



# Shape tomorrow

2019 Annual Report

# About TD

Every day, TD enriches the lives of millions of customers who rely on us for their financial needs and to help make their dreams a reality.

## OUR BUSINESS (as at October 31, 2019)

85,000+ TD colleagues	26 million+ customers served around the globe	5th largest bank in North America <sup>1</sup>
2,300+ retail locations across North America	6,000+ ATMs	13 million+ active digital customers

<sup>1</sup> By branches

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See the TD Annual Report  
online by visiting  
[www.td.com/ar2019](http://www.td.com/ar2019)



For information on TD's commitment to  
the community and our environment  
visit [www.td.com/responsibility](http://www.td.com/responsibility)

# Our strategy

As a top 5 North American bank, TD aims to stand out from its peers by having a differentiated brand – anchored in our proven business model, and rooted in a desire to give our customers, communities and colleagues the confidence to thrive in a changing world.



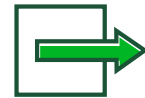
### Proven business model

Deliver consistent earnings growth, underpinned by a strong risk culture



### Purpose-driven

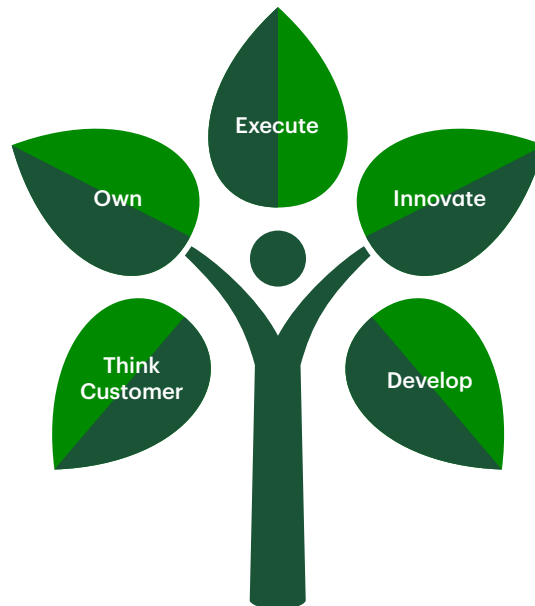
Centre everything we do on our vision, purpose and shared commitments



### Forward-focused

Shape the future of banking in the digital age

This is brought to life by the TD Framework, which embodies our culture and guides our behaviour as we execute on our business strategy of being a premier Canadian retail bank, a top U.S. retail bank, and a leading Wholesale business aligned with our retail franchise.



### Our vision

Be the better bank

### Our purpose

Enrich the lives of our customers, communities and colleagues

## TD Framework

### Our shared commitments

Think like a customer; provide legendary experiences and trusted advice

Act like an owner; lead with integrity to drive business results and contribute to communities

Execute with speed and impact; only take risks we can understand and manage

Innovate with purpose; simplify the way we work

Develop our colleagues; embrace diversity and respect one another



## Group President and CEO's Message

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In 2019, TD advanced its strategy and delivered record earnings through a period of growing economic uncertainty.

Earnings grew to \$11.7 billion, revenue and market share expanded across our retail businesses on both sides of the border, and we continued to move our wholesale strategy forward in a more volatile market.

Our shareholders benefited from this progress. Our dividend increased by 11% on a full-year basis and TD delivered above average Total Shareholder Return for the past three-, five- and ten-year periods.

During the course of the year, we remained focused on building the capabilities needed to successfully meet our customers' changing expectations, and for TD to compete and grow well into the future. We further sharpened our omni-channel strategy, introduced new digital capabilities and invested in our branches and stores to elevate advice and better meet the needs of those we serve through legendary, personalized and connected experiences. We also improved how we run the Bank – simplifying processes, accelerating project delivery, and strengthening our cybersecurity and platform resiliency.

TD ended 2019 as an even stronger and more competitive bank.

### Extending our competitive advantage

*We benefited from our diversified, retail-focused business model and North American reach.*

Customers turn to TD for advice when it matters most – buying a home, saving and investing for the future, financing a business, or protecting the things that matter most. In 2019, our focus on elevating advice and providing legendary service helped us expand our customer base and maintain the trust of millions of individuals and businesses across our footprint. Importantly, through a well-defined risk culture, we delivered this growth while maintaining a strong balance sheet and capital position.

More recently, we announced our support for a transformative transaction between TD Ameritrade (a publicly traded company in which we are a major shareholder) and Charles Schwab, which we believe will create value for all TD Ameritrade shareholders, including TD. Through this transaction, TD will become the largest shareholder of Schwab, a company with the scale and size needed to drive continued growth in the U.S.

*We remained anchored in our purpose, to enrich the lives of our customers, communities and colleagues.*

At TD, we know our customers don't live to bank, they bank to live. Our investments in 2019 both simplified and enhanced their interactions with us. To name a few examples, TD Wheels provided our Canadian customers with new ways to buy and finance automobiles, while our chatbot, TD Clari, accelerated the delivery of real-time answers to everyday financial questions. TD GoalAssist added industry-leading insights and online advice for Canadian Direct Investing customers, and our U.S. mobile bill pay tool added more flexible features to deliver a better experience for millions of customers.

No company succeeds for the long term without recognizing the integral role it plays in society. These aren't just words – at TD, they are core to who we are and part of our purpose. In 2019, we provided \$126 million through TD's Ready Commitment across our footprint. And through the TD Ready Commitment Network we unlocked the talent and knowledge of thousands of our colleagues, who contributed by volunteering in their communities.

People remain at the heart of our success and we made significant investments in their future as well. More than 45,000 colleagues actively engaged in training and skills development through TD Thrive – our new personalized training and development platform – to help them succeed, grow and prepare for tomorrow. We also launched new programs across TD to generate and act on colleague-generated ideas to improve operations and solve customer problems.

Throughout the year, building an inclusive bank – where every colleague feels welcome, able to thrive and grow their career – remained a key focus. These efforts allowed us to attract and retain the best people in a highly competitive labour market and to create a culture of empowerment that is critical to our continued success.

*We continued to shape the future of banking.*

From our branches and stores to our contact centres and across online and digital platforms, our omni-channel strategy focused on the customer and their needs, regardless of how they chose to engage with us.

In 2019, we further leveraged the power of analytics and artificial intelligence (AI) to transform data into insights and deepened our knowledge of our customers to better meet their changing needs and expectations. Through our work with a cross-section of experts from across the private and public sectors, we also led a broad industry-wide conversation on the responsible use of AI in financial services.

With more than 26 million customers across North America, we recognize the threats of cybersecurity and the risks they pose and invested in new capabilities to help protect our customers from existing and emerging threats. The recent opening of our new TD Fusion Centre – a multi-disciplinary, agile workspace in Toronto – improved our ability to detect and respond to cyber threats.

### A look ahead

TD is a 164-year-old growth company. In 2019, we continued to build for the future while delivering growth and value for our shareholders. We achieved this by remaining true to our purpose – supporting customers through life's journey, helping to open doors to new opportunity in communities across North America, and enabling thousands of colleagues to grow, succeed and thrive.

As a result, we are approaching the year ahead from a position of strength, with a diverse and growing base of customers and leading franchises in diversified markets. We have a brand that stands apart, built over decades as we continue to earn and preserve the trust of those we serve. Though we expect macro-economic and interest rate uncertainty to remain, we will continue to make the investments needed to shape tomorrow.

The commitment and dedication of more than 85,000 TD colleagues shone through in 2019. Together, we made tremendous progress. I thank them for their efforts, our customers for their trust, and you, our shareholders, for your continued support.

**Bharat Masrani**  
Group President and Chief Executive Officer



## Chair of the Board's Message

In 2019, TD demonstrated the strength of its business model by posting strong financial results while delivering on its purpose – to enrich the lives of its customers, communities and colleagues.

The Bank reported earnings of \$11.7 billion. The common share dividend was increased by 11%. 30 million shares were repurchased and we continued to deliver above-peer average Total Shareholder Return for the last three-, five- and ten-years.

This year our Annual Report also includes a new section discussing the Bank's environmental, social and governance (ESG) practices, illustrating our commitment to sustainability and community involvement. As a purpose-driven organization, we are making a meaningful and long-lasting impact in the communities we serve.

In 2019, TD advanced a number of initiatives to prepare the Bank for the future. We were named the most innovative digital bank in North America by Global Finance and introduced new capabilities in both Canada and the U.S. to further elevate the customer experience. Combined with ongoing investments in branches and stores, TD is delivering for our customers across every channel. The Bank also continued to make important investments in our colleagues, introducing new training and development programs, remaining focused on diversity and inclusion, and enhancing colleague engagement across the Bank.

On behalf of the Board, I would like to thank our Group President and CEO, Bharat Masrani, and his leadership team, as well as each of our more than 85,000 colleagues for their hard work and dedication throughout the year.

I also want to thank our shareholders for their ongoing support and our customers for the opportunity to serve them. We look forward to continuing to earn and sustain your trust in 2020.

**Brian M. Levitt**  
Chair of the Board

## THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Board of Directors as at December 4, 2019, its committees and key committees' responsibilities are listed below. Our Proxy Circular for the 2020 Annual Meeting will set out the director candidates proposed for election at the meeting and additional information about each candidate including education, other public board memberships held in the past five years, areas of expertise, TD Committee membership, stock ownership, and attendance at Board and Committee meetings.

### **William E. Bennett**

Corporate Director and former President and Chief Executive Officer, Draper & Kramer, Inc., Chicago, Illinois

### **Jean-René Halde**

Corporate Director and retired President and Chief Executive Officer, Business Development Bank of Canada, Saint-Laurent, Québec

### **Karen E. Maidment**

Corporate Director and former Chief Financial and Administrative Officer, BMO Financial Group, Cambridge, Ontario

### **Amy W. Brinkley**

Consultant, AWB Consulting, LLC, Charlotte, North Carolina

### **David E. Kepler**

Corporate Director and retired Executive Vice President, The Dow Chemical Company, Sanford, Michigan

### **Bharat B. Masrani**

Group President and Chief Executive Officer, The Toronto-Dominion Bank, Toronto, Ontario

### **Brian C. Ferguson**

Corporate Director and former President and Chief Executive Officer, Cenovus Energy Inc., Calgary, Alberta

### **Brian M. Levitt**

Chair of the Board, The Toronto-Dominion Bank, Kingston, Ontario

### **Irene R. Miller**

Chief Executive Officer, Kim, Inc., New York, New York

### **Colleen A. Goggins**

Corporate Director and retired Worldwide Chairman, Consumer Group, Johnson & Johnson, Princeton, New Jersey

### **Alan N. MacGibbon**

Corporate Director and retired Managing Partner and Chief Executive of Deloitte LLP (Canada), Oakville, Ontario

### **Nadir H. Mohamed**

Corporate Director and former President and Chief Executive Officer, Rogers Communications Inc., Toronto, Ontario

### **Mary Jo Haddad**

Corporate Director and retired President and Chief Executive Officer, The Hospital for Sick Children, Oakville, Ontario

### **Claude Mongeau**

Corporate Director and former President and Chief Executive Officer, Canadian National Railway Company, Montréal, Québec

## COMMITTEES<sup>1</sup>

### **Corporate Governance Committee**

Responsibility for corporate governance of the Bank

## MEMBERS

Brian M. Levitt (Chair)  
William E. Bennett  
Karen E. Maidment  
Alan N. MacGibbon

### **Human Resources Committee**

Responsibility for management's performance evaluation, compensation and succession planning

Karen E. Maidment (Chair)  
Amy W. Brinkley  
Mary Jo Haddad  
Brian M. Levitt  
Nadir H. Mohamed

### **Risk Committee**

Supervising the management of risk of the Bank

William E. Bennett (Chair)  
Amy W. Brinkley  
Colleen A. Goggins  
David E. Kepler  
Alan N. MacGibbon  
Karen E. Maidment

### **Audit Committee**

Supervising the quality and integrity of the Bank's financial reporting and compliance requirements

Alan N. MacGibbon (Chair)  
William E. Bennett  
Brian C. Ferguson  
Jean-René Halde  
Irene R. Miller  
Claude Mongeau

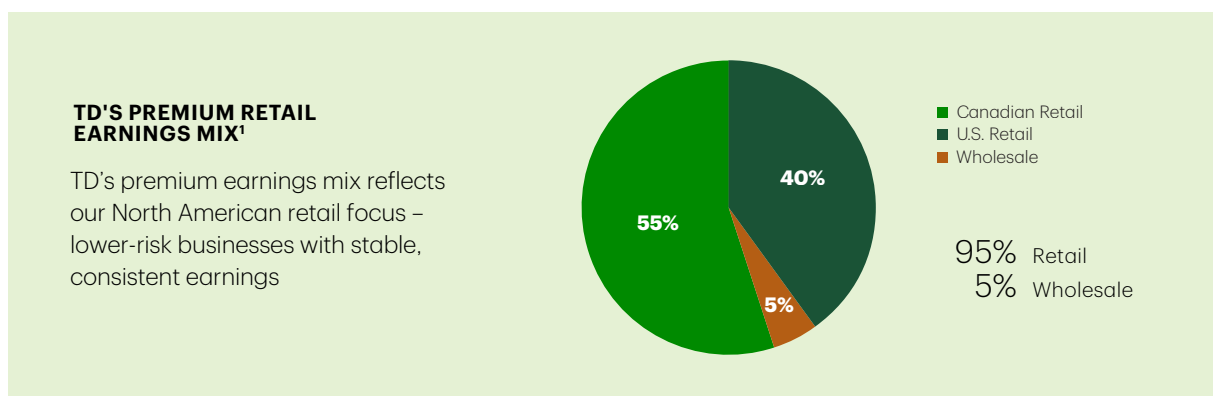
<sup>1</sup>A full list of Committee Key Responsibilities is included on page 220.



## Proven business model

Deliver consistent earnings growth, underpinned by a strong risk culture

**Our diversified, retail-focused business model and North American scale are powerful enablers** – delivering strong results today, while allowing us to reinvest in our competitive advantages, as we build and transform our businesses to meet our needs today and in the future. Our approach to managing risk is evident in strong balance sheet metrics and reflects our commitment to sustaining the trust of those we serve.



Record Reported Earnings of \$11.7 billion in 2019

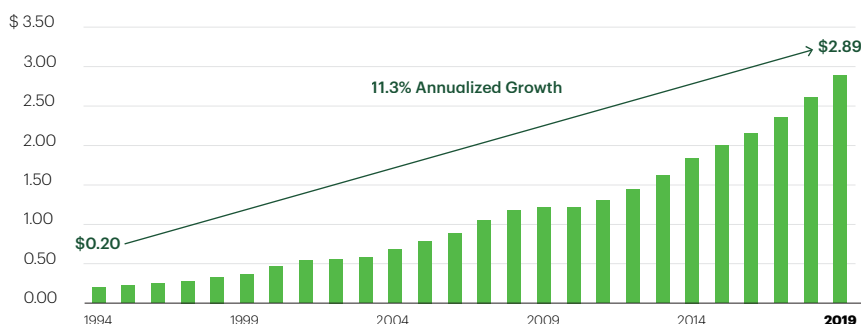
\$12.5 billion Adjusted earnings

Total Shareholder Return<sup>2</sup>  
(5-year CAGR)

10.3%

7.7% Canadian peers

### DIVIDEND HISTORY



163-year

Continuous Dividend History

11.3%

Dividend Growth<sup>3</sup>  
(25-year CAGR)

3.9%

2019 Dividend Yield

<sup>1</sup> Reported basis excluding Corporate segment.

<sup>2</sup> 5-year CAGR is the compound annual growth rate calculated from 2014 to 2019. Source: Bloomberg. Canadian peers include Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, and Scotiabank.

<sup>3</sup> 25-year CAGR is the compound annual growth rate calculated from 1994 to 2019.

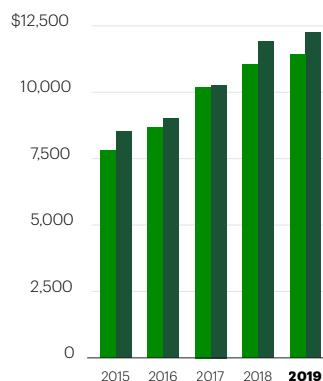
Refer to footnotes on page 15 for information on how the results on this page are calculated.

## 2019 Snapshot

### NET INCOME

available to common shareholders  
(millions of Canadian dollars)

■ Reported ■ Adjusted



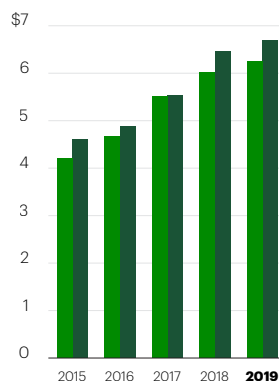
TD's 5-year CAGR

8.4% Reported  
9.2% Adjusted

### DILUTED EARNINGS PER SHARE

(Canadian dollars)

■ Reported ■ Adjusted



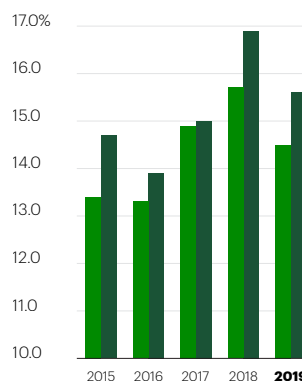
TD's 5-year CAGR

8.6% Reported  
9.4% Adjusted

### RETURN ON COMMON EQUITY

(percent)

■ Reported ■ Adjusted



TD's 2019 ROE

14.5% Reported  
15.6% Adjusted

**Performance indicators communicate our priorities, focus effort and benchmark our results against key elements of our proven business model.**

2019 PERFORMANCE INDICATORS	RESULTS <sup>1</sup>
<ul style="list-style-type: none"> <li>Deliver above-peer-average Total Shareholder Return</li> <li>Grow adjusted earnings per share (EPS) by 7 to 10%</li> <li>Grow revenue<sup>2</sup> faster than expenses</li> </ul>	<ul style="list-style-type: none"> <li>7.1% vs. Canadian peer average of 8.7%</li> <li>3.4% adjusted EPS growth</li> <li>Total revenue growth of 5% vs. total expense growth of 6%</li> </ul>
<p>Assets \$1.4 trillion</p> <p>Up 6.0% YoY</p>	<p>Deposits \$0.9 trillion</p> <p>Up 4.2% YoY</p>
<p>Return on Risk-Weighted Assets 2.73%</p>	<p>CET1 Ratio 12.1%</p>

<sup>1</sup> Performance indicators that include an earnings component are based on TD's full-year adjusted results (except as noted) as explained on page 15.

<sup>2</sup> Revenue is net of insurance claims and related expenses.

Refer to footnotes on page 15 for information on how the results on this page are calculated.



## Purpose-driven

Centre everything we do on our vision, purpose and shared commitments

**Our customers are at the heart of everything we do.** It's our job to make it easy for them to bank with us – when and how they want. To deliver on this, we're focused on providing them personalized, connected and seamless experiences; bringing the whole bank to them with proactive advice and solutions that meet their needs and make them feel confident.

### We are relentlessly focused on our customers



#### Evolving for the future

TD Wealth continues to evolve to reflect the changing needs of our clients. In 2019, we launched two new offerings within TD Direct Investing – GoalAssist and Learning Centre – both industry-leading services developed through a winning collaboration with innovative Fintechs.

**Making the digital experience seamless.** We are making it easier for customers by enhancing the digital experience to remove irritants and hurdles. This led to an over three times increase in completion rates for credit card applications and opening chequing and savings accounts in Canada.

#### One-stop service solution

From claims advice, to vehicle repairs and car rentals, TD Insurance Auto Centres offer customers a unique and personalized one-stop shop. With a total of 19 locations coast-to-coast, the Auto Centres are there for customers when it matters most with a more convenient and faster experience.



**Advice grounded in insights**  
Our goal is to help clients achieve financial confidence. The work we've supported in behavioural finance continues to help us uncover insights into our clients' wealth personalities and help them make the right financial decisions.



#### Delivering confidence with TD Clari

TD's new chatbot, TD Clari, is powering personalized digital interactions with customers through data and insights. By providing answers to a variety of questions and real-time information with a human-like charm, TD Clari is helping customers feel more confident about their finances.



## We are invested in our communities



Helping newcomers settle into life in Canada remains a key area of focus for TD. Our “Banking for Newcomers” hub on TD.com is helping to introduce new Canadians to banking in Canada. The hub provides financial advice and education in 14 languages to support customers throughout their journey.



### Analytics for social good

We see the potential of data to serve our customers better, and we’re committed to using our expertise to share the benefit with our communities as well. TD Mindpower: Analytics for Social Good, pairs non-profit organizations with a dedicated team of skilled TD volunteers to collaborate on a range of projects to help non-profit organizations leverage data to grow their community impact.

## We are inspired by our unique and inclusive employee culture

**We are investing in our people.** The world is changing quickly and in big ways, creating uncertainty and a fear of being left behind. At TD we are not standing still – we are investing in our more than 85,000 people. We’re driven by a central belief that together we can break down barriers and help build inclusive futures. Our aim is to help our customers, communities and colleagues feel more confident in this time of change.

**TD Thrive**, our self-serve learning platform for colleagues has had **45,000 users with 260,000 learning content items viewed** in 2019.

This is complemented by specialized programs such as the **Digital Marketing Intelligence** program, designed to deepen employees’ knowledge of digital marketing and marketing technology to drive business growth, customer acquisition and elevate the customer experience.

We are the only bank in Canada to have a **dedicated Assistive Technology (AT) research lab** that verifies our AT standards are up-to-date and offers the most possible benefits to our employees with disabilities.

In 2019, our AT department deployed **1,207 solutions to enable employees to do their jobs**. The team has deployed close to 10,000 total solutions.



TD recognized by the **Bloomberg Gender Equality Index** for the third consecutive year

TD Bank ranked a **top company for Diversity & Inclusion** by DiversityInc.

Named one of **Canada’s Best Workplaces** in 2019 by Great Place to Work

TD Bank named one of **Forbes’ Best Employers for Diversity** for 2019



## Purpose-driven

Environmental | Social | Governance

As a purpose-driven organization, we understand the role of business to make a meaningful and lasting positive impact in the communities we serve. We continue to embed TD's corporate citizenship approach across our business and work to improve our ESG performance, focusing on both opportunities and risks.



## Environmental

**TD contributed over \$30 billion in low-carbon lending, financing, asset management and internal corporate programs** – working towards a target of \$100 billion to help support a transition to the low-carbon economy by 2030.

We are playing an integral role in the growth of the green bond market, which is helping to direct capital toward the transition to a low-carbon economy.

**TD has participated in over \$21 billion in green bond underwriting since 2010.**

**TD actively participates in the global dialogue to address climate change issues** through the Canadian Standards Association and UNEP FI groups focused on climate risk in lending, investing and insurance. TD Insurance convened a National Advisory Council on Climate Change, comprised of experts across Canada, to take meaningful action on climate.

## Social

**We provide our colleagues with work that matters, opportunities beyond expectation and inspiring leadership.** Almost 50% of job opportunities are filled by our own employees demonstrating TD's support for career progression and growth.

**89% of employees agreed that TD is doing the right things to make a positive impact in the communities** in which we do business.

We are committed to helping customers achieve their financial goals and listening to their feedback. In 2019, **over 1 million customers were contacted in near real time to seek feedback regarding their most recent interaction with us.**

## Governance

**All eligible TD employees and Directors are required to complete TD's Code of Conduct and Ethics training,** a comprehensive course that contributes to the successful customer relationships that set TD apart.

**Our Global Chief Anti-Money Laundering (AML) Officer is responsible to senior management and the Board of Directors for establishing and maintaining the Global AML Program,** which establishes requirements and minimum standards across all TD businesses.

In 2019, climate risk was identified as a top and emerging risk for the Bank and **TD enhanced its governance on Environmental and Social (E&S) risk, including climate risk, through the formalization of a new E&S risk function.**



## Purpose-driven The Ready Commitment

**As part of The Ready Commitment at TD, we are investing in our communities, targeting \$1 billion in philanthropy by 2030.** In 2019, TD provided \$126 million to support non-profit organizations across North America and the U.K.

The **TD Ready Challenge** is an annual North American initiative that has up to ten \$1 million grants available to support innovative solutions connected to The Ready Commitment. After two years, TD has awarded \$20 million for 20 impactful solutions that will help open doors for a more inclusive and sustainable tomorrow.



### Vibrant Planet

Elevate the quality of the environment so that people and economies can thrive



**TD is the first corporate sponsor of ALUS Canada's New Acre Project™**, which helps farmers transform uneconomic or sensitive portions of their farmland into ecologically friendly projects, helping to improve the environment and local communities.

**20 U.S. and Canadian cities received 2019 TD Green Space Grants** to help support green infrastructure development and community green space expansion in communities across our North American footprint.



### Financial Security

Improve access to tools and programs to help people live their lives with greater financial confidence

**TD Mindpower initiative saw TD employees volunteer over 1,500 hours in 2019 to lend their business expertise** to help community organizations enhance their data and analytics capacity.

**TD has worked with leading technology education company Everfi** to educate students and adults to help them build stronger financial habits through an online course.



### Better Health

Support more equitable health outcomes for all



**TD supports The Moncton Hospital in New Brunswick and its Provincial Child and Adolescent Psychiatry Program**, helping to increase access to care for adolescents struggling with mental illness.

TD is helping to improve access to health care by **supporting CoLab Philadelphia, which converted a travel trailer** into a mobile, multi-use platform to directly connect Philadelphians with health services by conducting free health screenings and providing health education in public spaces.



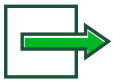
### Connected Communities

Create the opportunities people need to connect with their community and have a sense of belonging

**TD launched an internal North American executive task force on refugees** which will build on TD's work to date providing access to financial services, employment and financial education to new immigrants.



**TD provided a \$1.5 million investment in a new arts centre in New York City, The Shed**, to fund complimentary performance and exhibition tickets for underserved communities, and to support the Open Call program, which commissions works from artists who have not yet received major institutional recognition.

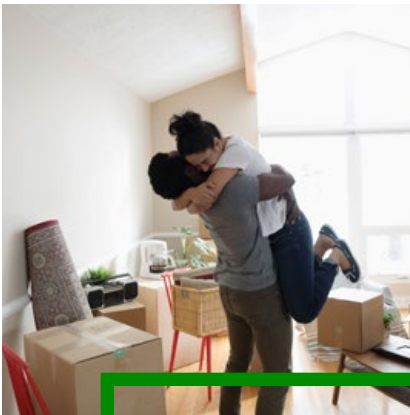


## Forward-focused

Shape the future of banking in the digital age

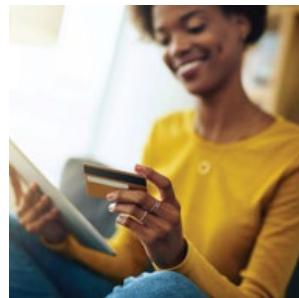
**Our goal is always to find a better way, adapting and re-inventing ourselves to add value for our customers.** We're focused on re-imagining the banking experience and driving engagement across our digital and physical platforms to meet our customers' needs and expectations.

### We are re-imagining the banking experience



Through the Homeowners' Journey we are building deeper, more personalized relationships with our customers.

Whether it's homeownership, a short-term savings goal, or building for a secure retirement, our mission is to deliver elevated advice and build confidence, no matter what channel our customers choose along their journey.



**A first-in-Canada credit card control feature allows TD consumer credit card-holders to temporarily block their credit cards from any international in-person points-of-sale charges through our mobile banking app. Customers can also temporarily lock and unlock their credit card if they can't immediately locate it.**

### Leveraging the power of artificial intelligence

TD will leverage the powerful predictive capabilities of Layer 6's artificial intelligence systems to empower customers with personalized experiences. By combining the power of artificial intelligence with our mobile app, we can help predict customers' needs to provide the right information at the right time – helping customers feel more confident about their financial decisions.

**We launched the Responsible AI in Financial Services report that combined insights from a survey of Canadians and an expert roundtable to continue exploring the opportunities and risks of artificial intelligence, and how companies adopting it can use it responsibly.**

### We are modernizing our operations

We are modernizing, optimizing, and simplifying our operations to transform how we do business. We converted Small Business online banking users to the new U.S. digital platform and mobile app, adding new functionality such as single sign-on for Consumer and Small Business accounts.

We are empowering customers to open deposit accounts and apply for personal loans when and where they want using our online tool, EasyApply, simplifying the experience and significantly saving time. Through EasyApply, TD was the first big five bank in Canada to offer customers an end-to-end loan application.

## We are innovating

### Developing a culture of innovation

Through our new employee ideation platform, iD8, we are changing the way ideas are realized at the Bank. We understand that there's no better source of impactful ideas than the ones that come from our colleagues, so we've built a platform that provides a place to share ideas, big and small. Since its launch in February 2019, iD8 has seen:

**13,000+**

ideas generated

**2,000,000+**

customers benefited

**22,000+**

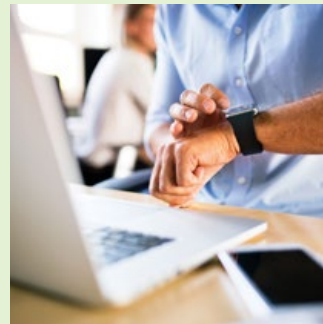
colleagues benefited



### Our commitment to investing in cybersecurity

Our new TD Fusion Centre in Toronto is an agile workspace that brings together colleagues from critical functions across the Bank to increase our effectiveness in protecting and responding to potential cyber threats. The TD Fusion Centre is another step forward in the Bank's ongoing efforts to deliver meaningful innovations that help protect assets and safeguard customers' privacy, security and trust.

**The trust our customers place in us is central to our innovation strategy.** No matter which set of technologies we're exploring as we look to create new and better experiences for our customers, our efforts will be informed by our ongoing commitment to maintaining the highest regard for customer privacy, data security, and financial stability.

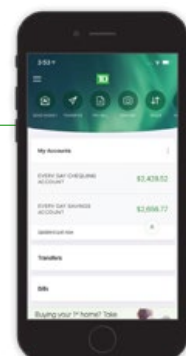


### Putting customers in the driver's seat

The new TD Wheels mobile app elevates the car-buying experience for Canadians by offering a personalized digital experience that gives them a view of their car-buying options, including allowing users to get pre-qualification for vehicle financing.

Delivering engaging mobile solutions for customers

**TD is consistently ranked #1 among top retail banking apps in Canada, according to App Annie, Silicon Valley-based mobile data and analytics firm.**





## Forward-focused

Our omni-strategy

### Delivering legendary, connected and personalized advice for today and tomorrow.

Across TD we continue to invest in personalized customer service while strengthening our omni-channel strategy to allow our customers to move seamlessly across channels.

#### Putting our customers first

In the U.S., our customer-centric “Unexpectedly Human” approach showcases our commitment to making an impact in our local communities and demonstrates our focus on how we do things differently. From the extra conveniences we offer our customers, to the ways we engage with them, or the improvements to our distribution networks and platforms. Each of these investments is making banking faster and simpler for our customers across every channel.



#### Being Future Ready

We are committed to providing our customers with the best trusted advice to guide them through life’s important financial decisions. This is what the Canadian Personal Bank’s Future Ready strategy is all about.

It’s about providing our customers with confidence that is deeply rooted in our understanding of their evolving needs, offering personalized advice to help them reach their financial goals, and making sure colleagues have the time they need to elevate the advice they give.

#### Focusing on what really matters

We’re **investing in our branch colleagues** and their training, coaching and accreditation

We’re hiring more front-line colleagues and have **created new specialized roles like Senior Financial Advisors**

We’ve **hired more than 750 customer advisors in the branch**, and we continue to add new mobile mortgage specialists

#### Just one year into our journey – we’re seeing terrific results.

##### Future Ready has:

**Eliminated approximately 2 million annual emails** and 1 million administrative activities

Delivered approximately **23 more hours of capacity** per branch per week

##### Our Legendary Experience Index

– how we track our customers’ experiences with TD – has shown us delivering record customer satisfaction results

As our journey continues into 2020, TD is doing more to help our colleagues deepen relationships with our customers and deliver legendary, connected and personalized omni-channel experiences. By pairing exceptional in-person experiences with seamless digital options, we continue to invest in our people, our branches and new tools for our customers.

**Elevating the personalized email experience for customers**  
Leveraging a platform to further personalize customer emails in real time, when they are opened – based on location, time, weather and other contextual data – allows us to create compelling emails that increase engagement. This has improved engagement by over 25%.



TD is proud to have won four J.D. Power awards in 2019. These wins are a testament to the value of our omni-channel approach and the power of the One TD model.

**TD Canada Trust won the award for highest customer satisfaction levels** among the big five banks<sup>1</sup>

**TD Auto Finance Canada ranked highest in dealer satisfaction** among non-captive retail lenders<sup>2</sup>

**TD Bank received the highest customer satisfaction with retail banking** in the Southeast<sup>3</sup>

**TD Bank ranked highest in small business banking** in the South Region<sup>4</sup>

<sup>1</sup> TD Canada Trust won the award for highest customer satisfaction levels among the big five banks, ranking highest in overall satisfaction, convenience, and channel activities.

<sup>2</sup> TD Auto Finance Canada ranked highest in dealer satisfaction among non-captive retail lenders for the second year in a row.

<sup>3</sup> TD Bank, America’s Most Convenient Bank®, received the highest customer satisfaction with retail banking in the Southeast, according to the J.D. Power 2019 U.S. Retail Banking Study.

<sup>4</sup> TD Bank ranked “Highest in Small Business Banking in the South Region” according to the J.D. Power Small Business Banking Satisfaction Study.

## ENHANCED DISCLOSURE TASK FORCE

The Enhanced Disclosure Task Force (EDTF) was established by the Financial Stability Board in 2012 to identify fundamental disclosure principles, recommendations, and leading practices to enhance risk disclosures of banks. The index below includes the recommendations (as published by the EDTF) and lists the location of the related EDTF disclosures presented in the 2019 Annual Report or the 2019

fourth quarter Supplemental Financial Information (SFI), or Supplemental Regulatory Disclosures (SRD). Information on TD's website, SFI, and SRD is not and should not be considered incorporated herein by reference into the 2019 Annual Report, Management's Discussion and Analysis, or the Consolidated Financial Statements.

Type of Risk	Topic	EDTF Disclosure	Page		
			Annual Report	SFI	SRD
<b>General</b>	<b>1</b>	Present all related risk information together in any particular report.	Refer to below for location of disclosures		
	<b>2</b>	The bank's risk terminology and risk measures and present key parameter values used.	73-78, 83, 90-93, 103-105		
	<b>3</b>	Describe and discuss top and emerging risks.	68-73		
	<b>4</b>	Outline plans to meet each new key regulatory ratio once applicable rules are finalized.	63-64, 89, 97-98		
<b>Risk Governance and Risk Management and Business Model</b>	<b>5</b>	Summarize the bank's risk management organization, processes, and key functions.	74-77		
	<b>6</b>	Description of the bank's risk culture and procedures applied to support the culture.	73-74		
	<b>7</b>	Description of key risks that arise from the bank's business models and activities.	62, 73, 78-105		
	<b>8</b>	Description of stress testing within the bank's risk governance and capital frameworks.	61, 77, 86, 103		
<b>Capital Adequacy and Risk Weighted Assets</b>	<b>9</b>	Pillar 1 capital requirements and the impact for global systemically important banks.	58-60, 64, 211		1-3, 6
	<b>10</b>	Composition of capital and reconciliation of accounting balance sheet to the regulatory balance sheet.	58		1-3, 5
	<b>11</b>	Flow statement of the movements in regulatory capital.			4
	<b>12</b>	Discussion of capital planning within a more general discussion of management's strategic planning.	59-61, 103		
	<b>13</b>	Analysis of how RWA relate to business activities and related risks.	61-62	4-7	
	<b>14</b>	Analysis of capital requirements for each method used for calculating RWA.	79-81, 83, 85-86, 100		10
	<b>15</b>	Tabulate credit risk in the banking book for Basel asset classes and major portfolios.			22-36, 40-45
	<b>16</b>	Flow statement reconciling the movements of RWA by risk type.			11-12
<b>17</b>	Discussion of Basel III back-testing requirements.	82, 86, 91-92		58-60	
<b>Liquidity</b>	<b>18</b>	The bank's management of liquidity needs and liquidity reserves.	93-95		
<b>Funding</b>	<b>19</b>	Encumbered and unencumbered assets in a table by balance sheet category.	96, 205		
	<b>20</b>	Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity at the balance sheet date.	100-102		
	<b>21</b>	Discussion of the bank's funding sources and the bank's funding strategy.	99-100		
<b>Market Risk</b>	<b>22</b>	Linkage of market risk measures for trading and non-trading portfolio and balance sheet.	84		
	<b>23</b>	Breakdown of significant trading and non-trading market risk factors.	84, 86-89		
	<b>24</b>	Significant market risk measurement model limitations and validation procedures.	85-89, 91-92		
	<b>25</b>	Primary risk management techniques beyond reported risk measures and parameters.	85-89		
<b>Credit Risk</b>	<b>26</b>	Provide information that facilitates users' understanding of the bank's credit risk profile, including any significant credit risk concentrations.	45-58, 78-83, 164-169, 178, 181-182, 209-210	15-31	1-5, 10-11, 13-60
	<b>27</b>	Description of the bank's policies for identifying impaired loans.	53, 136-137, 143-144, 168		
	<b>28</b>	Reconciliation of the opening and closing balances of impaired loans in the period and the allowance for loan losses.	50, 166-167	19, 23-24	
	<b>29</b>	Analysis of the bank's counterparty credit risks that arises from derivative transactions.	81-82, 151, 174-175, 178, 181-182		37-39, 46-51
	<b>30</b>	Discussion of credit risk mitigation, including collateral held for all sources of credit risk.	82, 140, 151		
<b>Other Risks</b>	<b>31</b>	Description of 'other risk' types based on management's classifications and discuss how each one is identified, governed, measured and managed.	90-92, 103-105		
	<b>32</b>	Discuss publicly known risk events related to other risks.	71-73, 203-205		

# Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) is presented to enable readers to assess material changes in the financial condition and operating results of TD Bank Group ("TD" or the "Bank") for the year ended October 31, 2019, compared with the corresponding period in the prior years. This MD&A should be read in conjunction with the audited Consolidated Financial Statements and related Notes for the year ended October 31, 2019. This MD&A is dated December 4, 2019. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from the Bank's annual Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Note that certain comparative amounts have been revised to conform with the presentation adopted in the current period.

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Additional information relating to the Bank, including the Bank's Annual Information Form, is available on the Bank's website at <http://www.td.com>, on SEDAR at <http://www.sedar.com>, and on the U.S. Securities and Exchange Commission's website at <http://www.sec.gov> (EDGAR filers section).

## Caution Regarding Forward-Looking Statements

From time to time, the Bank (as defined in this document) makes written and/or oral forward-looking statements, including in this document, in other filings with Canadian regulators or the United States (U.S.) Securities and Exchange Commission (SEC), and in other communications. In addition, representatives of the Bank may make forward-looking statements orally to analysts, investors, the media and others. All such statements are made pursuant to the "safe harbour" provisions of, and are intended to be forward-looking statements under, applicable Canadian and U.S. securities legislation, including the U.S. *Private Securities Litigation Reform Act of 1995*. Forward-looking statements include, but are not limited to, statements made in this document, the Management's Discussion and Analysis ("2019 MD&A") in the Bank's 2019 Annual Report under the heading "Economic Summary and Outlook", for the Canadian Retail, U.S. Retail, and Wholesale Banking segments under headings "Business Outlook and Focus for 2020", and for the Corporate segment, "Focus for 2020", and in other statements regarding the Bank's objectives and priorities for 2020 and beyond and strategies to achieve them, the regulatory environment in which the Bank operates, and the Bank's anticipated financial performance. Forward-looking statements are typically identified by words such as "will", "would", "should", "believe", "expect", "anticipate", "intend", "estimate", "plan", "goal", "target", "may", and "could".

By their very nature, these forward-looking statements require the Bank to make assumptions and are subject to inherent risks and uncertainties, general and specific. Especially in light of the uncertainty related to the physical, financial, economic, political, and regulatory environments, such risks and uncertainties – many of which are beyond the Bank's control and the effects of which can be difficult to predict – may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Risk factors that could cause, individually or in the aggregate, such differences include: credit, market (including equity, commodity, foreign exchange, interest rate, and credit spreads), liquidity, operational (including technology and infrastructure), model, reputational, insurance, strategic, regulatory, legal, environmental, capital adequacy, and other risks. Examples of such risk factors include the general business and economic conditions in the regions in which the Bank operates; geopolitical risk; the ability of the Bank to execute on long-term strategies and shorter-term key strategic priorities, including the successful completion of acquisitions and dispositions, business retention plans, and strategic plans; the ability of the Bank to attract, develop, and retain key executives; disruptions in or attacks (including cyber-attacks) on the Bank's information technology, internet, network access or other voice or data communications systems or services; fraud or other criminal activity to which the Bank is exposed; the failure of third parties to comply with their obligations to the Bank or its affiliates, including relating to the care and control of information; the impact of new and changes to, or application of, current laws and regulations, including without limitation tax laws, capital guidelines and liquidity regulatory guidance and the bank recapitalization "bail-in" regime; exposure related to significant litigation and regulatory matters; increased competition from incumbents and non-traditional competitors, including Fintech and big technology competitors; changes to the Bank's credit ratings; changes in currency and interest rates (including the possibility of negative interest rates); increased funding costs and market volatility due to market illiquidity and competition for funding; Interbank Offered Rate (IBOR) transition risk; critical accounting estimates and changes to accounting standards, policies, and methods used by the Bank; existing and potential international debt crises; environmental and social risk; and the occurrence of natural and unnatural catastrophic events and claims resulting from such events. The Bank cautions that the preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect the Bank's results. For more detailed information, please refer to the "Risk Factors and Management" section of the 2019 MD&A, as may be updated in subsequently filed quarterly reports to shareholders and news releases (as applicable) related to any events or transactions discussed under the headings "Significant and Subsequent Events, and Pending Transactions" in the relevant MD&A, which applicable releases may be found on [www.td.com](http://www.td.com). All such factors should be considered carefully, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements, when making decisions with respect to the Bank and the Bank cautions readers not to place undue reliance on the Bank's forward-looking statements.

Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2019 MD&A under the headings "Economic Summary and Outlook", for the Canadian Retail, U.S. Retail, and Wholesale Banking segments, "Business Outlook and Focus for 2020", and for the Corporate segment, "Focus for 2020", each as may be updated in subsequently filed quarterly reports to shareholders.

Any forward-looking statements contained in this document represent the views of management only as of the date hereof and are presented for the purpose of assisting the Bank's shareholders and analysts in understanding the Bank's financial position, objectives and priorities and anticipated financial performance as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf, except as required under applicable securities legislation.



TABLE 1	FINANCIAL HIGHLIGHTS <sup>1</sup>		
(millions of Canadian dollars, except where noted)	2019	2018	2017
<b>Results of operations</b>			
Total revenues – reported	\$ 41,065	\$ 38,892	\$ 36,202
Total revenues – adjusted <sup>2</sup>	41,065	38,981	35,999
Provision for credit losses <sup>3</sup>	3,029	2,480	2,216
Insurance claims and related expenses	2,787	2,444	2,246
Non-interest expenses – reported	22,020	20,195	19,419
Non-interest expenses – adjusted <sup>2</sup>	21,085	19,943	19,145
Net income – reported	11,686	11,334	10,517
Net income – adjusted <sup>2</sup>	12,503	12,183	10,587
<b>Financial positions</b> (billions of Canadian dollars)			
Total loans net of allowance for loan losses	\$ 684.6	\$ 646.4	\$ 612.6
Total assets	1,415.3	1,334.9	1,279.0
Total deposits	887.0	851.4	832.8
Total equity	87.7	80.0	75.2
Total Common Equity Tier 1 Capital risk-weighted assets <sup>4</sup>	456.0	435.6	435.8
<b>Financial ratios</b>			
Return on common equity – reported	14.5%	15.7%	14.9%
Return on common equity – adjusted <sup>2,5</sup>	15.6	16.9	15.0
Return on tangible common equity <sup>2,5</sup>	20.5	22.7	21.9
Return on tangible common equity – adjusted <sup>2,5</sup>	21.5	23.9	21.6
Efficiency ratio – reported	53.6	51.9	53.6
Efficiency ratio – adjusted <sup>2</sup>	51.3	51.2	53.2
Provision for credit losses as a % of net average loans and acceptances <sup>6</sup>	0.45	0.39	0.37
<b>Common share information – reported</b> (Canadian dollars)			
Per share earnings			
Basic	\$ 6.26	\$ 6.02	\$ 5.51
Diluted	6.25	6.01	5.50
Dividends per common share	2.89	2.61	2.35
Book value per share	45.20	40.50	37.76
Closing share price <sup>7</sup>	75.21	73.03	73.34
Shares outstanding (millions)			
Average basic	1,824.2	1,835.4	1,850.6
Average diluted	1,827.3	1,839.5	1,854.8
End of period	1,811.9	1,828.3	1,839.6
Market capitalization (billions of Canadian dollars)			
Dividend yield <sup>8</sup>	3.9%	3.5%	3.6%
Dividend payout ratio	46.1	43.3	42.6
Price-earnings ratio	12.0	12.2	13.3
Total shareholder return (1-year) <sup>9</sup>	7.1	3.1	24.8
<b>Common share information – adjusted</b> (Canadian dollars) <sup>2</sup>			
Per share earnings			
Basic	\$ 6.71	\$ 6.48	\$ 5.55
Diluted	6.69	6.47	5.54
Dividend payout ratio	43.0%	40.2%	42.3%
Price-earnings ratio	11.2	11.3	13.2
<b>Capital ratios</b>			
Common Equity Tier 1 Capital ratio <sup>4</sup>	12.1%	12.0%	10.7%
Tier 1 Capital ratio <sup>4</sup>	13.5	13.7	12.3
Total Capital ratio <sup>4</sup>	16.3	16.2	14.9
Leverage ratio	4.0	4.2	3.9

<sup>1</sup> Certain comparative amounts have been recast to conform with the presentation adopted in the current period.

<sup>2</sup> The Toronto-Dominion Bank (“TD” or the “Bank”) prepares its Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS), the current Generally Accepted Accounting Principles (GAAP), and refers to results prepared in accordance with IFRS as the “reported” results. The Bank also utilizes non-GAAP financial measures to arrive at “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”, from reported results. Refer to the “Financial Results Overview” in 2019 Management’s Discussion and Analysis (MD&A) for further explanation, a list of the items of note, and a reconciliation of non-GAAP financial measures.

<sup>3</sup> Effective November 1, 2017, amounts were prepared in accordance with IFRS 9, *Financial Instruments* (IFRS 9). Prior period comparatives were prepared in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39) and have not been restated.

<sup>4</sup> Each capital ratio has its own risk-weighted assets (RWA) measure due to the Office of the Superintendent of Financial Institutions Canada (OSFI) prescribed

scalar for inclusion of the Credit Valuation Adjustment (CVA). For fiscal 2019, the scalars for inclusion of CVA for Common Equity Tier 1 (CET1), Tier 1, and Total Capital RWA are all 100%. For fiscal 2018, the scalars were 80%, 83%, and 86%, respectively. For fiscal 2017, the scalars were 72%, 77%, and 81%, respectively. Prior to fiscal 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.

<sup>5</sup> Metrics are non-GAAP financial measures. Refer to the “Return on Common Equity” and “Return on Tangible Common Equity” sections of this document for an explanation.

<sup>6</sup> Excludes acquired credit-impaired (ACI) loans, debt securities classified as loans (DSCL) under IAS 39, debt securities at amortized cost (DSAC), and debt securities at fair value through other comprehensive income (DSOCI) under IFRS 9.

<sup>7</sup> Toronto Stock Exchange (TSX) closing market price.

<sup>8</sup> Dividend yield is calculated as the dividend per common share paid during the year divided by the daily average closing stock price during the year.

<sup>9</sup> Total shareholder return is calculated based on share price movement and dividends reinvested over a trailing one-year period.

## FINANCIAL RESULTS OVERVIEW

### CORPORATE OVERVIEW

The Toronto-Dominion Bank and its subsidiaries are collectively known as TD Bank Group ("TD" or the "Bank"). TD is the fifth largest bank in North America by branches and serves over 26 million customers in three key businesses operating in a number of locations in financial centres around the globe: Canadian Retail, which includes the results of the Canadian personal and commercial banking, wealth and insurance businesses; U.S. Retail, which includes the results of the U.S. personal and business banking operations, wealth management services, and the Bank's investment in TD Ameritrade; and Wholesale Banking. TD also ranks among the world's leading online financial services firms, with more than 13 million active online and mobile customers. TD had \$1.4 trillion in assets on October 31, 2019, and 89,031 average full-time equivalent employees in fiscal 2019. The Toronto-Dominion Bank trades under the symbol "TD" on the Toronto and New York Stock Exchanges.

### HOW THE BANK REPORTS

The Bank prepares its Consolidated Financial Statements in accordance with IFRS, the current GAAP, and refers to results prepared in accordance with IFRS 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 the Bank's overall performance. To arrive at adjusted results, the Bank removes "items of note", 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 disclosed in Table 3. As explained, adjusted results differ from reported results determined in accordance with IFRS. Adjusted results, items of note, and related terms used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.

The Bank's U.S. strategic cards portfolio is comprised of agreements with certain U.S. retailers pursuant to which TD is the U.S. issuer of private label and co-branded consumer credit cards to their U.S. customers. Under the terms of the individual agreements, the Bank and the retailers share in the profits generated by the relevant portfolios after credit losses. Under IFRS, TD is required to present the gross amount of revenue and provisions for credit losses related to these portfolios in the Bank's Consolidated Statement of Income. At the segment level, the retailer program partners' share of revenues and credit losses is presented in the Corporate segment, with an offsetting amount (representing the partners' net share) recorded in Non-interest expenses, resulting in no impact to Corporate's reported Net income (loss). The Net income (loss) included in the U.S. Retail segment includes only the portion of revenue and credit losses attributable to TD under the agreements.

Effective November 1, 2017, the Bank adopted IFRS 9, which replaced the guidance in IAS 39. Refer to Note 2 of the 2019 Consolidated Financial Statements for a summary of the Bank's accounting policies as it relates to IFRS 9. Under IFRS 9, the current period provision for credit losses (PCL) for performing (Stage 1 and Stage 2) and impaired (Stage 3) financial assets, loan commitments, and financial guarantees is recorded within the respective segment. Under IAS 39 and prior to November 1, 2017, the PCL related to the collectively assessed allowance for incurred but not identified credit losses that related to the Canadian Retail and Wholesale Banking segments was recorded in the Corporate segment. Prior period results have not been restated. PCL on impaired financial assets includes Stage 3 PCL under IFRS 9 and counterparty-specific and individually insignificant PCL under IAS 39. PCL on performing financial assets, loan commitments, and financial guarantees include Stage 1 and Stage 2 PCL under IFRS 9 and incurred but not identified losses under IAS 39.

IFRS 9 does not require restatement of comparative period financial statements except in limited circumstances related to aspects of hedge accounting. Entities are permitted to restate comparatives as long as hindsight is not applied. The Bank had made the decision not to restate comparative period financial information and had recognized any measurement differences between the previous carrying amount and the new carrying amount on November 1, 2017 through an adjustment to opening retained earnings. As such, fiscal 2019 and 2018 results reflect the adoption of IFRS 9, while fiscal 2017 reflects results under IAS 39.

### U.S. Tax Reform

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the *Tax Cuts and Jobs Act* (the "U.S. Tax Act") which made broad and complex changes to the U.S. tax code.

The reduction of the U.S. federal corporate tax rate enacted by the U.S. Tax Act resulted in an adjustment during 2018 to the Bank's U.S. deferred tax assets and liabilities to the lower base rate of 21% as well as an adjustment to the Bank's carrying balances of certain tax credit-related investments and its investment in TD Ameritrade. The Bank finalized its assessment of the implications of the U.S. Tax Act during 2018 and recorded a net charge to earnings of \$392 million (US\$319 million) for the year ended October 31, 2018.

The lower corporate tax rate had and continues to have a positive effect on TD's current year and future earnings. The amount of the benefit may vary due to, among other things, changes in interpretations and assumptions the Bank has made and guidance that may be issued by applicable regulatory authorities.

The following table provides the operating results on a reported basis for the Bank.

TABLE 2	OPERATING RESULTS – Reported <sup>1</sup>		
(millions of Canadian dollars)	2019	2018	2017
Net interest income	\$ 23,931	\$ 22,239	\$ 20,847
Non-interest income	17,134	16,653	15,355
Total revenue	41,065	38,892	36,202
Provision for credit losses	3,029	2,480	2,216
Insurance claims and related expenses	2,787	2,444	2,246
Non-interest expenses	22,020	20,195	19,419
<b>Income before income taxes and equity in net income of an investment in TD Ameritrade</b>	<b>13,229</b>	13,773	12,321
Provision for income taxes	2,735	3,182	2,253
Equity in net income of an investment in TD Ameritrade	1,192	743	449
<b>Net income – reported</b>	<b>11,686</b>	11,334	10,517
Preferred dividends	252	214	193
<b>Net income available to common shareholders and non-controlling interests in subsidiaries</b>	<b>\$ 11,434</b>	\$ 11,120	\$ 10,324
Attributable to:			
<b>Common shareholders</b>	<b>\$ 11,416</b>	\$ 11,048	\$ 10,203
<b>Non-controlling interests</b>	<b>18</b>	72	121

<sup>1</sup> Certain comparative amounts have been recast to conform with the presentation adopted in the current period.

**TABLE 3 NON-GAAP FINANCIAL MEASURES – Reconciliation of Adjusted to Reported Net Income<sup>1</sup>**

(millions of Canadian dollars)	2019	2018	2017
<b>Operating results – adjusted</b>			
Net interest income	\$ 23,931	\$ 22,239	\$ 20,847
Non-interest income <sup>2</sup>	17,134	16,742	15,152
Total revenue	41,065	38,981	35,999
Provision for credit losses	3,029	2,480	2,216
Insurance claims and related expenses	2,787	2,444	2,246
Non-interest expenses <sup>3</sup>	21,085	19,943	19,145
<b>Income before income taxes and equity in net income of an investment in TD Ameritrade</b>	<b>14,164</b>	<b>14,114</b>	<b>12,392</b>
Provision for (recovery of) income taxes	2,949	2,898	2,336
Equity in net income of an investment in TD Ameritrade <sup>4</sup>	1,288	967	531
<b>Net income – adjusted</b>	<b>12,503</b>	<b>12,183</b>	<b>10,587</b>
Preferred dividends	252	214	193
<b>Net income available to common shareholders and non-controlling interests in subsidiaries – adjusted</b>	<b>12,251</b>	<b>11,969</b>	<b>10,394</b>
Attributable to:			
Non-controlling interests in subsidiaries, net of income taxes	18	72	121
<b>Net income available to common shareholders – adjusted</b>	<b>12,233</b>	<b>11,897</b>	<b>10,273</b>
<b>Pre-tax adjustments of items of note</b>			
Amortization of intangibles <sup>5</sup>	(307)	(324)	(310)
Charges related to the long-term loyalty agreement with Air Canada <sup>6</sup>	(607)	–	–
Charges associated with the acquisition of Greystone <sup>7</sup>	(117)	–	–
Charges associated with the Scottrade transaction <sup>8</sup>	–	(193)	(46)
Impact from U.S. tax reform <sup>9</sup>	–	(48)	–
Dilution gain on the Scottrade transaction <sup>10</sup>	–	–	204
Loss on sale of the Direct Investing business in Europe <sup>11</sup>	–	–	(42)
Fair value of derivatives hedging the reclassified available-for-sale securities portfolio <sup>12</sup>	–	–	41
<b>Provision for (recovery of) income taxes for items of note</b>			
Amortization of intangibles <sup>5,13</sup>	(48)	(55)	(78)
Charges related to the long-term loyalty agreement with Air Canada <sup>6</sup>	(161)	–	–
Charges associated with the acquisition of Greystone <sup>7</sup>	(5)	–	–
Charges associated with the Scottrade transaction <sup>8</sup>	–	(5)	(10)
Impact from U.S. tax reform <sup>9</sup>	–	344	–
Dilution gain on the Scottrade transaction <sup>10</sup>	–	–	–
Loss on sale of the Direct Investing business in Europe <sup>11</sup>	–	–	(2)
Fair value of derivatives hedging the reclassified available-for-sale securities portfolio <sup>12</sup>	–	–	7
<b>Total adjustments for items of note</b>	<b>(817)</b>	<b>(849)</b>	<b>(70)</b>
<b>Net income available to common shareholders – reported</b>	<b>\$ 11,416</b>	<b>\$ 11,048</b>	<b>\$ 10,203</b>

<sup>1</sup> Certain comparative amounts have been recast to conform with the presentation adopted in the current period.

<sup>2</sup> Adjusted non-interest income excludes the following items of note: Adjustment to the carrying balances of certain tax credit-related investments as explained in footnote 9 – 2018 – \$(89) million. Dilution gain on the Scottrade transaction, as explained in footnote 10 – 2017 – \$204 million. Loss on sale of the Direct Investing business in Europe, as explained in footnote 11 – 2017 – \$42 million. Gain on fair value of derivatives hedging the reclassified available-for-sale (AFS) securities portfolio, as explained in footnote 12 – 2017 – \$41 million. These amounts were reported in the Corporate segment.

<sup>3</sup> Adjusted non-interest expenses exclude the following items of note: Amortization of intangibles, as explained in footnote 5 – 2019 – \$211 million, 2018 – \$231 million, 2017 – \$248 million, reported in the Corporate segment. Charges related to the long-term loyalty agreement with Air Canada, as explained in footnote 6 – 2019 – \$607 million; this amount was reported in the Canadian Retail segment. Charges associated with the acquisition of Greystone, as explained in footnote 7 – 2019 – \$117 million; this amount was reported in the Canadian Retail segment. Charges associated with the Bank's acquisition of Scottrade Bank, as explained in footnote 8 – 2018 – \$21 million and 2017 – \$26 million, reported in the U.S. Retail segment.

<sup>4</sup> Adjusted equity in net income of an investment in TD Ameritrade excludes the following items of note: Amortization of intangibles as explained in footnote 5 – 2019 – \$96 million, 2018 – \$93 million, 2017 – \$62 million; and the Bank's share of TD Ameritrade's deferred tax balances adjustment, as explained in footnote 9 – 2018 – \$(41) million. The earnings impact of both of these items was reported in the Corporate segment. The Bank's share of charges associated with TD Ameritrade's acquisition of Scottrade Financial Services Inc. (Scottrade), as explained in footnote 8 – 2018 – \$172 million and 2017 – \$20 million. This item was reported in the U.S. Retail segment.

<sup>5</sup> Amortization of intangibles relates to intangibles acquired as a result of asset acquisitions and business combinations, including the after-tax amounts for amortization of intangibles relating to the Equity in net income of the investment in TD Ameritrade. Although the amortization of software and asset servicing rights are recorded in amortization of intangibles, they are not included for purposes of the items of note.

<sup>6</sup> On January 10, 2019, the Bank's long-term loyalty program agreement with Air Canada became effective in conjunction with Air Canada completing its acquisition of Aimia Canada Inc., which operates the Aeroplan loyalty business (the "Transaction"). In connection with the Transaction, the Bank recognized an expense of \$607 million (\$446 million after-tax) in the Canadian Retail segment.

<sup>7</sup> On November 1, 2018, the Bank acquired Greystone Capital Management Inc., the parent company of Greystone Managed Investments Inc. ("Greystone"). The Bank incurred acquisition related charges including compensation to employee shareholders issued in common shares in respect of the purchase price, direct transaction costs, and certain other acquisition related costs. These amounts

have been recorded as an adjustment to net income and were reported in the Canadian Retail segment.

<sup>8</sup> On September 18, 2017, the Bank acquired Scottrade Bank and TD Ameritrade acquired Scottrade, together with the Bank's purchase of TD Ameritrade shares issued in connection with TD Ameritrade's acquisition of Scottrade (the "Scottrade transaction"). Scottrade Bank merged with TD Bank, N.A. The Bank and TD Ameritrade incurred acquisition related charges including employee severance, contract termination fees, direct transaction costs, and other one-time charges. These amounts have been recorded as an adjustment to net income and include charges associated with the Bank's acquisition of Scottrade Bank and the after-tax amounts for the Bank's share of charges associated with TD Ameritrade's acquisition of Scottrade. These amounts were reported in the U.S. Retail segment.

<sup>9</sup> The reduction of the U.S. federal corporate tax rate enacted by the U.S. Tax Act resulted in a net charge to earnings during 2018 of \$392 million, comprising a net \$48 million pre-tax charge related to the write-down of certain tax credit-related investments, partially offset by the favourable impact of the Bank's share of TD Ameritrade's remeasurement of its deferred income tax balances, and a net \$344 million income tax expense resulting from the remeasurement of the Bank's deferred tax assets and liabilities to the lower base rate of 21% and other related tax adjustments. The earnings impact was reported in the Corporate segment.

<sup>10</sup> In connection with TD Ameritrade's acquisition of Scottrade on September 18, 2017, TD Ameritrade issued 38.8 million shares, of which the Bank purchased 11.1 million pursuant to its pre-emptive rights. As a result of the share issuances, the Bank's common stock ownership percentage in TD Ameritrade decreased and the Bank realized a dilution gain of \$204 million reported in the Corporate segment.

<sup>11</sup> On June 2, 2017, the Bank completed the sale of its Direct Investing business in Europe to Interactive Investor PLC. A loss of \$40 million after tax was recorded in the Corporate segment in other income (loss). The loss is not considered to be in the normal course of business for the Bank.

<sup>12</sup> The Bank changed its trading strategy with respect to certain trading debt securities and reclassified these securities from trading to AFS under IAS 39 (classified as fair value through other comprehensive income (FVOCI) under IFRS 9) effective August 1, 2008. These debt securities are economically hedged, primarily with credit default swap (CDS) and interest rate swap contracts which are recorded on a fair value basis with changes in fair value recorded in the period's earnings. As a result, the derivatives were accounted for on an accrual basis in Wholesale Banking and the gains and losses related to the derivatives in excess of the accrued amounts were reported in the Corporate segment. Adjusted results of the Bank in prior periods exclude the gains and losses of the derivatives in excess of the accrued amount. Effective February 1, 2017, the total gains and losses as a result of changes in fair value of these derivatives are recorded in Wholesale Banking.

<sup>13</sup> The amount reported in 2018 excludes \$31 million relating to the one-time adjustment of associated deferred tax liability balances as a result of the U.S. Tax Act. The impact of this adjustment is included in the Impact from U.S. tax reform item of note.

TABLE 4 RECONCILIATION OF REPORTED TO ADJUSTED EARNINGS PER SHARE (EPS) <sup>1</sup>			
(Canadian dollars)			
	2019	2018	2017
<b>Basic earnings per share – reported</b>	<b>\$ 6.26</b>	\$ 6.02	\$ 5.51
Adjustments for items of note <sup>2</sup>	<b>0.45</b>	0.46	0.04
<b>Basic earnings per share – adjusted</b>	<b>\$ 6.71</b>	\$ 6.48	\$ 5.55
<b>Diluted earnings per share – reported</b>	<b>\$ 6.25</b>	\$ 6.01	\$ 5.50
Adjustments for items of note <sup>2</sup>	<b>0.44</b>	0.46	0.04
<b>Diluted earnings per share – adjusted</b>	<b>\$ 6.69</b>	\$ 6.47	\$ 5.54

<sup>1</sup> EPS is computed by dividing net income available to common shareholders by the weighted-average number of shares outstanding during the period.

<sup>2</sup> For explanations of items of note, refer to the “Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income” table in the “Financial Results Overview” section of this document.

TABLE 5 AMORTIZATION OF INTANGIBLES, NET OF INCOME TAXES <sup>1,2</sup>			
(millions of Canadian dollars)			
	2019	2018	2017
TD Bank, National Association (TD Bank, N.A.)	<b>\$ 76</b>	\$ 87	\$ 91
TD Ameritrade Holding Corporation (TD Ameritrade) <sup>3</sup>	<b>96</b>	93	62
MBNA Canada	<b>40</b>	49	42
Aeroplan	<b>17</b>	17	17
Other	<b>30</b>	23	20
	<b>259</b>	269	232
Software and asset servicing rights	<b>469</b>	464	351
<b>Amortization of intangibles, net of income taxes</b>	<b>\$ 728</b>	\$ 733	\$ 583

<sup>1</sup> The amount reported in 2018 excludes \$31 million relating to the one-time adjustment of associated deferred tax liability balances as a result of the U.S. Tax Act. The impact of this adjustment is included in the Impact from U.S. tax reform item of note.

<sup>2</sup> Amortization of intangibles, with the exception of software and asset servicing rights, are included as items of note. For explanations of items of note, refer to the “Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income” table in the “Financial Results Overview” section of this document.

<sup>3</sup> Included in equity in net income of an investment in TD Ameritrade.

## RETURN ON COMMON EQUITY

The Bank’s methodology for allocating capital to its business segments is aligned with the common equity capital requirements under Basel III. For fiscal 2019, the capital allocated to the business segments is based on 10% CET1 Capital. Capital allocated to the business segments was based on 9% for fiscal 2018 and 2017.

Adjusted return on common equity (ROE) is adjusted net income available to common shareholders as a percentage of average common equity.

Adjusted ROE is a non-GAAP financial measure and is not a defined term under IFRS. Readers are cautioned that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other issuers.

TABLE 6 RETURN ON COMMON EQUITY			
(millions of Canadian dollars, except as noted)			
	2019	2018	2017
Average common equity	<b>\$ 78,638</b>	\$ 70,499	\$ 68,349
<b>Net income available to common shareholders – reported</b>	<b>11,416</b>	11,048	10,203
Items of note, net of income taxes <sup>1</sup>	<b>817</b>	849	70
<b>Net income available to common shareholders – adjusted</b>	<b>\$ 12,233</b>	\$ 11,897	\$ 10,273
<b>Return on common equity – reported</b>	<b>14.5%</b>	15.7%	14.9%
<b>Return on common equity – adjusted</b>	<b>15.6</b>	16.9	15.0

<sup>1</sup> For explanations of items of note, refer to the “Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income” table in the “Financial Results Overview” section of this document.

## RETURN ON TANGIBLE COMMON EQUITY

Tangible common equity (TCE) is calculated as common shareholders’ equity less goodwill, imputed goodwill and intangibles on an investment in TD Ameritrade and other acquired intangible assets, net of related deferred tax liabilities. Return on tangible common equity (ROTCE) is calculated as reported net income available to common shareholders after adjusting for the after-tax amortization of acquired intangibles, which are treated as an item of note, as a percentage of average TCE. Adjusted ROTCE is calculated using reported net income available to

common shareholders, adjusted for items of note, as a percentage of average TCE. Adjusted ROTCE provides a useful measure of the performance of the Bank’s income producing assets, independent of whether or not they were acquired or developed internally. TCE, ROTCE, and adjusted ROTCE are each non-GAAP financial measures and are not defined terms under IFRS. Readers are cautioned that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other issuers.

TABLE 7 RETURN ON TANGIBLE COMMON EQUITY		2019	2018	2017
(millions of Canadian dollars, except as noted)				
Average common equity		\$ 78,638	\$ 70,499	\$ 68,349
Average goodwill		17,070	16,197	16,335
Average imputed goodwill and intangibles on an investment in TD Ameritrade		4,146	4,100	3,899
Average other acquired intangibles <sup>1</sup>		662	676	917
Average related deferred tax liabilities		(260)	(240)	(343)
<b>Average tangible common equity</b>		<b>57,020</b>	<b>49,766</b>	<b>47,541</b>
<b>Net income available to common shareholders – reported</b>		<b>11,416</b>	<b>11,048</b>	<b>10,203</b>
Amortization of acquired intangibles, net of income taxes <sup>2</sup>		259	269	232
<b>Net income available to common shareholders after adjusting for after-tax amortization of acquired intangibles</b>		<b>11,675</b>	<b>11,317</b>	<b>10,435</b>
Other items of note, net of income taxes <sup>2</sup>		558	580	(162)
<b>Net income available to common shareholders – adjusted</b>		<b>\$ 12,233</b>	<b>\$ 11,897</b>	<b>\$ 10,273</b>
<b>Return on tangible common equity</b>		<b>20.5%</b>	<b>22.7%</b>	<b>21.9%</b>
<b>Return on tangible common equity – adjusted</b>		<b>21.5</b>	<b>23.9</b>	<b>21.6</b>

<sup>1</sup> Excludes intangibles relating to software and asset servicing rights.

<sup>2</sup> For explanations of items of note, refer to the “Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income” table in the “Financial Results Overview” section of this document.

## SIGNIFICANT AND SUBSEQUENT EVENTS, AND PENDING TRANSACTIONS

### Bank Supports Acquisition of TD Ameritrade Holding Corporation by The Charles Schwab Corporation

On November 25, 2019, the Bank announced its support for the acquisition of TD Ameritrade Holding Corporation (TD Ameritrade), of which the Bank is a major shareholder, by The Charles Schwab Corporation (Schwab), through a definitive agreement announced by those companies. Under the terms of the transaction, all TD Ameritrade shareholders, including the Bank, would exchange each TD Ameritrade share they own for 1.0837 shares of Schwab. As a result, the Bank will exchange its approximate 43% in TD Ameritrade for an approximate 13.4% stake in Schwab, consisting of up to 9.9% voting common shares and the remainder in non-voting common shares, convertible upon transfer to a third party. TD expects to record a revaluation gain at closing.

The transaction is subject to certain closing conditions, including majority approval by the shareholders of each of TD Ameritrade and Schwab, and majority approval of TD Ameritrade’s shareholders other than TD and certain other shareholders of TD Ameritrade that have entered into voting agreements. In addition, the transaction is subject to receipt of regulatory approvals. The transaction is expected to close in the second half of calendar 2020, subject to all applicable closing conditions having been satisfied.

If the transaction closes, it is expected to have minimal capital impact on the Bank, and the Bank expects to account for its investment in Schwab using the equity method of accounting. The Bank and Schwab have entered into a new Stockholders’ Agreement that will become effective upon closing, under which the Bank will have two seats on Schwab’s Board of Directors, subject to the Bank meeting certain conditions. Under the agreement, the Bank will be subject to customary standstill and lockup restrictions. The Bank and Schwab have also entered into a revised and extended long-term Insured Deposit Account (IDA) agreement that will become effective upon closing and extends to 2031. Starting on July 1, 2021, IDA deposits, which were \$142 billion (US\$108 billion) as at October 31, 2019, can be reduced at Schwab’s option by up to US\$10 billion a year, with a floor of US\$50 billion. The servicing fee under the revised IDA agreement will be set at 15 basis points (bps) upon closing.

### Agreement for Air Canada Credit Card Loyalty Program

On January 10, 2019, the Bank’s long-term loyalty program agreement (the “Loyalty Agreement”) with Air Canada became effective in conjunction with Air Canada completing its acquisition of Aimia Canada Inc., which operates the Aeroplan loyalty business (the “Transaction”). Under the terms of the Loyalty Agreement, the Bank will become the primary credit card issuer for Air Canada’s new loyalty program when it launches in 2020 through to 2030. TD Aeroplan cardholders will become members of Air Canada’s new loyalty program and their miles will be transitioned when Air Canada’s new loyalty program launches in 2020.

In connection with the Transaction, the Bank paid \$622 million plus applicable sales tax to Air Canada, of which \$547 million (\$446 million after sales and income taxes) was recognized in non-interest expenses – other in the Canadian Retail segment, and \$75 million was recognized as an intangible asset which will be amortized over the Loyalty Agreement term. In addition, the Bank prepaid \$308 million plus applicable sales tax for the future purchase of loyalty points over a ten-year period. The Bank also expects to incur additional pre-tax costs of approximately \$100 million over two years to build the functionality required to facilitate the new program. The Transaction reduced the Bank’s CET1 ratio by approximately 13 bps.

### Acquisition of Greystone

On November 1, 2018, the Bank acquired 100% of the outstanding equity of Greystone for consideration of \$821 million, of which \$479 million was paid in cash and \$342 million was paid in the Bank’s common shares. The value of 4.7 million common shares issued as consideration was based on the volume weighted-average market price of the Bank’s common shares over the 10 trading day period immediately preceding the fifth business day prior to the acquisition date and was recorded based on market price at close. Common shares of \$167 million issued to employee shareholders in respect of the purchase price are being held in escrow for two years post-acquisition, subject to their continued employment, and are being recorded as a compensation expense over the two-year escrow period.

The acquisition was accounted for as a business combination under the purchase method. As at November 1, 2018, the acquisition contributed \$165 million of assets and \$46 million of liabilities. The excess of accounting consideration over the fair value of the identifiable net assets has been allocated to customer relationship intangibles of \$140 million, deferred tax liability of \$37 million, and goodwill of \$432 million. Goodwill is not deductible for tax purposes. The results of the acquisition have been consolidated from the acquisition date and reported in the Canadian Retail segment.

## FINANCIAL RESULTS OVERVIEW

# Net Income

Reported net income for the year was \$11,686 million, an increase of \$352 million, or 3%, compared with last year. The increase reflects higher revenue, a higher contribution from TD Ameritrade, and the impact from U.S. tax reform in the prior year, partially offset by higher non-interest expenses, including charges related to the agreement with Air Canada, higher provisions for credit losses (PCL), and higher insurance claims. The reported ROE for the year was 14.5%, compared with 15.7% last year. Adjusted net income of \$12,503 million increased \$320 million, or 3%, compared with last year.

By segment, the increase in reported net income was due to an increase in U.S. Retail of \$793 million, or 19%, a lower net loss in the Corporate segment of \$325 million, or 30%, partially offset by a decrease in Wholesale Banking of \$446 million, or 42%, and a decrease in Canadian Retail of \$320 million, or 4%.

Reported diluted EPS for the year was \$6.25, an increase of 4%, compared with \$6.01 last year. Adjusted diluted EPS for the year was \$6.69, a 3% increase, compared with \$6.47 last year, below the low end of the 7% to 10% medium-term adjusted EPS range previously communicated for fiscal 2019. After a challenging first quarter for the Wholesale Banking segment, we had strong adjusted EPS growth of 8% in each of the second and third quarters. However, fourth quarter adjusted EPS declined 2% from the prior year reflecting restructuring charges, derivative valuation charges, and lower contribution from Treasury and other.

### Impact of Foreign Exchange Rate on U.S. Retail Segment Translated Earnings

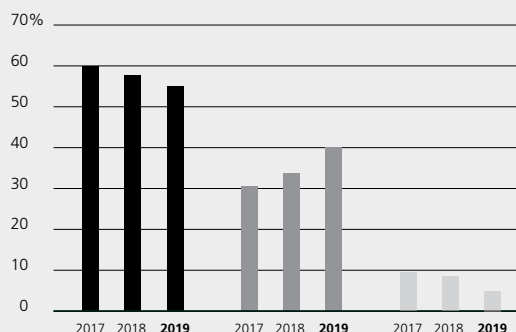
The following table reflects the estimated impact of foreign currency translation on key U.S. Retail segment income statement items.

TABLE 8		IMPACT OF FOREIGN CURRENCY TRANSLATION ON U.S. RETAIL SEGMENT EARNINGS	
(millions of Canadian dollars, except as noted)		2019 vs. 2018 Increase (Decrease)	2018 vs. 2017 Increase (Decrease)
<b>U.S. Retail Bank</b>			
Total revenue		\$ 369	\$ (173)
Non-interest expenses – reported		199	(94)
Non-interest expenses – adjusted		199	(93)
Net income – reported, after tax		120	(57)
Net income – adjusted, after tax		120	(58)
Equity in net income of an investment in TD Ameritrade – reported <sup>1</sup>		37	(12)
Equity in net income of an investment in TD Ameritrade – adjusted <sup>1</sup>		37	(10)
<b>U.S. Retail segment net income – reported, after tax</b>		<b>158</b>	<b>(68)</b>
<b>U.S. Retail segment net income – adjusted, after tax</b>		<b>158</b>	<b>(68)</b>
<b>Earnings per share (Canadian dollars)</b>			
Basic – reported		\$ 0.09	\$ (0.04)
Basic – adjusted		0.09	(0.04)
Diluted – reported		0.09	(0.04)
Diluted – adjusted		0.09	(0.04)

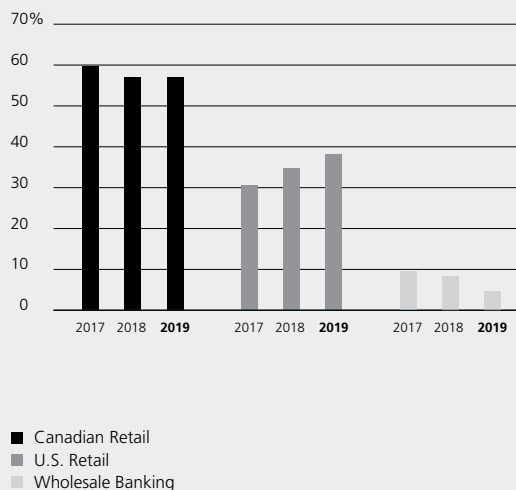
<sup>1</sup> Equity in net income of an investment in TD Ameritrade and the foreign exchange impact are reported with a one-month lag.

Average foreign exchange rate (equivalent of CAD \$1.00)	2019	2018	2017
U.S. dollar	1.329	1.287	1.308

### NET INCOME – REPORTED BY BUSINESS SEGMENT (as a percentage of total net income)<sup>1</sup>



### NET INCOME – ADJUSTED BY BUSINESS SEGMENT (as a percentage of total net income)<sup>1</sup>



■ Canadian Retail  
 ■ U.S. Retail  
 ■ Wholesale Banking

<sup>1</sup> Amounts exclude Corporate segment.

## FINANCIAL RESULTS OVERVIEW

### Revenue

Reported revenue was \$41,065 million, an increase of \$2,173 million, or 6%, compared with last year. Adjusted revenue was \$41,065 million, an increase of \$2,084 million, or 5%, compared with last year.

#### NET INTEREST INCOME

Net interest income for the year was \$23,931 million, an increase of \$1,692 million, or 8%, compared with last year. The increase reflects loan and deposit volume growth and higher margins in the Canadian and U.S. Retail segments, and the impact of foreign currency translation, partially offset by lower revenue in Wholesale Banking reflecting challenging market conditions in the first quarter of this year.

By segment, the increase in reported net interest income was due to an increase in U.S. Retail of \$775 million, or 9%, an increase in Canadian Retail of \$773 million, or 7%, and an increase in the Corporate segment of \$383 million, or 29%, partially offset by a decrease in Wholesale Banking of \$239 million, or 21%.

#### NET INTEREST MARGIN

Net interest margin increased by 1 basis point during the year to 1.96%, compared with 1.95% last year, primarily due to modest increases in the Canadian and U.S. Retail segments, offset by changes in non-retail product mix.

#### NON-INTEREST INCOME

Reported non-interest income for the year was \$17,134 million, an increase of \$481 million, or 3%, compared with last year. The increase reflects higher fee-based revenue in the wealth and banking businesses, higher revenue from the insurance business including changes in the fair value of investments supporting claims liabilities, which resulted in a similar increase to insurance claims, and the impact of foreign currency translation. The increase is partially offset by lower

revenue from treasury and balance sheet management activities in the Corporate segment, and lower revenue in Wholesale Banking.

By segment, the increase in reported non-interest income was due to an increase in Canadian Retail of \$740 million, or 7%, and an increase in U.S. Retail of \$72 million, or 3%, partially offset by a decrease in Corporate of \$284 million, or 75%, and a decrease in Wholesale Banking of \$47 million, or 2%.

**NET INTEREST INCOME**  
(millions of Canadian dollars)

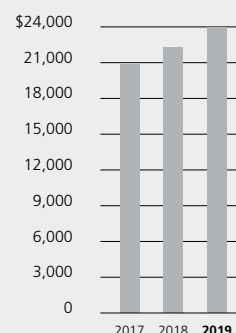


TABLE 9	NON-INTEREST INCOME <sup>1</sup>			2019 vs. 2018	
	2019	2018	2017	% change	
<b>Investment and securities services</b>					
Broker dealer fees and commissions	\$ 637	\$ 577	\$ 493	10	
Full-service brokerage and other securities services	1,191	1,099	1,013	8	
Underwriting and advisory	520	566	589	(8)	
Investment management fees	629	546	534	15	
Mutual fund management	1,768	1,790	1,738	(1)	
Trust fees	127	136	145	(7)	
<b>Total investment and securities services</b>	<b>4,872</b>	<b>4,714</b>	<b>4,512</b>	<b>3</b>	
Credit fees	1,289	1,210	1,130	7	
Net securities gains (losses)	78	111	128	(30)	
Trading income (losses)	1,047	1,052	303	-	
Service charges	2,885	2,716	2,648	6	
Card services	2,465	2,376	2,388	4	
Insurance revenue	4,282	4,045	3,760	6	
Other income (loss)	216	429	486	(50)	
<b>Total</b>	<b>\$ 17,134</b>	<b>\$ 16,653</b>	<b>\$ 15,355</b>	<b>3</b>	

<sup>1</sup> Certain comparative amounts have been recast to conform with the presentation adopted in the current period.

## TRADING-RELATED INCOME

Trading-related income is the total of net interest income on trading positions, trading income (loss), and income from financial instruments designated at fair value through profit or loss that are managed within a trading portfolio. Net interest income arises from interest and dividends related to trading assets and liabilities and is reported net of interest expense and income associated with funding these assets and

liabilities in the following table. Trading income (loss) includes realized and unrealized gains and losses on trading assets and liabilities.

Trading-related income excludes underwriting fees and commissions on securities transactions. Management believes that the total trading-related income is the appropriate measure of trading performance.

Trading-related income by product line depicts trading income for each major trading category.

TABLE 10   TRADING-RELATED INCOME <sup>1</sup>	For the years ended October 31		
	2019	2018	2017
(millions of Canadian dollars)			
Net interest income (loss) <sup>2</sup>	\$ 293	\$ 495	\$ 770
Trading income (loss)	1,047	1,052	303
Income (Loss) from financial instruments designated at fair value through profit or loss <sup>3</sup>	(10)	10	11
<b>Total</b>	<b>\$ 1,330</b>	<b>\$ 1,557</b>	<b>\$ 1,084</b>
<b>By product</b>			
Interest rate and credit	\$ 413	\$ 545	\$ 679
Foreign exchange	677	680	673
Equity and other <sup>2</sup>	240	332	(268)
<b>Total</b>	<b>\$ 1,330</b>	<b>\$ 1,557</b>	<b>\$ 1,084</b>

<sup>1</sup> Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

<sup>2</sup> Excludes taxable equivalent basis (TEB).

<sup>3</sup> Excludes amounts related to securities designated at fair value through profit or loss that are not managed within a trading portfolio, but which have been combined with derivatives to form economic hedging relationships.

## FINANCIAL RESULTS OVERVIEW

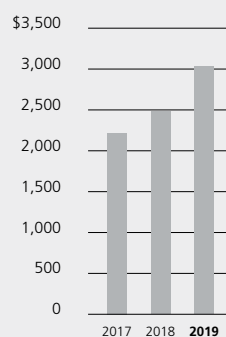
### Provision for Credit Losses

PCL for the year was \$3,029 million, an increase of \$549 million, or 22%, compared with the same period last year. PCL – impaired was \$2,630 million, an increase of \$464 million, or 21%, reflecting higher provisions in the consumer and commercial lending portfolios and volume growth. PCL – performing was \$399 million, an increase of \$85 million, or 27%, reflecting credit migration in the Canadian Retail and Wholesale Banking segments, and volume growth, partially offset by lower provisions in the U.S. strategic cards portfolio. Total PCL as a percentage of credit volume was 0.45%.

By segment, the increase in PCL was due to an increase in Canadian Retail of \$308 million, or 31%, an increase in U.S. Retail of \$165 million, or 18%, an increase in Wholesale Banking of \$41 million, and an increase in the Corporate segment of \$35 million, or 6%.

#### PROVISION FOR CREDIT LOSSES

(millions of Canadian dollars)





## FINANCIAL RESULTS OVERVIEW

# Expenses

### NON-INTEREST EXPENSES

Reported non-interest expenses for the year were \$22,020 million, which included \$154 million<sup>2</sup> of restructuring charges. Non-interest expenses increased \$1,825 million, or 9%, compared with last year, primarily reflecting charges related to the agreement with Air Canada and the acquisition of Greystone, higher employee related costs, additional employees supporting business growth, investments in strategic initiatives, volume growth, restructuring charges, and the impact of foreign currency translation, partially offset by productivity savings.

By segment, the increase in non-interest expenses was due to an increase in Canadian Retail of \$1,262 million, or 13%, an increase in U.S. Retail of \$311 million, or 5%, an increase in Wholesale Banking of \$268 million, or 13%, partially offset by a decrease in the Corporate segment of \$16 million, or 1%.

Adjusted non-interest expenses were \$21,085 million, an increase of \$1,142 million, or 6%, compared with last year.

### INSURANCE CLAIMS AND RELATED EXPENSES

Insurance claims and related expenses were \$2,787 million, an increase of \$343 million, or 14%, compared with last year. The increase reflects changes in the fair value of investments supporting claims liabilities which resulted in a similar increase to non-interest income, higher current year claims reflecting business growth, and less favourable prior years' claims development, partially offset by fewer severe weather-related events.

### EFFICIENCY RATIO

The efficiency ratio measures operating efficiency and is calculated by taking the non-interest expenses as a percentage of total revenue. A lower ratio indicates a more efficient business operation.

The reported efficiency ratio was 53.6%, compared with 51.9% last year. The adjusted efficiency ratio was 51.3%, compared with 51.2% last year.

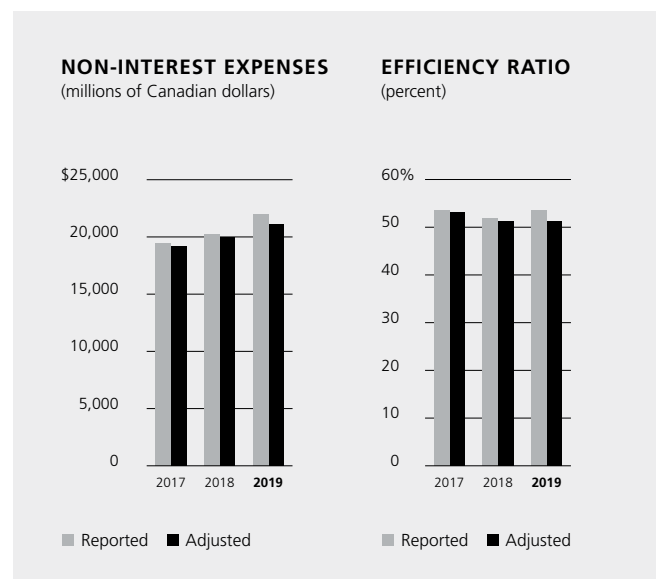


TABLE 11 NON-INTEREST EXPENSES AND EFFICIENCY RATIO<sup>1</sup>

(millions of Canadian dollars, except as noted)

				2019 vs. 2018
	2019	2018	2017	% change
<b>Salaries and employee benefits</b>				
Salaries	\$ 6,879	\$ 6,162	\$ 5,839	12
Incentive compensation	2,724	2,592	2,454	5
Pension and other employee benefits	1,641	1,623	1,725	1
Total salaries and employee benefits	11,244	10,377	10,018	8
<b>Occupancy</b>				
Rent	944	913	917	3
Depreciation and impairment losses	405	371	402	9
Other	486	481	475	1
Total occupancy	1,835	1,765	1,794	4
<b>Equipment</b>				
Rent	245	207	184	18
Depreciation and impairment losses	200	205	201	(2)
Other	720	661	607	9
Total equipment	1,165	1,073	992	9
<b>Amortization of other intangibles</b>	800	815	704	(2)
<b>Marketing and business development</b>	769	803	726	(4)
<b>Restructuring charges</b>	175	73	2	140
<b>Brokerage-related fees</b>	336	359	360	(6)
<b>Professional and advisory services</b>	1,322	1,194	1,119	11
<b>Other expenses</b>	4,374	3,736	3,704	17
<b>Total expenses</b>	\$ 22,020	\$ 20,195	\$ 19,419	9
Efficiency ratio – reported	53.6%	51.9%	53.6%	170 bps
Efficiency ratio – adjusted <sup>2</sup>	51.3	51.2	53.2	10

<sup>1</sup> Certain comparative amounts have been recast to conform with the presentation adopted in the current period.

<sup>2</sup> For explanations of items of note, refer to the “Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income” table in the “Financial Results Overview” section of this document.

<sup>2</sup> By segment, the restructuring charges in the fourth quarter of this year are as follows: \$68 million in U.S. Retail, \$51 million in Corporate, \$23 million in Wholesale Banking, and \$12 million in Canadian Retail.

## FINANCIAL RESULTS OVERVIEW

### Taxes

Reported total income and other taxes decreased by \$181 million, or 3.9%, compared with last year, reflecting a decrease in income tax expense of \$447 million, or 14.0%, and an increase in other taxes of \$266 million, or 18.9%. Adjusted total income and other taxes were up \$317 million from last year, or 7.4%, reflecting an increase in income tax expense of \$51 million.

The Bank's reported effective tax rate was 20.7% for 2019, compared with 23.1% last year. The year-over-year decrease was largely due to the impact of U.S. tax reform in 2018, partially offset

by business mix. For a reconciliation of the Bank's effective income tax rate with the Canadian statutory income tax rate, refer to Note 25 of the 2019 Consolidated Financial Statements.

The Bank's adjusted effective income tax rate for 2019 was 20.8%, compared with 20.5% last year. The year-over-year increase was largely due to business mix.

The Bank reports its investment in TD Ameritrade using the equity method of accounting. TD Ameritrade's tax expense of \$389 million in 2019, compared with \$206 million last year, was not part of the Bank's effective tax rate.

TABLE 12	NON-GAAP FINANCIAL MEASURES – Reconciliation of Reported to Adjusted Provision for Income Taxes		
(millions of Canadian dollars, except as noted)	2019	2018	2017
<b>Provision for income taxes – reported</b>	<b>\$ 2,735</b>	<b>\$ 3,182</b>	<b>\$ 2,253</b>
Total adjustments for items of note <sup>1,2</sup>	<b>214</b>	<b>(284)</b>	<b>83</b>
<b>Provision for income taxes – adjusted</b>	<b>2,949</b>	<b>2,898</b>	<b>2,336</b>
<b>Other taxes</b>			
Payroll	<b>587</b>	538	517
Capital and premium	<b>168</b>	148	136
GST, HST, and provincial sales <sup>3</sup>	<b>678</b>	487	462
Municipal and business	<b>243</b>	237	202
Total other taxes	<b>1,676</b>	1,410	1,317
<b>Total taxes – adjusted</b>	<b>\$ 4,625</b>	<b>\$ 4,308</b>	<b>\$ 3,653</b>
<b>Effective income tax rate – reported</b>	<b>20.7%</b>	23.1%	18.3%
<b>Effective income tax rate – adjusted<sup>4</sup></b>	<b>20.8</b>	20.5	18.9

<sup>1</sup> For explanations of items of note, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "Financial Results Overview" section of this document.

<sup>2</sup> The tax effect for each item of note is calculated using the statutory income tax rate of the applicable legal entity.

<sup>3</sup> Goods and services tax (GST) and Harmonized sales tax (HST).

<sup>4</sup> Adjusted effective income tax rate is the adjusted provision for income taxes before other taxes as a percentage of adjusted net income before taxes.

## FINANCIAL RESULTS OVERVIEW

### Quarterly Financial Information

#### FOURTH QUARTER 2019 PERFORMANCE SUMMARY

Reported net income for the quarter was \$2,856 million, a decrease of \$104 million, or 4%, compared with fourth quarter last year. The decrease reflects higher PCL, and higher non-interest expenses, including restructuring charges, partially offset by higher revenue, and a higher contribution from TD Ameritrade. Adjusted net income for the quarter was \$2,946 million, a decrease of \$102 million, or 3%, compared with the fourth quarter last year. Reported diluted EPS for the quarter was \$1.54, a decrease of 3%, compared with \$1.58 in the fourth quarter of last year. Adjusted diluted EPS for the quarter was \$1.59, a decrease of 2%, compared with \$1.63 in the fourth quarter of last year.

Reported revenue for the quarter was \$10,340 million, an increase of \$204 million, or 2%, compared with the fourth quarter last year.

Net interest income for the quarter was \$6,175 million, an increase of \$419 million, or 7%, primarily due to loan and deposit volume growth, partially offset by lower margins in the U.S. Retail segment. By segment, the increase in reported net interest income was due to an increase in the Corporate segment of \$176 million, or 56%, an increase in Canadian Retail of \$151 million, or 5%, an increase in U.S. Retail of \$87 million, or 4%, and an increase in Wholesale Banking of \$5 million, or 2%. Adjusted net interest income for the quarter was \$6,175 million, an increase of \$419 million, or 7%, compared with the fourth quarter last year.

Non-interest income for the quarter was \$4,165 million, a decrease of \$215 million, or 5%, reflecting lower revenue from treasury and balance sheet management activities in the Corporate segment, and derivative valuation charges, partially offset by an increase in revenues from the insurance business and higher fee-based revenues in the wealth business. By segment, the decrease in reported non-interest income was due to a decrease in the Corporate segment of \$261 million, or 146%, a decrease in Wholesale Banking of \$88 million, or 13%, partially offset by an increase in Canadian Retail of \$130 million, or 5%, and an increase in U.S. Retail of \$4 million, or 1%. Adjusted net interest income for the quarter was \$4,165 million, a decrease of \$215 million, or 5%, compared with the fourth quarter last year.

PCL for the quarter was \$891 million, an increase of \$221 million, or 33%, compared with the fourth quarter last year. PCL – impaired for the quarter was \$739 million, an increase of \$180 million, or 32%, reflecting higher provisions in the commercial portfolios, seasoning in the U.S. auto and credit card portfolios, and volume growth. PCL – performing for the quarter was \$152 million, an increase of \$41 million, or 37%, primarily reflecting credit migration in the Canadian Retail and Wholesale Banking segments, partially offset by lower provisions in the U.S. strategic cards portfolio, largely recognized in the Corporate segment. Total PCL for the quarter as an annualized percentage of credit volume was 0.51%.

By segment, the increase in PCL was due to an increase in Canadian Retail of \$137 million, or 52%, an increase in U.S. Retail of \$51 million, or 21%, and an increase in Wholesale Banking of \$33 million.

Insurance claims and related expenses for the quarter were \$705 million, an increase of \$21 million, or 3%, compared with the fourth quarter last year, reflecting higher current year claims related to business growth, partially offset by more favourable prior years' claims development, and less severe weather-related events.

Reported non-interest expenses for the quarter were \$5,543 million, which included \$154 million<sup>3</sup> of restructuring charges. Non-interest expenses increased \$177 million, or 3%, compared with the fourth quarter last year, primarily reflecting higher employee related costs, additional employees supporting business growth, and charges related to the acquisition of Greystone, partially offset by lower spend related to strategic initiatives and productivity savings. By segment, the increase in reported non-interest expenses was due to an increase in Canadian Retail of \$107 million, or 4%, an increase in Wholesale Banking of \$49 million, or 9%, and an increase in U.S. Retail of \$32 million, or 2%, partially offset by a decrease in the Corporate segment of \$11 million, or 2%. Adjusted non-interest expenses for the quarter were \$5,463 million, an increase of \$150 million, or 3%, compared with the fourth quarter last year.

The Bank's reported effective tax rate was 20.2% for the quarter, consistent with 20.2% in the same quarter last year. The Bank's adjusted effective tax rate was 20.1% for the quarter, compared with 20.3% in the same quarter last year. The decrease was largely due to lower income before taxes and business mix.

#### QUARTERLY TREND ANALYSIS

Subject to the impact of seasonal trends, items of note, and restructuring charges, the Bank has increased reported earnings over the past eight quarters reflecting a consistent strategy, revenue growth, expense discipline, and investments to support future growth. The Bank's earnings reflect increasing revenue from loan and deposit volumes in the Canadian and U.S. Retail segments, a higher contribution from TD Ameritrade and asset growth in the wealth business, partially offset by moderate expense growth. Wholesale Banking's contribution to earnings declined in 2019 mainly due to challenging market conditions in the first quarter of 2019. The Bank's quarterly earnings are impacted by seasonality, the number of days in a quarter, the economic environment in Canada and the U.S., and foreign currency translation.

TABLE 13 QUARTERLY RESULTS<sup>1</sup>

(millions of Canadian dollars, except as noted)

	2019				2018			
	Oct. 31	Jul. 31	Apr. 30	Jan. 31	Oct. 31	Jul. 31	Apr. 30	Jan. 31
Net interest income	\$ 6,175	\$ 6,024	\$ 5,872	\$ 5,860	\$ 5,756	\$ 5,655	\$ 5,398	\$ 5,430
Non-interest income	4,165	4,475	4,356	4,138	4,380	4,244	4,084	3,945
Total revenue	10,340	10,499	10,228	9,998	10,136	9,899	9,482	9,375
Provision for credit losses	891	655	633	850	670	561	556	693
Insurance claims and related expenses	705	712	668	702	684	627	558	575
Non-interest expenses	5,543	5,374	5,248	5,855	5,366	5,131	4,837	4,861
Provision for (recovery of) income taxes	646	813	773	503	691	705	746	1,040
Equity in net income of an investment in TD Ameritrade	301	303	266	322	235	230	131	147
<b>Net income – reported</b>	<b>2,856</b>	<b>3,248</b>	<b>3,172</b>	<b>2,410</b>	2,960	3,105	2,916	2,353
<b>Pre-tax adjustments for items of note<sup>2</sup></b>								
Amortization of intangibles	74	75	78	80	76	77	86	85
Charges related to the long-term loyalty agreement with Air Canada	–	–	–	607	–	–	–	–
Charges associated with the acquisition of Greystone	30	26	30	31	–	–	–	–
Charges associated with the Scottrade transaction	–	–	–	–	25	18	77	73
Impact from U.S. tax reform	–	–	–	–	–	–	–	48
<b>Total pre-tax adjustments for items of note</b>	<b>104</b>	<b>101</b>	<b>108</b>	<b>718</b>	101	95	163	206
Provision for (recovery of) income taxes items of note	14	11	14	175	13	73	17	(387)
Net income – adjusted	2,946	3,338	3,266	2,953	3,048	3,127	3,062	2,946
Preferred dividends	68	62	62	60	51	59	52	52
<b>Net income available to common shareholders and non-controlling interests in subsidiaries – adjusted</b>	<b>\$ 2,878</b>	<b>\$ 3,276</b>	<b>\$ 3,204</b>	<b>\$ 2,893</b>	\$ 2,997	\$ 3,068	\$ 3,010	\$ 2,894
Attributable to:								
<b>Common shareholders – adjusted</b>	<b>\$ 2,878</b>	<b>\$ 3,276</b>	<b>\$ 3,204</b>	<b>\$ 2,875</b>	\$ 2,979	\$ 3,050	\$ 2,992	\$ 2,876
<b>Non-controlling interests – adjusted</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>18</b>	18	18	18	18

(Canadian dollars, except as noted)

#### Basic earnings per share

Reported	\$ 1.54	\$ 1.75	\$ 1.70	\$ 1.27	\$ 1.58	\$ 1.65	\$ 1.54	\$ 1.24
Adjusted	1.59	1.79	1.75	1.57	1.63	1.67	1.62	1.56
<b>Diluted earnings per share</b>								
Reported	1.54	1.74	1.70	1.27	1.58	1.65	1.54	1.24
Adjusted	1.59	1.79	1.75	1.57	1.63	1.66	1.62	1.56
<b>Return on common equity – reported</b>	<b>13.6%</b>	<b>15.8%</b>	<b>16.5%</b>	<b>12.2%</b>	15.8%	16.9%	16.8%	13.2%
<b>Return on common equity – adjusted</b>	<b>14.0</b>	<b>16.2</b>	<b>17.0</b>	<b>15.0</b>	16.3	17.1	17.6	16.6

(billions of Canadian dollars, except as noted)

Average earning assets	\$ 1,264	\$ 1,240	\$ 1,191	\$ 1,200	\$ 1,183	\$ 1,152	\$ 1,124	\$ 1,116
Net interest margin as a percentage	1.94%	1.93%	2.02%	1.94%	1.93%	1.95%	1.97%	1.93%

<sup>1</sup> Certain comparative amounts have been recast to conform with the presentation adopted in the current period.

<sup>2</sup> For explanations of items of note, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "Financial Results Overview" section of this document.

<sup>3</sup> By segment, the restructuring charges are comprised of \$68 million in U.S. Retail, \$51 million in Corporate, \$23 million in Wholesale Banking, and \$12 million in Canadian Retail.

## Business Focus

For management reporting purposes, the Bank's operations and activities are organized around the following three key business segments: Canadian Retail, U.S. Retail, and Wholesale Banking. The Bank's other activities are grouped into the Corporate segment.

**Canadian Retail** serves nearly 16 million customers in the Canadian personal and commercial banking, wealth, and insurance businesses. Personal Banking provides financial products and advice through its network of 1,091 branches, 3,509 automated teller machines (ATM), telephone, digital and mobile banking. The credit cards business provides a comprehensive line-up of credit cards including proprietary, co-branded, and affinity credit card programs. Auto Finance provides flexible financing options to customers at point of sale for automotive and recreational vehicle purchases. Business Banking offers customized products and advice to help business owners meet their financing, investment, cash management, international trade, and day-to-day banking needs. Merchant Solutions provides point-of-sale payment solutions for large and small businesses. The wealth business offers wealth and asset management products and advice to retail and institutional clients in Canada through the direct investing, advice-based, and asset management businesses. The insurance business offers property and casualty insurance, as well as life and health insurance products to customers across Canada.

**U.S. Retail** comprises the Bank's personal and business banking operations under the brand TD Bank, America's Most Convenient Bank®, and wealth management in the U.S. Personal banking provides a full range of financial products and services to over 9 million retail customers through multiple delivery channels, including a network of 1,241 stores located along the east coast from Maine to Florida, mobile and internet banking, ATM, and telephone. Business banking serves the needs of businesses, through a diversified range of products and services to meet their financing, investment, cash management, international trade, and day-to-day banking needs. Wealth management offers a range of wealth products and services to retail and institutional clients. U.S. Retail works with TD Ameritrade to refer mass affluent clients to TD Ameritrade for their direct investing needs. The results of the Bank's equity investment in TD Ameritrade are included in U.S. Retail and reported as equity in net income of an investment in TD Ameritrade.

**Wholesale Banking** offers a wide range of capital markets and corporate and investment banking services, including underwriting and distribution of new debt and equity issues, providing advice on strategic acquisitions and divestitures, and meeting the daily trading, funding, and investment needs of our clients. Operating under the TD Securities brand, our clients include highly-rated corporates, governments, and institutions in key financial markets around the world. Wholesale Banking is an integrated part of TD's strategy, providing market access to TD's wealth and retail operations, and providing wholesale banking solutions to our partners and their customers.

The Bank's other business activities are not considered reportable segments and are, therefore, grouped in the Corporate segment. Corporate segment is comprised of a number of service and control groups such as technology solutions, shared services, treasury and balance sheet management, marketing, human resources, finance, risk management, compliance, legal, anti-money laundering, and others. Certain costs relating to these functions are allocated to operating business segments. The basis of allocation and methodologies are reviewed periodically to align with management's evaluation of the Bank's business segments.

Results of each business segment reflect revenue, expenses, assets, and liabilities generated by the businesses in that segment. Where applicable, the Bank measures and evaluates the performance of each segment based on adjusted results and ROE, and for those segments the Bank indicates that the measure is adjusted. Net income for the operating business segments is presented before any items of note not attributed to the operating segments. For further details, refer to the "How the Bank Reports" section of this document and Note 29 of the 2019 Consolidated Financial Statements. For information concerning the Bank's measure of ROE, which is a non-GAAP financial measure, refer to the "Return on Common Equity" section.

Effective November 1, 2017, upon adoption of IFRS 9, the current period PCL related to performing (Stage 1 and Stage 2) and impaired (Stage 3) financial assets, loan commitments, and financial guarantees is recorded within the respective segment. Under IAS 39 and prior to November 1, 2017, the PCL related to the collectively assessed allowance for incurred but not identified credit losses that related to Canadian Retail and Wholesale Banking segments was recorded in the Corporate segment. Prior period results were not restated. PCL on impaired financial assets includes Stage 3 PCL under IFRS 9 and counterparty-specific and individually insignificant PCL under IAS 39. PCL on performing financial assets, loan commitments, and financial guarantees include Stage 1 and Stage 2 PCL under IFRS 9 and incurred but not identified credit losses under IAS 39.

The reduction of the U.S. federal corporate tax rate enacted by the U.S. Tax Act resulted in an adjustment during 2018 to the Bank's U.S. deferred tax assets and liabilities to the lower base rate of 21% as well as an adjustment to the Bank's carrying balances of certain tax credit-related investments and its investment in TD Ameritrade. The earnings impact of these adjustments was reported in the Corporate segment. The lower corporate tax rate had, and continues to have, a positive effect on TD's current and future earnings, which are and will be reflected in the results of the affected segments. The amount of the benefit may vary due to, among other things, changes in interpretations and assumptions the Bank has made and guidance that may be issued by applicable regulatory authorities. For additional details, refer to "How the Bank Reports" and "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "Financial Results Overview" section of this document.

Net interest income within Wholesale Banking is calculated on a TEB, which means that the value of non-taxable or tax-exempt 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 increase to net interest income and provision for income taxes reflected in Wholesale Banking results is reversed in the Corporate segment. The TEB adjustment for the year was \$127 million, compared with \$176 million last year.

The "Business Outlook and Focus for 2019" section for each business segment, provided on the following pages, is based on the Bank's views and the assumptions set out in the "Economic Summary and Outlook" section and the actual outcome may be materially different. For more information, refer to the "Caution Regarding Forward-Looking Statements" section and the "Risk Factors That May Affect Future Results" section.

TABLE 14 RESULTS BY SEGMENT<sup>1,2</sup>

	Canadian Retail		U.S. Retail		Wholesale Banking <sup>3</sup>		Corporate <sup>3</sup>		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net interest income (loss)	\$ 12,349	\$ 11,576	\$ 8,951	\$ 8,176	\$ 911	\$ 1,150	\$ 1,720	\$ 1,337	\$ 23,931	\$ 22,239
Non-interest income (loss)	11,877	11,137	2,840	2,768	2,320	2,367	97	381	17,134	16,653
Total revenue	24,226	22,713	11,791	10,944	3,231	3,517	1,817	1,718	41,065	38,892
Provision for (recovery of) credit losses – impaired	1,126	927	936	776	20	(8)	548	471	2,630	2,166
Provision for (recovery of) credit losses – performing	180	71	146	141	24	11	49	91	399	314
Total provision for (recovery of) credit losses	1,306	998	1,082	917	44	3	597	562	3,029	2,480
Insurance claims and related expenses	2,787	2,444	–	–	–	–	–	–	2,787	2,444
Non-interest expenses	10,735	9,473	6,411	6,100	2,393	2,125	2,481	2,497	22,020	20,195
Income (loss) before income taxes	9,398	9,798	4,298	3,927	794	1,389	(1,261)	(1,341)	13,229	13,773
Provision for (recovery of) income taxes	2,535	2,615	471	432	186	335	(457)	(200)	2,735	3,182
Equity in net income of an investment in TD Ameritrade	–	–	1,154	693	–	–	38	50	1,192	743
<b>Net income (loss) – reported</b>	<b>6,863</b>	<b>7,183</b>	<b>4,981</b>	<b>4,188</b>	<b>608</b>	<b>1,054</b>	<b>(766)</b>	<b>(1,091)</b>	<b>11,686</b>	<b>11,334</b>
<b>Pre-tax adjustments for items of note<sup>4</sup></b>										
Amortization of intangibles	–	–	–	–	–	–	307	324	307	324
Charges related to the long-term loyalty agreement with Air Canada	607	–	–	–	–	–	–	–	607	–
Charges associated with the acquisition of Greystone	117	–	–	–	–	–	–	–	117	–
Charges associated with the Scottrade transaction	–	–	–	193	–	–	–	–	–	193
Impact from U.S. tax reform	–	–	–	–	–	–	–	48	–	48
<b>Total pre-tax adjustments for items of note</b>	<b>724</b>	<b>–</b>	<b>–</b>	<b>193</b>	<b>–</b>	<b>–</b>	<b>307</b>	<b>372</b>	<b>1,031</b>	<b>565</b>
Provision for (recovery of) income taxes for items of note	166	–	–	5	–	–	48	(289)	214	(284)
<b>Net income (loss) – adjusted</b>	<b>\$ 7,421</b>	<b>\$ 7,183</b>	<b>\$ 4,981</b>	<b>\$ 4,376</b>	<b>\$ 608</b>	<b>\$ 1,054</b>	<b>\$ (507)</b>	<b>\$ (430)</b>	<b>\$ 12,503</b>	<b>\$ 12,183</b>
Average common equity	\$ 17,776	\$ 15,018	\$ 39,464	\$ 34,260	\$ 7,320	\$ 5,954	\$ 14,078	\$ 15,267	\$ 78,638	\$ 70,499
CET1 Capital risk-weighted assets <sup>5</sup>	118,374	108,526	248,406	243,655	71,972	70,104	17,225	13,347	455,977	435,632

<sup>1</sup> Certain comparative amounts have been recast to conform with the presentation adopted in the current period.

<sup>2</sup> The retailer program partners' share of revenues and credit losses is presented in the Corporate segment, with an offsetting amount (representing the partners' net share) recorded in Non-interest expenses, resulting in no impact to Corporate reported Net income (loss). The Net income (loss) included in the U.S. Retail segment includes only the portion of revenue and credit losses attributable to the Bank under the agreements.

<sup>3</sup> Net interest income within Wholesale Banking is calculated on a TEB. The TEB adjustment reflected in Wholesale Banking is reversed in the Corporate segment.

<sup>4</sup> For explanations of items of note, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "Financial Results Overview" section of this document.

<sup>5</sup> Each capital ratio has its own RWA measure due to OSFI-prescribed scalar for inclusion of the CVA. For fiscal 2019 the scalars for inclusion of CVA for CET1, Tier 1 and Total Capital RWA are all 100%. For fiscal 2018, the scalars were 80%, 83%, and 86%, respectively.

## ECONOMIC SUMMARY AND OUTLOOK

For calendar year 2019, global economic growth is on track to record the slowest pace in a decade at 2.8%, down from 3.7% in the 2018 calendar year. This below-trend pace has been largely due to a cyclical downturn across advanced and emerging market economies, as well as a more persistent moderation in China's expansion. U.S. tariffs and heightened policy uncertainty have exacerbated the slowdown in global activity. Advanced economies continue to produce only modest growth, with the euro area representing a notable weak spot. Central banks have responded with additional monetary easing, while some governments have also been motivated to undertake stimulus spending. These actions are expected to stabilize global growth and underpin a modest acceleration in calendar years 2020 and 2021.

The U.S. economy continues to perform well relative to its peers, but growth has been decelerating. The U.S. Bureau of Economic Analysis reported a 1.9% annualized gain in real gross domestic product (GDP) over the July-September 2019 period. Resilient consumer spending (+2.9%) was again the main contributor. Other drivers included government spending and residential investment, with the latter breaking a six-quarter streak of contraction. However, non-residential investment remained weak, contracting in the July-September period. In the near term, forward-looking indicators suggest that this sector will remain soft.

The October 2019 meeting of the Federal Reserve Open Market Committee saw members vote to reduce the key U.S. policy rate to a range of 1.50% to 1.75%. The statement accompanying the decision removed language around "act[ing] as appropriate to sustain the expansion", providing a signal that no further downward adjustment in rates will be forthcoming in the absence of events that cause a material reassessment of the Committee's outlook. TD Economics forecasts U.S. economic growth to ease to around 1.8% per year in calendar years 2020 and 2021, slightly below the economy's estimated trend rate. Any significant reduction in trade and business climate uncertainty would likely generate some upside to this view.

In Canada, net trade contributed to an impressive but unsustainable 3.7% (annualized) rebound in activity in the April-June 2019 period. Several one-time factors contributed to this outcome, and subsequent economic indicators point to a return to a more modest pace of growth of around 1% annualized in the third calendar quarter. TD Economics is projecting a real GDP gain of around 1.5% for calendar year 2019.

Despite modest output trends, Canadian labour markets remain strong outside of the Prairie provinces, as evidenced by rising employment and accelerating wage gains. Within major housing markets, activity has been gaining momentum since the summer. These trends, however, have not translated into strong consumer spending, which remains subdued relative to its fundamentals. This likely reflects high levels of household indebtedness, a low household savings rate, and a lack of pent-up demand for big-ticket items such as motor vehicles. Like the U.S., Canadian exports and non-residential business investment remain challenged in the face of elevated global uncertainty and soft commodity demand. These structural factors are likely to limit Canada's growth potential over the medium term. TD Economics forecasts real economic growth to average 1.6% per year over calendar years 2020 and 2021.

At its October 2019 rate decision, the Bank of Canada struck a more cautious tone. The central bank is concerned that the drag on activity from global uncertainty will spill into areas beyond investment and trade. The Bank of Canada will be closely monitoring housing markets and consumption in assessing whether monetary easing is warranted. Another consideration is the potential for fiscal stimulus from the federal government, which may mitigate the need for the central bank to act. Given the economic risks, TD Economics has not ruled out the possibility of precautionary cuts to the policy rate in calendar year 2020. However, recent Bank of Canada communications focused on Canadian household debt levels create the risk that the current 1.75% level will be maintained for some time. The Canadian dollar is expected to trade within the US76-79 cents range.

The balance of risks has improved slightly in recent months, but not sufficiently to alter the overall global outlook. Some recent progress in U.S.-China trade talks needs to be assessed in the context of whether it is sufficient to improve businesses' outlook, particularly when it comes to investment. The potential for re-escalation in the trade conflict between the two countries or with others remains a consideration, and past tariffs remain largely in place. Beyond the U.S.-China situation, the possibility of trade conflicts between the U.S. and Europe, India, Vietnam, or others cannot be dismissed. In all instances, the potential exists for the further disruption of globally integrated supply chains. Although a no-deal outcome on Brexit appears to have been avoided, the future state of the United Kingdom (U.K.) economic relationship with the European Union is still unclear. This outcome is now delayed as the U.K. is preparing for a general election on December 12, 2019. Lastly, ongoing tensions in the Middle East and the Korean Peninsula, as well as populist threats to political and economic systems all remain potential downside risks. These all keep global uncertainty elevated and may drive periods of financial market volatility.

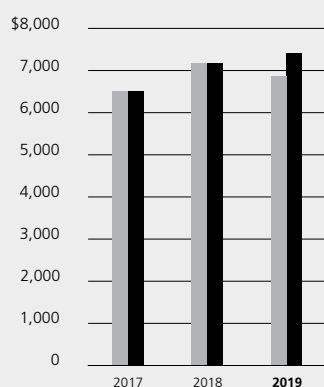
## BUSINESS SEGMENT ANALYSIS

### Canadian Retail

Canadian Retail offers a full range of financial products and services to nearly 16 million customers in the Canadian personal and commercial banking, wealth, and insurance businesses.

#### NET INCOME

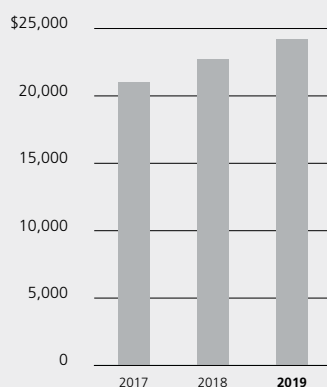
(millions of Canadian dollars)



■ Reported ■ Adjusted

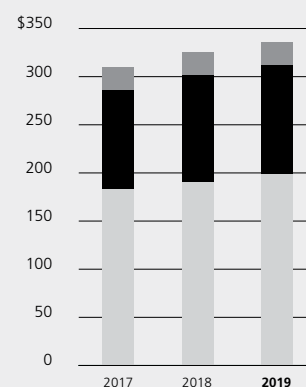
#### TOTAL REVENUE

(millions of Canadian dollars)



#### AVERAGE DEPOSITS

(billions of Canadian dollars)



■ Personal ■ Business ■ Wealth

TABLE 15 REVENUE

(millions of Canadian dollars)

	2019	2018	2017
Personal banking	\$ 12,076	\$ 11,463	\$ 10,706
Business banking	3,184	2,990	2,702
Wealth	4,432	4,185	3,838
Insurance	4,534	4,075	3,816
<b>Total</b>	<b>\$ 24,226</b>	<b>\$ 22,713</b>	<b>\$ 21,062</b>

## BUSINESS HIGHLIGHTS

- Continued to invest in our omni-channel, customer-centric model, evolving our advisory focus as we continued to progress our Future Ready strategy and enhance the value proposition of our products, including our mortgage concierge service which connects customers with mobile mortgage specialists who are nearby and available.
- Maintained our focus on shaping the future of retail banking by introducing new digital capabilities, including a new online money transfer service allowing customers to quickly and easily send money around the world from their TD personal accounts, an industry-leading digital mortgage application in the real estate secured lending business and first-in-Canada card controls for TD credit cardholders.
- Recognized as a leader in customer service, including:
  - The award winner among the Big 5 Canadian Retail Banks<sup>4</sup> for “Customer Service Excellence”<sup>5</sup>, “Value for Money”<sup>6</sup>, “Values my Business”<sup>7</sup>, “Recommend to Friends & Family”<sup>8</sup>, “Branch Service”<sup>9</sup>, “ATM Banking”<sup>10</sup>, and “Automated Telephone Banking”<sup>11</sup> by the 2019 Ipsos Customer Service Index (CSI) study<sup>12</sup>.
  - The highest customer satisfaction among the Big Five Retail Banks by J.D. Power<sup>13</sup>.
- Acknowledged for our forward focus in digital banking by multiple independent providers of industry market data including:
  - #1 in consumer demand, customer engagement, and customer sentiment among top retail banking apps in Canada according to mobile data and analytics firm App Annie<sup>14</sup>;
  - #1 in Canadian digital banking with the highest number of digital unique visitors and the most digital engagement according to comScore<sup>15</sup>; and
  - #1 average digital reach of any bank in Canada and amongst the leaders for average domestic digital reach when compared to the leading banks in other major developed markets, according to comScore<sup>15</sup>.
- Continued to win the trust of new and existing customers as evidenced by strong volume growth across key businesses:
  - Strong retention rate across the portfolio, using newly developed tools to engage and retain our customers;
  - Personal chequing and savings deposit volume growth of 4%;
  - Strong growth in credit cards with retail sales exceeding \$104 billion;
  - Strong Business Banking loan volume growth of 9%; and
  - Record accumulation of assets across our wealth businesses including record assets under management in TD Asset Management (TDAM) and record assets under administration in TD Direct Investing and Advice businesses.

- Advanced our proven business model maintaining strong market share<sup>16</sup> positions across all businesses including:
  - #1 market share in personal deposits, credit cards, and Direct Investing;
  - #2 market share in real estate secured lending, personal loans, mutual funds, and Business Banking deposits and loans;
  - Largest direct distribution insurer<sup>17</sup> and leader in the affinity market<sup>17</sup> in Canadian insurance; and
  - Largest money manager in Canada (including TD Greystone Asset Management)<sup>18</sup>.

## CHALLENGES IN 2019

- Competitive pressures and an inverted yield curve contributed to lower margins on lending products.
- Households remained cautious to spend, partly reflecting high debt levels and elevated uncertainty in the macro environment.
- Strong competition for new and existing customers from the major Canadian banks and non-bank competitors.
- Ongoing normalization of credit losses from prior year low levels.
- Increased investment across all businesses to respond to evolving customer needs, heightened regulatory expectations, and intense competition.

## INDUSTRY PROFILE

The personal and business banking environment in Canada comprises large chartered banks with sizeable regional banks and a number of niche competitors providing strong competition in specific products and markets. Continued success depends upon delivering a full suite of competitively priced products, outstanding customer service and convenience, maintaining disciplined risk management practices, and prudent expense management. The Canadian wealth management industry includes banks, insurance companies, independent mutual fund companies, brokers, and independent asset management companies. Market share growth in the wealth management industry lies in the ability to differentiate by providing an integrated wealth solution and keeping pace with technological changes and the regulatory environment. This includes providing the right products, and legendary and consistent relationship-focused client experiences to serve the evolving needs and goals of our client base. The property and casualty industry in Canada is fragmented and competitive, consisting of personal and commercial line writers, whereas the life and health insurance industry is comprised of several large competitors. Success in the insurance business depends on offering a range of products that provide protection at competitive prices that properly reflect the level of risk assumed. The above industries also include non-traditional competitors ranging from start-ups to established non-financial companies expanding into financial services.

<sup>4</sup> Big 5 Canadian Retail Banks consist of Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Scotiabank, and The Toronto-Dominion Bank.

<sup>5</sup> TD Canada Trust has shared in the award for Customer Service Excellence in the syndicated Ipsos 2019 Customer Service Index Study (2019 Ipsos Study).

<sup>6</sup> TD Canada Trust has shared in the award for Value for Money in the 2019 Ipsos Study.

<sup>7</sup> TD Canada Trust has shared in the award for Values my Business in the 2019 Ipsos Study.

<sup>8</sup> TD Canada Trust has shared in the award for Recommend to Friends & Family in the 2019 Ipsos Study.

<sup>9</sup> TD Canada Trust has shared in the award for the Branch Service Excellence in the 2019 Ipsos Study.

<sup>10</sup> TD Canada Trust has shared in the ATM Banking Excellence award in the 2019 Ipsos Study.

<sup>11</sup> TD Canada Trust has shared in the Automated Telephone Banking Excellence award in the 2019 Ipsos Study.

<sup>12</sup> Ipsos 2019 Financial Service Excellence Awards are based on continuous fielding Customer Service Index (CSI) survey results. Sample size for the total 2019 CSI program year ended with the September 2019 survey which yielded 47,746 financial institution ratings nationally. Leadership is defined as either a statistically significant lead over the other Big 5 Canadian Retail Banks (at a 95% confidence interval) or a statistically equal tie with one or more of the Big 5 Canadian Retail Banks.

<sup>13</sup> J.D. Power 2019 Canada Retail Banking Customer Satisfaction Survey.

<sup>14</sup> TD ranked first according to 2019 App Annie report, which measured smartphone monthly active users, downloads, average sessions per user, average review score, and time spent for last 12-month period ending September 2019.

<sup>15</sup> Source: from comScore Mobile Metrix<sup>®</sup>, Financial Services – Banking (Mobile Apps), Total Audience, 12-month average ending September 2019, Canada, from comScore MMX<sup>®</sup> Multi-Platform, Financial Services – Banking, Total audience, 3-month average ending September 2019, Canada, United States, Spain, U.K., and France.

<sup>16</sup> Market share ranking is based on most current data available from OSFI for personal deposits and loans as at August 2019, from The Nilson Report for credit cards as at March 2019, from the Canadian Bankers Association for Real Estate Secured Lending as at May 2019, from the Canadian Bankers Association for business deposits and loans as at December 2018, from Strategic Insight for Direct Investing asset, trades, and revenue metrics as at June 2019, and from Investment Funds Institute of Canada for mutual funds when compared to the Big 6 Banks as at September 2019. The Big 6 Banks consist of Bank of Montreal, Canadian Imperial Bank of Canada, National Bank of Canada, Royal Bank of Canada, Scotiabank, and The Toronto-Dominion Bank.

