

# Capital Position – Basel III<sup>1</sup>

(\$ millions) As at	Line #	2016		2015			2014			Cross Reference <sup>2</sup>	OSFI Template	
		Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			Q1
<b>Common Equity Tier 1 Capital</b>												
Common shares plus related contributed surplus	1	\$ 20,540	\$ 20,457	\$ 20,387	\$ 20,289	\$ 19,982	\$ 19,961	\$ 19,796	\$ 19,646	\$ 19,462	A1+A2+B	1
Retained earnings	2	32,585	32,053	30,764	29,362	28,373	27,585	26,970	26,134	25,108	C	2
Accumulated other comprehensive income (loss)	3	13,467	10,209	10,477	7,569	9,956	4,936	3,834	4,206	4,874	D	3
<b>Common Equity Tier 1 Capital before regulatory adjustments</b>	4	<b>66,592</b>	62,719	61,628	57,220	58,311	52,482	50,600	49,986	49,444		6
<b>Common Equity Tier 1 Capital regulatory adjustments</b>												
Goodwill (net of related tax liability)	5	(20,386)	(19,143)	(19,150)	(17,767)	(18,639)	(16,709)	(16,220)	(13,867)	(14,058)	E1+E2-E3	8
Intangibles (net of related tax liability)	6	(2,215)	(2,192)	(2,273)	(2,254)	(2,432)	(2,355)	(2,327)	(2,299)	(2,307)	F1-F2	9
Deferred tax assets excluding those arising from temporary differences	7	(359)	(367)	(412)	(595)	(604)	(485)	(536)	(525)	(488)	G	10
Cash flow hedge reserve	8	(2,127)	(1,498)	(1,296)	(1,271)	(1,658)	(711)	(607)	(791)	(954)	H	11
Shortfall of provisions to expected losses	9	(178)	(140)	(118)	(132)	(71)	(91)	(101)	(96)	(93)	I	12
Gains and losses due to changes in own credit risk on fair valued liabilities	10	(249)	(188)	(136)	(94)	(115)	(98)	(77)	(84)	(96)	J	14
Defined benefit pension fund net assets (net of related tax liability)	11	(11)	(104)	(17)	(16)	(17)	(15)	(61)	(60)	(60)	K	15
Investment in own shares	12	-	(4)	(24)	-	-	(7)	-	-	-		16
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	13	(1,290)	(1,125)	(1,041)	(951)	(1,167)	(1,046)	(1,080)	(3,293)	(3,544)	L1+L2+L3+L4	19
Amounts exceeding the 15% threshold												22
of which: significant investments in the common stocks of financials	14	(121)	-	-	-	-	-	-	-	(31)	L1+L2+L3+L4	23
of which: deferred tax assets arising from temporary differences	15	(59)	-	-	-	-	-	-	-	(10)	L1+L2+L3+L4	25
<b>Total regulatory adjustments to Common Equity Tier 1 Capital</b>	16	<b>(26,995)</b>	(24,761)	(24,467)	(23,080)	(24,703)	(21,517)	(21,009)	(21,015)	(21,641)		28
<b>Common Equity Tier 1 Capital</b>	17	<b>39,597</b>	37,958	37,161	34,140	33,608	30,965	29,591	28,971	27,803		29
<b>Additional Tier 1 capital instruments</b>												
Directly issued qualifying Additional Tier 1 instruments plus stock surplus	18	2,901	2,202	2,201	2,047	1,501	1,001	1,001	-	-	M+N	30/31
