA and AUM by segment
- DRIVERS**
- Refer to page 1 of this document for a list of all factors (Macroeconomic and TD-specific) that may have impacted certain line items on this page.
- CROSS REFERENCE**
- AUA for Wealth segment equals AUA on Page 6, Line 16 and AUM for Wealth segment equals AUM on Page 6, Line 17
- DEFINITIONS**
- *Assets under administration:* See page 6 of this document.
  - *Assets under management:* See page 6 of this document.

- SUMMARY**
- Provide continuity schedules for Identifiable intangible assets, Future tax liability on intangible assets, Goodwill and Restructuring costs
- PURPOSE**
- To provide analysis of change in the balances in Identifiable intangible assets, Future tax liability on intangible assets, Goodwill and Restructuring costs
- CROSS REFERENCE**
- Closing balance of Identifiable Intangible assets equals Other Intangibles on Page 14, Line 23
  - Closing balance of goodwill equals Goodwill on Page 14, Line 22
- DEFINITIONS**
- *Intangibles*: The Bank's other intangible assets consist primarily of core deposit intangibles that represent the intangible value of depositor relationships acquired when deposit liabilities are assumed in an acquisition and term deposit, loan and mutual fund intangibles resulting from acquisitions. Other intangible assets are amortized over their estimated useful life (three to 20 years) proportionate to the expected economic benefit.
  - *Goodwill*: represents the excess purchase price paid on acquisitions over the fair value assigned to identifiable net assets including identifiable intangible assets. Goodwill is not amortized but is assessed for impairment at least annually and when an event or change in circumstances indicates that there may be an impairment.
  - *Restructuring costs*: consist of employee severance costs, the costs of amending certain executive employment and award agreements and the write-down of long-lived assets due to impairment.

- SUMMARY**
- Provide continuity schedules for Loan Securitization related activity and closing balances, Mortgage-back securites retained and Impact of securitization on income before tax.
- PURPOSE**
- To provide analysis of change in the balances in Loan Securitization activity related to Residential Mortgage - MBS Pool, HELOC, commercial Mortgage and Credit cards
- CROSS REFERENCE**
- Residential mortgages - MBS Pool
    - See 'Loans Managed' (page 18, line 6)
  - HELOC
    - See 'Loans Managed' (page 18, line 7)
  - Commercial mortgages
    - See 'Loans Managed' (page 18, line 9)
  - Credit cards
    - See 'Loans Managed' (page 18, line 8)
- DEFINITIONS**
- *Securitization:* See page 5 of this document

- SUMMARY**
- Loans managed (on-balance sheet)
- PURPOSE**
- To provide details on amount of impaired loans and year-to-date write-offs (for reported and securitized loans)
- DRIVERS**
- Factors that may have impacted certain line items on this page include, but are not limited to, the following:
    - Loans:
      - Interest rates
      - Underwriting standards/risk appetite
      - Foreign exchange rates
      - Competition by other lending institutions
      - Overall economic conditions
    - Gross impaired loans:
      - Number of days a loan is contractually past due (see 'Definitions' below)
      - Unique customer constraints
      - Bankruptcy rates
      - Unemployment rates
      - Overall economic conditions
    - Write-offs, net of recoveries:
      - Number of days that a loan is delinquent (see 'Definitions' below)
      - Unique customer constraints
      - Underwriting standards/risk appetite
- CROSS REFERENCE**
- Loans
    - See 'Balance Sheet' (page 14, line 16)
  - Gross Impaired Loans
    - See 'Impaired Loans' (page 20, lines 19 and 26) and 'Impaired Loans by Industry Sector and Geographic Location' (page 21, line 29).
  - Total loans securitized
    - See 'Total outstanding at period end' on Loan Securitization (page 17, line 8).
  - Year-to-date write-offs, net of recoveries
    - See page 22, lines 4 and 5 on the 'Allowance for Credit Losses' page to obtain the quarterly breakdown of write-offs and recoveries.
- DEFINITIONS**
- *Impaired Loans:* An impaired loan is any loan when there is objective evidence that there has been a deterioration of credit quality subsequent to the initial recognition of the loan to the extent that the Bank no longer has reasonable assurance as to the timely collection of the full amount of the principal and interest. In addition, loans where a payment is contractually past due for 90 days are generally classified as impaired. A deposit with a bank is considered impaired when a payment is contractually past due for 21 days. See Note 3 to the 2009 Consolidated Financial Statements for further details on impaired loans.
  - *Write-offs:* A write-off is made against a borrower, either in full or in part, when the amount owing is considered to be beyond realistic prospect of recovery.
  - *Securitization:* See page 5 of this document
- OTHER INFORMATION**
- Write-offs are included in 'Allowance for loan losses' on page 14, line 17.
  - Write-offs can be partially insured by Credit Default Swaps and/or mortgage insurance.
  - This page does not include Bankers' Acceptances.