<sup>17</sup> Based on Gross Written Premiums for Property and Casualty business. Ranks based on data available from OSFI, insurers, Insurance Bureau of Canada, and provincial regulators as at December 31, 2018.

<sup>18</sup> Strategic Insight Managed Money Advisory Service – Canada (Spring 2019 report, AUM effective December 2018), Benefits Canada 2019 Top 40 Money Managers report (May 2019 report, AUM effective December 2018); AUM as of October 31, 2019 for Greystone.



## OVERALL BUSINESS STRATEGY

The strategy for Canadian Retail is to:

- Provide trusted advice to help our customers feel confident about their financial future.
- Consistently deliver legendary, personal, and connected customer experiences across all channels.
- Deepen customer relationships by delivering One TD and growing in underrepresented products and markets.

- Execute with speed and impact, taking only those risks we can understand and manage.
- Innovate with purpose for our customers and colleagues, simplifying to make it easier to get things done.
- Be recognized as an extraordinary place to work where diversity and inclusiveness are valued.
- Contribute to the well-being of our communities.

TABLE 16 CANADIAN RETAIL		2019	2018	2017
(millions of Canadian dollars, except as noted)				
Net interest income		\$ 12,349	\$ 11,576	\$ 10,611
Non-interest income		11,877	11,137	10,451
Total revenue		24,226	22,713	21,062
Provision for credit losses – impaired <sup>1</sup>		1,126	927	986
Provision for credit losses – performing <sup>2</sup>		180	71	–
Total provision for credit losses <sup>3</sup>		1,306	998	986
Insurance claims and related expenses		2,787	2,444	2,246
Non-interest expenses – reported		10,735	9,473	8,934
Non-interest expenses – adjusted <sup>4</sup>		10,011	9,473	8,934
Provision for (recovery of) income taxes – reported		2,535	2,615	2,371
Provision for (recovery of) income taxes – adjusted <sup>4</sup>		2,701	2,615	2,371
<b>Net income – reported</b>		<b>6,863</b>	<b>7,183</b>	<b>6,525</b>
<b>Net income – adjusted<sup>4</sup></b>		<b>\$ 7,421</b>	<b>\$ 7,183</b>	<b>\$ 6,525</b>
<b>Selected volumes and ratios</b>				
Return on common equity – reported <sup>5</sup>		38.6%	47.8%	45.2%
Return on common equity – adjusted <sup>4,5</sup>		41.7	47.8	45.2
Net interest margin (including on securitized assets)		2.96	2.91	2.83
Efficiency ratio – reported		44.3	41.7	42.4
Efficiency ratio – adjusted <sup>4</sup>		41.3	41.7	42.4
Assets under administration (billions of Canadian dollars)		\$ 422	\$ 389	\$ 387
Assets under management (billions of Canadian dollars)		353	289	283
Number of Canadian retail branches		1,091	1,098	1,128
Average number of full-time equivalent staff		40,936	38,560	38,880

<sup>1</sup> PCL – impaired represents Stage 3 PCL under IFRS 9 and counterparty-specific and individually insignificant PCL under IAS 39 on financial assets.

<sup>2</sup> PCL – performing represents Stage 1 and Stage 2 PCL under IFRS 9 and incurred but not identified PCL under IAS 39 on financial assets, loan commitments, and financial guarantees.

<sup>3</sup> Effective November 1, 2017, the PCL related to the allowances for credit losses for all three stages are recorded within the respective segment. Under IAS 39 and prior to November 1, 2017, the PCL related to the incurred but not identified allowance for credit losses related to products in the Canadian Retail segment was recorded in the Corporate segment.

<sup>4</sup> Adjusted non-interest expenses exclude the following items of note: Charges related to the long-term loyalty agreement with Air Canada in 2019 – \$607 million (\$446 million after tax); and charges associated with the acquisition of Greystone in 2019 – \$117 million (\$112 million after tax). For explanations of items of note, refer to the “Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income” table in the “How We Performed” section of this document.

<sup>5</sup> Capital allocated to the business segment was based on 10% CET1 Capital in fiscal 2019, and 9% in fiscal 2018 and 2017.

## REVIEW OF FINANCIAL PERFORMANCE

Canadian Retail reported net income for the year was \$6,863 million, a decrease of \$320 million, or 4%, compared with last year. The decrease in earnings reflects charges related to the agreement with Air Canada and the acquisition of Greystone, higher non-interest expenses, insurance claims, and PCL, partially offset by revenue growth. On an adjusted basis, net income for the year was \$7,421 million, an increase of \$238 million, or 3%. The reported and adjusted annualized ROE for the year was 38.6% and 41.7%, respectively, compared with 47.8% last year.

Canadian Retail revenue is derived from Canadian personal and commercial banking, wealth, and insurance businesses. Revenue for the year was \$24,226 million, an increase of \$1,513 million, or 7%, compared with last year.

Net interest income increased \$773 million, or 7%, reflecting volume growth and higher margins. Average loan volumes increased \$21 billion, or 5%, reflecting 5% growth in personal loans and 9% growth in business loans. Average deposit volumes increased \$11 billion, or 3%, reflecting 4% growth in personal deposits and 2% growth in business deposits. Net interest margin was 2.96%, or an increase of 5 bps, reflecting higher interest rates, partially offset by competitive pricing in loans.

Non-interest income increased \$740 million, or 7%, reflecting higher revenue from the insurance business, the acquisition of Greystone, higher asset levels in the wealth management business, and higher fee-based revenue in the banking businesses. An increase in the fair value of investments supporting claims liabilities, which resulted in a similar increase to insurance claims, increased non-interest income by \$171 million.

Assets under administration (AUA) were \$422 billion as at October 31, 2019, an increase of \$33 billion, or 8%, compared with last year, reflecting new asset growth and increases in market value. Assets under management (AUM) were \$353 billion as at October 31, 2019, an increase of \$64 billion, or 22%, compared with last year, reflecting the acquisition of Greystone and increases in market value.

PCL for the year was \$1,306 million, an increase of \$308 million, compared with last year. PCL – impaired was \$1,126 million, an increase of \$199 million, or 21%, reflecting low prior period provisions in the commercial portfolio, higher losses in the other personal and auto portfolios, and volume growth across all portfolios. PCL – performing was \$180 million, an increase of \$109 million, reflecting credit migration in the consumer lending and commercial portfolios and volume growth. Annualized PCL as a percentage of credit volume was 0.31%, an increase of 6 bps.

Insurance claims and related expenses were \$2,787 million, an increase of \$343 million, or 14%, compared with last year. The increase reflects changes in the fair value of investments supporting claims liabilities, higher current year claims reflecting business growth and less favourable prior years' claims development, partially offset by fewer severe weather-related events.

Reported non-interest expenses for the year were \$10,735 million, an increase of \$1,262 million, or 13%, compared with last year. The increase reflects charges related to the agreement with Air Canada and the acquisition of Greystone, higher spend supporting business growth including employee-related expenses, and investment in strategic initiatives, partially offset by higher restructuring and promotion costs last year. On an adjusted basis, non-interest expenses were \$10,011 million, an increase of \$538 million, or 6%.

The reported and adjusted efficiency ratio for the quarter was 44.3% and 41.3%, respectively, compared with 41.7% last year.

## KEY PRODUCT GROUPS

### Personal Banking

- Personal Deposits – offers a comprehensive line-up of chequing, savings, and investment products to retail clients.
- Consumer Lending – offers a diverse range of unsecured financing products to suit the needs of retail clients.
- Real Estate Secured Lending – offers homeowners a wide range of lending products secured by residential properties.
- Credit Cards and Merchant Solutions – offers a variety of credit card products including proprietary, co-branded, and affinity credit card programs, as well as point-of-sale technology and payment solutions for large and small businesses.
- Auto Finance – offers retail automotive and recreational vehicle financing including promotional rate loans offered in cooperation with large automotive manufacturers.

### Business Banking

- Commercial Banking – serves the borrowing, deposit and cash management needs of businesses across a wide range of industries including real estate, agriculture, automotive, and commercial mortgages.
- Small Business Banking – offers a wide range of financial products and services to small businesses.

### Wealth

- Direct Investing – offers resources to self-directed retail investors to facilitate research, investment management and trading in a range of investment products through online, phone and mobile channels.
- Wealth Advice – provides wealth management advice and financial planning solutions to retail clients. The Wealth Advice business is integrated with the personal and business banking businesses.
- Asset Management – provides investment management and structuring services to retail and institutional clients. TD Mutual Funds provides a diversified range of mutual funds and professionally managed portfolios.

## Insurance

- Property and Casualty – offers home and auto insurance through direct channels and to members of affinity groups such as professional associations, universities and employer groups.
- Life and Health – offers credit protection to TD Canada Trust borrowing customers. Other simple life and health insurance products, credit card balance protection, and travel insurance products, are distributed through direct channels.

## BUSINESS OUTLOOK AND FOCUS FOR 2020

**The pace of economic expansion in Canada is expected to remain consistent with 2019, with the recent moderate upward momentum in housing market activity expected to continue. However, growth in 2020 could be impacted by the outcome of geopolitical events. While many factors affect margins and they will fluctuate from quarter-to-quarter, we expect to see downward pressure on margins. We expect continued changes in the regulatory environment, which combined with changing customer expectations and the high level of competition, including from market disruptors, will require continued investment in our products, channels, and infrastructure. We will maintain our disciplined approach to risk management, but credit losses may be impacted by volume growth and ongoing normalization of credit conditions. Overall, we expect to deliver solid results in 2020.**

**Our key priorities for 2020 are as follows:**

- **Enhance end-to-end omni-channel capabilities to support key customer journeys, enabling a seamless, intuitive and legendary customer experience;**
- **Grow our market share by providing best-in-class products and services, when and where our customers need them, with an emphasis on underrepresented products and markets;**
- **Expand our advisory capabilities and leverage our deep understanding of our customers to help them better understand their financial needs and feel confident about their financial future;**
- **Accelerate growth and distribution capabilities in the Wealth Advice channels, enrich the client offering in the Direct Investing business, and innovate for leadership in Asset Management;**
- **Continue to invest in our insurance products and services, ensuring that they are competitive, easy to understand, and provide the protection our clients need;**
- **Invest in our business and infrastructure to keep pace with evolving customer expectations, regulatory requirements, and cyber risks;**
- **Enhance application of artificial intelligence, data and advanced analytics to deliver best-in-class customer experiences and drive high levels of engagement; and**
- **Continue to evolve our brand as an employer of choice, where colleagues achieve their full potential and where diversity and inclusiveness are valued.**

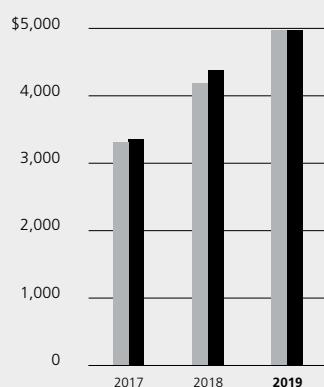
## BUSINESS SEGMENT ANALYSIS

### U.S. Retail

Operating under the brand name, TD Bank, America's Most Convenient Bank®, the U.S. Retail Bank offers a full range of financial products and services to over 9 million customers in the Bank's U.S. personal and business banking operations, including wealth management. U.S. Retail includes an equity investment in TD Ameritrade.

#### NET INCOME

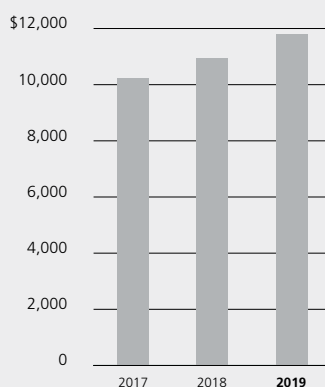
(millions of Canadian dollars)



■ Reported ■ Adjusted

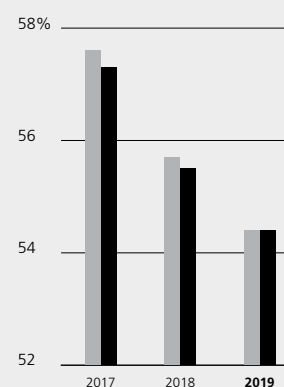
#### TOTAL REVENUE

(millions of Canadian dollars)



#### EFFICIENCY RATIO

(percent)



■ Reported ■ Adjusted

TABLE 17 REVENUE – Reported<sup>1</sup>

(millions of dollars)

	Canadian dollars			U.S. dollars		
	2019	2018	2017	2019	2018	2017
Personal Banking	\$ 6,894	\$ 6,140	\$ 5,599	\$ 5,189	\$ 4,769	\$ 4,283
Business Banking	3,786	3,527	3,399	2,850	2,740	2,600
Wealth	496	511	504	373	397	386
Other <sup>2</sup>	615	766	719	464	595	549
<b>Total</b>	<b>\$ 11,791</b>	<b>\$ 10,944</b>	<b>\$ 10,221</b>	<b>\$ 8,876</b>	<b>\$ 8,501</b>	<b>\$ 7,818</b>

<sup>1</sup> Excludes equity in net income of an investment in TD Ameritrade.

<sup>2</sup> Other revenue consists primarily of revenue from investing activities and an IDA agreement with TD Ameritrade.

## BUSINESS HIGHLIGHTS

- **Record performance in:**
  - Reported earnings of US\$3,750 million, an increase of 15%, compared with last year;
  - Reported efficiency ratio of 54.4%, an improvement of 130 bps, compared with last year; and
  - Reported contribution from TD Ameritrade of US\$869 million, an increase of 62% compared to last year.
- **Continued to provide legendary customer service and convenience:**
  - “Rated #1 in Customer Satisfaction for Retail Banking in the Southeast by J.D. Power”<sup>19</sup>;
  - “Ranked Highest in Customer Satisfaction with Small Business Banking in the South Region by J.D. Power”<sup>20</sup>; and
  - Launched “Unexpectedly Human” brand campaign, showcasing the Bank’s customer-centric approach and commitment to make an impact in local communities.
- **Recognized as an extraordinary and inclusive place to work:**
  - Recognized as one of Philly.com’s 2019 Top Workplaces; and
  - Recognized on DiversityInc.’s Top 50 List, with notable mention towards the inclusive culture we continue to build.
- **Continued to focus on enhancements to our core capabilities and infrastructure, as well as building out digital capabilities:**
  - Converted Small Business customers to digital Next-Generation Platform;
  - Launched new eSignature capability, enabling retail and wealth customers to open accounts digitally across multiple products; and
  - Launched new digital mortgage offering, to create a simpler, faster, and easier mortgage application process.

## CHALLENGES IN 2019

- Declining interest rate environment during the second half of 2019.
- Continuing industry trend of assets under management moving from active to passive investment strategies.
- Increased competition from U.S. banks and non-bank competitors.

## INDUSTRY PROFILE

The U.S. personal and business banking industry is highly competitive and includes several very large financial institutions as well as regional banks, small community and savings banks, finance companies, credit unions, and other providers of financial services. The wealth management industry includes national and regional banks, insurance companies, independent mutual fund companies, brokers, and independent asset management companies. The personal and business banking and wealth management industries also include non-traditional competitors ranging from start-ups to established non-financial companies expanding into financial services.

These industries serve individuals, businesses, and governments. Products include deposit, lending, cash management, financial advice, and asset management. These products may be distributed through a single channel or an array of distribution channels such as physical locations, digital, phone, and ATMs. Certain businesses also serve customers through indirect channels.

Traditional competitors are embracing new technologies and strengthening their focus on the customer experience. Non-traditional competitors (such as Fintech) have continued to gain momentum and are increasingly collaborating with banks to evolve customer products and experience. The keys to profitability continue to be attracting and retaining customer relationships with legendary service and convenience, offering products and services through an array of distribution channels that meet customers’ evolving needs, making strategic investments while maintaining disciplined expense management over operating costs, and prudent risk management.

## OVERALL BUSINESS STRATEGY

The strategy for U.S. Retail is to:

- Deliver legendary omni-channel service and convenience.
- Grow and deepen customer relationships.
- Leverage our differentiated brand as the “human” bank.
- Innovate with purpose to simplify processes and execute with speed and excellence.
- Be a premier destination for top talent.
- Maintain prudent risk management.
- Actively support the communities where we operate.

<sup>19</sup> TD Bank received the highest score in the Southeast region of the J.D. Power 2019 U.S. Retail Banking Satisfaction Study of customers’ satisfaction with their own retail bank. Visit [jdpower.com](http://jdpower.com).

<sup>20</sup> J.D. Power Small Business Satisfaction Study ranking results based off of responses from 2,554 small business owners or financial decision makers in the South.

TABLE 18	U.S. RETAIL				
(millions of dollars, except as noted)			2019	2018	2017
<b>Canadian Dollars</b>					
Net interest income		\$ 8,951	\$ 8,176	\$ 7,486	
Non-interest income <sup>1</sup>		2,840	2,768	2,735	
Total revenue – reported		11,791	10,944	10,221	
Provisions for credit losses – impaired <sup>2</sup>		936	776	648	
Provisions for credit losses – performing <sup>3</sup>		146	141	144	
Total provisions for credit losses		1,082	917	792	
Non-interest expenses – reported		6,411	6,100	5,878	
Non-interest expenses – adjusted <sup>4</sup>		6,411	6,079	5,852	
Provisions for (recovery of) income taxes – reported <sup>1</sup>		471	432	671	
Provisions for (recovery of) income taxes – adjusted <sup>1,4</sup>		471	437	681	
<b>U.S. Retail Bank net income – reported</b>		<b>3,827</b>	<b>3,495</b>	<b>2,880</b>	
<b>U.S. Retail Bank net income – adjusted<sup>4</sup></b>		<b>3,827</b>	<b>3,511</b>	<b>2,896</b>	
Equity in net income of an investment in TD Ameritrade – reported <sup>1,5</sup>		1,154	693	442	
Equity in net income of an investment in TD Ameritrade – adjusted <sup>1,6</sup>		1,154	865	462	
<b>Net income – reported</b>		<b>4,981</b>	<b>4,188</b>	<b>3,322</b>	
<b>Net income – adjusted</b>		<b>\$ 4,981</b>	<b>\$ 4,376</b>	<b>\$ 3,358</b>	
<b>U.S. Dollars</b>					
Net interest income		\$ 6,737	\$ 6,350	\$ 5,727	
Non-interest income <sup>1</sup>		2,139	2,151	2,091	
Total revenue – reported		8,876	8,501	7,818	
Provision for credit losses – impaired <sup>2</sup>		705	605	498	
Provision for credit losses – performing <sup>3</sup>		109	108	109	
Total provision for credit losses		814	713	607	
Non-interest expenses – reported		4,826	4,739	4,500	
Non-interest expenses – adjusted <sup>4</sup>		4,826	4,722	4,479	
Provisions for (recovery of) income taxes – reported <sup>1</sup>		355	334	511	
Provisions for (recovery of) income taxes – adjusted <sup>1,4</sup>		355	338	519	
<b>U.S. Retail Bank net income – reported</b>		<b>2,881</b>	<b>2,715</b>	<b>2,200</b>	
<b>U.S. Retail Bank net income – adjusted<sup>4</sup></b>		<b>2,881</b>	<b>2,728</b>	<b>2,213</b>	
Equity in net income of an investment in TD Ameritrade – reported <sup>1,5</sup>		869	538	336	
Equity in net income of an investment in TD Ameritrade – adjusted <sup>1,6</sup>		869	673	352	
<b>Net income – reported</b>		<b>3,750</b>	<b>3,253</b>	<b>2,536</b>	
<b>Net income – adjusted</b>		<b>\$ 3,750</b>	<b>\$ 3,401</b>	<b>\$ 2,565</b>	
<b>Selected volumes and ratios</b>					
Return on common equity – reported <sup>7</sup>		12.6%	12.2%	9.7%	
Return on common equity – adjusted <sup>4,6,7</sup>		12.6	12.8	9.8	
Net interest margin <sup>8</sup>		3.31	3.29	3.11	
Efficiency ratio – reported		54.4	55.7	57.6	
Efficiency ratio – adjusted <sup>4</sup>		54.4	55.5	57.3	
Assets under administration (billions of U.S. dollars)		\$ 21	\$ 19	\$ 18	
Assets under management (billions of U.S. dollars)		44	52	63	
Number of U.S. retail stores		1,241	1,257	1,270	
Average number of full-time equivalent staff		26,675	26,594	25,923	

<sup>1</sup> The reduction of the U.S. federal corporate tax rate enacted by the U.S. Tax Act resulted in an adjustment during 2018 to the Bank's U.S. deferred tax assets and liabilities to the lower base rate of 21% as well as an adjustment to the Bank's carrying balances of certain tax credit-related investments and its investment in TD Ameritrade. This earnings impact was reported in the Corporate segment. For additional details, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "Financial Results Overview" section of this document.

<sup>2</sup> PCL – impaired represents Stage 3 PCL under IFRS 9 and counterparty-specific and individually insignificant PCL under IAS 39 on financial assets.

<sup>3</sup> PCL – performing represents Stage 1 and Stage 2 PCL under IFRS 9 and incurred but not identified PCL under IAS 39 on financial assets, loan commitments, and financial guarantees.

<sup>4</sup> Adjusted non-interest expense excludes the following items of note: Charges associated with the Bank's acquisition of Scottrade Bank in 2018 – \$21 million (\$16 million after tax) or US\$17 million (US\$13 million after tax), 2017 – \$26 million (\$16 million after tax) or US\$21 million (US\$13 million after tax).

For explanations of items of note, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "Financial Results Overview" section of this document.

<sup>5</sup> The after-tax amounts for amortization of intangibles relating to the Equity in net income of the investment in TD Ameritrade is recorded in the Corporate segment with other acquired intangibles.

<sup>6</sup> Adjusted equity in net income of an investment in TD Ameritrade excludes the following item of note: The Bank's share of charges associated with TD Ameritrade's acquisition of Scottrade in 2018 – \$172 million or US\$135 million after tax, 2017 – \$20 million or US\$16 million after tax. For explanations of items of note, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "Financial Results Overview" section of this document.

<sup>7</sup> Capital allocated to the business segments was based on 10% CET1 Capital in fiscal 2019, and 9% in fiscal 2018 and 2017.

<sup>8</sup> Net interest margin excludes the impact related to the TD Ameritrade IDA and the impact of intercompany deposits and cash collateral. In addition, the value of tax-exempt interest income is adjusted to its equivalent before-tax value.

## REVIEW OF FINANCIAL PERFORMANCE

U.S. Retail reported net income for the year was \$4,981 million (US\$3,750 million), an increase of \$793 million (US\$497 million), or 19% (15% in U.S. dollars), compared with last year. On an adjusted basis, net income for the year increased \$605 million (US\$349 million), or 14% (10% in U.S. dollars). The reported and adjusted ROE for the year was 12.6%, compared with 12.2%, and 12.8%, respectively, in the prior year.

U.S. Retail net income includes contributions from the U.S. Retail Bank and the Bank's investment in TD Ameritrade. Net income for the year from the U.S. Retail Bank and the Bank's investment in TD Ameritrade were \$3,827 million (US\$2,881 million) and \$1,154 million (US\$869 million), respectively.

The reported contribution from TD Ameritrade of US\$869 million increased US\$331 million, or 62%, compared with last year, primarily due to higher asset-based revenue and charges associated with the Scottrade transaction in the prior year. On an adjusted basis, the contribution from TD Ameritrade increased US\$196 million, or 29%.

U.S. Retail Bank reported net income for the year was US\$2,881 million, an increase of US\$166 million, or 6%, compared with last year, primarily due to higher revenue, partially offset by higher expenses and PCL. U.S. Retail Bank adjusted net income increased US\$153 million, or 6%.

U.S. Retail Bank revenue is derived from personal and business banking, and wealth management. Revenue for the year was US\$8,876 million, an increase of US\$375 million, or 4%, compared with last year. Net interest income increased US\$387 million, or 6%, reflecting growth in loan and deposit volumes as well as higher deposit margins. Net interest margin was 3.31%, a 2 bps increase primarily due to higher deposit margins, partially offset by balance sheet mix. Non-interest income decreased US\$12 million, or 1%, as lower wealth management fees and investment income were partially offset by growth in personal banking fees.

Average loan volumes increased US\$8 billion, or 5%, compared with last year, due to growth in personal and business loans of 4% and 6%, respectively. Average deposit volumes increased US\$4 billion, or 2%, compared with last year, due to growth in personal and business deposit volumes of 4% and 5%, respectively, partially offset by a 3% decrease in sweep deposit volume from TD Ameritrade.

AUA were US\$21 billion as at October 31, 2019, relatively flat compared with the prior year. AUM were US\$44 billion as at October 31, 2019, a decrease of US\$8 billion, or 16%, reflecting net fund outflows including the impact of the strategic disposition of U.S. money market funds in the first quarter of this year.

PCL for the year was US\$814 million, an increase of US\$101 million, or 14%, compared with last year. PCL – impaired was US\$705 million, an increase of US\$100 million, or 17%, primarily reflecting higher provisions for commercial and auto portfolios. PCL – performing was US\$109 million, an increase of US\$1 million, or 1%. U.S. Retail PCL including only the Bank's contractual portion of credit losses in the U.S. strategic cards portfolio, as an annualized percentage of credit volume was 0.52%, or an increase of 4 bps.

Reported non-interest expenses for the year were US\$4,826 million, which included US\$52 million of restructuring charges. Non-interest expense increased US\$87 million, or 2%, compared with last year, primarily reflecting higher investments in business initiatives and volume growth, higher employee-related costs, and restructuring charges, partially offset by productivity savings, the elimination of the Federal Deposit Insurance Corporation (FDIC) deposit insurance surcharge, and recovery of a legal provision. On an adjusted basis, non-interest expenses for the year increased US\$104 million, or 2%.

The reported and adjusted efficiency ratios for the year were 54.4%, compared with 55.7% and 55.5%, respectively, in the prior year.

## KEY PRODUCT GROUPS

### Personal Banking

- Personal Deposits – offers a full suite of chequing and savings products to retail customers through multiple delivery channels.
- Consumer Lending – offers a diverse range of financing products to suit the needs of retail customers.
- Credit Cards Services – offers TD-branded credit cards for retail and small business franchise customers. TD also offers private label and co-brand credit cards through nationwide, retail partnerships to provide credit card products to their U.S. customers.
- Auto Finance – offers indirect retail financing through a network of auto dealers, along with floorplan financing to automotive dealerships throughout the U.S.

### Business Banking

- Small Business Banking – offers a range of financial products and services to small businesses.
- Commercial Banking – serves the needs of U.S. businesses and governments across a wide range of industries.

### Wealth

- Advice-based Business – provides private banking, investment advisory, and trust services to retail and institutional clients. The advice-based business is integrated with the U.S. personal and commercial banking businesses.
- Asset Management – the U.S. asset management business is comprised of Epoch Investment Partners Inc. and the U.S. arm of TDAM's investment business.

## BUSINESS OUTLOOK AND FOCUS FOR 2020

**We anticipate the operating environment to remain relatively stable in 2020, characterized by moderate economic growth, fierce competition and lower average interest rates. As a result, we expect modest loan and deposit growth, with declining net interest margins on a full year basis. Volume growth, consumer credit conditions, and economic uncertainties may contribute to an increase in credit losses in 2020. We expect to maintain a disciplined expense management approach, while continuing to make strategic business investments. We expect our contribution from TD Ameritrade to be lower following the elimination of commissions for its online exchange-listed stock, exchange-traded funds (ETF) (U.S. and Canadian), and option trades.**

**Our key priorities for 2020 are as follows:**

- **Deliver consistency and excellence in sales and service to drive more meaningful interactions and better serve the needs of our customers;**
- **Deepen customer engagement through delivering a personalized and connected experience across all channels;**
- **Continue to invest in data and technology;**
- **Leverage our infrastructure and capabilities to simplify and enhance the customer and employee experience;**
- **Grow our market share by deepening customer relationships and expanding into attractive markets;**
- **Prudently manage risk and meet regulatory expectations;**
- **Continue to make progress on our talent strategy with a focus on diversity and inclusion; and**
- **Continue to build capabilities to be digitally enabled.**

## TD AMERITRADE HOLDING CORPORATION

Refer to Note 12 of the 2019 Consolidated Financial Statements for further information on TD Ameritrade.

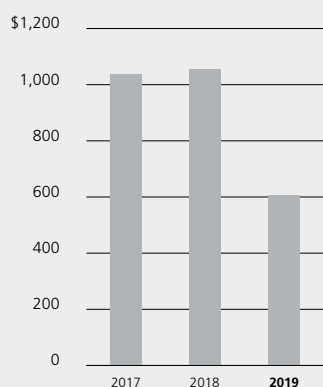
## BUSINESS SEGMENT ANALYSIS

# Wholesale Banking

Operating under the brand name TD Securities, Wholesale Banking offers a wide range of capital markets and corporate and investment banking services to corporate, government, and institutional clients in key global financial centres.

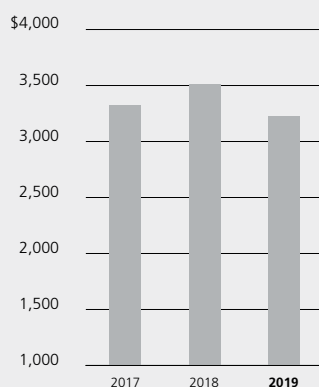
### NET INCOME

(millions of Canadian dollars)



### TOTAL REVENUE

(millions of Canadian dollars)



### GROSS LENDING PORTFOLIO

(billions of Canadian dollars)

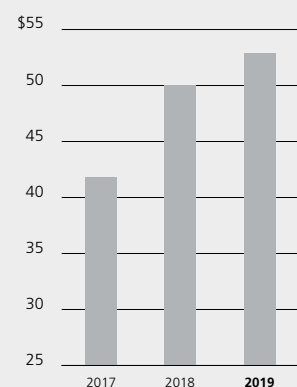


TABLE 19 REVENUE<sup>1</sup>

(millions of Canadian dollars)

	2019	2018	2017
Global markets	\$ 2,251	\$ 2,440	\$ 2,413
Corporate and investment banking	990	996	860
Other	(10)	81	51
<b>Total</b>	<b>\$ 3,231</b>	<b>\$ 3,517</b>	<b>\$ 3,324</b>

<sup>1</sup> Certain comparative amounts have been recast to conform with the presentation adopted in the current period.

## BUSINESS HIGHLIGHTS

- Earnings of \$608 million and a ROE of 8.3%.
- Lower revenue, reflecting challenging market conditions, reduced client activity and trading volatility in the first quarter of this year and the effects of a significant upgrade to the derivative valuation system and related methodologies in the fourth quarter of this year, partially offset by growth in the U.S.
- Notable deals in the year:
  - Advised on two of the largest Canadian mergers and acquisitions (M&A) transactions of 2019 including; lead financial advisor to Goldcorp (US\$12.5 billion) on its US\$32 billion merger with Newmont (US\$19.5 billion) to create the world's leading gold company, and financial advisor for the \$5.2 billion re-capitalization of Garda World Security, the largest ever completed for a privately-owned Canadian company;
  - Active in the environmental, social and corporate governance space (ESG) by participating in over 30 green and sustainable bond transactions, including Landesbank Baden-Württemberg's (LBBW) US\$750 million bond, which was the first-ever U.S. dollar covered green bond, and African Development Bank's US\$100 million bond, which was the first Secured Overnight Financing Rate (SOFR)-linked green bond; and
  - Delivered on key mandates for both Canadian and U.S. clients which demonstrated our capabilities and expertise in U.S. markets. We onboarded over 60 new corporate clients and 9 new TD Prime Services clients, executed 13 new securitization programs, actively led 72 U.S. Investment Grade Corporate bonds, up 29% year-over-year, and were joint book-runners on over 20 asset-backed securities (ABS) transactions, more than double the number in the prior year. We were also an M&A advisor to Brookfield Business Partners and Caisse de dépôt et placement du Québec (CDPQ) on their acquisition of Johnson Controls' Power Solutions and co-led the long-term debt financings.
- Focused investments supporting the global expansion of Wholesale Banking's U.S. dollar strategy, including adding senior leaders to support our Technology, Power and Utilities and Sponsor clients. In addition, we have invested in and are building an efficient and agile infrastructure including a new global foreign exchange system as well as a new derivative valuation system both of which enhance our pricing, capacity and risk management capabilities.
- Top-two dealer status in Canada (for the ten-month period ended October 31, 2019)<sup>21</sup>:
  - #2 in equity options block trading;
  - #1 in syndicated loans (on a rolling twelve-month basis);
  - #1 in M&A announced (on a rolling twelve-month basis);
  - #1 in M&A completed (on a rolling twelve-month basis);
  - #1 in government debt underwriting; and
  - #2 in corporate debt underwriting.

- TD Securities was recognized for demonstrating our expertise and execution capabilities within Capital Markets:
  - For the second year in a row, TD Securities tied for #1 in Overall Canadian Fixed Income as Greenwich Share Leader and Greenwich Quality Leader;
  - TD Securities Equity Research was awarded the most StarMine Analyst Awards from Refinitiv of any Canadian Broker, the fifth time within the last six years. These awards celebrate the world's top individual sell-side analysts and sell-side firms;
  - Recognized as the 2019 GlobalCapital Award winner for "Canada Derivatives House of the Year" for the second year in a row, as well as "Coming Force in SSA Bonds"; and
  - Winner for "Precious Metals House of the Year" in the 2019 Energy Risk Awards.

## CHALLENGES IN 2019

- Market volatility in the rates, credit and equity markets resulted in a difficult trading environment, particularly in the first quarter.
- Significantly reduced equity underwriting activity in Canada and lower activity in energy sector.
- Geo-political environment, trade uncertainties, weak economic growth, and changes to interest rate outlook contributed to market uncertainty and reduced client activity.
- Continued structural changes to traditional order flow trading from electronification and increased competition impacting margins.
- Investments and capital required to meet continued regulatory changes. Increasing cost structure for the industry overall.

## INDUSTRY PROFILE

The wholesale banking sector is a mature, highly competitive market with competition arising from banks, large global investment firms, and independent niche dealers. Wholesale Banking provides services to corporate, government, and institutional clients. Products include capital markets and corporate and investment banking services. Regulatory requirements for wholesale banking businesses have continued to evolve, impacting strategy and returns for the sector. Overall, wholesale banks have continued to shift their focus to client-driven trading revenue and fee income to reduce risk and to preserve capital. Competition is expected to remain intense for transactions with high-quality counterparties, as securities firms focus on prudent risk and capital management. Longer term, wholesale banks that have a diversified client-focused business model, offer a wide range of products and services, and exhibit effective cost and capital management will be well-positioned to achieve attractive returns for shareholders.

## OVERALL BUSINESS STRATEGY

Continue to build an integrated North American dealer franchise with global execution capabilities.

- In Canada, we will be the top-ranked investment dealer.
- In the U.S., we will grow client relationships by consistently delivering value and trusted advice in sectors where we are competitively positioned.
- We will continue to grow with and support our TD partners. Invest in an efficient and agile infrastructure, innovation and data capabilities, and adapt to industry and regulatory changes. Be an extraordinary and inclusive place to work by attracting, developing, and retaining the best talent.

<sup>21</sup> Rankings reflect TD Securities' position among Canadian peers in Canadian product markets. Equity options block trading: block trades by number of contracts on the Montreal Stock Exchange, Source: Montreal Exchange. Syndicated loans: deal volume awarded equally between the book-runners, Source: Bloomberg. M&A announced and completed: Canadian targets, Source: Thomson Reuters. Government and corporate debt underwriting: excludes self-led domestic bank deals and credit card deals, bonus credit to lead, Source: Bloomberg.



TABLE 20		WHOLESALE BANKING <sup>1</sup>		
(millions of Canadian dollars, except as noted)		2019	2018	2017
Net interest income (TEB)		\$ 911	\$ 1,150	\$ 1,804
Non-interest income <sup>2,3</sup>		2,320	2,367	1,520
Total revenue		3,231	3,517	3,324
Provision for (recovery of) credit losses – impaired <sup>3,4</sup>		20	(8)	(28)
Provision for (recovery of) credit losses – performing <sup>5</sup>		24	11	–
Total provision for (recovery of) credit losses <sup>6</sup>		44	3	(28)
Non-interest expenses		2,393	2,125	1,982
Provision for (recovery of) income taxes (TEB) <sup>7</sup>		186	335	331
<b>Net income</b>		<b>\$ 608</b>	<b>\$ 1,054</b>	<b>\$ 1,039</b>
<b>Selected volumes and ratios</b>				
Trading-related revenue (TEB)		\$ 1,573	\$ 1,749	\$ 1,714
Gross drawn (billions of Canadian dollars) <sup>8</sup>		24.1	23.9	20.3
Return on common equity <sup>9</sup>		8.3%	17.7%	17.4%
Efficiency ratio		74.1	60.4	59.6
Average number of full-time equivalent staff		4,536	4,187	3,989

<sup>1</sup> Certain comparative amounts have been recast to conform with the presentation adopted in the current period.

<sup>2</sup> Effective February 1, 2017, the total gains and losses on derivatives hedging the reclassified securities portfolio (classified as FVOCI under IFRS 9 and AFS portfolio under IAS 39) are recorded in Wholesale Banking, previously reported in the Corporate segment and treated as an item of note. Refer to the “Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income” table in the “Financial Results Overview” section of this document.

<sup>3</sup> Effective November 1, 2017, the accrual costs related to CDS used to manage Wholesale Banking’s corporate lending exposure are recorded in non-interest income, previously reported as a component of PCL. The change in market value of the CDS, in excess of the accrual cost, continues to be reported in the Corporate segment.

<sup>4</sup> PCL – impaired represents Stage 3 PCL under IFRS 9 and counterparty-specific and individually insignificant PCL under IAS 39 on financial assets.

<sup>5</sup> PCL – performing represents Stage 1 and Stage 2 PCL under IFRS 9 and incurred but not identified PCL under IAS 39 on financial assets, loan commitments, and financial guarantees.

<sup>6</sup> Effective November 1, 2017, the PCL related to the allowances for credit losses for all three stages are recorded within the respective segment. Under IAS 39 and prior to November 1, 2017, the PCL related to the incurred but not identified allowance for credit losses related to products in Wholesale Banking was recorded in the Corporate segment.

<sup>7</sup> The reduction of the U.S. federal corporate tax rate enacted by the U.S. Tax Act resulted in a one-time adjustment during 2018 to Wholesale Banking’s U.S. deferred tax assets and liabilities to the lower base rate of 21%. The earnings impact was reported in the Corporate segment. For additional details, refer to the “Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income” table in the “Financial Results Overview” section of this document.

<sup>8</sup> Includes gross loans and bankers’ acceptances, excluding letters of credit, cash collateral, CDS, and reserves for the corporate lending business.

<sup>9</sup> Capital allocated to the business segments was based on 10% CET1 Capital in fiscal 2019, and 9% in fiscal 2018 and 2017.

## REVIEW OF FINANCIAL PERFORMANCE

Wholesale Banking net income for the year was \$608 million, a decrease of \$446 million, or 42%, compared with the prior year reflecting lower revenue, higher non-interest expenses, and higher PCL.

Revenue for the year was \$3,231 million, a decrease of \$286 million, or 8%, compared with the prior year reflecting challenging market conditions in the first quarter of this year and derivative valuation charges of \$96 million in the fourth quarter of this year.

PCL for the year was \$44 million, compared to \$3 million in the prior year. PCL – impaired was \$20 million reflecting credit migration. PCL – performing was \$24 million reflecting credit migration.

Non-interest expenses were \$2,393 million, an increase of \$268 million, or 13%, compared with the prior year. The increase reflects restructuring charges of \$23 million, a favourable revaluation of certain liabilities for post-retirement benefits recognized in the prior year, continued investments supporting the global expansion of Wholesale Banking’s U.S. dollar strategy, higher initiative spend, and the impact of foreign exchange translation, partially offset by lower variable compensation.

## LINES OF BUSINESS

- **Global Markets** includes sales, trading and research, debt and equity underwriting, client securitization, trade finance, cash management, prime brokerage, and trade execution services<sup>22</sup>.
- **Corporate and Investment Banking** includes corporate lending and syndications, debt and equity underwriting, and advisory services<sup>22</sup>.
- **Other** includes the investment portfolio and other accounting adjustments.

## BUSINESS OUTLOOK AND FOCUS FOR 2020

**We expect Wholesale Banking earnings to improve in 2020, as we recover from a weak first quarter in 2019 and as our U.S. dollar businesses continue to mature. However, we remain alert to market sentiment as a combination of global geo-political and trade uncertainties, increased competition, and evolving capital and regulatory requirements may continue to impact industry activity and our business. While these factors may affect corporate and investor sentiment in the near-term, we expect that our increasingly diversified, well-integrated, and client-focused business model will deliver solid results and support future growth.**

Our key priorities for 2020 are as follows:

- **Maintain top market share in our Canadian Franchise.**
- **Grow our U.S. dollar business, adding new clients and deepening our relationship value by maturing our product and advice offerings.**
- **Increase wallet share with real money, prime services and government clients globally.**
- **Drive innovation and build data and analytical capabilities to improve end-to-end process efficiency and enhance client value.**
- **Permanently lower our cost structure to reflect the reduced margins and volumes in parts of our business.**
- **Maintain our focus on managing risk, capital, balance sheet, and liquidity.**
- **Continue to be an extraordinary place to work with a focus on inclusion and diversity.**

<sup>22</sup> Revenue is shared between Global Markets and Corporate and Investment Banking lines of business in accordance with an established agreement.

## BUSINESS SEGMENT ANALYSIS

# Corporate

Corporate segment is comprised of a number of service and control groups. Certain costs relating to these functions are allocated to operating business segments. The basis of allocation and methodologies are reviewed periodically to align with management's evaluation of the Bank's business segments.

TABLE 21	CORPORATE		
(millions of Canadian dollars)	2019	2018	2017
<b>Net income (loss) – reported<sup>1,2,3</sup></b>	<b>\$ (766)</b>	<b>\$ (1,091)</b>	<b>\$ (369)</b>
<b>Pre-tax adjustments for items of note<sup>4</sup></b>			
Amortization of intangibles	307	324	310
Impact from U.S. tax reform <sup>1</sup>	–	48	–
Dilution gain on the Scottrade transaction	–	–	(204)
Loss on sale of the Direct Investing business in Europe	–	–	42
Fair value of derivatives hedging the reclassified available-for-sale securities portfolio <sup>2</sup>	–	–	(41)
<b>Total pre-tax adjustments for items of note</b>	<b>307</b>	<b>372</b>	<b>107</b>
Provision for (recovery of) income taxes for items of note <sup>1</sup>	48	(289)	73
<b>Net income (loss) – adjusted</b>	<b>\$ (507)</b>	<b>\$ (430)</b>	<b>\$ (335)</b>
<b>Decomposition of items included in net income (loss) – adjusted</b>			
Net corporate expenses	\$ (715)	\$ (822)	\$ (767)
Other	190	320	311
Non-controlling interests	18	72	121
<b>Net income (loss) – adjusted</b>	<b>\$ (507)</b>	<b>\$ (430)</b>	<b>\$ (335)</b>
<b>Selected volumes</b>			
Average number of full-time equivalent staff	16,884	15,042	14,368

<sup>1</sup> The reduction of the U.S. federal corporate tax rate enacted by the U.S. Tax Act resulted in a net charge to earnings during 2018 of \$392 million, comprising a net \$48 million pre-tax charge related to the write-down of certain tax credit-related investments, partially offset by the favourable impact of the Bank's share of TD Ameritrade's remeasurement of its deferred income tax balances and a net \$344 million income tax expense resulting from the remeasurement of the Bank's deferred tax assets and liabilities to the lower base rate of 21% and other related tax adjustments.

<sup>2</sup> Effective February 1, 2017, the total gains and losses on derivatives hedging the reclassified AFS securities portfolio (classified as FVOCI under IFRS 9 and AFS under IAS 39) are recorded in Wholesale Banking, previously reported in the Corporate

segment and treated as an item of note. Refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "How We Performed" section of this document.

<sup>3</sup> Effective November 1, 2017, the PCL related to the allowances for credit losses for all three stages are recorded within the respective segment. Under IAS 39 and prior to November 1, 2017, the PCL related to the incurred but not identified allowance for credit losses related to products in the Canadian Retail and Wholesale Banking segments were recorded in the Corporate segment.

<sup>4</sup> For explanations of items of note, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "Financial Results Overview" section of this document.

Corporate segment includes expenses related to a number of service and control functions, the impact of treasury and balance sheet management activities, tax items at an enterprise level, and intercompany adjustments such as elimination of TEB and the retailer program partners' share relating to the U.S. strategic cards portfolio.

The Corporate segment reported net loss for the year was \$766 million, compared with a reported net loss of \$1,091 million last year. The year-over-year decrease in reported net loss was attributable to the impact from U.S. tax reform last year and lower net corporate expenses in the current year, partially offset by lower contribution from other items and non-controlling interests. Other items decreased reflecting lower revenue from treasury and balance sheet management activities and the impact of legal provisions in the current year. Net corporate expenses decreased primarily reflecting lower net pension expenses in the current year, partially offset by restructuring charges of \$51 million. The adjusted net loss for the year was \$507 million, compared with an adjusted net loss of \$430 million last year.

### FOCUS FOR 2020

**In 2020, service and control groups within the Corporate segment will continue supporting our Business segments as well as executing enterprise and regulatory initiatives and managing the Bank's balance sheet and funding activities. We will continue to proactively address the complexities and challenges from changing demands and expectations of our customers, communities, colleagues, governments and regulators. We will maintain focus on the design, development, and implementation of processes, systems, technologies, enterprise and regulatory controls and initiatives to enable the Bank's key businesses to operate efficiently, effectively, and to be in compliance with all applicable regulatory requirements.**

## Summary of 2018 Performance

TABLE 22 REVIEW OF 2018 FINANCIAL PERFORMANCE <sup>1</sup>					
(millions of Canadian dollars)	Canadian Retail	U.S. Retail	Wholesale Banking	Corporate	Total
Net interest income	\$ 11,576	\$ 8,176	\$ 1,150	\$ 1,337	\$ 22,239
Non-interest income	11,137	2,768	2,367	381	16,653
Total revenue	22,713	10,944	3,517	1,718	38,892
Provision for (recovery of) credit losses – impaired	927	776	(8)	471	2,166
Provision for (recovery of) credit losses – performing	71	141	11	91	314
Total provision for (recovery of) credit losses	998	917	3	562	2,480
Insurance claims and related expenses	2,444	–	–	–	2,444
Non-interest expenses	9,473	6,100	2,125	2,497	20,195
Net income (loss) before provision for income taxes	9,798	3,927	1,389	(1,341)	13,773
Provision for (recovery of) income taxes	2,615	432	335	(200)	3,182
Equity in net income of an investment in TD Ameritrade	–	693	–	50	743
<b>Net income (loss) – reported</b>	<b>7,183</b>	<b>4,188</b>	<b>1,054</b>	<b>(1,091)</b>	<b>11,334</b>
Adjustments for items of note, net of income taxes	–	188	–	661	849
<b>Net income (loss) – adjusted</b>	<b>\$ 7,183</b>	<b>\$ 4,376</b>	<b>\$ 1,054</b>	<b>\$ (430)</b>	<b>\$ 12,183</b>

<sup>1</sup> Certain comparative amounts have been recast to conform with the presentation adopted in the current period.

### NET INCOME

Reported net income for the year was \$11,334 million, an increase of \$817 million, or 8%, compared with the prior year. The increase reflects revenue growth and a higher contribution from TD Ameritrade, partially offset by a higher PCL, reflecting the Bank's adoption of IFRS 9, an increase in non-interest expenses, and a higher effective tax rate. Reported diluted EPS for the year was \$6.01, an increase of 9%, compared with \$5.50 in the prior year. Adjusted diluted EPS for the year was \$6.47, a 17% increase, compared with \$5.54 in the prior year.

Reported revenue was \$38,892 million, an increase of \$2,690 million, or 7%, compared with the prior year. Adjusted revenue was \$38,981 million, an increase of \$2,982 million, or 8%, compared with the prior year.

### NET INTEREST INCOME

Net interest income for the year was \$22,239 million, an increase of \$1,392 million, or 7%, compared with the prior year. The increase reflects loan and deposit volume growth and higher margins in the Canadian and U.S. Retail segments, and the benefit of the Scottrade transaction, partially offset by the impact of foreign currency translation.

By segment, the increase in reported net interest income was due to an increase in Canadian Retail of \$965 million, or 9%, an increase in U.S. Retail of \$690 million, or 9%, and an increase in the Corporate segment of \$391 million, or 41%, partially offset by a decrease in Wholesale Banking of \$654 million, or 36%.

### NON-INTEREST INCOME

Reported non-interest income for the year was \$16,653 million, an increase of \$1,298 million, or 8%, compared with the prior year. The increase reflects higher non-interest income in Wholesale Banking, fee-based income in the Canadian and U.S. Retail segments, wealth asset growth, an increase in revenues for the insurance business, and higher trading volumes in the direct investing business in the Canadian Retail segment. The increase was partially offset by the dilution gain on the Scottrade transaction in the prior year and losses on certain tax credit-related investments in the year. Adjusted non-interest income for the year was \$16,742 million, an increase of \$1,590 million, or 10%, compared with the prior year.

By segment, the increase in reported non-interest income was due to an increase in Wholesale Banking of \$847 million, or 56%, an increase in Canadian Retail of \$686 million, or 7%, and an increase in U.S. Retail of \$33 million, or 1%, partially offset by a decrease in Corporate of \$268 million, or 41%.

### PROVISION FOR CREDIT LOSSES

PCL for the year was \$2,480 million, an increase of \$264 million, or 12%, compared with the prior year. PCL – impaired was \$2,166 million, an increase of \$176 million, or 9%, primarily reflecting U.S. credit card and U.S. auto portfolio volume growth, seasoning and mix, partially offset by strong credit performance in Canadian Retail. PCL – performing was \$314 million, an increase of \$88 million, or 39%, primarily reflecting the impact of methodology changes related to the adoption of IFRS 9 including where Stage 2 loans were measured based on a lifetime expected credit loss (ECL). Total PCL year to date as an annualized percentage of credit volume was 0.39%.

By segment, the increase in PCL was due to an increase in U.S. Retail of \$125 million, or 16%, an increase in the Corporate segment of \$96 million, or 21% (largely reflecting PCL for the U.S. strategic cards portfolio, which is offset in Corporate segment non-interest expenses), an increase in Wholesale Banking of \$31 million, and an increase in Canadian Retail of \$12 million, or 1%.

### INSURANCE CLAIMS AND RELATED EXPENSES

Insurance claims and related expenses were \$2,444 million, an increase of \$198 million, or 9%, compared with the prior year, reflecting an increase in reinsurance liabilities assumed, more severe weather-related events, higher current year claims, and changes in the fair value of investments supporting claims liabilities which resulted in a similar increase to non-interest income, partially offset by more favourable prior years' claims development, and the impact of changes to forward-looking actuarial assumptions.

### NON-INTEREST EXPENSES

Reported non-interest expenses for the year were \$20,195 million, an increase of \$776 million, or 4%, compared with the prior year. The increase was primarily due to an increase in employee-related expenses including revenue-based variable compensation expenses, business and volume growth, and higher spend related to strategic initiatives, partially offset by productivity savings.

By segment, the increase in non-interest expenses was due to an increase in Canadian Retail of \$539 million, or 6%, an increase in U.S. Retail of \$222 million, or 4%, an increase in Wholesale Banking of \$143 million, or 7%, partially offset by a decrease in the Corporate segment of \$128 million, or 5%.

## PROVISION FOR INCOME TAXES

Reported total income and other taxes increased \$1,022 million, or 28.6%, compared with last year, reflecting an increase in income tax expense of \$929 million, or 41.2%, and an increase in other taxes of \$93 million, or 7.1%. Adjusted total income and other taxes were up \$655 million from last year, or 17.9%, reflecting an increase in income tax expense of \$562 million.

The Bank's reported effective tax rate was 23.1% for 2018, compared with 18.3% last year. The year-over-year increase was largely due to higher income before taxes, lower tax-exempt dividend income, the impact of U.S. tax reform on U.S. deferred tax assets and liabilities and a prior year non-taxable dilution gain on the Scottrade transaction, partially offset by the lower U.S. federal tax rate associated with U.S. tax reform. For a reconciliation of the Bank's effective income tax rate with the Canadian statutory income tax rate, refer to Note 25 of the 2018 Consolidated Financial Statements.

The Bank's adjusted effective income tax rate for 2018 was 20.5%, compared with 18.9% last year. The year-over-year increase was largely due to higher income before taxes and lower tax-exempt dividend income, partially offset by the lower U.S. federal tax rate associated with U.S. tax reform.

The Bank reports its investment in TD Ameritrade using the equity method of accounting. TD Ameritrade's tax expense of \$206 million in 2018, compared with \$268 million last year, was not part of the Bank's effective tax rate.

## BALANCE SHEET

**Total assets** were \$1,335 billion as at October 31, 2018, an increase of \$56 billion, or 4%, from November 1, 2017. The increase was primarily due to loans, net of allowance for loan losses of \$43 billion, debt securities at amortized cost, net of allowance for credit losses of \$31 billion, trading loans, securities, and other of \$24 billion, and derivatives of \$1 billion. The increase was partially offset by decreases in cash and interest-bearing deposits with banks of \$20 billion, financial assets at FVOCI of \$13 billion, securities purchased under reverse repurchase agreements of \$7 billion, and non-trading financial assets at fair value through profit and loss of \$5 billion. The foreign currency translation impact on total assets, primarily in the U.S. Retail segment, was an increase of approximately \$10 billion, or 1%.

**Total liabilities** were \$1,255 billion as at October 31, 2018, an increase of \$51 billion, or 4%, from November 1, 2017. The increase was primarily due to trading deposits of \$35 billion, deposits of \$19 billion, and obligations related to securities sold under repurchase agreements of \$5 billion. The increase was partially offset by decreases in derivatives of \$3 billion, subordinated notes and debentures of \$1 billion, and other liabilities of \$4 billion. The foreign currency translation impact on total liabilities, primarily in the U.S. Retail segment, was an increase of approximately \$10 billion, or 1%.

**Equity** was \$80 billion as at October 31, 2018, an increase of \$5 billion, or 6%, from November 1, 2017. The increase was primarily due to higher retained earnings, partially offset by a decrease in other comprehensive income due to losses on cash flow hedges.

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## 2018 FINANCIAL RESULTS OVERVIEW

### 2018 Financial Performance by Business Line

**Canadian Retail** net income for the year was \$7,183 million, an increase of \$658 million, or 10%, compared with last year. The increase in earnings reflects revenue growth, partially offset by higher non-interest expenses, insurance claims, and PCL. The ROE for the year was 47.8%, compared with 45.2% last year.

Canadian Retail revenue is derived from Canadian personal and commercial banking, wealth, and insurance businesses. Revenue for the year was \$22,713 million, an increase of \$1,651 million, or 8%, compared with last year.

Net interest income increased \$965 million, or 9%, reflecting volume growth and higher margins. Average loan volumes increased \$23 billion, or 6%, reflecting 5% growth in personal loans and 10% growth in business loans. Average deposit volumes increased \$15 billion, or 5%, reflecting 4% growth in personal deposits and 8% growth in business deposits. Net interest margin was 2.91%, or an increase of 8 bps, reflecting rising interest rates, partially offset by competitive pricing in loans.

Non-interest income increased \$686 million, or 7%, reflecting wealth asset growth, an increase in revenues from the insurance business, higher fee-based revenue in the personal banking business, and higher trading volumes in the direct investing business. An increase in the fair value of investments supporting claims liabilities, which resulted in a similar increase to insurance claims, increased non-interest income by \$41 million.

AUA were \$389 billion as at October 31, 2018, an increase of \$2 billion, or 1%, compared with last year, reflecting new asset growth, partially offset by decreases in market value. AUM were \$289 billion as at October 31, 2018, an increase of \$6 billion, or 2%, compared with last year, reflecting new asset growth.

PCL for the twelve months ended October 31, 2018 was \$998 million, an increase of \$12 million, or 1% compared with last year. PCL – impaired was \$927 million, a decrease of \$59 million, or 6%, reflecting strong credit performance across all business lines. PCL – performing (recorded in the Corporate segment last year as incurred but not identified credit losses under IAS 39) was \$71 million primarily reflecting the adoption of IFRS 9 including where Stage 2 loans are measured on a lifetime ECL. Full year PCL as a percentage of credit volume was 0.25%, a decrease of 1 basis point. Net impaired loans were \$664 million, an increase of \$109 million, or 20%. Net impaired loans as a percentage of total loans were 0.16%, compared with 0.15%, as at October 31, 2017.

Insurance claims and related expenses for the year were \$2,444 million, an increase of \$198 million, or 9%, compared with last year, reflecting an increase in reinsurance liabilities assumed, more severe weather-related events, higher current year claims, and an increase in the fair value of investments supporting claims liabilities which resulted in a similar increase to non-interest income, partially offset by more favourable prior years' claims development, and the impact of changes to forward-looking actuarial assumptions.

Non-interest expenses for the year were \$9,473 million, an increase of \$539 million, or 6%, compared with last year, reflecting increased employee-related expenses including revenue-based variable compensation expenses in the wealth business, increased marketing and promotion costs, increased spend related to strategic initiatives, and restructuring costs across a number of businesses.

The efficiency ratio was 41.7%, compared with 42.4% last year.

**U.S. Retail** reported net income for the year was \$4,188 million (US\$3,253 million), an increase of \$866 million (US\$717 million), or 26% (28% in U.S. dollars), compared with last year. On an adjusted basis, net income for the year was \$4,376 million (US\$3,401 million), an increase of \$1,018 million (US\$836 million), or 30% (33% in U.S. dollars). The reported and adjusted ROE for the year was 12.2% and 12.8%, respectively, compared with 9.7%, and 9.8%, respectively, in the prior year.

U.S. Retail net income includes contributions from the U.S. Retail Bank and the Bank's investment in TD Ameritrade. Reported net income for the year from the U.S. Retail Bank and the Bank's investment in TD Ameritrade were \$3,495 million (US\$2,715 million) and \$693 million (US\$538 million), respectively. On an adjusted basis for the year, the U.S. Retail Bank and the Bank's investment in TD Ameritrade contributed net income of \$3,511 million (US\$2,728 million) and \$865 million (US\$673 million), respectively.

The reported contribution from TD Ameritrade of US\$538 million increased US\$202 million, or 60%, compared with last year, primarily due to the benefit of the Scottrade transaction, higher interest rates, increased trading volumes, and a lower corporate tax rate, partially offset by higher operating expenses and charges associated with the Scottrade transaction. On an adjusted basis, the contribution from TD Ameritrade increased US\$321 million, or 91%.

U.S. Retail Bank reported net income for the year was US\$2,715 million, an increase of US\$515 million, or 23%, compared with last year, primarily due to higher loan and deposit volumes, higher deposit margins, fee income growth, the benefit of the Scottrade transaction, and a lower corporate tax rate, partially offset by higher expenses and PCL. U.S. Retail Bank adjusted net income increased US\$515 million, or 23%.

U.S. Retail Bank revenue is derived from personal and business banking, and wealth management. Revenue for the year was US\$8,501 million, an increase of US\$683 million, or 9%, compared with last year. Net interest income increased US\$623 million, or 11%, primarily due to a more favourable interest rate environment, growth in loan and deposit volumes, and the benefit of the Scottrade transaction. Net interest margin was 3.29%, an 18 bps increase primarily due to higher deposit margins and balance sheet mix. Non-interest income increased US\$60 million, or 3%, reflecting fee income growth in personal and commercial banking, partially offset by losses on certain tax credit-related investments.

Average loan volumes increased US\$6 billion, or 4%, compared with last year, due to growth in personal and business loans of 6% and 3%, respectively. Average deposit volumes increased US\$19 billion, or 8%, reflecting 1% growth in business deposit volumes, 4% growth in personal deposit volumes and a 15% increase in sweep deposit volume primarily due to the Scottrade transaction.

AUA were US\$19 billion as at October 31, 2018, relatively flat compared with the prior year. AUM were US\$52 billion as at October 31, 2018, a decrease of 17%, reflecting net fund outflows.

PCL was US\$713 million, an increase of US\$106 million, or 17%, compared with last year. PCL – impaired was US\$605 million, an increase of US\$107 million, or 21%, primarily reflecting volume growth, seasoning, and mix in the credit card and auto portfolios. PCL – performing was US\$108 million, relatively flat compared to

last year, primarily reflecting lower provisions for the commercial portfolios, offset by the impact of methodology changes related to the adoption of IFRS 9 where Stage 2 loans are now measured based on a lifetime ECL. U.S. Retail PCL including only the Bank's contractual portion of credit losses in the U.S. strategic cards portfolio, as an annualized percentage of credit volume was 0.48%, or an increase of 6 bps. Net impaired loans, excluding ACI loans, were US\$1.4 billion, a decrease of US\$45 million, or 3%. Excluding ACI loans, net impaired loans as a percentage of total loans were 1% as at October 31, 2018.

Reported non-interest expenses for the year were US\$4,739 million, an increase of US\$239 million, or 5%, compared with last year, reflecting higher investments in business initiatives, business and volume growth, and employee-related costs, partially offset by productivity savings. On an adjusted basis, non-interest expenses for the year were US\$4,722 million, an increase of US\$243 million, or 5%.

The reported and adjusted efficiency ratios for the year were 55.7% and 55.5%, respectively, compared with 57.6% and 57.3%, respectively, last year.

**Wholesale Banking** net income for the year was \$1,054 million, an increase of \$15 million, or 1%, compared with the prior year reflecting higher revenue, partially offset by higher non-interest expenses and PCL for the year compared to a net recovery of PCL in the prior year. The ROE for the year was 17.7%, compared with 17.4% in the prior year.

Revenue for the year was \$3,517 million, an increase of \$193 million, or 6%, compared with the prior year reflecting increased corporate lending, advisory fees, and trading-related revenue.

PCL for the year was \$3 million, compared with a net recovery of \$28 million in the prior year. PCL – impaired was a net recovery of \$8 million, compared with a net recovery of \$28 million in the prior year, reflecting a lower recovery of provisions in the oil and gas sector. PCL – performing (recorded in the Corporate segment last year as incurred but not identified credit losses under IAS 39) for the year was \$11 million primarily reflecting the adoption of IFRS 9 including where Stage 2 loans are measured on a lifetime ECL.

Non-interest expenses were \$2,125 million, an increase of \$143 million, or 7%, compared with the prior year reflecting continued investments in employees supporting the global expansion of Wholesale Banking's U.S. dollar strategy, higher initiative spend to enhance new product capabilities and higher variable compensation commensurate with increased revenue, partially offset by the revaluation of certain liabilities for post-retirement benefits.

**Corporate segment** reported net loss for the year was \$1,091 million, compared with a reported net loss of \$369 million last year. The year-over-year increase in reported net loss was attributable to the impact from U.S. tax reform this year, the dilution gain on the Scottrade transaction last year, increased net corporate expenses and decreased non-controlling interests this year and the gain on fair value of derivatives hedging the reclassified AFS securities portfolio last year. Net corporate expenses increased primarily due to the positive impact of tax adjustments last year, the impact of the reduction of the U.S. corporate tax rate on current year expenses and investments in advanced analytic and artificial intelligence capabilities in the current year. The adjusted net loss for the year was \$430 million, compared with an adjusted net loss of \$335 million last year.

## GROUP FINANCIAL CONDITION

# Balance Sheet Review

### AT A GLANCE OVERVIEW

Total assets were \$1,415 billion as at October 31, 2019, an increase of \$80 billion, or 6%, compared with October 31, 2018.

TABLE 23 CONDENSED CONSOLIDATED BALANCE SHEET ITEMS<sup>1</sup>

(millions of Canadian dollars)

	As at	
	October 31 2019	October 31 2018
<b>Assets</b>		
Cash and interest-bearing deposits with banks	\$ 30,446	\$ 35,455
Trading loans, securities, and other	146,000	127,897
Non-trading financial assets at fair value through profit or loss	6,503	4,015
Derivatives	48,894	56,996
Financial assets designated at fair value through profit or loss	4,040	3,618
Financial assets at fair value through other comprehensive income	111,104	130,600
Debt securities at amortized cost, net of allowance for credit losses	130,497	107,171
Securities purchased under reverse repurchase agreements	165,935	127,379
Loans, net of allowance for loan losses	684,608	646,393
Other	87,263	95,379
<b>Total assets</b>	<b>\$ 1,415,290</b>	<b>\$ 1,334,903</b>
<b>Liabilities</b>		
Trading deposits	\$ 26,885	\$ 114,704
Derivatives	50,051	48,270
Financial liabilities designated at fair value through profit or loss	105,131	16
Deposits	886,977	851,439
Obligations related to securities sold under repurchase agreements	125,856	93,389
Subordinated notes and debentures	10,725	8,740
Other	121,964	138,305
<b>Total liabilities</b>	<b>1,327,589</b>	<b>1,254,863</b>
<b>Total equity</b>	<b>87,701</b>	<b>80,040</b>
<b>Total liabilities and equity</b>	<b>\$ 1,415,290</b>	<b>\$ 1,334,903</b>

<sup>1</sup> Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

**Total assets** were \$1,415 billion as at October 31, 2019, an increase of \$80 billion, or 6%, from October 31, 2018. The increase reflects securities purchased under reverse repurchase agreements of \$39 billion, loans, net of allowance for loan losses of \$38 billion, debt securities at amortized cost, net of allowance for credit losses of \$23 billion, trading loans, securities, and other of \$18 billion, and non-trading financial assets at fair value through profit or loss of \$2 billion. The increase was partially offset by decreases in financial assets at fair value through other comprehensive income of \$19 billion, derivatives of \$8 billion, cash and interest-bearing deposits with banks of \$5 billion, and other assets of \$8 billion.

**Cash and interest-bearing deposits with banks** decreased \$5 billion reflecting cash management activities.

**Trading loans, securities, and other** increased by \$18 billion reflecting an increase in trading volume.

**Non-trading financial assets at fair value through profit or loss** increased \$2 billion reflecting new investments.

**Derivatives** decreased \$8 billion reflecting the impact of netting positions, partially offset by higher mark-to-market values on interest rate swaps.

**Financial assets at fair value through other comprehensive income** decreased \$19 billion reflecting maturities and sales, partially offset by new investments.

**Debt securities at amortized cost, net of allowance for credit losses** increased \$23 billion reflecting new investments, partially offset by maturities.

**Securities purchased under reverse repurchase agreements** increased \$39 billion reflecting an increase in trading volume and financing activities.

**Loans, net of allowance for loan losses** increased \$38 billion reflecting growth in business and government loans, residential mortgages, and other personal loans.

**Other** assets decreased \$8 billion reflecting amounts receivable from brokers, dealers and clients due to unsettled and pending trades.

**Total liabilities** were \$1,328 billion as at October 31, 2019, an increase of \$72 billion, or 6%, from October 31, 2018. The increase reflects financial liabilities designated at fair value through profit or loss of \$105 billion, deposits of \$35 billion, obligations related to securities sold under repurchase agreements of \$32 billion, derivatives of \$2 billion, and subordinated notes and debentures of \$2 billion. The increase was partially offset by decreases in trading deposits of \$88 billion, and other liabilities of \$16 billion.

**Trading deposits** decreased \$88 billion reflecting maturing deposits, partially offset by issuances of financial liabilities designated at fair value through profit or loss.

**Derivatives** increased \$2 billion reflecting higher mark-to-market values on interest rate swaps, partially offset by the impact of netting positions.

**Financial liabilities designated at fair value through profit or loss** increased \$105 billion reflecting new issuances of funding instruments.

**Deposits** increased \$35 billion reflecting an increase in personal deposits, and business and government deposits.

**Obligations related to securities sold under repurchase agreements** increased \$32 billion reflecting an increase in trading volume and financing activities.

**Subordinated notes and debentures** increased \$2 billion reflecting the issuance of non-viability contingent capital (NVCC) subordinated debentures.

**Other** liabilities decreased \$16 billion reflecting amounts payable to brokers, dealers, and clients due to unsettled and pending trades, and obligations related to securities sold short.

**Equity** was \$88 billion as at October 31, 2019, an increase of \$8 billion, or 10%, from October 31, 2018. The increase reflects other comprehensive income from gains on cash flow hedges, retained earnings, the issuance of Non-Cumulative 5-year Rate Reset Preferred Shares, Series 22 and 24, and the issuance of common shares due to the acquisition of Greystone, partially offset by the redemption of the TD Capital Trust III securities.

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## GROUP FINANCIAL CONDITION

### Credit Portfolio Quality

#### AT A GLANCE OVERVIEW

- **Loans and acceptances net of allowance for loan losses were \$700 billion, an increase of \$34 billion compared with last year.**
- **Impaired loans net of Stage 3 allowances were \$2,298 million, a decrease of \$170 million compared with last year.**
- **Provision for credit losses was \$3,029 million, compared with \$2,480 million last year.**
- **Total allowance for credit losses including off-balance sheet positions increased by \$378 million to \$5,036 million.**

Effective November 1, 2017, the Bank adopted IFRS 9, which replaces the guidance in IAS 39. The Bank periodically reviews the methodology for assessing significant increase in credit risk and ECLs. Refer to Notes 2 and 3 of the 2019 Consolidated Financial Statements for a summary of the Bank's accounting policies and significant accounting judgments, estimates, and assumptions. Forward-looking information is incorporated as appropriate where macroeconomic scenarios and associated probability weights are updated quarterly and incorporated to determine the probability-weighted ECLs. As part of periodic review and updates, certain revisions may be made to reflect updates in statistically derived loss estimates for the Bank's recent loss experience of its credit portfolios and forward-looking views, which may cause a change to the allowance for ECLs. During the year, ordinary course updates were made to the forward-looking estimates used to determine the Bank's probability-weighted ECLs. Certain refinements were made to the methodology, the cumulative effect of which was not material and included in the change during 2019. Allowance for credit losses are further described in Note 8 of the 2019 Consolidated Financial Statements.

#### LOAN PORTFOLIO

The Bank increased its credit portfolio net of allowance for loan losses by \$34 billion, or 5%, from the prior year, largely due to volume growth in the business and government, residential mortgages and consumer instalment and other personal portfolios.

While the majority of the credit risk exposure is related to loans and acceptances, the Bank also engaged in activities that have off-balance sheet credit risk. These include credit instruments and derivative financial instruments, as explained in Note 31 of the 2019 Consolidated Financial Statements.

#### CONCENTRATION OF CREDIT RISK

The Bank's loan portfolio continued to be concentrated in Canadian and U.S. residential mortgages, consumer instalment and other personal loans, and credit card loans, representing 64% of total loans net of Stage 3 allowances, stable from 2018. During the year, these portfolios increased by \$20 billion, or 5%, and totalled \$452 billion at year end. Residential mortgages represented 33% of the total loans net of Stage 3 allowances in 2019, down 1% from 2018. Consumer instalment and other personal loans, and credit card loans were 31% of total loans net of Stage 3 allowances in 2019, consistent with 2018.

The Bank's business and government credit exposure was 36% of total loans net of Stage 3 allowances, up 1% from 2018. The largest business and government sector concentrations in Canada were the Real estate and Financial sectors, which comprised 5% and 3%, of net loans respectively. Real estate, Government, public sector entities and education, and health and social services were the largest U.S. sector concentrations in 2019 representing 5%, 2%, and 2% of net loans, respectively.

Geographically, the credit portfolio remained concentrated in Canada. In 2019, the percentage of loans net of Stage 3 allowances held in Canada was 67%, consistent with 2018. The largest Canadian regional exposure was in Ontario, which represented 39% of total loans net of Stage 3 allowances for 2019, compared with 41% in the prior year.

The balance of the credit portfolio was predominantly in the U.S., which represented 33% of loans net of Stage 3 allowances, up 1% from 2018. Exposures to ACI loans, and other geographic regions were relatively small. The largest U.S. regional exposures were in New England, New York, and New Jersey which represented 6%, 6%, and 5% of total loans net of Stage 3 allowances, respectively, compared with 6%, 5% and 5%, respectively, in the prior year.

Under IFRS 9, the Bank now calculates allowances for expected credit losses on debt securities measured at amortized cost and FVOCI. The Bank has \$237,638 million in such debt securities of which \$237,638 million are performing securities (Stage 1 and 2) and none are impaired. The allowance for credit losses on debt securities at amortized cost and debt securities at FVOCI was \$1 million and \$3 million, respectively.

**TABLE 24** **LOANS AND ACCEPTANCES, NET OF STAGE 3 ALLOWANCE FOR LOAN LOSSES (NET OF COUNTERPARTY-SPECIFIC AND INDIVIDUALLY INSIGNIFICANT ALLOWANCES UNDER IAS 39) BY INDUSTRY SECTOR<sup>1,2</sup>**

(millions of Canadian dollars, except as noted)

	As at			Percentage of total				
	October 31 2019	October 31 2018	October 31 2017	October 31 2019	October 31 2018	October 31 2017		
	Gross loans	Stage 3 allowances for loan losses impaired	Net loans	Net loans	Net loans			
<b>Canada</b>								
Residential mortgages	\$ 200,952	\$ 27	\$ 200,925	\$ 193,811	\$ 190,308	28.5%	28.9%	30.1%
Consumer instalment and other personal								
HELOC <sup>3</sup>	91,053	13	91,040	86,147	74,931	12.9	12.8	11.8
Indirect Auto	25,697	53	25,644	24,170	22,245	3.6	3.6	3.5
Other	18,455	42	18,413	18,540	17,326	2.6	2.8	2.8
Credit card	18,428	70	18,358	17,969	17,935	2.6	2.7	2.8
Total personal	354,585	205	354,380	340,637	322,745	50.2	50.8	51.0
Real estate								
Residential	19,818	6	19,812	18,358	17,974	2.8	2.7	2.8
Non-residential	15,932	–	15,932	13,633	12,830	2.3	2.0	2.0
Total real estate	35,750	6	35,744	31,991	30,804	5.1	4.7	4.8
Agriculture	8,191	2	8,189	7,459	6,674	1.2	1.1	1.1
Automotive	6,709	6	6,703	6,918	6,657	1.0	1.0	1.1
Financial	19,836	–	19,836	19,313	13,102	2.8	2.9	2.1
Food, beverage, and tobacco	2,540	1	2,539	2,330	1,968	0.4	0.3	0.3
Forestry	668	–	668	544	500	0.1	0.1	0.1
Government, public sector								
entities, and education	5,531	–	5,531	4,177	4,251	0.8	0.6	0.7
Health and social services	7,142	8	7,134	6,664	5,837	1.0	1.0	0.9
Industrial construction								
and trade contractors	3,539	39	3,500	3,170	2,931	0.5	0.5	0.5
Metals and mining	1,713	10	1,703	1,740	1,400	0.2	0.3	0.2
Pipelines, oil, and gas	4,672	18	4,654	3,901	3,975	0.7	0.6	0.6
Power and utilities	1,971	–	1,971	2,897	2,010	0.3	0.4	0.3
Professional and other services	4,685	11	4,674	4,474	3,865	0.7	0.7	0.6
Retail sector	3,598	6	3,592	3,200	2,782	0.5	0.5	0.4
Sundry manufacturing and wholesale	2,865	16	2,849	2,925	2,742	0.4	0.4	0.4
Telecommunications, cable, and media	2,971	6	2,965	3,134	1,966	0.4	0.5	0.3
Transportation	2,350	6	2,344	1,860	1,671	0.3	0.3	0.3
Other	4,302	6	4,296	4,371	3,805	0.6	0.7	0.6
Total business and government	119,033	141	118,892	111,068	96,940	17.0	16.6	15.3
Total Canada	\$ 473,618	\$ 346	\$ 473,272	\$ 451,705	\$ 419,685	67.2%	67.4%	66.3%

<sup>1</sup> Primarily based on the geographic location of the customer's address.

<sup>2</sup> Includes loans that are measured at FVOCI.

<sup>3</sup> Home Equity Line of Credit.



TABLE 24	LOANS AND ACCEPTANCES, NET OF STAGE 3 ALLOWANCE FOR LOAN LOSSES (NET OF COUNTERPARTY-SPECIFIC AND INDIVIDUALLY INSIGNIFICANT ALLOWANCES UNDER IAS 39) BY INDUSTRY SECTOR (continued) <sup>1,2</sup>									
						As at				
						Percentage of total				
(millions of Canadian dollars, except as noted)					October 31 2019	October 31 2018	October 31 2017	October 31 2019	October 31 2018	October 31 2017
	Gross loans	Stage 3 allowances for loan losses impaired	Net loans	Net loans	Net loans					
<b>United States</b>										
Residential mortgages	\$ 34,501	\$ 26	\$ 34,475	\$ 31,099	\$ 31,435	4.9%	4.6%	5.0%		
Consumer instalment and other personal										
HELOC	11,526	37	11,489	12,275	12,382	1.6	1.8	2.0		
Indirect Auto	32,454	26	32,428	29,845	29,162	4.7	4.5	4.6		
Other	1,113	2	1,111	872	843	0.2	0.1	0.1		
Credit card	18,129	252	17,877	16,700	14,730	2.5	2.5	2.3		
Total personal	97,723	343	97,380	90,791	88,552	13.9	13.5	14.0		
Real estate										
Residential	8,863	5	8,858	8,045	7,309	1.3	1.2	1.2		
Non-residential	24,150	6	24,144	22,419	22,153	3.4	3.3	3.5		
Total real estate	33,013	11	33,002	30,464	29,462	4.7	4.5	4.7		
Agriculture	673	–	673	705	710	0.1	0.1	0.1		
Automotive	6,696	–	6,696	5,750	7,332	1.0	0.9	1.2		
Financial	5,688	–	5,688	7,698	7,130	0.8	1.2	1.1		
Food, beverage, and tobacco	3,591	1	3,590	3,415	3,189	0.5	0.5	0.5		
Forestry	688	–	688	637	567	0.1	0.1	0.1		
Government, public sector entities, and education	12,449	2	12,447	12,451	12,428	1.8	1.9	2.0		
Health and social services	13,177	2	13,175	12,422	11,408	1.9	1.9	1.8		
Industrial construction and trade contractors	2,217	6	2,211	2,058	1,846	0.3	0.3	0.3		
Metals and mining	1,877	–	1,877	1,922	1,674	0.3	0.3	0.3		
Pipelines, oil, and gas	4,543	–	4,543	2,663	2,070	0.6	0.4	0.3		
Power and utilities	3,046	–	3,046	2,833	3,221	0.4	0.4	0.5		
Professional and other services	11,730	7	11,723	10,920	10,384	1.7	1.6	1.6		
Retail sector	5,872	6	5,866	5,374	4,909	0.8	0.8	0.8		
Sundry manufacturing and wholesale	8,733	2	8,731	7,713	7,019	1.2	1.2	1.1		
Telecommunications, cable, and media	4,755	1	4,754	4,896	3,799	0.7	0.7	0.6		
Transportation	10,031	1	10,030	9,976	9,995	1.4	1.5	1.6		
Other	2,439	6	2,433	2,150	2,137	0.3	0.3	0.3		
Total business and government	131,218	45	131,173	124,047	119,280	18.6	18.6	18.9		
Total United States	228,941	388	228,553	214,838	207,832	32.5	32.1	32.9		
<b>International</b>										
Personal	12	–	12	14	14	–	–	–		
Business and government	1,789	–	1,789	2,258	1,579	0.3	0.4	0.2		
Total international	1,801	–	1,801	2,272	1,593	0.3	0.4	0.2		
Total excluding other loans	704,360	734	703,626	668,815	629,110	100.0	99.9	99.4		
<b>Other loans</b>										
Debt securities classified as loans	n/a <sup>3</sup>	n/a	n/a	n/a	3,083	–	–	0.5		
Acquired credit-impaired loans <sup>4</sup>	313	12	301	435	630	–	0.1	0.1		
Total other loans	313	12	301	435	3,713	–	0.1	0.6		
<b>Total</b>	<b>\$ 704,673</b>	<b>\$ 746</b>	<b>\$ 703,927</b>	<b>\$ 669,250</b>	<b>\$ 632,823</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		
<b>Stage 1 and Stage 2 allowance for loan losses – performing (incurred but not identified allowance under IAS 39)</b>										
Personal, business and government <sup>5</sup>			3,701	2,845	2,915					
Debt securities classified as loans			n/a	n/a	20					
Total Stage 1 and Stage 2 allowance for loan losses – performing (incurred but not identified allowance under IAS 39) <sup>5</sup>			3,701	2,845	2,935					
<b>Total, net of allowance<sup>5</sup></b>			<b>\$ 700,226</b>	<b>\$ 666,405</b>	<b>\$ 629,888</b>					
Percentage change over previous year – loans and acceptances, net of Stage 3 allowance for loan losses (impaired) (counterparty-specific and individually insignificant under IAS 39)			5.2%	5.8%	4.7%					
Percentage change over previous year – loans and acceptances, net of allowance			5.1	5.8	4.7					

<sup>1</sup> Primarily based on the geographic location of the customer's address.

<sup>2</sup> Includes loans that are measured at FVOCI.

<sup>3</sup> Not applicable.

<sup>4</sup> Includes all FDIC covered loans and other ACI loans.

<sup>5</sup> In the fourth quarter of 2019, the Bank revised its allocation methodology for the reporting of Allowance for Credit Losses for off-balance sheet instruments for certain retail portfolios.

**TABLE 25 LOANS AND ACCEPTANCES, NET OF STAGE 3 ALLOWANCE FOR LOAN LOSSES (NET OF COUNTERPARTY-SPECIFIC AND INDIVIDUALLY INSIGNIFICANT ALLOWANCES UNDER IAS 39) BY GEOGRAPHY<sup>1,2</sup>**

(millions of Canadian dollars, except as noted)

	As at					Percentage of total		
	October 31 2019	October 31 2018	October 31 2017	October 31 2019	October 31 2018	October 31 2017		
	<b>Gross loans</b>	<b>Stage 3 allowances for loan losses impaired</b>	<b>Net loans</b>	Net loans	Net loans			
<b>Canada</b>								
Atlantic provinces	\$ 12,735	\$ 13	\$ 12,722	\$ 11,741	\$ 11,378	1.8%	1.8%	1.8%
British Columbia <sup>3</sup>	67,446	31	67,415	63,345	57,924	9.6	9.5	9.2
Ontario <sup>3</sup>	277,859	204	277,655	272,694	249,508	39.4	40.6	39.4
Prairies <sup>3</sup>	76,007	75	75,932	70,258	68,879	10.8	10.5	10.9
Québec	39,571	23	39,548	33,667	31,996	5.6	5.0	5.0
<b>Total Canada</b>	<b>473,618</b>	<b>346</b>	<b>473,272</b>	451,705	419,685	<b>67.2</b>	67.4	66.3
<b>United States</b>								
Carolinas (North and South)	12,703	15	12,688	11,511	10,813	1.8	1.7	1.7
Florida	18,190	27	18,163	17,552	15,806	2.6	2.6	2.5
New England <sup>4</sup>	42,482	48	42,434	41,471	38,564	6.0	6.2	6.1
New Jersey	31,488	32	31,456	33,330	34,024	4.5	5.0	5.4
New York	39,602	47	39,555	36,340	35,118	5.6	5.4	5.6
Pennsylvania	13,015	18	12,997	11,884	11,594	1.9	1.8	1.8
Other	71,461	201	71,260	62,750	61,913	10.1	9.4	9.8
<b>Total United States</b>	<b>228,941</b>	<b>388</b>	<b>228,553</b>	214,838	207,832	<b>32.5</b>	32.1	32.9
<b>International</b>								
Europe	1,022	–	1,022	1,059	678	0.2	0.2	0.1
Other	779	–	779	1,213	915	0.1	0.2	0.1
<b>Total international</b>	<b>1,801</b>	<b>–</b>	<b>1,801</b>	2,272	1,593	<b>0.3</b>	0.4	0.2
<b>Total excluding other loans</b>	<b>704,360</b>	<b>734</b>	<b>703,626</b>	668,815	629,110	<b>100.0</b>	99.9	99.4
<b>Other loans</b>	<b>313</b>	<b>12</b>	<b>301</b>	435	3,713	–	0.1	0.6
<b>Total</b>	<b>\$ 704,673</b>	<b>\$ 746</b>	<b>\$ 703,927</b>	\$ 669,250	\$ 632,823	<b>100.0%</b>	100.0%	100.0%
Stage 1 and Stage 2 allowances (incurred but not identified allowance under IAS 39) <sup>5</sup>			3,701	2,845	2,935			
<b>Total, net of allowance<sup>5</sup></b>			<b>\$ 700,226</b>	\$ 666,405	\$ 629,888			

**Percentage change over previous year – loans and acceptances, net of Stage 3 allowances for loan losses (impaired) (counterparty-specific and individually insignificant under IAS 39)**

	2019	2018	2017
Canada	4.8%	7.6%	4.8%
United States	6.4	3.4	3.9
International	(20.7)	42.6	4.2
Other loans	(30.8)	(88.3)	56.0
<b>Total</b>	<b>5.1%</b>	5.8%	4.7%

<sup>1</sup> Primarily based on the geographic location of the customer's address.

<sup>2</sup> Includes loans that are measured at FVOCI.

<sup>3</sup> The territories are included as follows: Yukon is included in British Columbia; Nunavut is included in Ontario; and Northwest Territories is included in the Prairies region.

<sup>4</sup> The states included in New England are as follows: Connecticut, Maine, Massachusetts, New Hampshire, and Vermont.

<sup>5</sup> In the fourth quarter of 2019, the Bank revised its allocation methodology for the reporting of Allowance for Credit Losses for off-balance sheet instruments for certain retail portfolios.

## REAL ESTATE SECURED LENDING

Retail real estate secured lending includes mortgages and lines of credit to North American consumers to satisfy financing needs including home purchases and refinancing. While the Bank retains first lien on the majority of properties held as security, there is a small portion of loans with second liens, but most of these are behind a TD mortgage that is in first position. In Canada, credit policies are designed so that the combined exposure of all uninsured facilities on one property does not exceed 80% of the collateral value at origination. Lending at a higher loan-to-value ratio is permitted by legislation but requires default insurance. This insurance is contractual coverage for the life of eligible facilities and protects the Bank's real estate secured lending portfolio against potential losses caused by borrowers' default. The Bank also purchases default insurance on lower loan-to-value ratio loans. The insurance is provided by either government-backed entities or approved private mortgage insurers. In the U.S., for residential

mortgage originations, mortgage insurance is usually obtained from either government-backed entities or approved private mortgage insurers when the loan-to-value exceeds 80% of the collateral value at origination.

The Bank regularly performs stress tests on its real estate lending portfolio as part of its overall stress testing program. This is done with a view to determine the extent to which the portfolio would be vulnerable to a severe downturn in economic conditions. The effect of severe changes in house prices, interest rates, and unemployment levels are among the factors considered when assessing the impact on credit losses and the Bank's overall profitability. A variety of portfolio segments, including dwelling type and geographical regions, are examined during the exercise to determine whether specific vulnerabilities exist. Based on the Bank's most recent reviews, potential losses on all real estate secured lending exposures are considered manageable.

**TABLE 26 CANADIAN REAL ESTATE SECURED LENDING<sup>1</sup>**

(millions of Canadian dollars)

As at

	Amortizing		Non-amortizing	Total real estate secured lending
	Residential mortgages	Home equity lines of credit	Home equity lines of credit	
	Total amortizing real estate secured lending			
				October 31, 2019
<b>Total</b>	<b>\$ 200,952</b>	<b>\$ 56,503</b>	<b>\$ 257,455</b>	<b>\$ 34,550</b>
				October 31, 2018
<b>Total</b>	<b>\$ 193,829</b>	<b>\$ 50,554</b>	<b>\$ 244,383</b>	<b>\$ 35,605</b>

<sup>1</sup> Excludes loans classified as trading as the Bank intends to sell the loans immediately or in the near term, and loans designated at fair value through profit or loss for which no allowance is recorded.

**TABLE 27 REAL ESTATE SECURED LENDING<sup>1,2,3</sup>**

(millions of Canadian dollars, except as noted)

As at

	Residential mortgages		Home equity lines of credit		Total	
	Insured <sup>4</sup>	Uninsured	Insured <sup>4</sup>	Uninsured	Insured <sup>4</sup>	Uninsured
						October 31, 2019
<b>Canada</b>						
Atlantic provinces	\$ 3,340	1.7%	\$ 2,861	1.4%	\$ 363	0.4%
British Columbia <sup>5</sup>	10,944	5.4	26,395	13.1	1,872	2.1
Ontario <sup>5</sup>	31,299	15.6	69,399	34.5	6,650	7.3
Prairies <sup>5</sup>	22,283	11.1	16,062	8.0	3,008	3.3
Québec	8,823	4.4	9,546	4.8	1,149	1.3
<b>Total Canada</b>	<b>76,689</b>	<b>38.2%</b>	<b>124,263</b>	<b>61.8%</b>	<b>13,042</b>	<b>14.4%</b>
United States	938		33,750		–	
<b>Total</b>	<b>\$ 77,627</b>		<b>\$ 158,013</b>		<b>\$ 13,042</b>	<b>\$ 89,560</b>
						October 31, 2018
<b>Canada</b>						
Atlantic provinces	\$ 3,492	1.8%	\$ 2,544	1.3%	\$ 424	0.5%
British Columbia <sup>5</sup>	12,389	6.4	23,460	12.1	1,981	2.3
Ontario <sup>5</sup>	35,355	18.2	60,308	31.2	7,052	8.2
Prairies <sup>5</sup>	23,561	12.2	14,998	7.7	3,408	4.0
Québec	9,350	4.8	8,372	4.3	1,105	1.3
<b>Total Canada</b>	<b>84,147</b>	<b>43.4%</b>	<b>109,682</b>	<b>56.6%</b>	<b>13,970</b>	<b>16.3%</b>
United States	900		30,462		1	
<b>Total</b>	<b>\$ 85,047</b>		<b>\$ 140,144</b>		<b>\$ 13,971</b>	<b>\$ 84,556</b>

<sup>1</sup> Certain comparative amounts have been restated to conform with the presentation adopted in the current period.

<sup>2</sup> Geographic location is based on the address of the property mortgaged.

<sup>3</sup> Excludes loans classified as trading as the Bank intends to sell the loans immediately or in the near term, and loans designated at fair value through profit or loss for which no allowance is recorded.

<sup>4</sup> Default insurance is contractual coverage for the life of eligible facilities whereby the Bank's exposure to real estate secured lending, all or in part, is protected against potential losses caused by borrower default. It is provided by either government-backed entities or other approved private mortgage insurers.

<sup>5</sup> The territories are included as follows: Yukon is included in British Columbia; Nunavut is included in Ontario; and the Northwest Territories is included in the Prairies region.

The following table provides a summary of the Bank's residential mortgages by remaining amortization period. All figures are calculated based on current customer payment behaviour in order to properly reflect the propensity to prepay by borrowers. The current customer

payment basis accounts for any accelerated payments made to-date and projects remaining amortization based on existing balance outstanding and current payment terms.

**TABLE 28 RESIDENTIAL MORTGAGES BY REMAINING AMORTIZATION<sup>1,2</sup>**

As at

	<5 years	5- <10 years	10- <15 years	15- <20 years	20- <25 years	25- <30 years	30- <35 years	>=35 years	Total
Canada	1.0%	3.6%	6.5%	16.2%	44.2%	27.8%	0.7%	–%	100.0%
United States	4.8	6.3	4.8	6.1	25.8	49.9	2.0	0.3	100.0
<b>Total</b>	<b>1.6%</b>	<b>4.0%</b>	<b>6.3%</b>	<b>14.7%</b>	<b>41.4%</b>	<b>31.1%</b>	<b>0.9%</b>	<b>–%</b>	<b>100.0%</b>
									October 31, 2018
Canada	1.0%	3.8%	6.7%	15.1%	42.7%	30.1%	0.6%	–%	100.0%
United States	4.8	8.2	4.8	5.2	29.4	46.3	1.0	0.3	100.0
<b>Total</b>	<b>1.6%</b>	<b>4.4%</b>	<b>6.5%</b>	<b>13.7%</b>	<b>40.8%</b>	<b>32.4%</b>	<b>0.6%</b>	<b>–%</b>	<b>100.0%</b>

<sup>1</sup> Excludes loans classified as trading as the Bank intends to sell the loans immediately or in the near term, and loans designated at fair value through profit or loss for which no allowance is recorded.

<sup>2</sup> Percentage based on outstanding balance.

TABLE 29	UNINSURED AVERAGE LOAN-TO-VALUE – Newly Originated and Newly Acquired <sup>1,2,3</sup>					
	October 31, 2019			For the 12 months ended October 31, 2018		
	Residential mortgages	Home equity lines of credit <sup>4,5</sup>	Total	Residential mortgages	Home equity lines of credit <sup>4,5</sup>	Total
<b>Canada</b>						
Atlantic provinces	73%	69%	72%	74%	70%	73%
British Columbia <sup>6</sup>	66	62	65	66	62	64
Ontario <sup>6</sup>	68	65	67	67	65	67
Prairies <sup>6</sup>	73	70	72	73	71	72
Québec	73	72	73	73	73	73
Total Canada	69	66	68	68	66	67
United States	70	62	68	69	61	65
<b>Total</b>	<b>69%</b>	<b>65%</b>	<b>68%</b>	<b>68%</b>	<b>65%</b>	<b>67%</b>

<sup>1</sup> Geographic location is based on the address of the property mortgaged.

<sup>2</sup> Excludes loans classified as trading as the Bank intends to sell the loans immediately or in the near term, and loans designated at fair value through profit or loss for which no allowance is recorded.

<sup>3</sup> Based on house price at origination.

<sup>4</sup> HELOC loan-to-value includes first position collateral mortgage if applicable.

<sup>5</sup> HELOC fixed rate advantage option is included in loan-to-value calculation.

<sup>6</sup> The territories are included as follows: Yukon is included in British Columbia; Nunavut is included in Ontario; and the Northwest Territories is included in the Prairies region.

## IMPAIRED LOANS

A loan is considered impaired and migrates to Stage 3 when it is 90 days or more past due for retail exposures, rated BRR 9 for non-retail exposures, or when there is objective evidence that there has been a deterioration of credit quality to the extent that the Bank no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. Gross impaired loans excluding FDIC covered loans and other ACI loans decreased \$122 million, or 4%, compared with the prior year.

In Canada, impaired loans net of Stage 3 allowances increased by \$92 million, or 14% in 2019. Residential mortgages, consumer instalment and other personal loans, and credit cards, had net impaired loans of \$491 million, an increase of \$37 million, or 8%, compared with the prior year, with contribution from all of the consumer lending portfolios. Business and government loans net of Stage 3 allowances were \$253 million, an increase of \$55 million, or 28%, compared with the prior year, largely due to new formations in the Canadian Commercial portfolio.

In the U.S., net impaired loans decreased by \$262 million, or 14% in 2019. Residential mortgages, consumer instalment and other personal loans, and credit cards, had net impaired loans of \$1,200 million, a decrease of \$274 million, or 19%, compared with the prior year largely reflecting resolutions outpacing formations in the U.S. HELOC portfolio, including a reclassification to performing for certain clients current with their payments. Business and government net impaired loans were \$354 million, an increase of \$12 million, or 4%, compared with the prior year.

Geographically, 32% of total net impaired loans were located in Canada and 68% in the U.S. The largest regional concentration of net impaired loans in Canada was in Ontario, increasing to 17% of total net impaired loans, compared with 13% in the prior year. The largest regional concentration of net impaired loans in the U.S. was in New England representing 16% of total net impaired loans, down 2% from the prior year.

TABLE 30	CHANGES IN GROSS IMPAIRED LOANS AND ACCEPTANCES <sup>1,2,3</sup>		
(millions of Canadian dollars)	2019	2018	2017
<b>Personal, Business and Government Loans</b>			
Impaired loans as at beginning of period	\$ 3,154	\$ 3,085	\$ 3,509
Classified as impaired during the period <sup>4</sup>	6,037	5,012	4,724
Transferred to not impaired during the period	(1,272)	(864)	(966)
Net repayments	(1,492)	(1,360)	(1,556)
Disposals of loans	(292)	(21)	–
Amounts written off	(3,175)	(2,748)	(2,538)
Recoveries of loans and advances previously written off	–	–	–
Exchange and other movements	72	50	(88)
<b>Impaired loans as at end of year</b>	<b>\$ 3,032</b>	<b>\$ 3,154</b>	<b>\$ 3,085</b>

<sup>1</sup> Includes customers' liability under acceptances.

<sup>2</sup> Excludes ACI loans, DSCL under IAS 39, and DSAC and DSOCl under IFRS 9.

<sup>3</sup> Includes loans that are measured at FVOCI.

<sup>4</sup> Under IFRS 9, loans are considered impaired and migrate to Stage 3 when they are 90 days or more past due for retail exposures (including Canadian government-

insured real estate personal loans), rated BRR 9 for non-retail exposures, or when there is objective evidence that there has been a deterioration of credit quality to the extent the Bank no longer has reasonable assurance as to the timely collection of the full amount of principal and interest.

**TABLE 31** **IMPAIRED LOANS NET OF STAGE 3 ALLOWANCE FOR LOAN LOSSES (NET OF COUNTERPARTY-SPECIFIC AND INDIVIDUALLY INSIGNIFICANT ALLOWANCES UNDER IAS 39) BY INDUSTRY SECTOR**<sup>1,2,3,4</sup>

(millions of Canadian dollars, except as noted)

	As at							Percentage of total				
	Oct. 31 2019	Oct. 31 2018	Oct. 31 2017	Oct. 31 2016	Oct. 31 2015	Oct. 31 2019	Oct. 31 2018	Oct. 31 2017	Oct. 31 2016	Oct. 31 2015		
	<b>Gross impaired loans</b>	<b>Stage 3 allowances for loan losses impaired</b>	<b>Net impaired loans</b>	Net impaired loans	Net impaired loans	Net impaired loans	Net impaired loans					
<b>Canada</b>												
Residential mortgages	\$ 280	\$ 27	\$ 253	\$ 246	\$ 279	\$ 385	\$ 378	11.0%	10.0%	11.6%	13.9%	14.2%
Consumer instalment and other personal												
HELOC	147	13	134	118	102	140	166	5.8	4.8	4.3	5.0	6.2
Indirect Auto	82	53	29	23	11	9	17	1.3	0.9	0.5	0.3	0.7
Other	51	42	9	12	19	20	19	0.4	0.5	0.8	0.7	0.7
Credit card <sup>5</sup>	136	70	66	55	51	46	45	2.9	2.2	2.1	1.7	1.7
<b>Total personal</b>	<b>696</b>	<b>205</b>	<b>491</b>	454	462	600	625	<b>21.4</b>	18.4	19.3	21.6	23.5
Real estate												
Residential	8	6	2	3	3	3	6	0.1	0.1	0.1	0.1	0.2
Non-residential	2	–	2	2	3	7	7	0.1	0.1	0.1	0.3	0.3
<b>Total real estate</b>	<b>10</b>	<b>6</b>	<b>4</b>	5	6	10	13	<b>0.2</b>	0.2	0.2	0.4	0.5
Agriculture	15	2	13	4	5	9	3	0.6	0.2	0.2	0.3	0.1
Automotive	31	6	25	9	2	1	1	1.1	0.4	0.1	–	–
Financial	1	–	1	2	–	2	1	–	0.1	–	0.1	–
Food, beverage, and tobacco	3	1	2	1	1	2	1	0.1	–	–	0.1	–
Forestry	–	–	–	1	–	–	–	–	–	–	–	–
Government, public sector entities, and education	–	–	–	–	–	–	1	–	–	–	–	–
Health and social services	12	8	4	4	11	11	3	0.2	0.2	0.5	0.4	0.1
Industrial construction and trade contractors	181	39	142	136	2	11	2	6.2	5.5	0.1	0.4	0.1
Metals and mining	16	10	6	7	15	18	6	0.2	0.3	0.7	0.7	0.2
Pipelines, oil, and gas	37	18	19	9	22	51	68	0.8	0.4	0.9	1.8	2.6
Power and utilities	–	–	–	–	–	–	–	–	–	–	–	–
Professional and other services	24	11	13	5	6	4	4	0.6	0.2	0.2	0.1	0.2
Retail sector	17	6	11	5	8	11	9	0.5	0.2	0.3	0.4	0.3
Sundry manufacturing and wholesale	16	16	–	6	7	3	2	–	0.2	0.3	0.1	0.1
Telecommunications, cable, and media	12	6	6	1	–	–	2	0.2	–	–	–	0.1
Transportation	10	6	4	2	5	–	2	0.2	0.1	0.2	–	0.1
Other	9	6	3	1	2	4	3	0.1	–	0.1	0.1	0.1
<b>Total business and government</b>	<b>394</b>	<b>141</b>	<b>253</b>	198	92	137	121	<b>11.0</b>	8.0	3.8	4.9	4.5
<b>Total Canada</b>	<b>\$ 1,090</b>	<b>\$ 346</b>	<b>\$ 744</b>	\$ 652	\$ 554	\$ 737	\$ 746	<b>32.4%</b>	26.4%	23.1%	26.5%	28.0%

<sup>1</sup> Includes customers' liability under acceptances.

<sup>2</sup> Primarily based on the geographic location of the customer's address.

<sup>3</sup> Includes loans that are measured at FVOCI.

<sup>4</sup> Excludes ACI loans, DSCL under IAS 39, and DSAC and DSOCI under IFRS 9.

<sup>5</sup> Credit cards are considered impaired when they are 90 days past due and written off at 180 days past due.

**TABLE 31** **IMPAIRED LOANS NET OF STAGE 3 ALLOWANCE FOR LOAN LOSSES (NET OF COUNTERPARTY-SPECIFIC AND INDIVIDUALLY INSIGNIFICANT ALLOWANCES UNDER IAS 39) BY INDUSTRY SECTOR** (continued)<sup>1,2,3,4</sup>

(millions of Canadian dollars, except as noted)

	As at							Percentage of total				
	Oct. 31 2019	Oct. 31 2018	Oct. 31 2017	Oct. 31 2016	Oct. 31 2015	Oct. 31 2019	Oct. 31 2018	Oct. 31 2017	Oct. 31 2016	Oct. 31 2015		
	<b>Gross impaired loans</b>	<b>Stage 3 allowances for loan losses impaired</b>	<b>Net impaired loans</b>	Net impaired loans	Net impaired loans	Net impaired loans	Net impaired loans					
<b>United States</b>												
Residential mortgages	\$ 444	\$ 26	\$ 418	\$ 416	\$ 429	\$ 418	\$ 361	18.2%	16.9%	17.9%	15.0%	13.6%
Consumer instalment and other personal												
HELOC	492	37	455	796	795	863	780	19.8	32.3	33.1	31.0	29.3
Indirect Auto	258	26	232	198	234	190	155	10.1	8.0	9.8	6.8	5.8
Other	7	2	5	6	4	4	5	0.2	0.2	0.2	0.1	0.2
Credit card <sup>5</sup>	342	252	90	58	38	38	44	3.9	2.4	1.6	1.4	1.7
Total personal	1,543	343	1,200	1,474	1,500	1,513	1,345	52.2	59.8	62.6	54.3	50.6
Real estate												
Residential	25	5	20	24	27	54	68	0.9	1.0	1.1	1.9	2.6
Non-residential	72	6	66	97	73	87	133	2.9	3.9	3.1	3.1	5.0
Total real estate	97	11	86	121	100	141	201	3.8	4.9	4.2	5.0	7.6
Agriculture	1	–	1	2	2	1	1	–	0.1	0.1	–	–
Automotive	5	–	5	8	12	14	11	0.2	0.3	0.5	0.5	0.4
Financial	15	–	15	28	39	24	26	0.7	1.1	1.6	0.9	1.0
Food, beverage, and tobacco	9	1	8	10	9	4	7	0.3	0.4	0.4	0.1	0.3
Forestry	–	–	–	1	1	12	–	–	–	–	0.4	–
Government, public sector entities, and education	11	2	9	7	9	8	8	0.4	0.3	0.4	0.3	0.3
Health and social services	34	2	32	11	11	29	38	1.4	0.5	0.5	1.1	1.4
Industrial construction and trade contractors	30	6	24	19	20	22	30	1.0	0.8	0.8	0.8	1.1
Metals and mining	4	–	4	3	4	4	13	0.2	0.1	0.2	0.1	0.5
Pipelines, oil, and gas	–	–	–	11	17	77	6	–	0.5	0.7	2.8	0.2
Power and utilities	1	–	1	1	1	–	–	–	–	–	–	–
Professional and other services	75	7	68	44	46	75	74	2.9	1.8	1.9	2.7	2.8
Retail sector	44	6	38	37	37	43	65	1.7	1.5	1.6	1.6	2.4
Sundry manufacturing and wholesale	15	2	13	15	26	41	40	0.6	0.6	1.1	1.5	1.5
Telecommunications, cable, and media	5	1	4	3	1	9	13	0.2	0.1	–	0.3	0.5
Transportation	27	1	26	15	6	25	31	1.1	0.6	0.2	0.9	1.2
Other	26	6	20	6	3	6	5	0.9	0.2	0.1	0.2	0.2
Total business and government	399	45	354	342	344	535	569	15.4	13.8	14.3	19.2	21.4
Total United States	1,942	388	1,554	1,816	1,844	2,048	1,914	67.6	73.6	76.9	73.5	72.0
<b>International</b>	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>\$ 3,032</b>	<b>\$ 734</b>	<b>\$ 2,298</b>	<b>\$ 2,468</b>	<b>\$ 2,398</b>	<b>\$ 2,785</b>	<b>\$ 2,660</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Net impaired loans as a % of common equity</b>			<b>2.81%</b>	3.33%	3.45%	4.09%	4.24%					

<sup>1</sup> Includes customers' liability under acceptances.

<sup>2</sup> Primarily based on the geographic location of the customer's address.

<sup>3</sup> Includes loans that are measured at FVOCI.

<sup>4</sup> Excludes ACI loans, DSCL under IAS 39, and DSAC and DSOCI under IFRS 9.

<sup>5</sup> Credit cards are considered impaired when they are 90 days past due and written off at 180 days past due.

**TABLE 32 IMPAIRED LOANS NET OF STAGE 3 ALLOWANCE FOR LOAN LOSSES (NET OF COUNTERPARTY-SPECIFIC AND INDIVIDUALLY INSIGNIFICANT ALLOWANCES UNDER IAS 39) BY GEOGRAPHY<sup>1,2,3,4,5</sup>**

(millions of Canadian dollars, except as noted)

	<i>As at</i>					<i>Percentage of total</i>		
	<b>October 31 2019</b>	October 31 2018	October 31 2017	<b>October 31 2019</b>	October 31 2018	October 31 2017		
	<b>Gross impaired loans</b>	<b>Stage 3 allowances for loan losses impaired</b>	<b>Net impaired loans</b>	Net impaired loans	Net impaired loans			
<b>Canada</b>								
Atlantic provinces	\$ 37	\$ 13	\$ 24	\$ 30	\$ 29	1.1%	1.2%	1.2%
British Columbia <sup>6</sup>	102	31	71	52	57	3.1	2.1	2.4
Ontario <sup>6</sup>	586	204	382	315	196	16.6	12.8	8.2
Prairies <sup>6</sup>	286	75	211	177	191	9.2	7.2	7.9
Québec	79	23	56	78	81	2.4	3.1	3.4
<b>Total Canada</b>	<b>1,090</b>	<b>346</b>	<b>744</b>	652	554	<b>32.4</b>	26.4	23.1
<b>United States</b>								
Carolinas (North and South)	119	15	104	108	97	4.5	4.4	4.0
Florida	168	27	141	156	148	6.1	6.3	6.2
New England <sup>7</sup>	415	48	367	442	441	16.0	17.9	18.4
New Jersey	251	32	219	333	336	9.5	13.5	14.0
New York	371	47	324	354	366	14.1	14.3	15.3
Pennsylvania	102	18	84	113	126	3.7	4.6	5.2
Other	516	201	315	310	330	13.7	12.6	13.8
<b>Total United States</b>	<b>1,942</b>	<b>388</b>	<b>1,554</b>	1,816	1,844	<b>67.6</b>	73.6	76.9
<b>Total</b>	<b>\$ 3,032</b>	<b>\$ 734</b>	<b>\$ 2,298</b>	\$ 2,468	\$ 2,398	<b>100.0%</b>	100.0%	100.0%
<b>Net impaired loans as a % of net loans</b>			<b>0.33%</b>	0.37%	0.38%			

<sup>1</sup> Includes customers' liability under acceptances.

<sup>2</sup> Primarily based on the geographic location of the customer's address.

<sup>3</sup> Includes loans that are measured at FVOCI.

<sup>4</sup> Excludes ACI loans, DSCL under IAS 39, and DSAC and DSOCl under IFRS 9.

<sup>5</sup> Credit cards are considered impaired when they are 90 days past due and written off at 180 days past due.

<sup>6</sup> The territories are included as follows: Yukon is included in British Columbia; Nunavut is included in Ontario; and the Northwest Territories is included in the Prairies region.

<sup>7</sup> The states included in New England are as follows: Connecticut, Maine, Massachusetts, New Hampshire, and Vermont.

## ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses including off-balance sheet positions of \$5,036 million as at October 31, 2019, was comprised of Stage 3 allowance for impaired loans of \$761 million, Stage 2 allowance of \$1,856 million, and Stage 1 allowance of \$2,415 million collectively for performing loans and off-balance sheet positions and allowance for debt securities of \$4 million.

### Stage 3 allowances (impaired)

The impaired allowance for loan losses increased \$55 million, or 8%, compared with last year, primarily reflecting credit migration in the Canadian Retail and Wholesale segments.

### Stage 1 and Stage 2 allowances (performing)

As at October 31, 2019, the performing allowance was \$4,271 million, up from \$3,872 million as at October 31, 2018. The increase was primarily due to volume growth and credit migration.

The allowance for debt securities decreased by \$76 million, or 95% compared with last year primarily reflecting the sale of certain debt securities.

## PROVISION FOR CREDIT LOSSES

The PCL is the amount charged to income to bring the total allowance for credit losses, including both Stage 1 and 2 allowances (performing) and Stage 3 allowance (impaired), to a level that management considers adequate to absorb expected and incurred credit-related losses in the Bank's loan portfolio. Provisions are reduced by any recoveries in the year.

In Canada, PCL – impaired related to residential mortgages, consumer instalment and other personal loans, and credit card loans was \$991 million, an increase of \$111 million, or 13%, compared to 2018 reflecting volume growth and credit migration. PCL – impaired related to business and government loans was \$148 million, an increase of \$103 million, compared with last year, primarily reflecting credit migration.

In the U.S., PCL – impaired related to residential mortgages, consumer instalment and other personal loans, and credit card loans was \$1,390 million, an increase of \$130 million, or 10%, compared to 2018, primarily reflecting volume growth, seasoning, and mix in the credit card and auto portfolios. PCL – impaired related to business and government loans was \$120 million, an increase of \$113 million compared to 2018, primarily reflecting higher provisions in the commercial portfolios.

Geographically, 38% of PCL – impaired were attributed to Canada and 49% to the U.S. including recoveries in the ACI loan portfolios. The largest regional concentration of PCL – impaired in Canada was in Ontario, which represented 16% of total PCL – impaired, up from 15% in 2018. The largest regional concentration of PCL – impaired in the U.S. was in New York, representing 6% of total PCL – impaired, remaining stable from the prior year.

The following table provides a summary of provisions charged to the Consolidated Statement of Income.

TABLE 33 PROVISION FOR CREDIT LOSSES UNDER IFRS 9		
(millions of Canadian dollars)	2019	2018
<b>Provision for credit losses – Stage 3 (impaired)</b>		
Canadian Retail	\$ 1,126	\$ 927
U.S. Retail	936	776
Wholesale Banking	20	(8)
Corporate <sup>1</sup>	548	471
Total provision for credit losses – Stage 3	2,630	2,166
<b>Provision for credit losses – Stage 1 and Stage 2 (performing)<sup>2</sup></b>		
Canadian Retail	180	71
U.S. Retail	146	141
Wholesale Banking	24	11
Corporate <sup>1</sup>	49	91
Total provision for credit losses – Stage 1 and 2	399	314
<b>Provision for credit losses</b>	<b>\$ 3,029</b>	<b>\$ 2,480</b>

<sup>1</sup> Includes PCL on the retailer program partners' share of the U.S. strategic cards portfolio.

<sup>2</sup> Includes financial asset, loan commitments, and financial guarantees.

TABLE 34 PROVISION FOR CREDIT LOSSES UNDER IAS 39	
(millions of Canadian dollars)	2017
<b>Provision for credit losses – counterparty-specific and individually insignificant</b>	
Counterparty-specific	\$ 40
Individually insignificant	2,575
Recoveries	(625)
Total provision for credit losses for counterparty-specific and individually insignificant	1,990
<b>Provision for credit losses – incurred but not identified</b>	
Canadian Retail and Wholesale Banking <sup>1</sup>	–
U.S. Retail	144
Corporate <sup>2</sup>	82
Total provision for credit losses – incurred but not identified	226
<b>Provision for credit losses</b>	<b>\$ 2,216</b>

<sup>1</sup> The incurred but not identified PCL is included in the Corporate segment results for management reporting.

<sup>2</sup> The retailer program partners' share of the U.S. strategic cards portfolio.

TABLE 35 PROVISION FOR CREDIT LOSSES BY INDUSTRY SECTOR <sup>1,2</sup>						
(millions of Canadian dollars, except as noted)	For the years ended			Percentage of total		
	October 31 2019	October 31 2018	October 31 2017	October 31 2019	October 31 2018	October 31 2017
<b>Stage 3 provision for credit losses (impaired) (Counterparty-specific and individually insignificant provision under IAS 39)</b>						
<b>Canada</b>						
Residential mortgages	\$ 26	\$ 15	\$ 22	1.0%	0.7%	1.1%
Consumer instalment and other personal						
HELOC	11	11	7	0.4	0.5	0.4
Indirect auto	238	205	245	9.1	9.5	12.3
Other	227	178	172	8.6	8.2	8.6
Credit card	489	471	485	18.6	21.7	24.4
Total personal	991	880	931	37.7	40.6	46.8
Real estate						
Residential	1	(2)	–	–	(0.1)	–
Non-residential	1	3	1	–	0.1	0.1
Total real estate	2	1	1	–	–	0.1
Agriculture	2	1	–	–	–	–
Automotive	8	3	–	0.3	0.1	–
Financial	–	–	–	–	–	–
Food, beverage, and tobacco	3	–	–	0.1	–	–
Forestry	–	–	1	–	–	0.1
Government, public sector entities, and education	–	–	–	–	–	–
Health and social services	7	3	4	0.3	0.1	0.2
Industrial construction and trade contractors	48	2	9	1.9	0.1	0.4
Metals and mining	9	4	5	0.3	0.2	0.2
Pipelines, oil, and gas	8	(2)	(11)	0.3	(0.1)	(0.5)
Power and utilities	–	–	–	–	–	–
Professional and other services	15	4	6	0.6	0.2	0.3
Retail sector	15	14	11	0.6	0.7	0.5
Sundry manufacturing and wholesale	5	(2)	1	0.2	(0.1)	0.1
Telecommunications, cable, and media	7	2	1	0.3	0.1	0.1
Transportation	8	2	2	0.3	0.1	0.1
Other	11	13	5	0.4	0.7	0.2
Total business and government	148	45	35	5.6	2.1	1.8
Total Canada	\$ 1,139	\$ 925	\$ 966	43.3%	42.7%	48.6%

<sup>1</sup> Primarily based on the geographic location of the customer's address.

<sup>2</sup> Includes loans that are measured at FVOCI.



**TABLE 35 PROVISION FOR CREDIT LOSSES BY INDUSTRY SECTOR (continued)<sup>1,2</sup>**

(millions of Canadian dollars, except as noted)

	For the years ended			Percentage of total		
	October 31 2019	October 31 2018	October 31 2017	October 31 2019	October 31 2018	October 31 2017
<b>United States</b>						
Residential mortgages	\$ 10	\$ 13	\$ 7	0.4%	0.7%	0.4%
Consumer instalment and other personal						
HELOC	(12)	15	7	(0.4)	0.7	0.4
Indirect auto	318	272	229	12.1	12.5	11.5
Other	180	155	128	6.8	7.2	6.4
Credit card	894	805	688	34.0	37.1	34.5
Total personal	1,390	1,260	1,059	52.9	58.2	53.2
Real estate						
Residential	3	(2)	1	0.1	(0.1)	0.1
Non-residential	4	(4)	(3)	0.2	(0.2)	(0.2)
Total real estate	7	(6)	(2)	0.3	(0.3)	(0.1)
Agriculture	–	–	–	–	–	–
Automotive	1	1	(1)	–	–	(0.1)
Financial	2	7	19	–	0.3	1.0
Food, beverage, and tobacco	–	(1)	1	–	–	0.1
Forestry	–	–	(7)	–	–	(0.4)
Government, public sector entities, and education	1	–	(2)	–	–	(0.1)
Health and social services	7	–	(6)	0.3	–	(0.3)
Industrial construction and trade contractors	15	1	7	0.6	–	0.4
Metals and mining	(1)	2	(1)	–	0.1	(0.1)
Pipelines, oil, and gas	–	(7)	(15)	–	(0.3)	(0.8)
Power and utilities	18	–	(1)	0.7	–	(0.1)
Professional and other services	27	(1)	3	1.1	–	0.2
Retail sector	8	–	–	0.3	–	–
Sundry manufacturing and wholesale	2	1	(6)	–	–	(0.3)
Telecommunications, cable, and media	2	1	(1)	–	–	(0.1)
Transportation	16	(4)	1	0.6	(0.2)	0.1
Other	15	13	16	0.6	0.7	0.8
Total business and government	120	7	5	4.5	0.3	0.2
Total United States	1,510	1,267	1,064	57.4	58.5	53.4
Total excluding other loans	2,649	2,192	2,030	100.7	101.2	102.0
<b>Other loans</b>						
Debt securities classified as loans	n/a	n/a	(2)	n/a	n/a	(0.1)
Debt securities at amortized cost and FVOCI	–	–	n/a	–	–	n/a
Acquired credit-impaired loans <sup>3</sup>	(19)	(26)	(38)	(0.7)	(1.2)	(1.9)
Total other loans	(19)	(26)	(40)	(0.7)	(1.2)	(2.0)
<b>Total Stage 3 provision for credit losses (impaired)</b> <b>(Counterparty-specific and individually insignificant provision under IAS 39)</b>	<b>\$ 2,630</b>	<b>\$ 2,166</b>	<b>\$ 1,990</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Stage 1 and 2 provision for credit losses</b> <b>(Incurred but not identified provision under IAS 39)</b>						
Personal, business, and government	\$ 400	\$ 306	\$ 237			
Debt securities classified as loans	n/a	n/a	(11)			
Debt securities at amortized cost and FVOCI	(1)	8	n/a			
Total Stage 1 and 2 provision for credit losses (Incurred but not identified provision under IAS 39)	399	314	226			
<b>Total provision for credit losses</b>	<b>\$ 3,029</b>	<b>\$ 2,480</b>	<b>\$ 2,216</b>			

<sup>1</sup> Primarily based on the geographic location of the customer's address.

<sup>2</sup> Includes loans that are measured at FVOCI.

<sup>3</sup> Includes all FDIC covered loans and other ACI loans.

**TABLE 36 PROVISION FOR CREDIT LOSSES BY GEOGRAPHY<sup>1,2,3</sup>**

(millions of Canadian dollars, except as noted)

	For the years ended			Percentage of total		
	October 31 2019	October 31 2018	October 31 2017	October 31 2019	October 31 2018	October 31 2017
<b>Canada</b>						
Atlantic provinces	\$ 80	\$ 74	\$ 75	2.6%	3.0%	3.4%
British Columbia <sup>4</sup>	120	106	109	4.0	4.3	4.9
Ontario <sup>4</sup>	490	361	374	16.2	14.5	16.9
Prairies <sup>4</sup>	302	262	258	10.0	10.6	11.6
Québec	147	122	150	4.8	4.9	6.8
<b>Total Canada</b>	<b>1,139</b>	<b>925</b>	<b>966</b>	<b>37.6</b>	<b>37.3</b>	<b>43.6</b>
<b>United States</b>						
Carolinas (North and South)	63	54	42	2.1	2.2	1.9
Florida	112	93	77	3.7	3.7	3.5
New England <sup>5</sup>	161	148	112	5.3	6.0	5.1
New Jersey	128	107	95	4.2	4.3	4.3
New York	174	142	143	5.7	5.7	6.4
Pennsylvania	61	51	52	2.0	2.1	2.3
Other <sup>6</sup>	811	672	543	26.8	27.1	24.5
<b>Total United States</b>	<b>1,510</b>	<b>1,267</b>	<b>1,064</b>	<b>49.8</b>	<b>51.1</b>	<b>48.0</b>
<b>Total excluding other loans</b>	<b>2,649</b>	<b>2,192</b>	<b>2,030</b>	<b>87.4</b>	<b>88.4</b>	<b>91.6</b>
Other loans <sup>7</sup>	(19)	(26)	(40)	(0.6)	(1.1)	(1.8)
Total Stage 3 provision for credit losses (impaired) (Counterparty-specific and individually insignificant provision under IAS 39)	2,630	2,166	1,990	86.8	87.3	89.8
Stage 1 and 2 provision for credit losses (incurred but not identified provision under IAS 39)	399	314	226	13.2	12.7	10.2
<b>Total provision for credit losses</b>	<b>\$ 3,029</b>	<b>\$ 2,480</b>	<b>\$ 2,216</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Provision for credit losses as a % of average net loans and acceptances<sup>6</sup></b>	<b>October 31 2019</b>	<b>October 31 2018</b>	<b>October 31 2017</b>			
<b>Canada</b>						
Residential mortgages	0.01%	0.01%	0.01%			
Credit card, consumer instalment and other personal	0.65	0.63	0.73			
Business and government	0.13	0.04	0.04			
<b>Total Canada</b>	<b>0.25</b>	<b>0.21</b>	<b>0.24</b>			
<b>United States</b>						
Residential mortgages	0.03	0.04	0.03			
Credit card, consumer instalment and other personal	2.28	2.18	1.92			
Business and government	0.10	0.01	–			
<b>Total United States</b>	<b>0.69</b>	<b>0.63</b>	<b>0.55</b>			
<b>International</b>	<b>–</b>	<b>–</b>	<b>–</b>			
Total excluding other loans	0.39	0.34	0.34			
Other loans	(5.29)	(4.97)	(1.47)			
Total Stage 3 provision for credit losses (impaired) (Counterparty-specific and individually insignificant provision under IAS 39)	0.39	0.34	0.33			
<b>Stage 1 and 2 provision for credit losses (Incurred but not identified provision under IAS 39)</b>	<b>0.06</b>	<b>0.05</b>	<b>0.04</b>			
<b>Total provision for credit losses as a % of average net loans and acceptances</b>	<b>0.44%</b>	<b>0.39%</b>	<b>0.36%</b>			

<sup>1</sup> Primarily based on the geographic location of the customer's address.

<sup>2</sup> Includes loans that are measured at FVOCI.

<sup>3</sup> Includes customers' liability under acceptances.

<sup>4</sup> The territories are included as follows: Yukon is included in British Columbia; Nunavut is included in Ontario; and Northwest Territories is included in the Prairies region.

<sup>5</sup> The states included in New England are as follows: Connecticut, Maine, Massachusetts, New Hampshire, and Vermont.

<sup>6</sup> Other includes PCL attributable to other states/regions including those outside TD's core U.S. geographic footprint.

