

Capital Position – Basel III¹

(\$ millions)								
As at	Line #	2018		2017		Cross Reference ²	OSFI Template	
		Q2	Q1	Q4	Q3	Q2		
Common Equity Tier 1 Capital								
Common shares plus related contributed surplus	1	\$ 21,287	\$ 21,228	\$ 20,967	\$ 21,095	\$ 20,762	A1+A2+B 1	
Retained earnings	2	43,363	41,744	40,489	39,473	37,577	C 2	
Accumulated other comprehensive income (loss)	3	5,923	4,472	8,006	6,564	11,853	D 3	
Common Equity Tier 1 Capital before regulatory adjustments	4	70,573	67,444	69,462	67,132	70,192	6	
Common Equity Tier 1 Capital regulatory adjustments								
Goodwill (net of related tax liability)	5	(18,856)	(18,136)	(18,820)	(18,269)	(19,837)	E1+E2-E3 8	
Intangibles (net of related tax liability)	6	(2,274)	(2,242)	(2,310)	(2,261)	(2,350)	F1-F2 9	
Deferred tax assets excluding those arising from temporary differences	7	(121)	(122)	(113)	(120)	(144)	G 10	
Cash flow hedge reserve	8	2,160	1,731	506	278	(488)	H 11	
Shortfall of provisions to expected losses ³	9	(734)	(679)	(805)	(747)	(823)	I 12	
Gains and losses due to changes in own credit risk on fair valued liabilities	10	(118)	(68)	(73)	(103)	(142)	J 14	
Defined benefit pension fund net assets (net of related tax liability)	11	(13)	(13)	(13)	(11)	(11)	K 15	
Investment in own shares	12	-	(21)	-	(157)	-	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	(1,132)	(1,085)	(1,206)	(767)	(980)	L1+L2+L3 19	
Total regulatory adjustments to Common Equity Tier 1 Capital	14	(21,088)	(20,635)	(22,834)	(22,157)	(24,775)	28	
Common Equity Tier 1 Capital	15	49,485	46,809	46,628	44,975	45,417	29	
Additional Tier 1 capital instruments								
Directly issued qualifying Additional Tier 1 instruments plus stock surplus	16	4,599	4,246	4,247	4,247	3,896	M+N+O 30/31	
Directly issued capital instruments subject to phase out from Additional Tier 1	17	2,455	2,455	3,229	3,070	3,070	P1+P2+P3 33	
Additional Tier 1 instruments issued by subsidiaries and held by third parties subject to phase out	18	245	245	-	306	306	Q 34/35	
Additional Tier 1 capital instruments before regulatory adjustments	19	7,299	6,946	7,476	7,623	7,272	36	
Additional Tier 1 capital instruments regulatory adjustments								
Investment in own Additional Tier 1 instruments	20	-	-	(1)	-	-	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	21	(350)	(352)	(352)	(352)	(352)	R+S 40	
Total regulatory adjustments to Additional Tier 1 Capital	22	(350)	(352)	(353)	(352)	(352)	43	
Additional Tier 1 Capital	23	6,949	6,594	7,123	7,271	6,920	44	
Tier 1 Capital	24	56,434	53,403	53,751	52,246	52,337	45	
Tier 2 capital instruments and provisions								
Directly issued qualifying Tier 2 instruments plus related stock surplus	25	7,127	7,028	7,156	7,082	5,786	T 46	
Directly issued capital instruments subject to phase out from Tier 2	26	848	836	2,648	2,641	2,646	U 47	
Tier 2 instruments issued by subsidiaries and held by third parties subject to phase out	27	-	-	-	279	263	48/49	
Collective allowance	28	1,721	1,662	1,668	1,571	1,680	V 50	
Tier 2 Capital before regulatory adjustments	29	9,696	9,526	11,472	11,573	10,375	51	
Tier 2 regulatory adjustments								
Investments in own Tier 2 instruments	30	-	-	(25)	(19)	-	52	
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	31	(160)	(160)	(160)	(170)	(170)	W 55	
Total regulatory adjustments to Tier 2 Capital	32	(160)	(160)	(185)	(189)	(170)	57	
Tier 2 Capital	33	9,536	9,366	11,287	11,384	10,205	58	
Total Capital	34	65,970	62,769	65,038	63,630	62,542	59	
Common Equity Tier 1 Capital RWA⁴	35	417,819	441,273	435,750	408,803	420,053	60a	
Tier 1 Capital RWA⁴	36	417,951	441,273	435,750	408,803	420,053	60b	
Total Capital RWA⁴	37	\$ 418,082	\$ 441,273	\$ 435,750	\$ 408,803	\$ 420,053	60c	