- SUMMARY**
- Details of loans and acceptances (on-balance sheet)
- PURPOSE**
- To provide loans and acceptances broken down by industry sector and geographic location
- DRIVERS**
- Factors that may have impacted certain line items on this page include, but are not limited to, the following:
    - Loans:
      - Underwriting standards/risk appetite
      - Foreign exchange rates
      - Competition by other lending institutions
      - Overall economic conditions
    - Industry sector:
      - The Bank's strategic focus
      - The Bank's sectoral growth and strength
      - Sectoral business conditions
      - Overall economic conditions
    - Geographic location:
      - The Bank's strategic focus
      - The Bank's regional growth and strength
      - Regional business conditions
      - Overall economic conditions
- CROSS REFERENCE**
- Loans and Acceptances
    - 'Total loans and acceptances' (line 29) on this page equals 'Total Loans' (page 14, line 16) plus 'Customers' liability under acceptances' (page 14, line 19) on the 'Balance Sheet'.
    - For more details on Gross Impaired Loans, Allowance for Credit Losses, and Provision for Credit Losses, please see 'Impaired Loans by Industry Sector and Geographic Location' (page 21), 'Allowance for Credit Losses by Industry Sector and Geographic Location' (page 23-24), and 'Provision for Credit Losses by Industry Sector and Geographic Location' (page 26-27).
- DEFINITIONS**
- *Acceptances*: Bills of exchange or negotiable instruments drawn by the borrower for payment at maturity and accepted by a bank. Acceptances constitute a guarantee of payment by a bank. For more information, see Note 3 on page 99 in the 2009 Annual Report.
- OTHER INFORMATION**
- 'Other' includes all loans booked outside of Canada and the U.S.

- SUMMARY**
- Details on gross and net impaired loans, including customers' liability under acceptances
- PURPOSE**
- To reconcile the beginning and ending gross impaired loans balances
  - To provide a breakdown of the gross impaired loans balance and net impaired loans balance by business segment
- DRIVERS**
- Factors that may have impacted certain line items on this page include, but are not limited to, the following:  
Gross impaired loans:
    - Number of days a loan is contractually past due (see 'Definitions' below)
    - Unique customer constraints
    - Bankruptcy rates
    - Unemployment rates
    - Overall economic conditions
    - Underwriting standards/risk appetite
- CROSS REFERENCE**
- Gross impaired loans
    - See 'Impaired Loans by Industry Sector and Geographic Location' (page 21, line 29).
  - Specific allowance
    - See 'Allowance for Credit Losses' (page 22, line 7) and 'Allowance for Credit Losses by Industry Sector and Geographic Location' (page 23, line 29).
- FORMULAS**
- Net impaired loans:  
*Gross impaired loans minus Specific Allowance. The Specific Allowance is stated on page 22, line 7.*
  - Impaired loans net of specific allowance as a % of net loans:  
*[Impaired loans net of specific allowance / Total loans and acceptances, net of allowance for loan losses].* The denominator can be found on page 14 titled 'Balance Sheet', line 16 plus line 17.
- DEFINITIONS**
- *Impaired Loans:* See page 18 of this document.
  - *Specific Allowance:* The Bank establishes specific allowances for impaired loans when the estimated realizable value of the loan is less than its recorded value, based on discounting expected future cash flows. Specific allowances for loan losses are established to reduce the book value of loans to their estimated realizable amounts. Specific allowances for the non-retail portfolio and for debt securities classified as loans are borrower-specific and reviewed quarterly. Specific allowances for the retail portfolio are calculated on an aggregate basis using a formula that captures recent loss experience, historical default rates and the type of collateral pledged. For more information, see Note 3 on page 99 in the 2009 Annual Report.

- SUMMARY**
- Details on gross impaired loans
- PURPOSE**
- To provide a breakdown of gross impaired loans by industry sector and geographic location
- DRIVERS**
- Factors that may have impacted certain line items on this page include, but are not limited to, the following:
    - Gross impaired loans:
      - Number of days a loan is contractually past due
      - Unique customer constraints
      - Bankruptcy rates
      - Unemployment rates
      - Overall economic conditions
      - Underwriting standards/risk appetite
    - Industry sector:
      - The Bank's strategic focus
      - The Bank's sectoral growth and strength
      - Sectoral business conditions
      - Overall economic conditions
    - Geographic location :
      - The Bank's strategic focus
      - The Bank's regional growth and strength
      - Regional business conditions
      - Overall economic conditions
- CROSS REFERENCE**
- See previous page of this document.
- DEFINITIONS**
- See previous page of this document.
- OTHER INFORMATION**
- See previous page of this document.
  - 'Other' includes all loans booked outside of Canada and the U.S.



- SUMMARY**
- Details on the Bank's total allowance for credit losses
- PURPOSE**
- To reconcile beginning and ending balances of the Specific Allowance
  - To reconcile beginning and ending balances of the General Allowance
  - To break out Allowance for credit losses between on-balance sheet and off-balance sheet instruments
- DRIVERS**
- Factors that may have impacted certain line items on this page include, but are not limited to, the following:  
Allowance for credit losses:
    - Credit quality of loan portfolio
    - Size of loan portfolio
    - Historical loss experience
    - Composition of loan portfolio
    - Unemployment rates
    - Bankruptcy rates
    - Overall business and economic conditions
- CROSS REFERENCE**
- Allowance for credit losses:
    - See 'Allowance for Credit Losses by Industry Sector and Geographic Location' (page 23, lines 39). Page 14, line 17 on the 'Balance Sheet' represents 'Allowance for *loan* losses' for on-Balance Sheet loans, whereas 'Allowance for *credit* losses' represents the allowance for both on-Balance Sheet loans and off-Balance Sheet instruments, effective April 30, 2009. Prior to that date, Allowance for loan losses included both on and off-Balance Sheet instruments.
  - Specific Allowance:
    - See 'Allowance for Credit Losses by Industry Sector and Geographic Location' (page 23, line 29).
  - General Allowance:
    - See 'Allowance for Credit Losses by Industry Sector and Geographic Location' (page 23, line 36 and line 38).
  - Provisions for Credit Losses:
    - See 'Provision for Credit Losses' (page 25, line 3 which equals page 22, line 3) and 'Provision for Credit Losses by Industry Sector and Geographic Location' (page 26, line 29 which equals page 22, line 3).
- FORMULAS**
- Specific allowances:  
*Specific allowances are calculated as the difference between current exposure for loans in default and management's assessment of expected future recoveries which include any security that may be held in support of loans.*
  - General allowances:  
The general allowance is calculated on product/portfolio basis as follows:  
*Probability of default (PD) \* Loss given default (LGD) \* Exposure at default (EAD), adjusted by management assessment.*
- DEFINITIONS**
- **Allowance for Credit Losses:** Total allowance for credit losses consists of specific and general allowances carried on the Consolidated Balance Sheet. The allowance is increased by the provision for credit losses, and decreased by writeoffs net of recoveries. The Bank maintains the allowance at levels that management believes is adequate to absorb all credit-related losses in the lending portfolio. Individual problem accounts, general economic conditions, loss experience, as well as the sector and geographic mix of the lending portfolio are all considered by management in assessing the appropriate allowance levels.
  - **Specific Allowance:** See page 20 of this document.
  - **General allowance:** See page 3 of this document.
  - **Probability of default (PD):** The likelihood that the borrower will not be able to meet its scheduled repayments within a one year time horizon.