<sup>7</sup> Other loans include DSCL, DSAC and FVOCI, and ACI.

## SOVEREIGN RISK

The following table provides a summary of the Bank's credit exposure to certain European countries, including Greece, Italy, Ireland, Portugal, and Spain (GIIPS).

TABLE 37 EXPOSURE TO EUROPE – Total Net Exposure by Country and Counterparty <sup>1</sup>													
(millions of Canadian dollars)													
Country	Loans and commitments <sup>2</sup>				Derivatives, repos, and securities lending <sup>3</sup>				Trading and investment portfolio <sup>4,5</sup>				Total Exposure <sup>6</sup>
	Corporate	Sovereign	Financial	Total	Corporate	Sovereign	Financial	Total	Corporate	Sovereign	Financial	Total	
October 31, 2019													
<b>GIIPS</b>													
Greece	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Italy	–	–	1	1	–	–	4	4	13	–	6	19	24
Ireland	–	–	296	296	14	–	247	261	–	–	1	1	558
Portugal	–	–	–	–	–	56	1	57	2	–	–	2	59
Spain	–	36	63	99	–	–	125	125	25	588	56	669	893
<b>Total GIIPS</b>	<b>–</b>	<b>36</b>	<b>360</b>	<b>396</b>	<b>14</b>	<b>56</b>	<b>377</b>	<b>447</b>	<b>40</b>	<b>588</b>	<b>63</b>	<b>691</b>	<b>1,534</b>
<b>Rest of Europe</b>													
Belgium	263	–	165	428	803	12	511	1,326	10	82	5	97	1,851
Finland	–	93	16	109	–	49	141	190	–	940	22	962	1,261
France	576	1,163	197	1,936	23	505	1,118	1,646	162	3,508	184	3,854	7,436
Germany	1,301	628	50	1,979	683	832	1,163	2,678	256	8,525	139	8,920	13,577
Netherlands	485	477	111	1,073	412	477	687	1,576	65	2,945	274	3,284	5,933
Norway	–	410	3	413	1	307	38	346	3	563	678	1,244	2,003
Sweden	–	12	13	25	–	193	109	302	20	1,420	638	2,078	2,405
Switzerland	664	58	56	778	363	–	981	1,344	19	–	90	109	2,231
United Kingdom	3,218	1,919	53	5,190	1,457	693	7,880	10,030	155	864	1,627	2,646	17,866
Other <sup>7</sup>	–	92	120	212	15	226	787	1,028	7	1,167	59	1,233	2,473
<b>Total Rest of Europe</b>	<b>6,507</b>	<b>4,852</b>	<b>784</b>	<b>12,143</b>	<b>3,757</b>	<b>3,294</b>	<b>13,415</b>	<b>20,466</b>	<b>697</b>	<b>20,014</b>	<b>3,716</b>	<b>24,427</b>	<b>57,036</b>
<b>Total Europe</b>	<b>\$ 6,507</b>	<b>\$ 4,888</b>	<b>\$ 1,144</b>	<b>\$ 12,539</b>	<b>\$ 3,771</b>	<b>\$ 3,350</b>	<b>\$ 13,792</b>	<b>\$ 20,913</b>	<b>\$ 737</b>	<b>\$ 20,602</b>	<b>\$ 3,779</b>	<b>\$ 25,118</b>	<b>\$ 58,570</b>
October 31, 2018													
<b>GIIPS</b>													
Greece	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Italy	–	178	1	179	–	–	3	3	26	22	5	53	235
Ireland	–	–	197	197	17	–	268	285	–	–	–	–	482
Portugal	–	–	–	–	–	139	56	195	1	–	–	1	196
Spain	–	30	56	86	–	–	61	61	23	522	–	545	692
<b>Total GIIPS</b>	<b>–</b>	<b>208</b>	<b>254</b>	<b>462</b>	<b>17</b>	<b>139</b>	<b>388</b>	<b>544</b>	<b>50</b>	<b>544</b>	<b>5</b>	<b>599</b>	<b>1,605</b>
<b>Rest of Europe</b>													
Belgium	263	–	225	488	140	34	486	660	40	94	2	136	1,284
Finland	–	141	–	141	–	36	110	146	–	1,071	–	1,071	1,358
France	579	514	133	1,226	77	621	1,822	2,520	122	5,613	176	5,911	9,657
Germany	1,106	354	210	1,670	443	805	933	2,181	240	7,779	63	8,082	11,933
Netherlands	509	706	194	1,409	273	506	362	1,141	44	3,717	265	4,026	6,576
Norway	121	33	5	159	20	288	54	362	24	426	630	1,080	1,601
Sweden	–	67	95	162	–	287	235	522	15	1,548	644	2,207	2,891
Switzerland	997	58	89	1,144	37	–	2,127	2,164	39	–	25	64	3,372
United Kingdom	2,872	1,082	19	3,973	1,558	559	9,262	11,379	336	857	2,429	3,622	18,974
Other <sup>7</sup>	–	5	106	111	39	210	773	1,022	3	1,403	66	1,472	2,605
<b>Total Rest of Europe</b>	<b>6,447</b>	<b>2,960</b>	<b>1,076</b>	<b>10,483</b>	<b>2,587</b>	<b>3,346</b>	<b>16,164</b>	<b>22,097</b>	<b>863</b>	<b>22,508</b>	<b>4,300</b>	<b>27,671</b>	<b>60,251</b>
<b>Total Europe</b>	<b>\$ 6,447</b>	<b>\$ 3,168</b>	<b>\$ 1,330</b>	<b>\$ 10,945</b>	<b>\$ 2,604</b>	<b>\$ 3,485</b>	<b>\$ 16,552</b>	<b>\$ 22,641</b>	<b>\$ 913</b>	<b>\$ 23,052</b>	<b>\$ 4,305</b>	<b>\$ 28,270</b>	<b>\$ 61,856</b>

<sup>1</sup> Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

<sup>2</sup> Exposures include interest-bearing deposits with banks and are presented net of impairment charges where applicable. There were no impairment charges for European exposures as at October 31, 2019, or October 31, 2018.

<sup>3</sup> Exposures are calculated on a fair value basis and are net of collateral. Total market value of pledged collateral is \$1.1 billion (October 31, 2018 – \$0.4 billion) for GIIPS and \$84.5 billion for the rest of Europe (October 31, 2018 – \$66 billion).

Derivatives are presented as net exposures where there is an International Swaps and Derivatives Association master netting agreement.

<sup>4</sup> Trading and investment portfolio includes deposits. Trading exposures are net of eligible short positions.

<sup>5</sup> The fair values of the GIIPS exposures in Level 3 in the trading and investment portfolio were not significant as at October 31, 2019 and October 31, 2018.

<sup>6</sup> The reported exposures do not include \$26 million of protection the Bank purchased through CDS (October 31, 2018 – \$186 million).

<sup>7</sup> Other European exposure is distributed across 10 countries (October 31, 2018 – 11 countries), each of which has a net exposure including loans and commitments, derivatives, repos and securities lending, and trading and investment portfolio below \$1 billion as at October 31, 2019.

Of the Bank's European exposure, approximately 96% (October 31, 2018 – 96%) is to counterparties in countries rated either Aa3 or better by Moody's Investor Services (Moody's) or AA or better by Standard & Poor's (S&P), with the majority of this exposure to the sovereigns themselves or to well rated, systemically important banks in these countries. Derivatives and securities repurchase

transactions are completed on a collateralized basis. The vast majority of derivatives exposure is offset by cash collateral while the repurchase transactions are backed largely by government securities rated AA or better, and cash. The Bank also takes a limited amount of exposure to well rated corporate issuers in Europe where the Bank also does business with their related entities in North America.

In addition to the European exposure identified above, the Bank also has \$14 billion (October 31, 2018 – \$11.2 billion) of exposure to supranational entities with European sponsorship and \$2.9 billion (October 31, 2018 – \$1 billion) of indirect exposure to European collateral from non-European counterparties related to repurchase and securities lending transactions that are margined daily.

As part of the Bank's usual credit risk and exposure monitoring processes, all exposures are reviewed on a regular basis. European exposures are reviewed monthly or more frequently as circumstances dictate and are periodically stress tested to identify and understand any potential vulnerabilities. Based on the most recent reviews, all European exposures are considered manageable.

## GROUP FINANCIAL CONDITION

### Capital Position

TABLE 38	CAPITAL STRUCTURE AND RATIOS – Basel III	
(millions of Canadian dollars, except as noted)	2019	2018
<b>Common Equity Tier 1 Capital</b>		
Common shares plus related contributed surplus	\$ 21,828	\$ 21,267
Retained earnings	49,497	46,145
Accumulated other comprehensive income	10,581	6,639
<b>Common Equity Tier 1 Capital before regulatory adjustments</b>	<b>81,906</b>	<b>74,051</b>
<b>Common Equity Tier 1 Capital regulatory adjustments</b>		
Goodwill (net of related tax liability)	(19,712)	(19,285)
Intangibles (net of related tax liability)	(2,389)	(2,236)
Deferred tax assets excluding those arising from temporary differences	(245)	(317)
Cash flow hedge reserve	(1,389)	2,568
Shortfall of provisions to expected losses	(1,148)	(953)
Gains and losses due to changes in own credit risk on fair valued liabilities	(132)	(115)
Defined benefit pension fund net assets (net of related tax liability)	(13)	(113)
Investment in own shares	(22)	(123)
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)	(1,814)	(1,088)
<b>Total regulatory adjustments to Common Equity Tier 1 Capital</b>	<b>(26,864)</b>	<b>(21,662)</b>
<b>Common Equity Tier 1 Capital</b>	<b>55,042</b>	<b>52,389</b>
<b>Additional Tier 1 Capital instruments</b>		
Directly issued qualifying Additional Tier 1 instruments plus stock surplus	5,795	4,996
Directly issued capital instruments subject to phase out from Additional Tier 1	1,196	2,455
Additional Tier 1 instruments issued by subsidiaries and held by third parties subject to phase out	–	245
<b>Additional Tier 1 Capital instruments before regulatory adjustments</b>	<b>6,991</b>	<b>7,696</b>
<b>Additional Tier 1 Capital instruments 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	(350)	(350)
<b>Total regulatory adjustments to Additional Tier 1 Capital</b>	<b>(350)</b>	<b>(350)</b>
<b>Additional Tier 1 Capital</b>	<b>6,641</b>	<b>7,346</b>
<b>Tier 1 Capital</b>	<b>61,683</b>	<b>59,735</b>
<b>Tier 2 Capital instruments and provisions</b>		
Directly issued qualifying Tier 2 instruments plus related stock surplus	10,527	8,927
Directly issued capital instruments subject to phase out from Tier 2	198	198
Collective allowances	1,874	1,734
<b>Tier 2 Capital before regulatory adjustments</b>	<b>12,599</b>	<b>10,859</b>
<b>Tier 2 regulatory adjustments</b>		
Significant investments in the capital of banking, financial, and insurance entities that are outside consolidation, net of eligible short positions	(160)	(160)
<b>Total regulatory adjustments to Tier 2 Capital</b>	<b>(160)</b>	<b>(160)</b>
<b>Tier 2 Capital</b>	<b>12,439</b>	<b>10,699</b>
<b>Total Capital</b>	<b>\$ 74,122</b>	<b>\$ 70,434</b>
<b>Risk-weighted assets<sup>1</sup></b>		
Common Equity Tier 1 Capital	\$ 455,977	\$ 435,632
Tier 1 Capital	455,977	435,780
Total Capital	455,977	435,927
<b>Capital Ratios and Multiples</b>		
Common Equity Tier 1 Capital (as percentage of CET1 Capital risk-weighted assets)	12.1%	12.0%
Tier 1 Capital (as percentage of Tier 1 Capital risk-weighted assets)	13.5	13.7
Total Capital (as percentage of Total Capital risk-weighted assets)	16.3	16.2
Leverage ratio <sup>2</sup>	4.0	4.2

<sup>1</sup> Each capital ratio has its own RWA measure due to the OSFI-prescribed scalar for inclusion of the CVA. For fiscal 2019, the scalars for inclusion of CVA for CET1, Tier 1, and Total Capital RWA are all 100%. For fiscal 2018, the scalars were 80%, 83%, and 86%, respectively.

<sup>2</sup> The leverage ratio is calculated as Tier 1 Capital divided by leverage exposure, as defined.

## THE BANK'S CAPITAL MANAGEMENT OBJECTIVES

The Bank's capital management objectives are:

- To be an appropriately capitalized financial institution as determined by:
  - the Bank's Risk Appetite Statement (RAS);
  - capital requirements defined by relevant regulatory authorities; and
  - the Bank's internal assessment of capital requirements consistent with the Bank's risk profile and risk tolerance levels.
- To have the most economically achievable weighted-average cost of capital, consistent with preserving the appropriate mix of capital elements to meet targeted capitalization levels.
- To ensure ready access to sources of appropriate capital, at reasonable cost, in order to:
  - insulate the Bank from unexpected events; and
  - support and facilitate business growth and/or acquisitions consistent with the Bank's strategy and risk appetite.
- To support strong external debt ratings, in order to manage the Bank's overall cost of funds and to maintain accessibility to required funding.

These objectives are applied in a manner consistent with the Bank's overall objective of providing a satisfactory return on shareholders' equity.

## CAPITAL SOURCES

The Bank's capital is primarily derived from common shareholders and retained earnings. Other sources of capital include the Bank's preferred shareholders and holders of the Bank's subordinated debt.

## CAPITAL MANAGEMENT

The Treasury and Balance Sheet Management (TBSM) group manages capital for the Bank and is responsible for forecasting and monitoring compliance with capital targets. The Board of Directors (the "Board") oversees capital adequacy risk management.

The Bank continues to hold sufficient capital levels to ensure that flexibility is maintained to grow operations, both organically and through strategic acquisitions. The strong capital ratios are the result of the Bank's internal capital generation, management of the balance sheet, and periodic issuance of capital securities.

## ECONOMIC CAPITAL

Economic capital is the Bank's internal measure of capital requirements and is one of the key components in the Bank's assessment of internal capital adequacy. Economic capital is comprised of both risk-based capital required to fund losses that could occur under extremely adverse economic or operational conditions and investment capital utilized to fund acquisitions or investments to support future earnings growth.

The Bank uses internal models to determine the amount of risk-based capital required to support the risks resulting from the Bank's business operations. Characteristics of these models are described in the "Managing Risk" section of this document. The objective of the Bank's economic capital framework is to hold risk-based capital to cover unexpected losses in a manner consistent with the Bank's capital management objectives.

The Bank operates its capital regime under the Basel Capital Framework. Consequently, in addition to addressing Pillar 1 risks covering credit risk, market risk, and operational risk, the Bank's economic capital framework captures other material Pillar 2 risks including non-trading market risk for the retail portfolio (interest rate risk in the banking book), additional credit risk due to concentration (commercial and wholesale portfolios) and risks classified as "Other", namely business risk, insurance risk, and risks associated with the Bank's significant investments. The framework also captures diversification benefits across risk types and business segments.

Please refer to the "Economic Capital and Risk-Weighted Assets by Segment" section for a business segment breakdown of the Bank's economic capital.

## REGULATORY CAPITAL

Capital requirements of the Basel Committee on Banking Supervision (BCBS) are commonly referred to as Basel III. Under Basel III, Total Capital consists of three components, namely CET1, Additional Tier 1, and Tier 2 Capital. Risk sensitive regulatory capital ratios are calculated by dividing CET1, Tier 1, and Total Capital by their respective RWA, inclusive of any minimum requirements outlined under the regulatory floor. In 2015, Basel III implemented a non-risk sensitive leverage ratio to act as a supplementary measure to the risk-sensitive capital requirements. The objective of the leverage ratio is to constrain the build-up of excess leverage in the banking sector. The leverage ratio is calculated by dividing Tier 1 Capital by leverage exposure which is primarily comprised of on-balance sheet assets with adjustments made to derivative and securities financing transaction exposures, and credit equivalent amounts of off-balance sheet exposures.

## OSFI's Capital Requirements under Basel III

OSFI's Capital Adequacy Requirements (CAR) guideline details how the Basel III capital rules apply to Canadian banks.

From fiscal 2014 to 2018, the CVA capital charge was phased-in based on a scalar approach. For fiscal 2018, the scalars inclusion of CVA for CET1, Tier 1, and Total Capital RWA were 80%, 83%, and 86%, respectively. For fiscal 2019, the CVA has been fully phased-in.

Effective January 1, 2013, all newly issued non-common Tier 1 and Tier 2 Capital instruments must include NVCC provisions to qualify as regulatory capital. NVCC provisions require the conversion of non-common capital instruments into a variable number of common shares of the Bank upon the occurrence of a trigger event as defined in the guidance. Existing non-common Tier 1 and Tier 2 capital instruments which do not include NVCC provisions are non-qualifying capital instruments and are subject to a phase-out period which began in 2013 and ends in 2022.

The CAR guideline contains two methodologies for capital ratio calculation: (1) the "transitional" method; and (2) the "all-in" method. The minimum CET1, Tier 1, and Total Capital ratios, based on the "all-in" method, are 4.5%, 6%, and 8%, respectively. OSFI expects Canadian banks to include an additional capital conservation buffer of 2.5%, effectively raising the CET1, Tier 1 Capital, and Total Capital ratio minimum requirements to 7%, 8.5%, and 10.5%, respectively.

In March 2013, OSFI designated the six major Canadian banks as domestic systemically important banks (D-SIBs), for which a 1% common equity capital surcharge is in effect from January 1, 2016. As a result, the six Canadian banks designated as D-SIBs, including TD, are required to meet an “all-in” Pillar 1 target CET1, Tier 1, and Total Capital ratios of 8%, 9.5%, and 11.5%, respectively. On November 22, 2019, the Bank was designated as a Global Systemically Important Bank (G-SIB) by the Financial Stability Board (FSB). As a result of the designation, the Bank would be subject to an additional loss absorbency requirement (CET1 as a percentage of RWA) of 1% under applicable FSB member authority requirements; however, in accordance with OSFI’s CAR guideline, for Canadian banks designated as a G-SIB, the higher of the D-SIB and G-SIB surcharges will apply. As the D-SIB surcharge is currently equivalent to the 1% G-SIB common equity ratio requirement, the Bank’s G-SIB designation has no additional impact on the Bank’s minimum CET1 regulatory requirements. For further detail please refer to the Global Systemically Important Bank’s Designation and Disclosure section.

At the discretion of OSFI, a common equity countercyclical capital buffer (CCB) within a range of 0% to 2.5% may be imposed. The primary objective of the CCB is to protect the banking sector against future potential losses resulting from periods of excess aggregate credit growth that have often been associated with the build-up of system-wide risk. The CCB is an extension of the capital conservation buffer and must be met with CET1 capital. The CCB is calculated using the weighted-average of the buffers deployed in Canada and across BCBS member jurisdictions and selected non-member jurisdictions to which the bank has private sector credit exposures.

Effective November 1, 2017, OSFI required D-SIBs and foreign bank subsidiaries in Canada to comply with the CCB regime, phased-in according to the transitional arrangements. As a result, the maximum countercyclical buffer relating to foreign private sector credit exposures was capped at 1.25% of total RWA in the first quarter of 2017 and increases each subsequent year by an additional 0.625%, to reach its final maximum of 2.5% of total RWA in the first quarter of 2019. As at October 31, 2019, the CCB is only applicable to private sector credit exposures located in France, Hong Kong, Sweden, Norway, and the United Kingdom. Based on the allocation of exposures and buffers currently in place in France, Hong Kong, Sweden, Norway, and the United Kingdom, the Bank’s countercyclical buffer requirement is 0% as at October 31, 2019.

On June 25, 2018, OSFI provided greater transparency related to previously undisclosed Pillar 2 CET1 capital buffer through the introduction of the public Domestic Stability Buffer (DSB). The DSB is held by D-SIBs against Pillar 2 risks associated with systemic vulnerabilities including, but not limited to: i) Canadian consumer indebtedness; ii) asset imbalances in the Canadian market; and iii) Canadian institutional indebtedness. The level of the buffer ranges between 0% and 2.5% of total RWA and must be met with CET1 Capital. At a minimum, OSFI will review the buffer semi-annually and any changes will be made public. The buffer was originally set at 1.5%. In December 2018, OSFI announced that the DSB would be increased to 1.75% as of April 30, 2019. In June 2019, OSFI announced the DSB would be further increased by 25 bps to 2% as of October 31, 2019, effectively raising the CET1 target to 10%, inclusive of the DSB. A breach of the buffer will not automatically constrain capital distributions; however, OSFI will require a remediation plan.

Effective in the second quarter of 2018, OSFI implemented a revised methodology for calculating the regulatory capital floor. The revised floor is based on the Basel II standardized approach, with the floor factor transitioned in over three quarters. The floor was fully transitioned, to a factor of 75%, in the fourth quarter of fiscal 2018. The Bank is not constrained by the capital floor.

In the first quarter of 2019, the Bank implemented the revised CAR guidelines related to the domestic implementation of the standardized approach for measuring counterparty credit risk (SA-CCR), capital requirements for bank exposures to central counterparties, as well as revisions to the securitization framework.

The leverage ratio is calculated as per OSFI’s Leverage Requirements guideline and has a regulatory minimum requirement of 3%.

The Canadian Bail-in regime, including OSFI’s Total Loss Absorbing Capacity (TLAC) guideline, came into effect on September 23, 2018. Under this guideline, the Bank is required to meet target TLAC requirements by November 1, 2021. The Bank is currently subject to a target risk-based TLAC ratio of 23.50% of RWA and a TLAC leverage ratio of 6.75%. There is no impact to the supervisory target risk-based TLAC ratio or TLAC leverage ratio requirements as a result of the Bank’s G-SIB designation.

### **Capital Position and Capital Ratios**

The Basel framework allows qualifying banks to determine capital levels consistent with the way they measure, manage, and mitigate risks. It specifies methodologies for the measurement of credit, trading market, and operational risks. The Bank uses the advanced approaches for the majority of its portfolios. In the U.S. Retail segment, the Bank calculates the majority of the retail portfolio’s, and certain other portfolio’s, credit RWA using the Advanced Internal Ratings-Based (AIRB) approach. The remaining assets in the U.S. Retail segment continue to use the standardized approach for credit risk.

For accounting purposes, IFRS is followed for consolidation of subsidiaries and joint ventures. 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 Life Insurance Capital Adequacy Test. 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.

Some of the Bank’s subsidiaries are individually regulated by either OSFI or other regulators. Many of these entities have minimum capital requirements which they must maintain and which may limit the Bank’s ability to extract capital or funds for other uses.

As at October 31, 2019, the Bank’s CET1, Tier 1, and Total Capital ratios were 12.1%, 13.5%, and 16.3%, respectively. Compared with the Bank’s CET1 Capital ratio of 12.0% at October 31, 2018, the CET1 Capital ratio, as at October 31, 2019, increased due to organic capital growth, partially offset by common shares repurchased, actuarial losses on employee benefit plans, the loyalty agreement with Air Canada, and the acquisition of Greystone.

As at October 31, 2019, the Bank’s leverage ratio was 4.0%. Compared with the Bank’s leverage ratio of 4.2% at October 31, 2018, the leverage ratio, as at October 31, 2019, decreased due to common shares repurchased, actuarial losses on employee benefit plans, an increase in exposure resulting from the implementation of the SA-CCR in the first quarter of 2019, and business growth in all segments, partially offset by organic capital growth.

### Common Equity Tier 1 Capital

CET1 Capital was \$55 billion as at October 31, 2019. Earnings growth contributed the majority of CET1 Capital growth in the year. Capital management funding activities during the year included the common share issuance of \$482 million under the dividend reinvestment plan and from stock option exercises.

### Tier 1 and Tier 2 Capital

Tier 1 Capital was \$62 billion as at October 31, 2019, consisting of CET1 Capital and Additional Tier 1 Capital of \$55 billion and \$7 billion, respectively. Tier 1 Capital management activities during the year consisted of the issuance of \$350 million non-cumulative Rate Reset Preferred Shares, Series 22 and \$450 million non-cumulative Rate Reset Preferred Shares, Series 24, both of which included NVCC Provisions to ensure loss absorbency at the point of non-viability. On December 31, 2018, TD Capital Trust III, a subsidiary of the Bank, redeemed all of the outstanding TD Capital Trust III Securities – Series 2008 at a price of \$1 billion plus the unpaid distribution payable on the redemption date. On June 30, 2019, TD Capital Trust IV redeemed all of the outstanding \$550 million TD Capital Trust IV Notes – Series 1 at a redemption price of 100% of the principal amount plus any accrued and unpaid interest payable on the date of redemption.

Tier 2 Capital was \$12 billion as at October 31, 2019. Tier 2 Capital management activities during the year consisted of the issuance of \$1.75 billion 3.06% subordinated debentures due January 26, 2032, which included NVCC Provisions to ensure loss absorbency at the point of non-viability.

### INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

The Bank's Internal Capital Adequacy Assessment Process (ICAAP) is an integrated enterprise-wide process that encompasses the governance, management, and control of risk and capital functions within the Bank. It provides a framework for relating risks to capital requirements through the Bank's capital modelling and stress testing practices which help inform the Bank's overall CAR.

The ICAAP is led by TBSM and is supported by numerous functional areas who together help assess the Bank's internal capital adequacy. This assessment ultimately represents the capacity to bear risk in congruence with the Bank's risk profile and RAS. TBSM assesses and monitors the overall adequacy of the Bank's available capital in relation to both internal and regulatory capital requirements under normal and stressed conditions.

### DIVIDENDS

At October 31, 2019, the quarterly dividend was \$0.74 per share, consistent with the Bank's current target payout range of 40% to 50% of adjusted earnings. Cash dividends declared and paid during the year totalled \$2.89 per share (2018 – \$2.61). For cash dividends payable on the Bank's preferred shares, refer to Note 21 of the 2019 Consolidated Financial Statements. As at October 31, 2019, 1,812 million common shares were outstanding (2018 – 1,828 million). The Bank's ability to pay dividends is subject to the requirements of the *Bank Act* and OSFI. Refer to Note 21 of the 2019 Consolidated Financial Statements for further information on dividend restrictions.

### NORMAL COURSE ISSUER BID

On October 24, 2019, the Bank announced that, subject to the approval of OSFI and the Toronto Stock Exchange (TSX), it intends to terminate its current normal course issuer bid (Current NCIB) and launch a new normal course issuer bid (New NCIB) to repurchase for cancellation up to 30 million of its common shares. The Current NCIB to repurchase up to 20 million common shares commenced on June 18, 2019 and is scheduled to terminate on June 17, 2020 unless terminated earlier in accordance with its terms. The Bank has repurchased all 20 million of its common shares under the Current NCIB, at an average price of \$75.35 per share for a total amount of \$1.5 billion.

During the year ended October 31, 2019, the Bank repurchased an aggregate of 30 million common shares under the Current NCIB and a prior NCIB, at an average price of \$74.48 per share, for a total amount of \$2.2 billion.

During the year ended October 31, 2018, the Bank repurchased 20 million common shares under its then current NCIB at an average price of \$75.07 per share for a total amount of \$1.5 billion.

### RISK-WEIGHTED ASSETS

Based on Basel III, RWA are calculated for each of credit risk, market risk, and operational risk. Details of the Bank's RWA are included in the following table.

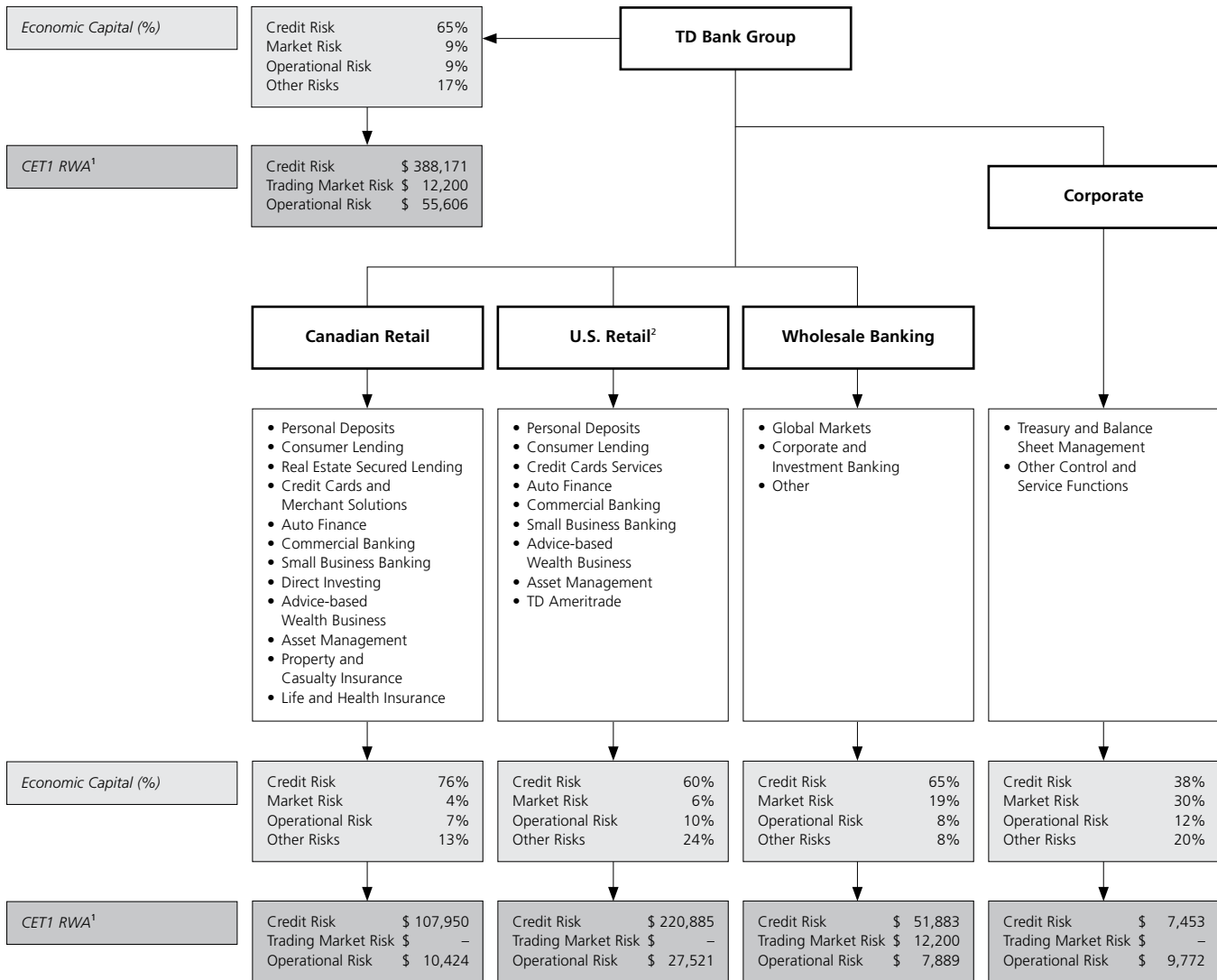
<b>TABLE 39</b>		<b>COMMON EQUITY TIER 1 CAPITAL RISK-WEIGHTED ASSETS<sup>1</sup></b>	
(millions of Canadian dollars)		As at	
	<b>October 31 2019</b>	October 31 2018	
<b>Credit risk</b>			
<b>Retail</b>			
Residential secured	<b>\$ 33,397</b>	\$ 31,280	
Qualifying revolving retail	<b>35,693</b>	29,276	
Other retail	<b>44,885</b>	44,564	
<b>Non-retail</b>			
Corporate	<b>191,753</b>	182,685	
Sovereign	<b>8,997</b>	8,370	
Bank	<b>8,540</b>	9,001	
<b>Securitization exposures</b>	<b>11,533</b>	13,142	
<b>Equity exposures</b>	<b>4,775</b>	1,173	
Exposures subject to standardized or Internal Ratings-Based (IRB) approaches	<b>339,573</b>	319,491	
Adjustment to IRB RWA for scaling factor	<b>11,062</b>	10,189	
Other assets not included in standardized or IRB approaches	<b>37,536</b>	40,364	
<b>Total credit risk</b>	<b>388,171</b>	370,044	
<b>Market risk</b>	<b>12,200</b>	13,213	
<b>Operational risk</b>	<b>55,606</b>	52,375	
<b>Total</b>	<b>\$ 455,977</b>	\$ 435,632	

<sup>1</sup> Each capital ratio has its own RWA measure due to the OSFI-prescribed scalar for inclusion of the CVA. For fiscal 2019, the scalars for inclusion of CVA for CET1, Tier 1 and Total Capital RWA are all 100%. For fiscal 2018, the scalars were 80%, 83%, and 86%, respectively.

## ECONOMIC CAPITAL AND RISK-WEIGHTED ASSETS BY SEGMENT

The following chart provides a breakdown of the Bank's RWA and economic capital as at October 31, 2019. RWA reflects capital requirements assessed based on regulatory prescribed rules for credit risk, trading market risk, and operational risk. Economic capital reflects the Bank's internal view of capital requirements for these risks as well

as risks not captured within the assessment of RWA as described in the "Economic Capital" section of this document. The results shown in the chart do not reflect attribution of goodwill and intangibles. For additional information on the risks highlighted below, refer to the "Managing Risk" section of this document.



<sup>1</sup> Amounts are in millions of Canadian dollars

<sup>2</sup> U.S. Retail includes TD Ameritrade in Other Risks for Economic Capital



**TABLE 40 EQUITY AND OTHER SECURITIES<sup>1</sup>**

(millions of shares/units, except as noted)

	<i>As at</i>	
	<b>October 31 2019</b>	October 31 2018
	<b>Number of shares/units</b>	Number of shares/units
<b>Common shares outstanding</b>	<b>1,812.5</b>	1,830.4
Treasury shares – common	<b>(0.6)</b>	(2.1)
<b>Total common shares</b>	<b>1,811.9</b>	1,828.3
<b>Stock options</b>		
Vested	<b>4.7</b>	4.7
Non-vested	<b>8.1</b>	8.4
<b>Preferred shares – Class A</b>		
Series 1 <sup>2</sup>	<b>20.0</b>	20.0
Series 3 <sup>3</sup>	<b>20.0</b>	20.0
Series 5	<b>20.0</b>	20.0
Series 7	<b>14.0</b>	14.0
Series 9	<b>8.0</b>	8.0
Series 11	<b>6.0</b>	6.0
Series 12	<b>28.0</b>	28.0
Series 14	<b>40.0</b>	40.0
Series 16	<b>14.0</b>	14.0
Series 18	<b>14.0</b>	14.0
Series 20	<b>16.0</b>	16.0
Series 22 <sup>4</sup>	<b>14.0</b>	–
Series 24 <sup>5</sup>	<b>18.0</b>	–
Total preferred shares – equity	<b>232.0</b>	200.0
Treasury shares – preferred	<b>(0.3)</b>	(0.3)
<b>Total preferred shares</b>	<b>231.7</b>	199.7
<b>Capital Trust Securities</b> (thousands of shares)		
Trust units issued by TD Capital Trust III:		
TD Capital Trust III Securities – Series 2008 <sup>6</sup>	–	1,000.0
Debt issued by TD Capital Trust IV:		
TD Capital Trust IV Notes – Series 1 <sup>7</sup>	–	550.0
TD Capital Trust IV Notes – Series 2	<b>450.0</b>	450.0
TD Capital Trust IV Notes – Series 3	<b>750.0</b>	750.0

<sup>1</sup> For further details, including the principal amount, conversion and exchange features, and distributions, refer to Note 21 of the 2019 Consolidated Financial Statements.

<sup>2</sup> On October 16, 2019, the Bank announced that none of its 20 million Non-Cumulative 5-Year Rate Reset Preferred Shares NVCC, Series 1 (the “Series 1 Shares”) would be converted on October 31, 2019, into Non-Cumulative Floating Rate Preferred Shares NVCC, Series 2. As previously announced on October 1, 2019, the dividend rate for the Series 1 Shares for the 5-year period from and including October 31, 2019, but excluding October 31, 2024, will be 3.662%.

<sup>3</sup> On July 18, 2019, the Bank announced that none of its 20 million Non-Cumulative 5-Year Rate Reset Preferred Shares NVCC, Series 3 (the “Series 3 Shares”) would be converted on July 31, 2019, into Non-Cumulative Floating Rate Preferred Shares NVCC, Series 4. As previously announced on July 2, 2019, the dividend rate for the Series 3 Shares for the 5-year period from and including July 31, 2019, but excluding July 31, 2024, will be 3.681%.

<sup>4</sup> Non-Cumulative 5-Year Rate Reset Preferred Shares (NVCC), Series 22 (the “Series 22 Shares”) issued by the Bank on January 28, 2019, at a price of \$25 per share, with quarterly non-cumulative cash dividends on these shares, if declared, payable at a per annum rate of 5.20% for the initial period ending April 30, 2024. Thereafter, the dividend rate will reset every five years equal to the then five-year Government of Canada bond yield plus 3.27%. Holders of these shares will have the right to convert their shares into non-cumulative NVCC Floating Rate Preferred Shares, Series 23, subject to certain conditions, on April 30, 2024, and on April 30 every five years thereafter. Holders of the Series 23 Shares will be entitled to receive quarterly floating rate dividends, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.27%. The Series 22 Shares are redeemable by the Bank, subject to regulatory consent, at \$25 per share on April 30, 2024, and on April 30 every five years thereafter.

<sup>5</sup> Non-Cumulative 5-Year Rate Reset Preferred Shares (NVCC), Series 24 (the “Series 24 Shares”) issued by the Bank on June 4, 2019, at a price of \$25 per share, with quarterly non-cumulative cash dividends on these shares, if declared, payable at a per annum rate of 5.10% for the initial period ending July 31, 2024. Thereafter, the dividend rate will reset every five years equal to the then five-year Government of Canada bond yield plus 3.56%. Holders of these shares will have the right to convert their shares into non-cumulative NVCC Floating Rate Preferred Shares, Series 25, subject to certain conditions, on July 31, 2024, and on July 31 every five years thereafter. Holders of the Series 25 Shares will be entitled to receive quarterly floating rate dividends, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.56%. The Series 24 Shares are redeemable by the Bank, subject to regulatory consent, at \$25 per share on July 31, 2024, and on July 31 every five years thereafter.

<sup>6</sup> TD Capital Trust III redeemed all of the outstanding TD Capital Trust III Securities – Series 2008 on December 31, 2018.

<sup>7</sup> TD Capital Trust IV redeemed all of the outstanding TD Capital Trust IV Notes – Series 1 on June 30, 2019.

All series of preferred shares – Class A include NVCC provisions. If a NVCC trigger event were to occur, the maximum number of common shares that could be issued, assuming there are no declared and unpaid dividends on the respective series of preferred shares at the time of conversion, would be 1.2 billion in aggregate.

For NVCC subordinated notes and debentures, if a NVCC trigger event were to occur, the maximum number of common shares that could be issued, assuming there is no accrued and unpaid interest on the respective subordinated notes and debentures, would be 3.1 billion in aggregate. The following subordinated debentures contain NVCC provisions: the 2.692% subordinated debentures due June 24, 2025, 2.982% subordinated debentures due September 30, 2025, 3.589% subordinated debentures due September 14, 2028, 3.224% subordinated debentures due July 25, 2029, 4.859% subordinated debentures due March 4, 2031, 3.625% subordinated debentures due September 15, 2031, and the 3.06% subordinated debentures due January 26, 2032. Refer to Note 19 of the Bank’s 2019 Consolidated Financial Statements for additional details.

### Future Regulatory Capital Developments

In November 2019, BCBS published a consultation document which proposes a set of targeted adjustments to the CVA risk framework that was issued in December 2017. The revisions aim to align the revised CVA risk framework with the minimum capital requirements for market risk and the capital requirements for bank exposures to central counterparties.

In November 2019, BCBS released a discussion paper on sovereign disclosures. The BCBS is seeking views on three potential disclosure templates, which would require banks to disclose their sovereign exposures and RWA by jurisdictional breakdown, currency, and accounting classification.

In November 2019, BCBS released a discussion paper on market risk disclosures. The discussion paper proposes changes to the January 1, 2022 version of the Pillar 3 market risk tables/templates to reflect changes from the new minimum capital requirements for market risk, published in January 2019.

In October 2019, the U.S. Federal Reserve Board finalized the risk-based tailoring rule for domestic bank holding companies and foreign banking organizations (FBOs). The rule further tailors the regulatory framework for enhanced prudential standards and the U.S. Basel III capital and liquidity requirements. The final rule classifies institutions into different categories, and applies different regulatory requirements, based on an assessment of five risk-based indicators: size, cross-jurisdictional activity, reliance on weighted short-term wholesale funding, non-bank assets, and off-balance sheet exposures. TD Group US Holding LLC (TDGUS) will be a category III institution, effective December 31, 2019. As these are U.S. regulatory rules, the Bank does not expect there to be an impact to capital at the consolidated Bank level.

In July 2019, in consideration of the final Basel III revisions published by the BCBS in December 2017, OSFI published guidance related to the capital requirements for operational risk. Banks currently approved to use the Advanced Measurement Approach (AMA) will be required to use a revised Basel III standardized approach when the revised requirements are implemented in Canada in the first quarter of 2021. To facilitate implementation of the revised requirements, OSFI is providing a transition period for fiscal 2020, during which time banks currently reporting under AMA, should report operational risk capital using the current standardized approach.

In June 2019, BCBS published a revision to align the leverage ratio measurement of client cleared derivatives with the measurement defined per the SA-CCR as used for risk-based capital requirements. This treatment will permit both cash and non-cash forms of segregated initial margin and cash and non-cash variation margin received from a client to offset the replacement cost and potential future exposure for client cleared derivatives only. The revisions are effective as of January 1, 2022.

In June 2019, BCBS published revisions to leverage ratio disclosure requirements. The revisions set out additional requirements for banks to disclose their leverage ratios based on quarter-end and on daily average value of securities financing transactions. This change is effective as of January 1, 2022.

In April 2019, OSFI published the final version of its guideline B-2: Large Exposure Limits for D-SIBs. The guideline outlines practices for the management of risk related to large exposures and provides additional guidance on methods for identifying, measuring, managing, and monitoring large exposures. The guideline introduces tighter limits for exposures to both G-SIBs and to other Canadian D-SIBs, recognizes eligible credit risk mitigation techniques by measuring exposure on a net basis rather than a gross basis, and reduces the eligible capital base from Total Capital to Tier 1 Capital. The guideline is effective November 1, 2019.

In January 2019, BCBS published the final minimum capital requirements for market risk standard. The key aspects of the standard include: clarification on the scope; a refined standardized approach for foreign exchange risk and index instruments; revised standardized risk weights applicable to general interest rate risk, foreign exchange, and certain other exposures; revisions to the assessment process relating to internal models reflecting the risks on individual trading desks; and revisions related to identification of risk factors that are eligible for internal modelling. The standard is effective January 1, 2022.

In December 2018, BCBS published the final "Pillar 3 disclosure requirements – updated framework". The framework includes disclosure revisions and additions arising from the finalization of the Basel III reforms related to the following areas: credit risk, operational risk, leverage ratio, CVA risk; RWA calculated by the Bank's internal models and under standardized approaches; and an overview of risk management, RWA, and key prudential metrics. The framework also contains new disclosure requirements related to asset encumbrance and capital distribution constraints. These disclosure requirements, together with the first and second phase of the revised Pillar 3 disclosure requirements, issued in January 2015 and March 2017 respectively, complete the Pillar 3 framework. The disclosure requirements related to Basel III reforms are effective January 1, 2022.

In August 2018, OSFI provided notification to the Bank setting a supervisory target TLAC ratio at 23.0% of RWA, inclusive of the DSB, and the minimum TLAC leverage ratio at 6.75%. This is pursuant to the final guideline on TLAC issued by OSFI in April 2018. In June 2019, OSFI announced the DSB would be 2% as of October 31, 2019, effectively raising the supervisory TLAC target to 23.5%. Beginning the first quarter of 2022, D-SIBs will be expected to meet the supervisory target TLAC requirements. Investments in TLAC issued by G-SIBs or Canadian D-SIBs will be required to be deducted from capital.

In July 2018, OSFI released a discussion paper on the proposed implementation of the Basel III reforms for public consultation. The discussion paper sets out OSFI's proposed policy direction and timelines for domestic implementation. The BCBS issued the finalized Basel III reforms in December 2017. The reforms include: i) a revised internal ratings-based approach for credit risk where the use of the

internal models are constrained by placing limits on certain inputs and the option to use AIRB for certain asset classes has been removed; ii) a revised standardized approach for credit risk that is more granular and risk-sensitive; iii) replacement of the CVA framework with new standardized and basic approaches; iv) streamlining the existing operational risk framework to a risk-sensitive standardized approach which will replace existing methodologies; v) revisions to the measurement of the leverage ratio and introduction of a leverage ratio buffer for G-SIBs; vi) the implementation of the adoption of the minimum capital requirements for market risk (Fundamental Review of the Trading Book); and vii) an aggregate output floor based on the revised Basel III standardized approaches. The reforms are effective the first quarter of 2022, with the standardized output floor having an added five-year phased implementation period until 2027.

### **Global Systemically Important Banks Designation and Disclosures**

The FSB, in consultation with the BCBS and national authorities, identifies G-SIBs. In July 2013, the BCBS issued an update to the final rules on G-SIBs and outlined the G-SIB assessment methodology which is based on the submissions of the largest global banks. Twelve indicators are used in the G-SIB assessment methodology to determine systemic importance. The score for a particular indicator is calculated by dividing the individual bank value by the aggregate amount for the indicator summed across all banks included in the assessment. Accordingly, an individual bank's ranking is reliant on the results and submissions of other global banks. The update also provided clarity on the public disclosure requirements of the twelve indicators used in the assessment methodology.

The public communications on G-SIB status is issued annually each November. On November 22, 2019, the Bank was designated as a G-SIB by the FSB. As a result of this designation, the Bank would be subject to an additional loss absorbency requirement (CET1 as a percentage of RWA) of 1% under applicable FSB member authority requirements; however, in accordance with OSFI's CAR guideline, for Canadian banks designated as a G-SIB, the higher of the D-SIB and G-SIB surcharges will apply. As the D-SIB surcharge is currently equivalent to the 1% G-SIB common equity ratio requirement, the Bank's designation has no additional impact on the Bank's minimum CET1 regulatory requirements. There is no impact to the supervisory target risk-based TLAC ratio of 23.5% or TLAC leverage ratio of 6.75% as a result of the Bank's G-SIB designation. The Bank will be in discussions with regulatory bodies regarding the G-SIB designation.

As a result of the Bank's G-SIB designation, the U.S. Federal Reserve requires TDGUS, as TD's U.S. IHC, to maintain a minimum amount of TLAC and long-term debt. From the date the Bank was designated as a G-SIB, TDGUS has a three-year transitional period to meet these requirements.

The Bank is required to publish the twelve indicators used in the G-SIB indicator-based assessment framework. Public disclosure of financial year-end data is required annually, no later than the date of a bank's first quarter public disclosure of shareholder financial data in the following year. TD's 2019 fiscal year indicators will be disclosed by the Bank in the first quarter of 2020.

In July 2018, BCBS issued a revised G-SIB framework; G-SIBs: revised assessment methodology and the higher loss absorbency requirement. The new assessment methodology introduces a trading volume indicator and modifies the weights in the substitutability category, amends the definition of cross-jurisdictional indicators, extends the scope of consolidation to insurance subsidiaries, and provides further guidance on bucket migration and associated loss absorbency surcharges. The revised methodology is expected to be implemented in 2021.

## GROUP FINANCIAL CONDITION

# Securitization and Off-Balance Sheet Arrangements

In the normal course of operations, the Bank engages in a variety of financial transactions that, under IFRS, are either not recorded on the Bank's Consolidated Balance Sheet or are recorded in amounts that differ from the full contract or notional amounts. These off-balance sheet arrangements involve, among other risks, varying elements of market, credit, and liquidity risks which are discussed in the "Managing Risk" section of this document. 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.

### STRUCTURED ENTITIES

TD carries out certain business activities through arrangements with structured entities (SEs). The Bank uses SEs to raise capital, obtain sources of liquidity by securitizing certain of the Bank's financial assets, to assist TD's clients in securitizing their financial assets, and to create investment products for the Bank's clients. Securitizations are an important part of the financial markets, providing liquidity by facilitating investor access to specific portfolios of assets and risks. Refer to Notes 2, 9, and 10 of the 2019 Consolidated Financial Statements for further information regarding the Bank's involvement with SEs.

### Securitization of Bank-Originated Assets

The Bank securitizes residential mortgages, business and government loans, credit card loans, and personal loans to enhance its liquidity position, to diversify sources of funding, and to optimize the management of the balance sheet.

The Bank securitizes residential mortgages under the National Housing Act Mortgage-Backed Securities (NHA MBS) program sponsored by the Canada Mortgage and Housing Corporation (CMHC). The securitization of the residential mortgages with the CMHC does not qualify for derecognition and the mortgages remain on the Bank's Consolidated Balance Sheet. Additionally, the Bank securitizes credit card and personal loans by selling them to Bank-sponsored SEs that are consolidated by the Bank. The Bank also securitizes U.S. residential mortgages with U.S. government-sponsored entities which qualify for derecognition and are removed from the Bank's Consolidated Balance Sheet. Refer to Notes 9 and 10 of the 2019 Consolidated Financial Statements for further information.

TABLE 41 EXPOSURES SECURITIZED BY THE BANK AS ORIGINATOR<sup>1</sup>

(millions of Canadian dollars)

	Significant unconsolidated SEs		Significant consolidated SEs		Non-SE third-parties	
	Securitized assets	Carrying value of retained interests	Securitized assets	Securitized assets	Carrying value of retained interests	
						As at
						October 31, 2019
Residential mortgage loans	\$ 23,065	\$ –	\$ –	\$ 624	\$ –	
Consumer instalment and other personal loans <sup>2</sup>	–	–	750	–	–	
Credit card loans	–	–	5,113	–	–	
Business and government loans	–	–	–	1,118	19	
<b>Total exposure</b>	<b>\$ 23,065</b>	<b>\$ –</b>	<b>\$ 5,863</b>	<b>\$ 1,742</b>	<b>\$ 19</b>	
						October 31, 2018
Residential mortgage loans	\$ 22,516	\$ –	\$ –	\$ 818	\$ –	
Consumer instalment and other personal loans <sup>2</sup>	–	–	1,749	–	–	
Credit card loans	–	–	3,884	–	–	
Business and government loans	–	–	–	1,206	25	
<b>Total exposure</b>	<b>\$ 22,516</b>	<b>\$ –</b>	<b>\$ 5,633</b>	<b>\$ 2,024</b>	<b>\$ 25</b>	

<sup>1</sup> Includes all assets securitized by the Bank, irrespective of whether they are on-balance or off-balance sheet for accounting purposes, except for securitizations through U.S. government-sponsored entities.

<sup>2</sup> In securitization transactions that the Bank has undertaken for its own assets it has acted as an originating bank and retained securitization exposure from a capital perspective.

### Residential Mortgage Loans

The Bank securitizes residential mortgage loans through significant unconsolidated SEs and Canadian non-SE third-parties. Residential mortgage loans securitized by the Bank may give rise to full derecognition of the financial assets depending on the individual arrangement of each transaction. In instances where the Bank fully derecognizes residential mortgage loans, the Bank may be exposed to the risks of transferred loans through retained interests.

### Consumer Instalment and Other Personal Loans

The Bank securitizes consumer instalment and other personal loans through a consolidated SE. The Bank consolidates the SE as it serves as a financing vehicle for the Bank's assets, the Bank has power over the key economic decisions of the SE, and the Bank is exposed to the majority of the residual risks of the SE. As at October 31, 2019, the SE had \$750 million of issued notes outstanding (October 31, 2018 – \$2 billion). As at October 31, 2019, the Bank's maximum potential exposure to loss for these conduits was \$750 million (October 31, 2018 – \$2 billion) with a fair value of \$750 million (October 31, 2018 – \$2 billion).

### Credit Card Loans

The Bank securitizes credit card loans through an SE. The Bank consolidates the SE as it serves as a financing vehicle for the Bank's assets, the Bank has power over the key economic decisions of the SE, and the Bank is exposed to the majority of the residual risks of the SE. As at October 31, 2019, the Bank had \$5 billion of securitized credit card receivables outstanding (October 31, 2018 – \$4 billion). As at October 31, 2019, the consolidated SE had US\$3 billion variable rate notes outstanding (October 31, 2018 – US\$3 billion). The notes are issued to third-party investors and have a fair value of US\$3 billion as at October 31, 2019 (October 31, 2018 – US\$3 billion). Due to the nature of the credit card receivables, their carrying amounts approximate fair value.

### Business and Government Loans

The Bank securitizes business and government loans through significant unconsolidated SEs and Canadian non-SE third-parties. Business and government loans securitized by the Bank may be derecognized from the Bank's balance sheet depending on the individual arrangement of each transaction. In instances where the Bank fully derecognizes business and government loans, the Bank may be exposed to the risks of transferred loans through retained interests. There are no ECLs on the retained interests of the securitized business and government loans as the mortgages are all government insured.

### Securitization of Third-Party Originated Assets

#### Significant Unconsolidated Structured Entities

##### Multi-Seller Conduits

The Bank administers multi-seller conduits and provides liquidity facilities as well as securities distribution services; it may also provide credit enhancements. Third-party originated assets are securitized through Bank-sponsored SEs, which are not consolidated by the Bank. The Bank's maximum potential exposure to loss due to its ownership interest in commercial paper and through the provision of liquidity facilities for multi-seller conduits was \$10.2 billion as at October 31, 2019 (October 31, 2018 – \$10.4 billion). Further, as at October 31, 2019, the Bank had committed to provide an additional \$3.2 billion in liquidity facilities that can be used to support future asset-backed commercial paper (ABCP) in the purchase of deal-specific assets (October 31, 2018 – \$2.8 billion).

All third-party assets securitized by the Bank's unconsolidated multi-seller conduits were originated in Canada and sold to Canadian securitization structures. Details of the Bank-administered multi-seller ABCP conduits are included in the following table.

**TABLE 42 EXPOSURE TO THIRD-PARTY ORIGINATED ASSETS SECURITIZED BY BANK-SPONSORED UNCONSOLIDATED CONDUITS**

(millions of Canadian dollars, except as noted)

	October 31, 2019		As at October 31, 2018	
	Exposure and ratings profile of unconsolidated SEs AAA <sup>1</sup>	Expected weighted-average life (years) <sup>2</sup>	Exposure and ratings profile of unconsolidated SEs AAA <sup>1</sup>	Expected weighted-average life (years) <sup>2</sup>
Residential mortgage loans	\$ 5,569	2.3	\$ 6,002	2.9
Automobile loans and leases	4,002	1.8	3,803	1.5
Equipment leases	451	2.4	413	1.5
Trade receivables	143	1.6	143	2.5
<b>Total exposure</b>	<b>\$ 10,165</b>	<b>2.0</b>	<b>\$ 10,361</b>	<b>2.3</b>

<sup>1</sup> The Bank's total liquidity facility exposure only relates to 'AAA' rated assets.

<sup>2</sup> Expected weighted-average life for each asset type is based upon each of the conduit's remaining purchase commitment for revolving pools and the expected weighted-average life of the assets for amortizing pools.

As at October 31, 2019, the Bank held \$39.4 million of ABCP issued by Bank-sponsored multi-seller conduits within the Trading loans, securities, and other category on its Consolidated Balance Sheet (October 31, 2018 – \$344.7 million).

### OFF-BALANCE SHEET EXPOSURE TO THIRD-PARTY SPONSORED CONDUITS

The Bank has off-balance sheet exposure to third-party sponsored conduits arising from providing liquidity facilities and funding commitments of \$3.8 billion as at October 31, 2019 (October 31, 2018 – \$3.0 billion). The assets within these conduits are comprised of individual notes backed by automotive loan receivables, credit card receivables, equipment receivables and trade receivables. As at October 31, 2019, these assets have maintained ratings from various credit rating agencies, with a minimum rating of A. On-balance sheet exposure to third-party sponsored conduits have been included in the financial statements.

### COMMITMENTS

The Bank enters into various commitments to meet the financing needs of the Bank's clients and to earn fee income. Significant commitments of the Bank include financial and performance standby letters of credit, documentary and commercial letters of credit, and commitments to extend credit. These products may expose the Bank to liquidity, credit, and reputational risks. There are adequate risk management and control processes in place to mitigate these risks. Certain commitments still remain off-balance sheet. Note 27 of the 2019 Consolidated Financial Statements provides detailed information about the maximum amount of additional credit the Bank could be obligated to extend.

### GUARANTEES

In the normal course of business, the Bank enters into various guarantee contracts to support its clients. The Bank's significant types of guarantee products are financial and performance standby letters of credit, credit enhancements, and indemnification agreements. Certain guarantees remain off-balance sheet. Refer to Note 27 of the 2019 Consolidated Financial Statements for further information.

## Related-Party Transactions

### TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL, THEIR CLOSE FAMILY MEMBERS, AND THEIR RELATED ENTITIES

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Bank, directly or indirectly. The Bank considers certain of its officers and directors to be key management personnel. The Bank makes loans to its key management personnel, their close family members, and their related entities on market terms and conditions with the exception of banking products and services for key management personnel, which are subject to approved policy guidelines that govern all employees.

In addition, the Bank offers deferred share and other plans to non-employee directors, executives, and certain other key employees. Refer to Note 23 of the 2019 Consolidated Financial Statements for more details.

In the ordinary course of business, the Bank also provides various banking services to associated and other related corporations on terms similar to those offered to non-related parties.

### TRANSACTIONS WITH SUBSIDIARIES, TD AMERITRADE, AND SYM COR INC.

Transactions between the Bank and its subsidiaries meet the definition of related-party transactions. If these transactions are eliminated on consolidation, they are not disclosed as related-party transactions.

Transactions between the Bank, TD Ameritrade, and Symcor Inc. (Symcor) also qualify as related-party transactions. There were no significant transactions between the Bank, TD Ameritrade, and Symcor during the year ended October 31, 2019, other than as described in the following sections and in Note 12 of the 2019 Consolidated Financial Statements.

#### **Other Transactions with TD Ameritrade and Symcor**

##### *i) TD AMERITRADE HOLDING CORPORATION*

The Bank has significant influence over TD Ameritrade and accounts for its investment in TD Ameritrade using the equity method. Pursuant to the Stockholders Agreement in relation to the Bank's equity investment in TD Ameritrade, the Bank has the right to designate five of twelve members of TD Ameritrade's Board of Directors. The Bank's designated directors include the Bank's Group President and Chief Executive Officer and four independent directors of TD or TD's U.S. subsidiaries.

##### *Insured Deposit Account Agreement*

The Bank is party to an IDA agreement with TD Ameritrade, pursuant to which the Bank makes available to clients of TD Ameritrade, FDIC-insured money market deposit accounts as either designated sweep vehicles or as non-sweep deposit accounts. TD Ameritrade provides marketing and support services with respect to the IDA. The Bank paid fees of \$2.2 billion in 2019 (2018 – \$1.9 billion; 2017 – \$1.5 billion) to TD Ameritrade related to deposit accounts. The amount paid by the Bank is based on the average insured deposit balance of \$140 billion in 2019 (2018 – \$140 billion; 2017 – \$124 billion) with a portion of the amount tied to the actual yield earned by the Bank on the investments, less the actual interest paid to clients of TD Ameritrade, with the balance tied to an agreed rate of return. The Bank earns a servicing fee of 25 bps on the aggregate average daily balance in the sweep accounts (subject to adjustment based on a specified formula).

As at October 31, 2019, amounts receivable from TD Ameritrade were \$41 million (October 31, 2018 – \$137 million). As at October 31, 2019, amounts payable to TD Ameritrade were \$168 million (October 31, 2018 – \$174 million).

The Bank and other financial institutions provided TD Ameritrade with unsecured revolving loan facilities. The total commitment provided by the Bank was \$291 million, which was undrawn as at October 31, 2019 (October 31, 2018 – \$338 million undrawn).

##### *ii) TRANSACTIONS WITH SYM COR*

The Bank has one-third ownership in Symcor, a Canadian provider of business process outsourcing services offering a diverse portfolio of integrated solutions in item processing, statement processing and production, and cash management services. The Bank accounts for Symcor's results using the equity method of accounting. During the year ended October 31, 2019, the Bank paid \$81 million (October 31, 2018 – \$86 million; October 31, 2017 – \$93 million) for these services. As at October 31, 2019, the amount payable to Symcor was \$12 million (October 31, 2018 – \$14 million).

The Bank and two other shareholder banks have also provided a \$100 million unsecured loan facility to Symcor which was undrawn as at October 31, 2019, and October 31, 2018.

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## GROUP FINANCIAL CONDITION

# Financial Instruments

As a financial institution, the Bank's assets and liabilities are substantially composed of financial instruments. Financial assets of the Bank include, but are not limited to, cash, interest-bearing deposits, securities, loans, derivative instruments and securities purchased under reverse repurchase agreements; while financial liabilities include, but are not limited to, deposits, obligations related to securities sold short, securitization liabilities, obligations related to securities sold under repurchase agreements, derivative instruments, and subordinated debt.

The Bank uses financial instruments for both trading and non-trading activities. The Bank typically engages in trading activities by the purchase and sale of securities to provide liquidity and meet the needs of clients and, less frequently, by taking trading positions with the objective of earning a profit. Trading financial instruments include, but are not limited to, trading securities, trading deposits, and trading derivatives. Non-trading financial instruments include the majority of the Bank's lending portfolio, non-trading securities, hedging derivatives, and financial liabilities. In accordance with accounting

standards related to financial instruments, financial assets or liabilities classified as trading, non-trading financial instruments at fair value through profit or loss, financial instruments designated at fair value through profit or loss, financial assets at FVOCI, and all derivatives are measured at fair value in the Bank's 2019 Consolidated Financial Statements. DSAC, loans, and other liabilities are carried at amortized cost using the effective interest rate method. For details on how fair values of financial instruments are determined, refer to the "Accounting Judgments, Estimates, and Assumptions" – "Fair Value Measurement" section of this document. The use of financial instruments allows the Bank to earn profits in trading, interest, and fee income. Financial instruments also create a variety of risks which the Bank manages with its extensive risk management policies and procedures. The key risks include interest rate, credit, liquidity, market, and foreign exchange risks. For a more detailed description on how the Bank manages its risk, refer to the "Managing Risk" section of this document.

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## RISK FACTORS AND MANAGEMENT

# Risk Factors That May Affect Future Results

In addition to the risks described in the "Managing Risk" section, there are numerous other risk factors, many of which are beyond the Bank's control and the effects of which can be difficult to predict, that could cause our results to differ significantly from our plans, objectives, and estimates or could impact the Bank's reputation or sustainability of its business model. All forward-looking statements, including those in this MD&A, are, by their very nature, subject to inherent risks and uncertainties, general and specific, which may cause the Bank's actual results to differ materially from the expectations expressed in the forward-looking statements. Some of these factors are discussed below and others are noted in the "Caution Regarding Forward-Looking Statements" section of this document.

### TOP AND EMERGING RISKS

TD considers it critical to regularly assess its operating environment and highlight top and emerging risks. These are risks with a potential to have a material effect on the Bank and where the attention of senior leaders is focused due to the potential magnitude or immediacy of their impact.

Risks are identified, discussed, and actioned by senior leaders and reported quarterly to the Risk Committee of the Board and the Board. Specific plans to mitigate top and emerging risks are prepared, monitored, and adjusted as required.

#### **General Business and Economic Conditions**

TD and its customers operate in Canada, the U.S., and to a lesser extent in other countries. As a result, the Bank's earnings are significantly affected by the general business and economic conditions in these regions. These conditions include short-term and long-term interest rates, inflation, fluctuations in the debt, commodity and capital markets, and related market liquidity, real estate prices, employment levels, consumer spending and debt levels, evolving consumer trends and business models, business investment, government spending, exchange rates, sovereign debt risks, the strength of the economy, threats of terrorism, civil unrest, reputational risk associated with increased regulatory, public, and media focus, the effects of public health emergencies, the effects of disruptions to public infrastructure, natural disasters, and the level of business conducted in a specific region. Management maintains an ongoing awareness of the macroeconomic environment in which it operates and incorporates

potential material changes into its business plans and strategies; it also incorporates potential material changes into the portfolio stress tests that are conducted. As a result, the Bank is better able to understand the likely impact of many of these negative scenarios and better manage the potential risks.

#### **Geopolitical Risk**

Risks related to government policy, international trade and political relations across the global landscape may impact overall market and economic stability in the regions in which the Bank operates. While the nature and extent of these risks may vary depending upon the circumstances involved, they may give rise to increased uncertainty for global economic growth, market volatility in interest rates, foreign exchange, commodity prices, credit spreads, and equities impacting the Bank's trading and non-trading activities, as well as direct and indirect implications on general business and economic conditions that could impact the Bank and its customers. Geopolitical risks evident throughout 2019 include heightened trade tensions and an increase in protectionist measures between international partners, increased political fragmentation across Europe, including the ongoing resolution associated with Brexit, and political unrest in the Asia-Pacific and Middle Eastern regions. Management maintains an ongoing awareness of geopolitical risks to assess potential impacts to the Bank's strategy and operations and routinely incorporates these risks into stress testing activities.

#### **Executing on Long-Term Strategies and Shorter-Term Key Strategic Priorities**

The Bank has a number of strategies and priorities, including those detailed in each segment's "Business Segment Analysis" section of this document, which may include large scale strategic or regulatory initiatives that are at various stages of development or implementation. Examples include organic growth strategies, new acquisitions, integration of recently acquired businesses, projects to meet new regulatory requirements, new platforms and new technology or enhancement to existing technology. Risk can be elevated due to the size, scope, velocity, interdependency, and complexity of projects, the limited timeframes to complete the projects, and competing priorities for limited specialized resources.

In respect of acquisitions, the Bank undertakes deal assessments and due diligence before completing a merger or an acquisition and closely monitors integration activities and performance post acquisition. However, there is no assurance that the Bank will achieve its objectives, including anticipated cost savings or revenue synergies following acquisitions and integration. In general, while significant management attention is placed on the governance, oversight, methodology, tools, and resources needed to manage our priorities and strategies, our ability to execute on them is dependent on a number of assumptions and factors. These include those set out in the “Business Outlook and Focus for 2020”, “Focus for 2020”, and “Managing Risk” sections of this document, as well as disciplined resource and expense management and our ability to implement (and the costs associated with the implementation of) enterprise-wide programs to comply with new or enhanced regulations or regulator demands, all of which may not be in the Bank’s control and are difficult to predict.

If any of the Bank’s acquisitions, strategic plans or priorities are not successfully executed, there could be an impact on the Bank’s operations and financial performance and the Bank’s earnings could grow more slowly or decline.

### **Technology and Cyber Security Risk**

Technology and cyber security risks for large financial institutions like the Bank have increased in recent years. This is due, in part, to the proliferation, sophistication and constant evolution of new technologies and attack methodologies used by sociopolitical entities, organized criminals, malicious insiders, or service providers, nation states, hackers and other internal or external parties. The increased risks are also a factor of our size and scale of operations, our geographic footprint, the complexity of our technology infrastructure, and our use of internet and telecommunications technologies to conduct financial transactions, such as our continued development of mobile and internet banking platforms. The Bank’s technologies, systems and networks, and those of our customers (including their own devices) and the third parties providing services to the Bank, continue to be subject to cyber-attacks, and may be subject to disruption of services, data security or other breaches (including loss or exposure of confidential information, including customer or employee information), identity theft and corporate espionage, or other compromises. The Bank’s use of third-party service providers, which are subject to these potential compromises, increases our risk of potential attack, breach or disruption as the Bank has less immediate or continuous oversight over their technology infrastructure or information security. Although the Bank has not experienced any material financial losses relating to technology failure, cyber-attacks or data security or other breaches, there is no assurance that the Bank will not experience loss or damage in the future. These may include cyber-attacks such as targeted and automated online attacks on banking systems and applications, introduction of malicious software, denial of service attacks, malicious insider or service provider exfiltrating data and phishing attacks, any of which could result in the fraudulent use, disclosure or theft of data or amounts that customers hold with the Bank. These may also include attempts by employees, agents or third-party service providers of the Bank to access or disclose sensitive information or other data of the Bank, its customers or its employees. Attempts to illicitly or misleadingly induce employees, customers, third-party service providers or other users of the Bank’s systems will likely continue, in an effort to obtain sensitive information and gain access to the Bank’s or its customers’ data or amounts that the Bank holds or that its customers hold with the Bank. In addition, the Bank’s customers often use their own devices, such as computers, smart phones, and tablets, to make payments and manage their accounts, and the Bank has limited ability to assure the safety and security of its customers’ transactions with the Bank to the extent they are using their own devices. The Bank actively monitors, manages, and continues to enhance its ability to mitigate these technology and cyber security risks through enterprise-wide programs, using industry

accepted practices, and industry accepted threat, and vulnerability assessments and responses. The Bank continues to make investments to mature its cyber defences in accordance with industry accepted standards and practices to enable rapid detection and response to internal and external cyber incidents and unauthorized access or exfiltration of the Bank’s data. The adoption of certain technologies, such as cloud computing, artificial intelligence and robotics, call for continued focus and investment to manage our risks effectively. It is possible that the Bank, or those with whom the Bank does business, may not anticipate or implement effective measures against all such cyber and technology-related risks, particularly because of the tactics, techniques, and procedures used change frequently and risks can originate from a wide variety of sources that have also become increasingly sophisticated. The Bank’s cyber insurance purchased to mitigate risk may not be sufficient to materially cover against all financial losses. As such, with any cyber-attack, disruption of services, data, security or other breaches (including loss or exposure of confidential information), identity theft, corporate espionage or other compromise of technology or information systems, hardware or related processes, or any significant issues caused by weakness in information technology infrastructure, the Bank may experience, among other things, financial loss; a loss of customers or business opportunities; disruption to operations; misappropriation or unauthorized release of confidential, financial or personal information; damage to computers or systems of the Bank and those of its customers and counterparties; violations of applicable privacy and other laws; litigation; regulatory penalties or intervention, remediation, investigation or restoration cost; increased costs to maintain and update our operational and security systems and infrastructure; and reputational damage. If the Bank were to experience such an incident, it may take a significant amount of time and effort to investigate the incident to obtain full and reliable information necessary to assess the impact. The Bank’s owned and operated applications, processes, products, and services could be subject to failures or disruptions as a result of human error, natural disasters, utility disruptions, cyber-attacks or other criminal or terrorist acts, or non-compliance with regulations, which may impact the Bank’s operations. Such adverse effects could limit the Bank’s ability to deliver products and services to customers, and/or damage the Bank’s reputation, which in turn could lead to disruptions to our businesses and financial loss.

### **Fraud and Criminal Activity**

As a financial institution, the Bank is inherently exposed to various types of fraud and other financial crime. The sophistication, complexity, and materiality of these crimes evolves quickly and these crimes can arise from numerous sources, including potential or existing clients or customers, agents, third parties, including suppliers, service providers and outsourcers, other external parties, contractors or employees. In deciding whether to extend credit or enter into other transactions with customers or counterparties, the Bank may rely on information furnished by or on behalf of such customers, counterparties or other external parties including financial statements and financial information and authentication information. The Bank may also rely on the representations of customers, counterparties, and other external parties as to the accuracy and completeness of such information. In order to authenticate customers, whether through the Bank’s phone or digital channels or in its branches and stores, the Bank may also rely on certain authentication methods which could be subject to fraud. In addition to the risk of material loss (financial loss, misappropriation of confidential information or other assets of the Bank or its customers and counterparties) that could result in the event of a financial crime, the Bank could face legal action and client and market confidence in the Bank could be impacted. The Bank has invested in a coordinated approach to strengthen the Bank’s fraud defences and build upon existing practices in Canada and the U.S. The Bank continues to introduce new capabilities and defences to strengthen the Bank’s control posture to combat more complex fraud, including cyber fraud.

### **Third-Party Service Providers**

The Bank recognizes the value of using third parties to support its businesses, as they provide access to leading applications, processes, products and services, specialized expertise, innovation, economies of scale, and operational efficiencies. However, they may also create reliance upon the provider with respect to continuity, reliability, and security of these relationships, and their associated processes, people and facilities. As the financial services industry and its supply chain become more complex, the need for robust, holistic, and sophisticated controls and ongoing oversight increases. Just as the Bank's owned and operated applications, processes, products, and services could be subject to failures or disruptions as a result of human error, natural disasters, utility disruptions, cyber-attacks or other criminal or terrorist acts, or non-compliance with regulations, each of its suppliers may be exposed to similar risks which could in turn impact the Bank's operations. Such adverse effects could limit the Bank's ability to deliver products and services to customers, and/or damage the Bank's reputation, which in turn could lead to disruptions to our businesses and financial loss. Consequently, the Bank has established expertise and resources dedicated to third-party risk management, as well as policies and procedures governing third-party relationships from the point of selection through the life cycle of the business arrangement. The Bank develops and tests robust business continuity management plans which contemplate customer, employee, and operational implications, including technology and other infrastructure contingencies.

### **Introduction of New and Changes to Current Laws and Regulations**

The financial services industry is highly regulated. TD's operations, profitability and reputation could be adversely affected by the introduction of new laws and regulations, changes to, or changes in interpretation or application of current laws and regulations, and issuance of judicial decisions. These adverse effects could also result from the fiscal, economic, and monetary policies of various regulatory agencies and governments in Canada, the U.S., the United Kingdom, and other countries, and changes in the interpretation or implementation of those policies. Such adverse effects may include incurring additional costs and resources to address initial and ongoing compliance; limiting the types or nature of products and services the Bank can provide and fees it can charge; unfavourably impacting the pricing and delivery of products and services the Bank provides; increasing the ability of new and existing competitors to compete with their pricing, products and services (including, in jurisdictions outside Canada, the favouring of certain domestic institutions); and increasing risks associated with potential non-compliance. In addition to the adverse impacts described above, the Bank's failure to comply with applicable laws and regulations could result in sanctions and financial penalties that could adversely impact its earnings and its operations and damage its reputation. The global anti-money laundering and economic sanctions landscape continues to experience regulatory change, with significant, complex new laws and regulations that have, or are anticipated to come into force in the short and medium-term in many of the jurisdictions in which the Bank operates. In addition, the global data and privacy landscape has and continues to experience regulatory change, with significant new legislation that has been passed and will be implemented in the near term in some of the jurisdictions in which the Bank does business and additional new legislation that is anticipated to come into force in the medium-term. In addition, despite the Bank's monitoring and evaluation of the potential impact of rules, proposals, consent orders and regulatory guidance, governments and regulators around the world may introduce, and the issuance of judicial decisions may result in, unanticipated new regulations that are applicable to the Bank. In Europe, there are a number of uncertainties in connection with the future of the United Kingdom and its relationship with the European Union, and reforms implemented through the European Market Infrastructure Regulation and the review of Markets in Financial Instruments Directive and accompanying Regulation could result in higher operational and system costs and potential changes in the types of products and services the Bank can offer to clients in the region.

In addition, the Canadian Securities Administrators has proposed regulations relating to over-the-counter derivatives reform. The Bank is monitoring this regulatory initiative which, if implemented, could result in increased compliance costs, and compliance with these standards may impact the Bank's businesses, operations and results. Finally, in Canada, there are a number of government initiatives underway that could impact financial institutions, including regulatory initiatives with respect to payments evolution and modernization, open banking, consumer protection, protection of customer data, and anti-money laundering. In addition, changes relating to interchange in Canada, which will become effective May 2020, may impact the Bank's credit card businesses.

### **Dodd-Frank Wall Street Reform and Consumer Protection Act**

The *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank), a U.S. federal law enacted in 2010, required significant structural reform to the U.S. financial services industry and affects every banking organization operating in the U.S., including the Bank. In general, in connection with Dodd-Frank the Bank could be negatively impacted by loss of revenue, limitations on the products or services it offers, and additional operational and compliance costs. Due to certain aspects with extraterritorial effect, Dodd-Frank also impacts the Bank's operations outside the U.S., including in Canada. Many parts of Dodd-Frank are in effect and others are in the implementation stage. Certain rules under Dodd-Frank and other regulatory requirements that impact the Bank include: the so-called "Volcker Rule", which generally restricts banking entities from engaging in proprietary trading and from sponsoring or holding ownership interests in or having certain relationships with certain hedge funds and private equity funds; capital planning and stress testing requirements for our top-tier U.S. intermediate holding company; stress testing requirement for TD Bank, N.A.; and various "enhanced prudential standards" under Federal Reserve regulations. The Bank has incurred, and will continue to incur, operational, capital, liquidity, and compliance costs, and compliance with these standards may impact the Bank's businesses, operations, and results in the U.S. and overall.

The current U.S. regulatory environment for banking organizations may be impacted by recent and future legislative or regulatory developments. For example, the recently enacted *Economic Growth, Regulatory Relief and Consumer Protection Act* (Reform Act) included modifications to the stress testing and other aspects of Dodd-Frank. In addition, the applicable U.S. Federal regulatory agencies have proposed and in some cases, adopted regulatory amendments to certain of these requirements, including with respect to the Volcker Rule regulations and capital planning and stress testing requirements. In October 2019, the Federal Reserve issued a final rule that implements the Reform Act's changes to the application of enhanced prudential standards with respect to U.S. and non-U.S. banking organizations (the "Tailoring Rule"). The Tailoring Rule delineates four categories of enhanced prudential standards applicable to non-U.S. banking organizations based on the risk profile of the organization, with most enhanced prudential standards applying only to non-U.S. banking organizations with combined U.S. assets of at least US\$100 billion, such as the Bank, or to U.S. intermediate holding companies of non-U.S. banking organizations with total consolidated assets of at least US\$100 billion, such as our top-tier U.S. intermediate holding company.

The ultimate consequences of these developments and their impact on the Bank remain uncertain and it remains unclear whether any other legislative or regulatory proposals relating to these requirements will be enacted or adopted.

### **Bank Recapitalization "Bail-In" Regime**

In 2016, legislation to amend the *Bank Act*, the *Canada Deposit Insurance Corporation Act* (the "CDIC Act") and certain other federal statutes pertaining to banks to create a bank recapitalization or bail-in regime for D-SIBs, which include the Bank, was approved. In April 2018, the Government of Canada (GOC) published regulations under the CDIC Act and the *Bank Act* providing the final details of conversion and issuance regimes for bail-in instruments issued by D-SIBs (collectively, the Bail-in Regulations) which came into force in September 2018.



Pursuant to the CDIC Act, if the Superintendent is of the opinion that a D-SIB has ceased or is about to cease to be viable and its viability cannot be restored through the exercise of the Superintendent's powers, the GOC can, among other things, appoint the Canada Deposit Insurance Corporation (CDIC) as receiver of the Bank and direct CDIC to convert certain shares (including preferred shares) and liabilities of the Bank (including senior debt securities) into common shares of the Bank or any of its affiliates (a Bail-in Conversion). However, under the CDIC Act, the conversion powers of CDIC would not apply to shares and liabilities issued or originated before September 23, 2018 (the date on which the Bail-in Regulations came into force) unless, on or after such date, they are amended or in the case of liabilities, their term is extended.

The Bail-in Regulations prescribe the types of shares and liabilities that are subject to a Bail-in Conversion. In general, any senior debt securities with an initial or amended term-to-maturity greater than 400 days that are unsecured or partially secured and have been assigned a CUSIP, ISIN, or similar identification number are subject to a Bail-in Conversion. Shares, other than common shares, and subordinated debt, that are not NVCC instruments, are also subject to a Bail-in Conversion. However, certain other debt obligations of the Bank such as structured notes (as defined in the Bail-in Regulations), covered bonds, and certain derivatives are not subject to a Bail-in Conversion.

The bail-in regime could adversely affect the Bank's cost of funding.

### **Regulatory Oversight and Compliance Risk**

Our businesses are subject to extensive regulation and oversight. Regulatory change is occurring in all of the jurisdictions in which the Bank operates. Governments and regulators around the world have demonstrated an increased focus on conduct risk, data control, use and security, and on money laundering and terrorist financing risks and threats. As well, they have continued the trends towards establishing new standards and best practice expectations and a willingness to use public enforcement with fines and penalties when compliance breaches occur.

The Bank continually monitors and evaluates the potential impact of applicable regulatory developments (including rules, proposed rules, standards, and regulatory guidance). However, while the Bank devotes substantial compliance, legal, and operational business resources to facilitate compliance with these developments by their respective effective dates, and also to the consideration of other governmental and regulator expectations, it is possible that the Bank may not be able to accurately predict the impact of final rules implementing such developments, the interpretation or enforcement actions taken by governments and regulators regarding such rules, or may not be able to develop or enhance the platforms, technology, or operational procedures and frameworks necessary to comply with, or adapt to, such rules or expectations in advance of their effective dates. This could require the Bank to take further actions or incur more costs than expected, and may expose the Bank to enforcement and reputational risk. Regulatory changes, as well as uncertainty surrounding the scope and requirements of the final rules implementing such changes, will continue to increase our compliance and operational risks and costs. In addition, if governments or regulators take formal enforcement action, rather than taking informal/supervisory actions, then, despite the Bank's risk management efforts, its operations, business strategies and product and service offerings may be adversely impacted, therefore impacting financial results.

Also, it may be determined that the Bank has not adequately, completely or timely addressed regulatory developments or enforcement actions to which it is subject, in a manner which meets governmental or regulator expectations. As such, the Bank may continue to face a greater number or wider scope of investigations, enforcement actions, and litigation. In addition, public notifications of enforcement actions are becoming more prevalent which could negatively impact the Bank's reputation.

The Bank may incur greater than expected costs associated with enhancing its compliance, or may incur fines, penalties or judgments not in its favour associated with non-compliance, all of which could also lead to negative impacts on the Bank's financial performance and its reputation.

### **Level of Competition and Disruptive Technology**

The Bank operates in a highly competitive industry and its performance is impacted by the level of competition. Customer retention and acquisition can be influenced by many factors, including the Bank's reputation as well as the pricing, market differentiation, and overall customer experience of our products and services. Enhanced competition from incumbents and new entrants may impact the Bank's pricing of products and services and may cause us to lose revenue and/or market share. Increased competition requires us to make additional short and long-term investments to remain competitive and continue delivering differentiated value to our customers, which may increase expenses. In addition, the Bank operates in environments where laws and regulations that apply to it may not universally apply to its current and emerging competitors, which could include the domestic institutions in jurisdictions outside of Canada or the U.S., or non-traditional providers (such as Fintech, big technology competitors) of financial products and services. Non-depository or non-financial institutions are often able to offer products and services that were traditionally banking products and compete with banks in offering digital financial solutions (primarily mobile or web-based services), without facing the same regulatory requirements or oversight. These third parties can seek to acquire customer relationships and disintermediate customers from their primary financial institution, which can also increase fraud and privacy risks for customers and financial institutions in general. The nature of disruption is such that it can be difficult to anticipate and/or respond to adequately or quickly, representing inherent risks to certain Bank businesses, including payments. As such, this type of competition could also adversely impact the Bank's earnings. To mitigate these effects and identify how the changing landscape can enhance the Bank's value proposition, including delivering new revenue streams for the Bank and greater value for customers, stakeholders across each of the Bank's business segments constantly seek to understand and leverage emerging technologies and trends. This includes monitoring the competitive environment in which they operate and reviewing or amending their customer acquisition, management, and retention strategies as appropriate and building optionality and flexibility into the products and services offered to keep pace with evolving customer expectations. The Bank is committed to investing in differentiated and personalized experiences for its customers, putting a particular emphasis on mobile technologies, enabling customers to transact seamlessly across their preferred channels. The Bank is also advancing artificial intelligence (AI) capabilities, to help further inform our business decisions and risk management practices. While the Bank is seeking to drive adoption and use of AI in a responsible way, there is no assurance that AI will appropriately or sufficiently replicate certain outcomes or accurately predict future events or exposures. The Bank considers various options to accelerate innovation, including making strategic investments in innovative companies, exploring partnership opportunities, and experimenting with new technologies and concepts internally. Legislative or regulatory action relating to such new technologies could emerge and continue to evolve, potentially increasing compliance costs and risks.

### **OTHER RISK FACTORS**

#### **Legal Proceedings**

The Bank or its subsidiaries are from time to time named as defendants or are otherwise involved in various class actions and other litigation or disputes with third parties, including regulatory investigations and enforcement proceedings, related to its businesses and operations. The Bank manages and mitigates the risks associated with these proceedings through a robust litigation management function. The Bank's material litigation and regulatory enforcement proceedings are disclosed in its Consolidated Financial Statements. There is no assurance that the volume of claims and the amount of damages and penalties claimed in litigation, arbitration and regulatory proceedings will not increase in the future. Actions currently pending against the Bank may result in judgments, settlements, fines, penalties, disgorgements, injunctions, business improvement orders or other results adverse to the Bank, which could materially adversely affect

the Bank's business, financial condition, results of operations, cash flows, capital and credit ratings; require material changes in the Bank's operations; result in loss of customers; or cause serious reputational harm to the Bank. Moreover, some claims asserted against the Bank may be highly complex, and include novel or untested legal theories. The outcome of such proceedings may be difficult to predict or estimate until late in the proceedings, which may last several years. In addition, settlement or other resolution of certain types of matters are often subject to external approval, which may or may not be granted. Although the Bank establishes reserves for these matters according to accounting requirements, the amount of loss ultimately incurred in relation to those matters may substantially differ from the amounts accrued. As a participant in the financial services industry, the Bank will likely continue to experience the possibility of significant litigation and regulatory investigations and enforcement proceedings related to its businesses and operations. Regulators and other government agencies examine the operations of the Bank and its subsidiaries on both a routine- and targeted-exam basis, and there is no assurance that they will not pursue regulatory settlements or other enforcement actions against the Bank in the future. For additional information relating to the Bank's material legal proceedings, refer to Note 27 of the 2019 Consolidated Financial Statements.

#### **Acquisitions**

The Bank regularly explores opportunities to acquire other companies, or parts of their businesses, directly or indirectly through the acquisition strategies of its subsidiaries. The Bank undertakes due diligence before completing an acquisition and closely monitors integration activities and performance post acquisition. However, there is no assurance that the Bank will achieve its financial or strategic objectives, including anticipated cost savings or revenue synergies following acquisitions and integration efforts. The Bank's, or a subsidiary's, ability to successfully complete an acquisition is often subject to regulatory and other approvals, and the Bank cannot be certain when or if, or on what terms and conditions, any required approvals will be granted. If the Bank does not achieve its financial or strategic objectives of an acquisition, or if the Bank does not successfully complete an acquisition, there could be an impact on the Bank's financial performance and the Bank's earnings could grow more slowly or decline.

#### **Ability to Attract, Develop, and Retain Key Executives**

The Bank's future performance is dependent on the availability of qualified talent and the Bank's ability to attract, develop, and retain it. The Bank's management understands that the competition for talent continues to increase across geographies, industries, and emerging capabilities across a number of sectors including financial services. As a result, the Bank undertakes an annual talent review process to assess critical capability requirements for all areas of the business. Through this process, an assessment of current executive leadership, technical and core capabilities, as well as talent development opportunities is completed against both near term and future business needs. The outcomes from the process inform plans at both the enterprise and business level to retain, develop, or acquire the talent which are then actioned throughout the course of the year. Although it is the goal of the Bank's management resource policies and practices to attract, develop, and retain key talent employed by the Bank or an entity acquired by the Bank, there is no assurance that the Bank will be able to do so.

#### **Foreign Exchange Rates, Interest Rates, and Credit Spreads**

Foreign exchange rate, interest rate, and credit spread movements in Canada, the U.S., and other jurisdictions in which the Bank does business impact the Bank's financial position (as a result of foreign currency translation adjustments) and its future earnings. Changes in the value of the Canadian dollar relative to the U.S. dollar may also affect the earnings of the Bank's small business, commercial, and

corporate clients in Canada. A change in the level of interest rates, negative interest rates or a prolonged low interest rate environment affects the interest spread between the Bank's deposits and loans, and as a result, impacts the Bank's net interest income. A change in the level of credit spreads affects the relative valuation of assets and liabilities, and as a result, impacts the Bank's earnings. The Bank manages its structural foreign exchange rate, interest rate, and credit spread risk exposures in accordance with policies established by the Risk Committee through its Asset Liability Management framework, which is further discussed in the "Managing Risk" section of this document.

#### **IBOR Transition**

Various interest rates and other indices that are deemed to be "benchmarks" (including IBOR benchmarks) have been, and continue to be, the subject of international regulatory guidance and proposals for reform. Following the announcement by the U.K. Financial Conduct Authority (FCA) on July 27, 2017, indicating that the FCA would no longer compel banks to submit rates for the calculation of London Interbank Offered Rate post December 31, 2021, efforts to transition away from IBORs to alternative reference rates have been continuing in various jurisdictions. These developments, and the related uncertainty over the potential variance in the timing and manner of implementation in each jurisdiction, introduce risks that may have adverse consequences on the Bank, its clients, and the financial services industry. Moreover, the replacement of the IBORs or other benchmark rates could result in market dislocation and have other adverse consequences to market participants.

As the Bank has significant contractual rights, obligations and exposures referenced to IBOR benchmarks, discontinuance of, or changes to, benchmark rates could adversely affect our business and results of operations. The Bank has established an enterprise-wide, cross functional program to evaluate the impact of the market, financial, operational, legal, technology and other risks on its products, services, systems, models, documents, processes, and risk management frameworks with the intention of managing the impact through appropriate mitigating actions.

In addition to operational challenges, there are also market risks that arise because the new reference rates are likely to differ from the prior benchmark rates resulting in differences in the calculation of the applicable interest rate or payment amount. The difference could result in different financial performance for previously-booked transactions, require different hedging strategies, or affect the Bank's capital and liquidity planning and management. Additionally, any adverse impacts on the value of and return on existing instruments and contracts for the Bank's clients may present an increased risk of litigation, regulatory intervention, and possible reputational damage.

#### **Accounting Policies and Methods Used by the Bank**

The Bank's accounting policies and estimates are essential to understanding its results of operations and financial condition. Some of the Bank's policies require subjective, complex judgments and estimates as they relate to matters that are inherently uncertain. Changes in these judgments or estimates and changes to accounting standards and policies could have a materially adverse impact on the Bank's Consolidated Financial Statements, and therefore its reputation. The Bank has established procedures designed to ensure that accounting policies are applied consistently and that the processes for changing methodologies, determining estimates and adopting new accounting standards are well-controlled and occur in an appropriate and systematic manner. Significant accounting policies as well as current and future changes in accounting policies are described in Note 2 and Note 4, respectively, of the 2019 Consolidated Financial Statements.

### Environmental and Social Risk

Environmental risk is the possibility of loss of strategic, financial, operational or reputational value resulting from the impact of environmental issues or concerns, including climate change, and related social risk within the scope of short-term and long-term cycles. The Bank is exposed to environmental and social risks both through its business and operations and through its clients and customers. Environmental and social risks may lead to potential losses, resulting from the Bank's direct and indirect impact on the environment and society, and the impact of environmental and social issues on TD (including climate change). Direct risks are associated with the ownership and operation of the Bank's business, which include management and operation of company-owned or managed real estate, fleet, business operations, and associated services. Indirect risks are associated with environmental performance or environmental events, such as changing climate patterns that may have an impact on the Bank's retail customers and clients to whom the Bank provides financial services or in which the Bank invests. Environmental and

related social risks are managed under the Bank's Environment Policy and through related business segment level policies and procedures across the enterprise. Additionally, emerging social risks are managed through governance forums, including Reputational Risk Committees (with the approach being reviewed, including at the policy level).

Climate change risk has emerged as one of the top environmental risks for the Bank as extreme weather events, shifts in climate norms, and the global transition to a low carbon economy risks increase and evolve. Related impacts may include strategic, financial, operational, legal, and reputational related risks for the Bank and its clients in climate sensitive sectors. The Bank continues to assess the potential impacts of climate change and related risks on its operations, lending portfolios, investments, and businesses.

The Bank is developing standardized methodologies and approaches for climate scenario analysis through participation in industry-wide working groups and is working to embed the assessment of climate-related risks and opportunities into relevant Bank processes.

## RISK FACTORS AND MANAGEMENT

# Managing Risk

### EXECUTIVE SUMMARY

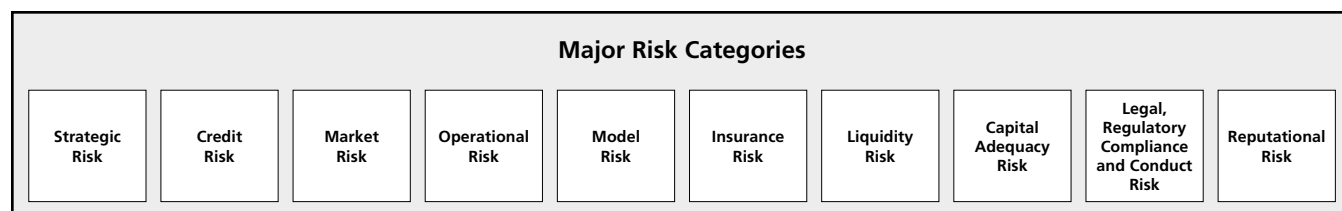
Growing profitability in financial results based on balanced revenue, expense and capital growth services involves selectively taking and managing risks within the Bank's risk appetite. The Bank's goal is to earn a stable and sustainable rate of return for every dollar of risk it takes, while putting significant emphasis on investing in its businesses to meet its future strategic objectives.

The Bank's Enterprise Risk Framework (ERF) reinforces the Bank's risk culture, which emphasizes transparency and accountability, and supports a common understanding among stakeholders of how the Bank manages risk. The ERF addresses: (1) the nature of risks to the Bank's strategy and operations; (2) how the Bank defines the types of risk it is exposed to; (3) risk management governance and organization; and (4) how the Bank manages risk through processes

that identify and assess, measure, control, and monitor and report risk. The Bank's risk management resources and processes are designed to both challenge and enable all its businesses to understand the risks they face and to manage them within the Bank's risk appetite.

### RISKS INVOLVED IN TD'S BUSINESSES

The Bank's Risk Inventory sets out the Bank's major risk categories and related subcategories to which the Bank's businesses and operations could be exposed. The Risk Inventory facilitates consistent risk identification and is the starting point in developing risk management strategies and processes. The Bank's major risk categories are: Strategic Risk; Credit Risk; Market Risk; Operational Risk; Model Risk; Insurance Risk; Liquidity Risk; Capital Adequacy Risk; Legal, Regulatory Compliance and Conduct Risk; and Reputational Risk.



### RISK APPETITE

The Bank's RAS is the primary means used to communicate how the Bank views risk and determines the type and amount of risk it is willing to take to deliver on its strategy and enhance shareholder value. In defining its risk appetite, the Bank takes into account its vision, purpose, strategy, shared commitments, risk philosophy, and capacity to bear risk. The core risk principles for the Bank's RAS are as follows:

- The Bank takes risks required to build its business, but only if those risks:
1. Fit the business strategy, and can be understood and managed.
  2. Do not expose the enterprise to any significant single loss events; TD does not 'bet the Bank' on any single acquisition, business, or product.
  3. Do not risk harming the TD brand.

The Bank considers current operating conditions and the impact of emerging risks in developing and applying its risk appetite. Adherence to enterprise risk appetite is managed and monitored across the Bank and is informed by the RAS and a broad collection of principles, policies, processes, and tools. The Bank's RAS describes, by major risk category, the Bank's risk principles and establishes both qualitative and quantitative measures with key indicators, thresholds, and limits, as

appropriate. RAS measures consider both normal and stress scenarios and include those that can be aggregated at the enterprise level and disaggregated at the business segment level.

Risk Management is responsible for establishing practices and processes to formulate, monitor, and report on the Bank's RAS measures. The function also monitors and evaluates the effectiveness of these practices and measures. Compliance with RAS principles and measures is reported regularly to senior management, the Board, and the Risk Committee; other measures are tracked on an ongoing basis by management, and escalated to senior management and the Board, as required. Risk Management regularly assesses management's performance against the Bank's RAS measures.

### RISK CULTURE

The Bank's risk culture starts with the "tone at the top" set by the Board, Chief Executive Officer (CEO), and the Senior Executive Team (SET), and is supported by its vision, purpose, and shared commitments. These governing objectives describe the behaviours that the Bank seeks to foster, among its employees, in building a culture where the only risks taken are those that can be understood and managed. The Bank's

risk culture promotes accountability, learning from past experiences, and encourages open communication and transparency on all aspects of risk taking. The Bank's employees are encouraged to challenge and escalate when they believe the Bank is operating outside of its risk appetite.

Ethical behaviour is a key component of the Bank's risk culture. The Bank's Code of Conduct and Ethics guides employees and Directors to make decisions that meet the highest standards of integrity, professionalism, and ethical behaviour. Every Bank employee and Director is expected and required to assess business decisions and actions on behalf of the organization in light of whether it is right, legal, and fair. The Bank's desired risk culture is reinforced by linking compensation to management's performance against the Bank's risk appetite. Performance against risk appetite is a key consideration in determining compensation for executives, including adjustments to incentive awards both at the time of award and again at maturity for deferred compensation. An annual consolidated assessment of management's performance against the RAS is prepared by Risk Management, reviewed by the Risk Committee, and is used by the Human Resources Committee as a key input into compensation decisions. All executives are individually assessed against objectives that include consideration of risk and control behaviours. This comprehensive approach allows the Bank to consider whether the actions of executive management resulted in risk and control events within their area of responsibility.

In addition, governance, risk, and oversight functions operate independently from business segments supported by an organizational structure that provides objective oversight and independent challenge. Governance, risk, and oversight function heads, including the Chief Risk Officer (CRO), have unfettered access to respective Board Committees to raise risk, compliance, and other issues. Lastly, awareness and communication of the Bank's RAS and the ERF take place across the organization through enterprise risk communication

programs, employee orientation and training, and participation in internal risk management conferences. These activities further strengthen the Bank's risk culture by increasing the knowledge and understanding of the Bank's expectations for risk taking.

### WHO MANAGES RISK

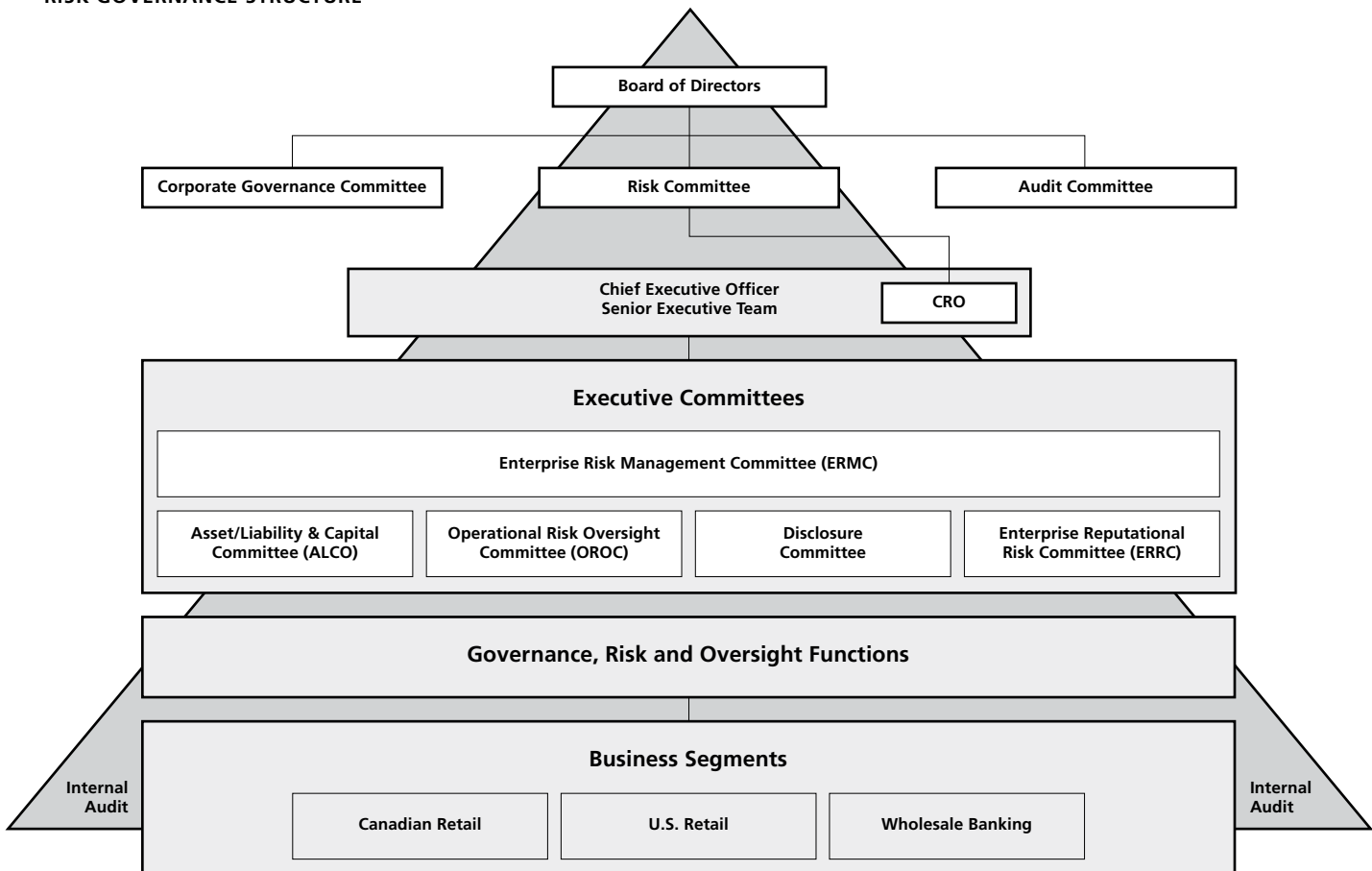
The Bank's risk governance structure emphasizes and balances strong independent oversight with clear ownership for risk control within each business segment. Under the Bank's approach to risk governance, a "three lines of defence" model is employed, in which the first line of defence are the risk owners, the second line provides risk oversight, and the third line is internal audit.

The Bank's risk governance model includes a senior management committee structure that is designed to support transparent risk reporting and discussions. The Bank's overall risk and control oversight is provided by the Board and its committees. The CEO and SET determine the Bank's long-term direction which is then carried out by business segments within the Bank's risk appetite. Risk Management, headed by the Group Head and CRO, sets enterprise risk strategy and policy and provides independent oversight to support a comprehensive and proactive risk management approach. The CRO, who is also a member of the SET, has unfettered access to the Risk Committee.

The Bank has a robust subsidiary governance framework to support its overall risk governance structure, including boards of directors, and committees for various subsidiary entities where appropriate. Within the U.S. Retail business segment, risk and control oversight is provided by a separate and distinct Board of Directors which includes a fully independent Board Risk Committee and Board Audit Committee. The U.S. Chief Risk Officer (U.S. CRO) has unfettered access to the Board Risk Committee.

The following section provides an overview of the key roles and responsibilities involved in risk management. The Bank's risk governance structure is illustrated in the following figure.

### RISK GOVERNANCE STRUCTURE



### **The Board of Directors**

The Board oversees the Bank's strategic direction, the implementation of an effective risk culture, and the internal control framework across the enterprise. It accomplishes its risk management mandate both directly and indirectly through its four committees, the Audit, Risk, Corporate Governance, and Human Resources Committees. The Board reviews and approves the Bank's RAS and related measures annually, and monitors the Bank's risk profile and performance against risk appetite measures.

### **The Audit Committee**

The Audit Committee oversees financial reporting, the adequacy and effectiveness of internal controls, including internal controls over financial reporting, and the activities of the Bank's Global Anti-Money Laundering (GAML) group, Compliance group, and Internal Audit.

### **The Risk Committee**

The Risk Committee is responsible for reviewing and recommending TD's RAS for approval by the Board annually. The Risk Committee oversees the management of TD's risk profile and performance against its risk appetite. In support of this oversight, the Committee reviews and approves certain enterprise-wide risk management frameworks and policies that support compliance with TD's risk appetite, and monitors the management of risks and risk trends.

### **The Human Resources Committee**

The Human Resources Committee, in addition to its other responsibilities, satisfies itself that Human Resources risks are appropriately identified, assessed, and managed in a manner consistent with the risk programs within the Bank, and with the sustainable achievement of the Bank's business objectives.

### **The Corporate Governance Committee**

The Corporate Governance Committee, in addition to its other responsibilities, develops, and where appropriate, recommends to the Board for approval corporate governance guidelines, including a code of conduct and ethics, aimed at fostering a healthy governance culture at the Bank, and also acts as the conduct review committee for the Bank, including providing oversight of conduct risk.

### **Chief Executive Officer and Senior Executive Team**

The CEO and the SET develop and recommend to the Board the Bank's long-term strategic direction and also develop and recommend for Board approval TD's risk appetite. The SET members set the "tone at the top" and manage risk in accordance with the Bank's risk appetite while considering the impact of emerging risks on the Bank's strategy and risk profile. This accountability includes identifying and reporting significant risks to the Risk Committee.

### **Executive Committees**

The CEO, in consultation with the CRO determines the Bank's Executive Committees, which are chaired by SET members. The committees meet regularly to oversee governance, risk, and control activities and to review and monitor risk strategies and associated risk activities and practices.

The Enterprise Risk Management Committee (ERMC), chaired by the CEO, oversees the management of major enterprise governance, risk, and control activities and promotes an integrated and effective risk management culture. The following Executive Committees have been established to manage specific major risks based on the nature of the risk and related business activity:

- ALCO – chaired by the Group Head and Chief Financial Officer (CFO), the Asset/Liability and Capital Committee (ALCO) oversees directly and through its standing subcommittees (the Enterprise Capital Committee (ECC) and Global Liquidity Forum (GLF)) the management of the Bank's consolidated non-trading market risk and each of its consolidated liquidity, funding, investments, and capital positions.

- OROC – chaired by the Group Head and CRO, the Operational Risk Oversight Committee (OROC) oversees the identification, monitoring, and control of key risks within the Bank's operational risk profile.
- Disclosure Committee – chaired by the Group Head and CFO, the Disclosure Committee oversees that appropriate controls and procedures are in place and operating to permit timely, accurate, balanced, and compliant disclosure to regulators with respect to public disclosure, shareholders, and the market.
- ERRC – chaired by the Group Head and CRO, the Enterprise Reputational Risk Committee (ERRC) oversees the management of reputational risk within the Bank's risk appetite.

### **Risk Management**

The Risk Management function, headed by the CRO, provides independent oversight of enterprise-wide risk management, risk governance, and control including the setting of risk strategy and policy to manage risk in alignment with the Bank's risk appetite and business strategy. Risk Management's primary objective is to support a comprehensive and proactive approach to risk management that promotes a strong risk culture. Risk Management works with the business segments and other corporate oversight functions to establish policies, standards, and limits that align with the Bank's risk appetite and monitors and reports on existing and emerging risks and compliance with the Bank's risk appetite. The CRO leads and directs a diverse team of risk management professionals organized to oversee risks arising from each of the Bank's major risk categories. There is an established process in place for the identification and assessment of top and emerging risks. In addition, the Bank has clear procedures governing when and how risk events and issues are brought to the attention of senior management and the Risk Committee.

### **Business Segments**

Each business segment has a dedicated risk management function that reports directly to a senior risk executive, who, in turn, reports to the CRO. This structure supports an appropriate level of independent oversight while emphasizing accountability for risk within the business segment. Business management is responsible for setting the business-level risk appetite and measures, which are reviewed and challenged by Risk Management, endorsed by the ERMC, and approved by the CEO, to align with the Bank's risk appetite and manage risk within approved risk limits.

### **Internal Audit**

The Bank's internal audit function provides independent and objective assurance to the Board regarding the reliability and effectiveness of key elements of the Bank's risk management, internal control, and governance processes.

### **Compliance**

The Compliance Department is responsible for fostering a culture of integrity, ethics, and compliance throughout the Bank; delivering independent regulatory compliance and conduct risk management and oversight throughout the Bank globally to protect its reputation and operate within its risk appetite; and assessing the adequacy of, adherence to, and effectiveness of the Bank's Regulatory Compliance Management controls, enterprise-wide.

### **Global Anti-Money Laundering**

The GAML Department is responsible for Anti-Money Laundering, Anti-Terrorist Financing, Economic Sanctions, and anti-bribery/anti-corruption regulatory compliance and prudential risk management across the Bank in alignment with enterprise policies so that the money laundering, terrorist financing, economic sanctions, and bribery/corruption risks are appropriately identified and mitigated.

### Three Lines of Defence

In order to further the understanding of responsibilities for risk management, the Bank employs the following “three lines of defence” model that describes the respective accountabilities of each line of defence in managing risk across the Bank.

THREE LINES OF DEFENCE	
<b>First Line</b>	<b>Risk Owner</b>
<i>Identify and Control</i>	<ul style="list-style-type: none"> <li>• Own, identify, manage, measure, and monitor current and emerging risks in day-to-day activities, operations, products, and services.</li> <li>• Design, implement, and maintain appropriate mitigating controls, and assess the design and operating effectiveness of those controls.</li> <li>• Assess activities to maintain compliance with applicable laws and regulations.</li> <li>• Monitor and report on risk profile to ensure activities are within TD’s risk appetite and policies.</li> <li>• Implement risk-based approval processes for all new products, activities, processes, and systems.</li> <li>• Escalate risk issues and develop and implement action plans in a timely manner.</li> <li>• Deliver training, tools, and advice to support its accountabilities.</li> <li>• Promote a strong risk management culture.</li> </ul>
<b>Second Line</b>	<b>Risk Oversight</b>
<i>Set Standards and Challenge</i>	<ul style="list-style-type: none"> <li>• Establish and communicate enterprise governance, risk, and control strategies, frameworks, and policies.</li> <li>• Provide oversight and independent challenge to the first line through an effective objective assessment, that is evidenced and documented where material, including: <ul style="list-style-type: none"> <li>– Challenge the quality and sufficiency of the first line’s risk activities;</li> <li>– Identify and assess current and emerging risks and controls, using a risk-based approach, as appropriate;</li> <li>– Monitor the adequacy and effectiveness of internal control activities;</li> <li>– Review and discuss assumptions, material risk decisions and outcomes; and</li> <li>– Aggregate and share results across business lines and control areas to identify similar events, patterns, or broad trends.</li> </ul> </li> <li>• Identify and assess, and communicate relevant regulatory changes.</li> <li>• Develop and implement risk measurement tools so that activities are within TD’s Risk Appetite.</li> <li>• Monitor and report on compliance with TD’s Risk Appetite and policies.</li> <li>• Escalate risk issues in a timely manner.</li> <li>• Report on the risks of the Bank on an enterprise-wide and disaggregated level to the Board and/or Senior Management, independently of the business lines or operational management.</li> <li>• Provide training, tools, and advice to support the first line in carrying out its accountabilities.</li> <li>• Promote a strong risk management culture.</li> </ul>
<b>Third Line</b>	<b>Internal Audit</b>
<i>Independent Assurance</i>	<ul style="list-style-type: none"> <li>• Verify independently that TD’s ERF is designed and operating effectively.</li> <li>• Validate the effectiveness of the first and second lines in fulfilling their mandates and managing risk.</li> </ul>

In support of a strong risk culture, the Bank applies the following principles in governing how it manages risks:

- **Enterprise-Wide in Scope** – Risk Management will span all areas of the Bank, including third-party alliances and joint venture undertakings to the extent they may impact the Bank, and all boundaries both geographic and regulatory.
- **Transparent and Effective Communication** – Matters relating to risk will be communicated and escalated in a timely, accurate, and forthright manner.
- **Enhanced Accountability** – Risks will be explicitly owned, understood, and actively managed by business management and all employees, individually and collectively.
- **Independent Oversight** – Risk policies, monitoring, and reporting will be established and conducted independently and objectively.
- **Integrated Risk and Control Culture** – Risk management disciplines will be integrated into the Bank’s daily routines, decision-making, and strategy formulation.
- **Strategic Balance** – Risk will be managed to an acceptable level of exposure, recognizing the need to protect and grow shareholder value.

### APPROACH TO RISK MANAGEMENT PROCESSES

The Bank’s comprehensive and proactive approach to risk management is comprised of four processes: risk identification and assessment, measurement, control, and monitoring and reporting.

#### **Risk Identification and Assessment**

Risk identification and assessment is focused on recognizing and understanding existing risks, risks that may arise from new or evolving business initiatives, aggregate risks, and emerging risks from the changing environment. The Bank’s objective is to establish and maintain integrated risk identification and assessment processes that enhance the understanding of risk interdependencies, consider how risk types intersect, and support the identification of emerging risk. To that end, the Bank’s Enterprise-Wide Stress Testing (EWST) program enables senior management, the Board, and its committees to identify and articulate enterprise-wide risks and understand potential vulnerabilities for the Bank.

### **Risk Measurement**

The ability to quantify risks is a key component of the Bank's risk management process. The Bank's risk measurement process aligns with regulatory requirements such as capital adequacy, leverage ratios, liquidity measures, stress testing, and maximum credit exposure guidelines established by its regulators. Additionally, the Bank has a process in place to quantify risks to provide accurate and timely measurements of the risks it assumes.

In quantifying risk, the Bank uses various risk measurement methodologies, including Value-at-Risk (VaR) analysis, scenario analysis, stress testing, and limits. Other examples of risk measurements include credit exposures, PCL, peer comparisons, trending analysis, liquidity coverage, leverage ratios, capital adequacy metrics, and operational risk event notification metrics. The Bank also requires business segments and corporate oversight functions to assess key risks and internal controls through a structured Risk and Control Self-Assessment (RCSA) program. Internal and external risk events are monitored to assess whether the Bank's internal controls are effective. This allows the Bank to identify, escalate, and monitor significant risk issues as needed.

### **Risk Control**

The Bank's risk control processes are established and communicated through Risk Committee and Management approved policies, and associated management approved procedures, control limits, and delegated authorities which reflect its risk appetite and risk tolerances.

The Bank's approach to risk control also includes risk and capital assessments to appropriately capture key risks in its measurement and management of capital adequacy. This involves the review, challenge, and endorsement by senior management committees of the Bank's ICAAP and related economic capital practices. The Bank's performance is measured based on the allocation of risk-based capital to businesses and the cost charged against that capital.

### **Risk Monitoring and Reporting**

The Bank monitors and reports on risk levels on a regular basis against its risk appetite and Risk Management reports on its risk monitoring activities to senior management, the Board and its Committees, and appropriate executive and management committees. Complementing regular risk monitoring and reporting, ad hoc risk reporting is provided to senior management, the Risk Committee, and the Board, as appropriate, for new and emerging risks or any significant changes to the Bank's risk profile.

### **Stress Testing**

Stress testing is an integral component of the Bank's risk management framework and serves as a key component of the Bank's capital, strategic and financial planning processes. Stress testing at the Bank comprises of an annual enterprise-wide stress test, featuring a range of severities, prescribed regulatory stress tests in multiple jurisdictions for various legal entities and various ad-hoc stress tests. The results of these stress tests enable management to assess the impact of geopolitical events and changes to economic and other market factors on the Bank's financial condition including liquidity and capital adequacy. These exercises also complement the identification and quantification of vulnerabilities, the monitoring of changes in risk profile, the establishment of risk appetite limits and assessing the impact of strategic business decisions and potential management actions.

The Bank utilizes a combination of quantitative modelling and qualitative approaches to estimate the impact on the Bank's

performance under both potential and hypothetical stress situations. Stress testing engages senior management across the lines of business, Finance, TBSM, Economics, and Risk Management. Oversight committees range from those at the individual segment/business level to the Bank's Risk Committee of the Board. The results of stress tests are submitted, disclosed or shared with regulators as required or requested.

### **Enterprise-Wide Stress Testing**

The Bank conducts an annual EWST as part of a comprehensive strategic, financial, and capital planning exercise that is a key component of the ICAAP framework and assists in validating the risk appetite of the Bank. The program is subject to a well-defined and rigorous governance structure that facilitates oversight and engagement throughout the organization. The Bank's EWST program involves the development, application, and assessment of severe, but plausible, stress scenarios on the balance sheet, income statement, capital, liquidity, and leverage. It enables management to identify and articulate enterprise-wide risks and understand potential vulnerabilities and changes to the risk profile of the Bank. Stress scenarios are developed with consideration of the Bank's key business activities, exposures and vulnerabilities. The scenarios cover a wide variety of risk factors meaningful to the Bank's risk profile in both the North American and global economies including unemployment, GDP, home prices, and interest rates. As part of its 2019 program, the Bank developed and assessed two internally generated macroeconomic stress scenarios. One scenario was a repeatable scenario calibrated to historical recessions in Canada and the U.S. and is used to evaluate downside risks. The second scenario was an extremely high severity, low probability scenario targeted towards stressing TD-specific risks and vulnerabilities in support of the ICAAP. The assessment of the scenarios concluded that the Bank operates within risk appetite and has sufficient capital to withstand severe, but plausible, stress conditions.

### **Other Stress Tests**

Stress tests are also conducted on certain legal entities and jurisdictions, in line with prescribed regulatory requirements. The Bank's U.S.-based operating bank subsidiaries' capital planning process includes activities and results from OCC Dodd-Frank Act stress testing requirements. The Bank's U.S. holding company capital planning process includes the stress testing activities and results from the Federal Reserve Board's capital plan rule and related Comprehensive Capital Analysis and Review (CCAR) requirements. In addition, certain Bank subsidiaries in the Netherlands, Ireland, and the United Kingdom conduct stress testing exercises as part of their respective Internal Capital Adequacy Assessment programs. The Bank undertakes other internal and regulatory based stress tests including but not limited to liquidity and market, which are detailed in the respective sections.

The Bank also employs reverse stress testing as part of a comprehensive Crisis Management Recovery Planning program to assess potential mitigating actions and contingency planning strategies, as required. In addition, the Bank conducts ad-hoc stress tests, which include enterprise or targeted portfolio testing, to evaluate potential vulnerabilities to specific changes in economic and market conditions.

## Strategic Risk

*Strategic risk is the potential for financial loss or reputational damage arising from the choice of sub-optimal or ineffective strategies, the improper implementation of chosen strategies, choosing not to pursue certain strategies, or a lack of responsiveness to changes in the business environment. Strategies include merger and acquisition activities.*

### WHO MANAGES STRATEGIC RISK

The CEO manages strategic risk supported by the members of the SET and the ERM. The CEO, together with the SET, defines the overall strategy, in consultation with, and subject to approval by the Board. The Enterprise Strategy and Decision Support group, under the leadership of the Group Head and CFO, is charged with developing the Bank's overall long-term strategy and shorter-term strategic priorities with input and support from senior executives across the Bank.

Each member of the SET is responsible for establishing and managing long-term strategy and shorter-term priorities for their areas of responsibility (business segment or corporate function), and for ensuring such strategies are aligned with the Bank's overall long-term strategy and short-term strategic priorities, and within the enterprise risk appetite. Each SET member is also accountable to the CEO for identifying, assessing, measuring, controlling, monitoring, and reporting on the effectiveness and risks of their business strategies.

The CEO, SET members, and other senior executives report to the Board on the implementation of the Bank's strategies, identifying the risks within those strategies, and explaining how those risks are managed.

The ERM oversees the identification and monitoring of significant and emerging risks related to the Bank's strategies and seeks to ensure that mitigating actions are taken where appropriate.

### HOW TD MANAGES STRATEGIC RISK

The Bank's enterprise-wide strategies and operating performance, and the strategies and operating performance of significant business segments and corporate functions, are assessed regularly by the CEO and the members of the SET through an integrated financial and strategic planning process, operating results reviews and strategic business plans.

The Bank's RAS establishes strategic risk measures at the enterprise and business segment-level.

The Bank's annual integrated financial and strategic planning process establishes enterprise and segment-level long-term and shorter-term strategies that are within the risk appetite, and evaluates concurrence among strategies.

Operating results reviews are conducted on a periodic basis during the year to monitor segment-level performance against the integrated financial and strategic plan. These reviews include an evaluation of the long-term strategy and short-term strategic priorities of each business segment, including but not limited to: the operating environment, competitive position, performance assessment, initiatives for strategy execution and key business risks. The frequency of the operating results reviews depends on the risk profile and size of the business segment or corporate function.

Strategic business plans are prepared at the business line-level; business lines are subsets of business segments. The plans assess the strategy for each business line, including but not limited to: vision, current position, key operating trends, long-term strategy, target metrics, key risks and mitigants, and alignment with enterprise strategy and risk appetite. The frequency of preparation depends on the risk profile and size of the business line.

The Bank's strategic risk, and adherence to its risk appetite, is reviewed by the ERM in the normal course, as well as by the Board. Additionally, material acquisitions are assessed for their fit with the Bank's strategy and risk appetite in accordance with the Bank's Due Diligence Policy. This assessment is reviewed by the SET and Board as part of the decision process.

The shaded areas of this MD&A represent a discussion on risk management policies and procedures relating to credit, market, and liquidity risks as required under IFRS 7, *Financial Instruments: Disclosures*, which permits these specific disclosures to be included in the MD&A. Therefore, the shaded areas which include Credit Risk, Market Risk, and Liquidity Risk, form an integral part of the audited Consolidated Financial Statements for the years ended October 31, 2019 and 2018. Effective November 1, 2017, the Bank adopted IFRS 9, which replaced the guidance in IAS 39. Refer to Notes 2 and 3 of the 2019 Consolidated Financial Statements for a summary of the Bank's accounting policies and significant accounting judgments, estimates, and assumptions as it relates to IFRS 9.

## Credit Risk

*Credit risk is the risk of loss if a borrower or counterparty in a transaction fails to meet its agreed payment obligations.*

Credit risk is one of the most significant and pervasive risks in banking. Every loan, extension of credit, or transaction that involves the transfer of payments between the Bank and other parties or financial institutions exposes the Bank to some degree of credit risk.

The Bank's primary objective is to be methodical in its credit risk assessment so that the Bank can understand, select, and manage its exposures to reduce significant fluctuations in earnings.

The Bank's strategy is to include central oversight of credit risk in each business, and reinforce a culture of transparency, accountability, independence, and balance.

### WHO MANAGES CREDIT RISK

The responsibility for credit risk management is enterprise-wide. To reinforce ownership of credit risk, credit risk control functions are integrated into each business, but also report to Risk Management to ensure objectivity and accountability.

Each business segment's credit risk control unit is responsible for its credit decisions and must comply with established policies, exposure guidelines, credit approval limits, and policy/limit exception procedures. It must also adhere to established enterprise-wide standards of credit assessment and obtain Risk Management's approval for credit decisions beyond its discretionary authority.

Risk Management is accountable for oversight of credit risk by developing policies that govern and control portfolio risks, and approval of product-specific policies, as required.

The Risk Committee oversees the management of credit risk and annually approves certain significant credit risk policies.

### HOW TD MANAGES CREDIT RISK

The Bank's Credit Risk Management Framework outlines the internal risk and control structure to manage credit risk and includes risk appetite, policies, processes, limits and governance. The Credit Risk Management Framework is maintained by Risk Management and supports alignment with the Bank's risk appetite for credit risk.

Credit risk policies and credit decision-making strategies, as well as the discretionary limits of officers throughout the Bank for extending lines of credit are centrally approved by Risk Management, and the Board where applicable.



Limits are established to monitor and control country, industry, product, geographic, and group exposure risks in the portfolios in accordance with enterprise-wide policies.