¹ Capital position has been calculated using the "all-in" basis.

² Cross referenced to the Reconciliation with Balance Sheet Under Regulatory Scope of Consolidation table on page 5.

³ Effective November 1, 2017, amounts are presented in accordance with IFRS 9. Prior periods have not been restated and are based on IAS 39. Refer to Note 2 of the Bank's second quarter 2018 Interim Consolidated Financial Statements.

⁴ Each capital ratio has its own RWA measure due to the OSFI prescribed scalar for inclusion of the CVA. For fiscal 2017, the scalars for inclusion of CVA for CET1, Tier 1, and Total Capital RWA were 72%, 77%, and 81%, respectively. For fiscal 2018, the corresponding scalars are 80%, 83%, and 86%, respectively. Prior to the second quarter of 2018, as the Bank was constrained by the Basel I regulatory floor, the RWA as it relates to the regulatory floor was calculated based on the Basel I risk weights which were the same for all capital ratios.

Capital Position – Basel III (Continued)

(\$ millions, except as noted)

As at	Line #	2018		2017		OSFI Template	
		Q2	Q1	Q4	Q3		Q2
Capital Ratios¹							
Common Equity Tier 1 Capital (as percentage of CET1 Capital RWA)	38	11.8 %	10.6 %	10.7 %	11.0 %	10.8 %	61
Tier 1 (as percentage of Tier 1 Capital RWA)	39	13.5	12.1	12.3	12.8	12.5	62
Total Capital (as percentage of Total Capital RWA)	40	15.8	14.2	14.9	15.6	14.9	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) ^{2,3}	41	8.0	8.0	8.0	8.0	8.0	64
of which: capital conservation buffer requirement	42	2.5	2.5	2.5	2.5	2.5	65
of which: countercyclical buffer requirement ⁴	43	–	–	–	–	–	66
of which: D-SIB buffer requirement ⁵	44	1.0	1.0	1.0	1.0	1.0	67a
Common Equity Tier 1 available to meet buffers (as percentage of RWA)	45	11.8	10.6	10.7	11.0	10.8	68
OSFI all-in target (minimum plus conservation buffer plus D-SIB surcharge (if applicable))							
Common Equity Tier 1 all-in target ratio	46	8.0	8.0	8.0	8.0	8.0	69
Tier 1 all-in target ratio	47	9.5	9.5	9.5	9.5	9.5	70
Total Capital all-in target ratio	48	11.5	11.5	11.5	11.5	11.5	71
Amounts below the thresholds for deduction (before risk weighting)							
Non-significant investments in the capital of other financials	49	\$ 4,129	\$ 3,318	\$ 2,624	\$ 1,501	\$ 1,149	72
Significant investments in the common stock of financials	50	5,061	4,789	4,783	4,574	4,640	73
Mortgage servicing rights	51	34	31	31	27	28	74
Deferred tax assets arising from temporary differences (net of related tax liability)	52	1,158	1,100	909	1,073	1,317	75
Applicable caps on the inclusion of allowances in Tier 2							
Allowance eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	53	1,721	1,662	1,668	1,571	1,680	76
Cap on inclusion of allowances in Tier 2 under standardized approach	54	2,041	1,941	2,029	1,894	2,056	77
Capital instruments subject to phase-out arrangements (only applicable between January 1, 2013 to January 1, 2022)							
Current cap on Additional Tier 1 instruments subject to phase out arrangements	55	2,700	2,700	3,376	3,376	3,376	82
Amounts excluded from Additional Tier 1 due to cap (excess over cap after redemptions and maturities)	56	541	535	–	10	33	83
Current cap on Tier 2 instruments subject to phase out arrangements	57	3,505	3,505	4,381	4,381	4,381	84
Amounts excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)	58	–	–	–	–	–	85
Capital Ratios – transitional basis⁶							
Risk-weighted assets	59	\$ n/a ⁷	\$ n/a	\$ 443,186	\$ 416,529	\$ 427,618	
Common Equity Tier 1 Capital	60	n/a	n/a	51,294	49,458	50,267	
Tier 1 Capital	61	n/a	n/a	54,523	52,994	53,110	
Total Capital	62	n/a	n/a	65,646	64,265	63,168	
Common Equity Tier 1 (as percentage of RWA)	63	n/a %	n/a %	11.6 %	11.9 %	11.8 %	
Tier 1 Capital (as percentage of RWA)	64	n/a	n/a	12.3	12.7	12.4	
Total Capital (as percentage of RWA)	65	n/a	n/a	14.8	15.4	14.8	
Capital Ratios for significant bank subsidiaries							
TD Bank, National Association (TD Bank, N.A.)⁸							
Common Equity Tier 1 Capital	66	14.9	14.8	14.8	14.4	14.2	
Tier 1 Capital	67	14.9	14.8	14.8	14.5	14.3	
Total Capital	68	15.7	15.6	15.7	15.5	15.3	
TD Mortgage Corporation							
Common Equity Tier 1 Capital	69	37.2	35.9	35.9	35.5	33.1	
Tier 1 Capital	70	37.2	35.9	35.9	35.5	33.1	
Total Capital	71	38.1	36.7	36.9	36.6	34.1	