**DEFINITIONS (cont'd)**

- *Loss given default (LGD)*: The amount of the loss when a borrower defaults on a loan, which is expressed as a percentage of EAD.
- *Exposure at default (EAD)*: The total amount the Bank is exposed to at the time of default.
- *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.
- *Off-Balance Sheet*: In the normal course of operations, the Bank engages in a variety of financial transactions that, under GAAP, are either not recorded on the consolidated Balance Sheet or are recorded in amounts that differ from the full contract or notional amounts. Off-balance sheet arrangements are generally undertaken for risk management, capital management and funding management purposes and include securitizations, contractual obligations and certain commitments and guarantees. For more information, see the 'Off-balance Sheet Arrangements' section on page 62 of the 2009 Annual Report.

**OTHER INFORMATION**

- Effective April 30, 2009, Allowance for credit losses for off-balance sheet instruments is included in other liabilities rather than as a contra asset (reduction in the loan balance). Prior period balances were not reclassified. Previously, the amount of General Allowance related to off-balance sheet instruments was only disclosed in the Notes to the Annual Consolidated Financial Statements.
- 'Provision for Credit Losses', an 'Income Statement' line item, is a contributing factor to the make-up of Allowance for Credit losses, a 'Balance Sheet' line item.

- SUMMARY**
  - Details on the Bank's total allowance for credit losses
  
- PURPOSE**
  - To provide a breakdown of total allowance for credit losses by industry sector and geographic location
  
- DRIVERS**
  - Factors that may have impacted certain line items on this page include, but are not limited to, the following:
    - Allowance for credit losses:
      - Credit quality of loan portfolio
      - Size of loan portfolio
      - Historical loss experience
      - Composition of loan portfolio
      - Unemployment rates
      - Bankruptcy rates
      - Overall business and economic conditions
    - Industry sector:
      - The Bank's strategic focus
      - The Bank's sectoral growth and strength
      - Sectoral business conditions
      - Overall economic conditions
    - Geographic location:
      - The Bank's strategic focus
      - The Bank's regional growth and strength
      - Regional business conditions
      - Overall economic conditions
  
- CROSS REFERENCE**
  - See previous page of this document.
  
- DEFINITIONS**
  - See previous page of this document.
  
- OTHER INFORMATION**
  - See previous page of this document.
  - 'Other' includes all loans booked outside of Canada and the U.S.

- SUMMARY**
- Details on provision for credit losses
- PURPOSE**
- To provide a breakdown of the main components of Provision for credit losses.
  - To provide loan loss ratios by geographic region.
- DRIVERS**
- Factors that may have impacted certain line items on this page include, but are not limited to, the following:  
Provision for credit losses:
    - Credit quality of loan portfolio
    - Size of loan portfolio
    - Composition of loan portfolio
    - Unemployment rates
    - Bankruptcy rates
    - Overall business and economic conditions
- CROSS REFERENCE**
- Provision for Credit Losses:
    - 'Total provision for credit losses' on line 11 of this page equals 'Provision for credit losses' on page 1, line 4 of the 'Highlights' page.
    - Represents the sum of 'Provision for credit losses' on 'Canadian Personal and Commercial Banking Segment' (page 5, line 4), 'U.S. Personal and Commercial Banking Segment – Canadian Dollars' (page 7, line 6), 'Wholesale Banking Segment' (page 9, line 4), and 'Corporate Segment' (page 10, line 6). (Wealth Management Segment does not have Provisions for credit losses due to the nature of the business.)
    - 'Provision for credit losses – specifics' (page 25, line 3) equals 'Provision for credit losses - specific' on page 22, line 3.
    - 'Provision for credit losses – general' (page 25, lines 10) equals 'Provision for credit losses - general' on page 22, lines 11.
- FORMULAS**
- Provision for credit losses as a % of net average loans:  
*(Provision for credit losses x (# of days in year / # of days in period) / Net Average loans by portfolio.* Provisions for credit losses (the numerator), can be found on page 26 titled 'Provision for Credit Losses by Industry Sector and Geographic Location'. The net average loans (denominator) is not provided, however the 'as at' or 'spot' balances are on page 19.
- DEFINITIONS**
- *Provision for Credit Losses:* the amount charged to the specific and general allowances for credit losses during the year to bring the total allowance to a level that management considers adequate to absorb all credit-related losses in the Bank's loan portfolio. New provisions in the year are reduced by any recoveries.
  - *Specific Allowance:* See page 20 of this document.
  - *General Allowance:* See page 3 of this document.
  - *Securitization:* See page 5 of this document.
  - *Credit Default Swap (CDS):* Over-the-counter contracts designed to transfer the credit risk in an underlying financial instrument (usually termed a reference asset) from one counterparty to another.