In the Bank's Retail businesses, the Bank uses established underwriting guidelines (which include collateral and loan-to-value constraints) along with approved scoring techniques and standards in extending, monitoring, and reporting personal credit. Credit scores and decision strategies are used in the origination and ongoing management of new and existing retail credit exposures. Scoring models and decision strategies utilize a combination of borrower attributes, including employment status, existing loan exposure and performance, and size of total bank relationship, as well as external data such as credit bureau information, to determine the amount of credit the Bank is prepared to extend to retail customers and to estimate future credit performance. Established policies and procedures are in place to govern the use and ongoing monitoring and assessment of the performance of scoring models and decision strategies to ensure alignment with expected performance results. Retail credit exposures approved within the regional credit centres are subject to ongoing Retail Risk Management review to assess the effectiveness of credit decisions and risk controls, as well as identify emerging or systemic issues and trends. Material policy exceptions are tracked and reported and larger dollar exposures and material exceptions to policy are escalated to Retail Risk Management.

The Bank's Commercial Banking and Wholesale Banking businesses use credit risk models and policies to establish borrower and facility risk ratings, quantify and monitor the level of risk, and facilitate the associated risk management. Risk ratings are also used to determine the amount of credit exposure the Bank is willing to extend to a particular borrower. Management processes are used to monitor country, industry, and borrower or counterparty risk ratings, which include daily, monthly, quarterly, and annual review requirements for credit exposures. The key parameters used in the Bank's credit risk models are monitored on an ongoing basis.

Unanticipated economic or political changes in a foreign country could affect cross-border payments for goods and services, loans, dividends, and trade-related finance, as well as repatriation of the Bank's capital in that country. The Bank currently has credit exposure in a number of countries, with the majority of the exposure in North America. The Bank measures country risk using approved risk rating models and qualitative factors that are also used to establish country exposure limits covering all aspects of credit exposure across all businesses. Country risk ratings are managed on an ongoing basis and are subject to a detailed review at least annually.

As part of the Bank's credit risk strategy, the Bank sets limits on the amount of credit it is prepared to extend to specific industry sectors. The Bank monitors its concentration to any given industry to provide for a diversified loan portfolio and to reduce the risk of undue concentration. The Bank manages this risk using limits based on an internal risk rating score that combines TD's industry risk rating model and industry analysis, and regularly reviews industry risk ratings to assess whether internal ratings properly reflect the risk of the industry. The Bank assigns a maximum exposure limit or a concentration limit to each major industry segment which is a percentage of its total wholesale and commercial private sector exposure.

The Bank may also set limits on the amount of credit it is prepared to extend to a particular entity or group of entities, also referred to as "entity risk". All entity risk is approved by the appropriate decision-making authority using limits based on the entity's borrower risk rating (BRR) and, for certain portfolios, the risk rating of the industry in which the entity operates. This exposure is monitored on a regular basis.

The Bank may also use credit derivatives to mitigate borrower-specific exposure as part of its portfolio risk management techniques.

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 an economic downturn or a material market disruption.

### **The Basel Framework**

The objective of the Basel Framework is to improve the consistency of capital requirements internationally and make required regulatory capital more risk-sensitive. The Basel Framework sets out several options which represent increasingly more risk-sensitive approaches for calculating credit, market, and operational RWA.

### **Credit Risk and the Basel Framework**

The Bank received approval from OSFI to use the Basel AIRB Approach for credit risk, effective November 1, 2007. The Bank uses the AIRB Approach for all material portfolios, except in the following areas:

- TD has approved exemptions to use Standardized Approach (SA) for some credit exposures in North America. Risk Management reconfirms annually that this approach remains appropriate.
- Effective the third quarter of 2016, OSFI approved the Bank to calculate the majority of the retail portfolio credit RWA in the U.S. Retail segment using the AIRB Approach. The non-retail portfolio in the U.S. Retail segment continues to use SA while working to achieve regulatory approval to transition to the AIRB Approach.

To continue to qualify using the AIRB Approach for credit risk, the Bank must meet the ongoing conditions and requirements established by OSFI and the Basel Framework. The Bank regularly assesses its compliance with these requirements.

### **Credit Risk Exposures Subject to the AIRB Approach**

Banks that adopt the AIRB Approach to credit risk must report credit risk exposures by counterparty type, each having different underlying risk characteristics. These counterparty types may differ from the presentation in the Bank's 2019 Consolidated Financial Statements. The Bank's credit risk exposures are divided into two main portfolios, retail and non-retail.

### **Risk Parameters**

Under the AIRB Approach, credit risk is measured using the following risk parameters:

- Probability of default (PD) – the likelihood that the borrower will not be able to meet its scheduled repayments within a one year time horizon.
- Loss given default (LGD) – the amount of loss the Bank would likely incur when a borrower defaults on a loan, which is expressed as a percentage of exposure at default (EAD).
- EAD – the total amount the Bank is exposed to at the time of default.

By applying these risk parameters, the Bank can measure and monitor its credit risk to ensure it remains within pre-determined thresholds.

## Retail Exposures

In the retail portfolio, including individuals and small businesses, the Bank manages exposures on a pooled basis, using predictive credit scoring techniques. There are three sub-types of retail exposures: residential secured (for example, individual mortgages and home equity lines of credit), qualifying revolving retail (for example, individual credit cards, unsecured lines of credit, and overdraft protection products), and other retail (for example, personal loans, including secured automobile loans, student lines of credit, and small business banking credit products).

The Bank calculates RWA for its retail exposures using the AIRB Approach. All retail PD, LGD, and EAD parameter models are based exclusively on the internal default and loss performance history for each of the three retail exposure sub-types.

Account-level PD, LGD, and EAD models are built for each product portfolio and calibrated based on the observed account-level default and loss performance for the portfolio.

Consistent with the AIRB Approach, the Bank defines default for exposures as delinquency of 90 days or more for the majority of retail credit portfolios. LGD estimates used in the RWA calculations reflect economic losses, such as, direct and indirect costs as well as any appropriate discount to account for time between default and ultimate recovery. EAD estimates reflect the historically observed utilization of credit limits at default. PD, LGD, and EAD models are calibrated using established statistical methods, such as logistic and linear regression techniques. Predictive attributes in the models may include account attributes, such as loan size, interest rate, and collateral, where applicable; an account's previous history and current status; an account's age on book; a customer's credit bureau attributes; and a customer's other holdings with the Bank, and macroeconomic inputs, such as unemployment rate. For secured products such as residential mortgages, property characteristics, loan-to-value ratios, and a customer's equity in the property, play a significant role in PD as well as in LGD models.

All risk parameter estimates are updated on a quarterly basis based on the refreshed model inputs. Parameter estimation is fully automated based on approved formulas and is not subject to manual overrides.

Exposures are then assigned to one of nine pre-defined PD segments based on their estimated long-run average one-year PD.

The risk discriminative and predictive power of the Bank's retail credit models is assessed against the most recently available one-year default and loss performance on a quarterly basis. All models are also subject to a comprehensive independent validation as outlined in the "Model Risk Management" section of this disclosure.

Long-run PD estimates are generated by including key economic indicators, such as interest rates and unemployment rates, and using their long-run average over the credit cycle to estimate PD.

LGD estimates are required to reflect a downturn scenario. Downturn LGD estimates are generated by using macroeconomic inputs, such as changes in housing prices and unemployment rates expected in an appropriately severe downturn scenario.

For unsecured products, downturn LGD estimates reflect the observed lower recoveries for exposures defaulted during the 2008 to 2009 recession. For products secured by residential real estate, such as mortgages and home equity lines of credit, downturn LGD reflects the potential impact of a severe housing downturn. EAD estimates similarly reflect a downturn scenario.

The following table maps PD ranges to risk levels:

Risk Assessment	PD Segment	PD Range
Low Risk	1	0.00 to 0.15%
	2	0.16 to 0.41
	3	0.42 to 1.10
Medium Risk	4	1.11 to 2.93
	5	2.94 to 4.74
High Risk	6	4.75 to 7.59
	7	7.60 to 18.24
	8	18.25 to 99.99
Default	9	100.00

## Non-Retail Exposures

In the non-retail portfolio, the Bank manages exposures on an individual borrower basis, using industry and sector-specific credit risk models, and expert judgment. The Bank has categorized non-retail credit risk exposures according to the following Basel counterparty types: corporate, including wholesale and commercial customers, sovereign, and bank. Under the AIRB Approach, CMHC-insured mortgages are considered sovereign risk and are therefore classified as non-retail.

The Bank evaluates credit risk for non-retail exposures by using both a BRR and facility risk rating (FRR). The Bank uses this system for all corporate, sovereign, and bank exposures. The Bank determines the risk ratings using industry and sector-specific credit risk models that are based on internal historical data for the years of 1994–2018, covering both wholesale and commercial lending experience. All borrowers and facilities are assigned an internal risk rating that must be reviewed at least once each year. External data such as rating agency default rates or loss databases are used to validate the parameters.

Internal risk ratings (BRR and FRR) are key to portfolio monitoring and management, and are used to set exposure limits and loan pricing. Internal risk ratings are also used in the calculation of regulatory capital, economic capital, and allowance for credit losses.

### Borrower Risk Rating and PD

Each borrower is assigned a BRR 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, financial performance, economic, and industry trends, management quality, and access to funds. Under the AIRB Approach, borrowers are grouped into BRR grades that have similar PD. Use of projections for model implied risk ratings is not permitted and BRRs may not incorporate a projected reversal, stabilization of negative trends, or the acceleration of existing positive trends. Historic financial results can however be sensitized to account for events that have occurred, or are about to occur, such as additional debt incurred by a borrower since the date of the last set of financial statements. In conducting an assessment of the BRR, all relevant and material information must be taken into account and the information being used must be current. Quantitative rating models are used to rank the expected through-the-cycle PD, and these models are segmented into categories based on industry and borrower size. The quantitative model output can be modified in some cases by expert judgment, as prescribed within the Bank's credit policies.

To calibrate PDs for each BRR band, the Bank computes yearly transition matrices based on annual cohorts and then estimates the average annual PD for each BRR. The PD is set at the average estimation level plus an

appropriate adjustment to cover statistical and model uncertainty. The calibration process for PD is a through-the-cycle approach. TD's 21-point BRR scale broadly aligns to external ratings as follows:

Description	Rating Category	Standard & Poor's	Moody's Investor Services
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	CCC+ to CC and below	Caa1 to Ca and below
Impaired/default	9A to 9B	Default	Default

#### Facility Risk Rating and LGD

The FRR maps to LGD and takes into account facility-specific characteristics such as collateral, seniority ranking of debt, and loan structure.

Different FRR models are used based on industry and obligor size. Data considered in the calibration of the LGD model includes variables such as collateral coverage, debt structure, and borrower enterprise value. Average LGD and the statistical uncertainty of LGD are estimated for each FRR grade. In some FRR models, lack of historical data requires the model to output a rank-ordering which is then mapped through expert judgment to the quantitative LGD scale.

The AIRB Approach stipulates the use of downturn LGD, where the downturn period, as determined by internal and/or external experience, suggests higher than average loss rates or lower than average recovery. To reflect this, calibrated LGDs take into account both the statistical estimation uncertainty and the higher than average LGDs experienced during downturn periods.

#### Exposure at Default

The Bank calculates non-retail EAD by first measuring the drawn amount of a facility and then adding a potential increased utilization at default from the undrawn portion, if any. Usage Given Default (UGD) is measured as the percentage of Committed Undrawn exposure that would be expected to be drawn by a borrower defaulting in the next year, in addition to the amount that already has been drawn by the borrower. In the absence of credit mitigation effects or other details, the EAD is set at the drawn amount plus (UGD x Committed Undrawn), where UGD is a percentage between 0% and 100%.

BRR up to one-year prior to default remains a predictor for UGD. Average UGD estimates are calibrated by BRR.

Historical UGD experience is studied for any downturn impacts, similar to the LGD downturn analysis. The Bank has not found downturn UGD to be significantly different than average UGD, therefore the UGDs are set at the average calibrated level, by BRR, plus an appropriate adjustment for statistical and model uncertainty.

#### Credit Risk Exposures Subject to the Standardized Approach

Currently SA to credit risk is used primarily for assets in the U.S. non-retail credit portfolio. The Bank is currently in the process of transitioning this portfolio to the AIRB Approach, subject to regulatory approval. Under SA, the assets are multiplied by risk weights prescribed by OSFI to determine RWA. These risk weights are assigned according to certain factors including counterparty type, product type, and the

nature/extent of credit risk mitigation. The Bank uses external credit ratings, including Moody's and S&P to determine the appropriate risk weight for its exposures to sovereigns (governments, central banks, and certain public sector entities) and banks (regulated deposit-taking institutions, securities firms, and certain public sector entities).

The Bank applies the following risk weights to on-balance sheet exposures under SA:

Sovereign	0% <sup>1</sup>
Bank	20% <sup>1</sup>
Corporate	100%

<sup>1</sup> The risk weight may vary according to the external risk rating.

Lower risk weights apply where approved credit risk mitigants exist. Non-retail loans that are more than 90 days past due receive a risk weight of 150%. For off-balance sheet exposures, specified credit conversion factors are used to convert the notional amount of the exposure into a credit equivalent amount.

#### Derivative Exposures

Credit risk on derivative financial instruments, also known as counterparty credit risk, is the risk of a financial loss occurring as a result of the failure of a counterparty to meet its obligation to the Bank. The Bank uses the SA-CCR to calculate the EAD amount, which is defined by OSFI as a multiple of the summation of replacement cost and potential future exposure, to estimate the risk and determine regulatory capital requirements for derivative exposures. The Global Counterparty Control group within Capital Markets Risk Management is responsible for estimating and managing counterparty credit risk in accordance with credit policies established by Risk Management.

The Bank uses various qualitative and quantitative methods to measure and manage counterparty credit risk. These include statistical methods to measure the current and future potential risk, as well as ongoing stress testing to identify and quantify exposure to extreme events. The Bank establishes various limits, including gross notional limits, to manage business volumes and concentrations. It also regularly assesses market conditions and the valuation of underlying financial instruments. Counterparty credit risk may increase during periods of receding market liquidity for certain instruments. Capital Markets Risk Management meets regularly with Market and Credit Risk Management and Trading businesses to discuss how evolving market conditions may impact the Bank's market risk and counterparty credit risk.

The Bank actively engages in risk mitigation strategies through the use of multi-product derivative master netting agreements, collateral pledging and other credit risk mitigation techniques. The Bank also executes certain derivatives through a central clearing house which reduces counterparty credit risk due to the ability to net offsetting positions amongst counterparty participants that settle within clearing houses. Derivative-related credit risks are subject to the same credit approval, limit, monitoring, and exposure guideline standards that the Bank uses for managing other transactions that create credit risk exposure. These standards include evaluating the creditworthiness of counterparties, measuring and monitoring exposures, including wrong-way risk exposures, and managing the size, diversification, and maturity structure of the portfolios.

There are two types of wrong-way risk exposures, namely general and specific. General wrong-way risk arises when the PD of the counterparties moves in the same direction as a given market risk factor. Specific wrong-way risk arises when the exposure to a particular counterparty moves in the same direction as the PD of the counterparty due to the nature of the transactions entered into with that counterparty. These exposures require specific approval within the credit approval process. The Bank measures and manages specific wrong-way risk exposures in the same manner as direct loan obligations and controls them by way of approved credit facility limits.

As part of the credit risk monitoring process, management meets on a periodic basis to review all exposures, including exposures resulting from derivative financial instruments to higher risk counterparties. As at October 31, 2019, after taking into account risk mitigation strategies, the Bank does not have material derivative exposure to any counterparty considered higher risk as defined by the Bank's credit policies. In addition, the Bank does not have a material credit risk valuation adjustment to any specific counterparty.

#### **Validation of the Credit Risk Rating System**

Credit risk rating systems and methodologies are independently validated on a regular basis to verify that they remain accurate predictors of risk. The validation process includes the following considerations:

- Risk parameter estimates – PDs, LGDs, and EADs are reviewed and updated against actual loss experience to ensure estimates continue to be reasonable predictors of potential loss.
- Model performance – Estimates continue to be discriminatory, stable, and predictive.
- Data quality – Data used in the risk rating system is accurate, appropriate, and sufficient.
- Assumptions – Key assumptions underlying the development of the model remain valid for the current portfolio and environment.

Risk Management ensures that the credit risk rating system complies with the Bank's Model Risk Policy. At least annually, the Risk Committee is informed of the performance of the credit risk rating system. The Risk Committee must approve any material changes to the Bank's credit risk rating system.

#### **Credit Risk Mitigation**

The techniques the Bank uses to reduce or mitigate credit risk include written policies and procedures to value and manage financial and non-financial security (collateral) and to review and negotiate netting agreements. The amount and type of collateral, and other credit risk mitigation techniques required, are based on the Bank's own assessment of the borrower's or counterparty's credit quality and capacity to pay.

In the retail and commercial banking businesses, security for loans is primarily non-financial and includes residential real estate, real estate under development, commercial real estate, automobiles, and other business assets, such as accounts receivable, inventory, and fixed assets. In the Wholesale Banking business, a large portion of loans are to investment grade borrowers where no security is pledged. Non-investment grade borrowers typically pledge business assets in the same manner as commercial borrowers. Common standards across the Bank are used to value collateral, determine frequency of recalculation, and to document, register, perfect, and monitor collateral.

The Bank also uses collateral and master netting agreements to mitigate derivative counterparty exposure. Security for derivative exposures is primarily financial and includes cash and negotiable securities issued by highly rated governments and investment grade issuers. This approach includes pre-defined discounts and procedures for the receipt, safekeeping, and release of pledged securities.

In all but exceptional situations, the Bank secures collateral by taking possession and controlling it in a jurisdiction where it can legally enforce its collateral rights. In exceptional situations and when demanded by the Bank's counterparty, the Bank holds or pledges collateral with an acceptable third-party custodian. The Bank documents all such third-party arrangements with industry standard agreements.

Occasionally, the Bank may take guarantees to reduce the risk in credit exposures. For credit risk exposures subject to the AIRB approach, the Bank only recognizes irrevocable guarantees for Commercial Banking and Wholesale Banking credit exposures that are provided by entities with a better risk rating than that of the borrower or counterparty to the transaction.

The Bank makes use of credit derivatives to mitigate credit risk. The credit, legal, and other risks associated with these transactions are controlled through well-established procedures. The Bank's policy is to enter into these transactions with investment grade financial institutions and transact on a collateralized basis. Credit risk to these counterparties is managed through the same approval, limit, and monitoring processes the Bank uses for all counterparties for which it has credit exposure.

The Bank uses appraisals and automated valuation models (AVMs) to support property values when adjudicating loans collateralized by residential real property. AVMs are computer-based tools used to estimate or validate the market value of residential real property using market comparables and price trends for local market areas. The primary risk associated with the use of these tools is that the value of an individual property may vary significantly from the average for the market area. The Bank has specific risk management guidelines addressing the circumstances when they may be used, and processes to periodically validate AVMs including obtaining third-party appraisals.

### Gross Credit Risk Exposure

Gross credit risk exposure, also referred to as EAD, is the total amount the Bank is exposed to at the time of default of a loan and is measured before counterparty-specific provisions or write-offs. Gross credit risk exposure does not reflect the effects of credit risk mitigation and includes both on-balance sheet and off-balance sheet exposures. On-balance

sheet exposures consist primarily of outstanding loans, acceptances, non-trading securities, derivatives, and certain other repo-style transactions. Off-balance sheet exposures consist primarily of undrawn commitments, guarantees, and certain other repo-style transactions.

Gross credit risk exposures for the two approaches the Bank uses to measure credit risk are included in the following table.

	October 31, 2019			October 31, 2018		
	Standardized	AIRB	Total	Standardized	AIRB	Total
<b>Retail</b>						
Residential secured	\$ 4,380	\$ 386,840	\$ 391,220	\$ 3,091	\$ 371,450	\$ 374,541
Qualifying revolving retail	–	131,863	131,863	–	112,388	112,388
Other retail	8,015	84,658	92,673	12,835	80,513	93,348
Total retail	12,395	603,361	615,756	15,926	564,351	580,277
<b>Non-retail</b>						
Corporate	135,283	401,096	536,379	132,030	346,751	478,781
Sovereign	104,412	140,304	244,716	95,411	136,951	232,362
Bank	18,165	118,418	136,583	18,019	110,295	128,314
Total non-retail	257,860	659,818	917,678	245,460	593,997	839,457
<b>Gross credit risk exposures</b>	<b>\$ 270,255</b>	<b>\$ 1,263,179</b>	<b>\$ 1,533,434</b>	<b>\$ 261,386</b>	<b>\$ 1,158,348</b>	<b>\$ 1,419,734</b>

<sup>1</sup> Gross credit risk exposures represent EAD and are before the effects of credit risk mitigation. This table excludes securitization, equity, and other credit RWA.

### Other Credit Risk Exposures

#### Non-trading Equity Exposures

The Bank's non-trading equity exposures are at a level that represents less than 5% of the Bank's combined Tier 1 and Tier 2 Capital. As a result, the Bank uses OSFI-prescribed risk weights to calculate RWA on non-trading equity exposures.

#### Securitization Exposures

Effective November 1, 2018, the Bank applies risk weights to all securitization exposures under the revised securitization framework published by the BCBS. The revised securitization framework includes a revised hierarchy to determine capital treatment, and preferential capital treatment for transactions that meet the simple, transparent, and comparable requirements.

For externally rated exposures, the Bank uses an External Ratings Based Approach (SEC-ERBA). Risk weights to exposures are assigned using external ratings by external rating agencies, including Moody's and S&P. The SEC-ERBA also takes into account additional factors, including the type of the rating (long-term or short-term), maturity, and the seniority of the position.

For exposures that are not externally rated and are held by an ABCP issuing conduit, the Bank uses the Internal Assessment Approach (IAA).

Under the IAA, the Bank considers all relevant risk factors in assessing the credit quality of these exposures, including those published by the Moody's and S&P rating agencies. The Bank also uses loss coverage models and policies to quantify and monitor the level of risk, and facilitate its management. The Bank's IAA process includes an assessment of the extent by which the enhancement available for loss protection provides coverage of expected losses. The levels of stressed coverage the Bank requires for each internal risk rating are consistent with the rating agencies' published stressed factor requirements for equivalent external ratings by asset class. Under the IAA, exposures are multiplied by OSFI-prescribed risk weights to calculate RWA for capital purposes.

For exposures that are not externally rated and are not held by an ABCP-issuing conduit, the Bank uses the Standardized Approach (SEC-SA). Under SEC-SA, the primary factors that determine the risk weights include the asset class of the underlying loans, the seniority of the position, the level of credit enhancements, and historical delinquency rates.

Irrespective of the approach being used to determine the risk weights, all exposures are assigned an internal risk rating based on the Bank's assessment, which must be reviewed at least annually. The ratings scale TD uses corresponds to the long-term ratings scales used by the rating agencies.

The Bank's internal rating process is subject to all of the key elements and principles of the Bank's risk governance structure, and is managed in the same way as outlined in this "Credit Risk" section.

The Bank uses the results of the internal rating in all aspects of its credit risk management, including performance tracking, control mechanisms, and management reporting.

### Market Risk

*Trading Market Risk is the risk of loss in financial instruments held in trading positions due to adverse movements in market factors. These market factors include interest rates, foreign exchange rates, equity prices, commodity prices, credit spreads, and their respective volatilities.*

*Non-Trading Market Risk is the risk of loss on the balance sheet or volatility in earnings from non-trading activities such as asset-liability management or investments, due to adverse movements in market factors. These market factors are predominantly interest rate, credit spread, foreign exchange rates and equity prices.*

The Bank is exposed to market risk in its trading and investment portfolios, as well as through its non-trading activities. In the Bank's trading and investment portfolios, it is an active participant in the market, seeking to realize returns for TD through careful management of its positions and inventories. In the Bank's non-trading activities, it is exposed to market risk through the everyday banking transactions that the Bank's customers execute with TD.

The Bank complied with the Basel III market risk requirements as at October 31, 2019, using the Internal Models Approach.

## MARKET RISK LINKAGE TO THE BALANCE SHEET

The following table provides a breakdown of the Bank's balance sheet into assets and liabilities exposed to trading and non-trading market

risks. Market risk of assets and liabilities included in the calculation of VaR and other metrics used for regulatory market risk capital purposes is classified as trading market risk.

TABLE 44 MARKET RISK LINKAGE TO THE BALANCE SHEET<sup>1</sup>

(millions of Canadian dollars)

	October 31, 2019				October 31, 2018				Non-trading market risk – primary risk sensitivity
	Balance sheet	Trading market risk	Non-trading market risk	Other	Balance sheet	Trading market risk	Non-trading market risk	Other	
<b>Assets subject to market risk</b>									
Interest-bearing deposits with banks	\$ 25,583	\$ 215	\$ 25,368	\$ –	\$ 30,720	\$ 729	\$ 29,991	\$ –	Interest rate
Trading loans, securities, and other	146,000	143,342	2,658	–	127,897	125,437	2,460	–	Interest rate
Non-trading financial assets at fair value through profit or loss	6,503	–	6,503	–	4,015	–	4,015	–	Equity, foreign exchange, interest rate
Derivatives	48,894	45,716	3,178	–	56,996	53,087	3,909	–	Equity, foreign exchange, interest rate
Financial assets designated at fair value through profit or loss	4,040	–	4,040	–	3,618	–	3,618	–	Interest rate
Financial assets at fair value through other comprehensive income	111,104	–	111,104	–	130,600	–	130,600	–	Equity, foreign exchange, interest rate
Debt securities at amortized cost, net of allowance for credit losses	130,497	–	130,497	–	107,171	–	107,171	–	Foreign exchange, interest rate
Securities purchased under reverse repurchase agreements	165,935	4,843	161,092	–	127,379	3,920	123,459	–	Interest rate
Loans, net of allowance for loan losses	684,608	–	684,608	–	646,393	–	646,393	–	Interest rate
Customers' liability under acceptances	13,494	–	13,494	–	17,267	–	17,267	–	Interest rate
Investment in TD Ameritrade	9,316	–	9,316	–	8,445	–	8,445	–	Equity
Other assets <sup>2</sup>	1,774	–	1,774	–	1,751	–	1,751	–	Interest rate
Assets not exposed to market risk	67,542	–	–	67,542	72,651	–	–	72,651	
<b>Total Assets</b>	<b>\$ 1,415,290</b>	<b>\$ 194,116</b>	<b>\$ 1,153,632</b>	<b>\$ 67,542</b>	<b>\$ 1,334,903</b>	<b>\$ 183,173</b>	<b>\$ 1,079,079</b>	<b>\$ 72,651</b>	
<b>Liabilities subject to market risk</b>									
Trading deposits	\$ 26,885	\$ 10,182	\$ 16,703	\$ –	\$ 114,704	\$ 6,202	\$ 108,502	\$ –	Interest rate
Derivatives	50,051	45,361	4,690	–	48,270	44,119	4,151	–	Equity, foreign exchange, interest rate
Securitization liabilities at fair value	13,058	13,058	–	–	12,618	12,618	–	–	Interest rate
Financial liabilities designated at fair value through profit or loss	105,131	9	105,122	–	16	2	14	–	Interest rate
Deposits	886,977	–	886,977	–	851,439	–	851,439	–	Interest rate, foreign exchange
Acceptances	13,494	–	13,494	–	17,269	–	17,269	–	Interest rate
Obligations related to securities sold short	29,656	28,419	1,237	–	39,478	37,323	2,155	–	Interest rate
Obligations related to securities sold under repurchase agreements	125,856	2,973	122,883	–	93,389	3,797	89,592	–	Interest rate
Securitization liabilities at amortized cost	14,086	–	14,086	–	14,683	–	14,683	–	Interest rate
Subordinated notes and debentures	10,725	–	10,725	–	8,740	–	8,740	–	Interest rate
Other liabilities <sup>2</sup>	17,597	–	17,597	–	16,134	–	16,134	–	Equity, interest rate
Liabilities and Equity not exposed to market risk	121,774	–	–	121,774	118,163	–	–	118,163	
<b>Total Liabilities and Equity</b>	<b>\$ 1,415,290</b>	<b>\$ 100,002</b>	<b>\$ 1,193,514</b>	<b>\$ 121,774</b>	<b>\$ 1,334,903</b>	<b>\$ 104,061</b>	<b>\$ 1,112,679</b>	<b>\$ 118,163</b>	

<sup>1</sup> Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

<sup>2</sup> Relates to retirement benefits, insurance, and structured entity liabilities.

## MARKET RISK IN TRADING ACTIVITIES

The overall objective of the Bank's trading businesses is to provide wholesale banking services, including facilitation and liquidity, to clients of the Bank. The Bank must take on risk in order to provide effective service in markets where its clients trade. In particular, the Bank needs to hold inventory, act as principal to facilitate client transactions, and underwrite new issues. The Bank also trades in order to have in-depth knowledge of market conditions to provide the most efficient and effective pricing and service to clients, while balancing the risks inherent in its dealing activities.

## WHO MANAGES MARKET RISK IN TRADING ACTIVITIES

Primary responsibility for managing market risk in trading activities lies with Wholesale Banking, with oversight from Market Risk Control within Risk Management. The Market Risk Control Committee meets regularly to conduct a review of the market risk profile, trading results of the Bank's trading businesses as well as changes to market risk policies. The committee is chaired by the Senior Vice President, Market Risk and Model Development, and includes Wholesale Banking senior management.

There were no significant reclassifications between trading and non-trading books during the year ended October 31, 2019.

## HOW TD MANAGES MARKET RISK IN TRADING ACTIVITIES

Market risk plays a key part in the assessment of any trading business strategy. The Bank launches new trading initiatives or expands existing ones only if the risk has been thoroughly assessed, and is judged to be within the Bank's risk appetite and business expertise, and if the appropriate infrastructure is in place to monitor, control, and manage the risk. The Trading Market Risk Framework outlines the management of trading market risk and incorporates risk appetite, risk governance structure, risk identification, measurement, and control. The Trading Market Risk Framework is maintained by Risk Management and supports alignment with the Bank's Risk Appetite for trading market risk.

## Trading Limits

The Bank sets trading limits that are consistent with the approved business strategy for each business and its tolerance for the associated market risk, aligned to its market risk appetite. In setting limits, the Bank takes into account market volatility, market liquidity, organizational experience, and business strategy. Limits are prescribed at the Wholesale Banking level in aggregate, as well as at more granular levels.

The core market risk limits are based on the key risk drivers in the business and includes notional, credit spread, yield curve shift, price, and volatility limits.

Another primary measure of trading limits is VaR, which the Bank uses to monitor and control overall risk levels and to calculate the regulatory capital required for market risk in trading activities. VaR measures the adverse impact that potential changes in market rates and prices could have on the value of a portfolio over a specified period of time.

At the end of each day, risk positions are compared with risk limits, and any excesses are reported in accordance with established market risk policies and procedures.

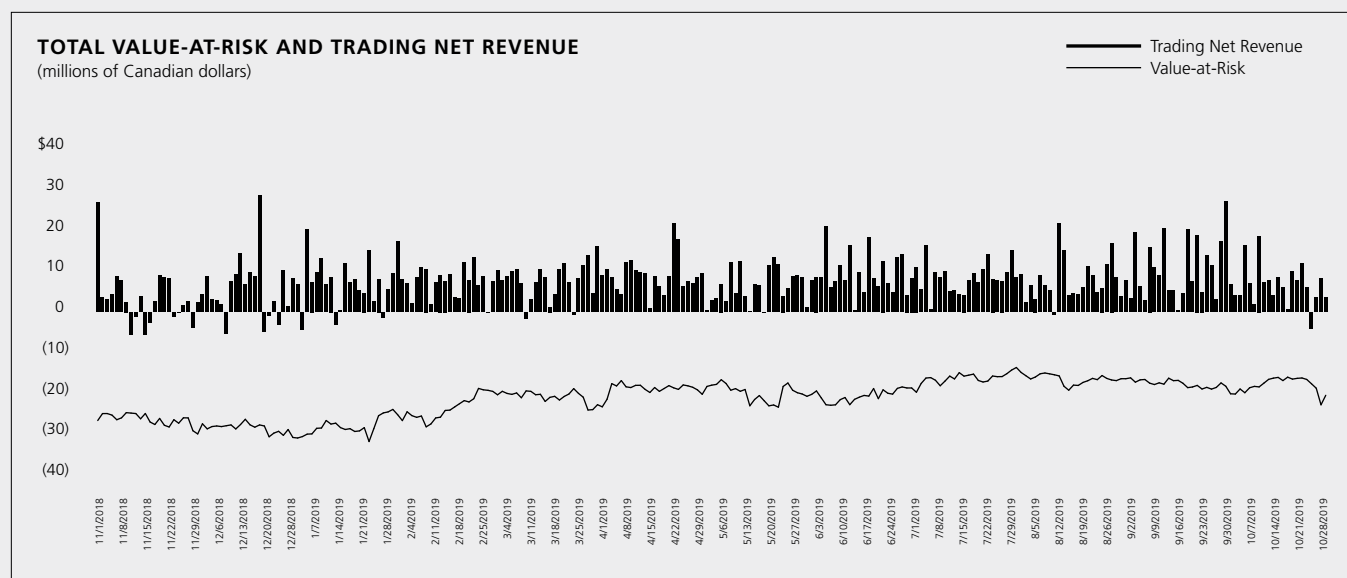
## Calculating VaR

The Bank computes total VaR on a daily basis by combining the General Market Risk (GMR) and Idiosyncratic Debt Specific Risk (IDSR) associated with its trading positions.

GMR is determined by creating a distribution of potential changes in the market value of the current portfolio using historical simulation. The Bank values the current portfolio using the market price and rate changes of the most recent 259 trading days for equity, interest rate, foreign exchange, credit, and commodity products. GMR is computed as the threshold level that portfolio losses are not expected to exceed more than one out of every 100 trading days. A one-day holding period is used for GMR calculation, which is scaled up to ten days for regulatory capital calculation purposes.

IDSR measures idiosyncratic (single-name) credit spread risk for credit exposures in the trading portfolio using Monte Carlo simulation. The IDSR model is based on the historical behaviour of five-year idiosyncratic credit spreads. Similar to GMR, IDSR is computed as the threshold level that portfolio losses are not expected to exceed more than one out of every 100 trading days. IDSR is measured for a ten-day holding period.

The following graph discloses daily one-day VaR usage and trading net revenue, reported on a TEB, within Wholesale Banking. Trading net revenue includes trading income and net interest income related to positions within the Bank's market risk capital trading books. For the year ending October 31, 2019, there were 20 days of trading losses and trading net revenue was positive for 92% of the trading days, reflecting normal trading activity. Losses in the year did not exceed VaR on any trading day.



VaR is a valuable risk measure but it should be used in the context of its limitations, for example:

- VaR uses historical data to estimate future events, which limits its forecasting abilities;
- it does not provide information on losses beyond the selected confidence level; and
- it assumes that all positions can be liquidated during the holding period used for VaR calculation.

The Bank continuously improves its VaR methodologies and incorporates new risk measures in line with market conventions, industry best practices, and regulatory requirements. In 2019, the Bank implemented a modification to improve historical equity volatility data used in VaR calculations.

To mitigate some of the shortcomings of VaR, the Bank uses additional metrics designed for risk management and capital purposes. These include Stressed VaR, Incremental Risk Charge (IRC), Stress Testing Framework, as well as limits based on the sensitivity to various market risk factors.

### Calculating Stressed VaR

In addition to VaR, the Bank also calculates Stressed VaR, which includes Stressed GMR and Stressed IDSR. Stressed VaR is designed

to measure the adverse impact that potential changes in market rates and prices could have on the value of a portfolio over a specified period of stressed market conditions. Stressed VaR is determined using similar techniques and assumptions in GMR and IDSR VaR. However, instead of using the most recent 259 trading days (one year), the Bank uses a selected year of stressed market conditions. In the fourth quarter of fiscal 2019, Stressed VaR was calculated using the one-year period that began on February 1, 2008. The appropriate historical one-year period to use for Stressed VaR is determined on a quarterly basis. Stressed VaR is a part of regulatory capital requirements.

### Calculating the Incremental Risk Charge

The IRC is applied to all instruments in the trading book subject to migration and default risk. Migration risk represents the risk of changes in the credit ratings of the Bank's exposures. The Bank applies a Monte Carlo simulation with a one-year horizon and a 99.9% confidence level to determine IRC, which is consistent with regulatory requirements. IRC is based on a "constant level of risk" assumption, which requires banks to assign a liquidity horizon to positions that are subject to IRC. IRC is a part of regulatory capital requirements.

The following table presents the end of year, average, high, and low usage of TD's portfolio metrics.

TABLE 45   PORTFOLIO MARKET RISK MEASURES	2019				2018			
	As at	Average	High	Low	As at	Average	High	Low
Interest rate risk	\$ 8.6	\$ 9.4	\$ 17.2	\$ 4.3	\$ 14.2	\$ 14.0	\$ 25.7	\$ 5.3
Credit spread risk	13.8	13.2	22.5	7.5	17.2	11.8	18.2	7.7
Equity risk	7.1	6.5	11.5	3.6	6.1	7.2	12.9	4.0
Foreign exchange risk	4.3	4.7	10.2	1.0	8.7	4.4	8.7	2.2
Commodity risk	2.2	2.1	4.8	1.0	3.0	2.6	6.8	1.3
Idiosyncratic debt specific risk	16.5	15.6	23.5	10.6	17.2	16.5	22.4	11.3
Diversification effect <sup>1</sup>	(32.1)	(30.3)	n/m <sup>2</sup>	n/m	(41.9)	(32.7)	n/m	n/m
<b>Total Value-at-Risk (one-day)</b>	<b>20.4</b>	<b>21.2</b>	<b>31.8</b>	<b>13.6</b>	24.5	23.8	33.1	16.9
<b>Stressed Value-at-Risk (one-day)</b>	<b>51.5</b>	<b>47.9</b>	<b>84.4</b>	<b>33.4</b>	54.2	49.8	84.8	28.8
<b>Incremental Risk Capital Charge (one-year)</b>	<b>230.7</b>	<b>225.0</b>	<b>279.6</b>	<b>173.1</b>	237.1	205.8	269.8	156.2

<sup>1</sup> The aggregate VaR is less than the sum of the VaR of the different risk types due to risk offsets resulting from portfolio diversification.

<sup>2</sup> Not meaningful. It is not meaningful to compute a diversification effect because the high and low may occur on different days for different risk types.

Average VaR decreased year-over-year driven by changes in exposures to interest rate risk. Average Stressed VaR decreased year-over-year from changes in government and financial bond positions.

Average IRC increased year-over-year due to positions in Canadian banks and provinces.

### Validation of VaR Model

The Bank uses a back-testing process to compare the actual and theoretical profit and losses to VaR to verify that they are consistent with the statistical results of the VaR model. The theoretical profit or loss is generated using the daily price movements on the assumption that there is no change in the composition of the portfolio. Validation of the IRC model must follow a different approach since the one-year horizon and 99.9% confidence level preclude standard back-testing techniques. Instead, key parameters of the IRC model such as transition and correlation matrices are subject to independent validation by benchmarking against external study results or through analysis using internal or external data.

### Stress Testing

The Bank's trading business is subject to an overall global stress test limit. In addition, global businesses have stress test limits, and each broad risk class has an overall stress test threshold. Stress scenarios are designed to model extreme economic events, replicate worst-case historical experiences, or introduce severe, but plausible, hypothetical changes in key market risk factors. The stress testing program includes scenarios developed using actual historical market data during periods of market disruption, in addition to hypothetical scenarios developed by Risk Management. The events the Bank has modeled include the 1987 equity market crash, the 1998 Russian debt default crisis, the aftermath of September 11, 2001, the 2007 ABCP crisis, the credit crisis of Fall 2008, and the Brexit referendum of June 2016.

Stress tests are produced and reviewed regularly with the Market Risk Control Committee.



## MARKET RISK IN OTHER WHOLESALE BANKING ACTIVITIES

The Bank is also exposed to market risk arising from a legacy portfolio of bonds and preferred shares held in TD Securities and in its remaining merchant banking investments. Risk Management reviews and approves policies and procedures, which are established to monitor, measure, and mitigate these risks.

## Asset/Liability Management

*Asset/liability management deals with managing the market risks of TD's traditional banking activities. This generally reflects the market risks arising from personal and commercial banking products (loans and deposits) as well as related funding, investments and high-quality liquid assets (HQLA). Such structural market risks primarily include interest rate risk and foreign exchange risk.*

### WHO IS RESPONSIBLE FOR ASSET/LIABILITY MANAGEMENT

The TBSM group measures and manages the market risks of the Bank's non-trading banking activities, with oversight from the ALCO, which is chaired by the Group Head and CFO, and includes other senior executives. The Market Risk Control function provides independent oversight, governance, and control over these market risks. The Risk Committee periodically reviews and approves key asset/liability management and non-trading market risk policies and receives reports on compliance with approved risk limits.

### HOW TD MANAGES ITS ASSET AND LIABILITY POSITIONS

Non-trading interest rate risk is viewed as a non-productive risk as it has the potential to increase earnings volatility and generate losses without providing long run expected value. As a result, TBSM's mandate is to structure the asset and liability positions of the balance sheet in order to achieve a target profile that controls the impact of changes in interest rates on the Bank's net interest income and economic value that is consistent with the Bank's RAS.

### Managing Interest Rate Risk

Interest rate risk is the impact that changes in interest rates could have on the Bank's margins, earnings, and economic value. Interest rate risk management is designed to ensure that earnings are stable and predictable over time. The Bank has adopted a disciplined hedging approach to manage the net interest income contribution from its asset and liability positions, including an assigned target-modeled maturity profile for non-rate sensitive assets, liabilities, and equity. Key aspects of this approach are:

- Evaluating and managing the impact of rising or falling interest rates on net interest income and economic value, and developing strategies to manage overall sensitivity to rates across varying interest rate scenarios;
- Measuring the contribution of each TD product on a risk-adjusted, fully-hedged basis, including the impact of financial options such as mortgage commitments that are granted to customers; and
- Developing and implementing strategies to stabilize net interest income from all retail and commercial banking products.

The Bank is exposed to interest rate risk when asset and liability principal and interest cash flows, determined using contractual cash-flows and the target-modeled maturity profile for non-maturity products, have different interest payment or maturity dates. These are called "mismatched positions" and impact the Bank's earnings when its interest-sensitive assets and liabilities reprice as interest rates change and when there are: final maturities, normal amortizations, or option exercises (such as prepayment, redemption, or conversion).

The Bank's exposure to interest rate risk depends on the size and direction of interest rate changes, and on the size and maturity of the mismatched positions. It is also affected by new business volumes, renewals of loans or deposits, and how actively customers exercise embedded options, such as prepaying a loan or redeeming a deposit before its maturity date.

Interest rate risk exposure, after economic hedging activities, is measured using various interest rate "shock" scenarios. Two of the measures used are Net Interest Income Sensitivity (NIIS) and Economic Value at Risk (EVaR). NIIS is defined as the change in net interest income over the next twelve months resulting from mismatched positions for an immediate and sustained 100 bps interest rate shock. NIIS measures the extent to which the maturing and repricing asset and liability cash flows are matched over the next twelve-month period and reflects how the Bank's net interest income will change over that period from the effect of the interest rate shock on the mismatched positions. EVaR is defined as the difference between the change in the present value of the Bank's asset portfolio and the change in the present value of the Bank's liability portfolio, including off-balance sheet instruments and assumed profiles for non-rate sensitive products, resulting from an immediate and sustained 100 bps unfavourable interest rate shock. EVaR measures the relative sensitivity of asset and liability cash flow mismatches to changes in long-term interest rates. Closely matching asset and liability cash flows reduces EVaR and mitigates the risk of volatility in future net interest income.

To the extent that interest rates are sufficiently low and in cases where it is not feasible to measure the impact of a 100 bps decline in interest rates, EVaR and NIIS exposures will be calculated by measuring the impact of a decline in interest rates where the resultant rates do not become negative.

The methodology used to calculate NIIS and EVaR captures the impact of changes to assumed customer behaviours, such as interest rate sensitive mortgage prepayments, but does not assume any balance sheet growth, change in business mix, product pricing, or management actions in response to changes in market conditions.

The Bank policy as approved by the Risk Committee sets overall limits on EVaR and NIIS which are linked to capital and net interest income, respectively. These limits are consistent with the Bank's enterprise risk appetite and are periodically reviewed and approved by the Risk Committee. Exposures against Board limits are routinely monitored and reported, and breaches of these Board limits, if any, are escalated to both the ALCO and the Risk Committee of the Board.

In addition to Board policy limits, book-level risk limits are set for TBSM's management of non-trading interest rate risk by Risk Management. These book-level risk limits are set at a more granular level than Board policy limits for NIIS and EVaR, and developed to be consistent with the overall Board Market Risk policy. Breaches of these book-level risk limits, if any, are escalated to the ALCO in a timely manner.

The interest rate risk and other exposures from products with closed (non-optional) fixed-rate cash flows are measured and managed separately from products that offer customers prepayment options. The Bank projects future cash flows by looking at the impact of:

- A target interest sensitivity profile for its non-maturity assets and liabilities;
- A target investment profile on its net equity position; and
- Liquidation assumptions on mortgages other than from embedded prepayment options.

The Bank also measures its exposure to non-maturity liabilities, such as core deposits, by assessing interest rate elasticity and balance permanence using historical data and business judgment. Fluctuations of non-maturity deposits can occur because of factors such as interest rate movements, equity market movements, and changes to customer liquidity preferences.

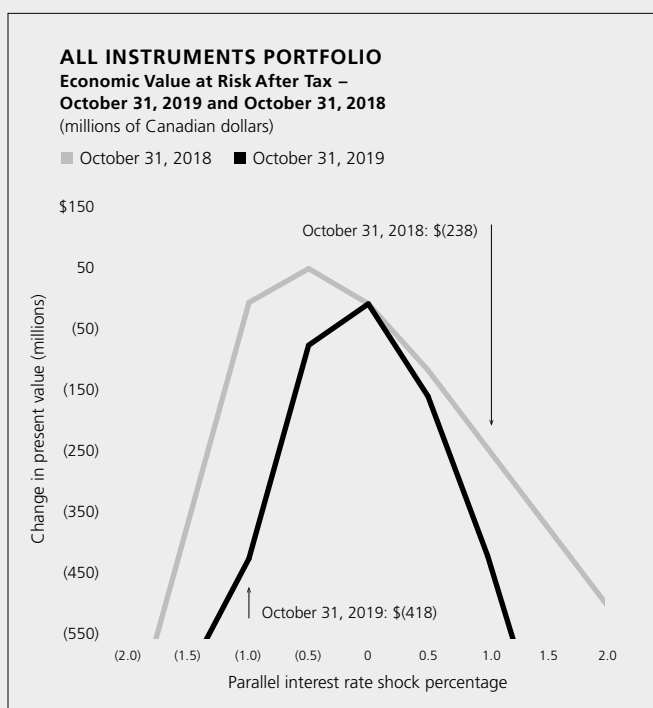
The objective of portfolio management within the closed-cash-flow book is to eliminate cash flow mismatches to the extent practically possible, so that net interest income becomes more predictable.

Product options, whether they are freestanding options such as mortgage rate commitments or embedded in loans and deposits, expose the Bank to a significant financial risk. To manage these exposures the Bank purchases options or uses a dynamic hedging process designed to replicate the payoff of a purchased option.

- **Rate Commitments:** The Bank measures its exposure from freestanding mortgage rate commitment options using an expected funding profile based on historical experience. Customers' propensity to fund, and their preference for fixed or floating rate mortgage products, is influenced by factors such as market mortgage rates, house prices, and seasonality.
- **Asset Prepayment:** The Bank models its exposure to written options embedded in other products, such as the right to prepay residential mortgage loans, based on analysis of customer behaviour. Econometric models are used to model prepayments and the effects of prepayment behaviour to the Bank. In general mortgage prepayments are also affected by factors, such as mortgage age, house prices, and GDP growth. The combined impacts from these parameters are also assessed to determine a core liquidation speed which is independent of market incentives.

#### Interest Rate Risk

The following graph shows the Bank's interest rate risk exposure (as measured by EVaR) on all non-trading assets, liabilities, and derivative instruments used for structural interest rate management. This reflects the interest rate risk from personal and commercial banking products (loans and deposits) as well as related funding, investments, and HQLA. EVaR is defined as the difference between the change in the present value of the Bank's asset portfolio and the change in the present value of the Bank's liability portfolio, including off-balance sheet instruments and assumed profiles for non-rate sensitive products, resulting from an immediate and sustained 100 bps unfavourable interest rate shock. EVaR measures the relative sensitivity of asset and liability cash flow mismatches to changes in interest rates. Closely matching asset and liability cash flows reduces EVaR and mitigates the risk of volatility in future net interest income.



The Bank uses derivative financial instruments, wholesale investments, funding instruments, other capital market alternatives, and, less frequently, product pricing strategies to manage interest rate risk. As at October 31, 2019, an immediate and sustained 100 bps increase in interest rates would have decreased the economic value of shareholders' equity by \$413 million (October 31, 2018 – \$238 million decrease) after tax. An immediate and sustained 100 bps decrease in interest rates would have decreased the economic value of shareholders' equity by \$418 million (October 31, 2018 – \$2 million increase) after tax.

The interest rate exposure, or EVaR, in the insurance business is not included in the above graph. Interest rate risk in the insurance business is managed using defined exposure limits and processes, as set and governed by the insurance Board of Directors.

The following table shows the sensitivity of the economic value of shareholders' equity (after tax) by currency for those currencies where the Bank has material exposure.

TABLE 46 SENSITIVITY OF AFTER-TAX ECONOMIC VALUE AT RISK BY CURRENCY

(millions of Canadian dollars)

Currency	October 31, 2019		October 31, 2018	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
Canadian dollar	\$ (39)	\$ (43)	\$ (41)	\$ (17)
U.S. dollar	(374)	(375)	(197)	19
	\$ (413)	\$ (418)	\$ (238)	\$ 2

For the NIIS measure (not shown on the graph), a 100 bps increase in interest rates on October 31, 2019, would have decreased pre-tax net interest income by \$171 million (October 31, 2018 – \$73 million decrease) in the next twelve months due to the mismatched positions. A 100 bps decrease in interest rates on October 31, 2019, would have

decreased pre-tax net interest income by \$73 million (October 31, 2018 – \$114 million decrease) in the next twelve months due to the mismatched positions. Reported NIIS remains consistent with the Bank's risk appetite and within established Board limits.

The following table shows the sensitivity of net interest income (pre-tax) by currency for those currencies where the Bank has material exposure.

TABLE 47	SENSITIVITY OF PRE-TAX NET INTEREST INCOME SENSITIVITY BY CURRENCY			
	October 31, 2019		October 31, 2018	
Currency	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
Canadian dollar	\$ (103)	\$ 103	\$ (49)	\$ 49
U.S. dollar	(68)	(176)	(24)	(163)
	\$ (171)	\$ (73)	\$ (73)	\$ (114)

### Future Changes in Interest Rate Risk Measures

In April 2016, the BCBS published a new Standard on Interest Rate Risk in the Banking Book (IRRBB) as an update to the Committee's 2004 publication, to reflect changes in market, methodology and supervisory practices regarding the measurement of IRRBB. OSFI issued a revised Interest Rate Risk Management Guideline (B-12) in May 2019 that largely aligns with the BCBS Standard. The new regulatory guideline prescribes IRRBB measures, standardized stress scenarios, and enhancements to governance and modelling. The Bank will adopt these new standards by January 1, 2020 for reporting in the first quarter of 2020.

As a result, the currently reported EVaR measure will be replaced by an Economic Value of Equity (EVE) measure. The primary difference will be the exclusion of an assumed equity profile. In addition, the Bank's reported NIIS measurement approach will be modified to align with IRRBB requirements and reflect the Bank's earnings risk from fluctuations in interest rates.

### Managing Non-trading Foreign Exchange Risk

Foreign exchange risk refers to losses that could result from changes in foreign-currency exchange rates. Assets and liabilities that are denominated in foreign currencies create foreign exchange risk.

The Bank is exposed to non-trading foreign exchange risk primarily from its investments in foreign operations. When the Bank's foreign currency assets are greater or less than its liabilities in that currency, they create a foreign currency open position. An adverse change in foreign exchange rates can impact the Bank's reported net income and shareholders' equity, and also its capital ratios.

Minimizing the impact of an adverse foreign exchange rate change on reported equity will cause some variability in capital ratios, due to the amount of RWA denominated in a foreign currency. If the Canadian dollar weakens, the Canadian dollar equivalent of the Bank's RWA in a foreign currency increases, thereby increasing the Bank's capital requirement. For this reason, the foreign exchange risk arising from the Bank's net investments in foreign operations is hedged to the point where certain capital ratios change by no more than an acceptable amount for a given change in foreign exchange rates.

### Other Non-trading Market Risks

Other market risks monitored on a regular basis include:

- **Basis Risk** – The Bank is exposed to risks related to the difference in various market indices.
- **Equity Risk** – The Bank is exposed to equity risk through its equity-linked guaranteed investment certificate product offering. The exposure is managed by purchasing options to replicate the equity payoff. The Bank is also exposed to non-trading equity price risk primarily from its share-based compensation plans where certain employees are awarded share units equivalent to the Bank's common shares as compensation for services provided to the Bank. These share units are recorded as a liability over the vesting period and revalued at each reporting period until settled in cash. Changes in the Bank's share price can impact non-interest expenses. The Bank uses derivative instruments to manage its non-trading equity price risk.

### Managing Investment Portfolios

The Bank manages a securities portfolio that is integrated into the overall asset and liability management process. The securities portfolio is managed using high-quality, low-risk securities in a manner appropriate to the attainment of the following goals: (1) to generate a targeted credit of funds to deposits balances that are in excess of loan balances; (2) to provide a sufficient pool of liquid assets to meet deposit and loan fluctuations and overall liquidity management objectives; (3) to provide eligible securities to meet collateral and cash management requirements; and (4) to manage the target interest rate risk profile of the balance sheet. The Risk Committee reviews and approves the Enterprise Investment Policy that sets out limits for the Bank's investment portfolio.

### WHY NET INTEREST MARGIN FLUCTUATES OVER TIME

As previously noted, the Bank's approach to asset/liability management is to ensure that earnings are stable and predictable over time, regardless of cash flow mismatches and the exercise of options granted to customers. This approach also creates margin certainty on fixed rate loans and deposits as they are booked. Despite this approach however, the Bank's net interest margin on average earning assets is subject to change over time for the following reasons (among others):

- Differences in margins earned on new and renewing products relative to the margin previously earned on matured products;
- The weighted-average margin on average earning assets will shift as the mix of business changes;
- Changes in the basis between the Prime Rate and the Bankers' Acceptance rate, or the Prime Rate and the London Interbank Offered Rate; and/or
- The lag in changing product prices in response to changes in wholesale rates.

The general level of interest rates will affect the return the Bank generates on its modeled maturity profile for core deposits and the investment profile for its net equity position as it evolves over time. The general level of interest rates is also a key driver of some modeled option exposures, and will affect the cost of hedging such exposures.

The Bank's approach to managing these factors tends to moderate their impact over time, resulting in a more stable and predictable earnings stream.

## Operational Risk

*Operational risk is the risk of loss resulting from inadequate or failed internal processes or technology or from human activities or from external events. This definition includes legal risk but excludes strategic and reputational risk.*

Operational risk is inherent in all of the Bank's business activities, including the practices and controls used to manage other risks such as credit, market, and liquidity risk. Failure to manage operational risk can result in financial loss (direct or indirect), reputational harm, or regulatory censure and penalties.

The Bank actively mitigates and manages operational risk in order to create and sustain shareholder value, successfully execute the Bank's business strategies, operate efficiently, and provide reliable, secure, and convenient access to financial services. The Bank maintains a formal enterprise-wide operational risk management framework that emphasizes a strong risk management and internal control culture throughout TD.

In fiscal 2019, operational risk losses remain within the Bank's risk appetite. Refer to Note 27 of the 2019 Consolidated Financial Statements for further information on material legal or regulatory actions.

### WHO MANAGES OPERATIONAL RISK

Operational Risk Management is an independent function that owns and maintains the Bank's Operational Risk Management Framework. This framework sets out the enterprise-wide governance processes, policies, and practices to identify and assess, measure, control, monitor, escalate, and report operational risk. Operational Risk Management is designed to ensure that there is appropriate monitoring and reporting of the Bank's operational risk profile and exposures to senior management through the OROC, the ERM, and the Risk Committee.

In addition to the framework, Operational Risk Management owns and maintains, or has oversight of the Bank's operational risk policies. These policies govern the activities of the corporate areas responsible for the management and appropriate oversight of business continuity and crisis management, third-party management, data management, financial crime and fraud management, project management, and technology and cyber security management. Examples of operational risks that are owned and maintained by another function, but over which Operational Risk Management has oversight, include fraud risk management, third-party management, and project management.

The senior management of individual business units and corporate areas is responsible for the day-to-day management of operational risk following the Bank's established operational risk management framework and policies and the three lines of defence model. An independent risk management oversight function supports each business segment and corporate area, and monitors and challenges the implementation and use of the operational risk management framework programs according to the nature and scope of the operational risks inherent in the area. The senior executives in each business unit and corporate area participate in a Risk Management Committee that oversees operational risk management issues and initiatives.

Ultimately, every employee has a role to play in managing operational risk. In addition to policies and procedures guiding employee activities, training is available to all staff regarding specific types of operational risks and their role in helping to protect the interests and assets of the Bank.

### HOW TD MANAGES OPERATIONAL RISK

The Operational Risk Management Framework outlines the internal risk and control structure to manage operational risk and includes the operational risk appetite, governance processes, and policies. The Operational Risk Management Framework supports alignment with the Bank's ERF and risk appetite. The framework incorporates sound industry practices and meets regulatory requirements. Key components of the framework include:

### Governance and Policy

Management reporting and organizational structures emphasize accountability, ownership, and effective oversight of each business unit and each corporate area's operational risk exposures. In addition, the expectations of the Risk Committee and senior management for managing operational risk are set out by enterprise-wide policies and practices.

### Risk and Control Self-Assessment

Internal controls are one of the primary methods of safeguarding the Bank's employees, customers, assets, and information, and in preventing and detecting errors and fraud. Management undertakes comprehensive assessments of key risk exposures and the internal controls in place to reduce or offset these risks. Senior management reviews the results of these evaluations to determine that risk management and internal controls are effective, appropriate, and compliant with the Bank's policies.

### Operational Risk Event Monitoring

In order to reduce the Bank's exposure to future loss, it is critical that the Bank remains aware of and responds to its own and industry operational risks. The Bank's policies and processes require that operational risk events be identified, tracked, and reported to the appropriate level of management to facilitate the Bank's analysis and management of its risks and inform the assessment of suitable corrective and preventative action. The Bank also reviews, analyzes, and benchmarks itself against operational risk losses that have occurred at other financial institutions using information acquired through recognized industry data providers.

### Scenario Analysis

Scenario Analysis is a systematic and repeatable process used to assess the likelihood and loss impact for significant and infrequent operational risk events (tail risks). The Bank applies this practice to meet risk measurement and risk management objectives. The process includes the use of relevant external operational loss event data that is assessed considering the Bank's operational risk profile and control structure. The program raises awareness and educates business owners regarding existing and emerging risks, which may result in the identification and implementation of new scenarios and risk mitigation action plans to minimize tail risk.

### Risk Reporting

Risk Management, in partnership with senior management, regularly monitors risk-related measures and the risk profile throughout the Bank to report to senior business management and the Risk Committee. Operational risk measures are systematically tracked, assessed, and reported to promote management accountability and direct the appropriate level of attention to current and emerging issues.

### Insurance

TD's Corporate Insurance team, with oversight from TD Risk Management, utilizes insurance and other risk transfer arrangements to mitigate and reduce potential future losses related to operational risk. Risk Management includes oversight of the effective use of insurance aligned with the Bank's risk management strategy and risk appetite. Insurance terms and provisions, including types and amounts of coverage, are regularly assessed so that the Bank's tolerance for risk and, where applicable, statutory requirements are satisfied. The management process includes conducting regular in-depth risk and financial analysis and identifying opportunities to transfer elements of the Bank's risk to third parties where appropriate. The Bank transacts with external insurers that satisfy its minimum financial rating requirements.

### **Technology and Cyber Security**

Virtually all aspects of the Bank's business and operations use technology and information to create and support new markets, competitive products, delivery channels, as well as other business operations and opportunities. The Bank manages these risks to support adequate and proper day-to-day operations; and protect against unauthorized access of the Bank's technology, infrastructure, systems, information, or data. To achieve this, the Bank actively monitors, manages, and continues to enhance its ability to mitigate these technology and cyber security risks through enterprise-wide programs and industry-accepted cyber threat management practices to enable rapid detection and response. The Bank's Cybersecurity Subcommittee provides dedicated senior executive oversight, direction and guidance regarding managing of risk relating to cybersecurity, including cyber terrorism and activism, cyber fraud, extortion and theft, as well as, identity and data theft. The Cybersecurity Subcommittee endorses actions and makes recommendations to the CEO and the ERM as appropriate, including in some instances, supporting onward recommendations to the Risk Committee. Together with the Bank's operational risk management framework, technology and cyber security programs also include enhanced resiliency planning and testing, as well as disciplined change management practices.

### **Data Management**

The Bank's data is a strategic asset that is governed and managed to preserve value and support business objectives. Inconsistent data governance and management practices may compromise the Bank's data and information assets which could result in financial and reputational impacts. The Bank's Office of the Chief Data Officer (OCDO), Corporate and Technology partners develop and implement enterprise wide standards and practices that describe how data and information assets are managed, governed, used, and protected.

### **Business Continuity and Crisis Management**

The Bank maintains an enterprise-wide Business Continuity and Crisis Management Program that supports management's ability to operate the Bank's businesses and operations (including providing customers access to products and services) in the event of a business disruption incident. All areas of the Bank are required to maintain and regularly test business continuity plans to facilitate the continuity and recovery of business operations. The Bank's Program is supported by formal crisis management measures so that the appropriate level of leadership, oversight and management is applied to incidents affecting the Bank.

### **Third-Party Management**

A third-party supplier/vendor is an entity that supplies a particular product or service to or on behalf of the Bank. While these relationships bring benefits to the Bank's businesses and customers, the Bank also needs to manage and minimize any risks related to the activity. The Bank does this through an enterprise third-party risk management program that is designed to manage third-party activities throughout the life cycle of an arrangement and provide an appropriate level of risk management and senior management oversight which is appropriate to the size, risk, and criticality of the third-party arrangement.

### **Project Management**

The Bank has established a disciplined approach to project management across the enterprise coordinated by the Bank's Enterprise Project Delivery Excellence Group. This approach involves senior management governance and oversight of the Bank's project portfolio and leverages leading industry practices to guide the Bank's use of standardized project management methodology, defined project management accountabilities and capabilities, and project portfolio reporting and management tools to support successful project delivery.

### **Financial Crime and Fraud Management**

The Bank develops and implements enterprise-wide financial crime and fraud management strategies, policies, and practices. The Bank employs prevention, detection and monitoring capabilities to strengthen the Bank's defences and enhance governance, oversight, and collaboration across the enterprise to protect customers, shareholders, and employees from increasingly sophisticated financial crimes and fraud.

### **Operational Risk Capital Measurement**

The Bank's operational risk capital is determined using the AMA, a risk-sensitive capital model, along with the standardized approach (TSA). OSFI approved the Bank to use AMA in the third quarter of 2016. Entities not reported under AMA, use TSA methodology. Effective the first quarter of 2019, all entities are reported under AMA.

The Bank's AMA Capital Model uses a Loss Distribution Approach (LDA) and incorporates Internal Loss Data and Scenario Analysis results. External Loss Data is indirectly considered through the identification and assessment of Scenario Analysis estimations. Business, Environment and Internal Control Factors (BEICF) are used as a post-model adjustment to capital estimates to reflect forward-looking indicators of risk exposure.

The Bank's AMA model includes the incorporation of a diversification benefit, which considers correlations across risk types and business lines as extreme loss events may not occur simultaneously across all categories. The capital is estimated at the 99.9% confidence level.

Although the Bank manages a comprehensive portfolio of insurance and other risk mitigating arrangements to provide additional protection from loss, the Bank's AMA model does not consider risk mitigation through insurance.

### **Model Risk**

*Model risk is the potential for adverse consequences arising from decisions based on incorrect or misused models and other estimation approaches and their outputs. It can lead to financial loss, reputational risk, or incorrect business and strategic decisions.*

#### **WHO MANAGES MODEL RISK**

Primary accountability for the management of model risk resides with the senior management of individual businesses with respect to the models they use. The Model Risk Governance Committee provides oversight of governance, risk, and control matters, by providing a platform to guide, challenge, and advise decision makers and model owners in model risk related matters. Model Risk Management monitors and reports on existing and emerging model risks, and provides periodic assessments to senior management, Risk Management, the Risk Committee of the Board, and regulators on the state of model risk at TD and alignment with the Bank's Model Risk Appetite. The Risk Committee of the Board approves the Bank's Model Risk Management Framework and Model Risk Policy.

#### **HOW TD MANAGES MODEL RISK**

The Bank manages model risk in accordance with management approved model risk policies and supervisory guidance which encompass the life cycle of a model, including proof of concept, development, validation, implementation, usage, and ongoing model performance monitoring. The Bank's Model Risk Management Framework also captures key processes that may be partially or wholly qualitative, or based on expert judgment.

Business segments identify the need for a new model or process and are responsible for model development and documentation according to the Bank's policies and standards. During model development, controls with respect to code generation, acceptance testing, and usage are established and documented to a level of detail and comprehensiveness matching the materiality and complexity of the model. Once models are implemented, business owners are responsible for ongoing performance

monitoring and usage in accordance with the Bank's Model Risk Policy. In cases where a model is deemed obsolete or unsuitable for its originally intended purposes, it is decommissioned in accordance with the Bank's policies.

Model Risk Management and Model Validation provide oversight, maintain a centralized inventory of all models as defined in the Bank's Model Risk Policy, validate and approve new and existing models on a pre-determined schedule depending on model complexity, materiality and criticality, set model performance monitoring standards, and provide training to all stakeholders. The validation process varies in rigour, depending on the model risk rating, but at a minimum contains a detailed determination of:

- the conceptual soundness of model methodologies and underlying quantitative and qualitative assumptions;
- the risk associated with a model based on complexity, materiality and criticality;
- the sensitivity of a model to model assumptions and changes in data inputs including stress testing; and
- the limitations of a model and the compensating risk mitigation mechanisms in place to address the limitations.

When appropriate, validation includes a benchmarking exercise which may include the building of an independent model based on an alternative modelling approach. The results of the benchmark model are compared to the model being assessed to validate the appropriateness of the model's methodology and its use. As with traditional model approaches, machine-learning models are also subject to the same rigorous standards and risk management practices.

At the conclusion of the validation process, a model will either be approved for use or will be rejected and require redevelopment or other courses of action. Models identified as obsolete or no longer appropriate for use through changes in industry practice, the business environment, or Bank strategies are subject to decommissioning.

Model risk exists on a continuum from the most complex and material models to analytical tools (also broadly referred to as non-models) that may still expose the Bank to risk based on their incorrect use or inaccurate outputs. The Bank has policies and procedures in place designed to ensure that the level of independent challenge and oversight corresponds to the materiality and complexity of both models and non-models.

## Insurance Risk

*Insurance risk is the risk of financial loss due to actual experience emerging differently from expectations in insurance product pricing and/or design, underwriting, claims or reserving than expected at the inception of an insurance contract. Unfavourable experience could emerge due to adverse fluctuations in timing, actual size, and/or frequency of claims (for example, driven by non-life premium risk, non-life reserving risk, catastrophic risk, mortality risk, morbidity risk, and longevity risk), policyholder behaviour, or associated expenses.*

Insurance contracts provide financial protection by transferring insured risks to the issuer in exchange for premiums. The Bank is engaged in insurance businesses relating to property and casualty insurance, life and health insurance, and reinsurance, through various subsidiaries; it is through these businesses that the Bank is exposed to insurance risk.

### WHO MANAGES INSURANCE RISK

Senior management within the insurance business units has primary responsibility for managing insurance risk with oversight by the CRO for Insurance, who reports into Risk Management. The Audit Committee of the Board acts as the Audit and Conduct Review Committee for the Canadian insurance company subsidiaries. The insurance company subsidiaries also have their own Boards of Directors who provide additional risk management oversight.

### HOW TD MANAGES INSURANCE RISK

The Bank's risk governance practices are designed to support strong independent oversight and control of risk within the insurance business. The TD Insurance Risk Committee and its sub committees provide critical oversight of the risk management activities within the insurance business and monitor compliance with insurance risk policies. The Bank's Insurance Risk Management Framework and Insurance Risk Policy collectively outline the internal risk and control structure to manage insurance risk and include risk appetite, policies, processes, as well as limits and governance. These documents are maintained by Risk Management and support alignment with the Bank's risk appetite for insurance risk.

The assessment of policy (premium and claims) liabilities is central to the insurance operation. The Bank establishes reserves to cover estimated future payments (including loss adjustment expenses) on all claims or terminations/surrenders of premium arising from insurance contracts underwritten. The reserves cannot be established with complete certainty, and represent management's best estimate for future payments. As such, the Bank regularly monitors estimates against actual and emerging experience and adjusts reserves as appropriate if experience emerges differently than anticipated. Claim and premium liabilities are governed by the Bank's general insurance and life and health reserving policies.

Sound product design is an essential element of managing risk. The Bank's exposure to insurance risk is mostly short-term in nature as the principal underwriting risk relates to automobile and home insurance for individuals.

Insurance market cycles, as well as changes in insurance legislation, the regulatory environment, judicial environment, trends in court awards, climate patterns, and the economic environment may impact the performance of the insurance business. Consistent pricing policies and underwriting standards are maintained.

There is also exposure to concentration risk associated with general insurance and life and health coverage. Exposure to insurance risk concentration is managed through established underwriting guidelines, limits, and authorization levels that govern the acceptance of risk. Concentration of insurance risk is also mitigated through the purchase of reinsurance. The insurance business' reinsurance programs are governed by catastrophe and reinsurance risk management policies.

Strategies are in place to manage the risk to the Bank's reinsurance business. Underwriting risk on business assumed is managed through a policy that limits exposure to certain types of business and countries. The vast majority of reinsurance treaties are annually renewable, which minimizes long-term risk. Pandemic exposure is reviewed and estimated annually within the reinsurance business to manage concentration risk.

## Liquidity Risk

*The risk of having insufficient cash or collateral to meet financial obligations and an inability to, in a timely manner, raise funding or monetize assets at a non-distressed price. Financial obligations can arise from deposit withdrawals, debt maturities, commitments to provide credit or liquidity support or the need to pledge additional collateral.*

### TD'S LIQUIDITY RISK APPETITE

The Bank maintains a prudent and disciplined approach to managing its potential exposure to liquidity risk. The Bank targets a 90-day survival horizon under a combined bank-specific and market-wide stress scenario, and a minimum buffer over regulatory requirements prescribed by the OSFI Liquidity Adequacy Requirements (LAR) guidelines. Under the LAR guidelines, Canadian banks are required to maintain a Liquidity Coverage Ratio (LCR) at the minimum of 100% and beginning January 2020 will be required to maintain a Net Stable Funding Ratio (NSFR) at the minimum of 100%. The Bank's funding program emphasizes maximizing deposits as a core source of funding, and having ready access to wholesale funding markets across diversified terms, funding types, and currencies that is designed to ensure low exposure to a sudden contraction of wholesale funding capacity and to minimize structural liquidity gaps. The Bank also maintains a comprehensive contingency funding plan to enhance preparedness for recovery from potential liquidity stress events. The resultant management strategies and actions comprise an integrated liquidity risk management program that is designed to ensure low exposure to liquidity risk and compliance with regulatory requirements.

### LIQUIDITY RISK MANAGEMENT RESPONSIBILITY

The Bank's ALCO oversees the Bank's liquidity risk management program. It ensures there are effective management structures and practices in place to properly measure and manage liquidity risk. The GLF, a subcommittee of the ALCO comprised of senior management from TBSM, Risk Management and Wholesale Banking, identifies and monitors the Bank's liquidity risks. The management of liquidity risk is the responsibility of the Head of TBSM, while oversight and challenge is provided by the ALCO and independently by Risk Management. The Risk Committee of the Board regularly reviews the Bank's liquidity position and approves the Bank's Liquidity Risk Management Framework bi-annually and the related policies annually.

The Bank has established TDGUS, as TD's U.S. IHC, and a Combined U.S. Operations (CUSO) reporting unit that consists of the IHC and TD's U.S. branch and agency network. Both TDGUS and CUSO are managed to the U.S. Enhanced Prudential Standards liquidity requirements in addition to the Bank's liquidity management framework.

The following areas are responsible for measuring, monitoring, and managing liquidity risks for major business segments:

- Risk Management is responsible for maintaining the liquidity risk management policy and asset pledging policy, along with associated limits, standards, and processes which are established to ensure that consistent and efficient liquidity management approaches are applied across all of the Bank's operations. Risk Management jointly owns the liquidity risk management framework, along with the Chief Financial Officer. Enterprise Market Risk Control provides oversight of liquidity risk across the enterprise and provides independent risk assessment and effective challenge of liquidity risk. Capital Markets Risk Management is responsible for independent liquidity risk metric reporting.
- TBSM Liquidity Management manages the liquidity position of the Canadian Retail (including wealth businesses), Corporate, the Wholesale Banking, and U.S. Retail businesses, as well as the liquidity position of CUSO.
- Other regional operations, including those within TD's insurance, foreign branches, and/or subsidiaries are responsible for managing their liquidity risk in compliance with their own policies, local regulatory requirements and are in alignment with the enterprise framework.

### HOW TD MANAGES LIQUIDITY RISK

The Bank manages the liquidity profile of its businesses to be within the defined liquidity risk appetite, and maintains target requirements for liquidity survivability using a combination of internal and regulatory measures. The Bank's overall liquidity requirement is defined as the amount of liquid assets the Bank needs to hold to be able to cover expected future cash flow requirements, plus a prudent reserve against potential cash outflows in the event of a capital markets disruption or other events that could affect the Bank's access to funding or destabilize its deposit base.

The Bank maintains an internal view for measuring and managing liquidity that uses an assumed Severe Combined Stress Scenario (SCSS). The SCSS considers potential liquidity requirements during a crisis resulting from a loss of confidence in the Bank's ability to meet obligations as they come due. In addition to this bank-specific event, the SCSS also incorporates the impact of a stressed market-wide liquidity event that results in a significant reduction in the availability of funding for all institutions and a decrease in the marketability of assets. The Bank's liquidity policy stipulates that the Bank must maintain a sufficient level of liquid assets to support business growth, and to cover identified stressed liquidity requirements under the SCSS up to 90 days. The Bank calculates stressed liquidity requirements for the SCSS related to the following conditions:

- wholesale funding maturing in the next 90 days (assumes maturing debt will be repaid instead of rolled over);
- accelerated attrition or "run-off" of deposit balances;
- increased utilization of available credit and liquidity facilities; and
- increased collateral requirements associated with downgrades in the Bank's credit rating and adverse movement in reference rates for derivative and securities financing transactions.

The Bank also manages its liquidity to comply with the regulatory liquidity requirements in the OSFI LAR (the LCR, the NSFR, and the Net Cumulative Cash Flow (NCCF) monitoring tool). The LCR requires that banks maintain minimum liquidity coverage of 100% over a 30-day stress period, the NSFR requires that banks maintain available stable funding in excess of required stable funding starting January 2020 (a minimum NSFR of 100%), and the NCCF monitors the Bank's detailed cash flow gaps for various time bands. As a result, the Bank's liquidity is managed to the higher of its internal liquidity requirements and the target buffers over the regulatory minimums.

The Bank considers potential regulatory restrictions on liquidity transferability in the calculation of enterprise liquidity positions. Accordingly, surplus liquidity domiciled in regulated subsidiaries may be excluded from consolidated liquidity positions as appropriate.

The Bank's Funds Transfer Pricing process considers liquidity risk as a key determinant of the cost or credit of funds to the retail and wholesale bank businesses. Liquidity costs applied to loans and trading assets are determined based on the cash flow or stressed liquidity profile, while deposits are assessed based on the required liquidity reserves and balance stability. Liquidity costs are also applied to other contingent obligations like undrawn lines of credit provided to customers.

### LIQUID ASSETS

The unencumbered liquid assets the Bank holds to meet its liquidity requirements must be high-quality securities that the Bank believes can be monetized quickly in stress conditions with minimum loss in market value. The liquidity value of unencumbered liquid assets considers estimated market or trading depths, settlement timing, and/or other identified impediments to potential sale or pledging. Overall, the Bank expects any reduction in market value of its liquid asset portfolio to be modest given the underlying high credit quality and demonstrated liquidity.

Assets held by the Bank to meet liquidity requirements are summarized in the following tables. The tables do not include assets held within the Bank's insurance businesses due to investment restrictions.

**TABLE 48 SUMMARY OF LIQUID ASSETS BY TYPE AND CURRENCY<sup>1,2</sup>**

(millions of Canadian dollars, except as noted)

As at

	Bank-owned liquid assets	Securities received as collateral from securities financing and derivative transactions	Total liquid assets	% of total	Encumbered liquid assets	Unencumbered liquid assets
October 31, 2019						
Cash and due from banks	\$ 5,140	\$ –	\$ 5,140	1%	\$ 566	\$ 4,574
Canadian government obligations	13,872	77,275	91,147	14	56,337	34,810
NHA MBS	38,138	15	38,153	6	3,816	34,337
Provincial government obligations	15,679	25,151	40,830	6	31,287	9,543
Corporate issuer obligations	11,149	3,623	14,772	2	3,882	10,890
Equities	13,636	2,770	16,406	3	11,225	5,181
Other marketable securities and/or loans	2,512	311	2,823	–	1,078	1,745
<b>Total Canadian dollar-denominated</b>	<b>100,126</b>	<b>109,145</b>	<b>209,271</b>	<b>32</b>	<b>108,191</b>	<b>101,080</b>
Cash and due from banks	19,225	–	19,225	3	33	19,192
U.S. government obligations	34,103	47,803	81,906	13	37,367	44,539
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	58,222	11,873	70,095	11	20,939	49,156
Other sovereign obligations	47,854	49,304	97,158	15	39,500	57,658
Corporate issuer obligations	84,835	1,856	86,691	13	7,070	79,621
Equities	40,550	34,607	75,157	12	39,403	35,754
Other marketable securities and/or loans	4,658	667	5,325	1	712	4,613
<b>Total non-Canadian dollar-denominated</b>	<b>289,447</b>	<b>146,110</b>	<b>435,557</b>	<b>68</b>	<b>145,024</b>	<b>290,533</b>
<b>Total</b>	<b>\$ 389,573</b>	<b>\$ 255,255</b>	<b>\$ 644,828</b>	<b>100%</b>	<b>\$ 253,215</b>	<b>\$ 391,613</b>
October 31, 2018						
Cash and due from banks	\$ 3,002	\$ –	\$ 3,002	1%	\$ 1,098	\$ 1,904
Canadian government obligations	18,256	63,463	81,719	14	47,572	34,147
NHA MBS	39,649	42	39,691	6	3,057	36,634
Provincial government obligations	12,720	19,241	31,961	5	23,651	8,310
Corporate issuer obligations	6,622	3,767	10,389	2	3,769	6,620
Equities	10,554	1,637	12,191	2	6,028	6,163
Other marketable securities and/or loans	2,655	349	3,004	1	277	2,727
<b>Total Canadian dollar-denominated</b>	<b>93,458</b>	<b>88,499</b>	<b>181,957</b>	<b>31</b>	<b>85,452</b>	<b>96,505</b>
Cash and due from banks	24,046	–	24,046	4	28	24,018
U.S. government obligations	30,163	37,691	67,854	12	32,918	34,936
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	47,150	927	48,077	8	7,522	40,555
Other sovereign obligations	56,034	45,912	101,946	18	41,993	59,953
Corporate issuer obligations	78,160	1,576	79,736	14	7,234	72,502
Equities	33,514	37,666	71,180	12	32,206	38,974
Other marketable securities and/or loans	4,786	4	4,790	1	191	4,599
<b>Total non-Canadian dollar-denominated</b>	<b>273,853</b>	<b>123,776</b>	<b>397,629</b>	<b>69</b>	<b>122,092</b>	<b>275,537</b>
<b>Total</b>	<b>\$ 367,311</b>	<b>\$ 212,275</b>	<b>\$ 579,586</b>	<b>100%</b>	<b>\$ 207,544</b>	<b>\$ 372,042</b>

<sup>1</sup> Positions stated include gross asset values pertaining to securities financing transactions.

<sup>2</sup> Liquid assets include collateral received that can be re-hypothecated or otherwise redeployed.

The increase of \$18 billion in total unencumbered liquid assets from October 31, 2018, was mainly due to regular wholesale business activity and deposit volume growth in the Canadian Retail and U.S.

Retail segments. Liquid assets are held in The Toronto-Dominion Bank and multiple domestic and foreign subsidiaries and branches and are summarized in the following table.

**TABLE 49 SUMMARY OF UNENCUMBERED LIQUID ASSETS BY BANK, SUBSIDIARIES, AND BRANCHES**

(millions of Canadian dollars)

As at

	October 31 2019	October 31 2018
The Toronto-Dominion Bank (Parent)	\$ 139,550	\$ 136,544
Bank subsidiaries	228,978	217,565
Foreign branches	23,085	17,933
<b>Total</b>	<b>\$ 391,613</b>	<b>\$ 372,042</b>



The Bank's monthly average liquid assets (excluding those held in insurance subsidiaries) for the years ended October 31, 2019, and October 31, 2018, are summarized in the following table.

TABLE 50		SUMMARY OF AVERAGE LIQUID ASSETS BY TYPE AND CURRENCY <sup>1,2</sup>				
(millions of Canadian dollars, except as noted)		<i>Average for the years ended</i>				
	Bank-owned liquid assets	Securities received as collateral from securities financing and derivative transactions	Total liquid assets	% of total	Encumbered liquid assets	Unencumbered liquid assets
October 31, 2019						
Cash and due from banks	\$ 3,404	\$ –	\$ 3,404	1%	\$ 457	\$ 2,947
Canadian government obligations	13,779	69,160	82,939	13	49,895	33,044
NHA MBS	41,436	32	41,468	7	3,607	37,861
Provincial government obligations	14,042	23,145	37,187	6	27,559	9,628
Corporate issuer obligations	8,311	3,907	12,218	2	4,038	8,180
Equities	10,742	3,876	14,618	2	9,540	5,078
Other marketable securities and/or loans	3,130	397	3,527	1	566	2,961
<b>Total Canadian dollar-denominated</b>	<b>94,844</b>	<b>100,517</b>	<b>195,361</b>	<b>32</b>	<b>95,662</b>	<b>99,699</b>
Cash and due from banks	27,019	–	27,019	4	34	26,985
U.S. government obligations	32,168	44,473	76,641	12	37,573	39,068
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	51,854	7,139	58,993	10	16,393	42,600
Other sovereign obligations	51,841	45,645	97,486	16	36,818	60,668
Corporate issuer obligations	80,482	2,391	82,873	13	7,028	75,845
Equities	37,818	36,572	74,390	12	39,191	35,199
Other marketable securities and/or loans	4,680	770	5,450	1	955	4,495
<b>Total non-Canadian dollar-denominated</b>	<b>285,862</b>	<b>136,990</b>	<b>422,852</b>	<b>68</b>	<b>137,992</b>	<b>284,860</b>
<b>Total</b>	<b>\$ 380,706</b>	<b>\$ 237,507</b>	<b>\$ 618,213</b>	<b>100%</b>	<b>\$ 233,654</b>	<b>\$ 384,559</b>
October 31, 2018						
Cash and due from banks	\$ 3,115	\$ –	\$ 3,115	1%	\$ 573	\$ 2,542
Canadian government obligations	15,548	54,782	70,330	12	42,407	27,923
NHA MBS	41,365	48	41,413	7	4,517	36,896
Provincial government obligations	11,160	17,390	28,550	5	21,266	7,284
Corporate issuer obligations	6,347	3,729	10,076	2	2,018	8,058
Equities	10,360	2,279	12,639	2	4,965	7,674
Other marketable securities and/or loans	2,216	348	2,564	1	278	2,286
<b>Total Canadian dollar-denominated</b>	<b>90,111</b>	<b>78,576</b>	<b>168,687</b>	<b>30</b>	<b>76,024</b>	<b>92,663</b>
Cash and due from banks	34,805	–	34,805	6	127	34,678
U.S. government obligations	30,349	40,533	70,882	13	38,668	32,214
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	44,929	677	45,606	8	8,731	36,875
Other sovereign obligations	53,068	55,008	108,076	19	38,663	69,413
Corporate issuer obligations	71,142	1,579	72,721	13	5,864	66,857
Equities	29,341	30,034	59,375	10	24,974	34,401
Other marketable securities and/or loans	4,977	14	4,991	1	557	4,434
<b>Total non-Canadian dollar-denominated</b>	<b>268,611</b>	<b>127,845</b>	<b>396,456</b>	<b>70</b>	<b>117,584</b>	<b>278,872</b>
<b>Total</b>	<b>\$ 358,722</b>	<b>\$ 206,421</b>	<b>\$ 565,143</b>	<b>100%</b>	<b>\$ 193,608</b>	<b>\$ 371,535</b>

<sup>1</sup> Positions stated include gross asset values pertaining to securities financing transactions.

<sup>2</sup> Liquid assets include collateral received that can be re-hypothecated or otherwise redeployed.

Average liquid assets held in The Toronto-Dominion Bank and multiple domestic and foreign subsidiaries (excluding insurance subsidiaries) and branches are summarized in the following table.

TABLE 51		SUMMARY OF AVERAGE UNENCUMBERED LIQUID ASSETS BY BANK, SUBSIDIARIES, AND BRANCHES	
(millions of Canadian dollars)		<i>Average for the years ended</i>	
		October 31 2019	October 31 2018
The Toronto-Dominion Bank (Parent)		\$ 140,192	\$ 124,181
Bank subsidiaries		224,533	217,036
Foreign branches		19,834	30,318
<b>Total</b>		<b>\$ 384,559</b>	<b>\$ 371,535</b>

## ASSET ENCUMBRANCE

In the course of the Bank's day-to-day operations, assets are pledged to obtain funding, support trading and brokerage businesses, and participate in clearing and/or settlement systems. A summary of

encumbered and unencumbered assets (excluding assets held in insurance subsidiaries) is presented in the following table to identify assets that are used or available for potential funding needs.

**TABLE 52 ENCUMBERED AND UNENCUMBERED ASSETS**

(millions of Canadian dollars, except as noted)

As at

	October 31, 2019					
	Encumbered <sup>1</sup>		Unencumbered		Total assets	Encumbered assets as a % of total assets
	Pledged as collateral <sup>2</sup>	Other <sup>3</sup>	Available as collateral <sup>4</sup>	Other <sup>5</sup>		
Cash and due from banks	\$ 185	\$ –	\$ –	\$ 4,678	\$ 4,863	–%
Interest-bearing deposits with banks	5,394	90	17,798	2,301	25,583	0.5
Securities, trading loans, and other <sup>6</sup>	73,165	12,342	283,384	29,253	398,144	6.0
Derivatives	–	–	–	48,894	48,894	–
Securities purchased under reverse repurchase agreements <sup>7</sup>	–	–	–	165,935	165,935	–
Loans, net of allowance for loan losses	25,851	61,633	83,598	513,526	684,608	6.2
Customers' liability under acceptances	–	–	–	13,494	13,494	–
Investment in TD Ameritrade	–	–	–	9,316	9,316	–
Goodwill	–	–	–	16,976	16,976	–
Other intangibles	–	–	–	2,503	2,503	–
Land, buildings, equipment, and other depreciable assets	–	–	–	5,513	5,513	–
Deferred tax assets	–	–	–	1,799	1,799	–
Other assets <sup>8</sup>	580	–	–	37,082	37,662	–
<b>Total on-balance sheet assets</b>	<b>\$ 105,175</b>	<b>\$ 74,065</b>	<b>\$ 384,780</b>	<b>\$ 851,270</b>	<b>\$ 1,415,290</b>	<b>12.7%</b>
<b>Off-balance sheet items<sup>9</sup></b>						
Securities purchased under reverse repurchase agreements	143,664	–	32,397	(165,935)		
Securities borrowing and collateral received	60,941	3,707	17,328	–		
Margin loans and other client activity	8,900	–	20,439	(14,149)		
<b>Total off-balance sheet items</b>	<b>213,505</b>	<b>3,707</b>	<b>70,164</b>	<b>(180,084)</b>		
<b>Total</b>	<b>\$ 318,680</b>	<b>\$ 77,772</b>	<b>\$ 454,944</b>	<b>\$ 671,186</b>		

	October 31, 2018					
Total on-balance sheet assets	\$ 100,719	\$ 72,086	\$ 377,068	\$ 785,030	\$ 1,334,903	12.9%
Total off-balance sheet items	185,323	559	57,845	(142,072)		
<b>Total</b>	<b>\$ 286,042</b>	<b>\$ 72,645</b>	<b>\$ 434,913</b>	<b>\$ 642,958</b>		

<sup>1</sup> Asset encumbrance has been analyzed on an individual asset basis. Where a particular asset has been encumbered and TD has holdings of the asset both on-balance sheet and off-balance sheet, for the purpose of this disclosure, the on and off-balance sheet holdings are encumbered in alignment with the business practice.

<sup>2</sup> Represents assets that have been posted externally to support the Bank's day-to-day operations, including securities financing transactions, clearing and payments, and derivative transactions. Also includes assets that have been pledged supporting Federal Home Loan Bank (FHLB) activity.

<sup>3</sup> Assets supporting TD's long-term funding activities, assets pledged against securitization liabilities, and assets held by consolidated securitization vehicles or in pools for covered bond issuance.

<sup>4</sup> Assets that are considered readily available in their current legal form to generate funding or support collateral needs. This category includes reported FHLB assets that remain unutilized and DSAC that are available for collateral purposes however not regularly utilized in practice.

<sup>5</sup> Assets that cannot be used to support funding or collateral requirements in their current form. This category includes those assets that are potentially eligible as funding program collateral (for example, CMHC insured mortgages that can be securitized into NHA MBS).

<sup>6</sup> Securities include trading loans, securities, non-trading financial assets at fair value through profit or loss and other financial assets designated at fair value through profit or loss, securities at FVOCI, and DSAC.

<sup>7</sup> Assets reported in Securities purchased under reverse repurchase agreements represent the value of the loans extended and not the value of the collateral received.

<sup>8</sup> Other assets include amounts receivable from brokers, dealers, and clients.

<sup>9</sup> Off-balance sheet items include the collateral value from the securities received under reverse repurchase agreements, securities borrowing, margin loans, and other client activity. The loan value from the reverse repurchase transactions and margin loans/client activity is deducted from the on-balance sheet Unencumbered – Other category.

## LIQUIDITY STRESS TESTING AND CONTINGENCY FUNDING PLANS

In addition to the SCSS, the Bank performs liquidity stress testing on multiple alternate scenarios. These scenarios are a mix of TD-specific events and market-wide stress events designed to test the impact from risk factors material to the Bank's risk profile. Liquidity assessments are also part of the Bank's EWST program.

The Bank has liquidity contingency funding plans (CFP) in place at the overall Bank level and for subsidiaries operating in the foreign jurisdictions ("Regional CFP"). The Bank's CFP provides a documented framework for managing unexpected liquidity situations and thus is an integral component of the Bank's overall liquidity risk management program. It outlines different contingency levels based on the severity and duration of the liquidity situation, and identifies recovery actions appropriate for each level. For each recovery action, it provides key operational steps required to execute the action. Regional CFPs identify

recovery actions to address region-specific stress events. The actions and governance structure outlined in the Bank's CFP are aligned with the Bank's Crisis Management Recovery Plan.

## CREDIT RATINGS

Credit ratings impact the Bank's borrowing costs and ability to raise funds. Rating downgrades could potentially result in higher financing costs, increased requirement to pledge collateral, reduced access to capital markets, and could also affect the Bank's ability to enter into derivative transactions.

Credit ratings and outlooks provided by rating agencies reflect their views and are subject to change from time-to-time, based on a number of factors including the Bank's financial strength, competitive position, and liquidity, as well as factors not entirely within the Bank's control, including the methodologies used by rating agencies and conditions affecting the overall financial services industry.

TABLE 53 CREDIT RATINGS<sup>1</sup>

	As at		
	October 31, 2019		
	Moody's	S&P	DBRS
Deposits/Counterparty <sup>2</sup>	Aa1	AA-	AA (high)
Legacy Senior Debt <sup>3</sup>	Aa1	AA-	AA (high)
Senior Debt <sup>4</sup>	Aa3	A	AA
Covered Bonds	Aaa	-	AAA
Subordinated Debt	A2	A	AA (low)
Subordinated Debt – NVCC	A2 (hyb)	A-	A
Preferred Shares – NVCC	Baa1 (hyb)	BBB	Pfd-2 (high)
Short-Term Debt (Deposits)	P-1	A-1+	R-1 (high)
Outlook	Stable	Stable	Stable

<sup>1</sup> The above ratings are for The Toronto-Dominion Bank legal entity. Subsidiaries' ratings are available on the Bank's website at <http://www.td.com/investor/credit.jsp>. Credit ratings are not recommendations to purchase, sell, or hold a financial obligation in as much as they do not comment on market price or suitability for a particular investor. Ratings are subject to revision or withdrawal at any time by the rating organization.

<sup>2</sup> Represents Moody's Long-Term Deposits Ratings and Counterparty Risk Rating, S&P's Issuer Credit Rating, and DBRS' Long-Term Issuer Rating.

<sup>3</sup> Includes a) Senior debt issued prior to September 23, 2018; and b) Senior debt issued on or after September 23, 2018 which is excluded from the bank recapitalization "bail-in" regime, including debt with an original term-to-maturity of less than 400 days and most structured notes.

<sup>4</sup> Subject to conversion under the bank recapitalization "bail-in" regime.

The Bank regularly reviews the level of increased collateral its trading counterparties would require in the event of a downgrade of TD's credit rating. The Bank holds liquid assets to ensure it is able to provide additional collateral required by trading counterparties in the event of a three-notch downgrades in the Bank's legacy senior debt ratings. The following table presents the additional collateral that could have been contractually required to be posted to the derivative counterparties as of the reporting date in the event of one, two, and three-notch downgrades of the Bank's credit ratings.

TABLE 54 ADDITIONAL COLLATERAL REQUIREMENTS FOR RATING DOWNGRADES<sup>1</sup>

(millions of Canadian dollars)	Average for the years ended	
	October 31 2019	October 31 2018
One-notch downgrade	\$ 98	\$ 92
Two-notch downgrade	118	120
Three-notch downgrade	648	462

<sup>1</sup> The above collateral requirements are based on trading counterparty Credit Support Annex (CSA) and the Bank's credit rating across applicable rating agencies.

## LIQUIDITY COVERAGE RATIO

The LCR is a Basel III metric calculated as the ratio of the stock of unencumbered HQLA over the net cash outflow requirements in the next 30 days under a hypothetical liquidity stress event.

The Bank must maintain the LCR above 100% under normal operating conditions in accordance with the OSFI LAR requirement. The Bank's LCR is calculated according to the scenario parameters in the LAR guideline, including prescribed HQLA eligibility criteria and haircuts, deposit run-off rates, and other outflow and inflow rates. HQLA held by the Bank that are eligible for the LCR calculation under the LAR are primarily central bank reserves, sovereign issued or guaranteed securities, high-quality securities or equities issued by non-financial entities, and certain covered bonds.

The following table summarizes the Bank's daily LCR position for the fourth quarter of 2019.

**TABLE 55 AVERAGE BASEL III LIQUIDITY COVERAGE RATIO<sup>1</sup>**

(millions of Canadian dollars, except as noted)

	Average for the three months ended	
	October 31, 2019	
	Total unweighted value (average) <sup>2</sup>	Total weighted value (average) <sup>3</sup>
<b>High-quality liquid assets</b>		
Total high-quality liquid assets	\$ n/a	\$ 228,860
<b>Cash outflows</b>		
Retail deposits and deposits from small business customers, of which:	\$ 486,895	\$ 34,569
Stable deposits <sup>4</sup>	201,722	6,052
Less stable deposits	285,173	28,517
Unsecured wholesale funding, of which:	252,326	129,771
Operational deposits (all counterparties) and deposits in networks of cooperative banks <sup>5</sup>	96,617	23,001
Non-operational deposits (all counterparties)	112,943	64,004
Unsecured debt	42,766	42,766
Secured wholesale funding	n/a	20,466
Additional requirements, of which:	207,875	59,827
Outflows related to derivative exposures and other collateral requirements	29,191	21,757
Outflows related to loss of funding on debt products	5,786	5,786
Credit and liquidity facilities	172,898	32,284
Other contractual funding obligations	16,112	10,221
Other contingent funding obligations <sup>6</sup>	588,405	9,223
<b>Total cash outflows</b>	\$ n/a	\$ 264,077
<b>Cash inflows</b>		
Secured lending	\$ 206,652	\$ 27,156
Inflows from fully performing exposures	16,882	8,000
Other cash inflows	56,864	56,864
<b>Total cash inflows</b>	\$ 280,398	\$ 92,020
	Average for the three months ended	
	October 31 2019	July 31 2019
	Total adjusted value	Total adjusted value
<b>Total high-quality liquid assets<sup>7</sup></b>	\$ 228,860	\$ 220,622
<b>Total net cash outflows<sup>8</sup></b>	172,057	166,520
<b>Liquidity coverage ratio</b>	133%	132%

<sup>1</sup> The LCR for the quarter ended October 31, 2019, is calculated as an average of the 60 daily data points in the quarter.

<sup>2</sup> Unweighted inflow and outflow values are outstanding balances maturing or callable within 30 days.

<sup>3</sup> Weighted values are calculated after the application of respective HQLA haircuts or inflow and outflow rates, as prescribed by OSFI LAR guideline.

<sup>4</sup> As defined by OSFI LAR, stable deposits from retail and small medium-sized enterprise (SME) customers are deposits that are insured, and are either held in transactional accounts or the depositors have an established relationship with the Bank that make deposit withdrawal highly unlikely.

<sup>5</sup> Operational deposits from non-SME business customers are deposits kept with the Bank in order to facilitate their access and ability to conduct activities such as clearing, custody, or cash management services.

<sup>6</sup> Includes uncommitted credit and liquidity facilities, stable value money market mutual funds, outstanding debt securities with remaining maturity greater than 30 days, and other contractual cash outflows. TD has no contractual obligation to buyback these outstanding TD debt securities, and as a result, a 0% outflow rate is applied under the OSFI LAR guideline.

<sup>7</sup> Adjusted HQLA includes both asset haircut and applicable caps, as prescribed by the OSFI LAR guideline (HQLA assets after haircuts are capped at 40% for Level 2 and 15% for Level 2B).

<sup>8</sup> Adjusted Net Cash Outflows include both inflow and outflow rates and applicable caps, as prescribed by the OSFI LAR guideline (inflows are capped at 75% of outflows).

The Bank's average LCR of 133% for the quarter ended October 31, 2019, continues to meet the regulatory requirement.

The Bank holds a variety of liquid assets commensurate with the liquidity needs of the organization. Many of these assets qualify as HQLA under the OSFI LAR guideline. The average HQLA of the Bank for the quarter ended October 31, 2019, was \$229 billion (July 31, 2019 – \$221 billion), with Level 1 assets representing 81%

(July 31, 2019 – 82%). The Bank's reported HQLA excludes excess HQLA from the U.S. Retail operations, as required by the OSFI LAR guideline, to reflect liquidity transfer considerations between U.S. Retail and its affiliates as a result of U.S. Federal Reserve Board's regulations. By excluding excess HQLA, the U.S. Retail LCR is effectively capped at 100% prior to total Bank consolidation.

## FUNDING

The Bank has access to a variety of unsecured and secured funding sources. The Bank's funding activities are conducted in accordance with the liquidity management policy that requires assets be funded to the appropriate term and to a prudent diversification profile.

The Bank's primary approach to managing funding activities is to maximize the use of deposits raised through personal and commercial banking channels. The following table illustrates the Bank's large base of personal and commercial, wealth, and TD Ameritrade sweep deposits (collectively, "P&C deposits") that make up over 70% of the Bank's total funding.

TABLE 56	SUMMARY OF DEPOSIT FUNDING	
	As at	
(millions of Canadian dollars)	October 31 2019	October 31 2018
P&C deposits – Canadian Retail	\$ 382,252	\$ 359,473
P&C deposits – U.S. Retail	360,761	346,624
Other deposits	23	36
<b>Total</b>	<b>\$ 743,036</b>	<b>\$ 706,133</b>

## WHOLESALE FUNDING

The Bank actively maintains various registered external wholesale term (greater than 1 year) funding programs to provide access to diversified funding sources, including asset securitization, covered bonds, and unsecured wholesale debt. The Bank raises term funding through Senior Notes, NHA MBS, Canada Mortgage Bonds, and notes backed by credit card receivables (Evergreen Credit Card Trust). The Bank's wholesale funding is diversified by geography, by currency, and by funding types. The Bank raises short-term (1 year and less) funding using certificates of deposit and commercial paper.

The following table summarizes the registered term funding programs by geography, with the related program size.

Canada	United States	Europe
Capital Securities Program (\$10 billion)	U.S. SEC (F-3) Registered Capital and Debt Program (US\$45 billion)	United Kingdom Listing Authority (UKLA) Registered Legislative Covered Bond Program (\$55 billion)
Canadian Senior Medium Term Linked Notes Program (\$4 billion)		UKLA Registered European Medium Term Note Program (US\$20 billion)
HELOC ABS Program (Genesis Trust II) (\$7 billion)		

The Bank regularly evaluates opportunities to diversify its funding into new markets and to new investors in order to manage funding risk and cost. The following table presents a breakdown of the Bank's term debt by currency and funding type. Term funding as at October 31, 2019, was \$129.8 billion (October 31, 2018 – \$127.7 billion).

TABLE 57	LONG-TERM FUNDING	
	As at	
	October 31 2019	October 31 2018
<b>Long-term funding by currency</b>		
Canadian dollar	32%	32%
U.S. dollar	37	39
Euro	21	19
British pound	6	7
Other	4	3
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Long-term funding by type</b>		
Senior unsecured medium-term notes	54%	55%
Covered bonds	31	29
Mortgage securitization <sup>1</sup>	11	12
Term asset backed securities	4	4
<b>Total</b>	<b>100%</b>	<b>100%</b>

<sup>1</sup> Mortgage securitization excludes the residential mortgage trading business.

The Bank maintains depositor concentration limits in respect of short-term wholesale deposits so that it is not over-dependent on individual depositors for funding. The Bank also limits short-term wholesale funding maturity concentration in an effort to mitigate exposures to refinancing risk during a stress event.

The following table represents the remaining maturity of various sources of funding outstanding as at October 31, 2019, and October 31, 2018.

TABLE 58	WHOLESALE FUNDING								As at	
	(millions of Canadian dollars)									October 31 2019
	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	Up to 1 year	Over 1 to 2 years	Over 2 years	Total	Total	
Deposits from banks <sup>1</sup>	\$ 6,931	\$ 3,378	\$ 1,480	\$ 104	\$ 11,893	\$ –	\$ –	\$ 11,893	\$ 14,176	
Bearer deposit note	359	939	1,520	2,624	5,442	–	–	5,442	3,872	
Certificates of deposit	6,839	13,572	11,607	29,620	61,638	357	–	61,995	51,401	
Commercial paper	18,227	11,606	5,472	13,567	48,872	–	–	48,872	55,570	
Covered bonds	907	–	2,296	1,835	5,038	13,713	21,122	39,873	36,284	
Mortgage securitization	–	1,181	1,686	1,579	4,446	3,754	18,944	27,144	27,301	
Legacy senior unsecured medium-term notes <sup>2</sup>	2,305	13	2,099	16,219	20,636	18,046	16,595	55,277	69,518	
Senior unsecured medium-term notes <sup>3</sup>	–	–	–	–	–	1,645	12,762	14,407	–	
Subordinated notes and debentures <sup>4</sup>	–	–	–	–	–	–	10,725	10,725	8,740	
Term asset backed securitization	–	–	748	986	1,734	2,901	1,222	5,857	5,626	
Other <sup>5</sup>	6,774	1,500	130	344	8,748	342	2,082	11,172	6,534	
<b>Total</b>	<b>\$ 42,342</b>	<b>\$ 32,189</b>	<b>\$ 27,038</b>	<b>\$ 66,878</b>	<b>\$ 168,447</b>	<b>\$ 40,758</b>	<b>\$ 83,452</b>	<b>\$ 292,657</b>	<b>\$ 279,022</b>	
Of which:										
Secured	\$ 907	\$ 1,181	\$ 4,730	\$ 4,400	\$ 11,218	\$ 20,368	\$ 41,298	\$ 72,884	\$ 69,225	
Unsecured	41,435	31,008	22,308	62,478	157,229	20,390	42,154	219,773	209,797	
<b>Total</b>	<b>\$ 42,342</b>	<b>\$ 32,189</b>	<b>\$ 27,038</b>	<b>\$ 66,878</b>	<b>\$ 168,447</b>	<b>\$ 40,758</b>	<b>\$ 83,452</b>	<b>\$ 292,657</b>	<b>\$ 279,022</b>	

<sup>1</sup> Includes fixed-term deposits with banks.

<sup>2</sup> Includes a) senior debt issued prior to September 23, 2018; and b) senior debt issued on or after September 23, 2018 which is excluded from the bank recapitalization "bail-in" regime, including debt with an original term-to-maturity of less than 400 days.

<sup>3</sup> Comprised of senior debt subject to conversion under the bank recapitalization "bail-in" regime. Excludes \$2.2 billion of structured notes subject to conversion under the "bail-in" regime (October 31, 2018 – nil).

<sup>4</sup> Subordinated notes and debentures are not considered wholesale funding as they may be raised primarily for capital management purposes.

<sup>5</sup> Includes fixed-term deposits from non-bank institutions (unsecured) of \$11.2 billion (October 31, 2018 – \$6.5 billion).

Excluding the Wholesale Banking mortgage aggregation business, the Bank's total 2019 mortgage-backed securities issuance was \$2.3 billion (2018 – \$2.6 billion), and other asset-backed securities was \$2.7 billion (2018 – \$1.8 billion). The Bank also issued \$19.3 billion of unsecured medium-term notes (2018 – \$29.1 billion) and \$8.9 billion of covered bonds (2018 – \$9.9 billion), in various currencies and markets during the year ended October 31, 2019.

#### REGULATORY DEVELOPMENTS CONCERNING LIQUIDITY AND FUNDING

In July 2019, OSFI published proposed changes to Guideline B-6: Liquidity Principles for public consultation. The changes proposed aim to ensure that this guideline remains relevant and current, and include additional clarity with respect to OSFI's expectations regarding institutions' liquidity risk management practices. OSFI has targeted an implementation date of January 2020.

In April 2019, OSFI published its final guidelines for Canadian application of NSFR as part of its LAR. The NSFR requires that the ratio of available stable funding over required stable funding be greater than 100%. The NSFR is designed to reduce structural funding risk by requiring banks to have sufficient stable sources of funding and lower reliance on funding maturing in less than one year to support their businesses. OSFI implementation of NSFR for D-SIBs will be in January 2020 and the public disclosure requirement will begin in January 2021.

In April 2019, OSFI also published changes to the LAR guideline with an implementation date of January 2020. The changes increase reserve requirements on certain retail deposit types that, in the view of OSFI, may have higher risk of withdrawals in periods of stress. The regulation also introduces new liquidity monitoring requirements.

#### MATURITY ANALYSIS OF ASSETS, LIABILITIES, AND OFF-BALANCE SHEET COMMITMENTS

The following table summarizes on-balance sheet and off-balance sheet categories by remaining contractual maturity. Off-balance sheet commitments include contractual obligations to make future payments on operating capital lease commitments, certain purchase obligations, and other liabilities. The values of credit instruments reported in the following table represent the maximum amount of additional credit that the Bank could be obligated to extend should such instruments be fully drawn or utilized. Since a significant portion of guarantees and commitments are expected to expire without being drawn upon, the total of the contractual amounts is not representative of expected future liquidity requirements. These contractual obligations have an impact on the Bank's short-term and long-term liquidity and capital resource needs.

The maturity analysis presented does not depict the degree of the Bank's maturity transformation or the Bank's exposure to interest rate and liquidity risk. The Bank ensures that assets are appropriately funded to protect against borrowing cost volatility and potential reductions to funding market availability. The Bank utilizes stable non-maturity deposits (chequing and savings accounts) and term deposits as the primary source of long-term funding for the Bank's non-trading assets including personal and business term loans and the stable balance of revolving lines of credit. The Bank issues long-term funding based primarily on the projected net growth of non-trading assets and raises short term funding primarily to finance trading assets. The liquidity of trading assets under stressed market conditions is considered when determining the appropriate term of the funding.

**TABLE 59 REMAINING CONTRACTUAL MATURITY**

(millions of Canadian dollars)

As at

	October 31, 2019									
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	Over 1 to 2 years	Over 2 to 5 years	Over 5 years	No specific maturity	Total
<b>Assets</b>										
Cash and due from banks	\$ 4,857	\$ 6	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 4,863
Interest-bearing deposits with banks	19,892	1,137	77	–	–	–	–	–	4,477	25,583
Trading loans, securities, and other <sup>1</sup>	1,197	3,990	3,916	3,171	2,873	15,672	25,939	19,014	70,228	146,000
Non-trading financial assets at fair value through profit or loss	147	2	37	668	314	1,301	1,803	1,488	743	6,503
Derivatives	5,786	8,472	3,255	2,109	2,222	5,610	8,652	12,788	–	48,894
Financial assets designated at fair value through profit or loss	195	696	156	82	83	404	1,725	699	–	4,040
Financial assets at fair value through other comprehensive income	1,431	3,818	4,161	6,339	6,426	18,205	40,289	28,594	1,841	111,104
Debt securities at amortized cost, net of allowance for credit losses	1,878	5,233	2,254	1,050	764	8,791	45,127	65,401	(1)	130,497
Securities purchased under reverse repurchase agreements <sup>2</sup>	98,904	34,839	24,000	6,331	1,765	44	52	–	–	165,935
<b>Loans</b>										
Residential mortgages	2,006	5,595	8,013	9,832	11,719	34,029	101,591	62,855	–	235,640
Consumer instalment and other personal	850	1,819	3,170	3,620	3,544	17,256	61,736	28,236	60,103	180,334
Credit card	–	–	–	–	–	–	–	–	36,564	36,564
Business and government	29,460	5,573	7,970	9,496	8,830	21,078	71,071	61,266	21,773	236,517
Total loans	32,316	12,987	19,153	22,948	24,093	72,363	234,398	152,357	118,440	689,055
Allowance for loan losses	–	–	–	–	–	–	–	–	(4,447)	(4,447)
Loans, net of allowance for loan losses	32,316	12,987	19,153	22,948	24,093	72,363	234,398	152,357	113,993	684,608
Customers' liability under acceptances	11,127	2,211	152	4	–	–	–	–	–	13,494
Investment in TD Ameritrade	–	–	–	–	–	–	–	–	9,316	9,316
Goodwill <sup>3</sup>	–	–	–	–	–	–	–	–	16,976	16,976
Other intangibles <sup>3</sup>	–	–	–	–	–	–	–	–	2,503	2,503
Land, buildings, equipment, and other depreciable assets <sup>3</sup>	–	–	–	–	–	–	–	–	5,513	5,513
Deferred tax assets	–	–	–	–	–	–	–	–	1,799	1,799
Amounts receivable from brokers, dealers, and clients	20,575	–	–	–	–	–	–	–	–	20,575
Other assets	2,548	1,391	2,830	168	103	169	157	97	9,624	17,087
<b>Total assets</b>	<b>\$ 200,853</b>	<b>\$ 74,782</b>	<b>\$ 59,991</b>	<b>\$ 42,870</b>	<b>\$ 38,643</b>	<b>\$ 122,559</b>	<b>\$ 358,142</b>	<b>\$ 280,438</b>	<b>\$ 237,012</b>	<b>\$ 1,415,290</b>
<b>Liabilities</b>										
Trading deposits	\$ 5,837	\$ 3,025	\$ 4,166	\$ 2,606	\$ 3,185	\$ 2,430	\$ 4,014	\$ 1,622	\$ –	\$ 26,885
Derivatives	7,180	7,968	3,603	2,062	1,763	5,546	8,148	13,781	–	50,051
Securitization liabilities at fair value	–	668	412	494	387	1,656	7,499	1,942	–	13,058
Financial liabilities designated at fair value through profit or loss	22,193	25,370	15,799	20,496	20,907	356	1	9	–	105,131
<b>Deposits<sup>4,5</sup></b>										
Personal	5,218	8,990	9,459	7,691	7,583	9,374	9,670	21	445,424	503,430
Banks	6,771	1,459	150	1	6	–	3	7	8,354	16,751
Business and government <sup>6</sup>	18,576	10,049	7,569	10,482	10,670	34,130	46,188	7,594	221,538	366,796
Total deposits	30,565	20,498	17,178	18,174	18,259	43,504	55,861	7,622	675,316	886,977
Acceptances	11,127	2,211	152	4	–	–	–	–	–	13,494
Obligations related to securities sold short <sup>1</sup>	384	654	398	819	1,171	3,351	9,882	12,115	882	29,656
Obligations related to securities sold under repurchase agreements <sup>2</sup>	101,856	20,224	2,993	694	30	47	12	–	–	125,856
Securitization liabilities at amortized cost	–	513	1,274	355	342	2,098	6,586	2,918	–	14,086
Amounts payable to brokers, dealers, and clients	23,746	–	–	–	–	–	–	–	–	23,746
Insurance-related liabilities	190	315	388	330	318	940	1,612	874	1,953	6,920
Other liabilities <sup>7</sup>	2,845	3,142	1,334	1,293	641	3,339	1,663	138	6,609	21,004
Subordinated notes and debentures	–	–	–	–	–	–	–	10,725	–	10,725
<b>Equity</b>	–	–	–	–	–	–	–	–	87,701	87,701
<b>Total liabilities and equity</b>	<b>\$ 205,923</b>	<b>\$ 84,588</b>	<b>\$ 47,697</b>	<b>\$ 47,327</b>	<b>\$ 47,003</b>	<b>\$ 63,267</b>	<b>\$ 95,278</b>	<b>\$ 51,746</b>	<b>\$ 772,461</b>	<b>\$ 1,415,290</b>
<b>Off-balance sheet commitments</b>										
Credit and liquidity commitments <sup>8,9</sup>	\$ 19,388	\$ 21,652	\$ 18,391	\$ 13,537	\$ 12,034	\$ 27,207	\$ 111,281	\$ 5,856	\$ 1,294	\$ 230,640
Operating lease commitments <sup>10</sup>	82	165	250	247	244	936	2,332	3,365	–	7,621
Other purchase obligations	82	182	185	206	177	753	1,031	556	–	3,172
Unconsolidated structured entity commitments	408	793	1,360	461	97	81	–	–	–	3,200
<b>Total off-balance sheet commitments</b>	<b>\$ 19,960</b>	<b>\$ 22,792</b>	<b>\$ 20,186</b>	<b>\$ 14,451</b>	<b>\$ 12,552</b>	<b>\$ 28,977</b>	<b>\$ 114,644</b>	<b>\$ 9,777</b>	<b>\$ 1,294</b>	<b>\$ 244,633</b>

<sup>1</sup> Amount has been recorded according to the remaining contractual maturity of the underlying security.

<sup>2</sup> Certain contracts considered short-term are presented in 'less than 1 month' category.

<sup>3</sup> For the purposes of this table, non-financial assets have been recorded as having 'no specific maturity'.

<sup>4</sup> As the timing of demand deposits and notice deposits is non-specific and callable by the depositor, obligations have been included as having 'no specific maturity'.

<sup>5</sup> Includes \$40 billion of covered bonds with remaining contractual maturities of \$1 billion in 'less than 1 month', \$2 billion in 'over 3 months to 6 months', \$2 billion in 'over 6 months to 9 months', \$14 billion in 'over 1 to 2 years', \$18 billion in 'over 2 to 5 years', and \$3 billion in 'over 5 years'.

<sup>6</sup> On June 30, 2019, TD Capital Trust IV redeemed all of the outstanding \$550 million TD Capital Trust IV Notes – Series 1 at a redemption price of 100% of the principal amount plus any accrued and unpaid interest payable on the date of redemption.

<sup>7</sup> Includes \$83 million of capital lease commitments with remaining contractual maturities of \$2 million in 'less than 1 month', \$4 million in '1 month to 3 months', \$5 million in '3 months to 6 months', \$5 million in '6 months to 9 months', \$5 million in '9 months to 1 year', \$22 million in 'over 1 to 2 years', \$39 million in 'over 2 to 5 years', and \$1 million in 'over 5 years'.

<sup>8</sup> Includes \$374 million in commitments to extend credit to private equity investments.

<sup>9</sup> Commitments to extend credit exclude personal lines of credit and credit card lines, which are unconditionally cancellable at the Bank's discretion at any time.

<sup>10</sup> Includes rental payments, related taxes, and estimated operating expenses.

**TABLE 59 REMAINING CONTRACTUAL MATURITY (continued)<sup>1</sup>**

(millions of Canadian dollars)

	As at									
	October 31, 2018									
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	Over 1 to 2 years	Over 2 to 5 years	Over 5 years	No specific maturity	Total
<b>Assets</b>										
Cash and due from banks	\$ 4,733	\$ 2	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 4,735
Interest-bearing deposits with banks	28,332	924	154	21	16	–	–	–	1,273	30,720
Trading loans, securities, and other <sup>2</sup>	1,971	5,244	2,111	3,653	3,998	9,683	25,772	25,895	49,570	127,897
Non-trading financial assets at fair value through profit or loss	–	12	99	460	906	227	841	848	622	4,015
Derivatives	7,343	9,263	5,275	3,276	2,321	7,130	12,436	9,952	–	56,996
Financial assets designated at fair value through profit or loss	30	95	535	243	90	297	1,532	796	–	3,618
Financial assets at fair value through other comprehensive income	1,111	4,214	4,150	5,354	3,962	19,777	57,922	31,936	2,174	130,600
Debt securities at amortized cost, net of allowance for credit losses	881	2,577	3,010	3,594	4,059	8,103	34,032	50,990	(75)	107,171
Securities purchased under reverse repurchase agreements <sup>3</sup>	77,612	30,047	14,426	3,807	1,458	29	–	–	–	127,379
Loans										
Residential mortgages	908	3,234	6,614	11,166	11,061	43,063	113,852	35,293	–	225,191
Consumer instalment and other personal	753	1,332	2,628	3,724	4,131	14,313	56,632	26,321	62,245	172,079
Credit card	–	–	–	–	–	–	–	–	35,018	35,018
Business and government	23,052	4,320	5,539	7,131	9,269	19,637	67,922	59,251	21,533	217,654
Total loans	24,713	8,886	14,781	22,021	24,461	77,013	238,406	120,865	118,796	649,942
Allowance for loan losses	–	–	–	–	–	–	–	–	(3,549)	(3,549)
Loans, net of allowance for loan losses	24,713	8,886	14,781	22,021	24,461	77,013	238,406	120,865	115,247	646,393
Customers' liability under acceptances	14,984	2,145	132	6	–	–	–	–	–	17,267
Investment in TD Ameritrade	–	–	–	–	–	–	–	–	8,445	8,445
Goodwill <sup>4</sup>	–	–	–	–	–	–	–	–	16,536	16,536
Other intangibles <sup>4</sup>	–	–	–	–	–	–	–	–	2,459	2,459
Land, buildings, equipment, and other depreciable assets <sup>4</sup>	–	–	–	–	–	–	–	–	5,324	5,324
Deferred tax assets	–	–	–	–	–	–	–	–	2,812	2,812
Amounts receivable from brokers, dealers, and clients	26,940	–	–	–	–	–	–	–	–	26,940
Other assets	3,432	854	1,926	120	142	136	301	90	8,595	15,596
<b>Total assets</b>	<b>\$ 192,082</b>	<b>\$ 64,263</b>	<b>\$ 46,599</b>	<b>\$ 42,555</b>	<b>\$ 41,413</b>	<b>\$ 122,395</b>	<b>\$ 371,242</b>	<b>\$ 241,372</b>	<b>\$ 212,982</b>	<b>\$ 1,334,903</b>
<b>Liabilities</b>										
Trading deposits	\$ 16,145	\$ 37,337	\$ 31,081	\$ 12,954	\$ 11,739	\$ 1,183	\$ 3,260	\$ 1,005	\$ –	\$ 114,704
Derivatives	6,195	8,684	4,230	3,103	2,263	5,510	9,282	9,003	–	48,270
Securitization liabilities at fair value	–	981	194	661	272	1,822	6,719	1,969	–	12,618
Financial liabilities designated at fair value through profit or loss	10	5	–	–	–	–	–	1	–	16
Deposits <sup>5,6</sup>										
Personal	4,330	7,094	7,541	6,245	7,718	10,222	9,876	38	424,580	477,644
Banks	6,499	1,941	255	24	54	–	3	8	7,928	16,712
Business and government	18,840	19,337	7,033	9,984	11,299	21,345	54,780	8,000	206,465	357,083
Total deposits	29,669	28,372	14,829	16,253	19,071	31,567	64,659	8,046	638,973	851,439
Acceptances	14,986	2,145	132	6	–	–	–	–	–	17,269
Obligations related to securities sold short <sup>2</sup>	2,621	3,679	1,500	387	904	4,330	13,771	11,474	812	39,478
Obligations related to securities sold under repurchase agreements <sup>3</sup>	73,759	15,508	3,516	428	108	43	27	–	–	93,389
Securitization liabilities at amortized cost	22	1,240	625	503	575	2,496	6,232	2,990	–	14,683
Amounts payable to brokers, dealers, and clients	28,385	–	–	–	–	–	–	–	–	28,385
Insurance-related liabilities	213	294	353	309	310	937	1,624	903	1,755	6,698
Other liabilities <sup>7</sup>	2,916	2,631	538	1,326	1,394	2,205	2,308	152	5,704	19,174
Subordinated notes and debentures	–	–	–	–	–	–	–	8,740	–	8,740
<b>Equity</b>	–	–	–	–	–	–	–	–	80,040	80,040
<b>Total liabilities and equity</b>	<b>\$ 174,921</b>	<b>\$ 100,876</b>	<b>\$ 56,998</b>	<b>\$ 35,930</b>	<b>\$ 36,636</b>	<b>\$ 50,093</b>	<b>\$ 107,882</b>	<b>\$ 44,283</b>	<b>\$ 727,284</b>	<b>\$ 1,334,903</b>
<b>Off-balance sheet commitments</b>										
Credit and liquidity commitments <sup>8,9</sup>	\$ 18,341	\$ 16,732	\$ 17,222	\$ 13,105	\$ 9,159	\$ 25,720	\$ 101,210	\$ 5,260	\$ 1,293	\$ 208,042
Operating lease commitments <sup>10</sup>	79	159	240	237	233	902	2,188	3,229	–	7,267
Other purchase obligations	64	181	169	159	166	591	1,081	549	–	2,960
Unconsolidated structured entity commitments	–	1,079	940	329	–	7	408	–	–	2,763
<b>Total off-balance sheet commitments</b>	<b>\$ 18,484</b>	<b>\$ 18,151</b>	<b>\$ 18,571</b>	<b>\$ 13,830</b>	<b>\$ 9,558</b>	<b>\$ 27,220</b>	<b>\$ 104,887</b>	<b>\$ 9,038</b>	<b>\$ 1,293</b>	<b>\$ 221,032</b>

<sup>1</sup> Certain comparative amounts have been recast to conform with the presentation adopted in the current period.