Directly issued capital instruments subject to phase out from Additional Tier 1	19	3,240	3,211	3,240	3,484	3,941	3,941	4,364	4,911	4,911	O1+O2+O3+O4	33
Additional Tier 1 instruments issued by subsidiaries and held by third parties subject to phase out	20	302	399	398	368	388	444	429	490	490	P	34/35
<b>Additional Tier 1 capital instruments before regulatory adjustments</b>	21	<b>6,443</b>	5,812	5,839	5,899	5,830	5,386	5,794	5,401	5,401		36
<b>Additional Tier 1 capital instruments regulatory adjustments</b>												
Investment in own Additional Tier 1 instruments	22	-	(2)	-	-	-	-	-	-	-		37
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	23	(352)	(352)	(352)	(352)	(352)	(352)	(352)	(352)	(352)	Q+R	40
<b>Total regulatory adjustments to Additional Tier 1 Capital</b>	24	<b>(352)</b>	(354)	(352)	(352)	(352)	(352)	(352)	(352)	(352)		43
<b>Additional Tier 1 Capital</b>	25	<b>6,091</b>	5,458	5,487	5,547	5,478	5,034	5,442	5,049	5,049		44
<b>Tier 1 Capital</b>	26	<b>45,688</b>	43,416	42,648	39,687	39,086	35,999	35,033	34,020	32,852		45
<b>Tier 2 capital instruments and provisions</b>												
Directly issued qualifying Tier 2 instruments plus related stock surplus	27	2,500	2,489	1,497	-	-	-	-	-	-	S	46
Directly issued capital instruments subject to phase out from Tier 2	28	4,897	5,927	5,927	5,927	5,927	6,773	6,773	6,774	6,774	T	47
Tier 2 instruments issued by subsidiaries and held by third parties subject to phase out	29	317	207	207	207	207	237	237	237	237	U1+U2+U3	48/49
Collective allowances	30	1,940	1,731	1,629	1,498	1,536	1,416	1,389	1,632	1,633	V	50
<b>Tier 2 Capital before regulatory adjustments</b>	31	<b>9,654</b>	10,354	9,260	7,632	7,670	8,426	8,399	8,643	8,644		51
<b>Tier 2 regulatory adjustments</b>												
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	32	(170)	(170)	(170)	(170)	(170)	(170)	(170)	(170)	(170)	W	55
<b>Total regulatory adjustments to Tier 2 Capital</b>	33	<b>(170)</b>	(170)	(170)	(170)	(170)	(170)	(170)	(170)	(170)		57
<b>Tier 2 Capital</b>	34	<b>9,484</b>	10,184	9,090	7,462	7,500	8,256	8,229	8,473	8,474		58
<b>Total Capital</b>	35	<b>55,172</b>	53,600	51,738	47,149	46,586	44,255	43,262	42,493	41,326		59
<b>Common Equity Tier 1 Capital RWA<sup>3</sup></b>	36	<b>399,617</b>	382,360	369,495	343,596	355,597	328,393	316,716	313,238	312,972		60a
<b>Tier 1 Capital RWA<sup>3</sup></b>	37	<b>400,498</b>	383,301	370,461	344,252	356,352	329,268	317,526	313,238	312,972		60b
<b>Total Capital RWA<sup>3</sup></b>	38	<b>\$ 401,253</b>	\$ 384,108	\$ 371,289	\$ 344,813	\$ 356,999	\$ 330,581	\$ 318,743	\$ 313,238	\$ 312,972		60c