**SUMMARY**

- Details on provision for credit losses

**PURPOSE**

- To provide a breakdown of the provision for credit losses by industry sector and geographic location

**DRIVERS**

- Factors that may have impacted certain line items on this page include, but are not limited to, the following:

Provision for credit losses:

- Credit quality of loan portfolio
- Size of loan portfolio
- Composition of loan portfolio
- Unemployment rates
- Bankruptcy rates
- Overall business and economic conditions

Industry sector:

- The Bank's strategic focus
- The Bank's sectoral growth and strength
- Sectoral business conditions
- Overall economic conditions

Geographic location:

- The Bank's strategic focus
- The Bank's regional growth and strength
- Regional business conditions
- Overall economic conditions

**CROSS REFERENCE**

- See previous page of this document.

**DEFINITIONS**

- See previous page of this document.

- SUMMARY**
- Continuity schedules for the 5 components of Total Shareholders' Equity and Continuity schedule for movement in number of common shares outstanding (in thousands).
- PURPOSE**
- Analysis of movement in Common shares, Preferred shares, Contributed surplus, Retained earnings, Accumulated other comprehensive income (loss) that together form Total Shareholders' Equity (in millions) and Continuity Schedule for movement in number of common shares (in thousands).
- DRIVERS**
- Refer to page 1 of this document for a list of all factors (Macroeconomic and TD-specific) that may have impacted certain line items on this page
- CROSS REFERENCE**
- Common shares, Preferred shares, Contributed surplus, Retained earnings, Accumulated other comprehensive income (loss) that together form Total Shareholders' Equity (in millions) are shown on the Balance Sheet, Page 14
    - Closing balance of Common shares on line 8 equals Page 14, Line 44
    - Closing balance of Preferred shares on line 11 equals Page 14, Line 45
    - Closing balance of Contributed surplus on line 17 equals Page 14, Line 46
    - Closing balance of Retained earnings on line 26 equals Page 14, Line 47
    - Closing balance of Accumulated other comprehensive income (loss) on Line 32 equals Page 14, Line 48
  - Number of common shares outstanding (in thousands) on Line 42 equals Page 2, Line 19 divided by 1000.

## Change in Accumulated Other Comprehensive Income, net of income taxes - Reader's Guide



- SUMMARY**
- Continuity schedules for the 3 components of Accumulated Other Comprehensive Income, net of income taxes
- PURPOSE**
- Analysis of change in Unrealized gains (losses) on available-for-sale securities, net of hedging; Unrealized foreign exchange currency translation gains (loss) on investments in subsidiaries, net of hedging activities; and Gains (losses) on derivatives designated as cash flow hedges. These 3 components together form the Accumulated Other Comprehensive Income, net of income taxes.
- DRIVERS**
- Refer to page 1 of this document for a list of all factors (Macroeconomic and TD-specific) that may have impacted certain line items on this page
- CROSS REFERENCE**
- Unrealized gains (losses) on available-for-sale securities, net of hedging; Unrealized foreign exchange currency translation gains (loss) on investments in subsidiaries, net of hedging activities; and, Gains (losses) on derivatives designated as cash flow hedges that together form Accumulated Other Comprehensive Income, net of income taxes are shown on the Balance Sheet, page 14, line 48.
- DEFINITIONS**
- *Accumulated Other Comprehensive Income (loss)*: Composed of the Bank's net income and Other Comprehensive Income. Other comprehensive income consists of unrealized gains and losses on available-for-sale securities, net of hedging activities, foreign currency translation gains and losses on the net investment in self-sustaining operations, net of hedging activities, and changes in the fair value of derivative instruments designated as cash flow hedges, all net of income taxes.

- SUMMARY**
- Provide continuity schedules for Non-controlling Interests and Investment in TD Ameritrade
- PURPOSE**
- Analysis of change in Non-controlling interests in subsidiaries and Investment in TD Ameritrade
- CROSS REFERENCE**
- Closing balance for Investment in TD Ameritrade equals the number on the Balance Sheet, Page 14, Line 20.
  - Closing balance for Non-controlling interests in subsidiaries equals the number on the Balance Sheet, Page 14, Line 43.
- OTHER INFORMATION**
- *Non-controlling interest in subsidiaries* - When the Bank does not own all of the equity of the subsidiary, the minority shareholders' interest is disclosed in the Consolidated Balance Sheet as non-controlling interest in subsidiaries and the income accruing to the minority interest holders, net of tax, is disclosed as a separate line item in the Consolidated Statement of Income.
  - *Investment in TD Ameritrade* - Entities over which the Bank has significant influence are accounted for using the equity method of accounting. The Bank's gains and losses realized on disposition, and write-downs to reflect other-than-temporary impairment in the value of such entities. Consolidated Statement of Income. The Bank's equity share in TD Ameritrade's earnings is reported on a one month lag basis.