<sup>2</sup> Amount has been recorded according to the remaining contractual maturity of the underlying security.

<sup>3</sup> Certain contracts considered short-term are presented in 'less than 1 month' category.

<sup>4</sup> For the purposes of this table, non-financial assets have been recorded as having 'no specific maturity'.

<sup>5</sup> As the timing of demand deposits and notice deposits is non-specific and callable by the depositor, obligations have been included as having 'no specific maturity'.

<sup>6</sup> Includes \$36 billion of covered bonds with remaining contractual maturities of \$1 billion in '3 months to 6 months', \$3 billion in '6 months to 9 months', \$2 billion in '9 months to 1 year', \$5 billion in 'over 1 to 2 years', \$22 billion in 'over 2 to 5 years', and \$3 billion in 'over 5 years'.

<sup>7</sup> Includes \$60 million of capital lease commitments with remaining contractual maturities of \$2 million in 'less than 1 month', \$5 million in '1 month to 3 months', \$7 million in '3 months to 6 months', \$6 million in '6 months to 9 months', \$6 million in '9 months to 1 year', \$12 million in 'over 1 to 2 years', \$17 million in 'over 2 to 5 years', and \$5 million in 'over 5 years'.

<sup>8</sup> Includes \$205 million in commitments to extend credit to private equity investments.

<sup>9</sup> Commitments to extend credit exclude personal lines of credit and credit card lines, which are unconditionally cancellable at the Bank's discretion at any time.

<sup>10</sup> Includes rental payments, related taxes, and estimated operating expenses.



## Capital Adequacy Risk

*Capital adequacy risk is the risk of insufficient capital being available in relation to the amount of capital required to carry out the Bank's strategy and/or satisfy regulatory and internal CAR.*

Capital is held to protect the viability of the Bank in the event of unexpected financial losses. Capital represents the loss-absorbing funding required to provide a cushion to protect depositors and other creditors from unexpected losses.

Managing capital levels requires that the Bank holds sufficient capital, in normal and stress environments, to avoid the risk of breaching minimum capital levels prescribed by regulators.

### WHO MANAGES CAPITAL ADEQUACY RISK

The Board reviews the adherence to capital targets and approves the annual capital plan and the Global Capital Management Policy. The Risk Committee reviews and approves the Capital Adequacy Risk Management Framework and oversees management's actions to maintain an appropriate ICAAP framework, commensurate with the Bank's risk profile. The CRO and CFO oversee that the Bank's ICAAP is effective in meeting CAR.

The ALCO recommends and maintains the Capital Adequacy Risk Management Framework and the Global Capital Management Policy for effective and prudent management of the Bank's capital position and supports maintenance of adequate capital. It oversees the allocation of capital limits for business segments and reviews adherence to capital targets.

TBSM is responsible for forecasting and monitoring compliance with capital targets, on a consolidated basis, with oversight provided by ALCO. TBSM updates the capital forecast, including appropriate changes to capital issuance, repurchase and redemption. The capital forecast is reviewed by ALCO. TBSM also leads the ICAAP and EWST processes. The Bank's business segments are responsible for managing to the allocated capital limits.

Additionally, regulated subsidiaries of the Bank, including certain insurance subsidiaries and subsidiaries in the U.S. and other jurisdictions, manage their capital adequacy risk in accordance with applicable regulatory requirements. Capital management policies and procedures of these subsidiaries are also required to conform with those of the Bank. U.S.-regulated subsidiaries of the Bank are required to follow several regulatory guidelines, rules and expectations related to capital planning and stress testing including the U.S. Federal Reserve Board's Regulation YY establishing Enhanced Prudential Standards for FBOs and the stress test rule and capital plan rule both applicable to U.S. Bank Holding Companies. Refer to the sections on "Future Regulatory Capital Developments", "EWST", and "Top and Emerging Risks That May Affect the Bank and Future Results" for further details.

### HOW TD MANAGES CAPITAL ADEQUACY RISK

Capital resources are managed in a manner designed so that the Bank's capital position can support business strategies under both current and future business operating environments. The Bank manages its operations within the capital constraints defined by both internal and regulatory capital requirements, so that it meets the higher of these requirements.

Regulatory capital requirements represent minimum capital levels. The Board approves capital targets that provide a sufficient buffer so that the Bank meets minimum capital requirements under stress conditions. The purpose of these capital targets is to reduce the risk of a breach of minimum capital requirements, due to an unexpected stress event, allowing management the opportunity to react to declining capital levels before minimum capital requirements are breached. Capital targets are defined in the Global Capital Management Policy.

A comprehensive periodic monitoring process is undertaken to plan and forecast capital requirements. As part of the annual planning process, business segments are allocated individual RWA and Leverage exposure limits. Capital generation and usage are monitored and reported to the ALCO.

The Bank assesses the sensitivity of its forecast capital requirements and new capital formations to various economic conditions through its EWST process. The results of the EWST are considered in the determination of capital targets.

The Bank also determines its internal capital requirements through the ICAAP process using models to measure the risk-based capital required based on its own tolerance for the risk of unexpected losses. This risk tolerance is calibrated to the required confidence level so that the Bank will be able to meet its obligations, even after absorbing worst-case unexpected losses over a one-year period.

In addition, the Bank has a Capital Contingency Plan that is designed to prepare management to maintain capital adequacy through periods of bank-specific or systemic market stress. The Capital Contingency Plan outlines the governance and procedures to be followed if the Bank's consolidated capital levels are forecast to fall below capital targets. It also outlines potential management actions that may be taken to prevent such a breach from occurring.

## Legal, Regulatory Compliance and Conduct Risk

*Legal, Regulatory Compliance and Conduct (LRCC) risk is the risk associated with the failure to meet the Bank's legal obligations from legislative, regulatory or contractual perspectives, obligations under the Bank's Code of Conduct and Ethics, or requirements of fair business conduct or market conduct practices. This includes risks associated with the failure to identify, communicate, and comply with current and changing laws, regulations, rules, regulatory guidance or self-regulatory organization standards, and codes, including the prudential risk management of Money Laundering, Terrorist Financing, Economic Sanctions, and Bribery and Corruption risk (the "LRCC Requirements"). Potential consequences of failing to mitigate LRCC risk include financial loss, regulatory sanctions, and loss of reputation, which could be material to the Bank.*

The Bank is exposed to LRCC risk in virtually all of its activities. Failure to mitigate LRCC risk and meet regulatory and legal requirements can impact the Bank's ability to meet strategic objectives, poses a risk of censure or penalty, may lead to litigation, and puts the Bank's reputation at risk. Financial penalties, reputational damage, and other costs associated with legal proceedings, and unfavourable judicial or regulatory determinations may also adversely affect the Bank's business, results of operations and financial condition. LRCC risk differs from other banking risks, such as credit risk or market risk, in that it is typically not a risk actively or deliberately assumed by management in expectation of a return and also because LRCC risk generally cannot be effectively mitigated by trying to limit its impact to any one business or jurisdiction, as realized LRCC risk may adversely impact unrelated business or jurisdictions. LRCC risk is inherent in the normal course of operating the Bank's businesses.

### WHO MANAGES LEGAL, REGULATORY COMPLIANCE, AND CONDUCT RISK

The proactive and effective management of LRCC risk is complex given the breadth and pervasiveness of exposure. The LRCC Risk Management Framework applies enterprise-wide to the Bank and to all of its corporate functions, business segments, its governance, risk, and oversight functions. Each of the Bank's businesses is responsible for compliance with LRCC requirements applicable to their jurisdiction and specific business requirements, and for adhering to LRCC requirements in their business operations, including setting the appropriate tone for

legal, regulatory compliance, and conduct risk management. This accountability involves assessing the risk, designing and implementing controls, and monitoring and reporting their ongoing effectiveness to safeguard the businesses from operating outside of the Bank's risk appetite. The Legal, Compliance, and Global Anti-Money Laundering departments, together with the Regulatory Risk and Regulatory Relationships and Government Affairs groups, provide objective guidance, advice, and oversight with respect to managing LRCC risk. Representatives of these groups interact regularly with senior executives of the Bank's businesses. Also, the senior management of the Legal, Compliance, and GAML departments have established regular meetings with and reporting to the Audit Committee, which oversees the establishment and maintenance of policies and programs that are reasonably designed to achieve and maintain the Bank's compliance with the laws and regulations that apply to it. Senior management of the Compliance Department also reports regularly to the Corporate Governance Committee, which oversees conduct risk management in the Bank. In addition, senior management of the Regulatory Risk group has established periodic reporting to the Board and its committees.

#### **HOW TD MANAGES LEGAL, REGULATORY COMPLIANCE AND CONDUCT RISK**

Effective management of LRCC risk is a result of enterprise-wide collaboration and requires (a) independent and objective identification and assessment of LRCC risk, (b) objective guidance and advisory services to identify, assess, control, and monitor LRCC risk, and (c) an approved set of frameworks, policies, procedures, guidelines, and practices. While each business line is accountable for operating in compliance with applicable laws and regulations and for effectively managing LRCC risk. Each of the Legal, Compliance, and GAML departments plays a critical role in the management of LRCC risk at the Bank. Depending on the circumstances, they play different roles at different times: 'trusted advisor', provider of objective guidance, independent challenge, and oversight and control (including 'gatekeeper' or approver).

In particular, the Compliance department performs the following functions: it acts as an independent regulatory compliance and conduct risk management oversight function; it assesses the adequacy of, adherence to, and effectiveness of the Bank's Regulatory Compliance Management (RCM) controls; it is accountable for leading the enterprise conduct risk governance and reporting framework; and it supports the Chief Compliance Officer in providing an opinion to the Audit Committee as to whether the RCM controls are sufficiently robust in achieving compliance with applicable regulatory requirements. The Compliance department works in partnership with Human Resources and Operational Risk Management to provide oversight and challenge to the businesses in their management of conduct risk.

The GAML department: acts as an independent regulatory compliance and risk management oversight function and is responsible for regulatory compliance and the broader prudential risk management components of the GAML, Anti-Terrorist Financing, Sanctions, and Anti-Bribery/Anti-Corruption programs (the "GAML Programs"), including their design, content, and enterprise-wide implementation; develops standards, monitors, evaluates, and reports on GAML program controls, design, and execution; and reports on the overall adequacy and effectiveness of the GAML Programs, including program design and operation. In addition, the Compliance and GAML departments have developed methodologies and processes to measure and aggregate regulatory compliance risks and conduct risks on an ongoing basis as a baseline to assess whether the Bank's internal controls are effective in adequately mitigating such risks and determine whether individual or aggregate business activities are conducted within the Bank's risk appetite.

The Legal department acts as an independent provider of legal services and advice, and protects the Bank from unacceptable legal risk. The Legal department has also developed methodologies for measuring litigation risk for adherence to the Bank's risk appetite.

Processes employed by the Legal, Compliance, and GAML departments (including policies and frameworks, training and education, and the Code of Conduct and Ethics) support the responsibility of each business to adhere to LRCC requirements.

Finally, the Bank's Regulatory Risk and Government Affairs groups also create and facilitate communication with elected officials and regulators, monitor legislation and regulations, support business relationships with governments, coordinate regulatory examinations and regulatory findings remediation, support regulatory discussions on new or proposed products or business initiatives, and advance the public policy objectives of the Bank.

#### **Reputational Risk**

*Reputational risk is the potential that stakeholder perceptions, whether true or not, regarding the Bank's business practices, actions or inactions, will or may cause a significant decline in TD's value, brand, liquidity or customer base, or require costly measures to address.*

A company's reputation is a valuable business asset that is essential to optimizing shareholder value and therefore, is constantly at risk. Reputational risk can arise as a consequence of negative perceptions about the Bank's business practices involving any aspect of the Bank's operations and usually involves concerns about business ethics and integrity, competence, or the quality or suitability of products and services. Since all risk categories can have an impact on a company's reputation, reputational risk is not managed in isolation from the Bank's other major risk categories and can ultimately impact its brand, earnings, and capital.

#### **WHO MANAGES REPUTATIONAL RISK**

Responsibility for managing risks to the Bank's reputation ultimately lies with the SET and the executive committees that examine reputational risk as part of their regular mandate. The ERRC is the most senior executive committee for the review of reputational risk matters at TD. The mandate of the RRC is to oversee the management of reputational risk within the Bank's risk appetite. Its main accountability is to review and assess business and corporate initiatives and activities where significant reputational risk profiles have been identified and escalated.

At the same time, every employee and representative of the Bank has a responsibility to contribute in a positive way to the Bank's reputation and the management of reputational risk. This means that every Bank employee is responsible for following ethical practices at all times, complying with applicable policies, legislation, and regulations and are also supporting positive interactions with the Bank's stakeholders. Reputational risk is most effectively managed when everyone at the Bank works continuously to protect and enhance its reputation.

#### **HOW TD MANAGES REPUTATIONAL RISK**

The Bank's approach to the management of reputational risk combines the experience and knowledge of individual business segments, corporate shared service areas and governance, risk and oversight functions. It is based on enabling TD's businesses to understand their risks and developing the policies, processes, and controls required to manage these risks appropriately in line with the Bank's strategy and reputational risk appetite. The Bank's Reputational Risk Management Framework provides a comprehensive overview of its approach to the management of this risk. Amongst other significant policies, the Bank's Enterprise Reputational Risk Management Policy is approved by the Group Head and CRO and sets out the requirements under which business segments and corporate shared services are required to manage reputational risk. These requirements include implementing procedures and designating a business-level committee (where required by the Policy) to review and assess reputational risks and escalation to the ERRC as appropriate.

The Bank also has an enterprise-wide New Business and Product Approval (NBPA) Policy that is approved by the CRO and establishes standard practices to support consistent processes for approving new businesses, products, and services across the Bank. The policy is supported by business segment specific processes, which involve independent review from oversight functions, and consider all aspects of a new product, including reputational risk.

## Environmental Risk

*Environmental risk is the possibility of loss of strategic, financial, operational or reputational value resulting from the impact of environmental issues or concerns, including climate change, and related social risk within the scope of short-term and long-term cycles.*

Management of environmental risk is an enterprise-wide priority. Key environmental risks include: (1) direct risks associated with the ownership and operation of the Bank's business, which include management and operation of company-owned or managed real estate, business operations, and associated services; (2) indirect risks associated with environmental performance or environmental events, such as changing climate patterns that may impact the Bank's customers and clients to whom TD provides financing or in which TD invests, as well as social risks; (3) identification and management of new or emerging environmental regulatory issues; and (4) failure to understand and appropriately leverage environment-related trends to meet customer and consumer demands for products and services.

### WHO MANAGES ENVIRONMENTAL RISK

The Executive Vice President and Chief Marketing Officer holds senior executive accountability for environmental management. The Executive Vice President is supported by the Vice President of Global Corporate Citizenship who provides management oversight, and the Head of Environment who has management responsibility and leads the Corporate Environmental Affairs team. The Corporate Environmental Affairs team is responsible for developing environmental strategy, setting environmental performance standards and targets, and reporting on performance. In addition, the Bank's Risk Management group has environmental risk oversight accountabilities, including for establishing risk policies, processes and governance to monitor and report on these risks at the Bank. The Bank's various business-specific and enterprise risk committees are also involved in monitoring material risks and acting as governance bodies for escalation of material environmental and social risk issues.

### HOW TD MANAGES ENVIRONMENTAL RISK

The Bank manages environmental risks through an Environmental Policy, which is supported with several business segment level policies and procedures across the Bank. The Bank's Environmental Policy reflects the global scope of its activities.

The Bank's environmental metrics, targets, and performance are publicly reported within its annual ESG Report. Key performance measures are reported according to the Global Reporting Initiative (GRI) and is independently assured.

The Bank applies its Environmental and Social Credit Risk Management Procedures to credit and lending in the wholesale and commercial businesses. These procedures include assessment of TD's clients' policies, procedures, and performance on material environmental and related social issues, such as air, land, and water risk, biodiversity, stakeholder engagement, and free prior and informed consent (FPIC) of Indigenous Peoples. Within Wholesale and Commercial Banking, sector-specific guidelines have been developed for environmentally-sensitive sectors. The Bank has been a signatory to the Equator Principles since 2007 and reports on Equator Principle projects within its annual ESG Report.

The Bank reports on climate-related risk in its ESG Report. In the 2018 ESG Report, the Bank provided disclosure on its alignment with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) which seek to provide a more consistent approach in assessing and reporting climate-related risks and opportunities. The Bank is a member of the United Nations Environment Programme Finance Initiative (UNEP-FI) and is participating in TCFD pilot studies led by UNEP-FI that seek to develop harmonized industry-wide approaches for climate scenario analysis in bank lending, investments, and insurance portfolios.

TDAM is a signatory to the United Nations Principles for Responsible Investment (UNPRI). Under the UNPRI, investors commit to incorporate ESG issues into investment analysis and decision-making. TDAM has adopted its Sustainable Investing Policy across its operations since 2009. The Policy provides a high level overview of how TDAM fulfils its commitment to the six guiding principles set out by the UNPRI. In 2015, TD Insurance became a signatory to the UNEP-FI Principles for Sustainable Insurance, which provides a global framework for managing ESG risks within the insurance industry.

The Bank proactively monitors and assesses policy and legislative developments, and maintains an 'open door' approach with environmental and community organizations, industry associations, and responsible investment organizations.

Additional information on TD's environmental policy, management and performance is included in the ESG Report, which is available on the Bank's website.

## TD Ameritrade

### HOW RISK IS MANAGED AT TD AMERITRADE

TD Ameritrade's management is primarily responsible for managing risk at TD Ameritrade under the oversight of TD Ameritrade's Board, particularly through the latter's Risk and Audit Committees. TD monitors the risk management process at TD Ameritrade through management governance, protocols and interaction guidelines and also participates in TD Ameritrade's Board.

The terms of the Stockholders Agreement provide for certain information sharing rights in favour of TD to the extent the Bank requires such information from TD Ameritrade to appropriately manage and evaluate its investment and to comply with its legal and regulatory obligations. Accordingly, management processes, protocols and guidelines between the Bank and TD Ameritrade are designed to coordinate necessary intercompany information flow. The Bank has designated the Group Head and Chief Financial Officer to have responsibility for the TD Ameritrade investment. The Group President and Chief Executive Officer and the Group Head and Chief Financial Officer have regular meetings with TD Ameritrade's Chief Executive Officer and Chief Financial Officer. In addition to regular communication at the Chief Executive Officer and Chief Financial Officer level, regular operating reviews with TD Ameritrade permit TD to examine and discuss TD Ameritrade's operating results and key risks. In addition, certain functions including Internal Audit, Treasury, Finance, and Compliance have relationship protocols that allow for access to and the sharing of information on risk and control issues. TD evaluates risk factors, vendor matters, and business issues as part of TD's oversight of its investment in TD Ameritrade. As with other material risk issues, where required, material risk issues associated with TD Ameritrade are reported up to TD's Board or an appropriate Board committee.

As required pursuant to the Federal Reserve Board's "enhanced prudential standards" under Regulation YY, TD's investment in TD Ameritrade is held by TDGUS, the IHC. The activities and interactions described above are inclusive of those that fulfil TDGUS' risk management responsibilities under Regulation YY.

Pursuant to the Stockholders Agreement in relation to the Bank's equity investment in TD Ameritrade, the Bank has the right to designate five of twelve members of TD Ameritrade's Board of Directors. The Bank's designated directors currently include the Bank's Group President and Chief Executive Officer and four independent directors of TD or TD's U.S. subsidiaries. TD Ameritrade's bylaws, which state that the Chief Executive Officer's appointment requires approval of two-thirds of the Board, ensure the selection of TD Ameritrade's Chief Executive Officer attains the broad support of the TD Ameritrade Board, which currently would require the approval of at least one director designated by TD. The Stockholders Agreement stipulates that the Board committees of TD Ameritrade must include at least two TD designated directors, subject to TD's percentage ownership in TD Ameritrade and certain other exceptions. Currently, the directors the Bank designates serve as members on a number of TD Ameritrade Board committees, including chairing the Audit Committee and the Human Resources and Compensation Committee, as well as serving on the Risk Committee and Corporate Governance Committee.

## Critical Accounting Policies and Estimates

The Bank's accounting policies and estimates are essential to understanding its results of operations and financial condition. A summary of the Bank's significant accounting policies and estimates are presented in the Notes of the 2019 Consolidated Financial Statements. Some of the Bank's policies require subjective, complex judgments and estimates as they relate to matters that are inherently uncertain. Changes in these judgments or estimates and changes to accounting standards and policies could have a materially adverse impact on the Bank's Consolidated Financial Statements. The Bank has established procedures to ensure that accounting policies are applied consistently and that the processes for changing methodologies, determining estimates, and adopting new accounting standards are well-controlled and occur in an appropriate and systematic manner. In addition, the Bank's critical accounting policies are reviewed with the Audit Committee on a periodic basis. Critical accounting policies that require management's judgment and estimates include the classification and measurement of financial assets, accounting for impairments of financial assets, the determination of fair value of financial instruments, accounting for derecognition, the valuation of goodwill and other intangibles, accounting for employee benefits, accounting for income taxes, accounting for provisions, accounting for insurance, the consolidation of structured entities, and accounting for revenue from contract with customers.

### ACCOUNTING POLICIES AND ESTIMATES

The Bank's 2019 Consolidated Financial Statements have been prepared in accordance with IFRS. For details of the Bank's accounting policies and significant judgments, estimates, and assumptions under IFRS, refer to Notes 2 and 3 of the Bank's 2019 Consolidated Financial Statements.

### ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The estimates used in the Bank's accounting policies are essential to understanding its results of operations and financial condition. Some of the Bank's policies require subjective, complex judgments and estimates as they relate to matters that are inherently uncertain. Changes in these judgments or estimates and changes to accounting standards and policies could have a materially adverse impact on the Bank's Consolidated Financial Statements. The Bank has established procedures to ensure that accounting policies are applied consistently and that the processes for changing methodologies, determining estimates, and adopting new accounting standards are well-controlled and occur in an appropriate and systematic manner.

### CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

#### Business Model Assessment

The Bank determines its business models based on the objective under which its portfolios of financial assets are managed. Refer to Note 2 for details on the Bank's business models. In determining its business models, the Bank considers the following:

- Management's intent and strategic objectives and the operation of the stated policies in practice;
- The primary risks that affect the performance of the business model and how these risks are managed;
- How the performance of the portfolio is evaluated and reported to management; and
- The frequency and significance of financial asset sales in prior periods, the reasons for such sales and the expected future sales activities.

Sales in themselves do not determine the business model and are not considered in isolation. Instead, sales provide evidence about how cash flows are realized. A held-to-collect business model will be reassessed by the Bank to determine whether any sales are consistent with an objective of collecting contractual cash flows if the sales are more than insignificant in value or infrequent.

#### Solely Payments of Principal and Interest Test

In assessing whether contractual cash flows are solely payments of principal and interest (SPPI), the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that they would not be consistent with a basic lending arrangement. In making the assessment, the Bank considers the primary terms as follows and assesses if the contractual cash flows of the instruments continue to meet the SPPI test:

- Performance-linked features;
- Terms that limit the Bank's claim to cash flows from specified assets (non-recourse terms);
- Prepayment and extension terms;
- Leverage features; and
- Features that modify elements of the time value of money.

### IMPAIRMENT OF FINANCIAL ASSETS

#### Significant Increase in Credit Risk

For retail exposures, criteria for assessing significant increase in credit risk are defined at the appropriate product or portfolio level and vary based on the exposure's credit risk at origination. The criteria include relative changes in PD, absolute PD backstop, and delinquency backstop when contractual payments are more than 30 days past due. Credit risk has increased significantly since initial recognition when one of the criteria is met.

For non-retail exposures, BRR is determined on an individual borrower basis using industry and sector-specific credit risk models that are based on historical data. Current and forward-looking information that is specific to the borrower, industry, and sector is considered based on expert credit judgment. Criteria for assessing significant increase in credit risk are defined at the appropriate segmentation level and vary based on the BRR of the exposure at origination. Criteria include relative changes in BRR, absolute BRR backstop, and delinquency backstop when contractual payments are more than 30 days past due. Credit risk has increased significantly since initial recognition when one of the criteria is met.

#### Measurement of Expected Credit Loss

For retail exposures, ECLs are calculated as the product of PD, loss given default (LGD), and exposure at default (EAD) at each time step over the remaining expected life of the financial asset and discounted to the reporting date at the effective interest rate. PD estimates represent the point-in-time PD, updated quarterly based on the Bank's historical experience, current conditions, and relevant forward-looking expectations over the expected life of the exposure to determine the lifetime PD curve. LGD estimates are determined based on historical charge-off events and recovery payments, current information about attributes specific to the borrower, and direct costs. Expected cash flows from collateral, guarantees, and other credit enhancements are incorporated in LGD if integral to the contractual terms. Relevant macroeconomic variables are incorporated in determining expected LGD. EAD represents the expected balance at default across the remaining expected life of the exposure. EAD incorporates forward-looking expectations about repayments of drawn balances and expectations about future draws where applicable.

For non-retail exposures, ECLs are calculated based on the present value of cash shortfalls determined as the difference between contractual cash flows and expected cash flows over the remaining expected life of the financial instrument. Lifetime PD is determined by mapping the exposure's BRR to point-in-time PD over the expected life. LGD estimates are determined by mapping the exposure's facility risk rating (FRR) to expected LGD which takes into account facility-specific characteristics such as collateral, seniority ranking of debt, and loan structure. Relevant macroeconomic variables are incorporated in determining expected PD and LGD. Expected cash flows are determined by applying the expected LGD to the contractual cash flows to calculate cash shortfalls over the expected life of the exposure.

#### **Forward-Looking Information**

In calculating the ECL, the Bank employs internally developed models that utilize parameters for PD, LGD, and EAD. Forward-looking macroeconomic factors including at the regional level are incorporated in the risk parameters as relevant. Additional risk factors that are industry or segment specific are also incorporated, where relevant. Three forward-looking macroeconomic forecasts are generated by TD Economics as part of the ECL process: A base forecast, an upside forecast, and a downside forecast. The base forecast is updated quarterly. Upside and downside forecasts are generated quarterly using realistically possible outcomes that are statistically derived relative to the base forecast based on historical distribution. TD Economics will apply judgment to recommend probability weights to each forecast on a quarterly basis. The proposed macroeconomic forecasts and probability weightings are subject to robust management review and challenge process by a cross-functional committee that includes representation from TD Economics, Risk Management, Finance, and the Business. ECLs calculated under each of the three forecasts are applied against the respective probability weightings to determine the probability-weighted ECLs. Refer to Note 8 of the Consolidated Financial Statements for further details on the macroeconomic variables and ECL sensitivity.

#### **Expert Credit Judgment**

ECLs are recognized on initial recognition of the financial assets. Allowance for credit losses represents management's best estimate of risk of default and ECLs on the financial assets, including any off-balance sheet exposures, at the balance sheet date. Management exercises expert credit judgment in assessing if an exposure has experienced significant increase in credit risk since initial recognition and in determining the amount of ECLs at each reporting date by considering reasonable and supportable information that is not already included in the quantitative models.

Management's judgment is used to determine the point within the range that is the best estimate for the qualitative component contributing to ECLs, based on an assessment of business and economic conditions, historical loss experience, loan portfolio composition, and other relevant indicators and forward-looking information that are not fully incorporated into the model calculation. Changes in these assumptions would have a direct impact on the provision for credit losses and may result in a change in the allowance for credit losses.

#### **FAIR VALUE MEASUREMENTS**

The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market prices. For all other financial instruments not traded in an active market, fair value may be based on other observable current market transactions involving the same or similar instruments, without modification or repackaging, or is

based on a valuation technique which maximizes the use of observable market inputs. Observable market inputs may include interest rate yield curves, foreign exchange rates, and option volatilities. Valuation techniques include comparisons with similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants.

For certain complex or illiquid financial instruments, fair value is determined using valuation techniques in which current market transactions or observable market inputs are not available. Determining which valuation technique to apply requires judgment. The valuation techniques themselves also involve some level of estimation and judgment. The judgments include liquidity considerations and model inputs such as volatilities, correlations, spreads, discount rates, pre-payment rates, and prices of underlying instruments. Any imprecision in these estimates can affect the resulting fair value.

Judgment is also used in recording fair value adjustments to model valuations to account for measurement uncertainty when valuing complex and less actively traded financial instruments. If the market for a complex financial instrument develops, the pricing for this instrument may become more transparent, resulting in refinement of valuation models. For example, IBOR reform may also have an impact on the fair value of products that reference or use valuation models with IBOR inputs.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 5 of the Bank's 2019 Consolidated Financial Statements.

#### **DERECOGNITION**

Certain assets transferred may qualify for derecognition from the Bank's Consolidated Balance Sheet. To qualify for derecognition certain key determinations must be made. A decision must be made as to whether the rights to receive cash flows from the financial assets have been retained or transferred and the extent to which the risks and rewards of ownership of the financial assets have been retained or transferred. If the Bank neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, a decision must be made as to whether the Bank has retained control of the financial asset. Upon derecognition, the Bank will record a gain or loss on sale of those assets which is calculated as the difference between the carrying amount of the asset transferred and the sum of any cash proceeds received, including any financial asset received or financial liability assumed, and any cumulative gain or loss allocated to the transferred asset that had been recognized in AOCI. In determining the fair value of any financial asset received, the Bank estimates future cash flows by relying on estimates of the amount of interest that will be collected on the securitized assets, the yield to be paid to investors, the portion of the securitized assets that will be prepaid before their scheduled maturity, ECLs, the cost of servicing the assets, and the rate at which to discount these expected future cash flows. Actual cash flows may differ significantly from those estimated by the Bank. Retained interests are classified as trading securities and are initially recognized at relative fair value on the Bank's Consolidated Balance Sheet. Subsequently, the fair value of retained interests recognized by the Bank is determined by estimating the present value of future expected cash flows. Differences between the actual cash flows and the Bank's estimate of future cash flows are recognized in trading income. These assumptions are subject to periodic review and may change due to significant changes in the economic environment.

## GOODWILL AND OTHER INTANGIBLES

The recoverable amount of the Bank's cash-generating units (CGU) is determined from internally developed valuation models that consider various factors and assumptions such as forecasted earnings, growth rates, price-earnings multiples, discount rates and terminal multiples. Management is required to use judgment in estimating the recoverable amount of CGUs, and the use of different assumptions and estimates in the calculations could influence the determination of the existence of impairment and the valuation of goodwill. Management believes that the assumptions and estimates used are reasonable and supportable. Where possible, assumptions generated internally are compared to relevant market information. The carrying amounts of the Bank's CGUs are determined by management using risk based capital models to adjust net assets and liabilities by CGU. These models consider various factors including market risk, credit risk, and operational risk, including investment capital (comprised of goodwill and other intangibles). Any capital not directly attributable to the CGUs is held within the Corporate segment. The Bank's capital oversight committees provide oversight to the Bank's capital allocation methodologies.

## EMPLOYEE BENEFITS

The projected benefit obligation and expense related to the Bank's pension and non-pension post-retirement benefit plans are determined using multiple assumptions that may significantly influence the value of these amounts. Actuarial assumptions including discount rates, compensation increases, health care cost trend rates, and mortality rates are management's best estimates and are reviewed annually with the Bank's actuaries. The Bank develops each assumption using relevant historical experience of the Bank in conjunction with market-related data and considers if the market-related data indicates there is any prolonged or significant impact on the assumptions. The discount rate used to value liabilities is determined by reference to market yields on high-quality corporate bonds with terms matching the plans' specific cash flows. The other assumptions are also long-term estimates. All assumptions are subject to a degree of uncertainty. Differences between actual experiences and the assumptions, as well as changes in the assumptions resulting from changes in future expectations, result in actuarial gains and losses which are recognized in other comprehensive income during the year and also impact expenses in future periods.

## INCOME TAXES

The Bank is subject to taxation in numerous jurisdictions. There are many transactions and calculations in the ordinary course of business for which the ultimate tax determination is uncertain. The Bank maintains provisions for uncertain tax positions that it believes appropriately reflect the risk of tax positions under discussion, audit, dispute, or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the Bank's best estimate of the amount expected to be paid based on an assessment of all relevant factors, which are reviewed at the end of each reporting period. However, it is possible that at some future date, an additional liability could result from audits by the relevant taxing authorities.

Deferred tax assets are recognized only when it is probable that sufficient taxable profit will be available in future periods against which deductible temporary differences may be utilized. The amount of the deferred tax asset recognized and considered realizable could, however, be reduced if projected income is not achieved due to various factors, such as unfavourable business conditions. If projected income is not expected to be achieved, the Bank would decrease its deferred tax assets to the amount that it believes can be realized. The magnitude of the decrease is significantly influenced by the Bank's forecast of future profit generation, which determines the extent to which it will be able to utilize the deferred tax assets.

## PROVISIONS

Provisions arise when there is some uncertainty in the timing or amount of a loss in the future. Provisions are based on the Bank's best estimate of all expenditures required to settle its present obligations, considering all relevant risks and uncertainties, as well as, when material, the effect of the time value of money.

Many of the Bank's provisions relate to various legal actions that the Bank is involved in during the ordinary course of business. Legal provisions require the involvement of both the Bank's management and legal counsel when assessing the probability of a loss and estimating any monetary impact. Throughout the life of a provision, the Bank's management or legal counsel may learn of additional information that may impact its assessments about the probability of loss or about the estimates of amounts involved. Changes in these assessments may lead to changes in the amount recorded for provisions. In addition, the actual costs of resolving these claims may be substantially higher or lower than the amounts recognized. The Bank reviews its legal provisions on a case-by-case basis after considering, among other factors, the progress of each case, the Bank's experience, the experience of others in similar cases, and the opinions and views of legal counsel.

Certain of the Bank's provisions relate to restructuring initiatives initiated by the Bank. Restructuring provisions require management's best estimate, including forecasts of economic conditions. Throughout the life of a provision, the Bank may become aware of additional information that may impact the assessment of amounts to be incurred. Changes in these assessments may lead to changes in the amount recorded for provisions.

## INSURANCE

The assumptions used in establishing the Bank's insurance claims and policy benefit liabilities are based on best estimates of possible outcomes.

For property and casualty insurance, the ultimate cost of claims liabilities is estimated using a range of standard actuarial claims projection techniques in accordance with Canadian accepted actuarial practices. Additional qualitative judgment is used to assess the extent to which past trends may or may not apply in the future, in order to arrive at the estimated ultimate claims cost that present the most likely outcome taking account of all the uncertainties involved.

For life and health insurance, actuarial liabilities consider all future policy cash flows, including premiums, claims, and expenses required to administer the policies. Critical assumptions used in the measurement of life and health insurance contract liabilities are determined by the appointed actuary.

Further information on insurance risk assumptions is provided in Note 22.

## CONSOLIDATION OF STRUCTURED ENTITIES

Management judgment is required when assessing whether the Bank should consolidate an entity. For instance, it may not be feasible to determine if the Bank controls an entity solely through an assessment of voting rights for certain structured entities. In this case, judgment is required to establish whether the Bank has decision-making power over the key relevant activities of the entity and whether the Bank has the ability to use that power to absorb significant variable returns from the entity. If it is determined that the Bank has both decision-making power and significant variable returns from the entity, judgment is also used to determine whether any such power is exercised by the Bank as principal, on its own behalf, or as agent, on behalf of another counterparty.

Assessing whether the Bank has decision-making power includes understanding the purpose and design of the entity in order to determine its key economic activities. In this context, an entity's key economic activities are those which predominantly impact the economic performance of the entity. When the Bank has the current ability to direct the entity's key economic activities, it is considered to have decision-making power over the entity.

The Bank also evaluates its exposure to the variable returns of a structured entity in order to determine if it absorbs a significant proportion of the variable returns the entity is designed to create. As part of this evaluation, the Bank considers the purpose and design of the entity in order to determine whether it absorbs variable returns from the structured entity through its contractual holdings, which may take the form of securities issued by the entity, derivatives with the entity, or other arrangements such as guarantees, liquidity facilities, or lending commitments.

If the Bank has decision-making power over the entity and absorbs significant variable returns from the entity, it then determines if it is acting as principal or agent when exercising its decision-making power. Key factors considered include the scope of its decision-making powers; the rights of other parties involved with the entity, including any rights to remove the Bank as decision-maker or rights to participate in key decisions; whether the rights of other parties are exercisable in practice; and the variable returns absorbed by the Bank and by other parties involved with the entity. When assessing consolidation, a presumption exists that the Bank exercises decision-making power as principal if it is also exposed to significant variable returns, unless an analysis of the factors above indicates otherwise.

The decisions above are made with reference to the specific facts and circumstances relevant for the structured entity and related transaction(s) under consideration.

#### **REVENUE FROM CONTRACTS WITH CUSTOMERS**

The Bank applies judgment to determine the timing of satisfaction of performance obligations which affects the timing of revenue recognition, by evaluating the pattern in which the Bank transfers control of services promised to the customer. A performance obligation is satisfied over time when the customer simultaneously receives and consumes the benefits as the Bank performs the service. For performance obligations satisfied over time, revenue is generally recognized using the time-elapsed method which is based on time elapsed in proportion to the period over which the service is provided, for example, personal deposit account bundle fees. The time-elapsed method is a faithful depiction of the transfer of control for these services as control is transferred evenly to the customer when the Bank provides a stand-ready service or effort is expended evenly by the Bank to provide a service over the contract period. In contracts where the Bank has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Bank's performance completed to date, the Bank recognizes revenue in the amount to which it has a right to invoice.

The Bank satisfies a performance obligation at a point in time if the customer obtains control of the promised services at that date. Determining when control is transferred requires the use of judgment. For transaction-based services, the Bank determines that control is transferred to the customer at a point in time when the customer obtains substantially all of the benefits from the service rendered and the Bank has a present right to payment, which generally coincides with the moment the transaction is executed.

The Bank exercises judgment in determining whether costs incurred in connection with acquiring new revenue contracts would meet the requirement to be capitalized as incremental costs to obtain or fulfill a contract with customers.

#### **IMPAIRMENT OF FINANCIAL ASSETS PRIOR TO NOVEMBER 1, 2017 UNDER IAS 39**

The following is applicable to periods prior to November 1, 2017 for financial instruments accounted for under IAS 39.

##### ***Available-for-Sale Securities***

Impairment losses were recognized on AFS securities if there was objective evidence of impairment as a result of one or more events that occurred after initial recognition and the loss event(s) resulted in a decrease in the estimated cash flows of the instrument. The Bank individually reviewed these securities at least quarterly for the presence of these conditions. For AFS equity securities, a significant or prolonged decline in fair value below cost was considered objective evidence of impairment. For AFS debt securities, a deterioration of credit quality was considered objective evidence of impairment. Other factors considered in the impairment assessment included financial position and key financial indicators of the issuer of the instrument, significant past and continued losses of the issuer, as well as breaches of contract, including default or delinquency in interest payments and loan covenant violations.

##### ***Held-to-Maturity Securities***

Impairment losses were recognized on held-to-maturity securities if there was objective evidence of impairment as a result of one or more events that occurred after initial recognition and the loss event(s) resulted in a decrease in the estimated cash flows of the instrument. The Bank reviewed these securities at least quarterly for impairment at the counterparty-specific level. If there was no objective evidence of impairment at the counterparty-specific level then the security was grouped with other held-to-maturity securities with similar credit risk characteristics and collectively assessed for impairment, which considered losses incurred but not identified. A deterioration of credit quality was considered objective evidence of impairment. Other factors considered in the impairment assessment included the financial position and key financial indicators of the issuer, significant past and continued losses of the issuer, as well as breaches of contract, including default or delinquency in interest payments and loan covenant violations.

##### ***Loans***

A loan, including a debt security classified as a loan, was considered impaired when there was objective evidence that there had been a deterioration of credit quality subsequent to the initial recognition of the loan to the extent the Bank no longer had reasonable assurance as to the timely collection of the full amount of principal and interest. The Bank assessed loans for objective evidence of impairment individually for loans that were individually significant, and collectively for loans that were not individually significant. The allowance for credit losses represented management's best estimate of impairment incurred in the lending portfolios, including any off-balance sheet exposures, at the balance sheet date. Management exercised judgment as to the timing of designating a loan as impaired, the amount of the allowance required, and the amount that would be recovered once the borrower defaulted. Changes in the amount that management expected to recover would have a direct impact on the provision for credit losses and may have resulted in a change in the allowance for credit losses.

If there was no objective evidence of impairment for an individual loan, whether significant or not, the loan was included in a group of assets with similar credit risk characteristics and collectively assessed for impairment for losses incurred but not identified. In calculating the probable range of allowance for incurred but not identified credit losses, the Bank employed internally developed models that utilized parameters for PD, LGD, and EAD. Management's judgment was used to determine the point within the range that was the best estimate of losses, based on an assessment of business and economic conditions, historical loss experience, loan portfolio composition, and other relevant indicators that were not fully incorporated into the model calculation. Changes in these assumptions would have a direct impact on the provision for credit losses and may have resulted in a change in the incurred but not identified allowance for credit losses.

## Current and Future Changes in Accounting Policies

### CURRENT CHANGES IN ACCOUNTING POLICIES

The following new and amended standards have been adopted by the Bank.

#### IBOR Reform and its Effects on Financial Reporting

As a result of the effects of Interbank Offered Rates (IBOR) reform, on September 26, 2019, the IASB issued *Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39, and IFRS 7*, of which the Bank adopted the applicable amendments to IFRS 7 relating to hedge accounting and will apply the remaining amendments related to IAS 39 as and when applicable to the Bank's hedging relationships. The amendments provide temporary exceptions from applying specific hedge accounting requirements to all hedging relationships directly affected by interest rate benchmark reform. Under the amendments, entities would apply hedge accounting requirements assuming that the interest rate benchmark is not altered, thereby enabling hedge accounting to continue during the period of uncertainty prior to the replacement of an existing interest rate benchmark with an alternative benchmark rate. The amendments also provide an exception from the requirement to discontinue hedge accounting if the actual results of the hedge do not meet the effectiveness requirements as a result of interest rate benchmark reform. Amendments were also made to IFRS 7 introducing additional disclosures related to amended IAS 39. Refer to Notes 2 and 11 for further details.

#### Revenue from Contracts with Customers

On November 1, 2018, the Bank adopted IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which establishes the principles for recognizing revenue and cash flows arising from contracts with customers and prescribes the application of a five-step recognition and measurement model. The standard excludes from its scope, revenue arising from items such as financial instruments, insurance contracts, and leases. The Bank adopted the standard on a modified retrospective basis, recognizing the cumulative effect of initially applying the standard as an adjustment to opening retained earnings without restating comparative period financial information.

The adoption of IFRS 15 resulted in a reduction to Shareholders' Equity of \$41 million related to certain expenses not eligible for deferral under IFRS 15. The presentation of certain revenue and expense items is changed due to IFRS 15 and reclassified prospectively. These presentation changes are not significant and do not have an impact on net income.

In addition to the above changes related to the adoption of IFRS 15, the Bank also changed its accounting policy on securities lending and borrowing transactions. Where securities are received or pledged as collateral, securities lending income and securities borrowing fees are recorded in Non-interest income and Non-interest expenses, respectively, on the Consolidated Statement of Income. This change has been applied retrospectively.

#### Share-based Payment

In June 2016, the IASB published amendments to IFRS 2, *Share-based Payment* (IFRS 2), which provide additional guidance on the classification and measurement of share-based payment transactions. The amendments clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features for withholding tax obligations, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments to IFRS 2 are effective for annual periods beginning on or after January 1, 2018, which was November 1, 2018 for the Bank. These amendments have been applied prospectively and did not have a significant impact on the Bank.

### FUTURE CHANGES IN ACCOUNTING POLICIES

The following standards have been issued, but are not yet effective on the date of issuance of the Bank's Consolidated Financial Statements. The Bank is currently assessing the impact of the application of these standards on the Consolidated Financial Statements and will adopt these standards when they become effective.

#### Leases

In January 2016, the IASB issued IFRS 16, *Leases* (IFRS 16), which will replace IAS 17, *Leases*, introducing a single lessee accounting model for all leases by eliminating the distinction between operating and financing leases. IFRS 16 requires lessees to recognize right-of-use assets and lease liabilities for most leases on the balance sheet. Lessees will also recognize depreciation expense on the right-of-use asset, interest expense on the lease liability, and a shift in the timing of expense recognition in the statement of income. Short-term leases, which are defined as those that have a lease term of twelve months or less, and leases of low-value assets are exempt. Lessor accounting remains substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, which will be November 1, 2019 for the Bank. The Bank will adopt the new standard using the modified retrospective approach by recognizing the cumulative effect of the transitional impact in opening retained earnings within the Consolidated Balance Sheet at November 1, 2019, with no restatement of the comparative periods. The Bank's IFRS 16 program is governed by a formal multi-functional enterprise-wide governance structure and project delivery plan. Additional processes and internal controls over financial reporting have also been developed.

In adopting IFRS 16, the Bank will apply certain practical expedients as permitted by IFRS 16, including: using hindsight to determine the lease term where lease contracts contain options to extend or terminate a lease, measuring the right-of-use asset retrospectively on a selection of leases, not reassessing under IFRS 16, contracts that were previously identified as leases under the previous accounting standards (IAS 17, *Leases*, and IFRIC 4, *Determining whether an arrangement contains a lease*), and applying the exemption for short-term leases to be expensed.

The Bank's real estate leases, previously classified as operating leases, will be impacted the most by the adoption of IFRS 16. The Bank also leases certain equipment and other assets under similar payment terms. On November 1, 2019, the Bank estimates increases of \$4.4 billion of new right-of-use assets, \$5.5 billion of lease liabilities, and other balance sheet adjustments and reclassifications of \$0.6 billion. The decrease of retained earnings is approximately \$0.5 billion after tax. Based on the current regulatory requirements, the expected impact to Common Equity Tier 1 (CET1) capital is a decrease of 24 basis points (bps).

#### Insurance Contracts

In May 2017, the IASB issued IFRS 17, *Insurance Contracts* (IFRS 17), which replaces the guidance in IFRS 4, *Insurance Contracts* and establishes principles for recognition, measurement, presentation, and disclosure of insurance contracts. IFRS 17 is currently effective for the Bank's annual reporting period beginning November 1, 2021. In June 2019, the IASB issued an Exposure Draft which proposes targeted amendments to IFRS 17 including, amongst other matters, a deferral of the effective date by one year. It is expected that the IASB will finalize the amendments to the standard in mid-2020. Any change to the Bank's effective date is subject to updates of OSFI's related Advisory. The Bank is currently in the final stages of its planning activities, which includes developing the project plan based on results from business impact assessments, reviewing resource requirements to support this approach, and monitoring the impact of IASB changes to the IFRS 17 standard.



### **Uncertainty over Income Tax Treatments**

In June 2017, the IASB issued IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments*, which clarifies application of recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on or after January 1, 2019, which will be November 1, 2019 for the Bank. The interpretation can be applied using either full retrospective application or modified retrospective application without restatement of comparatives and is not expected to have a significant impact on the Bank.

### **Conceptual Framework for Financial Reporting**

In March 2018, the IASB issued the revised Conceptual Framework for Financial Reporting (Revised Conceptual Framework), which provides a set of concepts to assist the IASB in developing standards and to help preparers consistently apply accounting policies where specific accounting standards do not exist. The framework is not an accounting standard and does not override the requirements that exist in other IFRS standards. The Revised Conceptual Framework describes that financial information must be relevant and faithfully represented to be useful, provides revised definitions and recognition criteria for assets and liabilities, and confirms that different measurement bases are useful and permitted. The Revised Conceptual Framework is effective for annual periods beginning on or after January 1, 2020, which will be November 1, 2020 for the Bank, with early adoption permitted. The Bank is currently assessing the impact of adopting the revised framework.

### **Business Combinations**

In October 2018, the IASB issued a narrow-scope amendment to IFRS 3, *Business Combinations* (IFRS 3). The amendments provide additional guidance on the definition of a business which determines whether an acquisition is of a business or a group of assets. An acquirer recognizes goodwill only when acquiring a business, not when acquiring a group of assets. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after January 1, 2020, which will be November 1, 2020 for the Bank, with early adoption permitted and is to be applied prospectively. The Bank will assess the impact of the amendments on future acquisitions.

### **Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors**

In October 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, which clarify the definition of "material". Specifically, the amendments clarify that information is material if omitting, misstating, or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Accompanying explanations to the definition have also been clarified. The amendments are effective for annual periods beginning on or after January 1, 2020, which will be November 1, 2020 for the Bank, and are to be applied prospectively with early application permitted. The Bank is currently assessing the impact of adopting these amendments.

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## **ACCOUNTING STANDARDS AND POLICIES**

### **Controls and Procedures**

#### **DISCLOSURE CONTROLS AND PROCEDURES**

An evaluation was performed under the supervision and with the participation of the Bank's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Bank's disclosure controls and procedures, as defined in the rules of the SEC and Canadian Securities Administrators, as of October 31, 2019. Based on that evaluation, the Bank's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Bank's disclosure controls and procedures were effective as of October 31, 2019.

#### **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Bank's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Bank. The Bank's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records, that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of the Bank's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

The Bank's management has used the criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission to assess, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Bank's internal control over financial reporting. Based on this assessment, management has concluded that as at October 31, 2019, the Bank's internal control over financial reporting was effective based on the applicable criteria. The effectiveness of the Bank's internal control over financial reporting has been audited by the independent auditors, Ernst & Young LLP, a registered public accounting firm that has also audited the Consolidated Financial Statements of the Bank as of, and for the year ended October 31, 2019. Their Report on Internal Controls under Standards of the Public Company Accounting Oversight Board (United States), included in the Consolidated Financial Statements, expresses an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting as of October 31, 2019.

#### **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

During the year and quarter ended October 31, 2019, there have been no changes in the Bank's policies and procedures and other processes that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

## ADDITIONAL FINANCIAL INFORMATION

Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from the Bank's annual

Consolidated Financial Statements, prepared in accordance with IFRS as issued by the IASB.

TABLE 60 INVESTMENT PORTFOLIO – Securities Maturity Schedule<sup>1,2</sup>

(millions of Canadian dollars)

As at

	Remaining terms to maturities <sup>3</sup>						Total October 31 2019	October 31 2018	Total October 31 2017
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	With no specific maturity			
<b>Securities at fair value through other comprehensive income (available-for-sale securities under IAS 39)</b>									
<b>Government and government-related securities</b>									
Canadian government debt									
<i>Federal</i>									
Fair value	\$ 4,165	\$ 4,104	\$ 283	\$ 607	\$ 504	\$ –	\$ 9,663	\$ 12,731	\$ 16,225
Amortized cost	4,163	4,090	282	605	463	–	9,603	12,740	16,200
Yield	1.95%	2.18%	2.58%	2.65%	2.70%	–%	2.15%	2.12%	1.91%
<i>Provinces</i>									
Fair value	1,168	2,255	2,199	7,091	214	–	12,927	9,507	7,922
Amortized cost	1,166	2,239	2,181	7,089	215	–	12,890	9,443	7,859
Yield	2.19%	2.64%	3.37%	3.52%	2.27%	–%	3.20%	3.12%	2.71%
U.S. federal government debt									
Fair value	3,618	17,904	1,352	2,302	–	–	25,176	27,060	27,258
Amortized cost	3,615	17,893	1,355	2,303	–	–	25,166	26,898	27,087
Yield	1.12%	1.76%	2.10%	1.57%	–%	–%	1.67%	1.58%	1.58%
U.S. states, municipalities, and agencies									
Fair value	4,180	1,629	1,836	700	7,216	–	15,561	18,706	21,022
Amortized cost	4,161	1,619	1,842	694	7,221	–	15,537	18,959	20,995
Yield	2.20%	2.47%	2.19%	2.43%	2.39%	–%	2.33%	2.44%	2.17%
Other OECD government-guaranteed debt									
Fair value	5,162	8,524	250	471	–	–	14,407	20,096	21,122
Amortized cost	5,161	8,508	250	475	–	–	14,394	20,034	21,067
Yield	1.05%	2.00%	2.04%	2.55%	–%	–%	1.68%	1.53%	1.35%
Canadian mortgage-backed securities									
Fair value	907	4,370	160	–	–	–	5,437	6,633	8,812
Amortized cost	901	4,347	159	–	–	–	5,407	6,575	8,757
Yield	1.41%	1.65%	2.18%	–%	–%	–%	1.63%	1.67%	1.72%
<b>Other debt securities</b>									
Asset-backed securities									
Fair value	61	4,188	4,490	2,490	4,659	–	15,888	21,969	29,981
Amortized cost	61	4,189	4,476	2,487	4,677	–	15,890	21,901	29,879
Yield	2.19%	1.93%	2.12%	2.42%	2.65%	–%	2.27%	2.37%	1.85%
Non-agency CMO									
Fair value	–	–	–	–	247	–	247	472	1,715
Amortized cost	–	–	–	–	247	–	247	471	1,706
Yield	–%	–%	–%	–%	2.52%	–%	2.52%	3.06%	2.51%
Corporate and other debt									
Fair value	1,021	4,016	895	1,879	23	–	7,834	8,507	9,790
Amortized cost	1,020	3,995	894	1,893	30	–	7,832	8,534	9,753
Yield	2.14%	2.55%	2.92%	2.66%	2.30%	–%	2.56%	2.82%	2.48%
<b>Equity securities</b>									
Common shares									
Fair value	–	–	–	–	–	1,598	1,598	1,804	1,922
Amortized cost	–	–	–	–	–	1,594	1,594	1,725	1,821
Yield	–%	–%	–%	–%	–%	3.07%	3.07%	3.43%	2.88%
Preferred shares									
Fair value	–	–	–	–	–	242	242	370	365
Amortized cost	–	–	–	–	–	302	302	376	313
Yield	–%	–%	–%	–%	–%	4.07%	4.07%	4.17%	4.44%
<b>Debt securities reclassified from trading</b>									
Fair value	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	277
Amortized cost	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	250
Yield	n/a%	n/a%	n/a%	n/a%	n/a%	n/a%	n/a%	n/a%	5.51%
<b>Total securities at fair value through other comprehensive income (available-for-sale securities under IAS 39)</b>									
Fair value	\$ 20,282	\$ 46,990	\$ 11,465	\$ 15,540	\$ 12,863	\$ 1,840	\$ 108,980	\$ 127,855	\$ 146,411
Amortized cost	20,248	46,880	11,439	15,546	12,853	1,896	108,862	127,656	145,687
Yield	1.62%	1.98%	2.44%	2.84%	2.50%	3.23%	2.17%	2.13%	1.88%

<sup>1</sup> Yields represent the weighted-average yield of each security owned at the end of the period. The effective yield includes the contractual interest or stated dividend rate and is adjusted for the amortization of premiums and discounts; the effect of related hedging activities is excluded.

<sup>2</sup> As at October 31, 2019, includes securities issued by Government of Japan of \$9.6 billion (as at October 31, 2018, includes securities issued by Government of Japan of \$9.5 billion), where the book value was greater than 10% of the shareholders' equity.

<sup>3</sup> Represents contractual maturities. Actual maturities may differ due to prepayment privileges in the applicable contract.

**TABLE 60 INVESTMENT PORTFOLIO – Securities Maturity Schedule (continued)<sup>1,2</sup>**

(millions of Canadian dollars)

As at

	Remaining terms to maturities <sup>3</sup>						Total	Total		
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	With no specific maturity		October 31 2019	October 31 2018	October 31 2017
	<b>Debt securities at amortized cost (held-to-maturity securities under IAS 39)</b>									
<b>Government and government-related securities</b>										
Canadian government debt										
<i>Federal</i>										
Fair value	\$ 992	\$ 515	\$ 871	\$ 422	\$ 1,959	\$ –	\$ 4,759	\$ 4,914	\$ 661	
Amortized cost	992	515	872	435	1,957	–	4,771	4,922	661	
Yield	1.60%	1.84%	2.45%	2.23%	2.47%	–%	2.19%	1.97%	1.87%	
<i>Provinces</i>										
Fair value	–	40	766	1,241	221	–	2,268	783	n/a	
Amortized cost	–	40	766	1,243	222	–	2,271	782	n/a	
Yield	–%	2.76%	3.16%	4.07%	5.93%	–%	3.92%	3.07%	n/a%	
U.S. federal government and agencies debt										
Fair value	16	69	1,040	1,684	–	–	2,809	111	–	
Amortized cost	16	67	1,039	1,684	–	–	2,806	114	–	
Yield	1.83%	1.54%	1.63%	1.70%	–%	–%	1.67%	0.03%	–%	
U.S. states, municipalities, and agencies										
Fair value	1,347	3,686	8,305	10,395	16,616	–	40,349	28,372	22,417	
Amortized cost	1,349	3,677	8,247	10,489	16,646	–	40,408	29,034	22,531	
Yield	1.99%	2.35%	2.25%	2.84%	2.28%	–%	2.42%	2.47%	2.15%	
Other OECD government-guaranteed debt										
Fair value	7,165	10,197	9,574	1,254	–	–	28,190	25,768	22,629	
Amortized cost	7,161	10,138	9,512	1,208	–	–	28,019	25,683	22,431	
Yield	0.08%	0.60%	1.10%	0.49%	–%	–%	0.63%	0.72%	0.43%	
<b>Other debt securities</b>										
Asset-backed securities										
Fair value	11	5,052	8,945	4,045	10,645	–	28,698	23,728	n/a	
Amortized cost	11	5,053	8,950	4,049	10,700	–	28,763	23,709	n/a	
Yield	2.27%	2.50%	2.69%	2.78%	2.74%	–%	2.69%	2.91%	n/a%	
Non-agency CMO										
Fair value	–	–	–	–	16,384	–	16,384	15,525	n/a	
Amortized cost	–	–	–	–	16,236	–	16,236	15,867	n/a	
Yield	–%	–%	–%	–%	2.83%	–%	2.83%	2.85%	n/a%	
Canadian issuers										
Fair value	–	–	–	99	–	–	99	–	n/a	
Amortized cost	–	–	–	99	–	–	99	–	n/a	
Yield	–%	–%	–%	2.56%	–%	–%	2.56%	–%	n/a%	
Other issuers										
Fair value	1,653	2,472	2,629	433	2	–	7,189	7,064	n/a	
Amortized cost	1,649	2,454	2,601	418	2	–	7,124	7,060	n/a	
Yield	1.21%	0.91%	1.25%	0.27%	5.80%	–%	1.07%	1.17%	n/a%	
<b>Total debt securities at amortized cost (held-to-maturity securities under IAS 39)</b>										
Fair value	\$ 11,184	\$ 22,031	\$ 32,130	\$ 19,573	\$ 45,827	\$ –	\$ 130,745	\$ 106,265	\$ 71,426	
Amortized cost	11,178	21,944	31,987	19,625	45,763	–	130,497	107,171	71,363	
Yield	0.62%	1.40%	1.96%	2.59%	2.61%	–%	2.07%	2.09%	1.59%	

<sup>1</sup> Yields represent the weighted-average yield of each security owned at the end of the period. The effective yield includes the contractual interest or stated dividend rate and is adjusted for the amortization of premiums and discounts; the effect of related hedging activities is excluded.

<sup>2</sup> As at October 31, 2019, includes securities issued by Government of Japan of \$9.6 billion (as at October 31, 2018, includes securities issued by Government of Japan of \$9.5 billion), where the book value was greater than 10% of the shareholders' equity.

<sup>3</sup> Represents contractual maturities. Actual maturities may differ due to prepayment privileges in the applicable contract.

**TABLE 61** **LOAN PORTFOLIO – Maturity Schedule**

(millions of Canadian dollars)

As at

	Remaining term-to-maturity								
	Under 1 year	1 to 5 years	Over 5 years	Total	October 31 2019	October 31 2018	October 31 2017	October 31 2016	October 31 2015
<b>Canada</b>									
Residential mortgages	\$ 37,363	\$ 157,902	\$ 5,687	\$ 200,952	\$ 193,829	\$ 190,325	\$ 189,299	\$ 185,009	
Consumer instalment and other personal									
HELOC	45,530	45,509	14	91,053	86,159	74,937	65,068	61,317	
Indirect Auto	574	13,180	11,943	25,697	24,216	22,282	20,577	19,038	
Other	16,612	921	922	18,455	18,574	17,355	16,456	16,075	
Credit card	18,428	–	–	18,428	18,046	18,028	18,226	17,941	
Total personal	118,507	217,512	18,566	354,585	340,824	322,927	309,626	299,380	
Real estate									
Residential	8,299	7,621	3,898	19,818	18,364	17,981	16,001	14,862	
Non-residential	9,214	3,881	2,837	15,932	13,635	12,832	12,780	11,330	
Total real estate	17,513	11,502	6,735	35,750	31,999	30,813	28,781	26,192	
Total business and government (including real estate)	76,712	32,094	10,227	119,033	111,145	97,033	91,054	84,155	
Total loans – Canada	195,219	249,606	28,793	473,618	451,969	419,960	400,680	383,535	
<b>United States</b>									
Residential mortgages	716	168	33,617	34,501	31,128	31,460	27,662	26,922	
Consumer instalment and other personal									
HELOC	9,924	7	1,595	11,526	12,334	12,434	13,208	13,334	
Indirect Auto	352	18,329	13,773	32,454	29,870	29,182	28,370	24,862	
Other	166	932	15	1,113	874	846	745	693	
Credit card	18,129	–	–	18,129	16,964	14,972	13,680	12,274	
Total personal	29,287	19,436	49,000	97,723	91,170	88,894	83,665	78,085	
Real estate									
Residential	1,641	3,199	4,023	8,863	8,050	7,316	6,852	5,691	
Non-residential	2,937	11,705	9,508	24,150	22,426	22,163	21,675	18,317	
Total real estate	4,578	14,904	13,531	33,013	30,476	29,479	28,527	24,008	
Total business and government (including real estate)	24,201	58,463	48,554	131,218	124,090	119,350	116,713	97,217	
Total loans – United States	53,488	77,899	97,554	228,941	215,260	208,244	200,378	175,302	
<b>Other International</b>									
Personal	12	–	–	12	14	14	16	5	
Business and government	924	789	76	1,789	2,258	1,579	1,513	1,978	
Total loans – Other international	936	789	76	1,801	2,272	1,593	1,529	1,983	
<b>Other loans</b>									
Debt securities classified as loans	n/a	n/a	n/a	n/a	n/a	3,209	1,674	2,187	
Acquired credit-impaired loans	7	40	266	313	453	665	974	1,414	
Total other loans	7	40	266	313	453	3,874	2,648	3,601	
<b>Total loans</b>	<b>\$ 249,650</b>	<b>\$ 328,334</b>	<b>\$ 126,689</b>	<b>\$ 704,673</b>	<b>\$ 669,954</b>	<b>\$ 633,671</b>	<b>\$ 605,235</b>	<b>\$ 564,421</b>	

**TABLE 62** **LOAN PORTFOLIO – Rate Sensitivity**

(millions of Canadian dollars)

As at

	October 31, 2019		October 31, 2018		October 31, 2017		October 31, 2016		October 31, 2015	
	1 to 5 years	Over 5 years	1 to 5 years	Over 5 years	1 to 5 years	Over 5 years	1 to 5 years	Over 5 years	1 to 5 years	Over 5 years
Fixed rate	\$ 228,904	\$ 91,698	\$ 218,098	\$ 84,450	\$ 197,483	\$ 84,080	\$ 212,257	\$ 82,507	\$ 176,316	\$ 66,949
Variable rate	99,430	34,991	95,861	34,018	79,447	36,093	85,139	34,260	72,663	32,208
<b>Total</b>	<b>\$ 328,334</b>	<b>\$ 126,689</b>	<b>\$ 313,959</b>	<b>\$ 118,468</b>	<b>\$ 276,930</b>	<b>\$ 120,173</b>	<b>\$ 297,396</b>	<b>\$ 116,767</b>	<b>\$ 248,979</b>	<b>\$ 99,157</b>

The changes in the Bank's allowance for credit losses for the years ended October 31 are shown in the following table.

TABLE 63	<b>ALLOWANCE FOR LOAN LOSSES<sup>1</sup></b>				
(millions of Canadian dollars, except as noted)					
	2019	2018	2017	2016	2015
<b>Allowance for loan losses – Balance at beginning of year</b>	<b>\$ 3,549</b>	\$ 3,475	\$ 3,873	\$ 3,434	\$ 3,028
<b>Provision for credit losses</b>	<b>3,030</b>	2,472	2,216	2,330	1,683
<b>Write-offs</b>					
<b>Canada</b>					
Residential mortgages	17	15	22	18	23
Consumer instalment and other personal					
HELOC	11	8	11	11	13
Indirect Auto	284	251	337	334	224
Other	256	216	216	221	218
Credit card	585	557	595	623	638
<b>Total personal</b>	<b>1,153</b>	1,047	1,181	1,207	1,116
Real estate					
Residential	2	2	1	3	4
Non-residential	1	1	2	2	3
<b>Total real estate</b>	<b>3</b>	3	3	5	7
<b>Total business and government (including real estate)</b>	<b>96</b>	75	75	107	74
<b>Total Canada</b>	<b>1,249</b>	1,122	1,256	1,314	1,190
<b>United States</b>					
Residential mortgages	14	16	19	22	16
Consumer instalment and other personal					
HELOC	15	22	39	38	47
Indirect Auto	450	387	315	232	206
Other	204	192	152	121	101
Credit card	1,114	958	777	530	454
<b>Total personal</b>	<b>1,797</b>	1,575	1,302	943	824
Real estate					
Residential	2	1	3	3	5
Non-residential	7	10	6	11	22
<b>Total real estate</b>	<b>9</b>	11	9	14	27
<b>Total business and government (including real estate)</b>	<b>129</b>	79	91	76	124
<b>Total United States</b>	<b>1,926</b>	1,654	1,393	1,019	948
<b>Other International</b>					
Personal	–	–	–	–	–
Business and government	–	–	–	–	–
<b>Total other international</b>	<b>–</b>	–	–	–	–
<b>Other loans</b>					
Debt securities classified as loans	n/a	n/a	9	14	13
Acquired credit-impaired loans <sup>2,3</sup>	3	2	1	4	6
<b>Total other loans</b>	<b>3</b>	2	10	18	19
<b>Total write-offs against portfolio</b>	<b>3,178</b>	2,778	2,659	2,351	2,157
<b>Recoveries</b>					
<b>Canada</b>					
Residential mortgages	–	1	2	1	1
Consumer instalment and other personal					
HELOC	–	1	1	–	2
Indirect Auto	54	58	90	91	78
Other	36	37	41	52	58
Credit card	87	87	98	118	124
<b>Total personal</b>	<b>177</b>	184	232	262	263
Real estate					
Residential	–	–	1	1	1
Non-residential	–	–	–	3	1
<b>Total real estate</b>	<b>–</b>	–	1	4	2
<b>Total business and government (including real estate)</b>	<b>20</b>	17	20	27	33
<b>Total Canada</b>	<b>\$ 197</b>	\$ 201	\$ 252	\$ 289	\$ 296

<sup>1</sup> Opening balance of allowance for loan losses effective November 1, 2017 was booked in accordance with IFRS 9. Allowance for loan losses prior to November 1, 2017 was booked in accordance with IAS 39.

<sup>2</sup> Includes all FDIC covered loans and other ACI loans.

<sup>3</sup> Other adjustments are required as a result of the accounting for FDIC covered loans.

TABLE 63 ALLOWANCE FOR LOAN LOSSES (continued) <sup>1</sup>		2019	2018	2017	2016	2015
(millions of Canadian dollars, except as noted)						
<b>United States</b>						
Residential mortgages		\$ 1	\$ 2	\$ 4	\$ 9	\$ 11
Consumer instalment and other personal						
HELOC		4	4	11	5	5
Indirect Auto		132	116	100	85	83
Other		26	35	24	26	23
Credit card		210	173	154	114	113
Total personal		373	330	293	239	235
Real estate						
Residential		2	2	2	4	9
Non-residential		2	7	8	4	9
Total real estate		4	9	10	8	18
Total business and government (including real estate)		23	42	58	54	50
Total United States		396	372	351	293	285
<b>Other International</b>						
Personal		-	-	-	-	-
Business and government		-	-	-	-	1
Total other international		-	-	-	-	1
<b>Other loans</b>						
Debt securities classified as loans		n/a	n/a	-	-	-
Acquired credit-impaired loans <sup>2,3</sup>		16	16	22	20	19
Total other loans		16	16	22	20	19
Total recoveries on portfolio		609	589	625	602	601
Net write-offs		(2,569)	(2,189)	(2,034)	(1,749)	(1,556)
Disposals		(3)	(46)	(83)	(2)	(3)
Foreign exchange and other adjustments		(4)	49	(122)	47	321
Total allowance for loan losses, including off-balance sheet positions		4,003	3,761	3,850	4,060	3,473
Less: Change in allowance for off-balance sheet positions <sup>4,5</sup>		(444)	212	67	187	39
Total allowance for loan losses, at end of period <sup>5</sup>		\$ 4,447	\$ 3,549	\$ 3,783	\$ 3,873	\$ 3,434
Ratio of net write-offs in the period to average loans outstanding		0.38%	0.34%	0.33%	0.30%	0.30%

<sup>1</sup> Opening balance of allowance for loan losses effective November 1, 2017 was booked in accordance with IFRS 9. Allowance for loan losses prior to November 1, 2017 was booked in accordance with IAS 39.

<sup>2</sup> Includes all FDIC covered loans and other ACI loans.

<sup>3</sup> Other adjustments are required as a result of the accounting for FDIC covered loans.

<sup>4</sup> The allowance for loan losses for off-balance sheet positions is recorded in Other liabilities on the Consolidated Balance Sheet.

<sup>5</sup> In the fourth quarter of 2019, the Bank revised its allocation methodology for the reporting of Allowance for Credit Losses for off-balance sheet instruments for certain retail portfolios.

TABLE 64 AVERAGE DEPOSITS		For the years ended								
(millions of Canadian dollars, except as noted)		October 31, 2019			October 31, 2018			October 31, 2017		
	Average balance	Total interest expense	Average rate paid	Average balance	Total interest expense	Average rate paid	Average balance	Total interest expense	Average rate paid	
<b>Deposits booked in Canada<sup>1</sup></b>										
Non-interest-bearing demand deposits	\$ 14,058	\$ -	-%	\$ 13,156	\$ -	-%	\$ 11,201	\$ -	-%	
Interest-bearing demand deposits	75,709	1,579	2.09	57,030	1,094	1.92	57,521	648	1.13	
Notice deposits	222,249	786	0.35	222,394	567	0.25	209,939	321	0.15	
Term deposits	246,078	5,609	2.28	223,295	4,215	1.89	176,345	2,730	1.55	
Total deposits booked in Canada	558,094	7,974	1.43	515,875	5,876	1.14	455,006	3,699	0.81	
<b>Deposits booked in the United States</b>										
Non-interest-bearing demand deposits	9,745	1	0.01	10,037	-	-	10,405	-	-	
Interest-bearing demand deposits	5,147	43	0.84	2,859	16	0.56	3,152	11	0.35	
Notice deposits	330,301	3,795	1.15	317,218	3,233	1.02	298,639	1,695	0.57	
Term deposits	59,534	1,435	2.41	52,461	958	1.83	79,090	973	1.23	
Total deposits booked in the United States	404,727	5,274	1.30	382,575	4,207	1.10	391,286	2,679	0.68	
<b>Deposits booked in other international</b>										
Non-interest-bearing demand deposits	162	-	-	155	-	-	(7)	-	-	
Interest-bearing demand deposits	627	1	0.16	1,025	1	0.10	1,442	3	0.21	
Notice deposits	-	-	-	-	-	-	-	-	-	
Term deposits	26,449	426	1.61	37,435	405	1.08	28,153	234	0.83	
Total deposits booked in other international	27,238	427	1.57	38,615	406	1.05	29,588	237	0.80	
<b>Total average deposits</b>	<b>\$ 990,059</b>	<b>\$ 13,675</b>	<b>1.38%</b>	<b>\$ 937,065</b>	<b>\$ 10,489</b>	<b>1.12%</b>	<b>\$ 875,880</b>	<b>\$ 6,615</b>	<b>0.76%</b>	

<sup>1</sup> As at October 31, 2019, deposits by foreign depositors in TD's Canadian bank offices amounted to \$152 billion (October 31, 2018 – \$152 billion, October 31, 2017 – \$100 billion).

TABLE 65	<b>DEPOSITS – Denominations of \$100,000 or greater<sup>1</sup></b>
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(millions of Canadian dollars)

*As at*

	Remaining term-to-maturity				Total
	Within 3 months	3 months to 6 months	6 months to 12 months	Over 12 months	
	October 31, 2019				
Canada	\$ 64,039	\$ 17,069	\$ 43,559	\$ 97,659	\$ 222,326
United States	19,616	12,220	28,143	2,755	62,734
Other international	17,234	2,880	3,601	–	23,715
<b>Total</b>	<b>\$ 100,889</b>	<b>\$ 32,169</b>	<b>\$ 75,303</b>	<b>\$ 100,414</b>	<b>\$ 308,775</b>
	October 31, 2018				
Canada	\$ 65,253	\$ 22,761	\$ 37,652	\$ 92,105	\$ 217,771
United States	20,203	16,547	11,654	2,166	50,570
Other international	20,225	2,016	2,787	–	25,028
<b>Total</b>	<b>\$ 105,681</b>	<b>\$ 41,324</b>	<b>\$ 52,093</b>	<b>\$ 94,271</b>	<b>\$ 293,369</b>
	October 31, 2017				
Canada	\$ 41,862	\$ 19,392	\$ 20,623	\$ 79,649	\$ 161,526
United States	34,955	15,607	11,821	1,390	63,773
Other international	20,037	9,058	3,714	–	32,809
<b>Total</b>	<b>\$ 96,854</b>	<b>\$ 44,057</b>	<b>\$ 36,158</b>	<b>\$ 81,039</b>	<b>\$ 258,108</b>

<sup>1</sup> Deposits in Canada, U.S., and Other international include wholesale and retail deposits.

TABLE 66	<b>SHORT-TERM BORROWINGS</b>
----------	------------------------------

(millions of Canadian dollars, except as noted)

*As at*

	October 31 2019	October 31 2018	October 31 2017
<b>Obligations related to securities sold under repurchase agreements</b>			
Balance at year-end	<b>\$ 125,856</b>	\$ 93,389	\$ 88,591
Average balance during the year	<b>119,782</b>	95,286	76,136
Maximum month-end balance	<b>126,115</b>	98,539	88,986
Weighted-average rate at October 31	<b>1.54%</b>	1.63%	0.87%
Weighted-average rate during the year	<b>1.98</b>	1.65	0.92

**TABLE 67 NET INTEREST INCOME ON AVERAGE EARNING BALANCES<sup>1,2,3</sup>**

(millions of Canadian dollars, except as noted)

	2019			2018			2017		
	Average balance	Interest <sup>4</sup>	Average rate	Average balance	Interest <sup>4</sup>	Average rate	Average balance	Interest <sup>4</sup>	Average rate
<b>Interest-earning assets</b>									
<b>Interest-bearing deposits with banks</b>									
Canada	\$ 6,846	\$ 128	1.87%	\$ 5,204	\$ 102	1.96%	\$ 5,629	\$ 21	0.37%
U.S.	24,078	532	2.21	34,424	592	1.72	42,899	405	0.94
<b>Securities</b>									
<b>Trading</b>									
Canada	62,433	1,973	3.16	55,519	1,684	3.03	47,985	1,332	2.78
U.S.	20,254	506	2.50	20,496	517	2.52	20,186	403	2.00
<b>Non-trading</b>									
Canada	46,854	1,387	2.96	47,761	1,219	2.55	48,109	949	1.97
U.S.	169,275	4,641	2.74	155,892	3,719	2.39	130,611	2,378	1.82
<b>Securities purchased under reverse repurchase agreements</b>									
Canada	66,015	1,250	1.89	41,518	665	1.60	33,725	371	1.10
U.S.	45,423	1,381	3.04	44,238	1,020	2.31	43,087	496	1.15
<b>Loans</b>									
<b>Residential mortgages<sup>5</sup></b>									
Canada	207,289	6,133	2.96	201,772	5,656	2.80	200,251	4,916	2.45
U.S.	32,821	1,253	3.82	29,514	1,110	3.76	27,982	1,041	3.72
<b>Consumer instalment and other personal</b>									
Canada	130,719	5,762	4.41	120,273	5,215	4.34	106,614	4,704	4.41
U.S.	43,372	2,015	4.65	41,762	1,711	4.10	41,263	1,455	3.53
<b>Credit card</b>									
Canada	19,197	2,422	12.62	18,708	2,323	12.42	18,571	2,270	12.22
U.S.	17,679	2,913	16.48	15,853	2,550	16.09	13,771	2,213	16.07
<b>Business and government<sup>5</sup></b>									
Canada	100,408	3,506	3.49	92,348	2,943	3.19	80,673	2,187	2.71
U.S.	125,914	4,800	3.81	115,147	4,203	3.65	112,416	3,795	3.38
<b>International</b>	<b>105,401</b>	<b>1,397</b>	<b>1.33</b>	<b>102,855</b>	<b>1,193</b>	<b>1.16</b>	<b>88,963</b>	<b>896</b>	<b>1.01</b>
<b>Total interest-earning assets</b>	<b>1,223,978</b>	<b>41,999</b>	<b>3.43</b>	<b>1,143,284</b>	<b>36,422</b>	<b>3.19</b>	<b>1,062,735</b>	<b>29,832</b>	<b>2.81</b>
<b>Interest-bearing liabilities</b>									
<b>Deposits</b>									
<b>Personal<sup>6</sup></b>									
Canada	224,374	1,634	0.73	215,320	1,228	0.57	208,027	983	0.47
U.S.	246,986	3,179	1.29	238,005	2,788	1.17	221,560	1,426	0.64
<b>Banks<sup>7,8</sup></b>									
Canada	11,414	169	1.48	11,612	135	1.16	10,686	71	0.66
U.S.	2,346	44	1.88	7,214	135	1.87	9,460	115	1.22
<b>Business and government<sup>7,8</sup></b>									
Canada	279,571	6,171	2.21	248,013	4,513	1.82	199,236	2,645	1.33
U.S.	101,874	2,051	2.01	84,575	1,284	1.52	108,078	1,138	1.05
<b>Subordinated notes and debentures</b>	<b>9,589</b>	<b>395</b>	<b>4.12</b>	<b>7,946</b>	<b>337</b>	<b>4.24</b>	<b>9,045</b>	<b>391</b>	<b>4.32</b>
<b>Obligations related to securities sold short and under repurchase agreements</b>									
Canada	60,173	1,281	2.13	46,981	1,091	2.32	34,719	540	1.56
U.S.	57,028	1,602	2.81	57,384	1,274	2.22	56,587	696	1.23
<b>Securitization liabilities<sup>9</sup></b>	<b>27,023</b>	<b>524</b>	<b>1.94</b>	<b>27,805</b>	<b>586</b>	<b>2.11</b>	<b>29,761</b>	<b>472</b>	<b>1.59</b>
<b>Other liabilities</b>									
Canada	5,669	154	2.72	5,706	132	2.31	5,306	92	1.73
U.S.	35	4	11.43	34	4	11.76	34	4	11.76
<b>International<sup>7,8</sup></b>	<b>67,833</b>	<b>860</b>	<b>1.27</b>	<b>68,074</b>	<b>676</b>	<b>0.99</b>	<b>48,787</b>	<b>412</b>	<b>0.84</b>
<b>Total interest-bearing liabilities</b>	<b>1,093,915</b>	<b>18,068</b>	<b>1.65</b>	<b>1,018,669</b>	<b>14,183</b>	<b>1.39</b>	<b>941,286</b>	<b>8,985</b>	<b>0.95</b>
<b>Total net interest income on average earning assets</b>	<b>\$ 1,223,978</b>	<b>\$ 23,931</b>	<b>1.96%</b>	<b>\$ 1,143,284</b>	<b>\$ 22,239</b>	<b>1.95%</b>	<b>\$ 1,062,735</b>	<b>\$ 20,847</b>	<b>1.96%</b>

<sup>1</sup> Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

<sup>2</sup> Net interest income includes dividends on securities.

<sup>3</sup> Geographic classification of assets and liabilities is based on the domicile of the booking point of assets and liabilities.

<sup>4</sup> Interest income includes loan fees earned by the Bank, which are recognized in net interest income over the life of the loan through the effective interest rate method.

<sup>5</sup> Includes average trading loans of \$12 billion (2018 – \$11 billion, 2017 – \$12 billion).

<sup>6</sup> Includes charges incurred on the TD Ameritrade IDA of \$2.2 billion (2018 – \$1.9 billion, 2017 – \$1.5 billion).

<sup>7</sup> Includes average trading deposits with a fair value of \$61 billion (2018 – \$102 billion, 2017 – \$87 billion).

<sup>8</sup> Includes average deposit designated at fair value through profit or loss of \$59 billion.

<sup>9</sup> Includes average securitization liabilities at fair value of \$13 billion (2018 – \$12 billion, 2017 – \$13 billion) and average securitization liabilities at amortized cost of \$14 billion (2018 – \$16 billion, 2017 – \$17 billion).



The following table presents an analysis of the change in net interest income of volume and interest rate changes. In this analysis, changes

due to volume/interest rate variance have been allocated to average interest rate.

TABLE 68	ANALYSIS OF CHANGE IN NET INTEREST INCOME <sup>1,2,3</sup>					
	2019 vs. 2018			2018 vs. 2017		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
<b>Interest-earning assets</b>						
<b>Interest-bearing deposits with banks</b>						
Canada	\$ 32	\$ (6)	\$ 26	\$ (2)	\$ 83	\$ 81
U.S.	(178)	118	(60)	(80)	267	187
<b>Securities</b>						
<b>Trading</b>						
Canada	210	79	289	210	142	352
U.S.	(6)	(5)	(11)	6	108	114
<b>Non-trading</b>						
Canada	(23)	191	168	(7)	277	270
U.S.	319	603	922	460	881	1,341
<b>Securities purchased under reverse repurchase agreements</b>						
Canada	392	193	585	86	208	294
U.S.	27	334	361	13	511	524
<b>Loans</b>						
<b>Residential mortgages</b>						
Canada	154	323	477	38	702	740
U.S.	124	19	143	57	12	69
<b>Consumer instalment and other personal</b>						
Canada	453	94	547	603	(92)	511
U.S.	66	238	304	17	239	256
<b>Credit card</b>						
Canada	60	39	99	17	36	53
U.S.	294	69	363	334	3	337
<b>Business and government</b>						
Canada	257	306	563	316	440	756
U.S.	393	204	597	92	316	408
<b>International</b>	<b>112</b>	<b>92</b>	<b>204</b>	<b>182</b>	<b>115</b>	<b>297</b>
<b>Total interest income</b>	<b>2,686</b>	<b>2,891</b>	<b>5,577</b>	<b>2,342</b>	<b>4,248</b>	<b>6,590</b>
<b>Interest-bearing liabilities</b>						
<b>Deposits</b>						
<b>Personal</b>						
Canada	52	354	406	34	211	245
U.S.	106	285	391	106	1,256	1,362
<b>Banks</b>						
Canada	(2)	36	34	6	58	64
U.S.	(92)	1	(91)	(27)	47	20
<b>Business and government</b>						
Canada	574	1,084	1,658	648	1,220	1,868
U.S.	263	504	767	(247)	393	146
<b>Subordinated notes and debentures</b>	<b>70</b>	<b>(12)</b>	<b>58</b>	<b>(48)</b>	<b>(6)</b>	<b>(54)</b>
<b>Obligations related to securities sold short and under repurchase agreements</b>						
Canada	306	(116)	190	191	360	551
U.S.	(7)	335	328	9	569	578
<b>Securitization liabilities</b>	<b>(17)</b>	<b>(45)</b>	<b>(62)</b>	<b>(31)</b>	<b>145</b>	<b>114</b>
<b>Other liabilities</b>						
Canada	(1)	23	22	7	33	40
U.S.	-	-	-	-	-	-
<b>International</b>	<b>(15)</b>	<b>199</b>	<b>184</b>	<b>195</b>	<b>69</b>	<b>264</b>
<b>Total interest expense</b>	<b>1,237</b>	<b>2,648</b>	<b>3,885</b>	<b>843</b>	<b>4,355</b>	<b>5,198</b>
<b>Net interest income</b>	<b>\$ 1,449</b>	<b>\$ 243</b>	<b>\$ 1,692</b>	<b>\$ 1,499</b>	<b>\$ (107)</b>	<b>\$ 1,392</b>

<sup>1</sup> Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

<sup>2</sup> Geographic classification of assets and liabilities is based on the domicile of the booking point of assets and liabilities.

<sup>3</sup> Interest income includes loan fees earned by the Bank, which are recognized in net interest income over the life of the loan through the effective interest rate method.

## FINANCIAL RESULTS

# Consolidated Financial Statements

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The management of The Toronto-Dominion Bank and its subsidiaries (the "Bank") is responsible for the integrity, consistency, objectivity, and reliability of the Consolidated Financial Statements of the Bank and related financial information as presented. International Financial Reporting Standards as issued by the International Accounting Standards Board, as well as the requirements of the *Bank Act* (Canada), and related regulations have been applied and management has exercised its judgment and made best estimates where appropriate.

The Bank's accounting system and related internal controls are designed, and supporting procedures maintained, to provide reasonable assurance that financial records are complete and accurate, and that assets are safeguarded against loss from unauthorized use or disposition. These supporting procedures include the careful selection and training of qualified staff, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines of business conduct throughout the Bank.

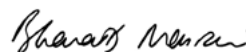
Management has assessed the effectiveness of the Bank's internal control over financial reporting as at October 31, 2019, using the framework found in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 Framework. Based upon this assessment, management has concluded that as at October 31, 2019, the Bank's internal control over financial reporting is effective.

The Bank's Board of Directors, acting through the Audit Committee which is composed entirely of independent directors, oversees management's responsibilities for financial reporting. The Audit Committee reviews the Consolidated Financial Statements and recommends them to the Board for approval. Other responsibilities of the Audit Committee include monitoring the Bank's system of internal control over the financial reporting process and making recommendations to the Board and shareholders regarding the appointment of the external auditor.

The Bank's Chief Auditor, who has full and free access to the Audit Committee, conducts an extensive program of audits. This program supports the system of internal control and is carried out by a professional staff of auditors.

The Office of the Superintendent of Financial Institutions Canada, makes such examination and enquiry into the affairs of the Bank as deemed necessary to ensure that the provisions of the *Bank Act*, having reference to the safety of the depositors, are being duly observed and that the Bank is in sound financial condition.

Ernst & Young LLP, the independent auditors appointed by the shareholders of the Bank, have audited the effectiveness of the Bank's internal control over financial reporting as at October 31, 2019, in addition to auditing the Bank's Consolidated Financial Statements as of the same date. Their reports, which expressed an unqualified opinion, can be found on the following pages of the Consolidated Financial Statements. Ernst & Young LLP have full and free access to, and meet periodically with, the Audit Committee to discuss their audit and matters arising therefrom, such as, comments they may have on the fairness of financial reporting and the adequacy of internal controls.



**Bharat B. Masrani**  
Group President and  
Chief Executive Officer



**Riaz Ahmed**  
Group Head and  
Chief Financial Officer

Toronto, Canada  
December 4, 2019

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders and Directors of The Toronto-Dominion Bank

#### **Opinion**

We have audited the consolidated financial statements of The Toronto-Dominion Bank and its subsidiaries ("TD" or the "Group"), which comprise the Consolidated Balance Sheet as at October 31, 2019 and 2018, and the Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for each of the years in the three-year period ended October 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at October 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the years in the three-year period ended October 31, 2019, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended October 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

#### **Allowance for credit losses**

##### *Key audit matter*

TD describes its significant accounting judgments, estimates, and assumptions in relation to the allowance for credit losses in Note 3 of the consolidated financial statements. As disclosed in Note 7 and Note 8 to the consolidated financial statements, TD recognized \$5,036 million in allowances for credit losses on its consolidated balance sheet using an expected credit loss model (ECL). The ECL is an unbiased and probability-weighted estimate of credit losses expected to occur in the future, which is based on the probability of default (PD), loss given default (LGD) and exposure at default (EAD) or the expected cash shortfall relating to the underlying financial asset. The ECL is determined by evaluating a range of possible outcomes incorporating the time value of money and reasonable and supportable information about past events, current conditions, and future economic forecasts.

Auditing the allowance for credit losses was complex and required the application of significant judgement because of the sophistication of the models, the forward-looking nature of the key assumptions, and the inherent interrelationship of the critical variables used in measuring the ECL. Key areas of judgement include evaluating: (i) the models and methodologies used for measuring both the 12-month and lifetime expected credit losses; (ii) the assumptions used in the ECL scenarios including forward-looking information (FLI) and assigning probability weighting; (iii) the determination of significant increase in credit risk (SICR); and (iv) the qualitative component applied to the modelled ECL based on management's expert credit judgment.

##### *How our audit addressed the key audit matter*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over the allowance for credit losses. The controls we tested included, amongst others, the development and review of inputs and models used to calculate ECL, the integrity of the data used including the associated controls over relevant information technology (IT) systems, and the governance and oversight over the modelled results and the use of expert credit judgment.

To test the allowance for credit losses, our audit procedures included, among others, involving our credit risk modelling specialists to assess the methodology and assumptions used in significant models that estimate the ECL across various portfolios and to assess management's SICR triggers. With the assistance of our economic specialists, we evaluated the process used by management to develop forward-looking information and determine the ECL scenario probability weights. On a sample basis, we independently recalculated the ECL. We also evaluated management's methodology and governance over the qualitative components contributing to the ECL based on the application of expert credit judgment.

#### **Fair value measurement of derivatives**

##### *Key audit matter*

TD describes its significant accounting judgements, estimates, and assumptions in relation to the fair value measurement of derivatives in Note 3 of the consolidated financial statements. As disclosed in Note 5 of the consolidated financial statements, TD has derivatives assets of \$48,894 million and derivative liabilities of \$50,051 million recorded at fair value. Of these derivatives, certain trades are complex and illiquid and require valuation techniques that may include complex models and non-observable inputs, requiring management's estimation and judgment.

Auditing the valuation of certain derivatives required the application of significant auditor judgement and involvement of valuation specialists in assessing the complex models and non-observable inputs used, including any significant valuation adjustments. Certain valuation inputs used to determine fair value that may be non-observable include volatilities, correlations, and credit spreads. The valuation of certain derivatives is sensitive to these inputs as they are forward-looking and could be affected by future economic and market conditions.

##### *How our audit addressed the key audit matter*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over the valuation of TD's derivative portfolio. The controls we tested included, amongst others, the controls over the suitability and mechanical accuracy of models used in the valuation of derivatives, controls over management's independent assessment of fair values, including the integrity of data used in the valuation such as the significant inputs noted above, controls over relevant IT systems, and the review of significant valuation adjustments applied.

To test the valuation of these derivatives, our audit procedures included, among others, an evaluation of the methodologies and significant inputs used by TD. With the assistance of our valuation specialists, we performed an independent valuation for a sample of derivatives to assess the modelling assumptions and significant inputs used to estimate the fair value, which involved independently obtaining significant inputs from external sources. We also evaluated

the methodology applied and governance over the calculation of material derivative valuation adjustments and recalculated a sample of these adjustments.

### **Valuation of provision for unpaid claims**

#### *Key audit matter*

TD describes its significant accounting judgements, estimates, and assumptions in relation to the valuation of provisions for unpaid claims in Note 3 of the consolidated financial statements. As disclosed in Note 22 to the consolidated financial statements, TD has recognized \$6,920 million in insurance-related liabilities on its consolidated balance sheet. The insurance-related liabilities include a provision for unpaid claims, which is determined in accordance with accepted actuarial practices. It also considers variables such as past loss experience, current claim trends, and changes in the prevailing social, economic, and legal environment.

Auditing the provision for unpaid claims involves the application of models and methodologies that require significant judgment. The main assumption underlying the claims liability estimates is the amount and timing related to incurred insured events including those not yet reported by the claimants. Other assumptions which are subject to significant judgment include the discount rate, margin for adverse deviation, and trends in severity and frequency.

#### *How our audit addressed the key audit matter*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over the valuation of the provision for unpaid claims. The controls we tested included, amongst others, the controls related to TD's claims and actuarial processes including over the completeness and accuracy of data flow through the claims administration systems, and the periodic review of the provision for unpaid claims by management.

To test the valuation for unpaid claims, our audit procedures included, among others, involving our actuarial specialists to independently calculate material components of the provision for unpaid claims. This included assessing the accuracy of TD's data, and benchmarking the assumptions against industry trends and regulatory developments. We involved our actuarial specialists in assessing TD's actuary's methodologies and significant assumptions, including the rationale for the judgments applied. We also tested a sample of incurred claims, paid claims, and earned premiums used in the estimation of the provision for unpaid claims.

### **Measurement of provision for uncertain tax positions**

#### *Key audit matter*

TD describes its significant accounting judgements, estimates, and assumptions in relation to income taxes in Note 3 of the consolidated financial statements. As a financial institution operating in multiple jurisdictions, TD is subject to complex and constantly evolving tax legislation. Uncertainty in a tax position may arise as tax laws are subject to interpretation. TD uses significant judgment in i) determining whether it is probable that TD will have to make a payment to tax authorities upon their examination of certain uncertain tax positions, and ii) measuring the amount of the liability, where probable.

Auditing the recognition and measurement of TD's provision for uncertain tax positions involves the application of judgement and is based on interpretation of tax legislation and jurisprudence.

#### *How our audit addressed the key audit matter*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over the recognition and measurement of TD's provision for uncertain tax positions. This includes controls over the assessment of the technical merits of tax positions and management's process to measure the provision for uncertain tax positions.

With the assistance of our tax professionals our audit procedures included, among others, assessing the technical merits and the amount recorded for uncertain tax positions. This included using our knowledge of, and experience with, the application of tax laws

by the relevant income tax authorities and through discussions with management. We assessed the implications of correspondence received by TD from the relevant tax authorities and evaluated income tax opinions or other third-party advice obtained. We also evaluated TD's income tax disclosures included in Note 25 of the consolidated financial statements in relation to these matters.

### **Other Information**

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis; and
- The information, other than the consolidated financial statements and our auditor's report thereon, in the 2019 Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the 2019 Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*Ernst + Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
December 4, 2019

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### To the Shareholders and Directors of The Toronto-Dominion Bank

#### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying Consolidated Balance Sheet of The Toronto-Dominion Bank (TD) as of October 31, 2019 and 2018, the related Consolidated Statement of Income, Comprehensive Income, Changes in Equity, and Cash Flows for each of the years in the three-year period ended October 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of TD as at October 31, 2019 and 2018, and the results of its operations and its consolidated cash flows for each of the years in the three-year period ended October 31, 2019, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### **Adoption of IFRS 9**

As discussed in Note 2 to the consolidated financial statements, TD changed its method of accounting for the classification and measurement of financial instruments in 2018 due to the adoption of IFRS 9, *Financial Instruments*. Our opinion is not qualified with respect to this matter.

#### **Report on Internal Control over Financial Reporting**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), TD's internal control over financial reporting as of October 31, 2019, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated December 4, 2019, expressed an unqualified opinion thereon.

#### **Basis for Opinion**

These consolidated financial statements are the responsibility of TD's management. Our responsibility is to express an opinion on TD's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to TD in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

#### **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements, and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

## **Allowance for credit losses**

### *Description of the Matter*

TD describes its significant accounting judgments, estimates, and assumptions in relation to the allowance for credit losses in Note 3 of the consolidated financial statements. As disclosed in Note 7 and Note 8 to the consolidated financial statements, TD recognized \$5,036 million in allowances for credit losses on its consolidated balance sheet using an expected credit loss model (ECL). The ECL is an unbiased and probability-weighted estimate of credit losses expected to occur in the future, which is based on the probability of default (PD), loss given default (LGD) and exposure at default (EAD) or the expected cash shortfall relating to the underlying financial asset. The ECL is determined by evaluating a range of possible outcomes incorporating the time value of money and reasonable and supportable information about past events, current conditions, and future economic forecasts.

Auditing the allowance for credit losses was complex and required the application of significant judgement because of the sophistication of the models, the forward-looking nature of the key assumptions, and the inherent interrelationship of the critical variables used in measuring the ECL. Key areas of judgement include evaluating: (i) the models and methodologies used for measuring both the 12-month and lifetime expected credit losses; (ii) the assumptions used in the ECL scenarios including forward-looking information (FLI) and assigning probability weighting; (iii) the determination of significant increase in credit risk (SICR); and (iv) the assessment of the qualitative component applied to the modelled ECL based on management's expert credit judgment.

### *How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over the allowance for credit losses. The controls we tested included, amongst others, the development and review of inputs and models used to calculate ECL, the integrity of the data used including the associated controls over relevant information technology (IT) systems, and the governance and oversight over the modelled results and the use of expert credit judgement.

To test the allowance for credit losses, our audit procedures included, among others, involving our credit risk modelling specialists to assess the methodology and assumptions used in significant models that estimate the ECL across various portfolios and to assess management's SICR triggers. With the assistance of our economic specialists, we evaluated the process used by management to develop forward-looking information and determine the ECL scenario probability weights. On a sample basis, we independently recalculated the ECL. We also evaluated management's methodology and governance over the qualitative components contributing to the ECL based on the application of expert credit judgment.

## **Fair value measurement of derivatives**

### *Description of the Matter*

TD describes its significant accounting judgements, estimates, and assumptions in relation to the fair value measurement of derivatives in Note 3 of the consolidated financial statements. As disclosed in Note 5 of the consolidated financial statements, TD has derivatives assets of \$48,894 million and derivative liabilities of \$50,051 million recorded at fair value. Of these derivatives, certain trades are complex and illiquid and require valuation techniques that may include complex models and non-observable inputs, requiring management's estimation and judgment.

Auditing the valuation of certain derivatives required the application of significant auditor judgement and involvement of valuation specialists in assessing the complex models and non-observable inputs used, including any significant valuation adjustments applied. Certain valuation inputs used to determine fair value that may be

non-observable include volatilities, correlations, and credit spreads. The valuation of certain derivatives is sensitive to these inputs as they are forward-looking and could be affected by future economic and market conditions.

### *How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over the valuation of TD's derivative portfolio. The controls we tested included, amongst others, the controls over the suitability and mechanical accuracy of models used in the valuation of derivatives, controls over management's independent assessment of fair values, including the integrity of data used in the valuation such as the significant inputs noted above, controls over relevant IT systems, and the review of significant valuation adjustments applied.

To test the valuation of these derivatives, our audit procedures included, among others, an evaluation of the methodologies and significant inputs used by TD. With the assistance of our valuation specialists, we performed an independent valuation for a sample of derivatives to assess the modelling assumptions and significant inputs used to estimate the fair value, which involved independently obtaining significant inputs from external sources. We also evaluated the methodology applied and governance over the calculation of material derivative valuation adjustments and recalculated a sample of these adjustments.

## **Valuation of provision for unpaid claims**

### *Description of the Matter*

TD describes its significant accounting judgements, estimates, and assumptions in relation to the valuation of provisions for unpaid claims in Note 3 of the consolidated financial statements. As disclosed in Note 22 to the consolidated financial statements, TD has recognized \$6,920 million in insurance-related liabilities on its consolidated balance sheet. The insurance-related liabilities include a provision for unpaid claims, which is determined in accordance with accepted actuarial practices. It also considers variables such as past loss experience, current claim trends and changes in the prevailing social, economic and legal environment.

Auditing the provision for unpaid claims involves the application of models and methodologies that require significant judgment. The main assumption underlying the claims liability estimates is the amount and timing related to incurred insured events including those not yet reported by the claimants. Other assumptions which are subject to significant judgment include the discount rate, margin for adverse deviation, and trends in severity and frequency.

### *How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over the valuation of the provision for unpaid claims. The controls we tested included, amongst others, the controls related to TD's claims and actuarial processes including over the completeness and accuracy of data flow through the claims administration systems, and the periodic review of the provision for unpaid claims by management.

To test the valuation for unpaid claims, our audit procedures included, among others, involving our actuarial specialists to independently calculate material components of the provision for unpaid claims. This included assessing the accuracy of TD's data, and benchmarking the assumptions against industry trends and regulatory developments. We involved our actuarial specialists in assessing TD's actuary's methodologies and significant assumptions, including the rationale for the judgments applied. We also tested a sample of incurred claims, paid claims, and earned premiums used in the estimation of the provision for unpaid claims.

## **Measurement of provision for uncertain tax positions**

### *Description of the Matter*

TD describes its significant accounting judgements, estimates, and assumptions in relation to income taxes in Note 3 of the consolidated financial statements. As a financial institution operating in multiple jurisdictions, TD is subject to complex and constantly evolving tax legislation. Uncertainty in a tax position may arise as tax laws are subject to interpretation. TD uses significant judgment in i) determining whether it is probable that TD will have to make a payment to tax authorities upon their examination of certain uncertain tax positions and ii) measuring the amount of the liability, where probable.

Auditing the recognition and measurement of TD's provision for uncertain tax positions involves the application of judgement and is based on interpretation of tax legislation and jurisprudence.

### *How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over the recognition and measurement of TD's provision for uncertain tax positions. This includes controls over the assessment of the technical merits of tax positions and management's process to measure the provision for uncertain tax positions.

With the assistance of our tax professionals our audit procedures included, among others, assessing the technical merits and the amount recorded for uncertain tax positions. This included using our knowledge of, and experience with, the application of tax laws by the relevant income tax authorities and through discussions with management. We assessed the implications of correspondence received by TD from the relevant tax authorities and evaluated income tax opinions or other third-party advice obtained. We also evaluated the TD's income tax disclosures included in Note 25 of the consolidated financial statements in relation to these matters.

We have served as TD's sole auditor since 2006. Prior to 2006, we or our predecessor firm have served as joint auditor with various other firms since 1955.

*Ernst + Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
December 4, 2019

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

### **To the Shareholders and Directors of The Toronto-Dominion Bank**

#### **Opinion on Internal Control over Financial Reporting**

We have audited The Toronto-Dominion Bank's (TD) internal control over financial reporting as of October 31, 2019, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). In our opinion, TD maintained, in all material respects, effective internal control over financial reporting as of October 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Consolidated Balance Sheet of TD as at October 31, 2019 and 2018, and the Consolidated Statements of Income, Comprehensive Income, Changes in Equity, and Cash Flows for each of the years in the three-year period ended October 31, 2019, and the related notes, and our report dated December 4, 2019, expressed an unqualified opinion thereon.

#### **Basis for Opinion**

TD's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting contained in the accompanying Management's Discussion and Analysis. Our responsibility is to express an opinion on TD's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to TD in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control

over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

#### **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*Ernst + Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
December 4, 2019



# Consolidated Balance Sheet

(As at and in millions of Canadian dollars)	October 31 2019	October 31 2018
<b>ASSETS</b>		
<b>Cash and due from banks</b>	<b>\$ 4,863</b>	<b>\$ 4,735</b>
<b>Interest-bearing deposits with banks</b>	<b>25,583</b>	<b>30,720</b>
	<b>30,446</b>	<b>35,455</b>
Trading loans, securities, and other (Notes 5, 7)	146,000	127,897
Non-trading financial assets at fair value through profit or loss (Notes 5, 7)	6,503	4,015
Derivatives (Notes 5, 11)	48,894	56,996
Financial assets designated at fair value through profit or loss (Notes 5, 7)	4,040	3,618
Financial assets at fair value through other comprehensive income (Notes 5, 7, 8)	111,104	130,600
	<b>316,541</b>	<b>323,126</b>
<b>Debt securities at amortized cost, net of allowance for credit losses (Notes 5, 7)</b>	<b>130,497</b>	<b>107,171</b>
<b>Securities purchased under reverse repurchase agreements (Note 5)</b>	<b>165,935</b>	<b>127,379</b>
<b>Loans (Notes 5, 8)</b>		
Residential mortgages	235,640	225,191
Consumer instalment and other personal	180,334	172,079
Credit card	36,564	35,018
Business and government	236,517	217,654
	<b>689,055</b>	<b>649,942</b>
Allowance for loan losses (Note 8)	(4,447)	(3,549)
Loans, net of allowance for loan losses	684,608	646,393
<b>Other</b>		
Customers' liability under acceptances	13,494	17,267
Investment in TD Ameritrade (Note 12)	9,316	8,445
Goodwill (Note 14)	16,976	16,536
Other intangibles (Note 14)	2,503	2,459
Land, buildings, equipment, and other depreciable assets (Note 15)	5,513	5,324
Deferred tax assets (Note 25)	1,799	2,812
Amounts receivable from brokers, dealers, and clients	20,575	26,940
Other assets (Note 16)	17,087	15,596
	<b>87,263</b>	<b>95,379</b>
<b>Total assets</b>	<b>\$ 1,415,290</b>	<b>\$ 1,334,903</b>
<b>LIABILITIES</b>		
Trading deposits (Notes 5, 17)	\$ 26,885	\$ 114,704
Derivatives (Notes 5, 11)	50,051	48,270
Securitization liabilities at fair value (Notes 5, 9)	13,058	12,618
Financial liabilities designated at fair value through profit or loss (Notes 5, 17)	105,131	16
	<b>195,125</b>	<b>175,608</b>
<b>Deposits (Notes 5, 17)</b>		
Personal	503,430	477,644
Banks	16,751	16,712
Business and government	366,796	357,083
	<b>886,977</b>	<b>851,439</b>
<b>Other</b>		
Acceptances	13,494	17,269
Obligations related to securities sold short (Note 5)	29,656	39,478
Obligations related to securities sold under repurchase agreements (Note 5)	125,856	93,389
Securitization liabilities at amortized cost (Notes 5, 9)	14,086	14,683
Amounts payable to brokers, dealers, and clients	23,746	28,385
Insurance-related liabilities (Note 22)	6,920	6,698
Other liabilities (Note 18)	21,004	19,174
	<b>234,762</b>	<b>219,076</b>
<b>Subordinated notes and debentures (Notes 5, 19)</b>	<b>10,725</b>	<b>8,740</b>
<b>Total liabilities</b>	<b>1,327,589</b>	<b>1,254,863</b>
<b>EQUITY</b>		
<b>Shareholders' Equity</b>		
Common shares (Note 21)	21,713	21,221
Preferred shares (Note 21)	5,800	5,000
Treasury shares – common (Note 21)	(41)	(144)
Treasury shares – preferred (Note 21)	(6)	(7)
Contributed surplus	157	193
Retained earnings	49,497	46,145
Accumulated other comprehensive income (loss)	10,581	6,639
	<b>87,701</b>	<b>79,047</b>
<b>Non-controlling interests in subsidiaries (Note 21)</b>	<b>–</b>	<b>993</b>
<b>Total equity</b>	<b>87,701</b>	<b>80,040</b>
<b>Total liabilities and equity</b>	<b>\$ 1,415,290</b>	<b>\$ 1,334,903</b>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.



**Bharat B. Masrani**  
Group President and  
Chief Executive Officer



**Alan N. MacGibbon**  
Chair, Audit Committee

# Consolidated Statement of Income

(millions of Canadian dollars, except as noted)

	<i>For the years ended October 31</i>		
	2019	2018	2017
<b>Interest income<sup>1</sup></b>			
Loans	<b>\$ 31,925</b>	\$ 27,790	\$ 23,663
Securities			
Interest	<b>7,843</b>	6,685	4,595
Dividends	<b>1,548</b>	1,234	1,128
Deposits with banks	<b>683</b>	713	446
	<b>41,999</b>	36,422	29,832
<b>Interest expense (Note 30)</b>			
Deposits	<b>13,675</b>	10,489	6,615
Securitization liabilities	<b>524</b>	586	472
Subordinated notes and debentures	<b>395</b>	337	391
Other	<b>3,474</b>	2,771	1,507
	<b>18,068</b>	14,183	8,985
<b>Net interest income</b>	<b>23,931</b>	22,239	20,847
<b>Non-interest income</b>			
Investment and securities services	<b>4,872</b>	4,714	4,512
Credit fees	<b>1,289</b>	1,210	1,130
Net securities gain (loss) (Note 7)	<b>78</b>	111	128
Trading income (loss)	<b>1,047</b>	1,052	303
Income (loss) from non-trading financial instruments at fair value through profit or loss	<b>121</b>	48	n/a <sup>2</sup>
Income (loss) from financial instruments designated at fair value through profit or loss	<b>8</b>	(170)	(254)
Service charges	<b>2,885</b>	2,716	2,648
Card services	<b>2,465</b>	2,376	2,388
Insurance revenue (Note 22)	<b>4,282</b>	4,045	3,760
Other income (loss)	<b>87</b>	551	740
	<b>17,134</b>	16,653	15,355
<b>Total revenue</b>	<b>41,065</b>	38,892	36,202
<b>Provision for credit losses (Note 8)</b>	<b>3,029</b>	2,480	2,216
<b>Insurance claims and related expenses (Note 22)</b>	<b>2,787</b>	2,444	2,246
<b>Non-interest expenses</b>			
Salaries and employee benefits (Note 24)	<b>11,244</b>	10,377	10,018
Occupancy, including depreciation	<b>1,835</b>	1,765	1,794
Equipment, including depreciation	<b>1,165</b>	1,073	992
Amortization of other intangibles	<b>800</b>	815	704
Marketing and business development	<b>769</b>	803	726
Restructuring charges (recovery)	<b>175</b>	73	2
Brokerage-related and sub-advisory fees	<b>336</b>	359	360
Professional and advisory services	<b>1,322</b>	1,194	1,119
Other	<b>4,374</b>	3,736	3,704
	<b>22,020</b>	20,195	19,419
<b>Income before income taxes and equity in net income of an investment in TD Ameritrade</b>	<b>13,229</b>	13,773	12,321
<b>Provision for (recovery of) income taxes (Note 25)</b>	<b>2,735</b>	3,182	2,253
<b>Equity in net income of an investment in TD Ameritrade (Note 12)</b>	<b>1,192</b>	743	449
<b>Net income</b>	<b>11,686</b>	11,334	10,517
<b>Preferred dividends</b>	<b>252</b>	214	193
<b>Net income available to common shareholders and non-controlling interests in subsidiaries</b>	<b>\$ 11,434</b>	\$ 11,120	\$ 10,324
Attributable to:			
Common shareholders	<b>\$ 11,416</b>	\$ 11,048	\$ 10,203
Non-controlling interests in subsidiaries	<b>18</b>	72	121
<b>Earnings per share (Canadian dollars) (Note 26)</b>			
Basic	<b>\$ 6.26</b>	\$ 6.02	\$ 5.51
Diluted	<b>6.25</b>	6.01	5.50
<b>Dividends per common share (Canadian dollars)</b>	<b>2.89</b>	2.61	2.35

<sup>1</sup> Includes \$34,828 million, for the year ended October 31, 2019 (October 31, 2018 – \$30,639 million), which has been calculated based on the effective interest rate method (EIRM). Refer to Note 30.

<sup>2</sup> Not applicable.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Certain comparative amounts have been recast to conform with the presentation adopted in the current period.

# Consolidated Statement of Comprehensive Income<sup>1</sup>

(millions of Canadian dollars)	For the years ended October 31		
	2019	2018	2017
<b>Net income</b>	<b>\$ 11,686</b>	<b>\$ 11,334</b>	<b>\$ 10,517</b>
<b>Other comprehensive income (loss), net of income taxes</b>			
<b>Items that will be subsequently reclassified to net income</b>			
<b>Net change in unrealized gains (losses) on financial assets at fair value through other comprehensive income (available-for-sale securities under IAS 39<sup>2</sup>)</b>			
Change in unrealized gains (losses) on available-for-sale securities	n/a	n/a	467
Change in unrealized gains (losses) on debt securities at fair value through other comprehensive income	110	(261)	n/a
Reclassification to earnings of net losses (gains) in respect of available-for-sale securities	n/a	n/a	(143)
Reclassification to earnings of net losses (gains) in respect of debt securities at fair value through other comprehensive income	(31)	(22)	n/a
Reclassification to earnings of changes in allowance for credit losses on debt securities at fair value through other comprehensive income	(1)	(1)	n/a
	<b>78</b>	<b>(284)</b>	<b>324</b>
<b>Net change in unrealized foreign currency translation gains (losses) on investments in foreign operations, net of hedging activities</b>			
Unrealized gains (losses) on investments in foreign operations	(165)	1,323	(2,534)
Reclassification to earnings of net losses (gains) on investment in foreign operations	-	-	(17)
Net gains (losses) on hedges of investments in foreign operations	132	(288)	659
Reclassification to earnings of net losses (gains) on hedges of investments in foreign operations	-	-	4
	<b>(33)</b>	<b>1,035</b>	<b>(1,888)</b>
<b>Net change in gains (losses) on derivatives designated as cash flow hedges</b>			
Change in gains (losses) on derivatives designated as cash flow hedges	3,459	(1,624)	(1,454)
Reclassification to earnings of losses (gains) on cash flow hedges	519	(455)	(810)
	<b>3,978</b>	<b>(2,079)</b>	<b>(2,264)</b>
<b>Items that will not be subsequently reclassified to net income</b>			
Actuarial gains (losses) on employee benefit plans	(921)	622	325
Change in net unrealized gains (losses) on equity securities designated at fair value through other comprehensive income	(95)	38	n/a
Change in fair value due to credit risk on financial liabilities designated at fair value through profit or loss	14	-	n/a
	<b>(1,002)</b>	<b>660</b>	<b>325</b>
<b>Total other comprehensive income (loss), net of income taxes</b>	<b>3,021</b>	<b>(668)</b>	<b>(3,503)</b>
<b>Total comprehensive income (loss), net of income taxes</b>	<b>\$ 14,707</b>	<b>\$ 10,666</b>	<b>\$ 7,014</b>
Attributable to:			
Common shareholders	\$ 14,437	\$ 10,380	\$ 6,700
Preferred shareholders	252	214	193
Non-controlling interests in subsidiaries	18	72	121

<sup>1</sup> The amounts are net of income tax provisions (recoveries) presented in the following table.

<sup>2</sup> IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39).

## Income Tax Provisions (Recoveries) in the Consolidated Statement of Comprehensive Income

(millions of Canadian dollars)	For the years ended October 31		
	2019	2018	2017
Change in unrealized gains (losses) on available-for-sale securities	\$ n/a	\$ n/a	\$ 150
Change in unrealized gains (losses) on debt securities at fair value through other comprehensive income	21	(139)	n/a
Less: Reclassification to earnings of net losses (gains) in respect of available-for-sale securities	n/a	n/a	(36)
Less: Reclassification to earnings of net losses (gains) in respect of debt securities at fair value through other comprehensive income	(1)	13	n/a
Less: Reclassification to earnings of changes in allowance for credit losses on debt securities at fair value through other comprehensive income	-	-	n/a
Unrealized gains (losses) on investments in foreign operations	-	-	-
Less: Reclassification to earnings of net losses (gains) on investment in foreign operations	-	-	-
Net gains (losses) on hedges of investments in foreign operations	48	(104)	237
Less: Reclassification to earnings of net losses (gains) on hedges of investments in foreign operations	-	-	(1)
Change in gains (losses) on derivatives designated as cash flow hedges	1,235	(473)	(789)
Less: Reclassification to earnings of losses (gains) on cash flow hedges	(157)	283	258
Actuarial gains (losses) on employee benefit plans	(324)	243	129
Change in net unrealized gains (losses) on equity securities designated at fair value through other comprehensive income	(35)	20	n/a
Change in fair value due to credit risk on financial liabilities designated at fair value through profit or loss	4	-	n/a
<b>Total income taxes</b>	<b>\$ 1,107</b>	<b>\$ (749)</b>	<b>\$ (494)</b>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity

	For the years ended October 31		
	2019	2018	2017
<b>Common shares (Note 21)</b>			
Balance at beginning of year	\$ 21,221	\$ 20,931	\$ 20,711
Proceeds from shares issued on exercise of stock options	124	152	148
Shares issued as a result of dividend reinvestment plan	357	366	329
Shares issued in connection with acquisitions (Notes 13)	366	–	–
Purchase of shares for cancellation and other	(355)	(228)	(257)
Balance at end of year	21,713	21,221	20,931
<b>Preferred shares (Note 21)</b>			
Balance at beginning of year	5,000	4,750	4,400
Issue of shares	800	750	350
Redemption of shares	–	(500)	–
Balance at end of year	5,800	5,000	4,750
<b>Treasury shares – common (Note 21)</b>			
Balance at beginning of year	(144)	(176)	(31)
Purchase of shares	(9,782)	(8,295)	(9,654)
Sale of shares	9,885	8,327	9,509
Balance at end of year	(41)	(144)	(176)
<b>Treasury shares – preferred (Note 21)</b>			
Balance at beginning of year	(7)	(7)	(5)
Purchase of shares	(151)	(129)	(175)
Sale of shares	152	129	173
Balance at end of year	(6)	(7)	(7)
<b>Contributed surplus</b>			
Balance at beginning of year	193	214	203
Net premium (discount) on sale of treasury shares	(22)	(2)	23
Issuance of stock options, net of options exercised (Note 23)	(8)	(12)	(8)
Other	(6)	(7)	(4)
Balance at end of year	157	193	214
<b>Retained earnings</b>			
Balance at beginning of year	46,145	40,489	35,452
Impact on adoption of IFRS 15 <sup>1</sup>	(41)	n/a	n/a
Impact on adoption of IFRS 9 <sup>2</sup>	–	53	n/a
Net income attributable to shareholders	11,668	11,262	10,396
Common dividends	(5,262)	(4,786)	(4,347)
Preferred dividends	(252)	(214)	(193)
Share issue expenses and others	(9)	(10)	(4)
Net premium on repurchase of common shares, redemption of preferred shares, and other	(1,880)	(1,273)	(1,140)
Actuarial gains (losses) on employee benefit plans	(921)	622	325
Realized gains (losses) on equity securities designated at fair value through other comprehensive income	49	2	n/a
Balance at end of year	49,497	46,145	40,489
<b>Accumulated other comprehensive income (loss)</b>			
<i>Net unrealized gain (loss) on debt securities at fair value through other comprehensive income:</i>			
Balance at beginning of year	245	510	n/a
Impact on adoption of IFRS 9	–	19	n/a
Other comprehensive income (loss)	79	(283)	n/a
Allowance for credit losses	(1)	(1)	n/a
Balance at end of year	323	245	n/a
<i>Net unrealized gain (loss) on equity securities designated at fair value through other comprehensive income:</i>			
Balance at beginning of year	55	113	n/a
Impact on adoption of IFRS 9	–	(96)	n/a
Other comprehensive income (loss)	(46)	40	n/a
Reclassification of loss (gain) to retained earnings	(49)	(2)	n/a
Balance at end of year	(40)	55	n/a
<i>Net unrealized gain (loss) on available-for-sale securities:</i>			
Balance at beginning of year	n/a	n/a	299
Other comprehensive income (loss)	n/a	n/a	324
Balance at end of year	n/a	n/a	623
<i>Change in fair value due to credit risk on financial liabilities designated at fair value through profit or loss:</i>			
Balance at beginning of year	–	–	n/a
Other comprehensive income (loss)	14	–	n/a
Balance at end of year	14	–	n/a
<i>Net unrealized foreign currency translation gain (loss) on investments in foreign operations, net of hedging activities:</i>			
Balance at beginning of year	8,826	7,791	9,679
Other comprehensive income (loss)	(33)	1,035	(1,888)
Balance at end of year	8,793	8,826	7,791
<i>Net gain (loss) on derivatives designated as cash flow hedges:</i>			
Balance at beginning of year	(2,487)	(408)	1,856
Other comprehensive income (loss)	3,978	(2,079)	(2,264)
Balance at end of year	1,491	(2,487)	(408)
<b>Total accumulated other comprehensive income</b>	<b>10,581</b>	<b>6,639</b>	<b>8,006</b>
<b>Total shareholders' equity</b>	<b>87,701</b>	<b>79,047</b>	<b>74,207</b>
<b>Non-controlling interests in subsidiaries (Note 21)</b>			
Balance at beginning of year	993	983	1,650
Net income attributable to non-controlling interests in subsidiaries	18	72	121
Redemption of non-controlling interests in subsidiaries	(1,000)	–	(617)
Other	(11)	(62)	(171)
Balance at end of year	–	993	983
<b>Total equity</b>	<b>\$ 87,701</b>	<b>\$ 80,040</b>	<b>\$ 75,190</b>

<sup>1</sup> IFRS 15, *Revenue from Contracts with Customers* (IFRS 15).

<sup>2</sup> IFRS 9, *Financial Instruments* (IFRS 9).