<sup>1</sup> Capital position has been calculated using the "all-in" basis.

<sup>2</sup> Cross referenced to the Reconciliation with Balance Sheet Under Regulatory Scope of Consolidation table on page 79.

<sup>3</sup> Effective the third quarter of 2014, each capital ratio has its own RWA measure due to the OSFI prescribed scalar for inclusion of the CVA. For the third and fourth quarters of 2014, the scalars for inclusion of CVA for CET1, Tier 1 and Total Capital RWA were 57%, 65% and 77%, respectively. For fiscal 2015 and 2016, the corresponding scalars are 64%, 71%, and 77%, respectively.

## Capital Position – Basel III (Continued)

(\$ millions, except as noted)

As at	Line #	2015					2014				OSFI Template
		2016 Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
<b>Capital Ratios<sup>1</sup></b>											
Common Equity Tier 1 Capital (as percentage of CET1 Capital RWA)	39	9.9 %	9.9 %	10.1 %	9.9 %	9.5 %	9.4 %	9.3 %	9.2 %	8.9 %	61
Tier 1 (as percentage of Tier 1 Capital RWA)	40	11.4	11.3	11.5	11.5	11.0	10.9	11.0	10.9	10.5	62
Total Capital (as percentage of Total Capital RWA)	41	13.7	14.0	13.9	13.7	13.0	13.4	13.6	13.6	13.2	63
Buffer requirement (minimum CET1 requirement plus capital conservation buffer plus global systemically important banks (G-SIBs) buffer plus domestic systemically important banks (D-SIBs) buffer requirement expressed as percentage of RWA)	42	8.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	64
of which: capital conservation buffer requirement	43	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	65
of which: D-SIB buffer requirement <sup>2</sup>	44	1.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	67a
Common Equity Tier 1 available to meet buffers (as percentage of RWA)	45	9.9	9.9	10.1	9.9	9.5	9.4	9.3	9.2	8.9	68
<b>OSFI all-in target (minimum plus conservation buffer plus D-SIB surcharge (if applicable))</b>											
Common Equity Tier 1 all-in target ratio	46	8.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	69
Tier 1 all-in target ratio	47	9.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	70
Total Capital all-in target ratio	48	11.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	71
<b>Amounts below the thresholds for deduction (before risk weighting)</b>											
Non-significant investments in the capital of other financials	49	\$ 933	\$ 538	\$ 527	\$ 674	\$ 1,689	\$ 1,006	\$ 741	\$ 1,044	\$ 819	72
Significant investments in the common stock of financials	50	3,986	3,909	3,820	3,509	3,478	3,201	3,067	3,226	3,108	73
Mortgage servicing rights	51	22	20	18	15	10	9	17	–	–	74
Deferred tax assets arising from temporary differences (net of related tax liability)	52	1,932	1,664	1,453	1,047	1,276	948	979	1,088	1,062	75
<b>Applicable caps on the inclusion of allowances in Tier 2</b>											
Allowance eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	53	1,940	1,731	1,629	1,498	1,536	1,416	1,389	1,633	1,633	76
Cap on inclusion of allowances in Tier 2 under standardized approach	54	2,675	2,511	2,384	2,145	2,240	1,983	1,895	1,866	1,868	77
<b>Capital instruments subject to phase-out arrangements (only applicable between January 1, 2013 to January 1, 2022)</b>											
Current cap on Additional Tier 1 instruments subject to phase out arrangements	55	4,051	4,726	4,726	4,726	4,726	5,401	5,401	5,401	5,401	82
Amounts excluded from Additional Tier 1 due to cap (excess over cap after redemptions and maturities)	56	–	–	–	–	–	–	–	128	813	83
Current cap on Tier 2 instruments subject to phase out arrangements	57	5,258	6,134	6,134	6,134	6,134	7,010	7,010	7,010	7,010	84
Amounts excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	58	–	48	859	849	1,676	804	784	845	858	85
<b>Capital Ratios – transitional basis<sup>3</sup></b>											
Risk-weighted assets	59	\$ 415,418	\$ 405,997	\$ 392,371	\$ 362,871	\$ 364,957	\$ 347,005	\$ 333,679	\$ 330,255	\$ 326,853	
Common Equity Tier 1 Capital	60	47,500	45,712	44,920	41,994	41,565	39,095	38,179	38,022	36,977	
Tier 1 Capital	61	47,500	45,712	44,920	41,994	41,565	39,095	38,179	38,022	36,977	
Total Capital	62	56,759	55,618	53,765	49,233	48,796	47,032	46,072	45,276	44,131	
Common Equity Tier 1 (as percentage of RWA)	63	11.4 %	11.3 %	11.4 %	11.6 %	11.4 %	11.3 %	11.4 %	11.5 %	11.3 %	
Tier 1 Capital (as percentage of RWA)	64	11.4	11.3	11.4	11.6	11.4	11.3	11.4	11.5	11.3	
Total Capital (as percentage of RWA)	65	13.7	13.7	13.7	13.6	13.4	13.6	13.8	13.7	13.5	
<b>Capital Ratios for significant bank subsidiaries</b>											
<b>TD Bank, National Association (TD Bank, N.A.)<sup>4</sup></b>											
Common Equity Tier 1 Capital	66	13.4	13.6	13.6	13.6	12.7	12.7	12.1	12.0	n/a	
Tier 1 Capital	67	13.5	13.7	13.7	13.7	12.9	12.9	12.3	12.2	11.1	
Total Capital	68	14.5	14.7	14.7	14.7	13.9	13.9	13.4	13.3	12.3	
<b>TD Mortgage Corporation</b>											
Common Equity Tier 1 Capital	69	29.5	29.4	29.4	29.4	27.8	28.0	27.8	27.0	25.8	
Tier 1 Capital	70	29.5	29.4	29.4	29.4	27.8	28.0	27.8	27.0	25.8	
Total Capital	71	30.7	30.8	30.8	30.8	29.2	29.6	29.4	28.5	27.3	