- SUMMARY**
- Breakdown of notional amounts for derivative financial instruments
- PURPOSE**
- To provide details on the types of derivative contracts entered into by the Bank, and the corresponding notional amounts at period-end
- DEFINITIONS**
- *Futures*: Contracts to buy or sell a security at a predetermined price on a specified future date.
  - *Forward Contracts*: Contracts that oblige one party to the contract to buy and the other party to sell an asset for a fixed price at a future date.
  - *Swaps*: Contracts that involve the exchange of fixed and floating interest rate payment obligations and currencies on a notional principal for a specified period of time.
  - *Options* : Contracts in which the writer of the option grants the buyer the future right, but not the obligation, to buy or to sell a security, exchange rate, interest rate, or other financial instrument or commodity at a predetermined price at or by a specified future date.
  - *Credit derivatives*: Over-the-counter contracts designed to transfer the credit risk in an underlying financial instrument from one counterparty to another. The most common credit derivatives are credit default swaps (referred to as option contracts) and total return swaps (referred to as swap contracts).
- CROSS REFERENCE**
- For more information, see Note 8 on page 106 in the 2009 Annual Report.

- SUMMARY**
- Breakdown of credit exposures for derivative financial instruments
- PURPOSE**
- To provide details on the types of derivative contracts entered into by the Bank, and the corresponding credit exposures at period-end
- DEFINITIONS**
- See previous page.
  - *Current replacement cost:* The positive fair value of all outstanding derivative financial instruments, representing the Bank's maximum derivative credit exposure.
  - *Credit equivalent amount:* The sum of the current replacement cost and the potential future exposure, which is calculated by applying factors supplied by OSFI to the notional principal amount of the instruments.
  - *Risk-weighted amount:* Determined by applying standard measures of counter-party credit risk to the credit equivalent amount.
- CROSS REFERENCE**
- For more information, see page 112 of the 2009 Annual Report.

- SUMMARY**
- On- and off-balance sheet exposures, broken down in multiple categories
- PURPOSE**
- To provide details on the total credit risk exposure of the Bank, measured before credit risk mitigants, specific provision or write-offs
  - Categories of break-down include counterparty type, industry type, country of risk and residential contractual maturity
  - Includes exposures under the Advanced IRB and Standardized approach to credit risk
- DEFINITIONS**
- *Drawn*: The amount of funds advanced to a borrower.
  - *Undrawn*: The difference between the authorized and drawn amounts (e.g. the unused portion of a line of credit / committed credit facility).
  - *Repo-style transactions*: Repurchase and reverse repurchase agreements, securities borrowing and lending.
  - *OTC derivatives*: Privately negotiated derivative contracts that are not exchange-traded.
  - *Other off-balance sheet*: All off-balance sheet arrangements other than derivatives and undrawn commitments (e.g. letters of credit, letters of guarantee).
  - *Residential secured*: e.g. individual mortgages and home equity lines of credit
  - *Qualifying revolving retail*: e.g. individual credit cards, unsecured lines of credit and personal overdraft protection products
  - *Other retail*: e.g. personal loans, student lines of credit, small business banking credit products
  - *Corporate*: e.g. wholesale and commercial customers
  - *Sovereign*: e.g. governments, central banks, certain public sector entities
  - *Bank*: e.g. regulated deposit-taking institutions, securities firms and certain public sector entities
- CROSS REFERENCE**
- Gross credit risk exposures (line 9) equals sum of lines 1-6 in the 'Gross Exposures' column on page 43 titled 'Basel II - Risk-Weighted Assets (RWA)'.
- OTHER INFORMATION**
- 'Other international' (a sub-heading in the 'By Country of Risk' section) includes Australia, Brazil, Japan, Korea and New Zealand.

- SUMMARY**
- Amount of credit risk mitigants held against gross credit risk exposures
- PURPOSE**
- To provide amount of credit risk mitigants, such as guarantees from the borrower which can be measured in financial terms at the end of each quarter, held against all Basel II counterparty types
- DEFINITIONS**
- *Standardized*: The Standardized approach to credit risk is used primarily for assets in the U.S. Personal and Commercial Banking portfolio.
  - *AIRB*: The AIRB (Advanced Internal Ratings Based) approach is used for all material portfolios, with a few exceptions. For details on these exceptions, please see page 70 of the 2009 Annual Report.
  - *Credit Derivatives*: Over-the-counter contracts designed to transfer the credit risk in an underlying financial instrument from one counterparty to another. The most common credit derivatives are credit default swaps and total return swaps. For more information on credit derivatives, see page 107 in the 2009 Annual Report.
  - *Residential secured*: e.g. individual mortgages and home equity lines of credit
  - *Qualifying revolving retail*: e.g. individual credit cards, unsecured lines of credit and personal overdraft protection products
  - *Other retail*: e.g. personal loans, student lines of credit, small business banking credit products
  - *Corporate*: e.g. wholesale and commercial customers
  - *Sovereign*: e.g. governments, central banks, certain public sector entities
  - *Bank*: e.g. regulated deposit-taking institutions, securities firms and certain public sector entities
- OTHER INFORMATION**
- This page only reflects credit risk mitigants, such as guarantees from the borrower which can be measured in financial terms at the end of each quarter. They do not include security held against the Bank's credit risk exposures. For example, the exposures in the Residential Secured category are both secured (e.g. by real estate) and guaranteed (insured) by either CMHC or Genworth. The guaranteed portion is a subset of the total Residential secured exposure.