The accompanying Notes are an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Cash Flows

(millions of Canadian dollars)

	<i>For the years ended October 31</i>		
	2019	2018	2017
<b>Cash flows from (used in) operating activities</b>			
Net income before income taxes, including equity in net income of an investment in TD Ameritrade	<b>\$ 14,421</b>	\$ 14,516	\$ 12,770
Adjustments to determine net cash flows from (used in) operating activities			
Provision for credit losses (Note 8)	<b>3,029</b>	2,480	2,216
Depreciation (Note 15)	<b>605</b>	576	603
Amortization of other intangibles	<b>800</b>	815	704
Net securities losses (gains) (Note 7)	<b>(78)</b>	(111)	(128)
Equity in net income of an investment in TD Ameritrade (Note 12)	<b>(1,192)</b>	(743)	(449)
Dilution gain (Note 12)	<b>–</b>	–	(204)
Deferred taxes (Note 25)	<b>(33)</b>	385	175
Changes in operating assets and liabilities			
Interest receivable and payable (Notes 16, 18)	<b>(26)</b>	(104)	(283)
Securities sold under repurchase agreements	<b>32,467</b>	4,798	39,618
Securities purchased under reverse repurchase agreements	<b>(38,556)</b>	7,050	(48,377)
Securities sold short	<b>(9,822)</b>	3,996	2,367
Trading loans and securities	<b>(18,103)</b>	(24,065)	(4,661)
Loans net of securitization and sales	<b>(41,693)</b>	(45,620)	(22,332)
Deposits	<b>(52,281)</b>	53,379	40,150
Derivatives	<b>9,883</b>	(3,745)	1,836
Non-trading financial assets at fair value through profit or loss	<b>(2,397)</b>	5,257	n/a
Financial assets and liabilities designated at fair value through profit or loss	<b>104,693</b>	(460)	245
Securitization liabilities	<b>(157)</b>	(1,532)	(1,575)
Current taxes	<b>(771)</b>	(780)	(419)
Brokers, dealers, and clients amounts receivable and payable	<b>1,726</b>	(1,435)	2,459
Other	<b>(2,244)</b>	(8,964)	1,412
Net cash from (used in) operating activities	<b>271</b>	5,693	26,127
<b>Cash flows from (used in) financing activities</b>			
Issuance of subordinated notes and debentures (Note 19)	<b>1,749</b>	1,750	1,500
Redemption or repurchase of subordinated notes and debentures (Note 19)	<b>24</b>	(2,468)	(2,536)
Common shares issued (Note 21)	<b>105</b>	128	125
Preferred shares issued (Note 21)	<b>791</b>	740	346
Repurchase of common shares (Note 21)	<b>(2,235)</b>	(1,501)	(1,397)
Redemption of preferred shares (Note 21)	<b>–</b>	(500)	–
Redemption of non-controlling interests in subsidiaries (Note 21)	<b>(1,000)</b>	–	(626)
Sale of treasury shares (Note 21)	<b>10,015</b>	8,454	9,705
Purchase of treasury shares (Note 21)	<b>(9,933)</b>	(8,424)	(9,829)
Dividends paid	<b>(5,157)</b>	(4,634)	(4,211)
Distributions to non-controlling interests in subsidiaries	<b>(11)</b>	(72)	(112)
Net cash from (used in) financing activities	<b>(5,652)</b>	(6,527)	(7,035)
<b>Cash flows from (used in) investing activities</b>			
Interest-bearing deposits with banks	<b>5,137</b>	20,465	2,529
Activities in financial assets at fair value through other comprehensive income (Note 7)			
Purchases	<b>(24,898)</b>	(20,269)	n/a
Proceeds from maturities	<b>37,835</b>	30,101	n/a
Proceeds from sales	<b>10,158</b>	2,731	n/a
Activities in available-for-sale securities (Note 7)			
Purchases	<b>n/a</b>	n/a	(63,339)
Proceeds from maturities	<b>n/a</b>	n/a	30,775
Proceeds from sales	<b>n/a</b>	n/a	4,977
Activities in debt securities at amortized cost (Note 7)			
Purchases	<b>(51,202)</b>	(51,663)	n/a
Proceeds from maturities	<b>28,392</b>	20,101	n/a
Proceeds from sales	<b>1,418</b>	670	n/a
Activities in held-to-maturity securities (Note 7)			
Purchases	<b>n/a</b>	n/a	(17,807)
Proceeds from maturities	<b>n/a</b>	n/a	27,729
Proceeds from sales	<b>n/a</b>	n/a	452
Activities in debt securities classified as loans			
Purchases	<b>n/a</b>	n/a	(2,471)
Proceeds from maturities	<b>n/a</b>	n/a	337
Proceeds from sales	<b>n/a</b>	n/a	447
Net purchases of land, buildings, equipment, and other depreciable assets	<b>(794)</b>	(587)	(434)
Net cash acquired from (paid for) divestitures, acquisitions, and the purchase of TD Ameritrade shares (Notes 12, 13)	<b>(540)</b>	–	(2,129)
Net cash from (used in) investing activities	<b>5,506</b>	1,549	(18,934)
Effect of exchange rate changes on cash and due from banks	<b>3</b>	49	(94)
<b>Net increase (decrease) in cash and due from banks</b>	<b>128</b>	764	64
Cash and due from banks at beginning of year	<b>4,735</b>	3,971	3,907
<b>Cash and due from banks at end of year</b>	<b>\$ 4,863</b>	\$ 4,735	\$ 3,971
<b>Supplementary disclosure of cash flows from operating activities</b>			
Amount of income taxes paid (refunded) during the year	<b>\$ 3,589</b>	\$ 3,535	\$ 2,866
Amount of interest paid during the year	<b>17,958</b>	13,888	8,957
Amount of interest received during the year	<b>40,315</b>	34,789	28,393
Amount of dividends received during the year	<b>1,584</b>	1,202	1,153

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

# Notes to Consolidated Financial Statements

NOTE 1	NATURE OF OPERATIONS
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## CORPORATE INFORMATION

The Toronto-Dominion Bank is a bank chartered under the *Bank Act*. The shareholders of a bank are not, as shareholders, liable for any liability, act, or default of the bank except as otherwise provided under the *Bank Act*. The Toronto-Dominion Bank and its subsidiaries are collectively known as TD Bank Group (“TD” or the “Bank”). The Bank was formed through the amalgamation on February 1, 1955, of The Bank of Toronto (chartered in 1855) and The Dominion Bank (chartered in 1869). The Bank is incorporated and domiciled in Canada with its registered and principal business offices located at 66 Wellington Street West, Toronto, Ontario. TD serves customers in three business segments operating in a number of locations in key financial centres around the globe: Canadian Retail, U.S. Retail, and Wholesale Banking.

## BASIS OF PREPARATION

The accompanying Consolidated Financial Statements and accounting principles followed by the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), including the accounting requirements of the Office of the Superintendent of Financial Institutions Canada (OSFI). The Consolidated Financial Statements are presented in Canadian dollars, unless otherwise indicated.

These Consolidated Financial Statements were prepared using the accounting policies as described in Notes 2 and 4. Certain comparative amounts have been revised to conform with the presentation adopted in the current period.

The preparation of the Consolidated Financial Statements requires that management make estimates, assumptions, and judgments regarding the reported amount of assets, liabilities, revenue and expenses, and disclosure of contingent assets and liabilities, as further described in Note 3. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

The accompanying Consolidated Financial Statements of the Bank were approved and authorized for issue by the Bank’s Board of Directors, in accordance with a recommendation of the Audit Committee, on December 4, 2019.

Certain disclosures are included in the shaded sections of the “Managing Risk” section of the accompanying 2019 Management’s Discussion and Analysis (MD&A), as permitted by IFRS, and form an integral part of the Consolidated Financial Statements. The Consolidated Financial Statements were prepared under a historical cost basis, except for certain items carried at fair value as discussed in Note 2.

NOTE 2	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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## BASIS OF CONSOLIDATION

The Consolidated Financial Statements include the assets, liabilities, results of operations, and cash flows of the Bank and its subsidiaries including certain structured entities which it controls. The Bank controls an entity when (1) it has the power to direct the activities of the entity which have the most significant impact on the entity’s risks and/or returns; (2) it is exposed to significant risks and/or returns arising from the entity; and (3) it is able to use its power to affect the risks and/or returns to which it is exposed.

The Bank’s Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and events in similar circumstances. All intercompany transactions, balances, and unrealized gains and losses on transactions are eliminated on consolidation.

### Subsidiaries

Subsidiaries are corporations or other legal entities controlled by the Bank, generally through directly holding more than half of the voting power of the entity. Control of subsidiaries is determined based on the power exercisable through ownership of voting rights and is generally aligned with the risks and/or returns (collectively referred to as “variable returns”) absorbed from subsidiaries through those voting rights. As a result, the Bank controls and consolidates subsidiaries when it holds the majority of the voting rights of the subsidiary, unless there is evidence that another investor has control over the subsidiary. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Bank controls an entity. Subsidiaries are consolidated from the date the Bank obtains control and continue to be consolidated until the date when control ceases to exist.

The Bank may consolidate certain subsidiaries where it owns 50% or less of the voting rights. Most of those subsidiaries are structured entities as described in the following section.

### Structured Entities

Structured entities are entities that are created to accomplish a narrow and well-defined objective. Structured entities may take the form of a corporation, trust, partnership, or unincorporated entity. They are often created with legal arrangements that impose limits on the decision-making powers of their governing board, trustee, or management over the operations of the entity. Typically, structured entities may not be controlled directly through holding more than half of the voting power of the entity as the ownership of voting rights may not be aligned with the variable returns absorbed from the entity. As a result, structured entities are consolidated when the substance of the relationship between the Bank and the structured entity indicates that the entity is controlled by the Bank. When assessing whether the Bank has to consolidate a structured entity, the Bank evaluates three primary criteria in order to conclude whether, in substance:

- The Bank has the power to direct the activities of the structured entity that have the most significant impact on the entity’s risks and/or returns;
- The Bank is exposed to significant variable returns arising from the entity; and
- The Bank has the ability to use its power to affect the risks and/or returns to which it is exposed.

Consolidation conclusions are reassessed at the end of each financial reporting period. The Bank's policy is to consider the impact on consolidation of all significant changes in circumstances, focusing on the following:

- Substantive changes in ownership, such as the purchase or disposal of more than an insignificant additional interest in an entity;
- Changes in contractual or governance arrangements of an entity;
- Additional activities undertaken, such as providing a liquidity facility beyond the original terms or entering into a transaction not originally contemplated; or
- Changes in the financing structure of an entity.

#### **Investments in Associates and Joint Ventures**

Entities over which the Bank has significant influence are associates and entities over which the Bank has joint control are joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of an investee, but is not control or joint control over these entities. Associates and joint ventures are accounted for using the equity method of accounting. Investments in associates and joint ventures are carried on the Consolidated Balance Sheet initially at cost and increased or decreased to recognize the Bank's share of the profit or loss of the associate or joint venture, capital transactions, including the receipt of any dividends, and write-downs to reflect any impairment in the value of such entities. These increases or decreases, together with any gains and losses realized on disposition, are reported on the Consolidated Statement of Income.

At each balance sheet date, the Bank assesses whether there is any objective evidence that the investment in an associate or joint venture is impaired. The Bank calculates the amount of impairment as the difference between the higher of fair value or value-in-use and its carrying value.

#### **Non-controlling Interests**

When the Bank does not own all of the equity of a consolidated entity, the minority shareholders' interest is presented on the Consolidated Balance Sheet as Non-controlling interests in subsidiaries as a component of total equity, separate from the equity of the Bank's shareholders. The income attributable to the minority interest holders, net of tax, is presented as a separate line item on the Consolidated Statement of Income.

#### **CASH AND DUE FROM BANKS**

Cash and due from banks consist of cash and amounts due from banks which are issued by investment grade financial institutions. These amounts are due on demand or have an original maturity of three months or less.

#### **REVENUE RECOGNITION**

Revenue is recognized at an amount that reflects the consideration the Bank expects to be entitled to in exchange for transferring services to a customer, excluding amounts collected on behalf of third parties. The Bank recognizes revenue when it transfers control of a good or a service to a customer at a point in time or over time. The determination of when performance obligations are satisfied requires the use of judgment. Refer to Note 3 for further details.

The Bank identifies contracts with customers subject to IFRS 15, which create enforceable rights and obligations. The Bank determines the performance obligations based on distinct services promised to the customers in the contracts. The Bank's contracts generally have a term of one year or less, consist of a single performance obligation, and the performance obligations generally reflect services.

For each contract, the Bank determines the transaction price, which includes estimating variable consideration and assessing whether the price is constrained. Variable consideration is included

in the transaction price to the extent that it is highly probable that a significant reversal of the amount will not occur when the uncertainty associated with the amount of variable consideration is subsequently resolved. As such, the estimate of the variable consideration is constrained until the end of the invoicing period. The uncertainty is generally resolved at the end of the reporting period and as such, no significant judgment is required when recognizing variable consideration in revenues.

The Bank's receipt of payment from customers generally occurs subsequent to the satisfaction of performance obligations or a short time thereafter. As such, the Bank has not recognized any material contract assets (unbilled receivables) or contract liabilities (deferred revenues) and there is no significant financing component associated with the consideration due to the Bank.

When another party is involved in the transfer of services to a customer, an assessment is made to evaluate whether the Bank is the principal such that revenues are reported on a gross basis or the agent such that revenues are reported on a net basis. The Bank is the principal when it controls the services in the contract promised to the customer before they are transferred. Control is demonstrated by the Bank being primarily responsible for fulfilling the transfer of the services to the customer, having discretion in establishing pricing of the services, or both.

Interest from interest-bearing assets and liabilities not measured at fair value through profit or loss is recognized as net interest income using the effective interest rate (EIR). EIR is the rate that discounts expected future cash flows for the expected life of the financial instrument to its carrying value. The calculation takes into account the contractual interest rate, along with any fees or incremental costs that are directly attributable to the instrument and all other premiums or discounts.

#### **Investment and securities services**

Investment and securities services income include asset management fees, administration and commission fees, and investment banking fees. The Bank recognizes asset management and administration fees based on time elapsed, which depicts the rendering of investment management and related services over time. The fees are primarily calculated based on average daily or point in time assets under management (AUM) or assets under administration (AUA) depending on the investment mandate.

Commission fees include sales, trailer and brokerage commissions. Sales and brokerage commissions are generally recognized at a point in time when the transaction is executed. Trailer commissions are recognized over time and are generally calculated based on the average daily net asset value of the fund during the period.

Investment banking fees include advisory fees and underwriting fees and are generally recognized at a point in time upon successful completion of the engagement.

#### **Credit fees**

Credit fees include liquidity fees, restructuring fees, letter of credit fees, and loan syndication fees. Liquidity, restructuring, and letter of credit fees are recognized in income over the period in which the service is provided. Loan syndication fees are generally recognized at a point in time upon completion of the financing placement.

#### **Service charges**

Service charges income is earned on personal and commercial deposit accounts and consists of account fees and transaction-based service charges. Account fees relate to account maintenance activities and are recognized in income over the period in which the service is provided. Transaction-based service charges are recognized as earned at a point in time when the transaction is complete.

### Card services

Card services income includes interchange income as well as card fees such as annual and transactional fees. Interchange income is recognized at a point in time when the transaction is authorized and funded. Card fees are recognized as earned at the transaction date with the exception of annual fees, which are recognized over a twelve-month period.

### IFRS 9 FINANCIAL INSTRUMENTS

On November 1, 2017, the Bank adopted IFRS 9, *Financial Instruments* (IFRS 9), which replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39). IFRS 9 includes requirements on: (1) Classification and measurement of financial assets and liabilities; (2) Impairment of financial assets; and (3) General hedge accounting. Accounting for macro hedging has been decoupled from IFRS 9. The Bank has an accounting policy choice to apply the hedge accounting requirements of IFRS 9 or IAS 39. The Bank has made the decision to continue applying the IAS 39 hedge accounting requirements and complies with the revised annual hedge accounting disclosures as required by the related amendments to IFRS 7, *Financial Instruments: Disclosures* (IFRS 7).

Various interest rates and other indices that are deemed to be “benchmarks” (including Interbank Offered Rate (IBOR) benchmarks) have been, and continue to be, the subject of international regulatory guidance and proposals for reform. Following the announcement by the U.K. Financial Conduct Authority (FCA) on July 27, 2017 indicating that the FCA would no longer compel banks to submit rates for the calculation of London Interbank Offered Rate (LIBOR) post December 31, 2021, efforts to transition away from IBORs to alternative reference rates have been continuing in various jurisdictions. These developments, and the related uncertainty over the potential variance in the timing and manner of implementation in each jurisdiction, introduce risks that may have adverse consequences on the Bank, its clients and the financial services industry. Moreover, the replacement of the IBORs or other benchmark rates could result in market dislocation and have other adverse consequences for market participants.

As a result of the effects of IBOR reform, on September 26, 2019, the IASB issued *Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7 (“Interest Rate Benchmark Reform”)*; of which the Bank adopted the applicable amendments to IFRS 7 relating to hedge accounting and will apply the remaining amendments related to IAS 39 as and when applicable to the Bank’s hedging relationships. Refer to Note 4 for further details.

### Classification and Measurement of Financial Assets

The Bank classifies its financial assets into the following categories:

- Amortized cost;
- Fair value through other comprehensive income (FVOCI);
- Held-for-trading;
- Non-trading fair value through profit or loss (FVTPL); and
- Designated at FVTPL.

The Bank recognizes financial assets on a settlement date basis, except for derivatives and securities, which are recognized on a trade date basis.

### Debt Instruments

The classification and measurement for debt instruments is based on the Bank’s business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). Refer to Note 3 for judgment with respect to business models and SPPI.

The Bank has determined its business models as follows:

- Held-to-collect: the objective is to collect contractual cash flows;
- Held-to-collect-and-sell: the objective is both to collect contractual cash flows and sell the financial assets; and
- Held-for-sale and other business models: the objective is neither of the above.

The Bank performs the SPPI test for financial assets held within the held-to-collect and held-to-collect-and-sell business models. If these financial assets have contractual cash flows which are inconsistent with a basic lending arrangement, they are classified as non-trading financial assets measured at FVTPL. In a basic lending arrangement, interest includes only consideration for time value of money, credit risk, other basic lending risks, and a reasonable profit margin.

### Debt Securities and Loans Measured at Amortized Cost

Debt securities and loans held within a held-to-collect business model where their contractual cash flows pass the SPPI test are measured at amortized cost. The carrying amount of these financial assets is adjusted by an allowance for credit losses recognized and measured as described in the *Impairment – Expected Credit Loss Model* section of this Note, as well as any write-offs and unearned income which includes prepaid interest, loan origination fees and costs, commitment fees, loan syndication fees, and unamortized discounts or premiums. Interest income is recognized using EIRM. Loan origination fees and costs are considered to be adjustments to the loan yield and are recognized in interest income over the term of the loan. Commitment fees are recognized in credit fees over the commitment period when it is unlikely that the commitment will be called upon; otherwise, they are recognized in interest income over the term of the resulting loan. Loan syndication fees are recognized in credit fees upon completion of the financing placement unless the yield on any loan retained by the Bank is less than that of other comparable lenders involved in the financing syndicate. In such cases, an appropriate portion of the fee is recognized as a yield adjustment in interest income over the term of the loan.

### Debt Securities and Loans Measured at Fair Value through Other Comprehensive Income

Debt securities and loans held within a held-to-collect-and-sell business model where their contractual cash flows pass the SPPI test are measured at FVOCI. Fair value changes are recognized in other comprehensive income, except for impairment gains or losses, interest income and foreign exchange gains and losses on the instrument’s amortized cost, which are recognized in the Consolidated Statement of Income. The expected credit loss (ECL) allowance is recognized and measured as described in the *Impairment – Expected Credit Loss Model* section of this Note. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to income and recognized in net securities gain (loss). Interest income from these financial assets is included in interest income using EIRM.

### Financial Assets Held-for-Trading

This held-for-sale business model includes financial assets held within a trading portfolio, which have been originated, acquired, or incurred principally for the purpose of selling in the near term, or if they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking. Financial assets held within this business model consist of trading securities, trading loans, as well as certain debt securities and financing-type physical commodities that are recorded as securities purchased under reverse repurchase agreements on the Consolidated Balance Sheet.



Trading portfolio assets are accounted for at fair value, with changes in fair value as well as any gains or losses realized on disposal recognized in trading income (loss). Transaction costs are expensed as incurred. Dividends are recognized on the ex-dividend date and interest is recognized on an accrual basis. Both dividends and interest are included in interest income.

#### *Non-Trading Financial Assets Measured at Fair Value through Profit or Loss*

Non-trading financial assets measured at FVTPL include financial assets held within the held-for-sale and other business models, for example debt securities and loans managed on a fair value basis. Financial assets held within the held-to-collect or held-to-collect-and-sell business models that do not pass the SPPI test are also classified as non-trading financial assets measured at FVTPL. Changes in fair value as well as any gains or losses realized on disposal are recognized in income (loss) from non-trading financial instruments at FVTPL. Interest income from debt instruments is included in interest income on an accrual basis.

#### *Financial Assets Designated at Fair Value through Profit or Loss*

Debt instruments in a held-to-collect or held-to-collect-and-sell business model can be designated at initial recognition as measured at FVTPL, provided the designation can eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring these financial assets on a different basis. The FVTPL designation is available only for those financial instruments for which a reliable estimate of fair value can be obtained. Once financial assets are designated at FVTPL, the designation is irrevocable. Changes in fair value as well as any gains or losses realized on disposal are recognized in income (loss) from financial instruments designated at FVTPL. Interest income from these financial assets is included in interest income on an accrual basis.

#### *Customers' Liability under Acceptances*

Acceptances represent a form of negotiable short-term debt issued by customers, which the Bank guarantees for a fee. Revenue is recognized on an accrual basis. The potential obligation of the Bank is reported as a liability under Acceptances on the Consolidated Balance Sheet. The Bank's recourse against the customer in the event of a call on any of these commitments is reported as an asset of the same amount.

#### **Equity Instruments**

Equity investments are required to be measured at FVTPL (classified as non-trading financial assets measured at FVTPL), except where the Bank has elected at initial recognition to irrevocably designate an equity investment, held for purposes other than trading, at FVOCI. If such an election is made, the fair value changes, including any associated foreign exchange gains or losses, are recognized in other comprehensive income and are not subsequently reclassified to net income, including upon disposal. Realized gains and losses are transferred directly to retained earnings upon disposal. Consequently, there is no review required for impairment. Dividends will normally be recognized in interest income unless the dividends represent a recovery of part of the cost of the investment. Gains and losses on non-trading equity investments measured at FVTPL are included in income (loss) from non-trading financial instruments at FVTPL.

#### **Classification and Measurement for Financial Liabilities**

The Bank classifies its financial liabilities into the following categories:

- Held-for-trading;
- Designated at FVTPL; and
- Other liabilities.

#### **Financial Liabilities Held-for-Trading**

Financial liabilities are held within a trading portfolio if they have been incurred principally for the purpose of repurchasing in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Financial liabilities held-for-trading are primarily trading deposits, securitization liabilities at fair value, obligations related to securities sold short and certain obligations related to securities sold under repurchase agreements.

Trading portfolio liabilities are accounted for at fair value, with changes in fair value as well as any gains or losses realized on disposal recognized in trading income (loss). Transaction costs are expensed as incurred. Interest is recognized on an accrual basis and included in interest expense.

#### **Financial Liabilities Designated at Fair Value through Profit or Loss**

Certain financial liabilities may be designated at FVTPL at initial recognition. To be designated at FVTPL, financial liabilities must meet one of the following criteria: (1) the designation eliminates or significantly reduces a measurement or recognition inconsistency; (2) a group of financial liabilities is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or (3) the instrument contains one or more embedded derivatives unless a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract, or b) it is clear with little or no analysis that separation of the embedded derivative from the financial instrument is prohibited. In addition, the FVTPL designation is available only for those financial instruments for which a reliable estimate of fair value can be obtained. Once financial liabilities are designated at FVTPL, the designation is irrevocable.

Financial liabilities designated at FVTPL are carried at fair value on the Consolidated Balance Sheet, with changes in fair value as well as any gains or losses realized on disposal recognized in income (loss) from financial instruments designated at FVTPL, except for the amount of change in fair value attributable to changes in the Bank's own credit risk, which is presented in other comprehensive income. Amounts recognized in other comprehensive income are not subsequently reclassified to net income upon derecognition of the financial liability; instead, they are transferred directly to retained earnings.

Changes in fair value attributable to changes in the Bank's own credit risk are measured as the difference between: (i) the period-over-period change in the present value of the expected cash flows using an all-in discount curve reflecting both the interest rate benchmark curve and the Bank's own credit risk; and (ii) the period-over-period change in the present value of the same expected cash flows using a discount curve based solely on the interest rate benchmark curve.

For loan commitments and financial guarantee contracts that are designated at FVTPL, the full change in fair value of the liability is recognized in income (loss) from financial instruments designated at FVTPL.

Interest is included in interest expense on an accrual basis.

#### **Other Financial Liabilities**

##### *Deposits*

Deposits, other than deposits included in a trading portfolio and deposits designated at FVTPL, are accounted for at amortized cost. Accrued interest on deposits is included in Other liabilities on the Consolidated Balance Sheet. Interest, including capitalized transaction costs, is recognized on an accrual basis using EIRM as Interest expense on the Consolidated Statement of Income.

### *Subordinated Notes and Debentures*

Subordinated notes and debentures are accounted for at amortized cost. Accrued interest on subordinated notes and debentures is included in Other liabilities on the Consolidated Balance Sheet. Interest, including capitalized transaction costs, is recognized on an accrual basis using EIRM as Interest expense on the Consolidated Statement of Income.

### **Reclassification of Financial Assets and Liabilities**

Financial assets and financial liabilities are not reclassified subsequent to their initial recognition, except for financial assets for which the Bank changes its business model for managing financial assets. Such reclassifications of financial assets are expected to be rare in practice.

### **Impairment – Expected Credit Loss Model**

The ECL model applies to financial assets, including loans and debt securities measured at amortized cost, loans and debt securities measured at FVOCI, loan commitments, and financial guarantees that are not measured at FVTPL.

The ECL model consists of three stages: Stage 1 – twelve-month ECLs for performing financial assets, Stage 2 – Lifetime ECLs for financial assets that have experienced a significant increase in credit risk since initial recognition, and Stage 3 – Lifetime ECLs for financial assets that are impaired. ECLs are the difference between all contractual cash flows that are due to the Bank in accordance with the contract and all the cash flows the Bank expects to receive, discounted at the original effective interest rate. If a significant increase in credit risk has occurred since initial recognition, impairment is measured as lifetime ECLs. Otherwise, impairment is measured as twelve-month ECLs which represent the portion of lifetime ECLs that are expected to occur based on default events that are possible within twelve months after the reporting date. If credit quality improves in a subsequent period such that the increase in credit risk since initial recognition is no longer considered significant, the loss allowance reverts back to being measured based on twelve-month ECLs.

### **Significant Increase in Credit Risk**

For retail exposures, significant increase in credit risk is assessed based on changes in the twelve-month probability of default (PD) since initial recognition, using a combination of individual and collective information that incorporates borrower and account specific attributes and relevant forward-looking macroeconomic variables.

For non-retail exposures, significant increase in credit risk is assessed based on changes in the internal risk rating (borrower risk ratings (BRR)) since initial recognition.

The Bank defines default as delinquency of 90 days or more for most retail products and BRR 9 for non-retail exposures. Exposures are considered impaired and migrate to Stage 3 when they are 90 days or more past due for retail exposures, rated BRR 9 for non-retail exposures, or when there is objective evidence that there has been a deterioration of credit quality to the extent the Bank no longer has reasonable assurance as to the timely collection of the full amount of principal and interest.

When determining whether there has been a significant increase in credit risk since initial recognition of a financial asset, the Bank considers all reasonable and supportable information that is available without undue cost or effort about past events, current conditions, and forecast of future economic conditions. Refer to Note 3 for additional details.

### **Measurement of Expected Credit Losses**

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument and consider reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions that impact the Bank's credit risk assessment. Expected life is the maximum contractual period the Bank is exposed to credit risk, including extension options for which the borrower has unilateral right to exercise. For certain financial

instruments that include both a loan and an undrawn commitment, and the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period, ECLs are measured over the period the Bank is exposed to credit risk. For example, ECLs for credit cards are measured over the borrowers' expected behavioural life, incorporating survivorship assumptions and borrower-specific attributes.

The Bank leverages its Advanced Internal Ratings-Based (AIRB) models used for regulatory capital purposes and incorporates adjustments where appropriate to calculate ECLs.

### **Forward-Looking Information and Expert Credit Judgment**

Forward-looking information is considered when determining significant increase in credit risk and measuring ECLs. Forward-looking macroeconomic factors are incorporated in the risk parameters as relevant.

Qualitative factors that are not already considered in the modelling are incorporated by exercising expert credit judgment in determining the final ECL. Refer to Note 3 for additional details.

### **Modified Loans**

In cases where a borrower experiences financial difficulties, the Bank may grant certain concessionary modifications to the terms and conditions of a loan. Modifications may include payment deferrals, extension of amortization periods, rate reductions, principal forgiveness, debt consolidation, forbearance and other modifications intended to minimize the economic loss and to avoid foreclosure or repossession of collateral. The Bank has policies in place to determine the appropriate remediation strategy based on the individual borrower.

If the Bank determines that a modification results in expiry of cash flows, the original asset is derecognized while a new asset is recognized based on the new contractual terms. Significant increase in credit risk is assessed relative to the risk of default on the date of modification.

If the Bank determines that a modification does not result in derecognition, significant increase in credit risk is assessed based on the risk of default at initial recognition of the original asset. Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For loans that were modified while having lifetime ECLs, the loans can revert to having twelve-month ECLs after a period of performance and improvement in the borrower's financial condition.

### **Allowance for Loan Losses, Excluding Acquired Credit-Impaired (ACI) Loans**

The allowance for loan losses represents management's calculation of probability-weighted ECLs in the lending portfolios, including any off-balance sheet exposures, at the balance sheet date. The allowance for loan losses for lending portfolios reported on the Consolidated Balance Sheet, which includes credit-related allowances for residential mortgages, consumer instalment and other personal, credit card, and business and government loans, is deducted from Loans on the Consolidated Balance Sheet. The allowance for loan losses for loans measured at FVOCI is presented on the Consolidated Statement of Changes in Equity. The allowance for loan losses for off-balance sheet instruments, which relates to certain guarantees, letters of credit, and undrawn lines of credit, is recognized in Other liabilities on the Consolidated Balance Sheet. Allowances for lending portfolios reported on the balance sheet and off-balance sheet exposures are calculated using the same methodology. The allowance is increased by the provision for credit losses and decreased by write-offs net of recoveries and disposals. Each quarter, allowances are reassessed and adjusted based on any changes in management's estimate of ECLs. Loan losses on impaired loans in Stage 3 continue to be recognized by means of an allowance for loan losses until a loan is written off.

A loan is written off against the related allowance for loan losses when there is no realistic prospect of recovery. Non-retail loans are generally written off when all reasonable collection efforts have been exhausted, such as when a loan is sold, when all security has been realized, or when all security has been resolved with the receiver or

bankruptcy court. Non-real estate retail loans are generally written off when contractual payments are 180 days past due, or when a loan is sold. Real-estate secured retail loans are generally written off when the security is realized. The time period over which the Bank performs collection activities of the contractual amount outstanding of financial assets that are written off varies from one jurisdiction to another and generally spans between less than one year to five years.

#### **Allowance for Credit Losses on Debt Securities**

The allowance for credit losses on debt securities represents management's calculation of probability-weighted ECLs. Debt securities measured at amortized cost are presented net of the allowance for credit losses on the Consolidated Balance Sheet. The allowance for credit losses on debt securities measured at FVOCI are presented on the Consolidated Statement of Changes in Equity. The allowance for credit losses is increased by the provision for credit losses and decreased by write-offs net of recoveries and disposals. Each quarter, allowances are reassessed and adjusted based on any changes in management's estimate of ECLs.

#### **Acquired Loans**

Acquired loans are initially measured at fair value, which considers incurred and expected future credit losses estimated at the acquisition date and also reflects adjustments based on the acquired loan's interest rate in comparison to current market rates. On acquisition, twelve-month ECLs are recognized on the acquired loans, resulting in the carrying amount for acquired loans to be lower than fair value. When loans are acquired with evidence of incurred credit loss where it is probable at the purchase date that the Bank will be unable to collect all contractually required principal and interest payments, they are generally considered to be ACI loans, with no ECLs recognized on acquisition. Acquired performing loans are subsequently accounted for at amortized cost based on their contractual cash flows and any acquisition related discount or premium, including credit-related discounts, is considered to be an adjustment to the loan yield and is recognized in interest income using EIRM over the term of the loan, or the expected life of the loan for acquired loans with revolving terms.

#### **Acquired Credit-Impaired Loans**

ACI loans are identified as impaired at acquisition based on specific risk characteristics of the loans, including past due status, performance history, and recent borrower credit scores. ACI loans are accounted for based on the present value of expected cash flows as opposed to their contractual cash flows. The Bank determines the fair value of these loans at the acquisition date by discounting expected cash flows at a discount rate that reflects factors a market participant would use when determining fair value including management assumptions relating to default rates, loss severities, the amount and timing of prepayments, and other factors that are reflective of current market conditions. With respect to certain individually significant ACI loans, accounting is applied individually at the loan level. The remaining ACI loans are aggregated provided they are acquired in the same fiscal quarter and have common risk characteristics. Aggregated loans are accounted for as a single asset with aggregated cash flows and a single composite interest rate. Subsequent to acquisition, the Bank regularly reassesses and updates its cash flow estimates for changes to assumptions relating to default rates, loss severities, the amount and timing of prepayments, and other factors that are reflective of current market conditions. Probable decreases in expected cash flows trigger the recognition of additional impairment, which is measured based on the present value of the revised expected cash flows discounted at the loan's effective interest rate as compared to the carrying value of the loan. The ECL in excess of the initial credit-related discount is recorded through the provision for credit losses. Interest income on ACI loans is calculated by multiplying the credit-adjusted effective interest rate to the amortized cost of ACI loans.

#### **SHARE CAPITAL**

The Bank classifies financial instruments that it issues as either financial liabilities, equity instruments, or compound instruments.

Issued instruments that are mandatorily redeemable or convertible into a variable number of the Bank's common shares at the holder's option are classified as liabilities on the Consolidated Balance Sheet. Dividend or interest payments on these instruments are recognized in Interest expense on the Consolidated Statement of Income.

Issued instruments are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Further, issued instruments that are not mandatorily redeemable or that are not convertible into a variable number of the Bank's common shares at the holder's option, are classified as equity and presented in share capital. Incremental costs directly attributable to the issue of equity instruments are included in equity as a deduction from the proceeds, net of tax. Dividend payments on these instruments are recognized as a reduction in equity.

Compound instruments are comprised of both liability and equity components in accordance with the substance of the contractual arrangement. At inception, the fair value of the liability component is initially measured with any residual amount assigned to the equity component. Transaction costs are allocated proportionately to the liability and equity components.

Common or preferred shares held by the Bank are classified as treasury shares in equity, and the cost of these shares is recorded as a reduction in equity. Upon the sale of treasury shares, the difference between the sale proceeds and the cost of the shares is recorded in or against contributed surplus.

#### **GUARANTEES**

The Bank issues guarantee contracts that require payments to be made to guaranteed parties based on: (1) changes in the underlying economic characteristics relating to an asset or liability of the guaranteed party; (2) failure of another party to perform under an obligating agreement; or (3) failure of another third party to pay its indebtedness when due. Guarantees are initially measured and recorded at their fair value. The fair value of a guarantee liability at initial recognition is normally equal to the present value of the guarantee fees received over the life of contract. The Bank's release from risk is recognized over the term of the guarantee using a systematic and rational amortization method.

If a guarantee meets the definition of a derivative, it is carried at fair value on the Consolidated Balance Sheet and reported as a derivative asset or derivative liability at fair value. Guarantees that are considered derivatives are a type of credit derivative contracts which are over-the-counter (OTC) contracts designed to transfer the credit risk in an underlying financial instrument from one counterparty to another.

#### **DERIVATIVES**

Derivatives are instruments that derive their value from changes in underlying interest rates, foreign exchange rates, credit spreads, commodity prices, equities, or other financial or non-financial measures. Such instruments include interest rate, foreign exchange, equity, commodity, and credit derivative contracts. The Bank uses these instruments for trading and non-trading purposes. Derivatives are carried at their fair value on the Consolidated Balance Sheet.

#### **Derivatives Held-for-Trading Purposes**

The Bank enters into trading derivative contracts to meet the needs of its customers, to provide liquidity and market-making related activities, and in certain cases, to manage risks related to its trading portfolios. The realized and unrealized gains or losses on trading derivatives are recognized in trading income (loss).

### **Derivatives Held for Non-trading Purposes**

Non-trading derivatives are primarily used to manage interest rate, foreign exchange, and other market risks of the Bank's traditional banking activities. When derivatives are held for non-trading purposes and when the transactions meet the hedge accounting requirements of IAS 39, they are presented as non-trading derivatives and receive hedge accounting treatment, as appropriate. Certain derivative instruments that are held for economic hedging purposes, and do not meet the hedge accounting requirements of IAS 39, are also presented as non-trading derivatives with the change in fair value of these derivatives recognized in non-interest income.

### **Hedging Relationships**

#### *Hedge Accounting*

At the inception of a hedging relationship, the Bank documents the relationship between the hedging instrument and the hedged item, its risk management objective, and its strategy for undertaking the hedge. The Bank also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the derivatives that are used in hedging relationships are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items. In order to be considered effective, the hedging instrument and the hedged item must be highly and inversely correlated such that the changes in the fair value of the hedging instrument will substantially offset the effects of the hedged exposure to the Bank throughout the term of the hedging relationship. If a hedging relationship becomes ineffective, it no longer qualifies for hedge accounting and any subsequent change in the fair value of the hedging instrument is recognized in Non-interest income on the Consolidated Statement of Income.

Changes in fair value relating to the derivative component excluded from the assessment of hedge effectiveness, is recognized in Non-interest income on the Consolidated Statement of Income.

When derivatives are designated as hedges, the Bank classifies them either as: (1) hedges of the changes in fair value of recognized assets or liabilities or firm commitments (fair value hedges); (2) hedges of the variability in highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedges); or (3) hedges of net investments in a foreign operation (net investment hedges).

#### *Interest Rate Benchmark Reform*

A hedging relationship is affected by interest rate benchmark reform if it gives rise to uncertainties about (a) the interest rate benchmark (contractually or non-contractually specified) designated as a hedged risk; and/or (b) the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument.

For such hedging relationships, the following temporary exceptions apply during the period of uncertainty:

- when assessing whether a forecast transaction is highly probable or expected to occur, it is assumed that the interest rate benchmark on which the hedged cash flows (contractually or noncontractually specified) are based is not altered as a result of interest rate benchmark reform;
- when assessing whether a hedge is expected to be highly effective, it is assumed that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or noncontractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform;
- a hedge is not required to be discontinued if the actual results of the hedge are outside of a range of 80–125 per cent as a result of interest rate benchmark reform;
- for a hedge of a non-contractually specified benchmark portion of interest rate risk, the requirement that the risk component is separately identifiable need only be met at the inception of the hedging relationship.

### *Fair Value Hedges*

The Bank's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates.

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recognized in Non-interest income on the Consolidated Statement of Income, along with changes in the fair value of the assets, liabilities, or group thereof that are attributable to the hedged risk. Any change in fair value relating to the ineffective portion of the hedging relationship is recognized immediately in non-interest income.

The cumulative adjustment to the carrying amount of the hedged item (the basis adjustment) is amortized to the Consolidated Statement of Income in Net interest income based on a recalculated EIR over the remaining expected life of the hedged item, with amortization beginning no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the hedged risk. Where the hedged item has been derecognized, the basis adjustment is immediately released to Net interest income or Non-interest income, as applicable, on the Consolidated Statement of Income.

### *Cash Flow Hedges*

The Bank is exposed to variability in future cash flows attributable to interest rate, foreign exchange rate, and equity price risks. The amounts and timing of future cash flows are projected for each hedged exposure on the basis of their contractual terms and other relevant factors, including estimates of prepayments and defaults.

The effective portion of the change in the fair value of the derivative that is designated and qualifies as a cash flow hedge is initially recognized in other comprehensive income. The change in fair value of the derivative relating to the ineffective portion is recognized immediately in non-interest income.

Amounts in accumulated other comprehensive income (AOCI) attributable to interest rate, foreign exchange rate, and equity price components, as applicable, are reclassified to Net interest income or Non-interest income on the Consolidated Statement of Income in the period in which the hedged item affects income, and are reported in the same income statement line as the hedged item.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in AOCI at that time remains in AOCI until the forecasted transaction impacts the Consolidated Statement of Income. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in AOCI is immediately reclassified to Net interest income or Non-interest income, as applicable, on the Consolidated Statement of Income.

### *Net Investment Hedges*

Hedges of net investments in foreign operations are accounted for similar to cash flow hedges. The change in fair value on the hedging instrument relating to the effective portion is recognized in other comprehensive income. The change in fair value of the hedging instrument relating to the ineffective portion is recognized immediately in non-interest income. Gains and losses in AOCI are reclassified to the Consolidated Statement of Income upon the disposal or partial disposal of the investment in the foreign operation. The Bank designates derivatives and non-derivatives (such as foreign currency deposit liabilities) as hedging instruments in net investment hedges.

### **Embedded Derivatives**

Derivatives may be embedded in certain instruments, including financial liabilities (the host instrument). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host instrument, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined contract is not held-for-trading or designated at FVTPL. These embedded derivatives,

which are bifurcated from the host contract, are recognized on the Consolidated Balance Sheet as Derivatives and measured at fair value with subsequent changes recognized in Non-interest income on the Consolidated Statement of Income.

## **TRANSLATION AND PRESENTATION OF FOREIGN CURRENCIES**

The Bank's Consolidated Financial Statements are presented in Canadian dollars. Items included in the financial statements of each of the Bank's entities are measured using their functional currency, which is the currency of the primary economic environment in which they operate.

Monetary assets and liabilities denominated in a currency that differs from an entity's functional currency are translated into the functional currency of the entity at exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Income and expenses are translated into an entity's functional currency at average exchange rates for the period. Translation gains and losses are included in non-interest income except for equity investments designated at FVOCI where unrealized translation gains and losses are recorded in other comprehensive income.

Foreign operations are those with a functional currency other than Canadian dollars. For the purpose of translation into the Bank's presentation currency, all assets and liabilities are first measured in the functional currency of the foreign operation and subsequently, translated at exchange rates prevailing at the balance sheet date. Income and expenses are translated at average exchange rates for the period. Unrealized translation gains and losses relating to these foreign operations, net of gains or losses arising from net investment hedges and applicable income taxes, are included in other comprehensive income. Translation gains and losses in AOCI are recognized on the Consolidated Statement of Income upon the disposal or partial disposal of the foreign operation. The investment balance of foreign entities accounted for by the equity method, including TD Ameritrade, is translated into Canadian dollars using exchange rates prevailing at the balance sheet date with exchange gains or losses recognized in other comprehensive income.

## **OFFSETTING OF FINANCIAL INSTRUMENTS**

Financial assets and liabilities are offset, with the net amount presented on the Consolidated Balance Sheet, only if the Bank currently has a legally enforceable right to set off the recognized amounts, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In all other situations, assets and liabilities are presented on a gross basis.

## **DETERMINATION OF FAIR VALUE**

The fair value of a financial instrument on initial recognition is normally the transaction price, such as the fair value of the consideration given or received. The best evidence of fair value is quoted prices in active markets. When financial assets and liabilities have offsetting market risks or credit risks, the Bank applies the portfolio exception, as described in Note 5, and uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies the most representative price within the bid-ask spread to the net open position, as appropriate. When there is no active market for the instrument, the fair value may be based on other observable current market transactions involving the same or similar instrument, without modification or repackaging, or is based on a valuation technique which maximizes the use of observable market inputs.

The Bank recognizes various types of valuation adjustments to account for factors that market participants would use in determining fair value which are not included in valuation techniques due to system limitations or measurement uncertainty. Valuation adjustments reflect the Bank's assessment of factors that market participants would use in pricing the asset or liability. These include, but are not limited to, the unobservability of inputs used in the pricing model, or assumptions about risk, such as creditworthiness of each counterparty and risk premiums that market participants would require given the inherent risk in the pricing model.

If there is a difference between the initial transaction price and the value based on a valuation technique, the difference is referred to as inception profit or loss. Inception profit or loss is recognized upon initial recognition of the instrument only if the fair value is based on observable inputs. When an instrument is measured using a valuation technique that utilizes significant non-observable inputs, it is initially valued at the transaction price, which is considered the best estimate of fair value. Subsequent to initial recognition, any difference between the transaction price and the value determined by the valuation technique at initial recognition is recognized as non-observable inputs become observable.

If the fair value of a financial asset measured at fair value becomes negative, it is recognized as a financial liability until either its fair value becomes positive, at which time it is recognized as a financial asset, or until it is extinguished.

## **DERECOGNITION OF FINANCIAL INSTRUMENTS**

### ***Financial Assets***

The Bank derecognizes a financial asset when the contractual rights to that asset have expired. Derecognition may also be appropriate where the contractual right to receive future cash flows from the asset have been transferred, or where the Bank retains the rights to future cash flows from the asset, but assumes an obligation to pay those cash flows to a third party subject to certain criteria.

When the Bank transfers a financial asset, it is necessary to assess the extent to which the Bank has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards of ownership of the financial asset have been retained, the Bank continues to recognize the financial asset and also recognizes a financial liability for the consideration received. Certain transaction costs incurred are also capitalized and amortized using EIRM. If substantially all the risks and rewards of ownership of the financial asset have been transferred, the Bank will derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer. The Bank determines whether substantially all the risks and rewards have been transferred by quantitatively comparing the variability in cash flows before and after the transfer. If the variability in cash flows does not change significantly as a result of the transfer, the Bank has retained substantially all of the risks and rewards of ownership.

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Bank derecognizes the financial asset where it has relinquished control of the financial asset. The Bank is considered to have relinquished control of the financial asset where the transferee has the practical ability to sell the transferred financial asset. Where the Bank has retained control of the financial asset, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset. Under these circumstances, the Bank usually retains the rights to future cash flows relating to the asset through a residual interest and is exposed to some degree of risk associated with the financial asset.

The derecognition criteria are also applied to the transfer of part of an asset, rather than the asset as a whole, or to a group of similar financial assets in their entirety, when applicable. If transferring a part of an asset, it must be a specifically identified cash flow, a fully proportionate share of the asset, or a fully proportionate share of a specifically identified cash flow.

### ***Securitization***

Securitization is the process by which financial assets are transformed into securities. The Bank securitizes financial assets by transferring those financial assets to a third party and as part of the securitization, certain financial assets may be retained and may consist of an interest-only strip and, in some cases, a cash reserve account (collectively referred to as "retained interests"). If the transfer qualifies for derecognition, a gain or loss is recognized immediately in other income after the effects of hedges on the assets sold, if applicable. The amount of the gain or loss is calculated as the difference between

the carrying amount of the asset transferred and the sum of any cash proceeds received, including any financial asset received or financial liability assumed, and any cumulative gain or loss allocated to the transferred asset that had been recognized AOCI. To determine the value of the retained interest initially recorded, the previous carrying value of the transferred asset is allocated between the amount derecognized from the balance sheet and the retained interest recorded, in proportion to their relative fair values on the date of transfer. Subsequent to initial recognition, as market prices are generally not available for retained interests, fair value is determined by estimating the present value of future expected cash flows using management's best estimates of key assumptions that market participants would use in determining fair value. Refer to Note 3 for assumptions used by management in determining the fair value of retained interests. Retained interest is classified as trading securities with subsequent changes in fair value recorded in trading income.

Where the Bank retains the servicing rights, the benefits of servicing are assessed against market expectations. When the benefits of servicing are more than adequate, a servicing asset is recognized. Similarly, when the benefits of servicing are less than adequate, a servicing liability is recognized. Servicing assets and servicing liabilities are initially recognized at fair value and subsequently carried at amortized cost.

#### **Financial Liabilities**

The Bank derecognizes a financial liability when the obligation under the liability is discharged, cancelled, or expires. If an existing financial liability is replaced by another financial liability from the same lender on substantially different terms or where the terms of the existing liability are substantially modified, the original liability is derecognized and a new liability is recognized with the difference in the respective carrying amounts recognized on the Consolidated Statement of Income.

#### **Securities Purchased Under Reverse Repurchase Agreements, Securities Sold Under Repurchase Agreements, and Securities Borrowing and Lending**

Securities purchased under reverse repurchase agreements involve the purchase of securities by the Bank under agreements to resell the securities at a future date. These agreements are treated as collateralized lending transactions whereby the Bank takes possession of the purchased securities, but does not acquire the risks and rewards of ownership. The Bank monitors the market value of the purchased securities relative to the amounts due under the reverse repurchase agreements, and when necessary, requires transfer of additional collateral. In the event of counterparty default, the agreements provide the Bank with the right to liquidate the collateral held and offset the proceeds against the amount owing from the counterparty.

Obligations related to securities sold under repurchase agreements involve the sale of securities by the Bank to counterparties under agreements to repurchase the securities at a future date. These agreements do not result in the risks and rewards of ownership being relinquished and are treated as collateralized borrowing transactions. The Bank monitors the market value of the securities sold relative to the amounts due under the repurchase agreements, and when necessary, transfers additional collateral and may require counterparties to return collateral pledged. Certain transactions that do not meet derecognition criteria are also included in obligations related to securities sold under repurchase agreements. Refer to Note 9 for further details.

Securities purchased under reverse repurchase agreements and obligations related to securities sold under repurchase agreements are initially recorded on the Consolidated Balance Sheet at the respective prices at which the securities were originally acquired or sold, plus accrued interest. Subsequently, the agreements are measured at amortized cost on the Consolidated Balance Sheet, plus accrued interest. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is determined using EIRM and is included in Interest income and Interest expense, respectively, on the Consolidated Statement of Income.

In security lending transactions, the Bank lends securities to a counterparty and receives collateral in the form of cash or securities. If cash collateral is received, the Bank records the cash along with an obligation to return the cash as an obligation related to Securities sold under repurchase agreements on the Consolidated Balance Sheet. Where securities are received as collateral, the Bank does not record the collateral on the Consolidated Balance Sheet.

In securities borrowing transactions, the Bank borrows securities from a counterparty and pledges either cash or securities as collateral. If cash is pledged as collateral, the Bank records the transaction as securities purchased under reverse repurchase agreements on the Consolidated Balance Sheet. Securities pledged as collateral remain on the Bank's Consolidated Balance Sheet.

Where securities are pledged or received as collateral, security borrowing fees and security lending income are recorded in Non-interest income on the Consolidated Statement of Income over the term of the transaction. Where cash is pledged or received as collateral, interest received or incurred is included in Interest income and Interest expense, respectively, on the Consolidated Statement of Income.

Physical commodities purchased or sold with an agreement to sell or repurchase the physical commodities at a later date at a fixed price, are also included in securities purchased under reverse repurchase agreements and obligations related to securities sold under repurchase agreements, respectively, if the derecognition criteria are not met. These instruments are measured at fair value.

#### **GOODWILL**

Goodwill represents the excess purchase price paid over the net fair value of identifiable assets and liabilities acquired in a business combination. Goodwill is carried at its initial cost less accumulated impairment losses.

Goodwill is allocated to a cash-generating unit (CGU) or a group of CGUs that is expected to benefit from the synergies of the business combination, regardless of whether any assets acquired and liabilities assumed are assigned to the CGU or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash flows largely independent of the cash inflows from other assets or groups of assets. Each CGU or group of CGUs, to which goodwill is allocated, represents the lowest level within the Bank at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

Goodwill is assessed for impairment at least annually and when an event or change in circumstances indicates that the carrying amount may be impaired. When impairment indicators are present, the recoverable amount of the CGU or group of CGUs, which is the higher of its estimated fair value less costs of disposal and its value-in-use, is determined. If the carrying amount of the CGU or group of CGUs is higher than its recoverable amount, an impairment loss exists. The impairment loss is recognized on the Consolidated Statement of Income and cannot be reversed in future periods.

#### **INTANGIBLE ASSETS**

Intangible assets represent identifiable non-monetary assets and are acquired either separately or through a business combination, or internally generated software. The Bank's intangible assets consist primarily of core deposit intangibles, credit card related intangibles, and software intangibles. Intangible assets are initially recognized at fair value and are amortized over their estimated useful lives (3 to 20 years) proportionate to their expected economic benefits, except for software which is amortized over its estimated useful life (3 to 7 years) on a straight-line basis.

The Bank assesses its intangible assets for impairment on a quarterly basis. When impairment indicators are present, the recoverable amount of the asset, which is the higher of its estimated fair value less costs of disposal and its value-in-use, is determined. If the carrying amount of the asset is higher than its recoverable amount, the asset is written down to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank

estimates the recoverable amount of the CGU to which the asset belongs. An impairment loss is recognized on the Consolidated Statement of Income in the period in which the impairment is identified. Impairment losses recognized previously are assessed and reversed if the circumstances leading to the impairment are no longer present. Reversal of any impairment loss will not exceed the carrying amount of the intangible asset that would have been determined had no impairment loss been recognized for the asset in prior periods.

#### **LAND, BUILDINGS, EQUIPMENT, AND OTHER DEPRECIABLE ASSETS**

Land is recognized at cost. Buildings, computer equipment, furniture and fixtures, other equipment, and leasehold improvements are recognized at cost less accumulated depreciation and provisions for impairment, if any. Gains and losses on disposal are included in Non-interest income on the Consolidated Statement of Income.

Assets leased under a finance lease are capitalized as assets and depreciated on a straight-line basis over the lesser of the lease term and the estimated useful life of the asset.

The Bank records the obligation associated with the retirement of a long-lived asset at fair value in the period in which it is incurred and can be reasonably estimated, and records a corresponding increase to the carrying amount of the asset. The asset is depreciated on a straight-line basis over its remaining useful life while the liability is accreted to reflect the passage of time until the eventual settlement of the obligation.

Depreciation is recognized on a straight-line basis over the useful lives of the assets estimated by asset category, as follows:

Asset	Useful Life
Buildings	15 to 40 years
Computer equipment	2 to 8 years
Furniture and fixtures	3 to 15 years
Other equipment	5 to 15 years
Leasehold improvements	Lesser of the remaining lease term and the remaining useful life of the asset

The Bank assesses its depreciable assets for impairment on a quarterly basis. When impairment indicators are present, the recoverable amount of the asset, which is the higher of its estimated fair value less costs to sell and its value-in-use, is determined. If the carrying value of the asset is higher than its recoverable amount, the asset is written down to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the CGU to which the asset belongs. An impairment loss is recognized on the Consolidated Statement of Income in the period in which the impairment is identified. Impairment losses previously recognized are assessed and reversed if the circumstances leading to their impairment are no longer present. Reversal of any impairment loss will not exceed the carrying amount of the depreciable asset that would have been determined had no impairment loss been recognized for the asset in prior periods.

#### **NON-CURRENT ASSETS HELD-FOR-SALE**

Individual non-current assets or disposal groups are classified as held-for-sale if they are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets or disposal groups, and their sale must be highly probable to occur within one year. For a sale to be highly probable, management must be committed to a sales plan and initiate an active program to market the sale of the non-current assets or disposal groups. Non-current assets or disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell on the Consolidated Balance Sheet. Subsequent to its initial classification as held-for-sale, a non-current asset or disposal group is no longer depreciated or amortized, and any subsequent write-downs in fair value less costs to sell or such increases not in excess of cumulative write-downs, are recognized in Other income on the Consolidated Statement of Income.

#### **SHARE-BASED COMPENSATION**

The Bank grants share options to certain employees as compensation for services provided to the Bank. The Bank uses a binomial tree-based valuation option pricing model to estimate fair value for all share option compensation awards. The cost of the share options is based on the fair value estimated at the grant date and is recognized as compensation expense and contributed surplus over the service period required for employees to become fully entitled to the awards. This period is generally equal to the vesting period in addition to a period prior to the grant date. For the Bank's share options, this period is generally equal to five years. When options are exercised, the amount initially recognized in the contributed surplus balance is reduced, with a corresponding increase in common shares.

The Bank has various other share-based compensation plans where certain employees are awarded share units equivalent to the Bank's common shares as compensation for services provided to the Bank. The obligation related to share units is included in other liabilities. Compensation expense is recognized based on the fair value of the share units at the grant date adjusted for changes in fair value between the grant date and the vesting date, net of hedging activities, over the service period required for employees to become fully entitled to the awards. This period is generally equal to the vesting period, in addition to a period prior to the grant date. For the Bank's share units, this period is generally equal to four years.

#### **EMPLOYEE BENEFITS**

##### ***Defined Benefit Plans***

Actuarial valuations are prepared at least every three years to determine the present value of the projected benefit obligation related to the Bank's principal pension and non-pension post-retirement benefit plans. In periods between actuarial valuations, an extrapolation is performed based on the most recent valuation completed. All actuarial gains and losses are recognized immediately in other comprehensive income, with cumulative gains and losses reclassified to retained earnings. Pension and non-pension post-retirement benefit expenses are determined based upon separate actuarial valuations using the projected benefit method pro-rated on service and management's best estimates of discount rate, compensation increases, health care cost trend rate, and mortality rates, which are reviewed annually with the Bank's actuaries. The discount rate used to value liabilities is determined by reference to market yields on high-quality corporate bonds with terms matching the plans' specific cash flows. The expense recognized includes the cost of benefits for employee service provided in the current year, net interest expense or income on the net defined benefit liability or asset, past service costs related to plan amendments, curtailments or settlements, and administrative costs. Plan amendment costs are recognized in the period of a plan amendment, irrespective of its vested status. Curtailments and settlements are recognized by the Bank when the curtailment or settlement occurs. A curtailment occurs when there is a significant reduction in the number of employees covered by the plan. A settlement occurs when the Bank enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan.

The fair value of plan assets and the present value of the projected benefit obligation are measured as at October 31. The net defined benefit asset or liability represents the difference between the cumulative actuarial gains and losses, expenses, and recognized contributions and is reported in other assets or other liabilities.

Net defined benefit assets recognized by the Bank are subject to a ceiling which limits the asset recognized on the Consolidated Balance Sheet to the amount that is recoverable through refunds of contributions or future contribution holidays. In addition, where a regulatory funding deficit exists related to a defined benefit plan, the Bank is required to record a liability equal to the present value of all future cash payments required to eliminate that deficit.

##### ***Defined Contribution Plans***

For defined contribution plans, annual pension expense is equal to the Bank's contributions to those plans.

## INSURANCE

Premiums for short-duration insurance contracts are deferred as unearned premiums and reported in non-interest income on a straight-line basis over the contractual term of the underlying policies, usually twelve months. Such premiums are recognized net of amounts ceded for reinsurance and apply primarily to property and casualty contracts. Unearned premiums are reported in insurance-related liabilities, gross of premiums ceded to reinsurers which are recognized in other assets. Premiums from life and health insurance policies are recognized as income when earned in insurance revenue.

For property and casualty insurance, insurance claims and policy benefit liabilities represent current claims and estimates for future claims related to insurable events occurring at or before the Consolidated Balance Sheet date. These are determined by the appointed actuary in accordance with accepted actuarial practices and are reported as other liabilities. Expected claims and policy benefit liabilities are determined on a case-by-case basis and consider such variables as past loss experience, current claims trends and changes in the prevailing social, economic, and legal environment. These liabilities are continually reviewed, and as experience develops and new information becomes known, the liabilities are adjusted as necessary. In addition to reported claims information, the liabilities recognized by the Bank include a provision to account for the future development of insurance claims, including insurance claims incurred but not reported by policyholders (IBNR). IBNR liabilities are evaluated based on historical development trends and actuarial methodologies for groups of claims with similar attributes. For life and health insurance, actuarial liabilities represent the present values of future policy cash flows as determined using standard actuarial valuation practices. Actuarial liabilities are reported in insurance-related liabilities with changes reported in insurance claims and related expenses.

## PROVISIONS

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, the amount of which can be reliably estimated, and it is probable that an outflow of resources will be required to settle the obligation.

Provisions are measured based on management's best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. If the effect of the time value of money is material, provisions are measured at the present value of the expenditure expected to be required to settle the obligation, using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

## INCOME TAXES

Income tax is comprised of current and deferred tax. Income tax is recognized on the Consolidated Statement of Income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the related taxes are also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities on the Consolidated Balance Sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax assets and liabilities are determined based on the tax rates that are expected to apply when the assets or liabilities are reported for tax purposes. Deferred tax assets are recognized only when it is probable that sufficient taxable profit will be available in future periods against which deductible temporary differences may be utilized. Deferred tax liabilities are not recognized on temporary differences arising on investments in subsidiaries, branches, and associates, and interests in joint ventures if the Bank controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Bank records a provision for uncertain tax positions if it is probable that the Bank will have to make a payment to tax authorities upon their examination of a tax position. This provision is measured at the Bank's best estimate of the amount expected to be paid. Provisions are reversed to income in provision for (recovery of) income taxes in the period in which management determines they are no longer required or as determined by statute.

## FINANCIAL INSTRUMENTS OTHER THAN DERIVATIVES PRIOR TO NOVEMBER 1, 2017 UNDER IAS 39

The following is applicable to periods prior to November 1, 2017 for financial instruments accounted for under IAS 39, to the extent not already discussed earlier in this Note.

### Classification and Measurement of Financial Assets and Financial Liabilities

#### *Available-for-Sale (AFS) Securities*

Financial assets not classified as trading, designated at FVTPL, held-to-maturity or loans, were classified as AFS and included equity securities and debt securities.

AFS securities were recognized on a trade date basis and were generally carried at fair value on the Consolidated Balance Sheet with changes in fair value recognized in other comprehensive income.

Gains and losses realized on disposal of financial assets classified as AFS were calculated on a weighted-average cost basis and were recognized in net securities gains (losses) in non-interest income. Dividends were recognized on the ex-dividend date and interest income was recognized on an accrual basis using EIRM. Both dividends and interest were included in Interest income on the Consolidated Statement of Income.

Impairment losses were recognized if there was objective evidence of impairment as a result of one or more events that occurred (a 'loss event') and the loss event(s) resulted in a decrease in the estimated future cash flows of the instrument. A significant or prolonged decline in fair value below cost was considered objective evidence of impairment for AFS equity securities. A deterioration in credit quality was considered objective evidence of impairment for AFS debt securities. Qualitative factors were also considered when assessing impairment for AFS securities. When impairment was identified, the cumulative net loss previously recognized in other comprehensive income, less any impairment loss previously recognized on the Consolidated Statement of Income, was removed from other comprehensive income and recognized in Net securities gains (losses) in Non-interest income on the Consolidated Statement of Income.

If the fair value of a previously impaired equity security subsequently increased, the impairment loss was not reversed through the Consolidated Statement of Income. Subsequent increases in fair value were recognized in other comprehensive income. If the fair value of a previously impaired debt security subsequently increased and the increase could be objectively related to an event occurring after the impairment was recognized on the Consolidated Statement of Income, then the impairment loss was reversed through the Consolidated Statement of Income. An increase in fair value in excess of impairment recognized previously on the Consolidated Statement of Income was recognized in other comprehensive income.

#### *Held-to-Maturity Securities*

Debt securities with fixed or determinable payments and fixed maturity dates, that did not meet the definition of loans and receivables, and that the Bank intended and had the ability to hold to maturity were classified as held-to-maturity and were carried at amortized cost, net of impairment losses. Securities classified as held-to-maturity were assessed for objective evidence of impairment at the counterparty-specific level. If there was no objective evidence of impairment at the counterparty-specific level then the security was grouped with other held-to-maturity securities with similar credit risk characteristics and was collectively assessed for impairment, which considered losses incurred but not identified. Interest income was recognized using EIRM and was included in Interest income on the Consolidated Statement of Income.



### **Financial Assets and Liabilities Designated at Fair Value through Profit or Loss**

Certain financial assets and financial liabilities that did not meet the definition of trading could be designated at FVTPL on initial recognition. To be designated at FVTPL, financial assets and financial liabilities had to meet one of the following criteria: (1) the designation eliminated or significantly reduced a measurement or recognition inconsistency (also referred to as “an accounting mismatch”); (2) a group of financial assets, financial liabilities, or both, was managed and its performance was evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or (3) the instrument contained one or more embedded derivatives unless a) the embedded derivative did not significantly modify the cash flows that otherwise would be required by the contract, or b) it was clear with little or no analysis that separation of the embedded derivative from the financial instrument was prohibited. In addition, the FVTPL designation was available only for those financial instruments for which a reliable estimate of fair value could be obtained. Once financial assets and financial liabilities were designated at FVTPL, the designation was irrevocable.

Financial assets and financial liabilities designated at FVTPL were carried at fair value on the Consolidated Balance Sheet, with changes in fair value as well as any gains or losses realized on disposal recognized in income (loss) from financial instruments designated at fair value at profit or loss. Interest was recognized on an accrual basis and was included in interest income or interest expense.

### **Embedded Derivatives**

Derivatives that were embedded in financial assets and liabilities were separated from their host instruments and treated as separate derivatives when their characteristics and risks were not closely related to those of the host instrument, a separate instrument with the same terms as the embedded derivative met the definition of a derivative, and the combined contract was not held-for-trading or designated at fair value through profit or loss. These embedded derivatives, which were bifurcated from the host contract, were recognized on the Consolidated Balance Sheet as Derivatives and measured at fair value with subsequent changes recognized in Non-interest income on the Consolidated Statement of Income.

### **Impairment – Allowance for Credit Losses**

#### **Loan Impairment, Excluding Acquired Credit-Impaired Loans**

A loan, including a debt security classified as a loan, was considered impaired when there was objective evidence that there had been a deterioration of credit quality subsequent to the initial recognition of the loan to the extent the Bank no longer had reasonable assurance as to the timely collection of the full amount of principal and interest. Indicators of impairment could include, but were not limited to, one or more of the following:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- Increased probability that the borrower would enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset.

A loan was reclassified back to performing status when it had been determined that there was reasonable assurance of full and timely repayment of interest and principal in accordance with the original or revised contractual conditions of the loan and all criteria for the impaired classification had been remedied. For gross impaired debt securities classified as loans, subsequent to any recorded impairment, interest income continued to be recognized using EIRM which was used to discount the future cash flows for the purpose of measuring the credit loss.

### **Renegotiated Loans**

In cases where a borrower experienced financial difficulties the Bank may have granted certain concessionary modifications to the terms and conditions of a loan. Modifications may have included payment deferrals, extension of amortization periods, rate reductions, principal forgiveness, debt consolidation, forbearance and other modifications intended to minimize the economic loss and to avoid foreclosure or repossession of collateral. The Bank had policies in place to determine the appropriate remediation strategy based on the individual borrower. Once modified, additional impairment was recorded where the Bank identified a decrease in the modified loan’s estimated realizable value as a result of the modification. Modified loans were assessed for impairment, consistent with the Bank’s policies for impairment.

### **Allowance for Credit Losses, Excluding Acquired Credit-Impaired Loans**

The allowance for credit losses represented management’s best estimate of impairment incurred in the lending portfolios, including any off-balance sheet exposures, at the balance sheet date. The allowance for loan losses, which included credit-related allowances for residential mortgages, consumer instalment and other personal, credit card, business and government loans, and debt securities classified as loans, was deducted from Loans on the Consolidated Balance Sheet. The allowance for credit losses for off-balance sheet instruments, which related to certain guarantees, letters of credit, and undrawn lines of credit, was recognized in Other liabilities on the Consolidated Balance Sheet. Allowances for lending portfolios reported on the balance sheet and off-balance sheet exposures were calculated using the same methodology. The allowance was increased by the provision for credit losses and decreased by write-offs net of recoveries and disposals. The Bank maintained both counterparty-specific and collectively assessed allowances. Each quarter, allowances were reassessed and adjusted based on any changes in management’s estimate of the future cash flows estimated to be recovered. Credit losses on impaired loans were recognized by means of an allowance for credit losses until a loan was written off.

A loan was written off against the related allowance for credit losses when there was no realistic prospect of recovery. Non-retail loans were generally written off when all reasonable collection efforts had been exhausted, such as when a loan was sold, when all security had been realized, or when all security had been resolved with the receiver or bankruptcy court. Non-real estate secured retail loans were generally written off when contractual payments were 180 days past due, or when a loan was sold. Real-estate secured retail loans were generally written off when the security was realized.

### **Counterparty-Specific Allowance**

Individually significant loans, such as the Bank’s medium-sized business and government loans and debt securities classified as loans, were assessed for impairment at the counterparty-specific level. The impairment assessment was based on the counterparty’s credit ratings, overall financial condition, and where applicable, the realizable value of the collateral. Collateral was reviewed at least annually and when conditions arose indicating an earlier review was necessary. An allowance, if applicable, was measured as the difference between the carrying amount of the loan and the estimated recoverable amount. The estimated recoverable amount was the present value of the estimated future cash flows, discounted using the loan’s original EIR.

### **Collectively Assessed Allowance for Individually Insignificant Impaired Loans**

Individually insignificant impaired loans, such as the Bank’s personal and small business loans and credit cards, were collectively assessed for impairment. Allowances were calculated using a formula that incorporated recent loss experience, historical default rates which were delinquency levels in interest or principal payments that indicated impairment, other applicable observable data, and the type of collateral pledged.

### **Collectively Assessed Allowance for Incurred but Not Identified Credit Losses**

If there was no objective evidence of impairment for an individual loan, whether significant or not, the loan was included in a group of assets with similar credit risk characteristics and collectively assessed for impairment for losses incurred but not identified. This allowance was referred to as the allowance for incurred but not identified credit losses. The level of the allowance for each group depended upon an assessment of business and economic conditions, historical loss experience, loan portfolio composition, and other relevant indicators. Historical loss experience was adjusted based on observable data to reflect the effects of conditions which existed at the time. The allowance for incurred but not identified credit losses was calculated using credit risk models that considered probability of default (loss frequency), loss given credit default (loss severity), and exposure at default (EAD). For purposes of measuring the collectively assessed allowance for incurred but not identified credit losses, default was defined as delinquency levels in interest or principal payments that would indicate impairment.

### **Acquired Loans**

Acquired loans were initially measured at fair value which considered incurred and expected future credit losses estimated at the acquisition date and also reflected adjustments based on the acquired loan's interest rate in comparison to market rates. As a result, no allowance for credit losses was recorded on the date of acquisition. When loans were acquired with evidence of incurred credit loss where it was probable at the purchase date that the Bank would be unable to collect all contractually required principal and interest payments, they were generally considered to be ACI loans.

Acquired performing loans were subsequently accounted for at amortized cost based on their contractual cash flows and any acquisition-related discount or premium was considered to be an adjustment to the loan yield and recognized in interest income using EIRM over the term of the loan, or the expected life of the loan for acquired loans with revolving terms. Credit-related discounts relating to incurred losses for acquired loans were not accreted. Acquired loans were subject to impairment assessments under the Bank's credit loss framework similar to the Bank's originated loan portfolio.

### **Acquired Credit-Impaired Loans**

ACI loans were identified as impaired at acquisition based on specific risk characteristics of the loans, including past due status, performance history and recent borrower credit scores.

ACI loans were accounted for based on the present value of expected cash flows as opposed to their contractual cash flows. The Bank determined the fair value of these loans at the acquisition date by discounting expected cash flows at a discount rate that reflected factors a market participant would use when determining fair value including management assumptions relating to default rates, loss severities, the amount and timing of prepayments, and other factors that were reflective of market conditions. With respect to certain individually significant ACI loans, accounting was applied individually at the loan level. The remaining ACI loans were aggregated provided that they were acquired in the same fiscal quarter and had common risk characteristics. Aggregated loans were accounted for as a single asset with aggregated cash flows and a single composite interest rate.

Subsequent to acquisition, the Bank regularly reassessed and updated its cash flow estimates for changes to assumptions relating to default rates, loss severities, the amount and timing of prepayments, and other factors that were reflective of market conditions. Probable decreases in expected cash flows triggered the recognition of additional impairment, which was measured based on the present value of the revised expected cash flows discounted at the loan's EIR as compared to the carrying value of the loan. Impairment was recorded through the provision for credit losses.

Probable and significant increases in expected cash flows would first reverse any previously taken impairment with any remaining increase recognized in income immediately as interest income. In addition, for fixed-rate ACI loans the timing of expected cash flows may have increased or decreased which may have resulted in adjustments through interest income to the carrying value in order to maintain the inception yield of the ACI loan.

If the timing and/or amounts of expected cash flows on ACI loans were determined not to be reasonably estimable, no interest was recognized.

## **NOTE 3**

## **SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS**

The estimates used in the Bank's accounting policies are essential to understanding its results of operations and financial condition. Some of the Bank's policies require subjective, complex judgments and estimates as they relate to matters that are inherently uncertain. Changes in these judgments or estimates and changes to accounting standards and policies could have a materially adverse impact on the Bank's Consolidated Financial Statements. The Bank has established procedures to ensure that accounting policies are applied consistently and that the processes for changing methodologies, determining estimates, and adopting new accounting standards are well-controlled and occur in an appropriate and systematic manner.

### **CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS Business Model Assessment**

The Bank determines its business models based on the objective under which its portfolios of financial assets are managed. Refer to Note 2 for details on the Bank's business models. In determining its business models, the Bank considers the following:

- Management's intent and strategic objectives and the operation of the stated policies in practice;
- The primary risks that affect the performance of the business model and how these risks are managed;
- How the performance of the portfolio is evaluated and reported to management; and

- The frequency and significance of financial asset sales in prior periods, the reasons for such sales and the expected future sales activities.

Sales in themselves do not determine the business model and are not considered in isolation. Instead, sales provide evidence about how cash flows are realized. A held-to-collect business model will be reassessed by the Bank to determine whether any sales are consistent with an objective of collecting contractual cash flows if the sales are more than insignificant in value or infrequent.

### **Solely Payments of Principal and Interest Test**

In assessing whether contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that they would not be consistent with a basic lending arrangement. In making the assessment, the Bank considers the primary terms as follows and assesses if the contractual cash flows of the instruments continue to meet the SPPI test:

- Performance-linked features;
- Terms that limit the Bank's claim to cash flows from specified assets (non-recourse terms);

- Prepayment and extension terms;
- Leverage features; and
- Features that modify elements of the time value of money.

## **IMPAIRMENT OF FINANCIAL ASSETS**

### ***Significant Increase in Credit Risk***

For retail exposures, criteria for assessing significant increase in credit risk are defined at the appropriate product or portfolio level and vary based on the exposure's credit risk at origination. The criteria include relative changes in PD, absolute PD backstop, and delinquency backstop when contractual payments are more than 30 days past due. Credit risk has increased significantly since initial recognition when one of the criteria is met.

For non-retail exposures, BRR is determined on an individual borrower basis using industry and sector-specific credit risk models that are based on historical data. Current and forward-looking information that is specific to the borrower, industry, and sector is considered based on expert credit judgment. Criteria for assessing significant increase in credit risk are defined at the appropriate segmentation level and vary based on the BRR of the exposure at origination. Criteria include relative changes in BRR, absolute BRR backstop, and delinquency backstop when contractual payments are more than 30 days past due. Credit risk has increased significantly since initial recognition when one of the criteria is met.

### ***Measurement of Expected Credit Loss***

For retail exposures, ECLs are calculated as the product of PD, loss given default (LGD), and EAD at each time step over the remaining expected life of the financial asset and discounted to the reporting date at the effective interest rate. PD estimates represent the point-in-time PD, updated quarterly based on the Bank's historical experience, current conditions, and relevant forward-looking expectations over the expected life of the exposure to determine the lifetime PD curve. LGD estimates are determined based on historical charge-off events and recovery payments, current information about attributes specific to the borrower, and direct costs. Expected cash flows from collateral, guarantees, and other credit enhancements are incorporated in LGD if integral to the contractual terms. Relevant macroeconomic variables are incorporated in determining expected LGD. EAD represents the expected balance at default across the remaining expected life of the exposure. EAD incorporates forward-looking expectations about repayments of drawn balances and expectations about future draws where applicable.

For non-retail exposures, ECLs are calculated based on the present value of cash shortfalls determined as the difference between contractual cash flows and expected cash flows over the remaining expected life of the financial instrument. Lifetime PD is determined by mapping the exposure's BRR to point-in-time PD over the expected life. LGD estimates are determined by mapping the exposure's facility risk rating (FRR) to expected LGD which takes into account facility-specific characteristics such as collateral, seniority ranking of debt, and loan structure. Relevant macroeconomic variables are incorporated in determining expected PD and LGD. Expected cash flows are determined by applying the expected LGD to the contractual cash flows to calculate cash shortfalls over the expected life of the exposure.

### ***Forward-Looking Information***

In calculating the ECL, the Bank employs internally developed models that utilize parameters for PD, LGD, and EAD. Forward-looking macroeconomic factors including at the regional level are incorporated in the risk parameters as relevant. Additional risk factors that are industry or segment-specific are also incorporated, where relevant. Forward-looking macroeconomic forecasts are generated by TD Economics as part of the ECL process: A base economic forecast is accompanied with upside and downside estimates of realistically possible economic conditions. All economic forecasts are updated

quarterly for each variable on a regional basis where applicable and incorporated as relevant into the quarterly modelling of base, upside and downside risk parameters used in the calculation of ECL scenarios and probability-weighted ECL. The macroeconomic variable estimations are statistically derived relative to the base forecast based on the historical distribution of each variable. TD Economics will apply judgment to recommend probability weights to each forecast on a quarterly basis. The proposed macroeconomic forecasts and probability weightings are subject to robust management review and challenge process by a cross-functional committee that includes representation from TD Economics, Risk, Finance, and Business. ECLs calculated under each of the three forecasts are applied against the respective probability weightings to determine the probability-weighted ECLs. Refer to Note 8 for further details on the macroeconomic variables and ECL sensitivity.

### ***Expert Credit Judgment***

ECLs are recognized on initial recognition of the financial assets. Allowance for credit losses represents management's best estimate of the risk of default and ECLs on the financial assets, including any off-balance sheet exposures, at the balance sheet date. Management exercises expert credit judgment in assessing if an exposure has experienced significant increase in credit risk since initial recognition and in determining the amount of ECLs at each reporting date by considering reasonable and supportable information that is not already included in the quantitative models.

Management's judgment is used to determine the point within the range that is the best estimate for the qualitative component contributing to ECLs, based on an assessment of business and economic conditions, historical loss experience, loan portfolio composition, and other relevant indicators and forward-looking information that are not fully incorporated into the model calculation. Changes in these assumptions would have a direct impact on the provision for credit losses and may result in a change in the allowance for credit losses.

## **FAIR VALUE MEASUREMENTS**

The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market prices. For all other financial instruments not traded in an active market, fair value may be based on other observable current market transactions involving the same or similar instruments, without modification or repackaging, or is based on a valuation technique which maximizes the use of observable market inputs. Observable market inputs may include interest rate yield curves, foreign exchange rates, and option volatilities. Valuation techniques include comparisons with similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants.

For certain complex or illiquid financial instruments, fair value is determined using valuation techniques in which current market transactions or observable market inputs are not available. Determining which valuation technique to apply requires judgment. The valuation techniques themselves also involve some level of estimation and judgment. The judgments include liquidity considerations and model inputs such as volatilities, correlations, spreads, discount rates, pre-payment rates, and prices of underlying instruments. Any imprecision in these estimates can affect the resulting fair value.

Judgment is also used in recording fair value adjustments to model valuations to account for measurement uncertainty when valuing complex and less actively traded financial instruments. If the market for a complex financial instrument develops, the pricing for this instrument may become more transparent, resulting in refinement of valuation models. For example, IBOR reform may also have an impact on the fair value of products that reference or use valuation models with IBOR inputs.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 5.

## **DERECOGNITION**

Certain assets transferred may qualify for derecognition from the Bank's Consolidated Balance Sheet. To qualify for derecognition certain key determinations must be made. A decision must be made as to whether the rights to receive cash flows from the financial assets have been retained or transferred and the extent to which the risks and rewards of ownership of the financial assets have been retained or transferred. If the Bank neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, a decision must be made as to whether the Bank has retained control of the financial asset. Upon derecognition, the Bank will record a gain or loss on sale of those assets which is calculated as the difference between the carrying amount of the asset transferred and the sum of any cash proceeds received, including any financial asset received or financial liability assumed, and any cumulative gain or loss allocated to the transferred asset that had been recognized in AOCI. In determining the fair value of any financial asset received, the Bank estimates future cash flows by relying on estimates of the amount of interest that will be collected on the securitized assets, the yield to be paid to investors, the portion of the securitized assets that will be prepaid before their scheduled maturity, ECLs, the cost of servicing the assets, and the rate at which to discount these expected future cash flows. Actual cash flows may differ significantly from those estimated by the Bank. Retained interests are classified as trading securities and are initially recognized at relative fair value on the Bank's Consolidated Balance Sheet. Subsequently, the fair value of retained interests recognized by the Bank is determined by estimating the present value of future expected cash flows. Differences between the actual cash flows and the Bank's estimate of future cash flows are recognized in trading income. These assumptions are subject to periodic review and may change due to significant changes in the economic environment.

## **GOODWILL AND OTHER INTANGIBLES**

The recoverable amount of the Bank's CGUs is determined from internally developed valuation models that consider various factors and assumptions such as forecasted earnings, growth rates, price-earnings multiples, discount rates, and terminal multiples. Management is required to use judgment in estimating the recoverable amount of CGUs, and the use of different assumptions and estimates in the calculations could influence the determination of the existence of impairment and the valuation of goodwill. Management believes that the assumptions and estimates used are reasonable and supportable. Where possible, assumptions generated internally are compared to relevant market information. The carrying amounts of the Bank's CGUs are determined by management using risk based capital models to adjust net assets and liabilities by CGU. These models consider various factors including market risk, credit risk, and operational risk, including investment capital (comprised of goodwill and other intangibles). Any capital not directly attributable to the CGUs is held within the Corporate segment. The Bank's capital oversight committees provide oversight to the Bank's capital allocation methodologies.

## **EMPLOYEE BENEFITS**

The projected benefit obligation and expense related to the Bank's pension and non-pension post-retirement benefit plans are determined using multiple assumptions that may significantly influence the value of these amounts. Actuarial assumptions including discount rates, compensation increases, health care cost trend rates, and mortality rates are management's best estimates and are reviewed annually with the Bank's actuaries. The Bank develops each assumption using relevant historical experience of the Bank in conjunction with market-related data and considers if the market-related data indicates there is any prolonged or significant impact on the assumptions. The discount rate used to value liabilities is determined

by reference to market yields on high-quality corporate bonds with terms matching the plans' specific cash flows. The other assumptions are also long-term estimates. All assumptions are subject to a degree of uncertainty. Differences between actual experiences and the assumptions, as well as changes in the assumptions resulting from changes in future expectations, result in actuarial gains and losses which are recognized in other comprehensive income during the year and also impact expenses in future periods.

## **INCOME TAXES**

The Bank is subject to taxation in numerous jurisdictions. There are many transactions and calculations in the ordinary course of business for which the ultimate tax determination is uncertain. The Bank maintains provisions for uncertain tax positions that it believes appropriately reflect the risk of tax positions under discussion, audit, dispute, or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the Bank's best estimate of the amount expected to be paid based on an assessment of all relevant factors, which are reviewed at the end of each reporting period. However, it is possible that at some future date, an additional liability could result from audits by the relevant taxing authorities.

Deferred tax assets are recognized only when it is probable that sufficient taxable profit will be available in future periods against which deductible temporary differences may be utilized. The amount of the deferred tax asset recognized and considered realizable could, however, be reduced if projected income is not achieved due to various factors, such as unfavourable business conditions. If projected income is not expected to be achieved, the Bank would decrease its deferred tax assets to the amount that it believes can be realized. The magnitude of the decrease is significantly influenced by the Bank's forecast of future profit generation, which determines the extent to which it will be able to utilize the deferred tax assets.

## **PROVISIONS**

Provisions arise when there is some uncertainty in the timing or amount of a loss in the future. Provisions are based on the Bank's best estimate of all expenditures required to settle its present obligations, considering all relevant risks and uncertainties, as well as, when material, the effect of the time value of money.

Many of the Bank's provisions relate to various legal actions that the Bank is involved in during the ordinary course of business. Legal provisions require the involvement of both the Bank's management and legal counsel when assessing the probability of a loss and estimating any monetary impact. Throughout the life of a provision, the Bank's management or legal counsel may learn of additional information that may impact its assessments about the probability of loss or about the estimates of amounts involved. Changes in these assessments may lead to changes in the amount recorded for provisions. In addition, the actual costs of resolving these claims may be substantially higher or lower than the amounts recognized. The Bank reviews its legal provisions on a case-by-case basis after considering, among other factors, the progress of each case, the Bank's experience, the experience of others in similar cases, and the opinions and views of legal counsel.

Certain of the Bank's provisions relate to restructuring initiatives initiated by the Bank. Restructuring provisions require management's best estimate, including forecasts of economic conditions. Throughout the life of a provision, the Bank may become aware of additional information that may impact the assessment of amounts to be incurred. Changes in these assessments may lead to changes in the amount recorded for provisions.

## **INSURANCE**

The assumptions used in establishing the Bank's insurance claims and policy benefit liabilities are based on best estimates of possible outcomes.

For property and casualty insurance, the ultimate cost of claims liabilities is estimated using a range of standard actuarial claims projection techniques in accordance with Canadian accepted actuarial practices. Additional qualitative judgment is used to assess the extent to which past trends may or may not apply in the future, in order to arrive at the estimated ultimate claims cost that present the most likely outcome taking account of all the uncertainties involved.

For life and health insurance, actuarial liabilities consider all future policy cash flows, including premiums, claims, and expenses required to administer the policies. Critical assumptions used in the measurement of life and health insurance contract liabilities are determined by the appointed actuary.

Further information on insurance risk assumptions is provided in Note 22.

#### **CONSOLIDATION OF STRUCTURED ENTITIES**

Management judgment is required when assessing whether the Bank should consolidate an entity. For instance, it may not be feasible to determine if the Bank controls an entity solely through an assessment of voting rights for certain structured entities. In this case, judgment is required to establish whether the Bank has decision-making power over the key relevant activities of the entity and whether the Bank has the ability to use that power to absorb significant variable returns from the entity. If it is determined that the Bank has both decision-making power and significant variable returns from the entity, judgment is also used to determine whether any such power is exercised by the Bank as principal, on its own behalf, or as agent, on behalf of another counterparty.

Assessing whether the Bank has decision-making power includes understanding the purpose and design of the entity in order to determine its key economic activities. In this context, an entity's key economic activities are those which predominantly impact the economic performance of the entity. When the Bank has the current ability to direct the entity's key economic activities, it is considered to have decision-making power over the entity.

The Bank also evaluates its exposure to the variable returns of a structured entity in order to determine if it absorbs a significant proportion of the variable returns the entity is designed to create. As part of this evaluation, the Bank considers the purpose and design of the entity in order to determine whether it absorbs variable returns from the structured entity through its contractual holdings, which may take the form of securities issued by the entity, derivatives with the entity, or other arrangements such as guarantees, liquidity facilities, or lending commitments.

If the Bank has decision-making power over the entity and absorbs significant variable returns from the entity, it then determines if it is acting as principal or agent when exercising its decision-making power. Key factors considered include the scope of its decision-making powers; the rights of other parties involved with the entity, including any rights to remove the Bank as decision-maker or rights to participate in key decisions; whether the rights of other parties are exercisable in practice; and the variable returns absorbed by the Bank and by other parties involved with the entity. When assessing consolidation, a presumption exists that the Bank exercises decision-making power as principal if it is also exposed to significant variable returns, unless an analysis of the factors above indicates otherwise.

The decisions above are made with reference to the specific facts and circumstances relevant for the structured entity and related transaction(s) under consideration.

#### **REVENUE FROM CONTRACTS WITH CUSTOMERS**

The Bank applies judgment to determine the timing of satisfaction of performance obligations which affects the timing of revenue recognition, by evaluating the pattern in which the Bank transfers control of services promised to the customer. A performance

obligation is satisfied over time when the customer simultaneously receives and consumes the benefits as the Bank performs the service. For performance obligations satisfied over time, revenue is generally recognized using the time-elapsed method which is based on time elapsed in proportion to the period over which the service is provided, for example, personal deposit account bundle fees. The time-elapsed method is a faithful depiction of the transfer of control for these services as control is transferred evenly to the customer when the Bank provides a stand-ready service or effort is expended evenly by the Bank to provide a service over the contract period. In contracts where the Bank has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Bank's performance completed to date, the Bank recognizes revenue in the amount to which it has a right to invoice.

The Bank satisfies a performance obligation at a point in time if the customer obtains control of the promised services at that date. Determining when control is transferred requires the use of judgment. For transaction-based services, the Bank determines that control is transferred to the customer at a point in time when the customer obtains substantially all of the benefits from the service rendered and the Bank has a present right to payment, which generally coincides with the moment the transaction is executed.

The Bank exercises judgment in determining whether costs incurred in connection with acquiring new revenue contracts would meet the requirement to be capitalized as incremental costs to obtain or fulfil a contract with customers.

#### **IMPAIRMENT OF FINANCIAL ASSETS PRIOR TO NOVEMBER 1, 2017 UNDER IAS 39**

The following is applicable to periods prior to November 1, 2017 for financial instruments accounted for under IAS 39.

##### ***Available-for-Sale Securities***

Impairment losses were recognized on AFS securities if there was objective evidence of impairment as a result of one or more events that occurred after initial recognition and the loss event(s) resulted in a decrease in the estimated cash flows of the instrument. The Bank individually reviewed these securities at least quarterly for the presence of these conditions. For AFS equity securities, a significant or prolonged decline in fair value below cost was considered objective evidence of impairment. For AFS debt securities, a deterioration of credit quality was considered objective evidence of impairment. Other factors considered in the impairment assessment included financial position and key financial indicators of the issuer of the instrument, significant past and continued losses of the issuer, as well as breaches of contract, including default or delinquency in interest payments and loan covenant violations.

##### ***Held-to-Maturity Securities***

Impairment losses were recognized on held-to-maturity securities if there was objective evidence of impairment as a result of one or more events that occurred after initial recognition and the loss event(s) resulted in a decrease in the estimated cash flows of the instrument. The Bank reviewed these securities at least quarterly for impairment at the counterparty-specific level. If there was no objective evidence of impairment at the counterparty-specific level then the security was grouped with other held-to-maturity securities with similar credit risk characteristics and collectively assessed for impairment, which considered losses incurred but not identified. A deterioration of credit quality was considered objective evidence of impairment. Other factors considered in the impairment assessment included the financial position and key financial indicators of the issuer, significant past and continued losses of the issuer, as well as breaches of contract, including default or delinquency in interest payments and loan covenant violations.

## Loans

A loan, including a debt security classified as a loan, was considered impaired when there was objective evidence that there had been a deterioration of credit quality subsequent to the initial recognition of the loan to the extent the Bank no longer had reasonable assurance as to the timely collection of the full amount of principal and interest. The Bank assessed loans for objective evidence of impairment individually for loans that were individually significant, and collectively for loans that were not individually significant. The allowance for credit losses represented management's best estimate of impairment incurred in the lending portfolios, including any off-balance sheet exposures, at the balance sheet date. Management exercised judgment as to the timing of designating a loan as impaired, the amount of the allowance required, and the amount that would be recovered once the borrower defaulted. Changes in the amount that management expected to recover would have a direct impact on the provision for credit losses and may have resulted in a change in the allowance for credit losses.

If there was no objective evidence of impairment for an individual loan, whether significant or not, the loan was included in a group of assets with similar credit risk characteristics and collectively assessed for impairment for losses incurred but not identified. In calculating the probable range of allowance for incurred but not identified credit losses, the Bank employed internally developed models that utilized parameters for PD, LGD, and EAD. Management's judgment was used to determine the point within the range that was the best estimate of losses, based on an assessment of business and economic conditions, historical loss experience, loan portfolio composition, and other relevant indicators that were not fully incorporated into the model calculation. Changes in these assumptions would have a direct impact on the provision for credit losses and may have resulted in a change in the incurred but not identified allowance for credit losses.

NOTE 4	CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES
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### CURRENT CHANGES IN ACCOUNTING POLICIES

The following new and amended standards have been adopted by the Bank.

#### IBOR Reform and its Effects on Financial Reporting

As a result of the effects of Interbank Offered Rates (IBOR) reform, on September 26, 2019, the IASB issued *Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39, and IFRS 7*, of which the Bank adopted the applicable amendments to IFRS 7 relating to hedge accounting and will apply the remaining amendments related to IAS 39 as and when applicable to the Bank's hedging relationships. The amendments provide temporary exceptions from applying specific hedge accounting requirements to all hedging relationships directly affected by interest rate benchmark reform. Under the amendments, entities would apply hedge accounting requirements assuming that the interest rate benchmark is not altered, thereby enabling hedge accounting to continue during the period of uncertainty prior to the replacement of an existing interest rate benchmark with an alternative benchmark rate. The amendments also provide an exception from the requirement to discontinue hedge accounting if the actual results of the hedge do not meet the effectiveness requirements as a result of interest rate benchmark reform. Amendments were also made to IFRS 7 introducing additional disclosures related to amended IAS 39. Refer to Notes 2 and 11 for further details.

#### Revenue from Contracts with Customers

On November 1, 2018, the Bank adopted IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which establishes the principles for recognizing revenue and cash flows arising from contracts with customers and prescribes the application of a five-step recognition and measurement model. The standard excludes from its scope, revenue arising from items such as financial instruments, insurance contracts, and leases. The Bank adopted the standard on a modified retrospective basis, recognizing the cumulative effect of initially applying the standard as an adjustment to opening retained earnings without restating comparative period financial information.

The adoption of IFRS 15 resulted in a reduction to Shareholders' Equity of \$41 million related to certain expenses not eligible for deferral under IFRS 15. The presentation of certain revenue and expense items is changed due to IFRS 15 and reclassified prospectively. These presentation changes are not significant and do not have an impact on net income.

In addition to the above changes related to the adoption of IFRS 15, the Bank also changed its accounting policy on securities lending and borrowing transactions. Where securities are received or pledged as collateral, securities lending income and securities borrowing fees are recorded in Non-interest income and Non-interest expenses, respectively, on the Consolidated Statement of Income. This change has been applied retrospectively.

#### Share-based Payment

In June 2016, the IASB published amendments to IFRS 2, *Share-based Payment* (IFRS 2), which provide additional guidance on the classification and measurement of share-based payment transactions. The amendments clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features for withholding tax obligations, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments to IFRS 2 are effective for annual periods beginning on or after January 1, 2018, which was November 1, 2018 for the Bank. These amendments have been applied prospectively and did not have a significant impact on the Bank.

### FUTURE CHANGES IN ACCOUNTING POLICIES

The following standards have been issued, but are not yet effective on the date of issuance of the Bank's Consolidated Financial Statements. The Bank is currently assessing the impact of the application of these standards on the Consolidated Financial Statements and will adopt these standards when they become effective.

#### Leases

In January 2016, the IASB issued IFRS 16, *Leases* (IFRS 16), which will replace IAS 17, *Leases*, introducing a single lessee accounting model for all leases by eliminating the distinction between operating and financing leases. IFRS 16 requires lessees to recognize right-of-use assets and lease liabilities for most leases on the balance sheet. Lessees will also recognize depreciation expense on the right-of-use asset, interest expense on the lease liability, and a shift in the timing of expense recognition in the statement of income. Short-term leases, which are defined as those that have a lease term of twelve months or less, and leases of low-value assets are exempt. Lessor accounting remains substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, which will be November 1, 2019 for the Bank. The Bank will adopt the new standard using the modified

retrospective approach by recognizing the cumulative effect of the transitional impact in opening retained earnings within the Consolidated Balance Sheet at November 1, 2019, with no restatement of the comparative periods. The Bank's IFRS 16 program is governed by a formal multi-functional enterprise-wide governance structure and project delivery plan. Additional processes and internal controls over financial reporting have also been developed.

In adopting IFRS 16, the Bank will apply certain practical expedients as permitted by IFRS 16, including: using hindsight to determine the lease term where lease contracts contain options to extend or terminate a lease, measuring the right-of-use asset retrospectively on a selection of leases, not reassessing under IFRS 16, contracts that were previously identified as leases under the previous accounting standards (IAS 17, *Leases*, and IFRIC 4, *Determining whether an arrangement contains a lease*), and applying the exemption for short-term leases to be expensed.

The Bank's real estate leases, previously classified as operating leases, will be impacted the most by the adoption of IFRS 16. The Bank also leases certain equipment and other assets under similar payment terms. On November 1, 2019, the Bank estimates increases of \$4.4 billion of new right-of-use assets, \$5.5 billion of lease liabilities, and other balance sheet adjustments and reclassifications of \$0.6 billion. The decrease of retained earnings is approximately \$0.5 billion after tax. Based on the current regulatory requirements, the expected impact to Common Equity Tier 1 (CET1) capital is a decrease of 24 basis points (bps).

#### **Insurance Contracts**

In May 2017, the IASB issued IFRS 17, *Insurance Contracts* (IFRS 17), which replaces the guidance in IFRS 4, *Insurance Contracts* and establishes principles for recognition, measurement, presentation, and disclosure of insurance contracts. IFRS 17 is currently effective for the Bank's annual reporting period beginning November 1, 2021. In June 2019, the IASB issued an Exposure Draft which proposes targeted amendments to IFRS 17 including, amongst other matters, a deferral of the effective date by one year. It is expected that the IASB will finalize the amendments to the standard in mid-2020. Any change to the Bank's effective date is subject to updates of OSFI's related Advisory. The Bank is currently in the final stages of its planning activities, which includes developing the project plan based on results from business impact assessments, reviewing resource requirements to support this approach, and monitoring the impact of IASB changes to the IFRS 17 standard.

#### **Uncertainty over Income Tax Treatments**

In June 2017, the IASB issued IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments*, which clarifies application of recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. The interpretation is effective

for annual periods beginning on or after January 1, 2019, which will be November 1, 2019 for the Bank. The interpretation can be applied using either full retrospective application or modified retrospective application without restatement of comparatives and is not expected to have a significant impact on the Bank.

#### **Conceptual Framework for Financial Reporting**

In March 2018, the IASB issued the revised Conceptual Framework for Financial Reporting (Revised Conceptual Framework), which provides a set of concepts to assist the IASB in developing standards and to help preparers consistently apply accounting policies where specific accounting standards do not exist. The framework is not an accounting standard and does not override the requirements that exist in other IFRS standards. The Revised Conceptual Framework describes that financial information must be relevant and faithfully represented to be useful, provides revised definitions and recognition criteria for assets and liabilities, and confirms that different measurement bases are useful and permitted. The Revised Conceptual Framework is effective for annual periods beginning on or after January 1, 2020, which will be November 1, 2020 for the Bank, with early adoption permitted. The Bank is currently assessing the impact of adopting the revised framework.

#### **Business Combinations**

In October 2018, the IASB issued a narrow-scope amendment to IFRS 3, *Business Combinations* (IFRS 3). The amendments provide additional guidance on the definition of a business which determines whether an acquisition is of a business or a group of assets. An acquirer recognizes goodwill only when acquiring a business, not when acquiring a group of assets. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after January 1, 2020, which will be November 1, 2020 for the Bank, with early adoption permitted and is to be applied prospectively. The Bank will assess the impact of the amendments on future acquisitions.

#### **Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors**

In October 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, which clarify the definition of "material". Specifically, the amendments clarify that information is material if omitting, misstating, or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Accompanying explanations to the definition have also been clarified. The amendments are effective for annual periods beginning on or after January 1, 2020, which will be November 1, 2020 for the Bank, and are to be applied prospectively with early application permitted. The Bank is currently assessing the impact of adopting these amendments.

Certain assets and liabilities, primarily financial instruments, are carried on the balance sheet at their fair value on a recurring basis. These financial instruments include trading loans and securities, non-trading financial assets at FVTPL, assets and liabilities designated at FVTPL, financial assets at FVOCI, derivatives, certain securities purchased under reverse repurchase agreements, certain deposits classified as trading, securitization liabilities at fair value, obligations related to securities sold short, and certain obligations related to securities sold under repurchase agreements. All other financial assets and financial liabilities are carried at amortized cost.

#### VALUATION GOVERNANCE

Valuation processes are guided by policies and procedures that are approved by senior management and subject matter experts. Senior Executive oversight over the valuation process is provided through various valuation-related committees. Further, the Bank has a number of additional controls in place, including an independent price verification process to ensure the accuracy of fair value measurements reported in the financial statements. The sources used for independent pricing comply with the standards set out in the approved valuation-related policies, which include consideration of the reliability, relevancy, and timeliness of data.

#### METHODS AND ASSUMPTIONS

The Bank calculates fair values for measurement and disclosure purposes based on the following methods of valuation and assumptions:

##### **Government and Government-Related Securities**

The fair value of Canadian government debt securities is based on quoted prices in active markets, where available. Where quoted prices are not available, valuation techniques such as discounted cash flow models may be used, which maximize the use of observable inputs such as government bond yield curves.

The fair value of U.S. federal and state government, as well as agency debt securities, is determined by reference to recent transaction prices, broker quotes, or third-party vendor prices. Brokers or third-party vendors may use a pool-specific valuation model to value these securities. Observable market inputs to the model include to-be-announced market prices, the applicable indices, and metrics such as the coupon, maturity, and weighted-average maturity of the pool. Market inputs used in the valuation model include, but are not limited to, indexed yield curves and trading spreads.

The fair value of residential mortgage-backed securities (MBS) is based on broker quotes, third-party vendor prices, or other valuation techniques, such as the use of option-adjusted spread models which include inputs such as prepayment rate assumptions related to the underlying collateral. Observable inputs include, but are not limited to, indexed yield curves and bid-ask spreads. Other inputs may include volatility assumptions derived using Monte Carlo simulations and take into account factors such as counterparty credit quality and liquidity.

##### **Other Debt Securities**

The fair value of corporate and other debt securities is based on broker quotes, third-party vendor prices, or other valuation techniques, such as discounted cash flow techniques. Market inputs used in the other valuation techniques or underlying third-party vendor prices or broker quotes include benchmark and government bond yield curves, credit spreads, and trade execution data.

Asset-backed securities are primarily fair valued using third-party vendor prices. The third-party vendor employs a valuation model which maximizes the use of observable inputs such as benchmark yield curves and bid-ask spreads. The model also takes into account relevant data about the underlying collateral, such as weighted-average terms to maturity and prepayment rate assumptions.

##### **Equity Securities**

The fair value of equity securities is based on quoted prices in active markets, where available. Where quoted prices in active markets are not readily available, such as for private equity securities, or where there is a wide bid-offer spread, fair value is determined based on quoted market prices for similar securities or through valuation techniques, including discounted cash flow analysis, and multiples of earnings before taxes, depreciation and amortization, and other relevant valuation techniques.

If there are trading restrictions on the equity security held, a valuation adjustment is recognized against available prices to reflect the nature of the restriction. However, restrictions that are not part of the security held and represent a separate contractual arrangement that has been entered into by the Bank and a third party do not impact the fair value of the original instrument.

##### **Retained Interests**

Retained interests are classified as trading securities and are initially recognized at their relative fair market value. Subsequently, the fair value of retained interests recognized by the Bank is determined by estimating the present value of future expected cash flows. Differences between the actual cash flows and the Bank's estimate of future cash flows are recognized in income. These assumptions are subject to periodic review and may change due to significant changes in the economic environment.

##### **Loans**

The estimated fair value of loans carried at amortized cost reflects changes in market price that have occurred since the loans were originated or purchased. For fixed-rate performing loans, estimated fair value is determined by discounting the expected future cash flows related to these loans at current market interest rates for loans with similar credit risks. For floating-rate performing loans, changes in interest rates have minimal impact on fair value since loans reprice to market frequently. On that basis, fair value is assumed to approximate carrying value. The fair value of loans is not adjusted for the value of any credit protection the Bank has purchased to mitigate credit risk.

The fair value of loans carried at FVTPL, which includes trading loans and loans designated at FVTPL, is determined using observable market prices, where available. Where the Bank is a market maker for loans traded in the secondary market, fair value is determined using executed prices, or prices for comparable trades. For those loans where the Bank is not a market maker, the Bank obtains broker quotes from other reputable dealers, and corroborates this information using valuation techniques or by obtaining consensus or composite prices from pricing services.

The fair value of loans carried at FVOCI is assumed to approximate amortized cost as they are generally floating rate performing loans that are short term in nature.



### **Commodities**

The fair value of commodities is based on quoted prices in active markets, where available. The Bank also transacts commodity derivative contracts which can be traded on an exchange or in OTC markets.

### **Derivative Financial Instruments**

The fair value of exchange-traded derivative financial instruments is based on quoted market prices. The fair value of OTC derivative financial instruments is estimated using well established valuation techniques, such as discounted cash flow techniques, the Black-Scholes model, and Monte Carlo simulation. The valuation models incorporate inputs that are observable in the market or can be derived from observable market data.

Prices derived by using models are recognized net of valuation adjustments. The inputs used in the valuation models depend on the type of derivative and the nature of the underlying instrument and are specific to the instrument being valued. Inputs can include, but are not limited to, interest rate yield curves, foreign exchange rates, dividend yield projections, commodity spot and forward prices, recovery rates, volatilities, spot prices, and correlation.

A credit risk valuation adjustment (CRVA) is recognized against the model value of OTC derivatives to account for the uncertainty that either counterparty in a derivative transaction may not be able to fulfil its obligations under the transaction. In determining CRVA, the Bank takes into account master netting agreements and collateral, and considers the creditworthiness of the counterparty and the Bank itself, in assessing potential future amounts owed to, or by the Bank.

The fair value of a derivative is partly a function of collateralization. The Bank uses the relevant overnight index swap curve to discount the cash flows for collateralized derivatives as most collateral is posted in cash and can be funded at the overnight rate.

A funding valuation adjustment (FVA) is recognized against the model value of OTC derivatives to recognize the market implied funding costs and benefits considered in the pricing and fair valuation of uncollateralized derivatives. Some of the key drivers of FVA include the market implied funding spread and the expected average exposure by counterparty.

The Bank will continue to monitor industry practice on valuation adjustments and may refine the methodology as market practices evolve.

### **Deposits**

The estimated fair value of term deposits is determined by discounting the contractual cash flows using interest rates currently offered for deposits with similar terms.

For deposits with no defined maturities, the Bank considers fair value to equal carrying value, which is equivalent to the amount payable on the balance sheet date.

For trading deposits and deposits designated at FVTPL, which is included in financial liabilities designated at FVTPL, fair value is determined using discounted cash flow valuation techniques which maximize the use of observable market inputs such as benchmark yield curves and foreign exchange rates. The Bank considers the impact of its own creditworthiness in the valuation of these deposits by reference to observable market inputs.

### **Securitization Liabilities**

The fair value of securitization liabilities is based on quoted market prices or quoted market prices for similar financial instruments, where available. Where quoted prices are not available, fair value

is determined using valuation techniques, which maximize the use of observable inputs, such as Canada Mortgage Bond (CMB) curves and MBS curves.

### **Obligations Related to Securities Sold Short**

The fair value of these obligations is based on the fair value of the underlying securities, which can include equity or debt securities. As these obligations are fully collateralized, the method used to determine fair value would be the same as that of the relevant underlying equity or debt securities.

### **Securities Purchased Under Reverse Repurchase Agreements and Obligations Related to Securities Sold Under Repurchase Agreements**

Commodities and bonds purchased or sold with an agreement to sell or repurchase them at a later date at a fixed price are carried at fair value. The fair value of these agreements is based on valuation techniques such as discounted cash flow models which maximize the use of observable market inputs such as interest rate swap curves and commodity forward prices.

### **Subordinated Notes and Debentures**

The fair value of subordinated notes and debentures are based on quoted market prices for similar issues or current rates offered to the Bank for debt of equivalent credit quality and remaining maturity.

### **Portfolio Exception**

IFRS 13, *Fair Value Measurement* provides a measurement exception that allows an entity to determine the fair value of a group of financial assets and liabilities with offsetting risks based on the sale or transfer of its net exposure to a particular risk or risks. The Bank manages certain financial assets and financial liabilities, such as derivative assets and derivative liabilities on the basis of net exposure and applies the portfolio exception when determining the fair value of these financial assets and financial liabilities.

### **Fair Value of Assets and Liabilities not carried at Fair Value**

The fair value of assets and liabilities subsequently not carried at fair value include most loans, most deposits, certain securitization liabilities, most securities purchased under reverse repurchase agreements, most obligations relating to securities sold under repurchase agreements, and subordinated notes and debentures. For these instruments, fair values are calculated for disclosure purposes only, and the valuation techniques are disclosed above. In addition, the Bank has determined that the carrying value approximates the fair value for the following assets and liabilities as they are usually liquid floating rate financial instruments and are generally short term in nature: cash and due from banks, interest-bearing deposits with banks, securities purchased under reverse repurchase agreements, customers' liability under acceptances, amounts receivable from brokers, dealers, and clients, other assets, acceptances, obligations related to securities sold under repurchase agreements, amounts payable to brokers, dealers, and clients, and other liabilities.

### **Carrying Value and Fair Value of Financial Instruments not carried at Fair Value**

The fair values in the following table exclude assets that are not financial instruments, such as land, buildings and equipment, as well as goodwill and other intangible assets, including customer relationships, which are of significant value to the Bank.

## Financial Assets and Liabilities not carried at Fair Value<sup>1</sup>

(millions of Canadian dollars)

	October 31, 2019		October 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
<b>FINANCIAL ASSETS</b>				
Debt securities at amortized cost, net of allowance for credit losses				
Government and government-related securities	\$ 78,275	\$ 78,374	\$ 60,535	\$ 59,948
Other debt securities	52,222	52,370	46,636	46,316
Total debt securities at amortized cost, net of allowance for credit losses	130,497	130,744	107,171	106,264
Total loans, net of allowance for loan losses	684,608	688,154	646,393	642,542
Total financial assets not carried at fair value	\$ 815,105	\$ 818,898	\$ 753,564	\$ 748,806
<b>FINANCIAL LIABILITIES</b>				
Deposits	\$ 886,977	\$ 892,597	\$ 851,439	\$ 846,148
Securitization liabilities at amortized cost	14,086	14,258	14,683	14,654
Subordinated notes and debentures	10,725	11,323	8,740	9,027
Total financial liabilities not carried at fair value	\$ 911,788	\$ 918,178	\$ 874,862	\$ 869,829

<sup>1</sup> This table excludes financial assets and liabilities where the carrying amount is a reasonable approximation of fair value.

### Fair Value Hierarchy

IFRS requires disclosure of a three-level hierarchy for fair value measurements based upon the observability of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

**Level 1:** Fair value is based on quoted market prices for identical assets or liabilities that are traded in an active exchange market or highly liquid and actively traded in OTC markets.

**Level 2:** Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar (but not identical) assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less

frequently than exchange-traded instruments and derivative contracts whose value is determined using valuation techniques with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

**Level 3:** Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Financial instruments classified within Level 3 of the fair value hierarchy are initially recognized at their transaction price, which is considered the best estimate of fair value. After initial measurement, the fair value of Level 3 assets and liabilities is determined using valuation models, discounted cash flow methodologies, or similar techniques.

The following table presents the levels within the fair value hierarchy for each of the assets and liabilities measured at fair value on a recurring basis as at October 31.

## Fair Value Hierarchy for Assets and Liabilities Measured at Fair Value on a Recurring Basis

(millions of Canadian dollars)

	October 31, 2019				October 31, 2018			
	Level 1	Level 2	Level 3	Total <sup>1</sup>	Level 1	Level 2	Level 3	Total <sup>1</sup>
<b>FINANCIAL ASSETS AND COMMODITIES</b>								
<b>Trading loans, securities, and other<sup>2</sup></b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	\$ 395	\$ 10,521	\$ –	\$ 10,916	\$ 127	\$ 14,335	\$ –	\$ 14,462
Provinces	–	8,510	8	8,518	–	7,535	3	7,538
U.S. federal, state, municipal governments, and agencies debt	–	19,133	–	19,133	–	19,732	–	19,732
Other OECD government guaranteed debt	–	4,132	–	4,132	–	3,324	–	3,324
Mortgage-backed securities	–	1,746	–	1,746	–	2,029	–	2,029
<b>Other debt securities</b>								
Canadian issuers	–	5,129	3	5,132	–	5,630	1	5,631
Other issuers	–	13,547	1	13,548	–	14,459	16	14,475
<b>Equity securities</b>								
Common shares	56,058	61	–	56,119	43,699	53	–	43,752
Preferred shares	57	–	–	57	33	26	–	59
<b>Trading loans</b>	–	12,482	–	12,482	–	10,990	–	10,990
<b>Commodities</b>	13,761	437	–	14,198	5,540	340	–	5,880
<b>Retained interests</b>	–	19	–	19	–	25	–	25
	70,271	75,717	12	146,000	49,399	78,478	20	127,897
<b>Non-trading financial assets at fair value through profit or loss</b>								
Securities	229	3,985	493	4,707	176	2,095	408	2,679
Loans	–	1,791	5	1,796	–	1,317	19	1,336
	229	5,776	498	6,503	176	3,412	427	4,015
<b>Derivatives</b>								
Interest rate contracts	22	14,794	–	14,816	33	12,365	–	12,398
Foreign exchange contracts	24	30,623	3	30,650	24	39,647	4	39,675
Credit contracts	–	16	–	16	–	9	–	9
Equity contracts	1	1,298	589	1,888	–	3,170	453	3,623
Commodity contracts	266	1,246	12	1,524	144	1,112	35	1,291
	313	47,977	604	48,894	201	56,303	492	56,996
<b>Financial assets designated at fair value through profit or loss</b>								
Securities <sup>2</sup>	–	4,040	–	4,040	–	3,618	–	3,618
	–	4,040	–	4,040	–	3,618	–	3,618
<b>Financial assets at fair value through other comprehensive income</b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	–	9,663	–	9,663	–	12,731	–	12,731
Provinces	–	12,927	–	12,927	–	9,507	–	9,507
U.S. federal, state, municipal governments, and agencies debt	–	40,737	–	40,737	–	45,766	–	45,766
Other OECD government guaranteed debt	–	14,407	–	14,407	–	19,896	200	20,096
Mortgage-backed securities	–	5,437	–	5,437	–	6,633	–	6,633
<b>Other debt securities</b>								
Asset-backed securities	–	15,888	–	15,888	–	21,407	562	21,969
Non-agency collateralized mortgage obligation portfolio	–	247	–	247	–	472	–	472
Corporate and other debt	–	7,810	24	7,834	–	8,483	24	8,507
<b>Equity securities</b>								
Common shares	89	2	1,507	1,598	309	3	1,492	1,804
Preferred shares	198	–	44	242	235	–	135	370
<b>Loans</b>	–	2,124	–	2,124	–	2,745	–	2,745
	287	109,242	1,575	111,104	544	127,643	2,413	130,600
<b>Securities purchased under reverse repurchase agreements</b>	–	4,843	–	4,843	–	3,920	–	3,920
<b>FINANCIAL LIABILITIES</b>								
<b>Trading deposits</b>								
	–	22,793	4,092	26,885	–	111,680	3,024	114,704
<b>Derivatives</b>								
Interest rate contracts	19	14,404	83	14,506	24	9,646	63	9,733
Foreign exchange contracts	21	29,374	4	29,399	18	34,897	3	34,918
Credit contracts	–	420	–	420	–	386	–	386
Equity contracts	–	2,877	1,514	4,391	–	1,319	1,077	2,396
Commodity contracts	266	1,040	29	1,335	134	695	8	837
	306	48,115	1,630	50,051	176	46,943	1,151	48,270
<b>Securitization liabilities at fair value</b>	–	13,058	–	13,058	–	12,618	–	12,618
<b>Financial liabilities designated at fair value through profit or loss</b>								
	–	105,110	21	105,131	–	2	14	16
<b>Obligations related to securities sold short<sup>2</sup></b>	878	28,778	–	29,656	1,142	38,336	–	39,478
<b>Obligations related to securities sold under repurchase agreements</b>	–	2,973	–	2,973	–	3,797	–	3,797

<sup>1</sup> Fair value is the same as carrying value.

<sup>2</sup> Balances reflect the reduction of securities owned (long positions) by the amount of identical securities sold but not yet purchased (short positions).

The Bank's policy is to record transfers of assets and liabilities between the different levels of the fair value hierarchy using the fair values as at the end of each reporting period. Assets are transferred between Level 1 and Level 2 depending on if there is sufficient frequency and volume in an active market.

There were no significant transfers between Level 1 and Level 2 during the year ended October 31, 2019. During the year ended October 31, 2018, the Bank transferred \$20 million in securities from Non-trading financial assets at FVTPL from Level 1 to Level 2.

### Movements of Level 3 instruments

Significant transfers into and out of Level 3 occur mainly due to the following reasons:

- Transfers from Level 3 to Level 2 occur when techniques used for valuing the instrument incorporate significant observable market inputs or broker-dealer quotes which were previously not observable.

- Transfers from Level 2 to Level 3 occur when an instrument's fair value, which was previously determined using valuation techniques with significant observable market inputs, is now determined using valuation techniques with significant non-observable inputs.

Due to the unobservable nature of the inputs used to value Level 3 financial instruments, there may be uncertainty about the valuation of these instruments. The fair value of Level 3 instruments may be drawn from a range of reasonably possible alternatives. In determining the appropriate levels for these unobservable inputs, parameters are chosen so that they are consistent with prevailing market evidence and management judgment.

The following tables reconcile changes in fair value of all assets and liabilities measured at fair value using significant Level 3 non-observable inputs for the years ended October 31.

### Reconciliation of Changes in Fair Value for Level 3 Assets and Liabilities

(millions of Canadian dollars)

	Fair value as at November 1 2018	Total realized and unrealized gains (losses)		Movements		Transfers		Fair value as at October 31 2019	Change in unrealized gain (losses) on instruments still held <sup>5</sup>
		Included in income <sup>1</sup>	Included in OCI <sup>2,3</sup>	Purchases/ Issuances	Sales/ Settlements <sup>4</sup>	Into Level 3	Out of Level 3		
<b>FINANCIAL ASSETS</b>									
<b>Trading loans, securities, and other</b>									
<b>Government and government-related securities</b>									
Canadian government debt									
Provinces	\$ 3	\$ -	\$ -	\$ -	\$ (50)	\$ 55	\$ -	\$ 8	\$ -
<b>Other debt securities</b>									
Canadian issuers	1	-	-	1	(2)	4	(1)	3	-
Other issuers	16	1	-	2	(24)	20	(14)	1	-
	20	1	-	3	(76)	79	(15)	12	-
<b>Non-trading financial assets at fair value through profit or loss</b>									
Securities	408	97	-	317	(329)	-	-	493	20
Loans	19	4	-	5	(23)	-	-	5	1
	427	101	-	322	(352)	-	-	498	21
<b>Financial assets at fair value through other comprehensive income</b>									
<b>Government and government-related securities</b>									
Other OECD government guaranteed debt	200	24	-	-	(224)	-	-	-	-
<b>Other debt securities</b>									
Asset-backed securities	562	-	-	-	-	-	(562)	-	-
Corporate and other debt	24	-	-	-	-	-	-	24	-
<b>Equity securities</b>									
Common shares	1,492	-	(3)	31	(13)	-	-	1,507	(4)
Preferred shares	135	-	(16)	1	(75)	-	(1)	44	(23)
	\$ 2,413	\$ 24	\$ (19)	\$ 32	\$ (312)	\$ -	\$ (563)	\$ 1,575	\$ (27)
<b>FINANCIAL LIABILITIES</b>									
<b>Trading deposits<sup>5</sup></b>									
	\$ (3,024)	\$ (380)	\$ -	\$ (2,030)	\$ 1,342	\$ -	\$ -	\$ (4,092)	\$ (243)
<b>Derivatives<sup>7</sup></b>									
Interest rate contracts	(63)	(22)	-	-	6	(4)	-	(83)	(32)
Foreign exchange contracts	1	-	-	-	-	(5)	3	(1)	(1)
Equity contracts	(624)	(472)	-	(127)	298	-	-	(925)	(460)
Commodity contracts	27	(33)	-	-	(11)	-	-	(17)	(20)
	(659)	(527)	-	(127)	293	(9)	3	(1,026)	(513)
<b>Financial liabilities designated at fair value through profit or loss</b>									
	(14)	104	-	(187)	76	-	-	(21)	65
<b>Obligations related to securities sold short</b>									
	-	-	-	1	-	-	(1)	-	-

<sup>1</sup> Gains (losses) on financial assets and liabilities are recognized within Non-interest income on the Consolidated Statement of Income.

<sup>2</sup> Other comprehensive income.

<sup>3</sup> Includes realized gains/losses transferred to retained earnings on disposal of equities designated at FVOCI. Refer to Note 7 for further details.

<sup>4</sup> Includes foreign exchange.

<sup>5</sup> Changes in unrealized gains (losses) on financial assets at FVOCI are recognized in AOCI.

<sup>6</sup> Issuances and repurchases of trading deposits are reported on a gross basis.

<sup>7</sup> As at October 31, 2019, consists of derivative assets of \$0.6 billion (November 1, 2018 – \$0.5 billion) and derivative liabilities of \$1.6 billion (November 1, 2018 – \$1.2 billion), which have been netted on this table for presentation purposes only.

## Reconciliation of Changes in Fair Value for Level 3 Assets and Liabilities<sup>1</sup>

(millions of Canadian dollars)

	Fair value as at November 1 2017	Total realized and unrealized gains (losses)		Movements		Transfers		Fair value as at October 31 2018	Change in unrealized gain (losses) on instruments still held <sup>5</sup>
		Included in income <sup>2</sup>	Included in OCI <sup>3</sup>	Purchases/ Issuances	Sales/ Settlements <sup>4</sup>	Into Level 3	Out of Level 3		
<b>FINANCIAL ASSETS</b>									
<b>Trading loans, securities, and other</b>									
<b>Government and government-related securities</b>									
Canadian government debt									
Provinces	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ 2	\$ -	\$ 3	\$ -
<b>Other debt securities</b>									
Canadian issuers	6	-	-	-	(4)	1	(2)	1	(1)
Other issuers	8	(5)	-	46	(31)	172	(174)	16	(2)
	14	(5)	-	47	(35)	175	(176)	20	(3)
<b>Non-trading financial assets at fair value through profit or loss</b>									
Securities	305	60	-	54	(11)	-	-	408	51
Loans	15	(4)	-	8	-	-	-	19	(4)
	320	56	-	62	(11)	-	-	427	47
<b>Financial assets at fair value through other comprehensive income</b>									
<b>Government and government-related securities</b>									
Other OECD government guaranteed debt	203	15	(18)	-	-	-	-	200	(18)
<b>Other debt securities</b>									
Asset-backed securities	553	-	(2)	-	11	-	-	562	(2)
Corporate and other debt	95	12	2	-	(85)	-	-	24	2
<b>Equity securities</b>									
Common shares	1,469	-	(5)	23	5	-	-	1,492	(7)
Preferred shares	108	-	27	-	-	-	-	135	26
	\$ 2,428	\$ 27	\$ 4	\$ 23	\$ (69)	\$ -	\$ -	\$ 2,413	\$ 1
<b>FINANCIAL LIABILITIES</b>									
<b>Trading deposits<sup>6</sup></b>									
	\$ (2,521)	\$ 78	\$ -	\$ (1,729)	\$ 1,128	\$ (46)	\$ 66	\$ (3,024)	\$ 122
<b>Derivatives<sup>7</sup></b>									
Interest rate contracts	(70)	10	-	-	(3)	-	-	(63)	6
Foreign exchange contracts	1	-	-	-	1	-	(1)	1	3
Equity contracts	(893)	131	-	(121)	260	-	(1)	(624)	125
Commodity contracts	2	43	-	-	(18)	-	-	27	26
	(960)	184	-	(121)	240	-	(2)	(659)	160
<b>Financial liabilities designated at fair value through profit or loss</b>									
	(7)	(14)	-	(117)	124	-	-	(14)	(11)
<b>Obligations related to securities sold short</b>									
	-	-	-	-	4	(4)	-	-	-

<sup>1</sup> Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period. The presentation of Financial Liabilities has also been revised to conform with the current period presentation.

<sup>2</sup> Gains (losses) on financial assets and liabilities are recognized within Non-interest income on the Consolidated Statement of Income.

<sup>3</sup> Includes realized gains/losses transferred to retained earnings on disposal of equities designated at FVOCI. Refer to Note 7 for further details.

<sup>4</sup> Includes foreign exchange.

<sup>5</sup> Changes in unrealized gains (losses) on financial assets at FVOCI are recognized in AOCI.

<sup>6</sup> Issuances and repurchases of trading deposits are reported on a gross basis.

<sup>7</sup> As at October 31, 2018, consists of derivative assets of \$0.5 billion (November 1, 2017 - \$0.9 billion) and derivative liabilities of \$1.2 billion (November 1, 2017 - \$1.9 billion), which have been netted on this table for presentation purposes only.

## **VALUATION OF ASSETS AND LIABILITIES CLASSIFIED AS LEVEL 3 Significant unobservable inputs in Level 3 positions**

The following section discusses the significant unobservable inputs for Level 3 positions and assesses the potential effect that a change in each unobservable input may have on the fair value measurement.

### *Price Equivalent*

Certain financial instruments, mainly debt and equity securities, are valued using price equivalents when market prices are not available, with fair value measured by comparison with observable pricing data from instruments with similar characteristics. For debt securities, the price equivalent is expressed in 'points', and represents a percentage of the par amount, and prices at the lower end of the range are generally a result of securities that are written down. For equity securities, the price equivalent is based on a percentage of a proxy price. There may be wide ranges depending on the liquidity of the securities. New issuances of debt and equity securities are priced at 100% of the issue price.

### *Correlation*

The movements of inputs are not necessarily independent from other inputs. Such relationships, where material to the fair value of a given instrument, are captured via correlation inputs into the pricing models. The Bank includes correlation between the asset class, as well as across asset classes. For example, price correlation is the relationship between prices of equity securities in equity basket derivatives, and quanto correlation is the relationship between instruments which settle in one currency and the underlying securities which are denominated in another currency.