<sup>1</sup> The "all-in" basis of regulatory reporting includes all of the regulatory adjustments that will be required by 2019.

<sup>2</sup> Common equity capital D-SIB surcharge in effect from January 1, 2016. Accordingly, amounts for periods prior to Q1 2016 are not applicable (n/a).

<sup>3</sup> The "transitional" basis of regulatory reporting allows for certain adjustments to CET1, the largest of which being goodwill, intangible assets and the threshold deductions, to be phased-in over a period of five years starting in 2014, while retaining the phase-out rules for non-qualifying capital instruments. In addition, 100% of the CVA is included for calculation of the transitional ratios.

<sup>4</sup> On a stand-alone basis, TD Bank, N.A. reports regulatory capital to the Office of the Comptroller of the Currency (OCC) on calendar quarter ends.

## Reconciliation with Balance Sheet Under Regulatory Scope of Consolidation

(\$ millions)

As at

Line #	2016		Cross Reference <sup>3</sup>
	Balance Sheet <sup>1</sup>	Under Regulatory scope of consolidation <sup>2</sup>	
	Q1		
Cash and due from banks	\$ 3,204	\$ 3,204	
Interest-bearing deposits with banks	48,739	48,724	
Trading loans, securities, and other	101,360	101,360	
Derivatives	85,642	85,601	
Financial assets designated at fair value through profit or loss	4,525	2,872	
Held-to-maturity securities	80,207	80,207	
Available-for-sale securities	94,372	92,564	
Securities purchased under reverse repurchase agreements	100,941	100,941	
Loans	570,754	570,532	
Allowance for loan losses	(3,726)	(3,726)	
<i>Eligible general allowance reflected in Tier 2 regulatory capital</i>		(1,940)	V
<i>Shortfall of allowance to expected loss</i>		(178)	I
<i>Allowances not reflected in regulatory capital</i>		(1,608)	
Other	87,566	85,752	
Investment in TD Ameritrade			
<i>Significant investments exceeding regulatory thresholds</i>		1,039	L1
<i>Significant investments not exceeding regulatory thresholds</i>		3,083	
<i>Imputed goodwill</i>		3,098	E2
Goodwill		17,386	E1
Other intangibles		2,700	F1
Other intangibles (Mortgage Servicing Rights)		23	
Deferred tax assets			
<i>Deferred tax assets (DTA) excluding those arising from temporary differences</i>		359	G
<i>DTA's (net of associated deferred tax liabilities (DTL)) realizable through net operating loss (NOL) carryback</i>		1,991	
<i>DTA's (net of associated DTL's) arising from temporary differences but not realizable through NOL carryback</i>		954	
<i>DTA's (net of associated DTL's) arising from temporary differences but not realizable through NOL carryback exceeding regulatory thresholds</i>		59	L4
<i>Other DTA/DTL adjustments<sup>4</sup></i>		(1,367)	
Significant investments in financials (excluding TD Ameritrade)			
<i>Significant investments exceeding regulatory thresholds</i>		16	L2
<i>Significant investments in Additional Tier 1 Capital</i>		2	R
<i>Significant investments not exceeding regulatory thresholds</i>		45	
Defined pension benefits		11	K
Other Assets		56,353	
<b>TOTAL ASSETS</b>	<b>1,173,584</b>	<b>1,168,031</b>	
<b>LIABILITIES AND EQUITY<sup>5</sup></b>			
Trading deposits	84,177	84,177	
Derivatives	71,012	71,012	
Securitization liabilities at fair value	10,954	10,954	
Other financial liabilities designated at fair value through profit or loss	1,024	1,024	