¹ Capital position has been calculated using the "all-in" basis.

² The minimum CET1 requirement prior to the buffers is 4.5%.

³ The Financial Stability Board, in consultation with Basel Committee on Banking Supervision and national authorities, has identified the 2017 list of G-SIBs, using 2016 fiscal year-end data. The Bank was not identified as a G-SIB.

⁴ The countercyclical buffer surcharge is in effect.

⁵ Common equity capital D-SIB surcharge is in effect.

⁶ 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. Effective the first quarter of 2018, the transitional period has ended and thus there is no longer a transitional ratio.

⁷ Not applicable.

⁸ 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 #	2018 Q2		Cross Reference ³
	Balance Sheet ¹	Under Regulatory scope of consolidation ²	
Cash and due from banks	\$ 4,197	\$ 4,197	
Interest-bearing deposits with banks	36,387	36,302	
Trading loans, securities, and other	114,017	114,017	
Non-trading financial assets at fair value through profit or loss	4,087	3,865	
Derivatives	55,098	55,098	
Financial assets designated at fair value through profit or loss	3,442	1,518	
Financial assets at fair value through other comprehensive income	134,011	131,921	
Debt securities at amortized cost, net of allowance for credit losses	90,106	89,666	
Securities purchased under reverse repurchase agreements	140,914	140,914	
Loans	625,548	625,548	
Allowance for loan losses	(3,549)	(3,549)	
Eligible allowance reflected in Tier 2 regulatory capital		(1,721)	V
Shortfall of allowance to expected loss		(734)	I
Allowances not reflected in regulatory capital		(1,094)	
Other	79,578	77,735	
Investment in TD Ameritrade			
Significant investments exceeding regulatory thresholds		906	L1
Significant investments not exceeding regulatory thresholds		4,221	
Imputed goodwill		2,777	E1
Goodwill		16,169	E2
Other intangibles		2,475	F1
Other intangibles (Mortgage Servicing Rights)		34	
Deferred tax assets			
Deferred tax assets (DTA) excluding those arising from temporary differences		121	G
DTA's (net of associated deferred tax liabilities (DTL)) realizable through net operating loss (NOL) carryback		1,158	
DTA's (net of associated DTL's) arising from temporary differences but not realizable through NOL carryback		967	
DTA's (net of associated DTL's) arising from temporary differences but not realizable through NOL carryback exceeding regulatory thresholds		–	
Other DTA/DTL adjustments ⁴		316	
Significant investments in financials (excluding TD Ameritrade)			
Significant investments exceeding regulatory thresholds		14	L2
Significant investments in Additional Tier 1 Capital		–	S
Significant investments not exceeding regulatory thresholds		61	
Defined pension benefits		13	K
Other Assets		48,503	
TOTAL ASSETS	1,283,836	1,277,232	
LIABILITIES AND EQUITY⁵			
Trading deposits	103,393	103,393	
Derivatives	47,905	47,905	
Securitization liabilities at fair value	12,240	12,240	