### *Implied Volatility*

Implied volatility is the value of the volatility of the underlying instrument which, when input in an option pricing model, such as Black-Scholes, will return a theoretical value equal to the current market price of the option. Implied volatility is a forward-looking and subjective measure, and differs from historical volatility because the latter is calculated from known past returns of a security.

### *Funding Ratio*

The funding ratio is a significant unobservable input required to value loan commitments issued by the Bank. The funding ratio represents an estimate of the percentage of commitments that are ultimately funded by the Bank. The funding ratio is based on a number of factors such as observed historical funding percentages within the various lending channels and the future economic outlook, considering factors including, but not limited to, competitive pricing and fixed/variable mortgage rate gap. An increase/decrease in funding ratio will increase/decrease the value of the lending commitment in relationship to prevailing interest rates.

### *Earnings Multiple, Discount Rate, and Liquidity Discount*

Earnings multiple, discount rate, and liquidity discount are significant inputs used when valuing certain equity securities and certain retained interests. Earnings multiples are selected based on comparable entities and a higher multiple will result in a higher fair value. Discount rates are applied to cash flow forecasts to reflect time value of money and the risks associated with the cash flows. A higher discount rate will result in a lower fair value. Liquidity discounts may be applied as a result of the difference in liquidity between the comparable entity and the equity securities being valued.

### *Currency-Specific Swap Curve*

The fair value of foreign exchange contracts is determined using inputs such as foreign exchange spot rates and swap curves. Generally, swap curves are observable, but there may be certain durations or currency-specific foreign exchange spot and currency-specific swap curves that are not observable.

### *Dividend Yield*

Dividend yield is a key input for valuing equity contracts and is generally expressed as a percentage of the current price of the stock. Dividend yields can be derived from the repo or forward price of the actual stock being fair valued. Spot dividend yields can also be obtained from pricing sources, if it can be demonstrated that spot yields are a good indication of future dividends.

### *Inflation Rate Swap Curve*

The fair value of inflation rate swap contracts is a swap between the interest rate curve and the inflation index. The inflation rate swap spread is not observable and is determined using proxy inputs such as inflation index rates and Consumer Price Index (CPI) bond yields. Generally, swap curves are observable; however, there may be instances where certain specific swap curves are not observable.

### *Net Asset Value*

The fair value of certain private funds are based on the net asset value determined by the fund managers based on valuation methodologies, as there are no observable prices for these instruments.

## **Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities**

The following table presents the Bank's assets and liabilities recognized at fair value and classified as Level 3, together with the valuation techniques used to measure fair value, the significant inputs used in the valuation technique that are considered unobservable, and a range of values for those unobservable inputs. The range of values represents the highest and lowest inputs used in calculating the fair value.

**Valuation Techniques and Inputs Used in the Fair Value Measurement of Level 3 Assets and Liabilities**

		October 31, 2019		October 31, 2018		As at	
	Valuation technique	Significant unobservable inputs (Level 3)	Lower range	Upper range	Lower range	Upper range	Unit
<b>Government and government-related securities</b>	Market comparable	Bond price equivalent	101	158	76	172	points
<b>Other debt securities</b>	Market comparable	Bond price equivalent	–	113	–	104	points
<b>Equity securities<sup>1</sup></b>	Market comparable	New issue price	100	100	n/a	n/a	%
	Discounted cash flow	Discount rate	9	9	6	9	%
	EBITDA multiple	Earnings multiple	3.5	3.5	5.0	20.5	times
	Market comparable	Price equivalent	79	80	84	117	%
<b>Non-trading financial assets at fair value through profit or loss</b>	Market comparable	New issue price	100	100	100	100	%
	Discounted cash flow	Discount rates	8	20	8	40	%
	EBITDA multiple	Earnings multiple	1.1	6.7	0.3	5.3	times
	Market comparable	Liquidity Discount	–	–	50	50	%
	Price-based	Net Asset Value <sup>2</sup>	n/a	n/a	n/a	n/a	
<b>Derivatives</b>							
<b>Interest rate contracts</b>	Swaption model	Currency-specific volatility	27	325	15	346	%
	Discounted cash flow	Inflation rate swap curve	1	2	1	2	%
	Option model	Funding ratio	60	75	65	75	%
<b>Foreign exchange contracts</b>	Option model	Currency-specific volatility	4	12	7	14	%
<b>Equity contracts</b>	Option model	Price correlation	(19)	97	1	96	%
		Quanto correlation	10	68	(65)	68	%
		Dividend yield	–	8	–	8	%
		Equity volatility	7	124	10	105	%
	Market comparable	New issue price	100	100	100	100	%
<b>Commodity contracts</b>	Option model	Quanto correlation	(66)	(46)	(66)	(46)	%
		Swaption correlation	44	56	n/a	n/a	%
<b>Trading deposits</b>	Option model	Price correlation	(19)	97	1	96	%
		Quanto correlation	(43)	68	(85)	68	%
		Dividend yield	–	16	–	13	%
		Equity volatility	7	96	8	131	%
	Swaption model	Currency-specific volatility	25	325	15	346	%
<b>Financial liabilities designated at fair value through profit or loss</b>	Option model	Funding ratio	2	70	2	70	%

<sup>1</sup> As at October 31, 2019, common shares exclude the fair value of Federal Reserve stock and Federal Home Loan Bank stock of \$1.5 billion (October 31, 2018 – \$1.4 billion) which are redeemable by the issuer at cost which approximates fair value. These securities cannot be traded in the market, hence, these securities have not been subjected to the sensitivity analysis.

<sup>2</sup> Net asset value information for private funds has not been disclosed due to the wide range in prices for these instruments.

The following table summarizes the potential effect of using reasonably possible alternative assumptions for financial assets and financial liabilities held, that are classified in Level 3 of the fair value hierarchy as at October 31. For interest rate derivatives, the Bank performed a sensitivity analysis on the unobservable implied volatility. For equity derivatives, the sensitivity was calculated by using reasonably possible alternative assumptions by shocking dividends,

correlation, or the price and volatility of the underlying equity instrument. For equity securities at FVOCI, the sensitivity was calculated based on an upward and downward shock of the fair value reported. For trading deposits, the sensitivity was calculated by varying unobservable inputs which may include volatility, credit spreads, and correlation.

### Sensitivity Analysis of Level 3 Financial Assets and Liabilities

(millions of Canadian dollars)

	October 31, 2019		As at October 31, 2018	
	Impact to net assets		Impact to net assets	
	Decrease in fair value	Increase in fair value	Decrease in fair value	Increase in fair value
<b>FINANCIAL ASSETS</b>				
<b>Non-trading financial assets at fair value through profit or loss</b>				
Securities	\$ 49	\$ 23	\$ 46	\$ 26
Loans	1	1	2	2
	50	24	48	28
<b>Derivatives</b>				
Equity contracts	14	17	16	21
Commodity contracts	-	-	1	1
	14	17	17	22
<b>Financial assets at fair value through other comprehensive income</b>				
<b>Other debt securities</b>				
Asset-backed securities	-	-	40	40
Corporate and other debt	2	2	2	2
<b>Equity securities</b>				
Common shares	6	3	4	2
Preferred shares	10	4	26	7
	18	9	72	51
<b>FINANCIAL LIABILITIES</b>				
<b>Trading deposits</b>				
	23	32	18	26
<b>Derivatives</b>				
Interest rate contracts	20	14	15	12
Equity contracts	41	35	45	36
	61	49	60	48
<b>Financial liabilities designated at fair value through profit or loss</b>				
	2	2	2	2
<b>Total</b>	<b>\$ 168</b>	<b>\$ 133</b>	<b>\$ 217</b>	<b>\$ 177</b>

The best evidence of a financial instrument's fair value at initial recognition is its transaction price unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (that is, without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. Consequently, the difference between the fair value using other observable current market transactions or a valuation technique using observable inputs and the transaction price results in an unrealized gain or loss at initial recognition.

The difference between the transaction price at initial recognition and the value determined at that date using a valuation technique with significant non-observable inputs is not recognized in income

until the significant non-observable inputs in the valuation technique used to value the instruments become observable. The following table summarizes the aggregate difference yet to be recognized in net income due to the difference between the transaction price and the amount determined using valuation techniques with significant non-observable inputs at initial recognition.

(millions of Canadian dollars)	For the years ended October 31	
	2019	2018
Balance as at beginning of year	\$ 14	\$ 19
New transactions	38	25
Recognized in the Consolidated Statement of Income during the year	(37)	(30)
<b>Balance as at end of year</b>	<b>\$ 15</b>	<b>\$ 14</b>



## FINANCIAL ASSETS DESIGNATED AT FAIR VALUE

### Securities Designated at Fair Value through Profit or Loss

Certain securities supporting insurance reserves within the Bank's insurance underwriting subsidiaries have been designated at FVTPL to eliminate or significantly reduce an accounting mismatch. The actuarial valuation of the insurance reserve is measured using a discount factor which is based on the yield of the supporting invested assets, which includes the securities designated at FVTPL, with changes in the discount factor being recognized on the Consolidated Statement of Income. The unrealized gains or losses on securities designated at FVTPL are recognized on the Consolidated Statement of Income in the same period as gains or losses resulting from changes to the discount rate used to value the insurance liabilities.

In addition, certain debt securities have been designated at FVTPL as they are economically hedged with derivatives and the designation eliminates or significantly reduces an accounting mismatch. The derivatives are carried at fair value, with the change in fair value recognized in non-interest income.

### Fair Value Hierarchy for Assets and Liabilities not carried at Fair Value

The following table presents the levels within the fair value hierarchy for each of the financial assets and liabilities not carried at fair value as at October 31, but for which fair value is disclosed.

### Fair Value Hierarchy for Assets and Liabilities not carried at Fair Value<sup>1</sup>

(millions of Canadian dollars)

	October 31, 2019				October 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>								
Debt securities at amortized cost, net of allowance for credit losses								
Government and government-related securities	\$ 169	\$ 78,195	\$ 10	\$ 78,374	\$ 119	\$ 59,828	\$ 1	\$ 59,948
Other debt securities	–	52,368	2	52,370	–	43,826	2,490	46,316
Total debt securities at amortized cost, net of allowance for credit losses	169	130,563	12	130,744	119	103,654	2,491	106,264
Total loans, net of allowance for loan losses	–	221,405	466,749	688,154	–	208,794	433,748	642,542
Total assets with fair value disclosures	\$ 169	\$ 351,968	\$ 466,761	\$ 818,898	\$ 119	\$ 312,448	\$ 436,239	\$ 748,806
<b>LIABILITIES</b>								
Deposits	\$ –	\$ 892,597	\$ –	\$ 892,597	\$ –	\$ 846,148	\$ –	\$ 846,148
Securitization liabilities at amortized cost	–	14,258	–	14,258	–	14,654	–	14,654
Subordinated notes and debentures	–	11,323	–	11,323	–	9,027	–	9,027
Total liabilities with fair value disclosures	\$ –	\$ 918,178	\$ –	\$ 918,178	\$ –	\$ 869,829	\$ –	\$ 869,829

<sup>1</sup> This table excludes financial assets and liabilities where the carrying amount is a reasonable approximation of fair value.

## NOTE 6 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Bank enters into netting agreements with counterparties (such as clearing houses) to manage the credit risks associated primarily with repurchase and reverse repurchase transactions, securities borrowing and lending, and OTC and exchange-traded derivatives. These netting agreements and similar arrangements generally allow the counterparties to set-off liabilities against available assets received. The right to set-off is a legal right to settle or otherwise eliminate all or a portion of an amount due by applying against that amount an amount receivable from the other party. These agreements effectively reduce the Bank's credit exposure by what it would have been if those same counterparties were liable for the gross exposure on the same underlying contracts.

Netting arrangements are typically constituted by a master netting agreement which specifies the general terms of the agreement between the counterparties, including information on the basis of the netting calculation, types of collateral, and the definition of default and other termination events for transactions executed under the agreement. The master netting agreements contain the terms and conditions by which all (or as many as possible) relevant transactions between the counterparties are governed. Multiple

individual transactions are subsumed under this general master netting agreement, forming a single legal contract under which the counterparties conduct their relevant mutual business. In addition to the mitigation of credit risk, placing individual transactions under a single master netting agreement that provides for netting of transactions in scope also helps to mitigate settlement risks associated with transacting in multiple jurisdictions or across multiple contracts. These arrangements include clearing agreements, global master repurchase agreements, and global master securities lending agreements.

In the normal course of business, the Bank enters into numerous contracts to buy and sell goods and services from various suppliers. Some of these contracts may have netting provisions that allow for the offset of various trade payables and receivables in the event of default of one of the parties. While these are not disclosed in the following table, the gross amount of all payables and receivables to and from the Bank's vendors is disclosed in Note 16 in Accounts receivable and other items, and in Note 18 in Accounts payable, accrued expenses, and other items.

The Bank also enters into regular way purchases and sales of stocks and bonds. Some of these transactions may have netting provisions that allow for the offset of broker payables and broker receivables related to these purchases and sales. While these are not disclosed in the following table, the amount of receivables are disclosed in Amounts receivable from brokers, dealers, and clients and payables are disclosed in Amounts payable to brokers, dealers, and clients.

The following table provides a summary of the financial assets and liabilities which are subject to enforceable master netting agreements and similar arrangements, including amounts not otherwise set off in

the Consolidated Balance Sheet, as well as financial collateral received to mitigate credit exposures for these financial assets and liabilities. The gross financial assets and liabilities are reconciled to the net amounts presented within the associated line in the Consolidated Balance Sheet, after giving effect to transactions with the same counterparties that have been offset in the Consolidated Balance Sheet. Related amounts and collateral received that are not offset on the Consolidated Balance Sheet, but are otherwise subject to the same enforceable netting agreements and similar arrangements, are then presented to arrive at a net amount.

### Offsetting Financial Assets and Financial Liabilities

(millions of Canadian dollars)

	As at					
	October 31, 2019					
	Gross amounts of recognized financial instruments before balance sheet netting	Gross amounts of recognized financial instruments offset in the Consolidated Balance Sheet	Net amount of financial instruments presented in the Consolidated Balance Sheet	Amounts subject to an enforceable master netting arrangement or similar agreement that are not offset in the Consolidated Balance Sheet <sup>1,2</sup>	Collateral	Net Amount
<b>Financial Assets</b>						
Derivatives	\$ 55,973	\$ 7,079	\$ 48,894	\$ 32,664	\$ 8,840	\$ 7,390
Securities purchased under reverse repurchase agreements	180,054	14,119	165,935	14,430	141,903	9,602
<b>Total</b>	<b>236,027</b>	<b>21,198</b>	<b>214,829</b>	<b>47,094</b>	<b>150,743</b>	<b>16,992</b>
<b>Financial Liabilities</b>						
Derivatives	57,130	7,079	50,051	32,664	17,387	-
Obligations related to securities sold under repurchase agreements	139,975	14,119	125,856	14,430	110,995	431
<b>Total</b>	<b>\$ 197,105</b>	<b>\$ 21,198</b>	<b>\$ 175,907</b>	<b>\$ 47,094</b>	<b>\$ 128,382</b>	<b>\$ 431</b>

October 31, 2018

<b>Financial Assets</b>						
Derivatives	\$ 59,661	\$ 2,665	\$ 56,996	\$ 34,205	\$ 11,678	\$ 11,113
Securities purchased under reverse repurchase agreements	157,832	30,453	127,379	7,452	119,797	130
<b>Total</b>	<b>217,493</b>	<b>33,118</b>	<b>184,375</b>	<b>41,657</b>	<b>131,475</b>	<b>11,243</b>
<b>Financial Liabilities</b>						
Derivatives	50,935	2,665	48,270	34,205	12,127	1,938
Obligations related to securities sold under repurchase agreements	123,842	30,453	93,389	7,452	85,793	144
<b>Total</b>	<b>\$ 174,777</b>	<b>\$ 33,118</b>	<b>\$ 141,659</b>	<b>\$ 41,657</b>	<b>\$ 97,920</b>	<b>\$ 2,082</b>

<sup>1</sup> Excess collateral as a result of overcollateralization has not been reflected in the table.

<sup>2</sup> Includes amounts where the contractual set-off rights are subject to uncertainty under the laws of the relevant jurisdiction.

**Remaining Terms to Maturities of Securities**

The remaining terms to contractual maturities of the securities held by the Bank are shown on the following table.

**Securities Maturity Schedule**

(millions of Canadian dollars)

	October 31 2019						October 31 2018	
	Remaining terms to maturities <sup>1</sup>						Total	Total
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	With no specific maturity		
<b>Trading securities</b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	\$ 4,159	\$ 3,212	\$ 1,219	\$ 1,519	\$ 807	\$ –	\$ 10,916	\$ 14,462
Provinces	1,979	982	1,017	1,381	3,159	–	8,518	7,538
U.S. federal, state, municipal governments, and agencies debt	2,417	8,140	3,105	2,085	3,386	–	19,133	19,732
Other OECD government-guaranteed debt	1,202	794	961	868	307	–	4,132	3,324
Mortgage-backed securities								
Residential	474	676	453	–	–	–	1,603	1,946
Commercial	24	–	50	69	–	–	143	83
	10,255	13,804	6,805	5,922	7,659	–	44,445	47,085
<b>Other debt securities</b>								
Canadian issuers	694	1,177	1,412	1,190	659	–	5,132	5,631
Other issuers	3,010	5,926	2,909	1,273	430	–	13,548	14,475
	3,704	7,103	4,321	2,463	1,089	–	18,680	20,106
<b>Equity securities</b>								
Common shares	–	–	–	–	–	56,119	56,119	43,752
Preferred shares	–	–	–	–	–	57	57	59
	–	–	–	–	–	56,176	56,176	43,811
<b>Retained interests</b>								
	–	3	8	8	–	–	19	25
<b>Total trading securities</b>	<b>\$ 13,959</b>	<b>\$ 20,910</b>	<b>\$ 11,134</b>	<b>\$ 8,393</b>	<b>\$ 8,748</b>	<b>\$ 56,176</b>	<b>\$ 119,320</b>	<b>\$ 111,027</b>
<b>Financial assets designated at fair value through profit or loss</b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	\$ 148	\$ –	\$ –	\$ –	\$ 16	\$ –	\$ 164	\$ 45
Provinces	143	6	107	33	99	–	388	454
U.S. federal, state, municipal governments, and agencies debt	–	67	–	–	–	–	67	127
Other OECD government-guaranteed debt	697	9	88	–	–	–	794	771
	988	82	195	33	115	–	1,413	1,397
<b>Other debt securities</b>								
Canadian issuers	24	564	764	529	7	–	1,888	1,609
Other issuers	200	285	239	15	–	–	739	612
	224	849	1,003	544	7	–	2,627	2,221
<b>Total financial assets designated at fair value through profit or loss</b>	<b>\$ 1,212</b>	<b>\$ 931</b>	<b>\$ 1,198</b>	<b>\$ 577</b>	<b>\$ 122</b>	<b>\$ –</b>	<b>\$ 4,040</b>	<b>\$ 3,618</b>
<b>Securities at fair value through other comprehensive income</b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	\$ 4,165	\$ 4,104	\$ 283	\$ 607	\$ 504	\$ –	\$ 9,663	\$ 12,731
Provinces	1,168	2,255	2,199	7,091	214	–	12,927	9,507
U.S. federal, state, municipal governments, and agencies debt	7,798	19,533	3,188	3,002	7,216	–	40,737	45,766
Other OECD government-guaranteed debt	5,162	8,524	250	471	–	–	14,407	20,096
Mortgage-backed securities	907	4,370	160	–	–	–	5,437	6,633
	19,200	38,786	6,080	11,171	7,934	–	83,171	94,733
<b>Other debt securities</b>								
Asset-backed securities	61	4,188	4,490	2,490	4,659	–	15,888	21,969
Non-agency collateralized mortgage obligation portfolio	–	–	–	–	247	–	247	472
Corporate and other debt	1,021	4,016	895	1,879	23	–	7,834	8,507
	1,082	8,204	5,385	4,369	4,929	–	23,969	30,948
<b>Equity securities</b>								
Common shares	–	–	–	–	–	1,598	1,598	1,804
Preferred shares	–	–	–	–	–	242	242	370
	–	–	–	–	–	1,840	1,840	2,174
<b>Total securities at fair value through other comprehensive income</b>	<b>\$ 20,282</b>	<b>\$ 46,990</b>	<b>\$ 11,465</b>	<b>\$ 15,540</b>	<b>\$ 12,863</b>	<b>\$ 1,840</b>	<b>\$ 108,980</b>	<b>\$ 127,855</b>

<sup>1</sup> Represents contractual maturities. Actual maturities may differ due to prepayment privileges in the applicable contract.

**Securities Maturity Schedule** (continued)

(millions of Canadian dollars)

							As at	
							October 31	October 31
							2019	2018
	Remaining terms to maturities <sup>1</sup>						Total	Total
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	With no specific maturity		
<b>Debt securities at amortized cost, net of allowance for credit losses</b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	\$ 992	\$ 515	\$ 872	\$ 435	\$ 1,957	\$ –	\$ 4,771	\$ 4,922
Provinces	–	40	766	1,243	222	–	2,271	782
U.S. federal, state, municipal governments, and agencies debt	1,365	3,744	9,286	12,173	16,646	–	43,214	29,148
Other OECD government guaranteed debt	7,161	10,138	9,512	1,208	–	–	28,019	25,683
	9,518	14,437	20,436	15,059	18,825	–	78,275	60,535
<b>Other debt securities</b>								
Asset-backed securities	11	5,053	8,950	4,049	10,700	–	28,763	23,709
Non-agency collateralized mortgage obligation portfolio	–	–	–	–	16,236	–	16,236	15,867
Canadian issuers	–	–	–	99	–	–	99	–
Other issuers	1,649	2,454	2,601	418	2	–	7,124	7,060
	1,660	7,507	11,551	4,566	26,938	–	52,222	46,636
<b>Total debt securities at amortized cost, net of allowance for credit losses</b>	11,178	21,944	31,987	19,625	45,763	–	130,497	107,171
<b>Total securities</b>	\$ 46,631	\$ 90,775	\$ 55,784	\$ 44,135	\$ 67,496	\$ 58,016	\$ 362,837	\$ 349,671

<sup>1</sup> Represents contractual maturities. Actual maturities may differ due to prepayment privileges in the applicable contract.

**Unrealized Securities Gains (Losses)**

The following table summarizes the unrealized gains and losses as at October 31.

**Unrealized Securities Gains (Losses) for Securities at Fair Value Through Other Comprehensive Income**

(millions of Canadian dollars)

	October 31, 2019				October 31, 2018			
	Cost/amortized cost <sup>1</sup>	Gross unrealized gains	Gross unrealized (losses)	Fair value	Cost/amortized cost <sup>1</sup>	Gross unrealized gains	Gross unrealized (losses)	Fair value
<b>Securities at Fair Value Through Other Comprehensive Income</b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	\$ 9,603	\$ 62	\$ (2)	\$ 9,663	\$ 12,740	\$ 38	\$ (47)	\$ 12,731
Provinces	12,890	77	(40)	12,927	9,443	75	(11)	9,507
U.S. federal, state, municipal governments, and agencies debt	40,703	86	(52)	40,737	45,857	265	(356)	45,766
Other OECD government-guaranteed debt	14,394	21	(8)	14,407	20,034	65	(3)	20,096
Mortgage-backed securities	5,407	31	(1)	5,437	6,575	59	(1)	6,633
	82,997	277	(103)	83,171	94,649	502	(418)	94,733
<b>Other debt securities</b>								
Asset-backed securities	15,890	29	(31)	15,888	21,901	87	(19)	21,969
Non-agency collateralized mortgage obligation portfolio	247	–	–	247	471	1	–	472
Corporate and other debt	7,832	27	(25)	7,834	8,534	31	(58)	8,507
	23,969	56	(56)	23,969	30,906	119	(77)	30,948
<b>Total debt securities</b>	106,966	333	(159)	107,140	125,555	621	(495)	125,681
<b>Equity securities</b>								
Common shares	1,594	31	(27)	1,598	1,725	118	(39)	1,804
Preferred shares	302	4	(64)	242	376	20	(26)	370
	1,896	35	(91)	1,840	2,101	138	(65)	2,174
<b>Total securities at fair value through other comprehensive income</b>	\$ 108,862	\$ 368	\$ (250)	\$ 108,980	\$ 127,656	\$ 759	\$ (560)	\$ 127,855

<sup>1</sup> Includes the foreign exchange translation of amortized cost balances at the period-end spot rate.

### Equity Securities Designated at Fair Value Through Other Comprehensive Income

The Bank designated certain equity securities shown in the following table as equity securities at FVOCI. The designation was made because the investments are held for purposes other than trading.

### Equity Securities Designated at Fair Value Through Other Comprehensive Income

(millions of Canadian dollars)	As at		For the year ended	
	October 31, 2019	October 31, 2018	October 31, 2019	October 31, 2018
		Fair value		Dividend income recognized
Common shares	\$ 1,598	\$ 1,804	\$ 64	\$ 71
Preferred shares	242	370	15	16
<b>Total</b>	<b>\$ 1,840</b>	<b>\$ 2,174</b>	<b>\$ 79</b>	<b>\$ 87</b>

The Bank disposed of certain equity securities in line with the Bank's investment strategy with a fair value of \$323 million during the year ended October 31, 2019 (October 31, 2018 – \$22 million). The Bank realized a cumulative gain (loss) of \$68 million during the year ended October 31, 2019 (October 31, 2018 – \$2 million), on disposal of these equity securities and recognized dividend income of \$3 million during the year ended October 31, 2019 (October 31, 2018 – nil).

### Net Securities Gains (Losses)

(millions of Canadian dollars)	For the year ended	
	October 31 2019	October 31 2018
<b>Debt securities at amortized cost</b>		
Net realized gains (losses)	\$ 49	\$ 76
<b>Debt securities at fair value through other comprehensive income</b>		
Net realized gains (losses)	29	35
<b>Total</b>	<b>\$ 78</b>	<b>\$ 111</b>

### Credit Quality of Debt Securities

The Bank evaluates non-retail credit risk on an individual borrower basis, using both a BRR and FRR, as detailed in the shaded area of the "Managing Risk" section of the 2019 MD&A. This system is used to assess all non-retail exposures, including debt securities.

The following table provides the gross carrying amounts of debt securities measured at amortized cost and debt securities at FVOCI by internal risk ratings for credit risk management purposes, presenting separately those debt securities that are subject to Stage 1, Stage 2, and Stage 3 allowances.

### Debt Securities by Risk Ratings

(millions of Canadian dollars)	October 31, 2019				October 31, 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Debt securities</b>								
Investment grade	\$ 235,475	\$ –	\$ n/a	\$ 235,475	\$ 230,488	\$ –	\$ n/a	\$ 230,488
Non-Investment grade	2,109	54	n/a	2,163	2,140	54	n/a	2,194
Watch and classified	n/a	–	n/a	–	n/a	11	n/a	11
Default	n/a	n/a	–	–	n/a	n/a	234	234
<b>Total debt securities</b>	<b>237,584</b>	<b>54</b>	<b>–</b>	<b>237,638</b>	<b>232,628</b>	<b>65</b>	<b>234</b>	<b>232,927</b>
<b>Allowance for credit losses on debt securities at amortized cost</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>70</b>	<b>75</b>
<b>Debt securities, net of allowance</b>	<b>\$ 237,583</b>	<b>\$ 54</b>	<b>\$ –</b>	<b>\$ 237,637</b>	<b>\$ 232,627</b>	<b>\$ 61</b>	<b>\$ 164</b>	<b>\$ 232,852</b>

As at October 31, 2019, the allowance for credit losses on debt securities was \$4 million (October 31, 2018 – \$80 million), comprised of \$1 million (October 31, 2018 – \$75 million) for debt securities at amortized cost (DSAC) and \$3 million (October 31, 2018 – \$5 million) for debt securities at FVOCI. For the year ended October 31, 2019, the Bank reported a provision (recovery) for credit losses of \$1 million (October 31, 2018 – provision (recovery) of credit losses of \$(2) million) on DSAC. For the year ended October 31, 2019, the Bank reported a

provision (recovery) of credit losses of \$(2) million (October 31, 2018 – provision (recovery) for credit losses of \$10 million) on debt securities at FVOCI.

The difference between probability-weighted ECL and base ECL on debt securities at FVOCI and at amortized cost as at both October 31, 2019 and October 31, 2018, was insignificant. Refer to Note 3 for further details.

**Credit Quality of Loans**

In the retail portfolio, including individuals and small businesses, the Bank manages exposures on a pooled basis, using predictive credit scoring techniques. For non-retail exposures, each borrower is assigned a BRR that reflects the PD of the borrower using proprietary industry and sector-specific risk models and expert judgment. Refer to the shaded areas of the "Managing Risk" section of the 2019 MD&A for further details, as well as the mapping of PD ranges to risk levels for

retail exposures and the Bank's 21-point BRR scale to risk levels and external ratings for non-retail exposures.

The following tables provide the gross carrying amounts of loans and credit risk exposures on loan commitments and financial guarantee contracts by internal risk ratings for credit risk management purposes, presenting separately those that are subject to Stage 1, Stage 2, and Stage 3 allowances.

**Loans by Risk Ratings<sup>1</sup>**

(millions of Canadian dollars)

	October 31, 2019				October 31, 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Residential mortgages<sup>2,3,4</sup></b>								
Low Risk	\$ 181,748	\$ 77	\$ n/a	\$ 181,825	\$ 168,690	\$ 32	\$ n/a	\$ 168,722
Normal Risk	43,988	248	n/a	44,236	47,821	176	n/a	47,997
Medium Risk	5,817	433	n/a	6,250	5,106	267	n/a	5,373
High Risk	964	1,454	366	2,784	892	1,264	317	2,473
Default	n/a	n/a	545	545	n/a	n/a	626	626
<b>Total</b>	<b>232,517</b>	<b>2,212</b>	<b>911</b>	<b>235,640</b>	<b>222,509</b>	<b>1,739</b>	<b>943</b>	<b>225,191</b>
<b>Allowance for loan losses</b>	<b>28</b>	<b>26</b>	<b>56</b>	<b>110</b>	<b>24</b>	<b>34</b>	<b>52</b>	<b>110</b>
<b>Loans, net of allowance</b>	<b>232,489</b>	<b>2,186</b>	<b>855</b>	<b>235,530</b>	<b>222,485</b>	<b>1,705</b>	<b>891</b>	<b>225,081</b>
<b>Consumer instalment and other personal<sup>5</sup></b>								
Low Risk	92,601	953	n/a	93,554	87,906	983	n/a	88,889
Normal Risk	46,878	973	n/a	47,851	48,008	1,190	n/a	49,198
Medium Risk	27,576	879	n/a	28,455	23,008	1,063	n/a	24,071
High Risk	6,971	2,435	618	10,024	6,158	2,386	817	9,361
Default	n/a	n/a	450	450	n/a	n/a	560	560
<b>Total</b>	<b>174,026</b>	<b>5,240</b>	<b>1,068</b>	<b>180,334</b>	<b>165,080</b>	<b>5,622</b>	<b>1,377</b>	<b>172,079</b>
<b>Allowance for loan losses</b>	<b>690</b>	<b>384</b>	<b>175</b>	<b>1,249</b>	<b>574</b>	<b>349</b>	<b>180</b>	<b>1,103</b>
<b>Loans, net of allowance</b>	<b>173,336</b>	<b>4,856</b>	<b>893</b>	<b>179,085</b>	<b>164,506</b>	<b>5,273</b>	<b>1,197</b>	<b>170,976</b>
<b>Credit card</b>								
Low Risk	7,188	48	n/a	7,236	7,234	11	n/a	7,245
Normal Risk	10,807	82	n/a	10,889	9,780	66	n/a	9,846
Medium Risk	11,218	275	n/a	11,493	11,347	246	n/a	11,593
High Risk	4,798	1,670	355	6,823	4,435	1,445	333	6,213
Default	n/a	n/a	123	123	n/a	n/a	121	121
<b>Total</b>	<b>34,011</b>	<b>2,075</b>	<b>478</b>	<b>36,564</b>	<b>32,796</b>	<b>1,768</b>	<b>454</b>	<b>35,018</b>
<b>Allowance for loan losses</b>	<b>732</b>	<b>521</b>	<b>322</b>	<b>1,575</b>	<b>379</b>	<b>283</b>	<b>341</b>	<b>1,003</b>
<b>Loans, net of allowance</b>	<b>33,279</b>	<b>1,554</b>	<b>156</b>	<b>34,989</b>	<b>32,417</b>	<b>1,485</b>	<b>113</b>	<b>34,015</b>
<b>Business and government<sup>2,3,4,6</sup></b>								
Investment grade or Low/Normal Risk	120,940	153	n/a	121,093	118,414	57	n/a	118,471
Non-Investment grade or Medium Risk	119,256	5,298	n/a	124,554	108,678	5,272	n/a	113,950
Watch and classified or High Risk	951	4,649	158	5,758	666	3,746	97	4,509
Default	n/a	n/a	730	730	n/a	n/a	736	736
<b>Total</b>	<b>241,147</b>	<b>10,100</b>	<b>888</b>	<b>252,135</b>	<b>227,758</b>	<b>9,075</b>	<b>833</b>	<b>237,666</b>
<b>Allowance for loan losses</b>	<b>672</b>	<b>648</b>	<b>193</b>	<b>1,513</b>	<b>651</b>	<b>551</b>	<b>131</b>	<b>1,333</b>
<b>Loans, net of allowance</b>	<b>240,475</b>	<b>9,452</b>	<b>695</b>	<b>250,622</b>	<b>227,107</b>	<b>8,524</b>	<b>702</b>	<b>236,333</b>
<b>Total loans<sup>6,7</sup></b>	<b>681,701</b>	<b>19,627</b>	<b>3,345</b>	<b>704,673</b>	<b>648,143</b>	<b>18,204</b>	<b>3,607</b>	<b>669,954</b>
<b>Total Allowance for loan losses<sup>7</sup></b>	<b>2,122</b>	<b>1,579</b>	<b>746</b>	<b>4,447</b>	<b>1,628</b>	<b>1,217</b>	<b>704</b>	<b>3,549</b>
<b>Total loans, net of allowance<sup>6,7</sup></b>	<b>\$ 679,579</b>	<b>\$ 18,048</b>	<b>\$ 2,599</b>	<b>\$ 700,226</b>	<b>\$ 646,515</b>	<b>\$ 16,987</b>	<b>\$ 2,903</b>	<b>\$ 666,405</b>

<sup>1</sup> Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

<sup>2</sup> As at October 31, 2019, impaired loans with a balance of \$127 million (October 31, 2018 – \$124 million) did not have a related allowance for loan losses. An allowance was not required for these loans as the balance relates to loans where the realizable value of the collateral exceeded the loan amount.

<sup>3</sup> As at October 31, 2019, excludes trading loans and non-trading loans at FVTPL with a fair value of \$12 billion (October 31, 2018 – \$11 billion) and \$2 billion (October 31, 2018 – \$1 billion), respectively.

<sup>4</sup> As at October 31, 2019, includes insured mortgages of \$88 billion (October 31, 2018 – \$95 billion).

<sup>5</sup> As at October 31, 2019, includes Canadian government-insured real estate personal loans of \$13 billion (October 31, 2018 – \$14 billion).

<sup>6</sup> As at October 31, 2019, includes loans that are measured at FVOCI of \$2 billion (October 31, 2018 – \$3 billion) and customers' liability under acceptances of \$13 billion (October 31, 2018 – \$17 billion).

<sup>7</sup> As at October 31, 2019, Stage 3 includes ACI loans of \$313 million (October 31, 2018 – \$453 million) and a related allowance for loan losses of \$12 million (October 31, 2018 – \$18 million), which have been included in the "Default" risk rating category as they were impaired at acquisition.

## Loans by Risk Ratings – Off-Balance Sheet Credit Instruments<sup>1,2</sup>

(millions of Canadian dollars)

	October 31, 2019				October 31, 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Retail Exposures<sup>3</sup></b>								
Low Risk	\$ 227,757	\$ 732	\$ n/a	\$ 228,489	\$ 236,456	\$ 1,007	\$ n/a	\$ 237,463
Normal Risk	67,245	570	n/a	67,815	50,116	654	n/a	50,770
Medium Risk	13,204	277	n/a	13,481	12,005	349	n/a	12,354
High Risk	1,869	854	–	2,723	1,423	986	–	2,409
Default	n/a	n/a	–	–	n/a	n/a	–	–
<b>Non-Retail Exposures<sup>4</sup></b>								
Investment grade	179,650	–	n/a	179,650	166,769	–	n/a	166,769
Non-Investment grade	64,553	3,397	n/a	67,950	61,763	1,957	n/a	63,720
Watch and classified	2	2,126	–	2,128	–	2,004	–	2,004
Default	n/a	n/a	108	108	n/a	n/a	96	96
<b>Total off-balance sheet credit instruments</b>	<b>554,280</b>	<b>7,956</b>	<b>108</b>	<b>562,344</b>	<b>528,532</b>	<b>6,957</b>	<b>96</b>	<b>535,585</b>
<b>Allowance for off-balance sheet credit instruments</b>	<b>293</b>	<b>277</b>	<b>15</b>	<b>585</b>	<b>550</b>	<b>477</b>	<b>2</b>	<b>1,029</b>
<b>Total off-balance sheet credit instruments, net of allowance</b>	<b>\$ 553,987</b>	<b>\$ 7,679</b>	<b>\$ 93</b>	<b>\$ 561,759</b>	<b>\$ 527,982</b>	<b>\$ 6,480</b>	<b>\$ 94</b>	<b>\$ 534,556</b>

<sup>1</sup> Certain comparative amounts have been recast to conform with the presentation adopted in the current period.

<sup>2</sup> Exclude mortgage commitments.

<sup>3</sup> As at October 31, 2019, includes \$311 billion (October 31, 2018 – \$302 billion) of personal lines of credit and credit card lines, which are unconditionally cancellable at the Bank's discretion at any time.

<sup>4</sup> As at October 31, 2019, includes \$41 billion (October 31, 2018 – \$37 billion) of the undrawn component of uncommitted credit and liquidity facilities.

The following table presents information related to the Bank's impaired loans as at October 31.

## Impaired Loans<sup>1</sup>

(millions of Canadian dollars)

	October 31, 2019				October 31, 2018			
	Unpaid principal balance <sup>2</sup>	Carrying value	Related allowance for credit losses	Average gross impaired loans	Unpaid principal balance <sup>2</sup>	Carrying value	Related allowance for credit losses	Average gross impaired loans
Residential mortgages	\$ 788	\$ 724	\$ 53	\$ 698	\$ 776	\$ 709	\$ 47	\$ 726
Consumer instalment and other personal	1,159	1,037	173	1,160	1,465	1,331	178	1,325
Credit card	478	478	322	465	454	454	341	422
Business and government	870	793	186	906	726	660	120	580
<b>Total</b>	<b>\$ 3,295</b>	<b>\$ 3,032</b>	<b>\$ 734</b>	<b>\$ 3,229</b>	<b>\$ 3,421</b>	<b>\$ 3,154</b>	<b>\$ 686</b>	<b>\$ 3,053</b>

<sup>1</sup> Balances exclude ACI loans.

<sup>2</sup> Represents contractual amount of principal owed.

The changes to the Bank's allowance for loan losses, as at and for the year ended October 31 are shown in the following tables.

### Allowance for Loan Losses<sup>1</sup>

(millions of Canadian dollars)

					For the years ended October 31			
	2019				2018			
	Stage 1	Stage 2	Stage 3 <sup>2</sup>	Total	Stage 1	Stage 2	Stage 3 <sup>2</sup>	Total
<b>Residential Mortgages</b>								
Balance at beginning of period	\$ 24	\$ 34	\$ 52	\$ 110	\$ 24	\$ 26	\$ 57	\$ 107
Provision for credit losses								
Transfer to Stage 1 <sup>3</sup>	35	(33)	(2)	–	24	(23)	(1)	–
Transfer to Stage 2	(5)	13	(8)	–	(4)	8	(4)	–
Transfer to Stage 3	(2)	(8)	10	–	–	(9)	9	–
Net remeasurement due to transfers <sup>4</sup>	(16)	6	–	(10)	(14)	6	–	(8)
New originations or purchases <sup>5</sup>	14	n/a	n/a	14	14	n/a	n/a	14
Net repayments <sup>6</sup>	–	(1)	–	(1)	(1)	(1)	(5)	(7)
Derecognition of financial assets (excluding disposals and write-offs) <sup>7</sup>	(4)	(5)	(17)	(26)	(3)	(2)	(4)	(9)
Changes to risk, parameters, and models <sup>8</sup>	(18)	20	49	51	(16)	29	24	37
Disposals	–	–	–	–	–	–	–	–
Write-offs	–	–	(31)	(31)	–	–	(31)	(31)
Recoveries	–	–	1	1	–	–	3	3
Foreign exchange and other adjustments	–	–	2	2	–	–	4	4
Balance at end of period	\$ 28	\$ 26	\$ 56	\$ 110	\$ 24	\$ 34	\$ 52	\$ 110
<b>Consumer Instalment and Other Personal</b>								
Balance, including off-balance sheet instruments, at beginning of period	\$ 599	\$ 392	\$ 180	\$ 1,171	\$ 529	\$ 355	\$ 171	\$ 1,055
Provision for credit losses								
Transfer to Stage 1 <sup>3</sup>	352	(333)	(19)	–	303	(285)	(18)	–
Transfer to Stage 2	(121)	164	(43)	–	(114)	152	(38)	–
Transfer to Stage 3	(15)	(164)	179	–	(21)	(172)	193	–
Net remeasurement due to transfers <sup>4</sup>	(149)	160	11	22	(125)	139	11	25
New originations or purchases <sup>5</sup>	326	n/a	n/a	326	322	n/a	n/a	322
Net repayments <sup>6</sup>	(88)	(30)	(12)	(130)	(49)	(24)	(15)	(88)
Derecognition of financial assets (excluding disposals and write-offs) <sup>7</sup>	(81)	(71)	(49)	(201)	(126)	(97)	(45)	(268)
Changes to risk, parameters, and models <sup>8</sup>	(105)	298	893	1,086	(127)	321	744	938
Disposals	–	–	–	–	–	–	–	–
Write-offs	–	–	(1,220)	(1,220)	–	–	(1,077)	(1,077)
Recoveries	–	–	254	254	–	–	253	253
Foreign exchange and other adjustments	(1)	1	1	1	7	3	1	11
Balance, including off-balance sheet instruments, at end of period	717	417	175	1,309	599	392	180	1,171
Less: Allowance for off-balance sheet instruments <sup>9</sup>	27	33	–	60	25	43	–	68
Balance at end of period	\$ 690	\$ 384	\$ 175	\$ 1,249	\$ 574	\$ 349	\$ 180	\$ 1,103
<b>Credit Card<sup>10</sup></b>								
Balance, including off-balance sheet instruments, at beginning of period	\$ 819	\$ 580	\$ 341	\$ 1,740	\$ 763	\$ 521	\$ 321	\$ 1,605
Provision for credit losses								
Transfer to Stage 1 <sup>3</sup>	705	(623)	(82)	–	590	(521)	(69)	–
Transfer to Stage 2	(224)	288	(64)	–	(192)	259	(67)	–
Transfer to Stage 3	(30)	(563)	593	–	(38)	(475)	513	–
Net remeasurement due to transfers <sup>4</sup>	(240)	314	41	115	(209)	249	63	103
New originations or purchases <sup>5</sup>	144	n/a	n/a	144	171	n/a	n/a	171
Net repayments <sup>6</sup>	92	3	(22)	73	125	(51)	39	113
Derecognition of financial assets (excluding disposals and write-offs) <sup>7</sup>	(96)	(107)	(439)	(642)	(102)	(106)	(371)	(579)
Changes to risk, parameters, and models <sup>8</sup>	(236)	781	1,356	1,901	(276)	705	1,168	1,597
Disposals	–	–	–	–	(21)	(12)	(8)	(41)
Write-offs	–	–	(1,699)	(1,699)	–	–	(1,515)	(1,515)
Recoveries	–	–	297	297	–	–	260	260
Foreign exchange and other adjustments	–	–	–	–	8	11	7	26
Balance, including off-balance sheet instruments, at end of period	934	673	322	1,929	819	580	341	1,740
Less: Allowance for off-balance sheet instruments <sup>9</sup>	202	152	–	354	440	297	–	737
Balance at end of period	\$ 732	\$ 521	\$ 322	\$ 1,575	\$ 379	\$ 283	\$ 341	\$ 1,003

<sup>1</sup> Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

<sup>2</sup> Includes allowance for loan losses related to ACI loans.

<sup>3</sup> Transfers represent stage transfer movements prior to ECL remeasurement.

<sup>4</sup> Represents the remeasurement between twelve-month and lifetime ECLs due to stage transfers, excluding the change to risk, parameters, and models.

<sup>5</sup> Represents the increase in the allowance resulting from loans that were newly originated, purchased, or renewed.

<sup>6</sup> Represents the changes in the allowance related to cash flow changes associated with new draws or repayments on loans outstanding.

<sup>7</sup> Represents the decrease in the allowance resulting from loans that were fully repaid and excludes the decrease associated with loans that were disposed or fully written off.

<sup>8</sup> Represents the change in the allowance related to changes in risk including changes to macroeconomic factors, level of risk, associated parameters, and models.

<sup>9</sup> The allowance for loan losses for off-balance sheet instruments is recorded in Other liabilities on the Consolidated Balance Sheet.

<sup>10</sup> Credit cards are considered impaired and migrate to Stage 3 when they are 90 days past due and written off at 180 days past due. Refer to Note 2 for further details.



**Allowance for Loan Losses** (continued)<sup>1,2</sup>

(millions of Canadian dollars)

For the years ended October 31

	2019				2018			
	Stage 1	Stage 2	Stage 3 <sup>3</sup>	Total	Stage 1	Stage 2	Stage 3 <sup>3</sup>	Total
<b>Business and Government</b>								
Balance, including off-balance sheet instruments, as beginning of period	\$ 736	\$ 688	\$ 133	\$ 1,557	\$ 706	\$ 627	\$ 192	\$ 1,525
Provision for credit losses								
Transfer to Stage 1 <sup>4</sup>	214	(210)	(4)	–	133	(129)	(4)	–
Transfer to Stage 2	(127)	138	(11)	–	(106)	114	(8)	–
Transfer to Stage 3	(18)	(136)	154	–	(6)	(56)	62	–
Net remeasurement due to transfers <sup>4</sup>	(89)	115	2	28	(38)	68	5	35
New originations or purchases <sup>4</sup>	451	n/a	n/a	451	467	n/a	n/a	467
Net repayments <sup>4</sup>	(9)	(35)	(42)	(86)	(4)	(26)	(27)	(57)
Derecognition of financial assets (excluding disposals and write-offs) <sup>4</sup>	(340)	(382)	(85)	(807)	(338)	(365)	(57)	(760)
Changes to risk, parameters, and models <sup>4</sup>	(83)	564	241	722	(89)	447	68	426
Disposals	–	(3)	–	(3)	–	–	(5)	(5)
Write-offs	–	–	(228)	(228)	–	–	(155)	(155)
Recoveries	–	–	57	57	–	–	73	73
Foreign exchange and other adjustments	1	1	(9)	(7)	11	8	(11)	8
Balance, including off-balance sheet instruments, at end of period	736	740	208	1,684	736	688	133	1,557
Less: Allowance for off-balance sheet instruments <sup>5</sup>	64	92	15	171	85	137	2	224
Balance at end of period	672	648	193	1,513	651	551	131	1,333
<b>Total Allowance for Loan Losses at end of period</b>	<b>\$ 2,122</b>	<b>\$ 1,579</b>	<b>\$ 746</b>	<b>\$ 4,447</b>	<b>\$ 1,628</b>	<b>\$ 1,217</b>	<b>\$ 704</b>	<b>\$ 3,549</b>

<sup>1</sup> Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

<sup>2</sup> Includes the allowance for loan losses related to customers' liability under acceptances.

<sup>3</sup> Includes allowance for loan losses related to ACI loans.

<sup>4</sup> For explanations regarding this line item, refer to the "Allowance for Loan Losses" table on the previous page in this Note.

<sup>5</sup> The allowance for loan losses for off-balance sheet instruments is recorded in Other liabilities on the Consolidated Balance Sheet.

The allowance for credit losses on all remaining financial assets is not significant.

**FORWARD-LOOKING INFORMATION**

Relevant macroeconomic factors are incorporated in the risk parameters as appropriate. Additional macroeconomic factors that are industry-specific or segment-specific are also incorporated where relevant. The key macroeconomic variables that are incorporated in determining ECLs include regional unemployment rates for all retail exposures and regional housing price index for residential mortgages and home equity lines of credit. For business and government loans, the key macroeconomic variables include gross domestic product, unemployment rates, interest rates, and credit spreads. Refer to Note 2 for a discussion on how forward-looking information is considered in determining whether there has been a significant increase in credit risk and in the measurement of ECLs.

Forward-looking macroeconomic forecasts are generated by TD Economics as part of the ECL process: A base economic forecast

is accompanied with upside and downside estimates of realistically possible economic conditions. All economic forecasts are updated quarterly for each variable on a regional basis where applicable and incorporated as relevant into the quarterly modelling of base, upside and downside risk parameters used in the calculation of ECL scenarios and probability-weighted ECL. The macroeconomic variable estimations are statistically derived relative to the base forecast based on the historical distribution of each variable.

Select macroeconomic variables are projected over the forecast period, and they could have a material impact in determining ECLs. As the forecast period increases, information about the future becomes less readily available and projections are anchored on assumptions around structural relationships between economic parameters that are inherently much less certain. The following table represents the average values of the macroeconomic variables over the next twelve months and the remaining 4-year forecast period for the base, upside, and downside forecasts.

## Macroeconomic Variables

	As at					
	October 31, 2019					
	Base Forecasts		Upside		Downside	
	Next 12 months <sup>1</sup>	Remaining 4-year period <sup>1</sup>	Next 12 months <sup>1</sup>	Remaining 4-year period <sup>1</sup>	Next 12 months <sup>1</sup>	Remaining 4-year period <sup>1</sup>
Unemployment rate						
Canada	5.8%	5.8%	5.7%	5.2%	6.8%	8.0%
United States	3.8	4.1	3.6	3.5	4.9	6.1
Real gross domestic product (GDP) <sup>2</sup>						
Canada	1.6	1.8	1.8	2.2	0.6	0.3
United States	1.9	1.8	2.0	2.1	0.7	0.2
Home prices <sup>2</sup>						
Canada (average home price) <sup>3</sup>	7.1	2.7	8.9	5.9	2.7	(3.5)
United States (CoreLogic HPI) <sup>4</sup>	3.6	3.6	4.4	5.0	2.4	1.7
Central bank policy interest rate						
Canada	1.31	1.53	1.75	2.16	0.75	0.63
United States	1.75	2.20	2.00	2.86	1.06	1.00
U.S. 10-year treasury yield	1.76	2.50	2.25	3.44	1.32	1.79
U.S. 10-year BBB spread	1.80	1.80	1.73	1.59	1.96	2.19
Exchange rate (U.S. dollar/Canadian dollar)	\$ 0.76	\$ 0.77	\$ 0.78	\$ 0.83	\$ 0.74	\$ 0.69

	October 31, 2018					
Unemployment rate						
Canada	6.0%	6.0%	5.8%	5.5%	6.7%	7.6%
United States	3.7	3.9	3.6	3.4	4.3	6.1
Real gross domestic product (GDP) <sup>2</sup>						
Canada	2.3	1.7	2.6	2.2	1.6	1.0
United States	2.9	1.8	3.1	2.1	2.6	1.0
Home prices <sup>2</sup>						
Canada (average home price) <sup>3</sup>	3.4	3.4	4.5	5.0	0.9	0.2
United States (CoreLogic HPI) <sup>4</sup>	5.1	4.0	5.4	4.8	4.1	2.4
Central bank policy interest rate						
Canada	1.88	2.47	2.00	3.00	1.69	1.75
United States	2.88	2.97	3.31	3.75	2.38	2.22
U.S. 10-year treasury yield	3.20	3.13	4.46	4.43	2.71	2.31
U.S. 10-year BBB spread	1.80	1.80	1.71	1.55	1.87	2.06
Exchange rate (U.S. dollar/Canadian dollar)	\$ 0.79	\$ 0.80	\$ 0.80	\$ 0.86	\$ 0.77	\$ 0.75

<sup>1</sup> The numbers represent average values for the quoted periods.

<sup>2</sup> The numbers represent annual % change.

<sup>3</sup> The average home price is the average transacted sale price of homes sold via the Multiple Listing Service (MLS); data is collected by the Canadian Real Estate Association (CREA).

<sup>4</sup> The CoreLogic home price index (HPI) is a repeat-sales index which tracks increases and decreases in the same home's sales price over time.

## SENSITIVITY OF ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts and respective probability weightings in determining the probability-weighted ECL, and other factors considered when applying expert credit judgment. Changes in these inputs, assumptions, models, and judgments would have an impact on the assessment for significant increase in credit risk and the measurement of ECLs.

The following table presents the base ECL scenario compared to the probability-weighted ECL derived from using three ECL scenarios for performing loans and off-balance sheet instruments. The difference reflects the impact of deriving multiple scenarios around the base ECL and resultant change in ECL due to non-linearity and sensitivity to using macroeconomic forecasts.

### Change from Base to Probability-Weighted ECL<sup>1</sup>

	As at	
	October 31, 2019	October 31, 2018
Probability-weighted ECL	\$ 4,271	\$ 3,872
Base ECL	4,104	3,772
Difference – in amount	\$ 167	\$ 100
Difference – in percentage	3.9%	2.6%

<sup>1</sup> Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

The allowance for credit losses for performing loans and off-balance sheet instruments consists of an aggregate amount of Stage 1 and Stage 2 probability-weighted ECL which are twelve-month ECLs and

lifetime ECLs, respectively. Transfers from Stage 1 to Stage 2 ACLs result from a significant increase in credit risk since initial recognition of the loan. The following table presents the estimated impact of staging on ACL for performing loans and off-balance sheet instruments if they were all calculated using twelve-month ECLs compared to the current aggregate probability-weighted ECL, holding all risk profiles constant.

### Incremental Lifetime ECL Impact<sup>1</sup>

	As at	
	October 31, 2019	October 31, 2018
Aggregate Stage 1 and 2 probability-weighted ECL	\$ 4,271	\$ 3,872
All performing loans and off-balance sheet instruments using 12-month ECL	3,672	3,438
Incremental lifetime ECL impact	\$ 599	\$ 434

<sup>1</sup> Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

## FORECLOSED ASSETS

Foreclosed assets are repossessed non-financial assets where the Bank gains title, ownership, or possession of individual properties, such as real estate properties, which are managed for sale in an orderly manner with the proceeds used to reduce or repay any outstanding debt. The Bank does not generally occupy foreclosed properties for its business use. The Bank predominantly relies on third-party appraisals to determine the carrying value of foreclosed assets. Foreclosed assets held-for-sale were \$121 million as at October 31, 2019 (October 31, 2018 – \$81 million), and were recorded in Other assets on the Consolidated Balance Sheet.

## LOANS PAST DUE BUT NOT IMPAIRED

A loan is classified as past due when a borrower has failed to make a payment by the contractual due date. The following table summarizes loans that are contractually past due but not impaired as at October 31.

### Loans Past Due but not Impaired<sup>1,2</sup>

(millions of Canadian dollars)

	October 31, 2019				October 31, 2018			
	1-30 days	31-60 days	61-89 days	Total	1-30 days	31-60 days	61-89 days	Total
	Residential mortgages	\$ 1,709	\$ 404	\$ 111	\$ 2,224	\$ 1,471	\$ 358	\$ 101
Consumer instalment and other personal	6,038	845	266	7,149	5,988	811	241	7,040
Credit card	1,401	351	229	1,981	1,403	340	213	1,956
Business and government	1,096	858	60	2,014	1,314	444	28	1,786
<b>Total</b>	<b>\$ 10,244</b>	<b>\$ 2,458</b>	<b>\$ 666</b>	<b>\$ 13,368</b>	<b>\$ 10,176</b>	<b>\$ 1,953</b>	<b>\$ 583</b>	<b>\$ 12,712</b>

<sup>1</sup> Includes loans that are measured at FVOCI.

<sup>2</sup> Balances exclude ACI loans.

## MODIFIED FINANCIAL ASSETS

The amortized cost of financial assets with lifetime allowance that were modified during the year ended October 31, 2019 was \$407 million (October 31, 2018 – \$408 million) before modification, with insignificant modification gain or loss. The gross carrying amount of modified financial assets for which the loss allowance changed from lifetime to twelve-month ECLs during the year ended October 31, 2019 was \$243 million (October 31, 2018 – nil).

## COLLATERAL

As at October 31, 2019, the collateral held against total gross impaired loans represents 77% (October 31, 2018 – 81%) of total gross impaired loans. The fair value of non-financial collateral is determined at the origination date of the loan. A revaluation of non-financial collateral is performed if there has been a significant change in the terms and conditions of the loan and/or the loan is considered impaired. Management considers the nature of the collateral, seniority ranking of the debt, and loan structure in assessing the value of collateral. These estimated cash flows are reviewed at least annually, or more frequently when new information indicates a change in the timing or amount expected to be received.

## NOTE 9 TRANSFERS OF FINANCIAL ASSETS

### LOAN SECURITIZATIONS

The Bank securitizes loans through structured entity or non-structured entity third parties. Most loan securitizations do not qualify for derecognition since in most circumstances, the Bank continues to be exposed to substantially all of the prepayment, interest rate, and/or credit risk associated with the securitized financial assets and has not transferred substantially all of the risk and rewards of ownership of the securitized assets. Where loans do not qualify for derecognition, they are not derecognized from the balance sheet, retained interests are not recognized, and a securitization liability is recognized for the cash proceeds received. Certain transaction costs incurred are also capitalized and amortized using EIRM.

The Bank securitizes insured residential mortgages under the National Housing Act Mortgage-Backed Securities (NHA MBS) program sponsored by the Canada Mortgage and Housing Corporation (CMHC). The MBS that are created through the NHA MBS program are sold to the Canada Housing Trust (CHT) as part of the CMB program, sold to third-party investors, or are held by the Bank. The CHT issues CMB to third-party investors and uses resulting proceeds to purchase NHA MBS from the Bank and other mortgage issuers in the Canadian

market. Assets purchased by the CHT are comingled in a single trust from which CMB are issued. The Bank continues to be exposed to substantially all of the risks of the underlying mortgages, through the retention of a seller swap which transfers principal and interest payment risk on the NHA MBS back to the Bank in return for coupon paid on the CMB issuance and as such, the sales do not qualify for derecognition.

The Bank securitizes U.S. originated residential mortgages with U.S. government agencies which qualify for derecognition from the Bank's Consolidated Balance Sheet. As part of the securitization, the Bank retains the right to service the transferred mortgage loans. The MBS that are created through the securitization are typically sold to third-party investors.

The Bank also securitizes personal loans and business and government loans to entities which may be structured entities. These securitizations may give rise to derecognition of the financial assets depending on the individual arrangement of each transaction.

In addition, the Bank transfers credit card receivables, consumer instalment and other personal loans to structured entities that the Bank consolidates. Refer to Note 10 for further details.

The following table summarizes the securitized asset types that did not qualify for derecognition, along with their associated securitization liabilities as at October 31.

### Financial Assets Not Qualifying for Derecognition Treatment as Part of the Bank's Securitization Programs

(millions of Canadian dollars)

Nature of transaction	October 31, 2019		October 31, 2018	
	Fair value	Carrying amount	Fair value	Carrying amount
	Securitization of residential mortgage loans	\$ 23,705	\$ 23,689	\$ 23,124
Other financial assets transferred related to securitization <sup>1</sup>	3,525	3,524	4,230	4,235
<b>Total</b>	<b>27,230</b>	<b>27,213</b>	<b>27,354</b>	<b>27,569</b>
<b>Associated liabilities<sup>2</sup></b>	<b>\$ 27,316</b>	<b>\$ 27,144</b>	<b>\$ 27,272</b>	<b>\$ 27,301</b>

<sup>1</sup> Includes asset-backed securities, asset-backed commercial paper (ABCP), cash, repurchase agreements, and Government of Canada securities used to fulfil funding requirements of the Bank's securitization structures after the initial securitization of mortgage loans.

<sup>2</sup> Includes securitization liabilities carried at amortized cost of \$14 billion as at October 31, 2019 (October 31, 2018 – \$15 billion), and securitization liabilities carried at fair value of \$13 billion as at October 31, 2019 (October 31, 2018 – \$13 billion).

### Other Financial Assets Not Qualifying for Derecognition

The Bank enters into certain transactions where it transfers previously recognized commodities and financial assets, such as, debt and equity securities, but retains substantially all of the risks and rewards of those assets. These transferred assets are not derecognized and the transfers are accounted for as financing transactions. The most common transactions of this nature are repurchase agreements and securities lending agreements, in which the Bank retains substantially all of the associated credit, price, interest rate, and foreign exchange risks and rewards associated with the assets.

The following table summarizes the carrying amount of financial assets and the associated transactions that did not qualify for derecognition, as well as their associated financial liabilities as at October 31.

### Other Financial Assets Not Qualifying for Derecognition

(millions of Canadian dollars)

Nature of transaction	As at	
	October 31 2019	October 31 2018
<b>Carrying amount of assets</b>		
Repurchase agreements <sup>1,2</sup>	\$ 16,990	\$ 24,333
Securities lending agreements	38,338	27,124
<b>Total</b>	<b>55,328</b>	<b>51,457</b>
<b>Carrying amount of associated liabilities<sup>2</sup></b>	<b>\$ 17,428</b>	<b>\$ 24,701</b>

<sup>1</sup> Includes \$1.3 billion, as at October 31, 2019, of assets related to repurchase agreements or swaps that are collateralized by physical precious metals (October 31, 2018 – \$2.0 billion).

<sup>2</sup> Associated liabilities are all related to repurchase agreements.

### TRANSFERS OF FINANCIAL ASSETS QUALIFYING FOR DERECOGNITION

#### Transferred financial assets that are derecognized in their entirety where the Bank has a continuing involvement

Continuing involvement may arise if the Bank retains any contractual rights or obligations subsequent to the transfer of financial assets. Certain business and government loans securitized by the Bank are derecognized from the Bank's Consolidated Balance Sheet. In instances where the Bank fully derecognizes business and government loans, the Bank may be exposed to the risks of transferred loans through a retained interest. As at October 31, 2019, the fair value of retained interests was \$19 million (October 31, 2018 – \$25 million). There are no ECLs on the retained interests of the securitized business and government loans as the underlying mortgages are all government insured. A gain or loss on sale of the loans is recognized immediately in other income after considering the effect of hedge accounting on the assets sold, if applicable. The amount of the gain or loss recognized depends on the previous carrying values of the loans involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair values at the date of transfer. For the year ended October 31, 2019, the trading income recognized on the retained interest was \$1 million (October 31, 2018 – nil).

Certain portfolios of U.S. residential mortgages originated by the Bank are sold and derecognized from the Bank's Consolidated Balance Sheet. In certain instances, the Bank has a continuing involvement to service those loans. As at October 31, 2019, the carrying value of these servicing rights was \$52 million (October 31, 2018 – \$39 million) and the fair value was \$51 million (October 31, 2018 – \$57 million). A gain or loss on sale of the loans is recognized immediately in other income. The gain (loss) on sale of the loans for the year ended October 31, 2019 was \$14 million (October 31, 2018 – \$18 million).

The Bank uses structured entities for a variety of purposes including: (1) to facilitate the transfer of specified risks to clients; (2) as financing vehicles for itself or for clients; or (3) to segregate assets on behalf of investors. The Bank is typically restricted from accessing the assets of the structured entity under the relevant arrangements.

The Bank is involved with structured entities that it sponsors, as well as entities sponsored by third parties. Factors assessed when determining if the Bank is the sponsor of a structured entity include whether the Bank is the predominant user of the entity; whether the entity's branding or marketing identity is linked with the Bank; and whether the Bank provides an implicit or explicit guarantee of the entity's performance to investors or other third parties. The Bank is not considered to be the sponsor of a structured entity if it only provides arm's-length services to the entity, for example, by acting as administrator, distributor, custodian, or loan servicer. Sponsorship of a structured entity may indicate that the Bank had power over the entity at inception; however, this is not sufficient to determine if the Bank consolidates the entity. Regardless of whether or not the Bank sponsors an entity, consolidation is determined on a case-by-case basis.

### SPONSORED STRUCTURED ENTITIES

The following section outlines the Bank's involvement with key sponsored structured entities.

#### Securitizations

The Bank securitizes its own assets and facilitates the securitization of client assets through structured entities, such as conduits, which issue ABCP or other securitization entities which issue longer-dated term securities. Securitizations are an important source of liquidity for the Bank, allowing it to diversify its funding sources and to optimize its balance sheet management approach. The Bank has no rights to the assets as they are owned by the securitization entity.

The Bank sponsors both single-seller and multi-seller securitization conduits. Depending on the specifics of the entity, the variable returns absorbed through ABCP may be significantly mitigated by variable returns retained by the sellers. The Bank provides liquidity facilities to certain single-seller and multi-seller conduits for the benefit of ABCP investors which are structured as loan facilities between the Bank, as the sole liquidity lender, and the Bank-sponsored trusts. If a trust experiences difficulty issuing ABCP due to illiquidity in the commercial market, the trust may draw on the loan facility, and use the proceeds to pay maturing ABCP. The liquidity facilities can only be drawn if preconditions are met ensuring that the Bank does not provide credit enhancement through the loan facilities to the conduit. The Bank's exposure to the variable returns of these conduits from its provision of liquidity facilities and any related commitments is mitigated by the sellers' continued exposure to variable returns, as described below. The Bank provides administration and securities distribution services to its sponsored securitization conduits, which may result in it holding an investment in the ABCP issued by these entities. In some cases, the Bank may also provide credit enhancements or may transact derivatives with securitization conduits. The Bank earns fees from the conduits which are recognized when earned.

The Bank sells assets to single-seller conduits which it controls and consolidates. Control results from the Bank's power over the entity's key economic decisions, predominantly, the mix of assets sold into the conduit and exposure to the variable returns of the transferred assets, usually through a derivative or the provision of credit mitigation in the form of cash reserves, over-collateralization, or guarantees over the performance of the entity's portfolio of assets.

Multi-seller conduits provide customers with alternate sources of financing through the securitization of their assets. These conduits are similar to single-seller conduits except that assets are received from

more than one seller and comingled into a single portfolio of assets. The Bank is typically deemed to have power over the entity's key economic decisions, namely, the selection of sellers and related assets sold as well as other decisions related to the management of risk in the vehicle. Sellers of assets in multi-seller conduits typically continue to be exposed to the variable returns of their portion of transferred assets, through derivatives or the provision of credit mitigation. The Bank's exposure to the variable returns of multi-seller conduits from its provision of liquidity facilities and any related commitments is mitigated by the sellers' continued exposure to variable returns from the entity. While the Bank may have power over multi-seller conduits, it is not exposed to significant variable returns and does not consolidate such entities.

#### Investment Funds and Other Asset Management Entities

As part of its asset management business, the Bank creates investment funds and trusts (including mutual funds), enabling it to provide its clients with a broad range of diversified exposure to different risk profiles, in accordance with the client's risk appetite. Such entities may be actively managed or may be passively directed, for example, through the tracking of a specified index, depending on the entity's investment strategy. Financing for these entities is obtained through the issuance of securities to investors, typically in the form of fund units. Based on each entity's specific strategy and risk profile, the proceeds from this issuance are used by the entity to purchase a portfolio of assets. An entity's portfolio may contain investments in securities, derivatives, or other assets, including cash. At the inception of a new investment fund or trust, the Bank will typically invest an amount of seed capital in the entity, allowing it to establish a performance history in the market. Over time, the Bank sells its seed capital holdings to third-party investors, as the entity's AUM increases. As a result, the Bank's holding of seed capital investment in its own sponsored investment funds and trusts is typically not significant to the Consolidated Financial Statements. Aside from any seed capital investments, the Bank's interest in these entities is generally limited to fees earned for the provision of asset management services. The Bank does not typically provide guarantees over the performance of these funds.

The Bank is typically considered to have power over the key economic decisions of sponsored asset management entities; however, it does not consolidate an entity unless it is also exposed to significant variable returns of the entity. This determination is made on a case-by-case basis, in accordance with the Bank's consolidation policy.

#### Financing Vehicles

The Bank may use structured entities to provide a cost-effective means of financing its operations, including raising capital or obtaining funding. These structured entities include: (1) TD Capital Trust III (Trust III) and TD Capital Trust IV (Trust IV) (together the "CaTS Entities"), and (2) TD Covered Bond (Legislative) Guarantor Limited Partnership (the "Covered Bond Entity"). On December 31, 2018, Trust III, a subsidiary of the Bank, redeemed all of the outstanding TD Capital Trust III Securities – Series 2008 (TD CaTS III) at a price of \$1 billion plus the unpaid distribution payable on the redemption date. Trust III was consolidated by the Bank and the TD CaTS III were included in Non-controlling interests in subsidiaries on the Bank's Consolidated Balance Sheet. On June 30, 2019, Trust IV redeemed all of the outstanding \$550 million TD Capital Trust IV Notes – Series 1. Refer to Note 20 for additional details.

The CaTS Entities issued innovative capital securities which count as Tier 1 Capital of the Bank, but, under Basel III, are considered non-qualifying capital instruments and are subject to the Basel III

phase-out rules. The proceeds from these issuances were invested in assets purchased from the Bank which generate income for distribution to investors. The Bank is considered to have decision-making power over the key economic activities of the CaTS Entities; however, it does not consolidate an entity unless it is also exposed to significant variable returns of the entity. The Bank was exposed to the risks and returns from Trust III as it held the residual risks through retaining all the voting securities of the entity. The Bank was considered to be exposed to significant variable returns of Trust III's portfolio of assets and therefore consolidated the entity. Trust IV holds assets which are only exposed to the Bank's own credit risk. As a result, the Bank does not absorb significant variable returns of the entity as it is ultimately exposed only to its own credit risk, and therefore does not consolidate the entity. Refer to Note 20 for further details.

The Bank issues, or has issued, debt under its covered bond program where the principal and interest payments of the notes are guaranteed by the Covered Bond Entity. The Bank sold a portfolio of assets to the Covered Bond Entity and provided a loan to the Covered Bond Entity to facilitate the purchase. The Bank is restricted from accessing the Covered Bond Entity's assets under the relevant agreement. Investors in the Bank's covered bonds may have recourse to the Bank should the assets of the Covered Bond Entity be insufficient to satisfy the covered bond liabilities. The Bank consolidates the Covered Bond Entity as it has power over the key economic activities and retains all the variable returns in this entity.

### **THIRD-PARTY SPONSORED STRUCTURED ENTITIES**

In addition to structured entities sponsored by the Bank, the Bank is also involved with structured entities sponsored by third parties. Key involvement with third-party sponsored structured entities is described in the following section.

#### ***Third-party Sponsored Securitization Programs***

The Bank participates in the securitization program of government-sponsored structured entities, including the CMHC, a Crown corporation of the Government of Canada, and similar U.S. government-sponsored entities. The CMHC guarantees CMB issued through the CHT.

The Bank is exposed to the variable returns in the CHT, through its retention of seller swaps resulting from its participation in the CHT program. The Bank does not have power over the CHT as its key economic activities are controlled by the Government of Canada. The Bank's exposure to the CHT is included in the balance of residential mortgage loans as noted in Note 9, and is not disclosed in the table accompanying this Note.

The Bank participates in the securitization programs sponsored by U.S. government agencies. The Bank is not exposed to significant variable returns from these agencies and does not have power over the key economic activities of the agencies, which are controlled by the U.S. government.

#### ***Investment Holdings and Derivatives***

The Bank may hold interests in third-party structured entities, predominantly in the form of direct investments in securities or partnership interests issued by those structured entities, or through derivatives transacted with counterparties which are structured entities. Investments in, and derivatives with, structured entities are recognized on the Bank's Consolidated Balance Sheet. The Bank does not typically consolidate third-party structured entities where its involvement is limited to investment holdings and/or derivatives as the Bank would not generally have power over the key economic decisions of these entities.

#### ***Financing Transactions***

In the normal course of business, the Bank may enter into financing transactions with third-party structured entities including commercial loans, reverse repurchase agreements, prime brokerage margin

lending, and similar collateralized lending transactions. While such transactions expose the Bank to the structured entities' counterparty credit risk, this exposure is mitigated by the collateral related to these transactions. The Bank typically has neither power nor significant variable returns due to financing transactions with structured entities and would not generally consolidate such entities. Financing transactions with third-party sponsored structured entities are included on the Bank's Consolidated Financial Statements and have not been included in the table accompanying this Note.

#### ***Arm's-length Servicing Relationships***

In addition to the involvement outlined above, the Bank may also provide services to structured entities on an arm's-length basis, for example as sub-advisor to an investment fund or asset servicer. Similarly, the Bank's asset management services provided to institutional investors may include transactions with structured entities. As a consequence of providing these services, the Bank may be exposed to variable returns from these structured entities, for example, through the receipt of fees or short-term exposure to the structured entity's securities. Any such exposure is typically mitigated by collateral or some other contractual arrangement with the structured entity or its sponsor. The Bank generally has neither power nor significant variable returns from the provision of arm's-length services to a structured entity and, consequently does not consolidate such entities. Fees and other exposures through servicing relationships are included on the Bank's Consolidated Financial Statements and have not been included in the table accompanying this Note.

### **INVOLVEMENT WITH CONSOLIDATED STRUCTURED ENTITIES**

#### ***Securitizations***

The Bank securitizes consumer instalment, and other personal loans through securitization entities, predominantly single-seller conduits. These conduits are consolidated by the Bank based on the factors described above. Aside from the exposure resulting from its involvement as seller and sponsor of consolidated securitization conduits described above, including the liquidity facilities provided, the Bank has no contractual or non-contractual arrangements to provide financial support to consolidated securitization conduits. The Bank's interests in securitization conduits generally rank senior to interests held by other parties, in accordance with the Bank's investment and risk policies. As a result, the Bank has no significant obligations to absorb losses before other holders of securitization issuances.

#### ***Other Structured Consolidated Structured Entities***

Depending on the specific facts and circumstances of the Bank's involvement with structured entities, the Bank may consolidate asset management entities, financing vehicles, or third-party sponsored structured entities, based on the factors described above. Aside from its exposure resulting from its involvement as sponsor or investor in the structured entities as previously discussed, the Bank does not typically have other contractual or non-contractual arrangements to provide financial support to these consolidated structured entities.

### **INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES**

The following table presents information related to the Bank's unconsolidated structured entities. Unconsolidated structured entities include both TD and third-party sponsored entities. Securitizations include holdings in TD-sponsored multi-seller conduits, as well as third-party sponsored mortgage and asset-backed securitizations, including government-sponsored agency securities such as CMBs, and U.S. government agency issuances. Investment Funds and Trusts include holdings in third-party funds and trusts, as well as holdings in TD-sponsored asset management funds and trusts and commitments to certain U.S. municipal funds. Amounts in Other are predominantly related to investments in community-based U.S. tax-advantage entities described in Note 12. These holdings do not result in the consolidation of these entities as TD does not have power over these entities.

## Carrying Amount and Maximum Exposure to Unconsolidated Structured Entities<sup>1</sup>

(millions of Canadian dollars)

	October 31, 2019				October 31, 2018			
	Securitized	Investment funds and trusts	Other	Total	Securitized	Investment funds and trusts	Other	Total
<b>FINANCIAL ASSETS</b>								
Trading loans, securities, and other	\$ 8,450	\$ 1,096	\$ –	\$ 9,546	\$ 9,460	\$ 719	\$ 11	\$ 10,190
Non-trading financial assets at fair value through profit or loss	3,649	488	–	4,137	1,810	367	–	2,177
Derivatives <sup>2</sup>	–	64	6	70	–	826	–	826
Financial assets designated at fair value through profit or loss	–	4	–	4	–	3	–	3
Financial assets at fair value through other comprehensive income	34,451	1,550	9	36,010	47,575	1,262	–	48,837
Debt securities at amortized cost, net of allowance for credit losses	85,456	–	–	85,456	68,736	–	–	68,736
Loans	1,314	5	–	1,319	2,438	–	–	2,438
Other	6	–	3,027	3,033	6	–	2,897	2,903
<b>Total assets</b>	<b>133,326</b>	<b>3,207</b>	<b>3,042</b>	<b>139,575</b>	<b>130,025</b>	<b>3,177</b>	<b>2,908</b>	<b>136,110</b>
<b>FINANCIAL LIABILITIES</b>								
Derivatives <sup>2</sup>	–	395	–	395	–	59	–	59
Obligations related to securities sold short	3,164	503	–	3,667	2,937	629	–	3,566
<b>Total liabilities</b>	<b>3,164</b>	<b>898</b>	<b>–</b>	<b>4,062</b>	<b>2,937</b>	<b>688</b>	<b>–</b>	<b>3,625</b>
Off-balance sheet exposure <sup>3</sup>	17,233	4,234	1,222	22,689	16,172	3,450	1,164	20,786
<b>Maximum exposure to loss from involvement with unconsolidated structured entities</b>	<b>\$ 147,395</b>	<b>\$ 6,543</b>	<b>\$ 4,264</b>	<b>\$ 158,202</b>	<b>\$ 143,260</b>	<b>\$ 5,939</b>	<b>\$ 4,072</b>	<b>\$ 153,271</b>
<b>Size of sponsored unconsolidated structured entities<sup>4</sup></b>	<b>\$ 10,068</b>	<b>\$ 37,638</b>	<b>\$ 1,200</b>	<b>\$ 48,906</b>	<b>\$ 10,216</b>	<b>\$ 35,897</b>	<b>\$ 1,750</b>	<b>\$ 47,863</b>

<sup>1</sup> Certain comparative amounts have been restated to conform with the presentation adopted in the current period.

<sup>2</sup> Derivatives primarily subject to vanilla interest rate or foreign exchange risk are not included in these amounts as those derivatives are designed to align the structured entity's cash flows with risks absorbed by investors and are not predominantly designed to expose the Bank to variable returns created by the entity.

<sup>3</sup> For the purposes of this disclosure, off-balance sheet exposure represents the notional value of liquidity facilities, guarantees, or other off-balance sheet commitments without considering the effect of collateral or other credit enhancements.

<sup>4</sup> The size of sponsored unconsolidated structured entities is provided based on the most appropriate measure of size for the type of entity: (1) The par value of notes issued by securitization conduits and similar liability issuers; (2) the total AUM of investment funds and trusts; and (3) the total fair value of partnership or equity shares in issue for partnerships and similar equity issuers.

### **Sponsored Unconsolidated Structured Entities in which the Bank has no Significant Investment at the End of the Period**

Sponsored unconsolidated structured entities in which the Bank has no significant investment at the end of the period are predominantly investment funds and trusts created for the asset management business. The Bank would not typically hold investments, with the exception of seed capital, in these structured entities. However, the Bank continues to earn fees from asset management services provided to these entities, some of which could be based on the performance of the fund. Fees payable are generally senior in the entity's priority of payment and would also be backed by collateral, limiting the Bank's

exposure to loss from these entities. The Bank earned non-interest income of \$2.0 billion (October 31, 2018 – \$1.9 billion) from its involvement with these asset management entities for the year ended October 31, 2019, of which \$1.8 billion (October 31, 2018 – \$1.8 billion) was received directly from these entities. The total AUM in these entities as at October 31, 2019 was \$233.9 billion (October 31, 2018 – \$196.1 billion). Any assets transferred by the Bank during the period are co-mingled with assets obtained from third parties in the market. Except as previously disclosed, the Bank has no contractual or non-contractual arrangements to provide financial support to unconsolidated structured entities.

## DERIVATIVE PRODUCT TYPES AND RISK EXPOSURES

The majority of the Bank's derivative contracts are OTC transactions that are bilaterally negotiated between the Bank and the counterparty to the contract. The remainder are exchange-traded contracts transacted through organized and regulated exchanges and consist primarily of certain options and futures.

The Bank's derivative transactions relate to trading and non-trading activities. The purpose of derivatives held for non-trading activities is primarily for managing interest rate, foreign exchange, and equity risk related to the Bank's funding, lending, investment activities, and other asset/liability management activities. The Bank's risk management strategy for these risks is discussed in shaded sections of the "Managing Risk" section of the MD&A. The Bank also enters into derivative transactions to economically hedge certain exposures that do not otherwise qualify for hedge accounting, or where hedge accounting is not considered feasible.

Where hedge accounting is applied, only a specific or a combination of risk components are hedged, including benchmark interest rate, foreign exchange rate, and equity price components. All these risk components are observable in the relevant market environment and the change in the fair value or the variability in cash flows attributable to these risk components can be reliably measured for hedged items.

Where the derivatives are in hedge relationships, the main sources of ineffectiveness can be attributed to differences between hedging instruments and hedged items:

- Differences in fixed rates, when contractual coupons of the fixed rate hedged items are designated;
- Differences in the discounting factors, when hedging derivatives are collateralized and discounted using Overnight Indexed Swaps (OIS) curves, which are not applied to the fixed rate hedged items;
- CRVA on the hedging derivatives; and
- Mismatch in critical terms such as tenor and timing of cash flows between hedging instruments and hedged items.

To mitigate a portion of the ineffectiveness, the Bank designates the benchmark risk component of contractual cash flows of hedged items and executes hedging derivatives with high-quality counterparties. The majority of the Bank's hedging derivatives are collateralized.

### Interest Rate Derivatives

Interest rate swaps are OTC contracts in which two counterparties agree to exchange cash flows over a period of time based on rates applied to a specified notional amount. A typical interest rate swap would require one counterparty to pay a fixed market interest rate in exchange for a variable market interest rate determined from time to time, with both calculated on a specified notional amount. No exchange of principal amount takes place. Certain interest rate swaps are transacted and settled through a clearing house which acts as a central counterparty.

Forward rate agreements are OTC contracts that effectively fix a future interest rate for a period of time. A typical forward rate agreement provides that at a pre-determined future date, a cash settlement will be made between the counterparties based upon the difference between a contracted rate and a market rate to be determined in the future, calculated on a specified notional amount. No exchange of principal amount takes place.

Interest rate options are contracts in which one party (the purchaser of an option) acquires from another party (the writer of an option), in exchange for a premium, the right, but not the obligation, either to buy or sell, on a specified future date or series of future dates or within a specified time, a specified financial instrument at a contracted price. The underlying financial instrument will have a market price which varies in response to changes in interest rates. In managing the Bank's interest rate exposure, the Bank acts as both a writer and purchaser of these options. Options are transacted both OTC and through exchanges. Interest rate futures are standardized contracts

transacted on an exchange. They are based upon an agreement to buy or sell a specified quantity of a financial instrument on a specified future date, at a contracted price. These contracts differ from forward rate agreements in that they are in standard amounts with standard settlement dates and are transacted on an exchange.

The Bank uses interest rate swaps to hedge its exposure to benchmark interest rate risk by modifying the repricing or maturity characteristics of existing and/or forecasted assets and liabilities, including funding and investment activities. These swaps are designated in either fair value hedge against fixed rate asset/liability or cash flow hedge against floating rate asset/liability. For fair value hedges, the Bank assesses and measures the hedge effectiveness based on the change in the fair value or cash flows of the derivative hedging instrument relative to the change in the fair value or cash flows of the hedged item attributable to benchmark interest rate risk. For cash flow hedges, the Bank uses the hypothetical derivative having terms that identically match the critical terms of the hedged item as the proxy for measuring the change in fair value or cash flows of the hedged item.

### Foreign Exchange Derivatives

Foreign exchange forwards are OTC contracts in which one counterparty contracts with another to exchange a specified amount of one currency for a specified amount of a second currency, at a future date or range of dates.

Swap contracts comprise foreign exchange swaps and cross-currency interest rate swaps. Foreign exchange swaps are transactions in which a foreign currency is simultaneously purchased in the spot market and sold in the forward market, or vice-versa. Cross-currency interest rate swaps are transactions in which counterparties exchange principal and interest cash flows in different currencies over a period of time. These contracts are used to manage currency and/or interest rate exposures.

Foreign exchange futures contracts are similar to foreign exchange forward contracts but differ in that they are in standard currency amounts with standard settlement dates and are transacted on an exchange.

Where hedge accounting is applied, the Bank assesses and measures the hedge effectiveness based on the change in the fair value of the hedging instrument relative to translation gains and losses of net investment in foreign operations or the change in cash flows of the foreign currency denominated asset/liability attributable to foreign exchange risk, using the hypothetical derivative method.

The Bank uses non-derivative instruments such as foreign currency deposit liabilities and derivative instruments such as cross-currency swaps and foreign exchange forwards to hedge its foreign currency exposure. These hedging instruments are designated in either net investment hedges or cash flow hedges.

### Credit Derivatives

The Bank uses credit derivatives such as credit default swaps (CDS) and total return swaps in managing risks of the Bank's corporate loan portfolio and other cash instruments. Credit risk is the risk of loss if a borrower or counterparty in a transaction fails to meet its agreed payment obligations. The Bank uses credit derivatives to mitigate industry concentration and borrower-specific exposure as part of the Bank's portfolio risk management techniques. The credit, legal, and other risks associated with these transactions are controlled through well established procedures. The Bank's policy is to enter into these transactions with investment grade financial institutions. Credit risk to these counterparties is managed through the same approval, limit, and monitoring processes that is used for all counterparties to which the Bank has credit exposure.

Credit derivatives are OTC contracts designed to transfer the credit risk in an underlying financial instrument (usually termed as a reference asset) from one counterparty to another. The most common credit derivatives are CDS (referred to as option contracts) and total return swaps (referred to as swap contracts). In option contracts, an option purchaser acquires credit protection on a



reference asset or group of assets from an option writer in exchange for a premium. The option purchaser may pay the agreed premium at inception or over a period of time. The credit protection compensates the option purchaser for deterioration in value of the reference asset or group of assets upon the occurrence of certain credit events such as bankruptcy, or changes in specified credit rating or credit index. Settlement may be cash based or physical, requiring the delivery of the reference asset to the option writer. In swap contracts, one counterparty agrees to pay or receive from the other cash amounts based on changes in the value of a reference asset or group of assets, including any returns such as interest earned on these assets in exchange for amounts that are based on prevailing market funding rates. These cash settlements are made regardless of whether there is a credit event.

### Other Derivatives

The Bank also transacts in equity and commodity derivatives in both the exchange and OTC markets.

Equity swaps are OTC contracts in which one counterparty agrees to pay, or receive from the other, cash amounts based on changes in the value of a stock index, a basket of stocks or a single stock. These contracts sometimes include a payment in respect of dividends.

Equity options give the purchaser of the option, for a premium, the right, but not the obligation, to buy from or sell to the writer of an option, an underlying stock index, basket of stocks or single stock at a contracted price. Options are transacted both OTC and through exchanges.

Equity index futures are standardized contracts transacted on an exchange. They are based on an agreement to pay or receive a cash amount based on the difference between the contracted price level of an underlying stock index and its corresponding market price level at a specified future date. There is no actual delivery of stocks that comprise the underlying index. These contracts are in standard amounts with standard settlement dates.

Commodity contracts include commodity forwards, futures, swaps, and options, such as precious metals and energy-related products in both OTC and exchange markets.

Where hedge accounting is applied, the Bank uses equity forwards and/or total return swaps to hedge its exposure to equity price risk. These derivatives are designated as cash flow hedges. The Bank assesses and measures the hedge effectiveness based on the change in the fair value of the hedging instrument relative to the change in the cash flows of the hedged item attributable to movement in equity price, using the hypothetical derivative method.

### Fair Value of Derivatives

(millions of Canadian dollars)

	October 31, 2019		October 31, 2018	
	Fair value as at balance sheet date		Fair value as at balance sheet date	
	Positive	Negative	Positive	Negative
<b>Derivatives held or issued for trading purposes</b>				
Interest rate contracts				
Forward rate agreements	\$ 24	\$ 149	\$ 37	\$ 39
Swaps	11,244	11,952	9,931	7,229
Options written	–	1,099	–	566
Options purchased	1,168	–	516	–
Total interest rate contracts	12,436	13,200	10,484	7,834
Foreign exchange contracts				
Forward contracts	713	1,540	17,638	15,943
Swaps	12,734	12,613	–	–
Cross-currency interest rate swaps	14,721	12,913	18,489	15,692
Options written	–	302	–	543
Options purchased	289	–	486	–
Total foreign exchange contracts	28,457	27,368	36,613	32,178
Credit derivative contracts				
Credit default swaps – protection purchased	–	241	–	230
Credit default swaps – protection sold	16	–	9	1
Total credit derivative contracts	16	241	9	231
Other contracts				
Equity contracts	748	2,942	2,537	1,362
Commodity contracts	1,524	1,335	1,291	837
Total other contracts	2,272	4,277	3,828	2,199
<b>Fair value – trading</b>	<b>43,181</b>	<b>45,086</b>	<b>50,934</b>	<b>42,442</b>
<b>Derivatives held or issued for non-trading purposes</b>				
Interest rate contracts				
Forward rate agreements	–	2	2	–
Swaps	2,365	1,303	1,893	1,898
Options written	–	1	–	1
Options purchased	15	–	19	–
Total interest rate contracts	2,380	1,306	1,914	1,899
Foreign exchange contracts				
Forward contracts	660	90	333	327
Swaps	2	22	–	–
Cross-currency interest rate swaps	1,531	1,919	2,729	2,413
Total foreign exchange contracts	2,193	2,031	3,062	2,740
Credit derivative contracts				
Credit default swaps – protection purchased	–	179	–	155
Total credit derivative contracts	–	179	–	155
Other contracts				
Equity contracts	1,140	1,449	1,086	1,034
Total other contracts	1,140	1,449	1,086	1,034
<b>Fair value – non-trading</b>	<b>5,713</b>	<b>4,965</b>	<b>6,062</b>	<b>5,828</b>
<b>Total fair value</b>	<b>\$ 48,894</b>	<b>\$ 50,051</b>	<b>\$ 56,996</b>	<b>\$ 48,270</b>

The following table distinguishes derivatives held or issued for non-trading purposes between those that have been designated in qualifying hedge accounting relationships and those which have not been designated in qualifying hedge accounting relationships as at October 31.

### Fair Value of Non-Trading Derivatives<sup>1</sup>

(millions of Canadian dollars)

<i>As at</i>										
<b>October 31, 2019</b>										
Derivative Assets					Derivative Liabilities					
	Derivatives in qualifying hedging relationships			Derivatives not in qualifying hedging relationships	Total	Derivatives in qualifying hedging relationships			Derivatives not in qualifying hedging relationships	Total
	Fair value	Cash flow	Net investment			Fair value	Cash flow	Net investment		
<b>Derivatives held or issued for non-trading purposes</b>										
Interest rate contracts	\$ 882	\$ 804	\$ –	\$ 694	\$ 2,380	\$ 786	\$ (46)	\$ –	\$ 566	\$ 1,306
Foreign exchange contracts	–	2,175	2	16	2,193	–	1,910	58	63	2,031
Credit derivative contracts	–	–	–	–	–	–	–	–	179	179
Other contracts	–	531	–	609	1,140	–	–	–	1,449	1,449
<b>Fair value – non-trading</b>	<b>\$ 882</b>	<b>\$ 3,510</b>	<b>\$ 2</b>	<b>\$ 1,319</b>	<b>\$ 5,713</b>	<b>\$ 786</b>	<b>\$ 1,864</b>	<b>\$ 58</b>	<b>\$ 2,257</b>	<b>\$ 4,965</b>

October 31, 2018

<b>Derivatives held or issued for non-trading purposes</b>										
Interest rate contracts	\$ 1,050	\$ (62)	\$ 4	\$ 922	\$ 1,914	\$ 858	\$ 187	\$ –	\$ 854	\$ 1,899
Foreign exchange contracts	–	2,948	4	110	3,062	–	2,399	314	27	2,740
Credit derivative contracts	–	–	–	–	–	–	–	–	155	155
Other contracts	–	594	–	492	1,086	–	–	–	1,034	1,034
<b>Fair value – non-trading</b>	<b>\$ 1,050</b>	<b>\$ 3,480</b>	<b>\$ 8</b>	<b>\$ 1,524</b>	<b>\$ 6,062</b>	<b>\$ 858</b>	<b>\$ 2,586</b>	<b>\$ 314</b>	<b>\$ 2,070</b>	<b>\$ 5,828</b>

<sup>1</sup> Certain derivatives assets qualify to be offset with certain derivative liabilities on the Consolidated Balance Sheet. Refer to Note 6 for further details.

### Fair Value Hedges

The following table presents the effects of fair value hedges on the Consolidated Balance Sheet and the Consolidated Statement of Income.

### Fair Value Hedges

(millions of Canadian dollars)

*For the years ended or as at October 31*

<b>2019</b>						
	Change in value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Hedge ineffectiveness	Carrying amounts for hedged items	Accumulated amount of fair value hedge adjustments on hedged items <sup>1</sup>	Accumulated amount of fair value hedge adjustments on de-designated hedged items
<b>Assets</b>						
<b>Interest rate risk</b>						
Debt securities at amortized cost	\$ 2,144	\$ (2,160)	\$ (16)	\$ 46,888	\$ 1,502	\$ –
Financial assets at fair value through other comprehensive income	3,286	(3,299)	(13)	78,688	580	(119)
Loans	1,440	(1,458)	(18)	59,270	741	(6)
<b>Total assets</b>	<b>6,870</b>	<b>(6,917)</b>	<b>(47)</b>	<b>184,846</b>	<b>2,823</b>	<b>(125)</b>
<b>Liabilities</b>						
<b>Interest rate risk</b>						
Deposits	(4,566)	4,584	18	125,602	2,214	(11)
Securitization liabilities at amortized cost	(149)	151	2	5,481	82	–
Subordinated notes and debentures	(189)	190	1	5,071	(28)	(135)
<b>Total liabilities</b>	<b>(4,904)</b>	<b>4,925</b>	<b>21</b>	<b>136,154</b>	<b>2,268</b>	<b>(146)</b>
<b>Total</b>	<b>\$ 1,966</b>	<b>\$ (1,992)</b>	<b>\$ (26)</b>			

<sup>1</sup> The Bank has portfolios of fixed rate financial assets and liabilities whereby the notional amount changes frequently due to originations, issuances, maturities and prepayments. The interest rate risk hedges on these portfolios are rebalanced dynamically.

**Fair Value Hedges** (continued)

(millions of Canadian dollars)

For the years ended or as at October 31

	2018					
	Change in value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Hedge ineffectiveness	Carrying amounts for hedged items	Accumulated amount of fair value hedge adjustments on hedged items <sup>1</sup>	Accumulated amount of fair value hedge adjustments on de-designated hedged items
<b>Assets</b>						
<b>Interest rate risk</b>						
Debt securities at amortized cost	\$ (501)	\$ 507	\$ 6	\$ 30,032	\$ (618)	\$ –
Financial assets at fair value through other comprehensive income	(1,874)	1,869	(5)	86,804	(2,699)	(172)
Loans	(792)	792	–	45,157	(726)	(8)
<b>Total assets</b>	<b>(3,167)</b>	<b>3,168</b>	<b>1</b>	<b>161,993</b>	<b>(4,043)</b>	<b>(180)</b>
<b>Liabilities</b>						
<b>Interest rate risk</b>						
Deposits	2,182	(2,179)	3	93,150	(2,301)	(4)
Securitization liabilities at amortized cost	71	(73)	(2)	4,960	(52)	–
Subordinated notes and debentures	112	(112)	–	4,027	(230)	(143)
<b>Total liabilities</b>	<b>2,365</b>	<b>(2,364)</b>	<b>1</b>	<b>102,137</b>	<b>(2,583)</b>	<b>(147)</b>
<b>Total</b>	<b>\$ (802)</b>	<b>\$ 804</b>	<b>\$ 2</b>			
						2017
<b>Total</b>	<b>\$ (933)</b>	<b>\$ 914</b>	<b>\$ (19)</b>			

<sup>1</sup> The Bank has portfolios of fixed rate financial assets and liabilities whereby the notional amount changes frequently due to originations, issuances, maturities and prepayments. The interest rate risk hedges on these portfolios are rebalanced dynamically.

**Cash Flow Hedges and Net Investment Hedges**

The following table presents the effects of cash flow hedges and net investment hedges on the Bank's Consolidated Statement of Income and the Consolidated Statement of Comprehensive Income.

**Cash Flow and Net Investment Hedges**

(millions of Canadian dollars)

For the years ended October 31

	2019					
	Change in value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Hedge ineffectiveness	Hedging gains (losses) recognized in other comprehensive income <sup>1</sup>	Amount reclassified from accumulated other comprehensive income (loss) to earnings <sup>1</sup>	Net change in other comprehensive income (loss) <sup>1</sup>
<b>Cash flow hedges<sup>2</sup></b>						
Interest rate risk <sup>3</sup>	\$ (5,087)	\$ 5,089	\$ 2	\$ 5,041	\$ (218)	\$ 5,259
Foreign exchange risk <sup>4,5,6</sup>	251	(250)	1	(466)	(572)	106
Equity price risk	(122)	122	–	122	117	5
<b>Total cash flow hedges</b>	<b>\$ (4,958)</b>	<b>\$ 4,961</b>	<b>\$ 3</b>	<b>\$ 4,697</b>	<b>\$ (673)</b>	<b>\$ 5,370</b>
<b>Net investment hedges</b>	<b>\$ (180)</b>	<b>\$ 180</b>	<b>\$ –</b>	<b>\$ 180</b>	<b>\$ –</b>	<b>\$ 180</b>
						2018
<b>Cash flow hedges<sup>2</sup></b>						
Interest rate risk <sup>3</sup>	\$ 2,585	\$ (2,587)	\$ (2)	\$ (2,528)	\$ 335	\$ (2,863)
Foreign exchange risk <sup>4,5,6</sup>	(449)	449	–	362	306	56
Equity price risk	(66)	66	–	66	97	(31)
<b>Total cash flow hedges</b>	<b>\$ 2,070</b>	<b>\$ (2,072)</b>	<b>\$ (2)</b>	<b>\$ (2,100)</b>	<b>\$ 738</b>	<b>\$ (2,838)</b>
<b>Net investment hedges</b>	<b>\$ 392</b>	<b>\$ (392)</b>	<b>\$ –</b>	<b>\$ (392)</b>	<b>\$ –</b>	<b>\$ (392)</b>
						2017
<b>Total cash flow hedges<sup>2</sup></b>			<b>\$ (2)</b>	<b>\$ (2,229)</b>	<b>\$ 1,077</b>	
<b>Net investment hedges</b>			<b>–</b>	<b>890</b>	<b>(8)</b>	

<sup>1</sup> Effects on other comprehensive income are presented on a pre-tax basis.

<sup>2</sup> During the years ended October 31, 2019, October 31, 2018, and October 31, 2017, there were no instances where forecasted hedged transactions failed to occur.

<sup>3</sup> Hedged items include forecasted interest cash flows on loans, deposits, and securitization liabilities.

<sup>4</sup> For non-derivative instruments designated as hedging foreign exchange risk, fair value change is measured as the gains and losses due to spot foreign exchange movements.

<sup>5</sup> Cross-currency swaps may be used to hedge foreign exchange risk or a combination of interest rate risk and foreign exchange risk in a single hedging relationship. These hedges are disclosed in the above risk category (foreign exchange risk).

<sup>6</sup> Hedged items include principal and interest cash flows on foreign denominated securities, loans, deposits, other liabilities, and subordinated notes and debentures.

## Reconciliation of Accumulated Other Comprehensive Income (Loss)<sup>1</sup>

(millions of Canadian dollars)

For the years ended October 31

	2019				
	Accumulated other comprehensive income (loss) at beginning of year	Net changes in other comprehensive income (loss)	Accumulated other comprehensive income (loss) at end of year	Accumulated other comprehensive income (loss) on designated hedges	Accumulated other comprehensive income (loss) on de-designated hedges
<b>Cash flow hedges</b>					
Interest rate risk	\$ (3,656)	\$ 5,259	\$ 1,603	\$ 1,226	\$ 377
Foreign exchange risk	247	106	353	353	–
Equity price risk	20	5	25	25	–
<b>Total cash flow hedges</b>	<b>\$ (3,389)</b>	<b>\$ 5,370</b>	<b>\$ 1,981</b>	<b>\$ 1,604</b>	<b>\$ 377</b>
<b>Net investment hedges</b>					
Foreign translation risk	\$ (5,689)	\$ 180	\$ (5,509)	\$ (5,509)	\$ –
					2018
<b>Cash flow hedges</b>					
Interest rate risk	\$ (793)	\$ (2,863)	\$ (3,656)	\$ (2,245)	\$ (1,411)
Foreign exchange risk	191	56	247	247	–
Equity price risk	51	(31)	20	20	–
<b>Total cash flow hedges</b>	<b>\$ (551)</b>	<b>\$ (2,838)</b>	<b>\$ (3,389)</b>	<b>\$ (1,978)</b>	<b>\$ (1,411)</b>
<b>Net investment hedges</b>					
Foreign translation risk	\$ (5,297)	\$ (392)	\$ (5,689)	\$ (5,689)	\$ –

<sup>1</sup> Presented on a pre-tax basis and excludes the Bank's equity in the AOCI of an investment in TD Ameritrade.

## NOTIONAL AMOUNTS

The notional amounts are not recorded as assets or liabilities as they represent the face amount of the contract to which a rate or price is applied to determine the amount of cash flows to be exchanged. Notional amounts do not represent the potential gain or loss

associated with the market risk nor are they indicative of the credit risk associated with derivative financial instruments.

The following table discloses the notional amount of over-the-counter and exchange-traded derivatives.

## Over-the-Counter and Exchange-Traded Derivatives

(millions of Canadian dollars)

	As at						
						October 31	October 31
						2019	2018
	Over-the-Counter <sup>1</sup>			Trading			
	Clearing house <sup>2</sup>	Non clearing house	Exchange-traded	Total	Non-trading <sup>3</sup>	Total	Total
<b>Notional</b>							
<b>Interest rate contracts</b>							
Futures	\$ –	\$ –	\$ 884,565	\$ 884,565	\$ –	\$ 884,565	\$ 575,825
Forward rate agreements	1,817,528	28,532	–	1,846,060	867	1,846,927	970,904
Swaps	9,380,140	390,123	–	9,770,263	1,642,583	11,412,846	9,442,704
Options written	–	109,532	136,264	245,796	472	246,268	200,948
Options purchased	–	122,159	187,260	309,419	5,374	314,793	227,775
<b>Total interest rate contracts</b>	<b>11,197,668</b>	<b>650,346</b>	<b>1,208,089</b>	<b>13,056,103</b>	<b>1,649,296</b>	<b>14,705,399</b>	<b>11,418,156</b>
<b>Foreign exchange contracts</b>							
Futures	–	–	16	16	–	16	24
Forward contracts	–	169,992	–	169,992	20,473	190,465	1,825,682
Swaps	–	1,747,596	–	1,747,596	1,955	1,749,551	6
Cross-currency interest rate swaps	–	757,780	–	757,780	100,921	858,701	785,946
Options written	–	27,639	15	27,654	–	27,654	34,090
Options purchased	–	27,293	2	27,295	–	27,295	32,655
<b>Total foreign exchange contracts</b>	<b>–</b>	<b>2,730,300</b>	<b>33</b>	<b>2,730,333</b>	<b>123,349</b>	<b>2,853,682</b>	<b>2,678,403</b>
<b>Credit derivative contracts</b>							
Credit default swaps – protection purchased	9,222	249	–	9,471	3,199	12,670	12,612
Credit default swaps – protection sold	956	156	–	1,112	–	1,112	1,122
<b>Total credit derivative contracts</b>	<b>10,178</b>	<b>405</b>	<b>–</b>	<b>10,583</b>	<b>3,199</b>	<b>13,782</b>	<b>13,734</b>
<b>Other contracts</b>							
Equity contracts	–	92,327	66,590	158,917	29,454	188,371	145,327
Commodity contracts	100	46,885	49,702	96,687	–	96,687	73,193
<b>Total other contracts</b>	<b>100</b>	<b>139,212</b>	<b>116,292</b>	<b>255,604</b>	<b>29,454</b>	<b>285,058</b>	<b>218,520</b>
<b>Total</b>	<b>\$ 11,207,946</b>	<b>\$ 3,520,263</b>	<b>\$ 1,324,414</b>	<b>\$ 16,052,623</b>	<b>\$ 1,805,298</b>	<b>\$ 17,857,921</b>	<b>\$ 14,328,813</b>

<sup>1</sup> Collateral held under a Credit Support Annex to help reduce counterparty credit risk is in the form of high-quality and liquid assets such as cash and high-quality government securities. Acceptable collateral is governed by the Collateralized Trading Policy.

<sup>2</sup> Derivatives executed through a central clearing house reduces settlement risk due to the ability to net settle offsetting positions for capital purposes and therefore

receive preferential capital treatment compared to those settled with non-central clearing house counterparties.

<sup>3</sup> As at October 31, 2019, includes \$1,454 billion of OTC derivatives that are transacted with clearing houses (October 31, 2018 – \$1,244 billion) and \$352 billion of OTC derivatives that are transacted with non-clearing houses (October 31, 2018 – \$337 billion). There were no exchange-traded derivatives both as at October 31, 2019 and October 31, 2018.

The following table distinguishes the notional amount of derivatives held or issued for non-trading purposes between those that have been designated in qualifying hedge accounting relationships and those which have not been designated in qualifying hedge accounting relationships.

### Notional of Non-Trading Derivatives

(millions of Canadian dollars)

	<i>As at</i>				
	<b>October 31, 2019</b>				
	Derivatives in qualifying hedging relationships			Derivatives not in qualifying hedging relationships	
Derivatives held or issued for hedging (non-trading) purposes	Fair value	Cash flow <sup>1</sup>	Net investment <sup>1</sup>		Total
Interest rate contracts	\$ 337,374	\$ 234,134	\$ –	\$ 1,077,788	\$ 1,649,296
Foreign exchange contracts	–	117,532	1,292	4,525	123,349
Credit derivative contracts	–	–	–	3,199	3,199
Other contracts	–	2,079	–	27,375	29,454
<b>Total notional non-trading</b>	<b>\$ 337,374</b>	<b>\$ 353,745</b>	<b>\$ 1,292</b>	<b>\$ 1,112,887</b>	<b>\$ 1,805,298</b>

	<i>As at</i>				
	<b>October 31, 2018</b>				
Interest rate contracts	\$ 282,718	\$ 214,969	\$ 1,646	\$ 922,323	\$ 1,421,656
Foreign exchange contracts	–	113,183	1,249	11,674	126,106
Credit derivative contracts	–	–	–	2,745	2,745
Other contracts	–	2,058	–	28,372	30,430
<b>Total notional non-trading</b>	<b>\$ 282,718</b>	<b>\$ 330,210</b>	<b>\$ 2,895</b>	<b>\$ 965,114</b>	<b>\$ 1,580,937</b>

<sup>1</sup> Certain cross-currency swaps are executed using multiple derivatives, including interest rate swaps. These derivatives are used to hedge foreign exchange rate risk in cash flow hedges and net investment hedges.

The following table discloses the notional principal amount of over-the-counter derivatives and exchange-traded derivatives based on their contractual terms to maturity.

### Derivatives by Remaining Term-to-Maturity

(millions of Canadian dollars)

	<i>As at</i>				<i>As at</i>
	<b>October 31</b>				<b>October 31</b>
	<b>2019</b>				<b>2018</b>
Notional Principal	Within 1 year	Over 1 year to 5 years	Over 5 years	Total	Total
<b>Interest rate contracts</b>					
Futures	\$ 672,570	\$ 211,995	\$ –	\$ 884,565	\$ 575,825
Forward rate agreements	1,793,862	53,065	–	1,846,927	970,904
Swaps	4,455,050	5,042,224	1,915,572	11,412,846	9,442,704
Options written	183,359	50,575	12,334	246,268	200,948
Options purchased	230,502	72,996	11,295	314,793	227,775
Total interest rate contracts	7,335,343	5,430,855	1,939,201	14,705,399	11,418,156
<b>Foreign exchange contracts</b>					
Futures	16	–	–	16	24
Forward contracts	177,645	12,719	101	190,465	1,825,682
Swaps	1,714,371	32,812	2,368	1,749,551	6
Cross-currency interest rate swaps	260,392	442,131	156,178	858,701	785,946
Options written	23,596	3,788	270	27,654	34,090
Options purchased	23,195	3,823	277	27,295	32,655
Total foreign exchange contracts	2,199,215	495,273	159,194	2,853,682	2,678,403
<b>Credit derivative contracts</b>					
Credit default swaps – protection purchased	2,066	4,316	6,288	12,670	12,612
Credit default swaps – protection sold	133	704	275	1,112	1,122
Total credit derivative contracts	2,199	5,020	6,563	13,782	13,734
<b>Other contracts</b>					
Equity contracts	146,954	41,404	13	188,371	145,327
Commodity contracts	79,394	16,460	833	96,687	73,193
Total other contracts	226,348	57,864	846	285,058	218,520
<b>Total</b>	<b>\$ 9,763,105</b>	<b>\$ 5,989,012</b>	<b>\$ 2,105,804</b>	<b>\$ 17,857,921</b>	<b>\$ 14,328,813</b>

## Interest Rate Benchmark Reform

The replacement of existing IBORs with alternative nearly risk-free rates (RFRs) is at different stages, and is progressing at different speeds, globally. Uncertainty exists related to timing and methods of transition for financial instruments affected by these changes, and also on whether some existing benchmarks will continue to be supported.

The Bank's hedging relationships have significant exposure to US LIBOR, EURIBOR and GBP LIBOR benchmark rates. Under IBOR reform, these benchmark rates may be subject to discontinuance, changes in methodology, or become illiquid when the adoption of RFRs as established benchmark rates increase.

As a result of these developments, significant judgment is required in determining whether certain hedging relationships that hedge the variability of cash flows and interest rate or foreign exchange risk due to changes in IBORs continue to qualify for hedge accounting. As a

result of the effects of IBOR reform, on September 26, 2019, the IASB issued *Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7* ("*Interest Rate Benchmark Reform*"); of which the Bank adopted the applicable amendments to IFRS 7 relating to hedge accounting and will apply the remaining amendments related to IAS 39 as and when applicable, to the Bank's hedging relationships. Refer to Note 2 and Note 4 for more details.

Impacted hedging relationships will continue to be monitored for each significant benchmark rate subject to potential RFR transition. As the new RFRs are likely to differ from the prior benchmark rates, new or revised hedging strategies may be required to better align derivative hedging instruments with hedged items. However, given the market uncertainty, the assessment of the impact on the Bank's hedging strategies and its mitigation plans is in the early stages.

The following table discloses the notional amount and average price of derivative instruments designated in qualifying hedge accounting relationships.

## Hedging Instruments by Remaining Term-to-Maturity

(millions of Canadian dollars, except as noted)

				October 31 2019	October 31 2018
	Within 1 year	Over 1 year to 5 years	Over 5 years	Total	Total
<b>Notional</b>					
<b>Interest rate risk</b>					
<b>Interest rate swaps<sup>1</sup></b>					
<b>Notional – pay fixed</b>	\$ 43,299	\$ 118,366	\$ 40,213	\$ 201,878	\$ 181,544
Average fixed interest rate %	1.72	1.85	2.21		
<b>Notional – received fixed</b>	32,511	162,263	54,005	248,779	212,013
Average fixed interest rate %	1.92	2.19	1.69		
<b>Total notional – interest rate risk</b>	<b>75,810</b>	<b>280,629</b>	<b>94,218</b>	<b>450,657</b>	<b>393,557</b>
<b>Foreign exchange risk<sup>2</sup></b>					
<b>Forward contracts</b>					
Notional – USD/CAD	784	279	–	1,063	1,610
Average FX forward rate	1.31	1.32	–		
Notional – EUR/CAD	3,001	12,434	1,574	17,009	17,283
Average FX forward rate	1.52	1.62	1.75		
Notional – other	1,292	–	–	1,292	1,249
<b>Cross-currency swaps<sup>3,4</sup></b>					
Notional – USD/CAD	12,149	35,023	2,283	49,455	49,487
Average FX rate	1.26	1.30	1.32		
Notional – EUR/CAD	5,509	14,660	3,305	23,474	17,049
Average FX rate	1.48	1.50	1.48		
Notional – GBP/CAD	341	4,692	–	5,033	3,954
Average FX rate	1.74	1.70	–		
Notional – other currency pairs <sup>5</sup>	8,718	12,423	327	21,468	23,799
<b>Total notional – foreign exchange risk</b>	<b>31,794</b>	<b>79,511</b>	<b>7,489</b>	<b>118,794</b>	<b>114,431</b>
<b>Equity Price Risk</b>					
Notional – equity forward contracts	2,092	–	–	2,092	2,058
<b>Total notional</b>	<b>\$ 109,696</b>	<b>\$ 360,140</b>	<b>\$ 101,707</b>	<b>\$ 571,543</b>	<b>\$ 510,046</b>

<sup>1</sup> The notional amount of interest rate swaps indexed to US LIBOR, EURIBOR, or GBP LIBOR, with a maturity date beyond December 31, 2021, is \$173.5 billion as at October 31, 2019. These instruments are being monitored for the impact of IBOR reform.

<sup>2</sup> Foreign currency denominated deposit liabilities are also used to hedge foreign exchange risk. As at October 31, 2019, the carrying value of these non-derivative hedging instruments was \$23.9 billion (October 31, 2018 – \$15.3 billion) designated under net investment hedges.

<sup>3</sup> Cross-currency swaps may be used to hedge foreign exchange risk or a combination of interest rate risk and foreign exchange risk in a single hedge relationship. Both these types of hedges are disclosed under the Foreign exchange risk as the risk category.

<sup>4</sup> Certain cross-currency swaps are executed using multiple derivatives, including interest rate swaps. The notional amount of these interest rate swaps, excluded from the above, is \$120.9 billion as at October 31, 2019 (October 31, 2018 – \$105.8 billion). As at October 31, 2019, the notional amount of cross-currency swaps and interest rate swaps indexed to US LIBOR, EURIBOR, or GBP LIBOR, with a maturity date beyond December 31, 2021, are \$39.5 billion and \$26.8 billion, respectively, and are being monitored for the impact of IBOR reform.

<sup>5</sup> Includes derivatives executed to manage non-trading foreign currency exposures, when more than one currency is involved prior to hedging to the Canadian dollar, when the functional currency of the entity is not the Canadian dollar, or when the currency pair is not a significant exposure for the Bank.

## DERIVATIVE-RELATED RISKS

### Market Risk

Derivatives, in the absence of any compensating upfront cash payments, generally have no market value at inception. They obtain value, positive or negative, as relevant interest rates, foreign exchange rates, equity, commodity or credit prices or indices change, such that the previously contracted terms of the derivative transactions have become more or less favourable than what can be negotiated under current market conditions for contracts with the same terms and the same remaining period to expiry.

The potential for derivatives to increase or decrease in value as a result of the foregoing factors is generally referred to as market risk. This market risk is managed by senior officers responsible for the Bank's trading and non-trading businesses and is monitored independently by the Bank's Risk Management group.

### Credit Risk

Credit risk on derivatives, also known as counterparty credit risk, is the risk of a financial loss occurring as a result of the failure of a counterparty to meet its obligation to the Bank. The Capital Markets Risk Management group is responsible for implementing and ensuring compliance with credit policies established by the Bank for the management of derivative credit exposures.

Derivative-related credit risks are subject to the same credit approval, limit and monitoring standards that are used for managing other transactions that create credit exposure. This includes evaluating the creditworthiness of counterparties, and managing the size, diversification and maturity structure of the portfolios. The Bank actively engages in risk mitigation strategies through the use of multi-product derivative master netting agreements, collateral and other risk mitigation techniques. Master netting agreements reduce risk to the Bank by allowing the Bank to close out and net transactions with counterparties subject to such agreements upon the occurrence of certain events. The effect of these master netting agreements is reflected in the following table. Also shown in this table, is the current replacement cost, which is the positive fair value of all outstanding derivatives. The credit equivalent amount is 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 derivatives. The risk-weighted amount is determined by applying standard measures of counterparty credit risk to the credit equivalent amount.

### Credit Exposure of Derivatives<sup>1</sup>

(millions of Canadian dollars)

	October 31, 2019			As at October 31, 2018		
	Current replacement cost	Credit equivalent amount	Risk-weighted amount	Current replacement cost	Credit equivalent amount	Risk-weighted amount
<b>Interest rate contracts</b>						
Forward rate agreements	\$ 31	\$ 536	\$ 449	\$ 21	\$ 56	\$ 15
Swaps	3,210	9,635	1,809	11,630	15,557	4,193
Options purchased	133	459	102	508	776	299
<b>Total interest rate contracts</b>	<b>3,374</b>	<b>10,630</b>	<b>2,360</b>	<b>12,159</b>	<b>16,389</b>	<b>4,507</b>
<b>Foreign exchange contracts</b>						
Forward contracts	434	2,555	375	17,605	35,543	4,247
Swaps	1,961	14,286	1,635	–	–	–
Cross-currency interest rate swaps	1,812	10,288	1,183	21,218	40,942	7,012
Options purchased	48	363	83	486	1,029	212
<b>Total foreign exchange contracts</b>	<b>4,255</b>	<b>27,492</b>	<b>3,276</b>	<b>39,309</b>	<b>77,514</b>	<b>11,471</b>
<b>Other contracts</b>						
Credit derivatives	6	634	149	3	358	145
Equity contracts	151	5,706	667	3,043	7,383	920
Commodity contracts	383	3,083	627	1,101	2,546	514
<b>Total other contracts</b>	<b>540</b>	<b>9,423</b>	<b>1,443</b>	<b>4,147</b>	<b>10,287</b>	<b>1,579</b>
<b>Total derivatives</b>	<b>8,169</b>	<b>47,545</b>	<b>7,079</b>	<b>55,615</b>	<b>104,190</b>	<b>17,557</b>
Less: impact of master netting agreements	n/a	n/a	n/a	34,205	54,039	11,464
<b>Total derivatives after netting</b>	<b>8,169</b>	<b>47,545</b>	<b>7,079</b>	<b>21,410</b>	<b>50,151</b>	<b>6,093</b>
Less: impact of collateral	n/a	n/a	n/a	8,884	9,602	1,173
<b>Net derivatives</b>	<b>8,169</b>	<b>47,545</b>	<b>7,079</b>	<b>12,526</b>	<b>40,549</b>	<b>4,920</b>
Qualifying Central Counterparty (QCCP) Contracts	3,085	12,967	349	155	14,332	2,058
<b>Total</b>	<b>\$ 11,254</b>	<b>\$ 60,512</b>	<b>\$ 7,428</b>	<b>\$ 12,681</b>	<b>\$ 54,881</b>	<b>\$ 6,978</b>

<sup>1</sup> Effective November 1, 2018, the Bank implemented the standardized approach for counterparty credit risk (SA-CCR) in determining the calculation of current replacement costs, credit equivalent amount and RWA which includes the impact of master netting agreements and collateral. Prior period comparatives are based on previous methodology, under which these impacts were presented separately.

## Current Replacement Cost of Derivatives

(millions of Canadian dollars, except as noted)								As at
By sector	Canada <sup>1</sup>		United States <sup>1</sup>		Other international <sup>1</sup>		Total	
	October 31 2019	October 31 2018	October 31 2019	October 31 2018	October 31 2019	October 31 2018	October 31 2018	
Financial	\$ 2,416	\$ 29,608	\$ 80	\$ 930	\$ 245	\$ 7,104	\$ 2,741	\$ 37,642
Government	1,836	9,737	43	102	221	4,704	2,100	14,543
Other	1,279	1,995	1,531	359	518	1,076	3,328	3,430
Current replacement cost	\$ 5,531	\$ 41,340	\$ 1,654	\$ 1,391	\$ 984	\$ 12,884	\$ 8,169	\$ 55,615
Less: impact of master netting agreements and collateral							n/a	43,089
<b>Total current replacement cost</b>							<b>\$ 8,169</b>	<b>\$ 12,526</b>
By location of risk	October 31 2019	October 31 2018	October 31 2019 % mix	October 31 2018 % mix				
Canada	\$ 2,768	\$ 3,898	33.9%	31.1%				
United States	2,936	4,887	36.0	39.0				
Other international								
United Kingdom	501	487	6.1	3.9				
Europe – other	1,211	2,183	14.8	17.4				
Other	753	1,071	9.2	8.6				
Total Other international	2,465	3,741	30.1	29.9				
<b>Total current replacement cost</b>	<b>\$ 8,169</b>	<b>\$ 12,526</b>	<b>100.0%</b>	<b>100.0%</b>				

<sup>1</sup> Based on geographic location of unit responsible for recording revenue.

Certain of the Bank's derivative contracts are governed by master derivative agreements having provisions that may permit the Bank's counterparties to require, upon the occurrence of a certain contingent event: (1) the posting of collateral or other acceptable remedy such as assignment of the affected contracts to an acceptable counterparty; or (2) settlement of outstanding derivative contracts. Most often, these contingent events are in the form of a downgrade of the senior debt rating of the Bank, either as counterparty or as guarantor of one of the Bank's subsidiaries. At October 31, 2019, the aggregate net liability position of those contracts would require: (1) the posting of collateral or other acceptable remedy totalling \$102 million (October 31, 2018 – \$300 million) in the event of a one-notch or two-notch downgrade in the Bank's senior debt rating; and (2) funding totalling \$0.5 million (October 31, 2018 – \$10 million) following the termination and settlement of outstanding derivative contracts in the event of a one-notch or two-notch downgrade in the Bank's senior debt rating.

Certain of the Bank's derivative contracts are governed by master derivative agreements having credit support provisions that permit the Bank's counterparties to call for collateral depending on the net mark-to-market exposure position of all derivative contracts governed by that master derivative agreement. Some of these agreements may permit the Bank's counterparties to require, upon the downgrade of the credit rating of the Bank, to post additional collateral. As at October 31, 2019, the fair value of all derivative instruments with credit risk related contingent features in a net liability position was \$11 billion (October 31, 2018 – \$8 billion). The Bank has posted \$13 billion (October 31, 2018 – \$10 billion) of collateral for this exposure in the normal course of business. As at October 31, 2019, the impact of a one-notch downgrade in the Bank's credit rating would require the Bank to post an additional \$147 million (October 31, 2018 – \$38 million) of collateral to that posted in the normal course of business. A two-notch downgrade in the Bank's credit rating would require the Bank to post an additional \$192 million (October 31, 2018 – \$44 million) of collateral to that posted in the normal course of business.

## NOTE 12 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

### INVESTMENT IN TD AMERITRADE HOLDING CORPORATION

The Bank has significant influence over TD Ameritrade Holding Corporation (TD Ameritrade) and accounts for its investment in TD Ameritrade using the equity method. The Bank's equity share in TD Ameritrade's earnings, excluding dividends, is reported on a one-month lag basis. The Bank takes into account changes in the subsequent period that would significantly affect the results.

As at October 31, 2019, the Bank's reported investment in TD Ameritrade was 43.19% (October 31, 2018 – 41.61%) of the outstanding shares of TD Ameritrade with a fair value of \$12 billion (US\$9 billion) (October 31, 2018 – \$16 billion (US\$12 billion)) based on the closing price of US\$38.38 (October 31, 2018 – US\$51.72) on the New York Stock Exchange.