Deposits	736,530	736,530	
Other	190,518	184,965	
Deferred tax liabilities			
Goodwill		98	E3
<i>Intangible assets (excluding mortgage servicing rights)</i>		485	F2
<i>Other deferred tax liabilities (Cash flow hedges and other DTL's)</i>		1,039	
<i>Other DTA/DTL adjustments<sup>4</sup></i>		(1,307)	
Gains and losses due to changes in own credit risk on fair value liabilities		249	J
Liability for Preferred Shares			
<i>Capital instruments issued by subsidiaries and held by third parties</i>		37	U2
Other liabilities		184,364	
Subordinated notes and debentures	7,695	7,695	
<i>Directly issued qualifying Tier 2 instruments</i>		2,500	S
<i>Directly issued capital instruments subject to phase out from Tier 2</i>		4,897	T
<i>Capital instruments issued by subsidiaries and held by third parties-Tier 2</i>		267	U1
<i>Capital instruments not allowed for regulatory capital</i>		31	
<b>Liabilities</b>	<b>1,101,910</b>	<b>1,096,357</b>	
Common Shares	20,395	20,395	A1
Preferred Shares	3,400	3,400	
<i>Directly issued qualifying Additional Tier 1 instruments</i>		2,899	M
<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>		501	O2
Treasury Shares - Common	(51)	(51)	A2
Treasury Shares - Preferred	(4)	(4)	O4
Contributed Surplus	198	198	
<i>Contributed surplus - Common Shares</i>		196	B
<i>Contributed surplus - Preferred Shares</i>		2	N
Retained Earnings	32,585	32,585	C
Accumulated other comprehensive income	13,467	13,467	D
<i>Cash flow hedges requiring derecognition</i>		2,127	H
<i>Net AOCI included as capital</i>		11,340	
Non-controlling interests in subsidiaries	1,684	1,684	
<i>Portion allowed for regulatory capital (directly issued)</i>		994	O3
<i>Portion allowed for regulatory capital (issued by subsidiaries and held by third parties) subject to phase out - additional Tier 1</i>		302	P
<i>Portion allowed for regulatory capital (issued by subsidiaries and held by third parties) subject to phase out - Tier 2</i>		13	U3
<i>Portion not allowed for regulatory capital subject to phase out</i>		375	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,173,584</b>	<b>1,168,031</b>	

<sup>1</sup> As per Balance Sheet on page 13.

<sup>2</sup> Legal entities excluded from the regulatory scope of consolidation included the following insurance subsidiaries: Meloche Monnex Inc. (consolidated), TD Life Insurance Company, TD Reinsurance (Barbados) Inc. and TD Reinsurance (Ireland) Limited which have total assets included in the consolidated Bank of \$5.6 billion and total equity of \$1.9 billion of which \$356 million is deducted from CET1, \$350 million is deducted from additional Tier 1 and \$170 million is deducted from Tier 2 Capital. Cross referenced (L3, Q, W) respectively, to the Capital Position - Basel III on page 77.

<sup>3</sup> Cross referenced to the current period on the Capital Position - Basel III on pages 77 and 78.

<sup>4</sup> This adjustment is related to deferred tax assets/liabilities netted for financial accounting purposes.

<sup>5</sup> Included in current cap on additional Tier 1 instruments is \$1.7 billion (O1 - cross referenced to Capital Position - Basel III on page 77) related to TD Capital Trust IV (no longer consolidated as the Bank is not the primary beneficiary of the trust).