- SUMMARY**
- Details of the risk exposures under the Standardized approach by counterparty type. Under the Standardized approach, assets receive an OSFI-prescribed risk-weight based on factors including counterparty type, product type, collateral and external credit assessments.
- PURPOSE**
- To breakdown the credit risk exposures that are primarily booked in the U.S. Personal and Commercial Banking segment in their appropriate risk weight categories.
- DEFINITIONS**
- *Risk-weight:* The factor applied to the notional amount of each asset. The risk-weight is determined by the regulatory approach used and the resulting total amount is referred to as Risk-Weighted Assets (RWA). RWA are a key determinant of our regulatory capital requirements. For more information, see page 43 titled 'Basel II - Risk-weighted Assets (RWA)'.
  - *Residential secured:* e.g. individual mortgages and home equity lines of credit
  - *Other retail:* includes qualifying revolving retail exposures, e.g. individual credit cards, unsecured lines of credit and personal overdraft protection products, as well as other retail products, e.g. personal loans, student lines of credit, and small business banking credit products
  - *Corporate:* e.g. wholesale and commercial customers
  - *Sovereign:* e.g. governments, central banks, certain public sector entities
  - *Bank:* e.g. regulated deposit-taking institutions, securities firms and certain public sector entities
- OTHER INFORMATION**
- A 0% risk-weight is applied to loans secured by cash, or a loan guaranteed by a sovereign or central bank rated AA- or better. For example, loans guaranteed by the governments of Canada or the U.S. receive a 0% risk weight.
  - A 150% risk-weight is applied to higher risk categories, e.g. sovereigns, banks, securities firms and PSEs rated below B-, corporates rated below BB- or to certain loans that are more than 90 days past due.

- SUMMARY**
- Probability of Default (PD) ranges for retail exposures using the Advanced Internal Ratings Based (AIRB) approach. Under this approach, banks use their own internal historical experience of PD, LGD, EAD and other key risk assumptions to calculate credit risk capital requirements. Use of the AIRB approach is subject to supervisory approval.
- PURPOSE**
- Displaying the credit risk exposures that are primarily booked in Canada in their appropriate risk categories. Retail risk exposures shown on this page.
- DEFINITIONS**
- *To assist with understanding the abbreviations on this page, refer to Q1 2010 Supplemental Financial Information document, page 45 titled 'Basel II - Glossary' when reviewing this page.*
  - *Low risk:* the one-year PD range is greater than 0.00% and less than or equal to 0.15%
  - *Normal risk:* the one-year PD range is greater than 0.15% and less than or equal to 1.10%
  - *Medium risk:* the one-year PD range is greater than 1.10% and less than or equal to 4.75%
  - *High risk:* the one-year PD range is greater than 4.75% and less than or equal to 99.99%
  - *Default:* the one-year PD range is 100.00%
  - *Residential secured:* e.g. individual mortgages and home equity lines of credit
  - *Qualifying revolving retail:* e.g. individual credit cards, unsecured lines of credit and personal overdraft protection products
  - *Other retail:* e.g. personal loans, student lines of credit, small business banking credit products
- OTHER INFORMATION**
- For more information on how retail exposures are segmented into the various risk categories, see 'Retail Exposures' on page 71 in the 2009 Annual Report.

**SUMMARY**

- Probability of Default (PD) ranges for retail exposures using the Advanced Internal Ratings Based (AIRB) approach. Under this approach, banks use their own internal historical experience of PD, LGD, EAD and other key risk assumptions to calculate credit risk capital requirements. Use of the AIRB approach is subject to supervisory approval.

**PURPOSE**

- Displaying the credit risk exposures that are primarily booked in Canada in their appropriate risk categories. Non-retail risk exposures shown on this page.

**DEFINITIONS**

- To assist with understanding the abbreviations on this page, refer to the Q1 2010 Supplemental Financial Information document, page 45 titled 'Basel II - Glossary' when reviewing this page.
- Each non-retail borrower is assigned a borrowing risk rating that reflects the PD of the borrower using proprietary models and expert judgment. In assessing borrower risk, the Bank reviews the borrower's competitive position, industry, financial performance, economic trends, management and access to funds. The Bank's 21-point borrower risk rating scale broadly aligns to external ratings as follows:

**Non-Retail Risk Parameters Chart**

<b>Description</b>	<b>Rating Category</b>	<b>Standard &amp; Poor's</b>	<b>Moody's Investor Services</b>
Investment grade	0 to 1C	AAA to AA-	Aaa to Aa3
	2A to 2C	A+ to A-	A1 to A3
	3A to 3C	BBB+ to BBB-	Baa1 to Baa3
Non-investment grade	4A to 4C	BB+ to BB-	Ba1 to Ba3
	5A to 5C	B+ to B-	B1 to B3
Watch and classified	6 to 8	B- to CC and below	B3 to Ca2 and below
Impaired/default	9A to 9B	Default	Default

## **AIRB Credit Risk Exposures: Undrawn Commitments and Exposure at Default (EAD) on Undrawn Commitments - Reader's Guide**

### **SUMMARY**

- Differences between contractually available notional amounts, and expectations of drawn amounts

### **PURPOSE**

- To provide detailed information on the maximum exposure (possible but not probable) under each counterparty type

### **OTHER INFORMATION**

- Regarding Exposure at Default (EAD), the Bank uses ten or more years of historical data to estimate the amount that would be drawn if a borrower goes into default (e.g. more than 90 days delinquent). This is not necessarily the total amount available.