Deposits	829,801	829,801	
Other	206,204	199,600	
Deferred tax liabilities			
Goodwill		90	E3
Intangible assets (excluding mortgage servicing rights)		201	F2
Other deferred tax liabilities (Cash flow hedges and other DTL's)		(429)	
Other DTA/DTL adjustments ⁴		316	
Gains and losses due to changes in own credit risk on fair value liabilities		118	J
Other liabilities		199,304	
Subordinated notes and debentures	7,631	7,631	
Directly issued qualifying Tier 2 instruments		7,127	T
Directly issued capital instruments subject to phase out from Tier 2		848	U
Capital instruments not allowed for regulatory capital		(344)	
Liabilities	1,207,174	1,200,570	
Common Shares	21,203	21,203	A1
Preferred Shares	5,100	5,100	
Directly issued qualifying Additional Tier 1 instruments		4,601	M
Directly issued capital instruments subject to phase out from Additional Tier 1		1,358	P1
Preferred shares not allowed for regulatory capital		(859)	
Treasury Shares – Common	(108)	(108)	A2
Treasury Shares – Preferred	(5)	(5)	
Treasury Shares – non-viability contingent capital (NVCC) Preferred Shares		(4)	N
Treasury Shares – non-NVCC Preferred Shares		(1)	
Contributed Surplus	194	194	
Contributed surplus – Common Shares		192	B
Contributed surplus – Preferred Shares		2	O
Retained Earnings	43,363	43,363	C
Accumulated other comprehensive income (AOCI)	5,923	5,923	D
Cash flow hedges requiring derecognition		(2,160)	H
Net AOCI included as capital		8,083	
Non-controlling interests in subsidiaries	992	992	
Portion allowed for regulatory capital (directly issued) subject to phase out – additional Tier 1		397	P2
Portion allowed for regulatory capital (issued by subsidiaries and held by third parties) subject to phase out – additional Tier 1		245	Q
Portion not allowed for regulatory capital subject to phase out		350	
TOTAL LIABILITIES AND EQUITY	\$ 1,283,836	\$ 1,277,232	

¹ As per Balance Sheet on page 12 in the Supplemental Financial Information Package.

² Legal entities excluded from the regulatory scope of consolidation included the following insurance subsidiaries: Meloche Monnex Inc. (consolidated), TD Life Insurance Company and TD Reinsurance (Barbados) Inc. which have total assets included in the consolidated Bank of \$6.6 billion and total equity of \$1.7 billion, of which \$212 million is deducted from CET1, \$350 million is deducted from additional Tier 1 and \$160 million is deducted from Tier 2 Capital. Cross referenced (L3, R, W) respectively, to the Capital Position – Basel III on page 1.

³ Cross referenced to the current period on the Capital Position – Basel III on pages 1 and 2.

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

⁵ Included in current cap on additional Tier 1 instruments is \$1.7 billion related to TD Capital Trust IV (no longer consolidated as the Bank is not the primary beneficiary of the trust). The allowed for regulatory capital is \$700 million (P3 – cross referenced to Capital Position – Basel III on page 1).