

## Note 20: Capital Management

Our objective is to maintain a strong capital position in a cost-effective structure that: is appropriate given our target regulatory capital ratios and internal assessment of required economic capital; is consistent with our target credit ratings; underpins our operating groups' business strategies; and supports depositor, investor and regulator confidence, while building long-term shareholder value.

Our approach includes establishing limits, targets and performance measures that are used to manage balance sheet positions, risk levels and capital requirements, as well as issuing and redeeming capital instruments to obtain a cost-effective capital structure.

Regulatory capital requirements and risk-weighted assets for the consolidated entity are determined in accordance with OSFI's Capital Adequacy Requirements Guideline.

Common Equity Tier 1 (CET1) capital is the most permanent form of capital. It is comprised of common shareholders' equity less deductions for goodwill, intangible assets and certain other items. Tier 1 capital is primarily comprised of regulatory common equity, preferred shares and innovative hybrid instruments, net of Tier 1 capital deductions.

Tier 2 capital is primarily comprised of subordinated debentures and the eligible portion of the collective allowance for credit losses, net of certain Tier 2 capital deductions. Total capital includes Tier 1 and Tier 2 capital. Details of the components of our capital position are presented in Notes 11, 12, 15 and 16.

CET1 Capital Ratio, Tier 1 Capital Ratio, Total Capital Ratio and Leverage Ratio are the primary regulatory capital measures.

- The CET1 Capital Ratio is defined as common shareholders' equity, net of capital adjustments, divided by CET1 capital risk-weighted assets.
- The Tier 1 Capital Ratio is defined as Tier 1 capital divided by Tier 1 capital risk-weighted assets.
- The Total Capital Ratio is defined as Total capital divided by Total capital risk-weighted assets.
- The Leverage Ratio is defined as Tier 1 capital divided by the sum of on-balance sheet items and specified off-balance sheet items, net of specified adjustments.

We have met OSFI's stated minimum capital ratio requirements as at October 31, 2017.

### Regulatory Capital Measures and Risk-Weighted Assets

(Canadian \$ in millions, except as noted)	2017	2016
Common Equity Tier 1 Capital	<b>30,633</b>	28,159
Tier 1 Capital	<b>35,108</b>	32,236
Total Capital	<b>40,596</b>	37,862
Common Equity Tier 1 Capital Risk-Weighted Assets	<b>269,466</b>	277,562
Tier 1 Capital Risk-Weighted Assets	<b>269,466</b>	277,562
Total Capital Risk-Weighted Assets	<b>269,466</b>	277,562
Common Equity Tier 1 Capital Ratio	<b>11.4%</b>	10.1%
Tier 1 Capital Ratio	<b>13.0%</b>	11.6%
Total Capital Ratio	<b>15.1%</b>	13.6%
Leverage Ratio	<b>4.4%</b>	4.2%

All 2017 and 2016 balances above are on an "all-in" basis.