### SUMMARY

- Write-off experience vs. expectations in material portfolios

### PURPOSE

- To facilitate comparisons between historical actual loss rates, actual loss rates and expected loss rates

### OTHER INFORMATION

- Differences between actual loss rates and expected loss rates are due to the following reasons:
  - Expected losses are calculated using "through the cycle" risk parameters while actual losses are determined at a "point in time" and reflect economic conditions at that time. Using "through the cycle" parameters has the effect of stabilizing expected losses over a longer period of time. As a result, actual losses may exceed expected losses during a recession and may fall below expected losses during economic growth.
  - Expected loss parameters are conservatively estimated (i.e. adjusted upwards) to account for the limited number of years of historical data available.
  - LGD parameters used in the expected loss estimates are adjusted upwards to reflect potential economic downturn conditions.
  - To ensure our models and risk parameters continue to be reasonable predictors of potential loss, we assess and review our risk parameters against actual loss experience and public sources of information at least annually and we update our models as required

- SUMMARY**
- Ratings and risk-weighted asset allocation of securitization exposures
- PURPOSE**
- To show the sum of the Bank's investments in securitized products by risk rating.
- CROSS REFERENCE**
- Gross Exposures and Risk-weighted assets (line 7) are shown on line 7 of page 43 titled 'Basel II - Risk-Weighted Assets (RWA)'.
- OTHER INFORMATION**
- Page 17 titled 'Loan Securitization' in the Q1 2010 Supplemental Financial Information document, shows bank-originated assets that have been sold to significant unconsolidated Qualifying Special Purpose Entities and Special Purpose Entities. The majority of these have no credit exposure due to insurance on the underlying assets, and therefore does not correspond to the current page.

- SUMMARY**
- Details of Risk-weighted Assets (RWA) on Gross Exposures
- PURPOSE**
- To provide details on the RWA allocation for each of the three risk types under Basel II: Credit, Market, and Operational
- DEFINITIONS**
- Refer to 'Basel II - Glossary' (page 45) on the Supplementary Financial Information document for Q1 2010.
- CROSS REFERENCE**
- RWA
    - See page 2, line 8 for 'Return on risk-weighted assets'. In addition, RWA is disclosed in each of the core business segments (Canadian Personal and Commercial Banking (page 5, line 14), Wealth Management (page 6, line 15), U.S. Personal and Commercial Banking (page 7, line 17), and Wholesale Banking (page 9, line 14).
  - Sum of lines 1-6 in the 'Gross Exposures' column on page 43 equals Gross credit risk exposures (line 9, page 33-35)
- OTHER INFORMATION**
- To determine the potential loss that could be incurred under a range of adverse scenarios, the Bank subjects its credit portfolios to stress tests. Stress tests assess vulnerability of the portfolios to the effects of severe but plausible situations, such as a material market disruption or an economic downturn.
  - Equity materiality exemption: By exiting the public equity investment portfolio, the Bank has less than 10% of its capital invested in public and private equities. As a result, equity exposures are materially exempt and are placed in the 'Other' category.
  - For on-balance sheet instruments, the amounts represent the gross carrying amount net of credit risk mitigations. For loans, the amount represents the gross loan balance before specific and general allowances and net of credit risk mitigation.
  - For off-balance sheet instruments (undrawn commitments, letters of guarantee and letters of credit), the amounts represent the exposure at default (EAD) after credit risk mitigation.

<b>SUMMARY</b>	<ul style="list-style-type: none"> <li>• Details on the Bank's capital position</li> </ul>
<b>PURPOSE</b>	<ul style="list-style-type: none"> <li>• To provide a breakdown of Tier 1 and Tier 2 capital</li> <li>• To provide a summary of capital ratios for total bank &amp; significant bank subsidiaries</li> </ul>
<b>FORMULAS</b>	<ul style="list-style-type: none"> <li>• Tier 1 Capital Ratio: <i>Adjusted net Tier 1 capital (line 21) / RWA (line 1)</i></li> <li>• Total Capital Ratio: <i>Total regulatory capital (line 33) / RWA (line 1)</i></li> </ul>
<b>DEFINITIONS</b>	<ul style="list-style-type: none"> <li>• <b>Risk Weighted assets (RWA):</b> Assets calculated by applying a regulatory predetermined risk-weight factor to on and off-balance sheet exposure. The risk-weight factors are established by the Office of the Superintendent of Financial Institutions Canada to convert on and off-balance sheet exposures to a comparable risk level.</li> <li>• <b>Capital:</b> The amount of financing required to provide a cushion to protect depositors and other creditors from unexpected losses; is a function of business strategy and activity, and specifically the organization's risk profile and risk appetite.</li> <li>• <b>Tier 1 Capital:</b> Tier 1 capital represents the more permanent forms of capital, consisting primarily of common shareholders' equity, retained earnings, preferred shares and innovative instruments. Tier 1 capital ratio is calculated as Tier 1 capital divided by risk-weighted assets (RWA).</li> <li>• <b>Common Shares:</b> The Bank is authorized by its shareholders to issue an unlimited number of common shares, without par value, for unlimited consideration. The common shares are not redeemable or convertible. Dividends are typically declared by the Board of Directors of the Bank on a quarterly basis and the amount may vary from quarter to quarter.</li> <li>• <b>Accumulated net after-tax unrealized loss in AFS equity securities in OCI:</b> (<i>AFS: Available for Sale and OCI: Other Comprehensive Income</i>). Comprehensive income is composed of the Bank's net income and other comprehensive income. Other comprehensive income consists of unrealized gains and losses on available-for-sale securities, foreign currency translation gains and losses on the net investment in self-sustaining operations, and changes in the fair value of derivative instruments designated as cash flow hedges, all net of income taxes. Securities classified as AFS are recorded on a trade date basis and are carried at fair value with the changes in fair value recorded in OCI. Capital regulations require that certain unrealized losses be deducted from Tier 1 capital. Note that this number cannot be tied to anything else in the Supplemental Financial Information document since it is only losses on AFS equity securities. The change on page 29 titled 'Change in Accumulated Other Comprehensive Income, net of income taxes' shows total gains/losses on AFS securities (includes equity, debt, Mortgage-Backed Securities).</li> <li>• <b>Preferred Shares:</b> Comprised of Non-Cumulative Perpetual Preferred Shares. Up to 40% of Tier I capital can be made up of qualifying preferred shares.</li> <li>• <b>Innovative instruments:</b> An innovative instrument is a security issued by a special purpose vehicle whose primary purpose is to raise capital. Innovative instruments have Tier 1 qualities of permanence and loss absorption. OSFI guidelines allow innovative capital to comprise up to 15% of net Tier 1 capital.</li> <li>• <b>Innovative instruments (ineligible for tier 1 capital):</b> Innovative instruments must not make up more than 15% of net Tier 1 capital. The excess, limited to 5% of net Tier 1 Capital, may be included in Tier 2B capital.</li> <li>• <b>Qualifying non-controlling interests in subsidiaries:</b> Non-controlling interest, including subordinated debt issued to independent investors, can be included in the respective categories on consolidation, if instruments meet the criteria applicable to that category.</li> <li>• <b>Goodwill and intangibles in excess of 5% limit:</b> Goodwill is deducted from gross Tier 1 capital. Net intangibles in excess of the 5% limit of gross qualifying Tier 1 capital (ie. Qualifying Common equity, preferred shares, innovative Tier 1, prior to deducting goodwill) are also deducted; Net intangibles can be found on page 16 titled 'Intangibles and Goodwill, and Restructuring Costs' exceeds the 5% limit.</li> <li>• <b>Securitization - gain on sale of mortgages:</b> When loan receivables are transferred in a securitization to a special purpose entity under terms that transfer control to third parties and consideration other than beneficial interest in the transferred assets is received, the transaction is recognized as a sale and the related loan assets are removed from the consolidated Balance Sheet. The gains are deducted from regulatory capital.</li> <li>• <b>Securitization - Other:</b> For investments in securitization portfolios rated BB- or unrated, this investment is a deduction from Tier 1 and Tier 2 capital.</li> </ul>

## DEFINITIONS (cont'd)

- *50% shortfall in allowance:* Any shortfall between Allowances for Credit Losses (specific and general) and Expected Loss (calculated using Advanced IRB approach) must be deducted 50/50 from Tier 1 and Tier 2 capital. The Expected Loss amount is used to calculate regulatory capital and is based on an OSFI prescribed formula. General and Specific Provisions are used to estimate credit losses within the current environment and must meet GAAP requirements.
- *50% substantial investments:* Beginning in 2009, the Bank deducts 50% of substantial investments (e.g. TD Ameritrade) from Tier 1 capital and the other 50% remains as a Tier 2 deduction. (The entire amount used to be deducted from Tier 2 capital.)
- *Tier 2 Capital:* Includes items such as the general allowance for standardized portfolios and subordinated notes and debentures. Tier 2 capital is reduced by items such as 50% of the shortfall in allowances related to IRB approach portfolios and substantial investments. Tier 2 is divided into the slightly better quality Tier 2A and the less expensive Tier 2B. Tier 2 capital consists mainly of debt which, although less permanent than Tier 1 capital, is subordinate to the claims of depositors and senior debt holders.
- *Innovative instruments in excess of tier 1 limit:* These may be included in Tier 2B subdebt if Total Tier 2B makes up less than 50% of the net Tier 1 Capital.
- *Accumulated net after-tax unrealized gain in AFS equity securities in OCI:* Regulatory rules require that unrealized gains on AFS equity securities unrealized unrealized gains can only be added to Tier 2 capital in order to remain conservative.
- *Subordinated notes and debentures (net of amortization and ineligible):* Subordinated notes and debentures are direct unsecured obligations of the Bank or its subsidiaries and are subordinated in right of payment to the claims of depositors and certain other creditors. Redemptions, cancellations, exchanges and modifications of subordinated debentures qualifying as regulatory capital are subject to the consent and approval of OSFI. Currently most of this deduction is from Total Capital.
- *General allowance - Standardized portfolios:* Can be included in Tier 2A capital to a limit of 1.25% of credit risk-weighted assets.
- *Investments in insurance subsidiaries :* For regulatory capital purposes, insurance subsidiaries are deconsolidated and reported as a deduction from capital. Insurance subsidiaries are subject to their own capital adequacy reporting such as OSFI's Minimum Continuing Capital Surplus Requirements. Currently, for regulatory capital purposes, all the entities of the Bank are either consolidated or deducted from capital and there are no entities from which surplus capital is recognized.
- *Capital ratios:* Capital ratios are measures of financial strength and flexibility. The Bank's capital ratios are calculated using OSFI's guidelines. Effective November 1, 2007, the Bank began calculating its regulatory capital under the new capital adequacy rules included in Basel II. At the consolidated level, the top corporate entity to which Basel II applies is The Toronto-Dominion Bank.

## OTHER INFORMATION

- OSFI has established a minimum 7% Tier 1 capital ratio requirement.
- OSFI has established a minimum 10% Total capital ratio requirement.