During the year ended October 31, 2019, TD Ameritrade repurchased 21.5 million shares (for the year ended October 31, 2018 – 5.5 million shares). Pursuant to the Stockholders Agreement in relation to the Bank's equity investment in TD Ameritrade, if stock repurchases by TD Ameritrade cause the Bank's ownership percentage to exceed

45%, the Bank is required to use reasonable efforts to sell or dispose of such excess stock, subject to the Bank's commercial judgment as to the optimal timing, amount, and method of sales with a view to maximizing proceeds from such sales. However, in the event that stock repurchases by TD Ameritrade cause the Bank's ownership percentage to exceed 45%, the Bank has no absolute obligation to reduce its ownership percentage to 45%. In addition, stock repurchases by TD Ameritrade cannot result in the Bank's ownership percentage exceeding 47%.

In connection with TD Ameritrade's acquisition of Scottrade Financial Services, Inc. (Scottrade) on September 18, 2017, TD Ameritrade issued 38.8 million shares, of which the Bank purchased 11.1 million pursuant to its pre-emptive rights. The Bank purchased the shares at a price of US\$36.12. As a result of the share issuance, the Bank's common stock ownership percentage in TD Ameritrade decreased and the Bank realized a dilution gain of \$204 million recorded in Other Income on the Consolidated Statement of Income. Refer to Note 13 for a discussion on the acquisition of Scottrade Bank.



Pursuant to the Stockholders Agreement in relation to the Bank's equity investment in TD Ameritrade, the Bank has the right to designate five of twelve members of TD Ameritrade's Board of Directors. The Bank's designated directors currently include the Bank's Group President and Chief Executive Officer and four independent directors of TD or TD's U.S. subsidiaries.

TD Ameritrade has no significant contingent liabilities to which the Bank is exposed. During the years ended October 31, 2019, and October 31, 2018, TD Ameritrade did not experience any significant restrictions to transfer funds in the form of cash dividends, or repayment of loans or advances.

The condensed financial statements of TD Ameritrade, based on its consolidated financial statements, are included in the following tables.

### Condensed Consolidated Balance Sheets<sup>1</sup>

(millions of Canadian dollars)

	<i>As at</i>	
	<b>September 30 2019</b>	September 30 2018
<b>Assets</b>		
Receivables from brokers, dealers, and clearing organizations	<b>\$ 3,212</b>	\$ 1,809
Receivables from clients, net	<b>27,156</b>	29,773
Other assets, net	<b>27,303</b>	17,811
<b>Total assets</b>	<b>\$ 57,671</b>	\$ 49,393
<b>Liabilities</b>		
Payable to brokers, dealers, and clearing organizations	<b>\$ 4,357</b>	\$ 3,923
Payable to clients	<b>35,650</b>	30,126
Other liabilities	<b>6,205</b>	4,809
<b>Total liabilities</b>	<b>46,212</b>	38,858
<b>Stockholders' equity<sup>2</sup></b>	<b>11,459</b>	10,535
<b>Total liabilities and stockholders' equity</b>	<b>\$ 57,671</b>	\$ 49,393

<sup>1</sup> Customers' securities are reported on a settlement date basis whereas the Bank reports customers' securities on a trade date basis.

<sup>2</sup> The difference between the carrying value of the Bank's investment in TD Ameritrade and the Bank's share of TD Ameritrade's stockholders' equity is comprised of goodwill, other intangibles, and the cumulative translation adjustment.

### Condensed Consolidated Statements of Income

(millions of Canadian dollars, except as noted)

	<i>For the years ended September 30</i>		
	<b>2019</b>	2018	2017
<b>Revenues</b>			
Net interest revenue	<b>\$ 2,036</b>	\$ 1,635	\$ 903
Fee-based and other revenue	<b>5,947</b>	5,365	3,923
<b>Total revenues</b>	<b>7,983</b>	7,000	4,826
<b>Operating expenses</b>			
Employee compensation and benefits	<b>1,756</b>	1,992	1,260
Other	<b>2,245</b>	2,434	1,639
<b>Total operating expenses</b>	<b>4,001</b>	4,426	2,899
<b>Other expense (income)</b>	<b>94</b>	142	95
<b>Pre-tax income</b>	<b>3,888</b>	2,432	1,832
Provision for income taxes	<b>957</b>	535	686
<b>Net income<sup>1,2</sup></b>	<b>\$ 2,931</b>	\$ 1,897	\$ 1,146
Earnings per share – basic (Canadian dollars)	<b>\$ 5.27</b>	\$ 3.34	\$ 2.17
Earnings per share – diluted (Canadian dollars)	<b>5.26</b>	3.32	2.16

<sup>1</sup> The Bank's equity share of net income of TD Ameritrade is based on the published consolidated financial statements of TD Ameritrade after converting into Canadian dollars and is subject to adjustments relating to the amortization of certain intangibles.

<sup>2</sup> The Bank's equity share in TD Ameritrade earnings for the year ended October 31, 2018 includes a net favourable adjustment of \$41 million (US\$32 million) primarily representing the Bank's share of TD Ameritrade's remeasurement of its deferred income tax balances as a result of the reduction in the U.S. federal corporate income tax rate.

### INVESTMENT IN IMMATERIAL ASSOCIATES OR JOINT VENTURES

Except for TD Ameritrade as disclosed above, no associate or joint venture was individually material to the Bank as of October 31, 2019, or October 31, 2018. The carrying amount of the Bank's investment in individually immaterial associates and joint ventures during the period was \$3.2 billion (October 31, 2018 – \$3.0 billion).

Individually immaterial associates and joint ventures consisted predominantly of investments in private funds or partnerships that make equity investments, provide debt financing or support community-based tax-advantaged investments. The investments in these entities generate a return primarily through the realization of

U.S. federal and state income tax credits, including Low Income Housing Tax Credits, New Markets Tax Credits, and Historic Tax Credits.

The Bank recorded an impairment loss during the year ended October 31, 2018 of \$89 million representing the immediate impact of lower future tax deductions on Low Income Housing Tax Credit (LIHTC) investments as a result of the reduction in the U.S. federal corporate tax rate, which was recorded in Other income (loss) on the Consolidated Statement of Income. This impairment loss does not include losses taken upon tax credit-related investments including LIHTC on a normal course basis. Refer to Note 25 for further details on the reduction of the U.S. federal corporate tax rate.

**Agreement for Air Canada Credit Card Loyalty Program**

On January 10, 2019, the Bank's long-term loyalty program agreement (the "Loyalty Agreement") with Air Canada became effective in conjunction with Air Canada completing its acquisition of Aimia Canada Inc., which operates the Aeroplan loyalty business (the "Transaction"). Under the terms of the Loyalty Agreement, the Bank will become the primary credit card issuer for Air Canada's new loyalty program when it launches in 2020 through to 2030. TD Aeroplan cardholders will become members of Air Canada's new loyalty program and their miles will be transitioned when Air Canada's new loyalty program launches in 2020.

In connection with the Transaction, the Bank paid \$622 million plus applicable sales tax to Air Canada, of which \$547 million (\$446 million after sales and income taxes) was recognized in Non-interest expenses – Other on the Consolidated Statement of Income, and \$75 million was recognized as an intangible asset which will be amortized over the Loyalty Agreement term. In addition, the Bank prepaid \$308 million plus applicable sales tax for the future purchase of loyalty points over a ten-year period.

**Acquisition of Greystone Managed Investments Inc.**

On November 1, 2018, the Bank acquired 100% of the outstanding equity of Greystone Capital Management Inc., the parent company of Greystone Managed Investments Inc. ("Greystone") for consideration of \$821 million, of which \$479 million was paid in cash and \$342 million was paid in the Bank's common shares. The value of 4.7 million common shares issued as consideration was based on the volume weighted-average market price of the Bank's common shares over the 10 trading day period immediately preceding the fifth business day prior to the acquisition date and was recorded based on market price at close. Common shares of \$167 million issued to employee shareholders in respect of the purchase price are being held in escrow for two years post-acquisition, subject to their continued employment, and are being recorded as a compensation expense over the two-year escrow period.

The acquisition was accounted for as a business combination under the purchase method. As at November 1, 2018, the acquisition contributed \$165 million of assets and \$46 million of liabilities. The excess of accounting consideration over the fair value of the identifiable net assets has been allocated to customer relationship intangibles of \$140 million, deferred tax liability of \$37 million, and

goodwill of \$432 million. Goodwill is not deductible for tax purposes. The results of the acquisition have been consolidated from the acquisition date and reported in the Canadian Retail segment. For the year ended October 31, 2019, the contribution of Greystone to the Bank's revenue and net income was not significant.

**Acquisition of Scottrade Bank**

On September 18, 2017, the Bank acquired 100% of the outstanding equity of Scottrade Bank, a federal savings bank wholly-owned by Scottrade, for cash consideration of approximately \$1.6 billion (US\$1.4 billion). Scottrade Bank merged with TD Bank, N.A. In connection with the acquisition, TD agreed to accept sweep deposits from Scottrade clients, expanding the Bank's existing sweep deposit activities. The acquisition is consistent with the Bank's U.S. strategy.

The acquisition was accounted for as a business combination under the purchase method. Goodwill of \$34 million reflects the excess of the consideration paid over the fair value of the identifiable net assets. Goodwill is deductible for tax purposes. The results of the acquisition have been consolidated with the Bank's results and are reported in the U.S. Retail segment. For the year ended October 31, 2017, the contribution of Scottrade Bank to the Bank's revenue and net income was not significant nor would it have been significant if the acquisition had occurred as of November 1, 2016.

The following table presents the estimated fair values of the assets and liabilities acquired as of the date of acquisition.

**Fair Value of Identifiable Net Assets Acquired**

(millions of Canadian dollars)		Amount
<b>Assets acquired</b>		
Cash and due from banks	\$	750
Securities		14,474
Loans		5,284
Other assets		149
		20,657
Less: Liabilities assumed		
Deposits		18,992
Other liabilities		57
Fair value of identifiable net assets acquired		1,608
Goodwill		34
<b>Total purchase consideration</b>	<b>\$</b>	<b>1,642</b>

The recoverable amount of the Bank's CGUs is determined from internally developed valuation models that consider various factors and assumptions such as forecasted earnings, growth rates, price-earnings multiples, discount rates and terminal multiples. Management is required to use judgment in estimating the recoverable amount of CGUs, and the use of different assumptions and estimates in the calculations could influence the determination of the existence of impairment and the valuation of goodwill. Management believes that the assumptions and estimates used are reasonable and supportable. Where possible, assumptions generated internally are compared to relevant market information. The carrying amounts of the Bank's CGUs are determined by management using risk based capital models to adjust net assets and liabilities by CGU. These models consider various factors including market risk, credit risk, and operational risk, including investment capital (comprised of goodwill and other intangibles). Any capital not directly attributable to the CGUs is held within the Corporate segment. As at the date of the last impairment test, the

amount of capital was approximately \$14.6 billion and primarily related to treasury assets and excess capital managed within the Corporate segment. The Bank's capital oversight committees provide oversight to the Bank's capital allocation methodologies.

**Key Assumptions**

The recoverable amount of each CGU or group of CGUs has been determined based on its estimated value-in-use. In assessing value-in-use, estimated future cash flows based on the Bank's internal forecast are discounted using an appropriate pre-tax discount rate.

The following were the key assumptions applied in the goodwill impairment testing:

**Discount Rate**

The pre-tax discount rates used reflect current market assessments of the risks specific to each group of CGUs and are dependent on the risk profile and capital requirements of each group of CGUs.

### Terminal Value

The earnings included in the goodwill impairment testing for each operating segment were based on the Bank's internal forecast, which projects expected cash flows over the next five years. Beyond the Bank's internal forecast, cash flows were assumed to grow at a steady terminal growth rate. Terminal growth rates were based on the expected long-term growth of gross domestic product and inflation and ranged from 2.0% to 4.0% (2018 – 2.0% to 4.0%). The pre-tax terminal multiples for the period after the Bank's internal forecast

were consistent with observable multiples of comparable financial institutions and ranged from 9 times to 13 times (2018 – 9 times to 14 times).

In considering the sensitivity of the key assumptions discussed above, management determined that a reasonable change in any of the above would not result in the recoverable amount of any of the groups of CGUs to be less than their carrying amount.

### Goodwill by Segment

(millions of Canadian dollars)	Canadian Retail	U.S. Retail <sup>1</sup>	Wholesale Banking	Total
Carrying amount of goodwill as at November 1, 2017	\$ 2,303	\$ 13,693	\$ 160	\$ 16,156
Additions	82	–	–	82
Foreign currency translation adjustments and other	18	280	–	298
Carrying amount of goodwill as at October 31, 2018	\$ 2,403	\$ 13,973	\$ 160	\$ 16,536
Additions	432	–	–	432
Foreign currency translation adjustments and other	1	7	–	8
<b>Carrying amount of goodwill as at October 31, 2019<sup>2</sup></b>	<b>\$ 2,836</b>	<b>\$ 13,980</b>	<b>\$ 160</b>	<b>\$ 16,976</b>
<b>Pre-tax discount rates</b>				
2018	9.7–10.7%	10.1–11.8%	12.2%	
2019	9.7–11.0	9.6–11.8	12.7	

<sup>1</sup> Goodwill predominantly relates to U.S. personal and commercial banking.

<sup>2</sup> Accumulated impairment as at October 31, 2019 was nil (October 31, 2018 – nil).

### OTHER INTANGIBLES

The following table presents details of other intangibles as at October 31.

#### Other Intangibles

(millions of Canadian dollars)	Core deposit intangibles	Credit card related intangibles	Internally generated software	Other software	Other intangibles	Total
<b>Cost</b>						
As at November 1, 2017	\$ 2,523	\$ 756	\$ 2,549	\$ 308	\$ 565	\$ 6,701
Additions	–	–	567	87	14	668
Disposals	–	–	(82)	(2)	–	(84)
Fully amortized intangibles	–	–	(275)	(89)	–	(364)
Foreign currency translation adjustments and other	52	3	1	(4)	7	59
As at October 31, 2018	\$ 2,575	\$ 759	\$ 2,760	\$ 300	\$ 586	\$ 6,980
Additions	–	83	541	63	163	850
Disposals	–	–	(40)	–	–	(40)
Fully amortized intangibles	–	–	(322)	(79)	–	(401)
Foreign currency translation adjustments and other	1	–	(12)	11	(6)	(6)
<b>As at October 31, 2019</b>	<b>\$ 2,576</b>	<b>\$ 842</b>	<b>\$ 2,927</b>	<b>\$ 295</b>	<b>\$ 743</b>	<b>\$ 7,383</b>
<b>Amortization and impairment</b>						
As at November 1, 2017	\$ 2,260	\$ 442	\$ 888	\$ 180	\$ 313	\$ 4,083
Disposals	–	–	(11)	(2)	–	(13)
Impairment losses	–	–	–	5	–	5
Amortization charge for the year	96	98	423	78	44	739
Fully amortized intangibles	–	–	(275)	(89)	–	(364)
Foreign currency translation adjustments and other	48	2	6	12	3	71
As at October 31, 2018	\$ 2,404	\$ 542	\$ 1,031	\$ 184	\$ 360	\$ 4,521
Disposals	–	–	(14)	–	–	(14)
Impairment losses	–	–	4	–	1	5
Amortization charge for the year	76	86	474	82	58	776
Fully amortized intangibles	–	–	(322)	(79)	–	(401)
Foreign currency translation adjustments and other	1	–	(6)	4	(6)	(7)
<b>As at October 31, 2019</b>	<b>\$ 2,481</b>	<b>\$ 628</b>	<b>\$ 1,167</b>	<b>\$ 191</b>	<b>\$ 413</b>	<b>\$ 4,880</b>
<b>Net Book Value:</b>						
As at October 31, 2018	\$ 171	\$ 217	\$ 1,729	\$ 116	\$ 226	\$ 2,459
<b>As at October 31, 2019</b>	<b>95</b>	<b>214</b>	<b>1,760</b>	<b>104</b>	<b>330</b>	<b>2,503</b>

**NOTE 15 LAND, BUILDINGS, EQUIPMENT, AND OTHER DEPRECIABLE ASSETS**

The following table presents details of the Bank's land, buildings, equipment, and other depreciable assets as at October 31.

**Land, Buildings, Equipment, and Other Depreciable Assets**

(millions of Canadian dollars)

	Land	Buildings	Computer equipment	Furniture, fixtures, and other depreciable assets	Leasehold improvements	Total
<b>Cost</b>						
As at November 1, 2017	\$ 969	\$ 3,315	\$ 853	\$ 1,285	\$ 1,884	\$ 8,306
Additions	2	164	141	134	160	601
Disposals	(5)	(37)	(13)	(44)	(33)	(132)
Fully depreciated assets	–	(90)	(143)	(69)	(57)	(359)
Foreign currency translation adjustments and other	5	26	(9)	9	39	70
<b>As at October 31, 2018</b>	<b>\$ 971</b>	<b>\$ 3,378</b>	<b>\$ 829</b>	<b>\$ 1,315</b>	<b>\$ 1,993</b>	<b>\$ 8,486</b>
Additions	30	194	259	147	227	857
Acquisitions through business combinations	–	–	–	1	2	3
Disposals	(2)	(29)	(119)	(35)	(48)	(233)
Fully depreciated assets	–	(45)	(156)	(63)	(53)	(317)
Foreign currency translation adjustments and other	(12)	(10)	–	(14)	18	(18)
<b>As at October 31, 2019</b>	<b>\$ 987</b>	<b>\$ 3,488</b>	<b>\$ 813</b>	<b>\$ 1,351</b>	<b>\$ 2,139</b>	<b>\$ 8,778</b>
<b>Accumulated depreciation and impairment/losses</b>						
As at November 1, 2017	\$ –	\$ 1,151	\$ 433	\$ 552	\$ 857	\$ 2,993
Depreciation charge for the year	–	120	170	128	158	576
Disposals	–	(14)	(13)	(22)	(32)	(81)
Fully depreciated assets	–	(90)	(143)	(69)	(57)	(359)
Foreign currency translation adjustments and other	–	6	2	16	9	33
<b>As at October 31, 2018</b>	<b>\$ –</b>	<b>\$ 1,173</b>	<b>\$ 449</b>	<b>\$ 605</b>	<b>\$ 935</b>	<b>\$ 3,162</b>
Depreciation charge for the year	–	120	168	138	179	605
Disposals	–	(19)	(85)	(31)	(38)	(173)
Fully depreciated assets	–	(45)	(156)	(63)	(53)	(317)
Foreign currency translation adjustments and other	–	(11)	1	(1)	(1)	(12)
<b>As at October 31, 2019</b>	<b>\$ –</b>	<b>\$ 1,218</b>	<b>\$ 377</b>	<b>\$ 648</b>	<b>\$ 1,022</b>	<b>\$ 3,265</b>
<b>Net Book Value:</b>						
As at October 31, 2018	\$ 971	\$ 2,205	\$ 380	\$ 710	\$ 1,058	\$ 5,324
<b>As at October 31, 2019</b>	<b>987</b>	<b>2,270</b>	<b>436</b>	<b>703</b>	<b>1,117</b>	<b>5,513</b>

**NOTE 16 OTHER ASSETS**
**Other Assets**

(millions of Canadian dollars)

	October 31 2019	October 31 2018
Accounts receivable and other items	\$ 9,069	\$ 8,938
Accrued interest	2,479	2,343
Current income tax receivable	2,468	1,614
Defined benefit asset	13	113
Insurance-related assets, excluding investments	1,761	1,638
Prepaid expenses	1,297	950
<b>Total</b>	<b>\$ 17,087</b>	<b>\$ 15,596</b>

**NOTE 17 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.

Notice deposits are those for which the Bank can legally require notice prior to withdrawal. These deposits are in general savings accounts.

Term deposits are those payable on a fixed date of maturity purchased by customers to earn interest over a fixed period. The terms are from one day to ten years. The deposits are generally term

deposits, guaranteed investment certificates, senior debt, and similar instruments. The aggregate amount of term deposits in denominations of \$100,000 or more as at October 31, 2019 was \$309 billion (October 31, 2018 – \$293 billion).

Certain deposit liabilities are classified as Trading deposits on the Consolidated Balance Sheet and accounted for at fair value with the change in fair value recognized on the Consolidated Statement of Income.

Certain deposits have been designated at FVTPL on the Consolidated Balance Sheet to reduce an accounting mismatch from related economic hedges. These deposits are accounted for at fair value with the change in fair value recognized on the Consolidated Statement of Income, except for the amount of change in fair value attributable to changes in the Bank's own credit risk, which is recognized on the Consolidated Statement of Comprehensive Income.

For deposits designated at FVTPL, the estimated amount that the Bank would be contractually required to pay at maturity, which is based on notional amounts, was \$328 million less than its fair value as at October 31, 2019.

## Deposits

(millions of Canadian dollars)

							October 31	October 31
							2019	2018
	By Type			By Country			Total	Total
	Demand	Notice	Term <sup>1</sup>	Canada	United States	International		
Personal	\$ 14,105	\$ 431,319	\$ 58,006	\$ 234,278	\$ 269,128	\$ 24	\$ 503,430	\$ 477,644
Banks <sup>2</sup>	7,969	385	8,397	11,919	95	4,737	16,751	16,712
Business and government <sup>3,4</sup>	81,913	139,625	145,258	267,193	96,357	3,246	366,796	357,083
Trading <sup>2</sup>	–	–	26,885	16,817	2,120	7,948	26,885	114,704
Designated at fair value through profit or loss <sup>2,5</sup>	–	–	105,100	44,288	52,890	7,922	105,100	–
<b>Total</b>	<b>\$ 103,987</b>	<b>\$ 571,329</b>	<b>\$ 343,646</b>	<b>\$ 574,495</b>	<b>\$ 420,590</b>	<b>\$ 23,877</b>	<b>\$ 1,018,962</b>	<b>\$ 966,143</b>
<b>Non-interest-bearing deposits included above</b>								
In domestic offices							\$ 43,887	\$ 42,402
In foreign offices							53,381	54,488
<b>Interest-bearing deposits included above</b>								
In domestic offices							530,608	505,295
In foreign offices							391,076	362,890
U.S. federal funds deposited <sup>2</sup>							10	1,068
<b>Total<sup>5,6</sup></b>							<b>\$ 1,018,962</b>	<b>\$ 966,143</b>

<sup>1</sup> Includes \$16,589 million (October 31, 2018 – \$53 million) of senior debt which is subject to the bank recapitalization "bail-in" regime. This regime provides certain statutory powers to the Canada Deposit Insurance Corporation, including the ability to convert specified eligible shares and liabilities into common shares in the event that the Bank becomes non-viable.

<sup>2</sup> Includes deposits and advances with the Federal Home Loan Bank.

<sup>3</sup> As at October 31, 2019, includes \$40 billion relating to covered bondholders (October 31, 2018 – \$36 billion) and \$1 billion (October 31, 2018 – \$2 billion) due to Trust IV.

<sup>4</sup> Trust IV redeemed all of the outstanding TD Capital Trust IV Notes – Series 1 on June 30, 2019.

<sup>5</sup> Financial liabilities designated at FVTPL consist of deposits designated at FVTPL and \$31 million (October 31, 2018 – \$16 million) of loan commitments and financial guarantees designated at FVTPL.

<sup>6</sup> As at October 31, 2019, includes deposits of \$580 billion (October 31, 2018 – \$548 billion) denominated in U.S. dollars and \$52 billion (October 31, 2018 – \$55 billion) denominated in other foreign currencies.

## Term Deposits by Remaining Term-to-Maturity

(millions of Canadian dollars)

							October 31	October 31
							2019	2018
	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total	Total
Personal	\$ 38,941	\$ 9,374	\$ 6,168	\$ 1,863	\$ 1,639	\$ 21	\$ 58,006	\$ 53,064
Banks	8,387	–	–	3	–	7	8,397	8,784
Business and government	57,346	34,130	14,190	15,939	16,059	7,594	145,258	150,618
Trading	18,819	2,430	2,073	851	1,090	1,622	26,885	114,704
Designated at fair value through profit or loss	104,744	356	–	–	–	–	105,100	–
<b>Total</b>	<b>\$ 228,237</b>	<b>\$ 46,290</b>	<b>\$ 22,431</b>	<b>\$ 18,656</b>	<b>\$ 18,788</b>	<b>\$ 9,244</b>	<b>\$ 343,646</b>	<b>\$ 327,170</b>

## Term Deposits due within a Year

(millions of Canadian dollars)

					October 31	October 31
					2019	2018
	Within 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Total	Total	
Personal	\$ 14,208	\$ 9,459	\$ 15,274	\$ 38,941	\$ 32,928	
Banks	8,230	150	7	8,387	8,773	
Business and government	28,625	7,569	21,152	57,346	66,492	
Trading	8,862	4,166	5,791	18,819	109,256	
Designated at fair value through profit or loss	47,543	15,798	41,403	104,744	–	
<b>Total</b>	<b>\$ 107,468</b>	<b>\$ 37,142</b>	<b>\$ 83,627</b>	<b>\$ 228,237</b>	<b>\$ 217,449</b>	

**NOTE 18 OTHER LIABILITIES**
**Other Liabilities<sup>1</sup>**

(millions of Canadian dollars)

	<i>As at</i>	
	<b>October 31</b>	October 31
	<b>2019</b>	2018
Accounts payable, accrued expenses, and other items	<b>\$ 5,229</b>	\$ 4,958
Accrued interest	<b>1,393</b>	1,283
Accrued salaries and employee benefits	<b>3,245</b>	3,344
Cheques and other items in transit	<b>1,042</b>	454
Current income tax payable	<b>169</b>	84
Deferred tax liabilities	<b>193</b>	175
Defined benefit liability	<b>2,781</b>	1,747
Liabilities related to structured entities	<b>5,857</b>	5,627
Provisions	<b>1,095</b>	1,502
<b>Total</b>	<b>\$ 21,004</b>	\$ 19,174

<sup>1</sup> Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

**NOTE 19 SUBORDINATED NOTES AND DEBENTURES**

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.

**Subordinated Notes and Debentures**

(millions of Canadian dollars, except as noted)

	<i>As at</i>				
<b>Maturity date</b>	<b>Interest rate (%)</b>	<b>Reset spread (%)</b>	<b>Earliest par redemption date</b>	<b>October 31 2019</b>	October 31 2018
May 26, 2025	9.150	n/a	–	<b>\$ 198</b>	\$ 198
June 24, 2025 <sup>2</sup>	2.692 <sup>1</sup>	1.210 <sup>1</sup>	June 24, 2020	<b>1,496</b>	1,474
September 30, 2025 <sup>2</sup>	2.982 <sup>1</sup>	1.830 <sup>1</sup>	September 30, 2020	<b>996</b>	982
September 14, 2028 <sup>2</sup>	3.589 <sup>1</sup>	1.060 <sup>1</sup>	September 14, 2023	<b>1,738</b>	1,711
July 25, 2029 <sup>2</sup>	3.224 <sup>1</sup>	1.250 <sup>1</sup>	July 25, 2024	<b>1,509</b>	1,427
March 4, 2031 <sup>2</sup>	4.859 <sup>1</sup>	3.490 <sup>1</sup>	March 4, 2026	<b>1,206</b>	1,124
September 15, 2031 <sup>2</sup>	3.625 <sup>3</sup>	2.205 <sup>3</sup>	September 15, 2026	<b>1,842</b>	1,824
January 26, 2032 <sup>2</sup>	3.060 <sup>1</sup>	1.330 <sup>1</sup>	January 26, 2027 <sup>4</sup>	<b>1,740</b>	–
<b>Total</b>				<b>\$ 10,725</b>	\$ 8,740

<sup>1</sup> Interest rate is for the period to but excluding the earliest par redemption date, and thereafter, it will be reset at a rate of 3-month Bankers' Acceptance rate plus the reset spread noted.

<sup>2</sup> Non-viability contingent capital (NVCC). The subordinated notes and debentures qualify as regulatory capital under OSFI's Capital Adequacy Requirements (CAR) guideline. If a NVCC conversion were to occur in accordance with the NVCC Provisions, the maximum number of common shares that could be issued based on the formula for conversion set out in the respective prospectus supplements, assuming there is no declared and unpaid interest on the respective subordinated notes, would be 450 million for the 2.692% subordinated debentures due June 24, 2025, 300 million for the 2.982% subordinated debentures due September 30, 2025, 525 million for the 3.589% subordinated debentures due September 14, 2028, 450 million for the 3.224% subordinated debentures due July 25, 2029, 375 million for the 4.859% subordinated debentures due March 4, 2031, 450 million for the 3.625% subordinated debentures due

September 15, 2031 (assuming a Canadian to U.S. dollar exchange rate of 1.00), and 525 million for the 3.060% subordinated debentures due January 26, 2032.

<sup>3</sup> Interest rate is for the period to but excluding the earliest par redemption date, and thereafter, it will be reset at a rate of 5-year Mid-Swap Rate plus the reset spread noted.

<sup>4</sup> On June 25, 2019, the Bank issued \$1.75 billion of NVCC medium-term notes constituting subordinated indebtedness of the Bank (the "Notes"). The Notes will bear interest at a fixed rate of 3.060% per annum (paid semi-annually) until January 26, 2027, and at the three-month Bankers' Acceptance rate plus 1.33% thereafter (paid quarterly) until maturity on January 26, 2032. With the prior approval of OSFI, the Bank may, at its option, redeem the Notes on or after January 26, 2027, in whole or in part, at par plus accrued and unpaid interest. Not more than 60 nor less than 30 days' notice is required to be given to the Notes' holders for such redemptions.

The total change in subordinated notes and debentures for the year ended October 31, 2019 primarily relates to the issuance and redemption of subordinated debentures, foreign exchange translation, and the basis adjustment for fair value hedges.

**REPAYMENT SCHEDULE**

The aggregate remaining maturities of the Bank's subordinated notes and debentures are as follows:

**Maturities**

(millions of Canadian dollars)

	<i>As at</i>	
	<b>October 31</b>	October 31
	<b>2019</b>	2018
Within 1 year	<b>\$ –</b>	\$ –
Over 1 year to 3 years	–	–
Over 3 years to 4 years	–	–
Over 4 years to 5 years	–	–
Over 5 years	<b>10,725</b>	8,740
<b>Total</b>	<b>\$ 10,725</b>	\$ 8,740

The Bank issued innovative capital securities through two structured entities: Trust III and Trust IV.

#### TD CAPITAL TRUST III SECURITIES – SERIES 2008

On September 17, 2008, Trust III, a closed-end trust, issued TD CaTS III. The proceeds from the issuance were invested in trust assets purchased from the Bank. On December 31, 2018, Trust III redeemed all of the outstanding TD CaTS III at a price of \$1 billion plus the unpaid distribution payable on the redemption date. TD CaTS III were reported on the Consolidated Balance Sheet as Non-controlling interests in subsidiaries.

#### TD CAPITAL TRUST IV NOTES – SERIES 1 TO 3

On January 26, 2009, Trust IV issued TD Capital Trust IV Notes – Series 1 due June 30, 2108 (TD CaTS IV – 1) and TD Capital Trust IV Notes – Series 2 due June 30, 2108 (TD CaTS IV – 2) and on September 15, 2009, issued TD Capital Trust IV Notes – Series 3 due June 30, 2108 (TD CaTS IV – 3, and collectively TD CaTS IV Notes). The proceeds from the issuances were invested in bank deposit notes. On June 30, 2019, Trust IV redeemed all of the outstanding TD CaTS IV – 1. Each TD CaTS IV – 2 may be automatically exchanged into non-cumulative Class A First Preferred Shares, Series A10 of

the Bank and each TD CaTS IV – 3 may be automatically exchanged into non-cumulative Class A First Preferred Shares, Series A11 of the Bank, in each case, without the consent of the holders, on the occurrence of certain events. On each interest payment date in respect of which certain events have occurred, holders of TD CaTS IV Notes will be required to invest interest paid on such TD CaTS IV Notes in a new series of non-cumulative Class A First Preferred Shares of the Bank. The Bank does not consolidate Trust IV because it does not absorb significant returns of Trust IV as it is ultimately exposed only to its own credit risk. Therefore, TD CaTS IV Notes are not reported on the Bank's Consolidated Balance Sheet but the deposit notes issued to Trust IV are reported in Deposits on the Consolidated Balance Sheet. Refer to Notes 10 and 17 for further details.

TD announced on February 7, 2011, that, based on OSFI's February 4, 2011 Advisory which outlined OSFI's expectations regarding the use of redemption rights triggered by regulatory event clauses in non-qualifying capital instruments, it expects to exercise a regulatory event redemption right only in 2022 in respect of the TD Capital Trust IV Notes – Series 2 outstanding at that time.

### Capital Trust Securities

(millions of Canadian dollars, except as noted)

	Thousands of units	Distribution/Interest payment dates	Annual yield	Redemption date		As at
				At the option of the issuer	October 31 2019	October 31 2018
<b>Included in Non-controlling interests in subsidiaries on the Consolidated Balance Sheet</b>						
TD Capital Trust III Securities – Series 2008	1,000	June 30, Dec. 31	7.243% <sup>1</sup>	Dec. 31, 2013 <sup>2</sup>	\$ –	\$ 993
<b>TD CaTS IV Notes issued by Trust IV</b>						
TD Capital Trust IV Notes – Series 1	550	June 30, Dec. 31	9.523% <sup>3</sup>	June 30, 2014 <sup>4</sup>	–	550
TD Capital Trust IV Notes – Series 2	450	June 30, Dec. 31	10.000% <sup>5</sup>	June 30, 2014 <sup>6</sup>	450	450
TD Capital Trust IV Notes – Series 3	750	June 30, Dec. 31	6.631% <sup>7</sup>	Dec. 31, 2014 <sup>6</sup>	750	750
	1,750				\$ 1,200	\$ 1,750

<sup>1</sup> From and including September 17, 2008, to but excluding December 31, 2018, and thereafter at a rate of one half of the sum of 6-month Bankers' Acceptance rate plus 4.30%.

<sup>2</sup> On December 31, 2018, Trust III, a subsidiary of the Bank, redeemed all of the outstanding TD CaTS III at a price of \$1 billion plus the unpaid distribution payable on the redemption date.

<sup>3</sup> From and including January 26, 2009, to but excluding June 30, 2019. Starting on June 30, 2019, and on every fifth anniversary thereafter, the interest rate will reset to equal the then 5-year Government of Canada yield plus 10.125%.

<sup>4</sup> On June 30, 2019, Trust IV redeemed all of the outstanding \$550 million TD CaTS IV – 1 at a redemption price of 100% of the principal amount plus any accrued and unpaid interest payable on the date of redemption.

<sup>5</sup> From and including January 26, 2009, to but excluding June 30, 2039. Starting on June 30, 2039, and on every fifth anniversary thereafter, the interest rate will reset to equal the then 5-year Government of Canada yield plus 9.735%.

<sup>6</sup> On or after the redemption date, Trust IV may, with regulatory approval, redeem the TD CaTS IV – 2 or TD CaTS IV – 3, respectively, in whole or in part, without the consent of the holders. Due to the phase-out of non-qualifying instruments under OSFI's CAR guideline, the Bank expects to exercise a regulatory event redemption right in 2022 in respect of the TD CaTS IV – 2 outstanding at that time.

<sup>7</sup> From and including September 15, 2009, to but excluding June 30, 2021. Starting on June 30, 2021, and on every fifth anniversary thereafter, the interest rate will reset to equal the then 5-year Government of Canada yield plus 4.0%.

### COMMON SHARES

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.

### PREFERRED SHARES

The Bank is authorized by its shareholders to issue, in one or more series, an unlimited number of Class A First Preferred Shares, without nominal or par value. Non-cumulative preferential dividends are

payable quarterly, as and when declared by the Board of Directors of the Bank. All preferred shares include NVCC Provisions, necessary for the preferred shares to qualify as regulatory capital under OSFI's CAR guideline. NVCC Provisions require the conversion of the preferred shares into a variable number of common shares of the Bank if OSFI determines that the Bank is, or is about to become, non-viable and that after conversion of all non-common capital instruments, the viability of the Bank is expected to be restored, or if the Bank has accepted or agreed to accept a capital injection or equivalent support from a federal or provincial government without which the Bank would have been determined by OSFI to be non-viable.

The following table summarizes the shares issued and outstanding and treasury shares held as at October 31.

### Common and Preferred Shares Issued and Outstanding and Treasury Shares Held

(millions of shares and millions of Canadian dollars)

	October 31, 2019		October 31, 2018	
	Number of shares	Amount	Number of shares	Amount
<b>Common Shares</b>				
Balance as at beginning of year	1,830.4	\$ 21,221	1,842.5	\$ 20,931
Proceeds from shares issued on exercise of stock options	2.3	124	2.9	152
Shares issued as a result of dividend reinvestment plan	4.8	357	5.0	366
Shares issued in connection with acquisitions <sup>1</sup>	5.0	366	–	–
Purchase of shares for cancellation and other	(30.0)	(355)	(20.0)	(228)
<b>Balance as at end of year – common shares</b>	<b>1,812.5</b>	<b>\$ 21,713</b>	<b>1,830.4</b>	<b>\$ 21,221</b>
<b>Preferred Shares – Class A<sup>2</sup></b>				
Series 1	20.0	\$ 500	20.0	\$ 500
Series 3	20.0	500	20.0	500
Series 5	20.0	500	20.0	500
Series 7	14.0	350	14.0	350
Series 9	8.0	200	8.0	200
Series 11	6.0	150	6.0	150
Series 12	28.0	700	28.0	700
Series 14	40.0	1,000	40.0	1,000
Series 16	14.0	350	14.0	350
Series 18	14.0	350	14.0	350
Series 20	16.0	400	16.0	400
Series 22	14.0	350	–	–
Series 24	18.0	450	–	–
<b>Balance as at end of year – preferred shares</b>	<b>232.0</b>	<b>\$ 5,800</b>	<b>200.0</b>	<b>\$ 5,000</b>
<b>Treasury shares – common<sup>3</sup></b>				
Balance as at beginning of year	2.1	\$ (144)	2.9	\$ (176)
Purchase of shares	132.3	(9,782)	110.6	(8,295)
Sale of shares	(133.8)	9,885	(111.4)	8,327
<b>Balance as at end of year – treasury shares – common</b>	<b>0.6</b>	<b>\$ (41)</b>	<b>2.1</b>	<b>\$ (144)</b>
<b>Treasury shares – preferred<sup>3</sup></b>				
Balance as at beginning of year	0.3	\$ (7)	0.3	\$ (7)
Purchase of shares	7.0	(151)	5.2	(129)
Sale of shares	(7.0)	152	(5.2)	129
<b>Balance as at end of year – treasury shares – preferred</b>	<b>0.3</b>	<b>\$ (6)</b>	<b>0.3</b>	<b>\$ (7)</b>

<sup>1</sup> Includes 4.7 million shares issued for \$342 million that form part of the consideration paid for Greystone, as well as 0.3 million shares issued for \$24 million as share-based compensation to replace share-based payment awards of Greystone. Refer to Note 13 for a discussion on the acquisition of Greystone.

<sup>2</sup> All series of preferred shares – Class A include NVCC Provisions and qualify as regulatory capital under OSFI's CAR guideline. If a NVCC conversion were to occur in accordance with the NVCC Provisions, the maximum number of common shares that could be issued based on the formula for conversion set out in the respective terms and conditions applicable to each Series of shares, assuming there are

no declared and unpaid dividends on the respective Series of shares at the time of conversion, as applicable, would be 100 million for Series 1, 100 million for Series 3, 100 million for Series 5, 70 million for Series 7, 40 million for Series 9, 30 million for Series 11, 140 million for Series 12, 200 million for Series 14, 70 million for Series 16, 70 million for Series 18, 80 million for Series 20, 70 million for Series 22, and 90 million for Series 24.

<sup>3</sup> When the Bank purchases its own shares as part of its trading business, they are classified as treasury shares and the cost of these shares is recorded as a reduction in equity.



## Preferred Shares Terms and Conditions

	Issue date	Annual yield (%) <sup>1</sup>	Reset spread (%) <sup>1</sup>	Next redemption/ conversion date <sup>1</sup>	Convertible into <sup>1</sup>
<b>NVCC Fixed Rate Preferred Shares</b>					
Series 11	July 21, 2015	4.9	n/a	October 31, 2020 <sup>2</sup>	n/a
<b>NVCC Rate Reset Preferred Shares<sup>3</sup></b>					
Series 1 <sup>4</sup>	June 4, 2014	3.662	2.24	October 31, 2024	Series 2
Series 3 <sup>5</sup>	July 31, 2014	3.681	2.27	July 31, 2024	Series 4
Series 5	December 16, 2014	3.75	2.25	January 31, 2020	Series 6
Series 7	March 10, 2015	3.6	2.79	July 31, 2020	Series 8
Series 9	April 24, 2015	3.7	2.87	October 31, 2020	Series 10
Series 12	January 14, 2016	5.5	4.66	April 30, 2021	Series 13
Series 14	September 8, 2016	4.85	4.12	October 31, 2021	Series 15
Series 16	July 14, 2017	4.50	3.01	October 31, 2022	Series 17
Series 18	March 14, 2018	4.70	2.70	April 30, 2023	Series 19
Series 20	September 13, 2018	4.75	2.59	October 31, 2023	Series 21
Series 22	January 28, 2019	5.20	3.27	April 30, 2024	Series 23
Series 24	June 4, 2019	5.10	3.56	July 31, 2024	Series 25

<sup>1</sup> Non-cumulative preferred dividends for each Series are payable quarterly, as and when declared by the Board of Directors. The dividend rate of the Rate Reset Preferred Shares will reset on the next redemption/conversion date and every 5 years thereafter to equal the then 5-year Government of Canada bond yield plus the reset spread noted. Rate Reset Preferred Shares are convertible to the corresponding Series of Floating Rate Preferred Shares, and vice versa. If converted into a Series of Floating Rate Preferred Shares, the dividend rate for the quarterly period will be equal to the then 90-day Government of Canada Treasury bill yield plus the reset spread noted.

<sup>2</sup> Subject to regulatory consent, redeemable on or after October 31, 2020, at a redemption price of \$26, and thereafter, at a declining redemption price.

<sup>3</sup> Subject to regulatory consent, redeemable on the redemption date noted and every 5 years thereafter, at \$25 per share. Convertible on the conversion date noted and every 5 years thereafter if not redeemed. If converted, the holders have the option to convert back to the original Series of preferred shares every 5 years.

<sup>4</sup> On October 16, 2019, the Bank announced that none of its 20 million Non-Cumulative 5-Year Rate Reset Preferred Shares NVCC, Series 1 (the "Series 1 Shares") would be converted on October 31, 2019, into Non-Cumulative Floating Rate Preferred Shares NVCC, Series 2. As previously announced on October 1, 2019, the dividend rate for the Series 1 Shares for the 5-year period from and including October 31, 2019, but excluding October 31, 2024, will be 3.662%.

<sup>5</sup> On July 18, 2019, the Bank announced that none of its 20 million Non-Cumulative 5-Year Rate Reset Preferred Shares NVCC, Series 3 (the "Series 3 Shares") would be converted on July 31, 2019, into Non-Cumulative Floating Rate Preferred Shares NVCC, Series 4. As previously announced on July 2, 2019, the dividend rate for the Series 3 Shares for the 5-year period from and including July 31, 2019, but excluding July 31, 2024, will be 3.681%.

### NORMAL COURSE ISSUER BID

On October 24, 2019, the Bank announced that, subject to the approval of OSFI and the Toronto Stock Exchange (TSX), it intends to terminate its current normal course issuer bid (Current NCIB) and launch a new normal course issuer bid (New NCIB) to repurchase for cancellation up to 30 million of its common shares. The Current NCIB to repurchase up to 20 million common shares commenced on June 18, 2019 and is scheduled to terminate on June 17, 2020 unless terminated earlier in accordance with its terms. The Bank has repurchased all 20 million of its common shares under the Current NCIB, at an average price of \$75.35 per share for a total amount of \$1.5 billion.

During the year ended October 31, 2019, the Bank repurchased an aggregate of 30 million common shares under the Current NCIB and a prior NCIB, at an average price of \$74.48 per share, for a total amount of \$2.2 billion.

During the year ended October 31, 2018, the Bank repurchased 20 million common shares under its then current NCIB at an average price of \$75.07 per share for a total amount of \$1.5 billion.

### DIVIDEND REINVESTMENT PLAN

The Bank offers a dividend reinvestment plan for its common shareholders. Participation in the plan is optional and under the terms of the plan, cash dividends on common shares are used to purchase additional common shares. At the option of the Bank, the common shares may be issued from the Bank's treasury at an average market price based on the last five trading days before the date of the dividend payment, with a discount of between 0% to 5% at the Bank's discretion, or from the open market at market price. During the year, 4.8 million common shares at a discount of 0% were issued from the Bank's treasury (2018 – 5.0 million common shares at a discount of 0%) under the dividend reinvestment plan.

### DIVIDEND RESTRICTIONS

The Bank is prohibited by the *Bank Act* from declaring dividends on its preferred or common shares if there are reasonable grounds for believing that the Bank is, or the payment would cause the Bank to be, in contravention of the capital adequacy and liquidity regulations of the *Bank Act* or directions of OSFI. The Bank does not anticipate that this condition will restrict it from paying dividends in the normal course of business.

The Bank is also restricted from paying dividends in the event that Trust IV fails to pay interest in full to holders of its trust securities, TD CaTS IV Notes. In addition, the ability to pay dividends on common shares without the approval of the holders of the outstanding preferred shares is restricted unless all dividends on the preferred shares have been declared and paid or set apart for payment. Currently, these limitations do not restrict the payment of dividends on common shares or preferred shares.

### NON-CONTROLLING INTERESTS IN SUBSIDIARIES

The following are included in non-controlling interests in subsidiaries of the Bank.

	As at	
	October 31 2019	October 31 2018
TD Capital Trust III Securities – Series 2008 <sup>1</sup>	\$ –	\$ 993
<b>Total</b>	<b>\$ –</b>	<b>\$ 993</b>

<sup>1</sup> On December 31, 2018, Trust III, a subsidiary of the Bank, redeemed all of the outstanding TD CaTS III at a price of \$1 billion plus the unpaid distribution payable on the redemption date.

**INSURANCE REVENUE AND EXPENSES**

Insurance revenue and expenses are presented on the Consolidated Statement of Income under insurance revenue and insurance claims and related expenses, respectively, net of impact of reinsurance.

This includes the results of property and casualty insurance, life and health insurance, as well as reinsurance assumed and ceded in Canada and internationally.

**Insurance Revenue and Insurance Claims and Related Expenses**

(millions of Canadian dollars)

	<i>For the years ended October 31</i>		
	2019	2018	2017
<b>Insurance Revenue</b>			
Earned Premiums			
Gross	<b>\$ 4,632</b>	\$ 4,398	\$ 4,132
Reinsurance ceded	<b>915</b>	915	915
Net earned premiums	<b>3,717</b>	3,483	3,217
Fee income and other revenue <sup>1</sup>	<b>565</b>	562	543
<b>Insurance Revenue</b>	<b>4,282</b>	4,045	3,760
<b>Insurance Claims and Related Expenses</b>			
Gross	<b>2,987</b>	2,676	2,381
Reinsurance ceded	<b>200</b>	232	135
<b>Insurance Claims and Related Expenses</b>	<b>\$ 2,787</b>	\$ 2,444	\$ 2,246

<sup>1</sup> Ceding commissions received and paid are included within fee income and other revenue. Ceding commissions paid and netted against fee income in 2019 were \$123 million (2018 – \$130 million; 2017 – \$127 million).

**RECONCILIATION OF CHANGES IN INSURANCE LIABILITIES**

Insurance-related liabilities are comprised of provision for unpaid claims (section (a) below), unearned premiums (section (b) below) and other liabilities (section (c) below).

**(a) Movement in Provision for Unpaid Claims**

The following table presents movements in the property and casualty insurance provision for unpaid claims during the year.

**Movement in Provision for Unpaid Claims**

(millions of Canadian dollars)

	October 31, 2019			October 31, 2018		
	Gross	Reinsurance/ Other recoverable	Net	Gross	Reinsurance/ Other recoverable	Net
<b>Balance as at beginning of year</b>	<b>\$ 4,812</b>	<b>\$ 160</b>	<b>\$ 4,652</b>	\$ 4,965	\$ 192	\$ 4,773
Claims costs for current accident year	2,727	–	2,727	2,673	42	2,631
Prior accident years claims development (favourable) unfavourable	(410)	(2)	(408)	(460)	(6)	(454)
Increase (decrease) due to changes in assumptions:						
Discount rate	95	1	94	(78)	–	(78)
Provision for adverse deviation	(7)	(1)	(6)	(19)	(1)	(18)
<b>Claims and related expenses</b>	<b>2,405</b>	<b>(2)</b>	<b>2,407</b>	2,116	35	2,081
Claims paid during the year for:						
Current accident year	(1,239)	–	(1,239)	(1,238)	(15)	(1,223)
Prior accident years	(1,147)	(26)	(1,121)	(1,023)	(44)	(979)
	<b>(2,386)</b>	<b>(26)</b>	<b>(2,360)</b>	(2,261)	(59)	(2,202)
Increase (decrease) in reinsurance/other recoverables	9	9	–	(8)	(8)	–
<b>Balance as at end of year</b>	<b>\$ 4,840</b>	<b>\$ 141</b>	<b>\$ 4,699</b>	\$ 4,812	\$ 160	\$ 4,652

**(b) Movement in Unearned Premiums**

The following table presents movements in the property and casualty insurance unearned premiums during the year.

**Movement in Provision for Unearned Premiums**

(millions of Canadian dollars)

	October 31, 2019			October 31, 2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Balance as at beginning of year</b>	<b>\$ 1,674</b>	<b>\$ 19</b>	<b>\$ 1,655</b>	\$ 1,581	\$ –	\$ 1,581
Written premiums	3,528	105	3,423	3,185	114	3,071
Earned premiums	(3,333)	(107)	(3,226)	(3,092)	(95)	(2,997)
<b>Balance as at end of year</b>	<b>\$ 1,869</b>	<b>\$ 17</b>	<b>\$ 1,852</b>	\$ 1,674	\$ 19	\$ 1,655

### (c) Other Movements in Insurance Liabilities

Other insurance liabilities, which include actuarial liabilities on life and health insurance and other contractual liabilities related to insurance contracts, were \$211 million as at October 31, 2019 (October 31, 2018 – \$212 million).

### PROPERTY AND CASUALTY CLAIMS DEVELOPMENT

The following table shows the estimates of cumulative claims incurred, including IBNR, with subsequent developments during the periods and together with cumulative payments to date. The original reserve estimates are evaluated monthly for redundancy or deficiency. The evaluation is based on actual payments in full or partial settlement of claims and current estimates of claims liabilities for claims still open or claims still unreported.

#### Incurred Claims by Accident Year

(millions of Canadian dollars)

	Accident year										Total
	2010 and prior	2011	2012	2013	2014	2015	2016	2017	2018	2019	
<b>Net ultimate claims cost at end of accident year</b>	<b>\$ 3,998</b>	<b>\$ 1,724</b>	<b>\$ 1,830</b>	<b>\$ 2,245</b>	<b>\$ 2,465</b>	<b>\$ 2,409</b>	<b>\$ 2,438</b>	<b>\$ 2,425</b>	<b>\$ 2,631</b>	<b>\$ 2,727</b>	
<b>Revised estimates</b>											
One year later	4,119	1,728	1,930	2,227	2,334	2,367	2,421	2,307	2,615	–	
Two years later	4,368	1,823	1,922	2,191	2,280	2,310	2,334	2,258	–	–	
Three years later	4,584	1,779	1,885	2,158	2,225	2,234	2,264	–	–	–	
Four years later	4,560	1,768	1,860	2,097	2,147	2,162	–	–	–	–	
Five years later	4,603	1,739	1,818	2,047	2,084	–	–	–	–	–	
Six years later	4,537	1,702	1,793	2,004	–	–	–	–	–	–	
Seven years later	4,488	1,696	1,761	–	–	–	–	–	–	–	
Eight years later	4,473	1,675	–	–	–	–	–	–	–	–	
Nine years later	4,431	–	–	–	–	–	–	–	–	–	
<b>Current estimates of cumulative claims</b>	<b>4,431</b>	<b>1,675</b>	<b>1,761</b>	<b>2,004</b>	<b>2,084</b>	<b>2,162</b>	<b>2,264</b>	<b>2,258</b>	<b>2,615</b>	<b>2,727</b>	
Cumulative payments to date	(4,290)	(1,633)	(1,680)	(1,882)	(1,867)	(1,794)	(1,708)	(1,569)	(1,710)	(1,239)	
Net undiscounted provision for unpaid claims	141	42	81	122	217	368	556	689	905	1,488	\$ 4,609
Effect of discounting											(318)
Provision for adverse deviation											408
<b>Net provision for unpaid claims</b>											<b>\$ 4,699</b>

#### SENSITIVITY TO INSURANCE RISK

A variety of assumptions are made related to the future level of claims, policyholder behaviour, expenses and sales levels when products are designed and priced, as well as when actuarial liabilities are determined. Such assumptions require a significant amount of professional judgment. The insurance claims provision is sensitive to certain assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. Actual experience may differ from the assumptions made by the Bank.

For property and casualty insurance, the main assumption underlying the claims liability estimates is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim, and claim numbers based on the observed development of earlier years and expected loss

ratios. Claims liabilities estimates are based on various quantitative and qualitative factors including the discount rate, the margin for adverse deviation, reinsurance, trends in claims severity and frequency, and other external drivers.

Qualitative and other unforeseen factors could negatively impact the Bank's ability to accurately assess the risk of the insurance policies that the Bank underwrites. In addition, there may be significant lags between the occurrence of an insured event and the time it is actually reported to the Bank and additional lags between the time of reporting and final settlements of claims.

The following table outlines the sensitivity of the Bank's property and casualty insurance claims liabilities to reasonably possible movements in the discount rate, the margin for adverse deviation, and the frequency and severity of claims, with all other assumptions held constant. Movements in the assumptions may be non-linear.

#### Sensitivity of Critical Assumptions – Property and Casualty Insurance Contract Liabilities

(millions of Canadian dollars)

	October 31, 2019		As at October 31, 2018	
	Impact on net income (loss) before income taxes	Impact on equity	Impact on net income (loss) before income taxes	Impact on equity
<b>Impact of a 1% change in key assumptions</b>				
Discount rate				
Increase in assumption	\$ 122	\$ 89	\$ 121	\$ 88
Decrease in assumption	(131)	(96)	(129)	(95)
Margin for adverse deviation				
Increase in assumption	(45)	(33)	(45)	(33)
Decrease in assumption	45	33	45	33
<b>Impact of a 5% change in key assumptions</b>				
Frequency of claims				
Increase in assumption	\$ (52)	\$ (38)	\$ (41)	\$ (30)
Decrease in assumption	52	38	41	30
Severity of claims				
Increase in assumption	(220)	(161)	(210)	(153)
Decrease in assumption	220	161	210	153

For life and health insurance, the processes used to determine critical assumptions are as follows:

- Mortality, morbidity, and lapse assumptions are based on industry and historical company data.
- Expense assumptions are based on an annually updated expense study that is used to determine expected expenses for future years.
- Asset reinvestment rates are based on projected earned rates, and liabilities are calculated using the Canadian Asset Liability Method (CALM).

A sensitivity analysis for possible movements in the life and health insurance business assumptions was performed and the impact is not significant to the Bank's Consolidated Financial Statements.

#### CONCENTRATION OF INSURANCE RISK

Concentration risk is the risk resulting from large exposures to similar risks that are positively correlated.

Risk associated with automobile, residential and other products may vary in relation to the geographical area of the risk insured. Exposure to concentrations of insurance risk, by type of risk, is mitigated by ceding these risks through reinsurance contracts, as well as careful selection and implementation of underwriting strategies, which is in

turn largely achieved through diversification by line of business and geographical areas. For automobile insurance, legislation is in place at a provincial level and this creates differences in the benefits provided among the provinces.

As at October 31, 2019, for the property and casualty insurance business, 66.0% of net written premiums were derived from automobile policies (October 31, 2018 – 66.2%) followed by residential with 33.5% (October 31, 2018 – 33.3%). The distribution by provinces show that business is mostly concentrated in Ontario with 53.9% of net written premiums (October 31, 2018 – 55.0%). The Western provinces represented 31.2% (October 31, 2018 – 30.4%), followed by the Atlantic provinces with 8.8% (October 31, 2018 – 8.5%), and Québec at 6.1% (October 31, 2018 – 6.0%).

Concentration risk is not a major concern for the life and health insurance business as it does not have a material level of regional specific characteristics like those exhibited in the property and casualty insurance business. Reinsurance is used to limit the liability on a single claim. Concentration risk is further limited by diversification across uncorrelated risks. This limits the impact of a regional pandemic and other concentration risks. To improve understanding of exposure to this risk, a pandemic scenario is tested annually.

#### NOTE 23 SHARE-BASED COMPENSATION

#### STOCK OPTION PLAN

The Bank maintains a stock option program for certain key employees. Options on common shares are periodically granted to eligible employees of the Bank under the plan for terms of ten years and vest over a four-year period. These options provide holders with the right to purchase common shares of the Bank at a fixed price equal to the closing market price of the shares on the day prior to the date the

options were issued. Under this plan, 16 million common shares have been reserved for future issuance (October 31, 2018 – 18 million). The outstanding options expire on various dates to December 12, 2028. The following table summarizes the Bank's stock option activity and related information, adjusted to reflect the impact of the stock dividend on a retrospective basis, for the years ended October 31.

#### Stock Option Activity

(millions of shares and Canadian dollars)

	2019		2018		2017	
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
Number outstanding, beginning of year	13.1	\$ 53.12	14.3	\$ 48.17	15.4	\$ 44.18
Granted	2.2	69.39	1.9	72.64	2.0	65.75
Exercised	(2.3)	44.07	(3.0)	41.21	(3.0)	38.59
Forfeited/cancelled	(0.2)	66.59	(0.1)	60.46	(0.1)	54.58
<b>Number outstanding, end of year</b>	<b>12.8</b>	<b>\$ 57.35</b>	<b>13.1</b>	<b>\$ 53.12</b>	<b>14.3</b>	<b>\$ 48.17</b>
Exercisable, end of year	4.7	\$ 44.77	4.7	\$ 40.61	5.4	\$ 38.00

The weighted-average share price for the options exercised in 2019 was \$74.15 (2018 – \$74.99; 2017 – \$67.79).

The following table summarizes information relating to stock options outstanding and exercisable as at October 31, 2019.

#### Range of Exercise Prices

(millions of shares and Canadian dollars)

	Options outstanding			Options exercisable	
	Number of shares outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number of shares exercisable	Weighted-average exercise price
\$32.99 – \$36.64	1.2	1.7	36.58	1.2	36.58
\$40.54 – \$47.59	2.1	3.5	44.22	2.1	44.22
\$52.46 – \$53.15	3.7	5.6	52.88	1.4	52.46
\$65.75 – \$69.39	4.0	8.1	67.67	–	–
\$72.64	1.8	8.0	72.64	–	–

For the year ended October 31, 2019, the Bank recognized compensation expense for stock option awards of \$11.1 million (October 31, 2018 – \$11.5 million; October 31, 2017 – \$14.8 million). For the year ended October 31, 2019, 2.2 million (October 31, 2018 – 1.9 million; October 31, 2017 – 2.0 million) options were granted by the Bank at a weighted-average fair value of \$5.64 per option (2018 – \$6.28 per option; 2017 – \$5.81 per option).

The following table summarizes the assumptions used for estimating the fair value of options for the twelve months ended October 31.

#### Assumptions Used for Estimating the Fair Value of Options

(in Canadian dollars, except as noted)	2019	2018	2017
Risk-free interest rate	2.03%	1.71%	1.24%
Expected option life	6.3 years	6.3 years	6.3 years
Expected volatility <sup>1</sup>	12.64%	13.91%	14.92%
Expected dividend yield	3.48%	3.50%	3.47%
Exercise price/share price	\$ 69.39	\$ 72.64	\$ 65.75

<sup>1</sup> Expected volatility is calculated based on the average daily volatility measured over a historical period corresponding to the expected option life.

#### OTHER SHARE-BASED COMPENSATION PLANS

The Bank operates restricted share unit and performance share unit plans which are offered to certain employees of the Bank. Under these plans, participants are awarded share units equivalent to the Bank's common shares that generally vest over three years. During the vesting period, dividend equivalents accrue to the participants in the form of additional share units. At the maturity date, the participant receives cash representing the value of the share units. The final number of performance share units will typically vary from 80% to 120% of the number of units outstanding at maturity (consisting of initial units awarded plus additional units in lieu of dividends) based on the Bank's total shareholder return relative to the average of a peer group of large financial institutions. The number of such share units outstanding under these plans as at October 31, 2019 was 22 million (2018 – 23 million).

The Bank also offers deferred share unit plans to eligible employees and non-employee directors. Under these plans, a portion of the participant's annual incentive award may be deferred, or in the case of non-employee directors, a portion of their annual compensation may be delivered as share units equivalent to the Bank's common shares.

The deferred share units are not redeemable by the participant until termination of employment or directorship. Once these conditions are met, the deferred share units must be redeemed for cash no later than the end of the next calendar year. Dividend equivalents accrue to the participants in the form of additional units. As at October 31, 2019, 6.6 million deferred share units were outstanding (October 31, 2018 – 6.6 million).

Compensation expense for these plans is recorded in the year the incentive award is earned by the plan participant. Changes in the value of these plans are recorded, net of the effects of related hedges, on the Consolidated Statement of Income. For the year ended October 31, 2019, the Bank recognized compensation expense, net of the effects of hedges, for these plans of \$546 million (2018 – \$509 million; 2017 – \$490 million). The compensation expense recognized before the effects of hedges was \$662 million (2018 – \$607 million; 2017 – \$917 million). The carrying amount of the liability relating to these plans, based on the closing share price, was \$2.0 billion at October 31, 2019 (October 31, 2018 – \$2.1 billion), and is reported in Other liabilities on the Consolidated Balance Sheet.

#### EMPLOYEE OWNERSHIP PLAN

The Bank also operates a share purchase plan available to Canadian employees. Employees can contribute any amount of their eligible earnings (net of source deductions), subject to an annual cap of 10% of salary to the Employee Ownership Plan. For participating employees below the level of Vice President, the Bank matches 100% of the first \$250 of employee contributions each year and the remainder of employee contributions at 50% to an overall maximum of 3.5% of the employee's eligible earnings or \$2,250, whichever comes first. The Bank's contributions vest once an employee has completed two years of continuous service with the Bank. For the year ended October 31, 2019, the Bank's contributions totalled \$74 million (2018 – \$72 million; 2017 – \$70 million) and were expensed as salaries and employee benefits. As at October 31, 2019, an aggregate of 20 million common shares were held under the Employee Ownership Plan (October 31, 2018 – 20 million). The shares in the Employee Ownership Plan are purchased in the open market and are considered outstanding for computing the Bank's basic and diluted earnings per share. Dividends earned on the Bank's common shares held by the Employee Ownership Plan are used to purchase additional common shares for the Employee Ownership Plan in the open market.

**DEFINED BENEFIT PENSION AND OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS**

The Bank's principal pension plans, consisting of The Pension Fund Society of The Toronto-Dominion Bank (the "Society") and the TD Pension Plan (Canada) (TDPP), are defined benefit plans for Canadian Bank employees. The Society was closed to new members on January 30, 2009, and the TDPP commenced on March 1, 2009. Benefits under the principal pension plans are determined based upon the period of plan participation and the average salary of the member in the best consecutive five years in the last ten years of combined plan membership. Effective December 31, 2018, the defined benefit portion of the TDPP was closed to new employees hired after that date. All new permanent employees hired in Canada on or after January 1, 2019 are eligible to join the defined contribution portion of the TDPP after one year of service.

Funding for the Bank's principal pension plans is provided by contributions from the Bank and members of the plans. In accordance with legislation, the Bank contributes amounts, as determined on an actuarial basis, to the plans and has the ultimate responsibility for ensuring that the liabilities of the plans are adequately funded over time. The Bank's contributions to the principal pension plans during 2019 were \$352 million (2018 – \$355 million). The 2019 and 2018 contributions were made in accordance with the actuarial valuation reports for funding purposes as at October 31, 2018 and October 31, 2017, respectively, for both of the principal pension plans. For both of the principal pension plans, a valuation for funding purposes is being prepared as of October 31, 2019.

The Bank also provides certain post-retirement benefits, which are generally unfunded. Post-retirement benefit plans, where offered, generally include health care and dental benefits or an annual discount amount to be used to reduce the cost of coverage. Employees must meet certain age and service requirements to be eligible for post-retirement benefits and are generally required to pay a portion of the cost of the benefits. Effective June 1, 2017, the Bank's principal non-pension post-retirement benefit plan was closed to new employees hired on or after that date.

**INVESTMENT STRATEGY AND ASSET ALLOCATION**

The primary objective of each of the Society and the TDPP is to achieve a rate of return that meets or exceeds the change in value of the plan's respective liabilities over rolling five-year periods. The investments of the Society and the TDPP are managed with the primary objective of providing reasonable rates of return, consistent with available market opportunities, consideration of plan liabilities, prudent portfolio management, and levels of risk commensurate with the return expectations and asset mix policy as set out by the risk budget of 6% and 14% surplus volatility, respectively. The investment policies for the principal pension plans generally do not apply to the Pension Enhancement Account (PEA) assets, which are invested at the members' discretion in certain mutual and pooled funds.

The asset allocations by asset category for the principal pension plans are as follows:

**Plan Asset Allocation**

(millions of Canadian dollars, except as noted)

As at October 31, 2019	Target range	% of total	Society <sup>1</sup>		Target range	% of total	TDPP <sup>1</sup>	
			Fair value				Fair value	
			Quoted	Unquoted			Quoted	Unquoted
Debt	40-70%	55%	\$ –	\$ 3,374	25-50%	34%	\$ –	\$ 634
Equity	24-42	32	1,002	976	30-70	54	504	503
Alternative investments <sup>2</sup>	6-35	13	–	760	5-35	12	–	229
Other <sup>3</sup>	n/a	n/a	–	(276)	n/a	n/a	–	111
<b>Total</b>		<b>100%</b>	<b>\$ 1,002</b>	<b>\$ 4,834</b>		<b>100%</b>	<b>\$ 504</b>	<b>\$ 1,477</b>

As at October 31, 2018

Debt	40-70%	55%	\$ –	\$ 2,885	25-50%	34%	\$ –	\$ 497
Equity	24-42	34	897	869	30-65	58	396	470
Alternative investments <sup>2</sup>	6-35	11	–	551	3-25	8	–	122
Other <sup>3</sup>	n/a	n/a	–	(107)	n/a	n/a	–	63
<b>Total</b>		<b>100%</b>	<b>\$ 897</b>	<b>\$ 4,198</b>		<b>100%</b>	<b>\$ 396</b>	<b>\$ 1,152</b>

As at October 31, 2017

Debt	40-70%	57%	\$ –	\$ 2,903	25-56%	36%	\$ –	\$ 484
Equity	24-42	35	1,248	511	30-65	59	324	478
Alternative investments <sup>2</sup>	0-35	8	42	376	0-20	5	–	68
Other <sup>3</sup>	n/a	n/a	–	46	n/a	n/a	–	56
<b>Total</b>		<b>100%</b>	<b>\$ 1,290</b>	<b>\$ 3,836</b>		<b>100%</b>	<b>\$ 324</b>	<b>\$ 1,086</b>

<sup>1</sup> The principal pension plans invest in investment vehicles which may hold shares or debt issued by the Bank.

<sup>2</sup> The principal pension plans' alternative investments primarily include private equity, infrastructure, and real estate funds.

<sup>3</sup> Consists mainly of amounts due to and due from brokers for securities traded but not yet settled, PEA assets, and interest and dividends receivable.

Public debt instruments of both the Society and the TDPP must meet or exceed a credit rating of BBB- at the time of purchase. There are no limitations on the maximum amount allocated to each credit rating above BBB+ for the total public debt portfolio.

With respect to the Society's public debt portfolio, up to 15% of the total fund can be invested in a bond mandate subject to the following constraints:

- Debt instruments rated BBB+ to BBB- must not exceed 25% of the mandate in total;
- Asset-backed securities must have a minimum credit rating of AAA and not exceed 25% of the mandate in total;
- Debt instruments of non-government entities must not exceed 80% in total;
- Debt instruments of foreign government entities must not exceed 20% in total;
- Debt instruments of either a single non-government or single foreign government entity must not exceed 10%; and
- Debt instruments issued by the Government of Canada, provinces of Canada, or municipalities must in total not exceed 100%, 75%, or 10%, respectively.

Also with respect to the Society's public debt portfolio, up to a further 10% of the total fund can be invested in a bond mandate subject to the following constraints:

- Debt instruments rated BBB+ to BBB- must not exceed 50% of the mandate in total;
- Asset-backed securities must have a minimum credit rating of AAA and not exceed 25% of the mandate in total; and
- Limitation of 10% for any one issuer.

The remainder of the Society's public debt portfolio is not permitted to invest in the debt instruments of foreign or non-government entities.

With respect to the TDPP's public debt portfolio, up to 15% of the total fund can be invested in a passively managed bond mandate that is based on an index entirely comprised of investment-grade debt instruments issued by the Government of Canada, provinces of Canada, Canadian municipalities, and Canadian non-government entities.

The remainder of the TDPP's public debt portfolio is not permitted to invest in the debt instruments of foreign or non-government entities.

The equity portfolios of both the Society and the TDPP are broadly diversified primarily across small to large capitalization quality companies and income trusts with no individual holding exceeding 10% of the equity portfolio or 10% of the outstanding securities of any one company or income trust at any time. Foreign equities are permitted to be included to further diversify the portfolio. A maximum of 10% of a total fund may be invested in emerging market equities.

For both the Society and the TDPP, derivatives can be utilized, provided they are not used to create financial leverage, but rather for risk management purposes. Both the Society and the TDPP are also permitted to invest in other alternative investments, such as private equity, infrastructure equity, and real estate.

## RISK MANAGEMENT PRACTICES

The principal pension plans' investments include financial instruments which are exposed to various risks. These risks include market risk (including foreign currency, interest rate, inflation, price, credit spread risks), credit risk, and liquidity risk. Key material risks faced by all plans are a decline in interest rates or credit spreads, which could increase the defined benefit obligation by more than the change in the value of plan assets, or from longevity risk (that is, lower mortality rates).

Asset-liability matching strategies are focused on obtaining an appropriate balance between earning an adequate return and having changes in liability values being hedged by changes in asset values.

The principal pension plans manage these financial risks in accordance with the *Pension Benefits Standards Act, 1985*, applicable regulations, as well as both the principal pension plans' Statement of Investment Policies and Procedures (SIPP) and the Management Operating Policies and Procedures (MOPP). The following are some specific risk management practices employed by the principal pension plans:

- Monitoring credit exposure of issuers;
- Monitoring adherence to asset allocation guidelines;
- Monitoring asset class performance against benchmarks; and
- Monitoring the return on the plans' assets relative to the plans' liabilities.

The Bank's principal pension plans are overseen by a single retirement governance structure established by the Human Resources Committee of the Bank's Board of Directors. The governance structure utilizes retirement governance committees who have responsibility to oversee plan operations and investments, acting in a fiduciary capacity. Strategic, material plan changes require the approval of the Bank's Board of Directors.

## OTHER PENSION AND RETIREMENT PLANS

### CT Pension Plan

As a result of the acquisition of CT Financial Services Inc. (CT), the Bank sponsors a defined benefit pension plan. The defined benefit plan was closed to new members after May 31, 1987. However, plan members were permitted to continue in the plan for future service. Funding for the plan is provided by contributions from the Bank and members of the plan.

### TD Bank, N.A. Retirement Plans

TD Bank, N.A. and its subsidiaries maintain a defined contribution 401(k) plan covering all employees. The contributions to the plan for the year ended October 31, 2019 were \$146 million (October 31, 2018 – \$134 million; October 31, 2017 – \$124 million). Annual expense is equal to the Bank's contributions to the plan.

TD Bank, N.A. also has frozen defined benefit retirement plans covering certain legacy TD Banknorth and TD Auto Finance (legacy Chrysler Financial) employees. TD Bank, N.A. also has closed post-retirement benefit plans, which include limited medical coverage and life insurance benefits, covering certain groups of employees from legacy organizations.

### Supplemental Employee Retirement Plans

Supplemental employee retirement plans for eligible employees are not funded by the Bank.

### Government Pension Plans

The Bank also makes contributions to government pension plans, including the Canada Pension Plan, Quebec Pension Plan and U.S. Federal Insurance Contribution Act. The contributions to government pension plans for the year ended October 31, 2019 were \$324 million (October 31, 2018 – \$293 million; October 31, 2017 – \$277 million).

The following table presents the financial position of the Bank's principal pension plans, the principal non-pension post-retirement benefit plan, and the Bank's significant other pension and retirement plans. Other employee benefit plans operated by the Bank and certain of its subsidiaries are not considered material for disclosure purposes.

## Employee Benefit Plans' Obligations, Assets and Funded Status

(millions of Canadian dollars, except as noted)

	Principal pension plans			Principal non-pension post-retirement benefit plan <sup>1</sup>			Other pension and retirement plans <sup>2</sup>		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
<b>Change in projected benefit obligation</b>									
Projected benefit obligation at beginning of year	\$ 6,539	\$ 7,082	\$ 6,805	\$ 535	\$ 558	\$ 568	\$ 2,569	\$ 2,750	\$ 2,863
Obligations included due to The Retirement Benefit Plan merger <sup>3</sup>	–	6	–	–	–	–	–	–	–
Service cost – benefits earned	326	407	439	14	15	16	9	10	11
Interest cost on projected benefit obligation	240	217	196	20	18	17	106	96	95
Remeasurement (gain) loss – financial	1,565	(969)	(148)	92	(42)	–	430	(190)	(27)
Remeasurement (gain) loss – demographic	–	–	25	(26)	–	(42)	2	(8)	13
Remeasurement (gain) loss – experience	83	22	(15)	–	2	15	6	14	1
Members' contributions	107	104	80	–	–	–	–	–	–
Benefits paid	(303)	(330)	(291)	(15)	(16)	(16)	(143)	(137)	(138)
Change in foreign currency exchange rate	–	–	–	–	–	–	(1)	31	(68)
Past service cost (credit) <sup>4</sup>	1	–	(9)	–	–	–	(30)	3	–
<b>Projected benefit obligation as at October 31</b>	<b>8,558</b>	<b>6,539</b>	<b>7,082</b>	<b>620</b>	<b>535</b>	<b>558</b>	<b>2,948</b>	<b>2,569</b>	<b>2,750</b>
<b>Change in plan assets</b>									
Plan assets at fair value at beginning of year	6,643	6,536	5,823	–	–	–	1,733	1,855	1,895
Assets included due to The Retirement Benefit Plan merger <sup>3</sup>	–	10	–	–	–	–	–	–	–
Interest income on plan assets	253	209	174	–	–	–	73	66	64
Remeasurement gain (loss) – return on plan assets less interest income	773	(231)	195	–	–	–	205	(109)	59
Members' contributions	107	104	80	–	–	–	–	–	–
Employer's contributions	352	355	565	15	16	16	96	37	37
Benefits paid	(303)	(330)	(291)	(15)	(16)	(16)	(143)	(137)	(138)
Change in foreign currency exchange rate	–	–	–	–	–	–	(1)	27	(58)
Defined benefit administrative expenses	(8)	(10)	(10)	–	–	–	(4)	(6)	(4)
<b>Plan assets at fair value as at October 31</b>	<b>7,817</b>	<b>6,643</b>	<b>6,536</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,959</b>	<b>1,733</b>	<b>1,855</b>
Excess (deficit) of plan assets at fair value over projected benefit obligation	(741)	104	(546)	(620)	(535)	(558)	(989)	(836)	(895)
Effect of asset limitation and minimum funding requirement	–	–	–	–	–	–	(13)	(13)	–
<b>Net defined benefit asset (liability)</b>	<b>(741)</b>	<b>104</b>	<b>(546)</b>	<b>(620)</b>	<b>(535)</b>	<b>(558)</b>	<b>(1,002)</b>	<b>(849)</b>	<b>(895)</b>
<b>Annual expense</b>									
Net employee benefits expense includes the following:									
Service cost – benefits earned	326	407	439	14	15	16	9	10	11
Net interest cost (income) on net defined benefit liability (asset)	(13)	8	22	20	18	17	33	30	31
Past service cost (credit) <sup>4</sup>	1	–	(9)	–	–	–	(30)	3	–
Defined benefit administrative expenses	10	10	10	–	–	–	6	4	4
<b>Total expense</b>	<b>\$ 324</b>	<b>\$ 425</b>	<b>\$ 462</b>	<b>\$ 34</b>	<b>\$ 33</b>	<b>\$ 33</b>	<b>\$ 18</b>	<b>\$ 47</b>	<b>\$ 46</b>
<b>Actuarial assumptions used to determine the projected benefit obligation as at October 31 (percentage)</b>									
Weighted-average discount rate for projected benefit obligation	3.08%	4.10%	3.60%	3.07%	4.10%	3.60%	3.12%	4.37%	3.74%
Weighted-average rate of compensation increase	2.57	2.54	2.54	3.00	3.00	3.00	1.00	1.03	1.14

<sup>1</sup> The rate of increase for health care costs for the next year used to measure the expected cost of benefits covered for the principal non-pension post-retirement benefit plan is 4.18%. The rate is assumed to decrease gradually to 2.42% by the year 2040 and remain at that level thereafter.

<sup>2</sup> Includes CT defined benefit pension plan, TD Banknorth defined benefit pension plan, TD Auto Finance retirement plans, and supplemental employee retirement plans. The TD Banknorth defined benefit pension plan was frozen as of December 31, 2008, and no service credits can be earned after that date.

Certain TD Auto Finance defined benefit pension plans were frozen as of April 1, 2012, and no service credits can be earned after March 31, 2012.

<sup>3</sup> During 2018, The Retirement Benefit Plan of The Toronto-Dominion Bank (the "RBP") was deemed to be merged with the Society and previously undisclosed obligations and assets of the RBP are now included in fiscal 2018.

<sup>4</sup> Includes a gain of \$33 million related to the TD Auto Finance post-retirement benefit plan that was amended during fiscal 2019.

During the year ended October 31, 2020, the Bank expects to contribute \$342 million to its principal pension plans, \$18 million to its principal non-pension post-retirement benefit plan, and \$39 million to its other pension and retirement plans. Future contribution amounts may change upon the Bank's review of its contribution levels during the year.

Assumptions related to future mortality which have been used to determine the defined benefit obligation and net benefit cost are as follows:



## Assumed Life Expectancy at Age 65

(number of years)

	Principal pension plans			Principal non-pension post-retirement benefit plan			Other pension and retirement plans		
	2019	2018	2017	2019	2018	2017	As at October 31		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Male aged 65 at measurement date	23.4	23.3	23.2	23.4	23.3	23.2	22.1	22.1	21.8
Female aged 65 at measurement date	24.1	24.1	24.0	24.1	24.1	24.0	23.7	23.7	23.4
Male aged 40 at measurement date	24.5	24.5	24.5	24.5	24.5	24.5	23.0	23.0	22.9
Female aged 40 at measurement date	25.3	25.2	25.2	25.3	25.2	25.2	24.8	24.8	25.1

The weighted-average duration of the defined benefit obligation for the Bank's principal pension plans, principal non-pension post-retirement benefit plan, and other pension and retirement plans at the end of the reporting period are 16 years (2018 – 15 years, 2017 – 15 years), 18 years (2018 – 17 years, 2017 – 18 years), and 13 years (2018 – 12 years, 2017 – 13 years), respectively.

The following table provides the sensitivity of the projected benefit obligation for the Bank's principal pension plans, the principal non-pension post-retirement benefit plan, and the Bank's significant other pension and retirement plans to actuarial assumptions considered significant by the Bank. These include discount rate, life expectancy, rates of compensation increase, and health care cost initial trend rates, as applicable. For each sensitivity test, the impact of a reasonably possible change in a single factor is shown with other assumptions left unchanged.

## Sensitivity of Significant Actuarial Assumptions

(millions of Canadian dollars, except as noted)

	October 31, 2019		
	Obligation Increase (Decrease)		
	Principal pension plans	Principal non-pension post-retirement benefit plan	Other pension and retirement plans
<b>Impact of an absolute change in significant actuarial assumptions</b>			
Discount rate			
1% decrease in assumption	\$ 1,520	\$ 116	\$ 409
1% increase in assumption	(1,163)	(90)	(333)
Rates of compensation increase			
1% decrease in assumption	(313)	– <sup>1</sup>	– <sup>1</sup>
1% increase in assumption	305	– <sup>1</sup>	– <sup>1</sup>
Life expectancy			
1 year decrease in assumption	(179)	(21)	(94)
1 year increase in assumption	177	21	93
Health care cost initial trend rate			
1% decrease in assumption	n/a	(89)	n/a
1% increase in assumption	n/a	113	n/a

<sup>1</sup> An absolute change in this assumption is immaterial.

The Bank recognized the following amounts on the Consolidated Balance Sheet.

## Amounts Recognized in the Consolidated Balance Sheet

(millions of Canadian dollars)

	As at		
	October 31 2019	October 31 2018	October 31 2017
<b>Other assets</b>			
Principal pension plans	\$ –	\$ 104	\$ –
Other pension and retirement plans	6	3	7
Other employee benefit plans <sup>1</sup>	7	6	6
<b>Total other assets</b>	<b>13</b>	<b>113</b>	<b>13</b>
<b>Other liabilities</b>			
Principal pension plans	741	–	546
Principal non-pension post-retirement benefit plan	620	535	558
Other pension and retirement plans	1,008	852	902
Other employee benefit plans <sup>1</sup>	412	360	457
<b>Total other liabilities</b>	<b>2,781</b>	<b>1,747</b>	<b>2,463</b>
<b>Net amount recognized</b>	<b>\$ (2,768)</b>	<b>\$ (1,634)</b>	<b>\$ (2,450)</b>

<sup>1</sup> Consists of other defined benefit pension and other post-employment benefit plans operated by the Bank and its subsidiaries that are not considered material for disclosure purposes.

The Bank recognized the following amounts in the Consolidated Statement of Other Comprehensive Income.

### Amounts Recognized in the Consolidated Statement of Other Comprehensive Income<sup>1</sup>

(millions of Canadian dollars)

	<i>For the years ended</i>		
	October 31 2019	October 31 2018	October 31 2017
Actuarial gains (losses) recognized in Other Comprehensive Income			
Principal pension plans	\$ (873)	\$ 720	\$ 333
Principal non-pension post-retirement benefit plan	(66)	40	27
Other pension and retirement plans	(231)	60	72
Other employee benefit plans <sup>2</sup>	(75)	45	22
<b>Total actuarial gains (losses) recognized in Other Comprehensive Income</b>	<b>\$ (1,245)</b>	<b>\$ 865</b>	<b>\$ 454</b>

<sup>1</sup> Amounts are presented on pre-tax basis.

<sup>2</sup> Consists of other defined benefit pension and other post-employment benefit plans operated by the Bank and its subsidiaries that are not considered material for disclosure purposes.

NOTE 25	<b>INCOME TAXES</b>
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The provision for (recovery of) income taxes is comprised of the following:

### Provision for (Recovery of) Income Taxes

(millions of Canadian dollars)

	<i>For the years ended October 31</i>		
	2019	2018	2017
<b>Provision for income taxes – Consolidated Statement of Income</b>			
<b>Current income taxes</b>			
Provision for (recovery of) income taxes for the current period	\$ 2,675	\$ 2,873	\$ 2,073
Adjustments in respect of prior years and other	93	(76)	5
<b>Total current income taxes</b>	<b>2,768</b>	<b>2,797</b>	<b>2,078</b>
<b>Deferred income taxes</b>			
Provision for (recovery of) deferred income taxes related to the origination and reversal of temporary differences	54	76	215
Effect of changes in tax rates	10	302	13
Adjustments in respect of prior years and other	(97)	7	(53)
<b>Total deferred income taxes</b>	<b>(33)</b>	<b>385</b>	<b>175</b>
<b>Total provision for income taxes – Consolidated Statement of Income</b>	<b>2,735</b>	<b>3,182</b>	<b>2,253</b>
<b>Provision for (recovery of) income taxes – Statement of Other Comprehensive Income</b>			
Current income taxes	37	(48)	261
Deferred income taxes	1,070	(701)	(755)
	<b>1,107</b>	<b>(749)</b>	<b>(494)</b>
<b>Income taxes – other non-income related items including business combinations and other adjustments</b>			
Current income taxes	(7)	(3)	29
Deferred income taxes	(6)	(2)	–
	<b>(13)</b>	<b>(5)</b>	<b>29</b>
<b>Total provision for (recovery of) income taxes</b>	<b>3,829</b>	<b>2,428</b>	<b>1,788</b>
<b>Current income taxes</b>			
Federal	1,256	1,491	1,115
Provincial	891	1,055	797
Foreign	651	200	456
	<b>2,798</b>	<b>2,746</b>	<b>2,368</b>
<b>Deferred income taxes</b>			
Federal	127	(244)	(233)
Provincial	87	(160)	(156)
Foreign	817	86	(191)
	<b>1,031</b>	<b>(318)</b>	<b>(580)</b>
<b>Total provision for (recovery of) income taxes</b>	<b>\$ 3,829</b>	<b>\$ 2,428</b>	<b>\$ 1,788</b>

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the *Tax Cuts and Jobs Act* (the "U.S. Tax Act"), which made broad and complex changes to the U.S. tax code.

The reduction of the U.S. federal corporate tax rate enacted by the U.S. Tax Act resulted in an adjustment during 2018 to the Bank's U.S. deferred tax assets and liabilities to the lower base rate of 21%. The impact for the year ended October 31, 2018 was a reduction in the value of the Bank's net deferred tax assets resulting in a \$366 million

income tax expense recorded in the Provision for (recovery of) income taxes on the Consolidated Statement of Income, a \$22 million deferred income tax benefit recorded in OCI and a \$12 million deferred income tax expense recorded in retained earnings.

The impact of the U.S. Tax Act on the Bank's statutory and effective tax rate is outlined in the following table as part of the Rate differentials on international operations.

The Bank's statutory and effective tax rate is outlined in the following table.

#### Reconciliation to Statutory Income Tax Rate

(millions of Canadian dollars, except as noted)

	2019		2018		2017	
Income taxes at Canadian statutory income tax rate	\$ 3,502	26.5%	\$ 3,648	26.5%	\$ 3,262	26.5%
Increase (decrease) resulting from:						
Dividends received	(104)	(0.8)	(142)	(1.0)	(498)	(4.0)
Rate differentials on international operations	(728)	(5.5)	(343)	(2.5)	(515)	(4.2)
Other – net	65	0.5	19	0.1	4	–
<b>Provision for income taxes and effective income tax rate</b>	<b>\$ 2,735</b>	<b>20.7%</b>	<b>\$ 3,182</b>	<b>23.1%</b>	<b>\$ 2,253</b>	<b>18.3%</b>

The Canada Revenue Agency (CRA), Revenu Québec Agency (RQA) and Alberta Tax and Revenue Administration (ATRA) are denying certain dividend deductions claimed by the Bank. During fiscal 2019, the CRA reassessed the Bank for \$255 million of additional income tax and interest in respect of its 2014 taxation year, and the RQA reassessed the Bank for \$6 million of additional income tax and interest in respect

of its 2013 taxation year. To date, the CRA, RQA, and ATRA have reassessed the Bank for approximately \$814 million of income tax and interest for the years 2011 to 2014. The Bank expects the CRA, RQA, and ATRA to reassess subsequent years on the same basis. The Bank is of the view that its tax filing positions were appropriate and intends to challenge all reassessments.

Deferred tax assets and liabilities comprise of the following:

#### Deferred Tax Assets and Liabilities

(millions of Canadian dollars)

	As at	
	October 31 2019	October 31 2018
<b>Deferred tax assets</b>		
Allowance for credit losses	\$ 965	\$ 845
Securities	–	920
Trading loans	50	54
Employee benefits	844	739
Pensions	344	59
Losses available for carry forward	95	94
Tax credits	228	326
Other	88	92
<b>Total deferred tax assets</b>	<b>2,614</b>	<b>3,129</b>
<b>Deferred tax liabilities</b>		
Securities	527	–
Land, buildings, equipment, and other depreciable assets	242	223
Deferred (income) expense	91	12
Intangibles	40	163
Goodwill	108	94
<b>Total deferred tax liabilities</b>	<b>1,008</b>	<b>492</b>
<b>Net deferred tax assets</b>	<b>1,606</b>	<b>2,637</b>
<b>Reflected on the Consolidated Balance Sheet as follows:</b>		
Deferred tax assets	1,799	2,812
Deferred tax liabilities <sup>1</sup>	193	175
<b>Net deferred tax assets</b>	<b>\$ 1,606</b>	<b>\$ 2,637</b>

<sup>1</sup> Included in Other liabilities on the Consolidated Balance Sheet.

The amount of temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognized on the Consolidated Balance Sheet was \$461 million as at October 31, 2019 (October 31, 2018 – \$806 million), of which \$3 million (October 31, 2018 – \$2 million) is scheduled to expire within five years.

Certain taxable temporary differences associated with the Bank's investments in subsidiaries, branches and associates, and interests in joint ventures did not result in the recognition of deferred tax liabilities as at October 31, 2019. The total amount of these temporary differences was \$71 billion as at October 31, 2019 (October 31, 2018 – \$61 billion).

The movement in the net deferred tax asset for the years ended October 31 was as follows:

### Deferred Income Tax Expense (Recovery)

(millions of Canadian dollars)	2019				2018			
	Consolidated statement of income	Other comprehensive income	Business combinations and other	Total	Consolidated statement of income	Other comprehensive income	Business combinations and other	Total
<b>Deferred income tax expense (recovery)</b>								
Allowance for credit losses	\$ (120)	\$ –	\$ –	\$ (120)	\$ 79	\$ –	\$ –	\$ 79
Trading loans	4	–	–	4	36	–	–	36
Employee benefits	(87)	(18)	–	(105)	61	14	–	75
Pensions	19	(303)	–	(284)	(20)	230	–	210
Losses available for carry forward	(1)	–	–	(1)	37	–	–	37
Tax credits	98	–	–	98	(304)	–	–	(304)
Other deferred tax assets	7	–	(4)	3	54	–	(2)	52
Securities	56	1,391	–	1,447	240	(945)	–	(705)
Land, buildings, equipment, and other depreciable assets	19	–	–	19	216	–	–	216
Deferred (income) expense	79	–	–	79	95	–	–	95
Intangibles	(123)	–	–	(123)	(81)	–	–	(81)
Goodwill	16	–	(2)	14	(28)	–	–	(28)
<b>Total deferred income tax expense (recovery)</b>	<b>\$ (33)</b>	<b>\$ 1,070</b>	<b>\$ (6)</b>	<b>\$ 1,031</b>	<b>\$ 385</b>	<b>\$ (701)</b>	<b>\$ (2)</b>	<b>\$ (318)</b>

### NOTE 26 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted earnings per share is calculated using the same method as basic earnings per share except that certain adjustments are made to net income attributable to common shareholders and the

weighted-average number of shares outstanding for the effects of all dilutive potential common shares that are assumed to be issued by the Bank.

The following table presents the Bank's basic and diluted earnings per share for the years ended October 31.

### Basic and Diluted Earnings Per Share

(millions of Canadian dollars, except as noted)	For the years ended October 31		
	2019	2018	2017
<b>Basic earnings per share</b>			
Net income attributable to common shareholders	\$ 11,416	\$ 11,048	\$ 10,203
Weighted-average number of common shares outstanding (millions)	1,824.2	1,835.4	1,850.6
<b>Basic earnings per share (Canadian dollars)</b>	<b>\$ 6.26</b>	<b>\$ 6.02</b>	<b>\$ 5.51</b>
<b>Diluted earnings per share</b>			
Net income attributable to common shareholders	\$ 11,416	\$ 11,048	\$ 10,203
Net income available to common shareholders including impact of dilutive securities	11,416	11,048	10,203
Weighted-average number of common shares outstanding (millions)	1,824.2	1,835.4	1,850.6
Effect of dilutive securities			
Stock options potentially exercisable (millions) <sup>1</sup>	3.1	4.1	4.2
Weighted-average number of common shares outstanding – diluted (millions)	1,827.3	1,839.5	1,854.8
<b>Diluted earnings per share (Canadian dollars)<sup>1</sup></b>	<b>\$ 6.25</b>	<b>\$ 6.01</b>	<b>\$ 5.50</b>

<sup>1</sup> For the years ended October 31, 2019, October 31, 2018, and October 31, 2017, no outstanding options were excluded from the computation of diluted earnings per share.

**PROVISIONS**

The following table summarizes the Bank's provisions.

**Provisions**

(millions of Canadian dollars)

	Restructuring <sup>1</sup>	Litigation and Other	Total
Balance as at November 1, 2018	\$ 121	\$ 352	\$ 473
Additions	184	222	406
Amounts used	(53)	(219)	(272)
Release of unused amounts	(9)	(78)	(87)
Foreign currency translation adjustments and other	(2)	(8)	(10)
<b>Balance as at October 31, 2019, before allowance for credit losses for off-balance sheet instruments</b>	<b>\$ 241</b>	<b>\$ 269</b>	<b>510</b>
Add: allowance for credit losses for off-balance sheet instruments <sup>2</sup>			585
<b>Balance as at October 31, 2019</b>			<b>\$ 1,095</b>

<sup>1</sup> Includes provisions for onerous lease contracts.

<sup>2</sup> Refer to Note 8 for further details.

**LITIGATION**

In the ordinary course of business, the Bank and its subsidiaries are involved in various legal and regulatory actions. The Bank establishes legal provisions when it becomes probable that the Bank will incur a loss and the amount can be reliably estimated. The Bank also estimates the aggregate range of reasonably possible losses (RPL) in its legal and regulatory actions (that is, those which are neither probable nor remote), in excess of provisions. As at October 31, 2019, the Bank's RPL is from zero to approximately \$606 million. The Bank's provisions and RPL represent the Bank's best estimates based upon currently available information for actions for which estimates can be made, but there are a number of factors that could cause the Bank's provisions and/or RPL to be significantly different from its actual or reasonably possible losses. For example, the Bank's estimates involve significant judgment due to the varying stages of the proceedings, the existence of multiple defendants in many proceedings whose share of liability has yet to be determined, the numerous yet-unresolved issues in many of the proceedings, some of which are beyond the Bank's control and/or involve novel legal theories and interpretations, the attendant uncertainty of the various potential outcomes of such proceedings, and the fact that the underlying matters will change from time to time. In addition, some actions seek very large or indeterminate damages.

In management's opinion, based on its current knowledge and after consultation with counsel, the ultimate disposition of these actions, individually or in the aggregate, will not have a material adverse effect on the consolidated financial condition or the consolidated cash flows of the Bank. However, because of the factors listed above, as well as other uncertainties inherent in litigation and regulatory matters, there is a possibility that the ultimate resolution of legal or regulatory actions may be material to the Bank's consolidated results of operations for any particular reporting period.

**Stanford Litigation** – The Bank was named as a defendant in *Rotstain v. Trustmark National Bank, et al.*, a putative class action lawsuit in the United States District Court for the Northern District of Texas related to a US\$7.2 billion Ponzi scheme perpetrated by R. Allen Stanford, the owner of Stanford International Bank, Limited (SIBL), an offshore bank based in Antigua. Plaintiffs purport to represent a class of investors in SIBL issued certificates of deposit. The Bank provided certain correspondent banking services to SIBL.

Plaintiffs allege that the Bank and four other banks aided and abetted or conspired with Mr. Stanford to commit fraud and that the bank defendants received fraudulent transfers from SIBL by collecting fees for providing certain services.

The Official Stanford Investors Committee (OSIC), a court-approved committee representing investors, received permission to intervene in the lawsuit and has brought similar claims against all the bank defendants. The court denied in part and granted in part the Bank's motion to dismiss the lawsuit on April 21, 2015. The court also entered a class certification scheduling order requiring the parties to conduct discovery and submit briefing regarding class certification. The class certification motion was fully submitted on October 26, 2015. The class plaintiffs filed an amended complaint asserting certain additional state law claims against the Bank on June 23, 2015. The Bank's motion to dismiss the newly amended complaint in its entirety was fully submitted on August 18, 2015. On April 22, 2016, the Bank filed a motion to reconsider the court's April 2015 dismissal decision with respect to certain claims by OSIC under the Texas Uniform Fraudulent Transfer Act based on an intervening change in the law announced by the Texas Supreme Court on April 1, 2016. On July 28, 2016, the court issued a decision denying defendants' motions to dismiss the class plaintiffs' complaint and to reconsider with respect to OSIC's complaint. The Bank filed its answer to the class plaintiffs' complaint on August 26, 2016. OSIC filed an amended intervenor complaint against the Bank on November 4, 2016 and the Bank filed its answer to this amended complaint on December 19, 2016.

On November 7, 2017, the Court issued a decision denying the class certification motion. The court found that the plaintiffs failed to show that common issues of fact would predominate given the varying sales presentations they allegedly received.

On November 21, 2017, the class plaintiffs filed a Rule 23(f) petition seeking permission to appeal the District Court's denial of class certification to the United States Court of Appeals for the Fifth Circuit. The Bank filed an opposition to the class plaintiffs' petition on December 4, 2017. The Fifth Circuit denied the class plaintiffs' petition on April 20, 2018.

On February 28, 2019, the Bank, along with the other bank defendants, filed a motion for judgment on the pleadings in OSIC's case seeking dismissal of three claims (aiding and abetting fraud, aiding and abetting conversion, and aiding and abetting breach of fiduciary duty). The motion was fully briefed as of April 4, 2019.

On May 3, 2019, two groups of plaintiffs comprising more than 950 investors in certificates of deposit issued by SIBL filed motions to intervene in OSIC's case against the Bank and the other bank defendants. On September 18, 2019, the Court denied the motions to intervene. On October 14, 2019, one group of plaintiffs (comprising 147 investors) filed a notice of appeal to the Fifth Circuit.

On September 10, 2019, OSIC filed a motion for leave to amend its complaint against the Bank and the other bank defendants to insert additional fact allegations. The motion was fully briefed as of October 15, 2019.

On November 1, 2019, a second group of plaintiffs (comprising 1,286 investors) filed a petition in Texas state court against the Bank and other bank defendants alleging claims similar to those alleged in the *Rotstain v. Trustmark National Bank, et al.* action. Discovery against the bank defendants is ongoing, and the Court has set a ready-for-trial date of January 11, 2021.

The Bank is also a defendant in two cases filed in the Ontario Superior Court of Justice: (1) *Wide & Dickson v. The Toronto-Dominion Bank*, an action filed by the Joint Liquidators of SIBL appointed by the Eastern Caribbean Supreme Court, and (2) *Dynasty Furniture Manufacturing Ltd., et al. v. The Toronto-Dominion Bank*, an action filed by five investors in certificates of deposits sold by Stanford. The suits assert that the Bank acted negligently and provided knowing assistance to SIBL's fraud. The court denied the Bank's motion for summary judgment in the Joint Liquidators case to dismiss the action based on the applicable statute of limitations on November 9, 2015, and designated the limitations issues to be addressed as part of a future trial on the merits. The two cases filed in the Ontario Superior Court of Justice are being managed jointly. A trial date has been scheduled for January 11, 2021.

**Overdraft Litigation** – TD Bank, N.A. was named as a defendant in eleven putative nationwide class actions challenging the overdraft practices of TD Bank, N.A. from August 16, 2010 to the present and the overdraft practices of Carolina First Bank prior to its merger into TD Bank, N.A. in September 2010. These actions were consolidated for pretrial proceedings as MDL 2613 in the United States District Court for the District of South Carolina: *In re TD Bank, N.A. Debit Card Overdraft Fee Litigation*, No. 6:15-MN-02613 (D.S.C.). On December 10, 2015, TD Bank, N.A.'s motion to dismiss the consolidated amended class action complaint was granted in part and denied in part. Discovery, briefing, and a hearing on class certification were complete as of May 24, 2017.

On January 5, 2017, TD Bank, N.A. was named as a defendant in a twelfth class action complaint (*Dorsey*) challenging an overdraft practice that was already the subject of the consolidated amended class action complaint. The *Dorsey* action was consolidated into MDL 2613, and dismissed by the Court. The *Dorsey* plaintiff appealed the dismissal to the United States Court of Appeals for the Fourth Circuit.

On December 5, 2017, TD Bank, N.A. was named as a defendant in a thirteenth class action complaint (*Lawrence*) challenging the Bank's overdraft practices. The *Lawrence* action, which was also transferred to MDL 2613, concerns the Bank's treatment of certain transactions as "recurring" for overdraft purposes. The Bank moved to dismiss the claims.

On February 22, 2018, the Court issued an order certifying a class as to certain claims in the consolidated amended class action complaint and denying certification as to others. The Fourth Circuit denied the Bank's 23(f) petition seeking permission to appeal certain portions of the district court's order.

On February 1, 2019, the parties filed a Joint Notice of Settlement of all claims consolidated in MDL 2613 on a class-wide basis. In response to the Notice of Settlement, on February 4, 2019, the Court issued an order suspending all deadlines. On June 26, 2019, the Court issued an order preliminarily approving settlement of all claims consolidated in MDL 2613 on a class-wide basis and directing notice to settlement class members. A final approval hearing is scheduled for January 8, 2020. The Fourth Circuit suspended appeal proceedings in *Dorsey* pending the district court's review of the proposed settlement. In addition, the district court dismissed the Bank's motion to dismiss the *Lawrence* complaint without prejudice to refile pending its review of the settlement.

**Credit Card Fees** – Between 2011 and 2013, seven proposed class actions were commenced, five of which remain in British Columbia, Alberta, Saskatchewan, Ontario and Québec: *Coburn and Watson's Metropolitan Home v. Bank of America Corporation, et al.*; *Macaronies Hair Club v. BOFA Canada Bank, et al.*; *Hello Baby Equipment Inc. v. BOFA Canada Bank, et al.*; *Bancroft-Snell, et al. v. Visa Canada Corporation, et al.*; and *9085-4886 Québec Inc. v. Visa Canada Corporation, et al.* Subject to court approval of certain settlements, the remaining defendants in each action are the Bank and several other financial institutions. The plaintiff class members are Canadian merchants who accept payment for products and services by Visa Canada Corporation (Visa) and/or MasterCard International Incorporated (MasterCard) (collectively, the "Networks"). While there is some variance, in most of the actions it is alleged that, from March 2001 to the present, the Networks conspired with their issuing banks and acquirers to fix excessive fees and that certain rules have the effect of increasing the merchant fees.

The five actions that remain include claims of civil conspiracy, breach of the Competition Act, interference with economic relations, and unjust enrichment. Plaintiffs seek general and punitive damages. In the lead case proceeding in British Columbia, the decision to partially certify the action as a class proceeding was released on March 27, 2014. The certification decision was appealed by both plaintiff class representatives and defendants. The appeal hearing took place in December 2014 and the decision was released on August 19, 2015. While both the plaintiffs and defendants succeeded in part on their respective appeals, the class period for the plaintiffs' key claims was shortened significantly. At a hearing in October 2016, the plaintiffs sought to amend their claims to reinstate the extended class period. The plaintiffs' motion to amend their claims to reinstate the extended class period was denied by the motions judge and subsequently by the B.C. Court of Appeal. The plaintiffs have sought and were refused leave to appeal to the Supreme Court of Canada. The trial of the British Columbia action is currently scheduled to proceed in October 2020. In Québec, the motion for authorization proceeded on November 6-7, 2017 and the matter was authorized on similar grounds and for a similar period as in British Columbia. The plaintiffs appealed this decision. On July 25, 2019, the Quebec Court of Appeal granted the plaintiff's appeal, thereby reinstating the extended class period for the Quebec proceeding.

**Consumer Class Actions** – The Bank, along with several other Canadian financial institutions, is a defendant in a number of matters brought by consumers alleging provincial and/or national class claims in connection with various fees, interest rate calculations, and credit decisions. The cases are in various stages of maturity. The one matter where the Bank is the sole defendant has been settled in principle with approval pending.

## COMMITMENTS

### Credit-related Arrangements

In the normal course of business, the Bank enters into various commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of customers. The Bank's policy for requiring collateral security with respect to these contracts and the types of collateral security held is generally the same as for loans made by the Bank.

Financial and performance standby letters of credit represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties and they carry the same credit risk, recourse, and collateral security requirements as loans extended to customers. Performance standby letters of credit are considered non-financial guarantees as payment does not depend on the occurrence of a credit event and is generally related to a non-financial trigger event. Refer to the Guarantees section in this Note for further details.

Documentary and commercial letters of credit are instruments issued on behalf of a customer authorizing a third party to draw drafts on the Bank up to a certain amount subject to specific terms and conditions. The Bank is at risk for any drafts drawn that are not ultimately settled by the customer, and the amounts are collateralized by the assets to which they relate.

Commitments to extend credit represent unutilized portions of authorizations to extend credit in the form of loans and customers' liability under acceptances. A discussion on the types of liquidity facilities the Bank provides to its securitization conduits is included in Note 10.

The values of credit instruments reported as follows represent the maximum amount of additional credit that the Bank could be obligated to extend should contracts be fully utilized.

### Credit Instruments

(millions of Canadian dollars)	As at	
	October 31 2019	October 31 2018
<b>Financial and performance standby letters of credit</b>	<b>\$ 26,887</b>	\$ 26,431
<b>Documentary and commercial letters of credit</b>	<b>107</b>	197
<b>Commitments to extend credit<sup>1</sup></b>		
Original term-to-maturity of one year or less	56,676	50,028
Original term-to-maturity of more than one year	150,170	134,148
<b>Total</b>	<b>\$ 233,840</b>	\$ 210,804

<sup>1</sup> Commitments to extend credit exclude personal lines of credit and credit card lines, which are unconditionally cancellable at the Bank's discretion at any time.

In addition, as at October 31, 2019, the Bank is committed to fund \$374 million (October 31, 2018 – \$205 million) of private equity investments.

### Long-term Commitments or Leases

The Bank has obligations under long-term non-cancellable leases for premises and equipment. Future minimum operating lease commitments including rental payments, related taxes and estimated operating expenses for premises and equipment, where the annual payment is in excess of \$100 thousand, is estimated at \$988 million for 2020, \$936 million for 2021, \$884 million for 2022, \$790 million for 2023, \$658 million for 2024, \$3,365 million for 2025, and thereafter.

Future minimum finance lease commitments where the annual payment is in excess of \$100 thousand, is estimated at \$21 million for 2020, \$22 million for 2021, \$20 million for 2022, \$15 million for 2023, \$4 million for 2024, \$1 million for 2025, and thereafter.

The premises and equipment net rental expense, included under Non-interest expenses in the Consolidated Statement of Income, was \$1.2 billion for the year ended October 31, 2019 (October 31, 2018 – \$1.1 billion; October 31, 2017 – \$1.1 billion).

## PLEGGED ASSETS AND COLLATERAL

In the ordinary course of business, securities and other assets are pledged against liabilities or contingent liabilities, including repurchase agreements, securitization liabilities, covered bonds, obligations related to securities sold short, and securities borrowing transactions. Assets are also deposited for the purposes of participation in clearing and payment systems and depositories or to have access to the facilities of central banks in foreign jurisdictions, or as security for contract settlements with derivative exchanges or other derivative counterparties.

Details of assets pledged against liabilities and collateral assets held or repledged are shown in the following table:

### Sources and Uses of Pledged Assets and Collateral

(millions of Canadian dollars)	As at	
	October 31 2019	October 31 2018
<b>Sources of pledged assets and collateral</b>		
Bank assets		
Cash and due from banks	\$ 820	\$ 1,219
Interest-bearing deposits with banks	4,918	3,301
Loans	87,415	83,637
Securities	85,237	83,370
Other assets	850	1,278
	<b>179,240</b>	172,805
Third-party assets <sup>1</sup>		
Collateral received and available for sale or repledging	274,765	243,168
Less: Collateral not repledged	(61,260)	(57,845)
	<b>213,505</b>	185,323
	<b>392,745</b>	358,128
<b>Uses of pledged assets and collateral<sup>2</sup></b>		
Derivatives	11,468	8,083
Obligations related to securities sold under repurchase agreements	120,352	105,665
Securities borrowing and lending	107,587	85,544
Obligations related to securities sold short	27,575	39,007
Securitization	32,024	32,067
Covered bond	41,937	38,033
Clearing systems, payment systems, and depositories	8,338	7,540
Foreign governments and central banks	1,167	1,390
Other	42,297	40,799
<b>Total</b>	<b>\$ 392,745</b>	\$ 358,128

<sup>1</sup> Includes collateral received from reverse repurchase agreements, securities borrowing, margin loans, and other client activity.

<sup>2</sup> Includes \$45.6 billion of on-balance sheet assets that the Bank has pledged and that the counterparty can subsequently repledge as at October 31, 2019 (October 31, 2018 – \$43.9 billion).

## ASSETS SOLD WITH RECOURSE

In connection with its securitization activities, the Bank typically makes customary representations and warranties about the underlying assets which may result in an obligation to repurchase the assets. These representations and warranties attest that the Bank, as the seller, has executed the sale of assets in good faith, and in compliance with relevant laws and contractual requirements. In the event that they do not meet these criteria, the loans may be required to be repurchased by the Bank.

## GUARANTEES

In addition to financial and performance standby letters of credit, the following types of transactions represent the principal guarantees that the Bank has entered into.

### Credit Enhancements

The Bank guarantees payments to counterparties in the event that third-party credit enhancements supporting asset pools are insufficient.

### Indemnification Agreements

In the normal course of operations, the Bank provides indemnification agreements to various counterparties in transactions such as service agreements, leasing transactions, and agreements relating to

acquisitions and dispositions. Under these agreements, the Bank is required to compensate counterparties for costs incurred as a result of various contingencies such as changes in laws and regulations and litigation claims. The nature of certain indemnification agreements prevent the Bank from making a reasonable estimate of the maximum potential amount that the Bank would be required to pay such counterparties.

The Bank also indemnifies directors, officers, and other persons, to the extent permitted by law, against certain claims that may be made against them as a result of their services to the Bank or, at the Bank's request, to another entity.

## NOTE 28 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank's related parties include key management personnel, their close family members and their related entities, subsidiaries, associates, joint ventures, and post-employment benefit plans for the Bank's employees.

### TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL, THEIR CLOSE FAMILY MEMBERS, AND THEIR RELATED ENTITIES

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Bank, directly or indirectly. The Bank considers certain of its officers and directors to be key management personnel. The Bank makes loans to its key management personnel, their close family members, and their related entities on market terms and conditions with the exception of banking products and services for key management personnel, which are subject to approved policy guidelines that govern all employees.

As at October 31, 2019, \$121 million (October 31, 2018 – \$149 million) of related party loans were outstanding from key management personnel, their close family members, and their related entities.

### COMPENSATION

The remuneration of key management personnel was as follows:

#### Compensation

(millions of Canadian dollars)	For the years ended October 31		
	2019	2018	2017
Short-term employee benefits	\$ 33	\$ 34	\$ 33
Post-employment benefits	2	3	3
Share-based payments	35	37	32
<b>Total</b>	<b>\$ 70</b>	<b>\$ 74</b>	<b>\$ 68</b>

In addition, the Bank offers deferred share and other plans to non-employee directors, executives, and certain other key employees. Refer to Note 23 for further details.

In the ordinary course of business, the Bank also provides various banking services to associated and other related corporations on terms similar to those offered to non-related parties.

### TRANSACTIONS WITH SUBSIDIARIES, TD AMERITRADE, AND SYMCOR INC.

Transactions between the Bank and its subsidiaries meet the definition of related party transactions. If these transactions are eliminated on consolidation, they are not disclosed as related party transactions.

Transactions between the Bank, TD Ameritrade, and Symcor Inc. (Symcor) also qualify as related party transactions. There were no significant transactions between the Bank, TD Ameritrade, and Symcor during the year ended October 31, 2019, other than as described in the following sections and in Note 12.

### Other Transactions with TD Ameritrade and Symcor

#### i) TD AMERITRADE HOLDING CORPORATION

A description of significant transactions of the Bank and its affiliates with TD Ameritrade is set forth below.

#### Insured Deposit Account Agreement

The Bank is party to an insured deposit account (IDA) agreement with TD Ameritrade, pursuant to which the Bank makes available to clients of TD Ameritrade, FDIC-insured money market deposit accounts as either designated sweep vehicles or as non-sweep deposit accounts. TD Ameritrade provides marketing and support services with respect to the IDA. The Bank paid fees of \$2.2 billion during the year ended October 31, 2019 (October 31, 2018 – \$1.9 billion; October 31, 2017 – \$1.5 billion) to TD Ameritrade related to deposit accounts. The amount paid by the Bank is based on the average insured deposit balance of \$140 billion for the year ended October 31, 2019 (October 31, 2018 – \$140 billion; October 31, 2017 – \$124 billion) with a portion of the amount tied to the actual yield earned by the Bank on the investments, less the actual interest paid to clients of TD Ameritrade, and the balance tied to an agreed rate of return. The Bank earns a servicing fee of 25 bps on the aggregate average daily balance in the sweep accounts (subject to adjustment based on a specified formula).

As at October 31, 2019, amounts receivable from TD Ameritrade were \$41 million (October 31, 2018 – \$137 million). As at October 31, 2019, amounts payable to TD Ameritrade were \$168 million (October 31, 2018 – \$174 million).

The Bank and other financial institutions provided TD Ameritrade with unsecured revolving loan facilities. The total commitment provided by the Bank was \$291 million, which was undrawn as at October 31, 2019 (October 31, 2018 – \$338 million undrawn).

#### ii) TRANSACTIONS WITH SYMCOR

The Bank has one-third ownership in Symcor, a Canadian provider of business process outsourcing services offering a diverse portfolio of integrated solutions in item processing, statement processing and production, and cash management services. The Bank accounts for Symcor's results using the equity method of accounting. During the year ended October 31, 2019, the Bank paid \$81 million (October 31, 2018 – \$86 million; October 31, 2017 – \$93 million) for these services. As at October 31, 2019, the amount payable to Symcor was \$12 million (October 31, 2018 – \$14 million).

The Bank and two other shareholder banks have also provided a \$100 million unsecured loan facility to Symcor which was undrawn as at October 31, 2019, and October 31, 2018.



For management reporting purposes, the Bank reports its results under three key business segments: Canadian Retail, which includes the results of the Canadian personal and commercial banking businesses, Canadian credit cards, TD Auto Finance Canada, and Canadian wealth and insurance businesses; U.S. Retail, which includes the results of the U.S. personal and business banking operations, U.S. credit cards, TD Auto Finance U.S., U.S. wealth business, and the Bank's investment in TD Ameritrade; and Wholesale Banking. The Bank's other activities are grouped into the Corporate segment.

Canadian Retail is comprised of Canadian personal and commercial banking, which provides financial products and services to personal, small business, and commercial customers, TD Auto Finance Canada, the Canadian credit card business, the Canadian wealth business, which provides investment products and services to institutional and retail investors, and the insurance business. U.S. Retail is comprised of the personal and business banking operations in the U.S. operating under the brand TD Bank, America's Most Convenient Bank®, primarily in the Northeast and Mid-Atlantic regions and Florida, and the U.S. wealth business, including Epoch and the Bank's equity investment in TD Ameritrade. Wholesale Banking provides a wide range of capital markets, investment banking, and corporate banking products and services, including underwriting and distribution of new debt and equity issues, providing advice on strategic acquisitions and divestitures, and meeting the daily trading, funding, and investment needs of the Bank's clients. The Bank's other activities are grouped into the Corporate segment. The Corporate segment includes the effects of certain asset securitization programs, treasury management, the collectively assessed allowance for incurred but not identified credit losses in Canadian Retail and Wholesale Banking, elimination of taxable equivalent adjustments and other management reclassifications, corporate level tax items, and residual unallocated revenue and expenses.

The results of each business segment reflect revenue, expenses, and assets generated by the businesses in that segment. Due to the complexity of the Bank, its management reporting model uses various estimates, assumptions, allocations, and risk-based methodologies for funds transfer pricing, inter-segment revenue, income tax rates, capital, indirect expenses and cost transfers to measure business segment results. The basis of allocation and methodologies are reviewed periodically to align with management's evaluation of the Bank's business segments. Transfer pricing of funds is generally applied at market rates. Inter-segment revenue is negotiated between each business segment and approximates the fair value of the services provided. Income tax provision or recovery is generally applied to each segment based on a statutory tax rate and may be adjusted for items and activities unique to each segment. Amortization of intangibles acquired as a result of business combinations is included in the Corporate segment. Accordingly, net income for business segments is presented before amortization of these intangibles.

Non-interest income is earned by the Bank primarily through investment and securities services, credit fees, trading income, service charges, card services, and insurance revenues. Revenues from investment and securities services are earned predominantly in the Canadian Retail segment with the remainder earned in Wholesale Banking and U.S. Retail. Revenues from credit fees are primarily earned in the Wholesale Banking and Canadian Retail segments. Trading income is earned within Wholesale Banking. Both service charges and card services revenue are mainly earned in the U.S. Retail and Canadian Retail segments. Insurance revenue is earned in the Canadian Retail segment.

Net interest income within Wholesale Banking is calculated on a taxable equivalent basis (TEB), which means that the value of non-taxable or tax-exempt 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.

The Bank purchases CDS to hedge the credit risk in Wholesale Banking's corporate lending portfolio. These CDS do not qualify for hedge accounting treatment and are measured at fair value with changes in fair value recognized in current period's earnings. The related loans are accounted for at amortized cost. Management believes that this asymmetry in the accounting treatment between CDS and loans would result in periodic profit and loss volatility which is not indicative of the economics of the corporate loan portfolio or the underlying business performance in Wholesale Banking. As a result, these CDS are accounted for on an accrual basis in Wholesale Banking and the gains and losses on these CDS, in excess of the accrued cost, are reported in the Corporate segment.

The Bank changed its trading strategy with respect to certain trading debt securities and reclassified these securities from trading to the AFS category under IAS 39 (classified as FVOCI under IFRS 9) effective August 1, 2008. These debt securities are economically hedged, primarily with CDS and interest rate swap contracts which are recorded on a fair value basis with changes in fair value recorded in the period's earnings. As a result, the derivatives were accounted for on an accrual basis in Wholesale Banking and the gains and losses related to the derivatives in excess of the accrued amounts were reported in the Corporate segment. Adjusted results of the Bank in prior periods exclude the gains and losses of the derivatives in excess of the accrued amount. Effective February 1, 2017, the total gains and losses as a result of changes in fair value of these derivatives are recorded in Wholesale Banking.

Upon adoption of IFRS 9, the current period provision for credit losses related to performing (Stage 1 and Stage 2) and impaired (Stage 3) financial assets, loan commitments, and financial guarantees are recorded within the respective segment. Under IAS 39, and prior to November 1, 2017, the provision for credit losses related to the collectively assessed allowance for incurred but not identified credit losses that related to Canadian Retail and Wholesale Banking segments was recorded in the Corporate segment.

The following table summarizes the segment results for the years ended October 31.

## Results by Business Segment<sup>1,2</sup>

(millions of Canadian dollars)

	For the years ended October 31				
	2019				
	Canadian Retail	U.S. Retail	Wholesale Banking <sup>3,4</sup>	Corporate <sup>3,4</sup>	Total
Net interest income (loss)	\$ 12,349	\$ 8,951	\$ 911	\$ 1,720	\$ 23,931
Non-interest income (loss)	11,877	2,840	2,320	97	17,134
Total revenue	24,226	11,791	3,231	1,817	41,065
Provision for (recovery of) credit losses	1,306	1,082	44	597	3,029
Insurance claims and related expenses	2,787	–	–	–	2,787
Non-interest expenses	10,735	6,411	2,393	2,481	22,020
Income (loss) before income taxes	9,398	4,298	794	(1,261)	13,229
Provision for (recovery of) income taxes	2,535	471	186	(457)	2,735
Equity in net income of an investment in TD Ameritrade	–	1,154	–	38	1,192
<b>Net income (loss)</b>	<b>\$ 6,863</b>	<b>\$ 4,981</b>	<b>\$ 608</b>	<b>\$ (766)</b>	<b>\$ 11,686</b>
<b>Total assets as at October 31</b>	<b>\$ 452,163</b>	<b>\$ 436,086</b>	<b>\$ 458,420</b>	<b>\$ 68,621</b>	<b>\$ 1,415,290</b>
					2018
Net interest income (loss)	\$ 11,576	\$ 8,176	\$ 1,150	\$ 1,337	\$ 22,239
Non-interest income (loss)	11,137	2,768	2,367	381	16,653
Total revenue	22,713	10,944	3,517	1,718	38,892
Provision for (recovery of) credit losses	998	917	3	562	2,480
Insurance claims and related expenses	2,444	–	–	–	2,444
Non-interest expenses	9,473	6,100	2,125	2,497	20,195
Income (loss) before income taxes	9,798	3,927	1,389	(1,341)	13,773
Provision for (recovery of) income taxes	2,615	432	335	(200)	3,182
Equity in net income of an investment in TD Ameritrade	–	693	–	50	743
<b>Net income (loss)</b>	<b>\$ 7,183</b>	<b>\$ 4,188</b>	<b>\$ 1,054</b>	<b>\$ (1,091)</b>	<b>\$ 11,334</b>
<b>Total assets as at October 31</b>	<b>\$ 433,960</b>	<b>\$ 417,292</b>	<b>\$ 425,909</b>	<b>\$ 57,742</b>	<b>\$ 1,334,903</b>
					2017
Net interest income (loss)	\$ 10,611	\$ 7,486	\$ 1,804	\$ 946	\$ 20,847
Non-interest income (loss)	10,451	2,735	1,520	649	15,355
Total revenue	21,062	10,221	3,324	1,595	36,202
Provision for (recovery of) credit losses	986	792	(28)	466	2,216
Insurance claims and related expenses	2,246	–	–	–	2,246
Non-interest expenses	8,934	5,878	1,982	2,625	19,419
Income (loss) before income taxes	8,896	3,551	1,370	(1,496)	12,321
Provision for (recovery of) income taxes	2,371	671	331	(1,120)	2,253
Equity in net income of an investment in TD Ameritrade	–	442	–	7	449
<b>Net income (loss)</b>	<b>\$ 6,525</b>	<b>\$ 3,322</b>	<b>\$ 1,039</b>	<b>\$ (369)</b>	<b>\$ 10,517</b>
<b>Total assets as at October 31</b>	<b>\$ 404,444</b>	<b>\$ 403,937</b>	<b>\$ 406,138</b>	<b>\$ 64,476</b>	<b>\$ 1,278,995</b>

<sup>1</sup> Certain comparative amounts have been recast to conform with the presentation adopted in the current period.

<sup>2</sup> The retailer program partners' share of revenues and credit losses is presented in the Corporate segment, with an offsetting amount (representing the partners' net share) recorded in Non-interest expenses, resulting in no impact to Corporate reported Net income (loss). The Net income (loss) included in the U.S. Retail segment includes only the portion of revenue and credit losses attributable to the Bank under the agreements.

<sup>3</sup> Net interest income within Wholesale Banking is calculated on a TEB. The TEB adjustment reflected in Wholesale Banking is reversed in the Corporate segment.

<sup>4</sup> Effective February 1, 2017, the total gains and losses as a result of changes in fair value of the CDS and interest rate swap contracts hedging the reclassified financial assets at FVOCI (AFS securities under IAS 39) portfolio are recorded in Wholesale Banking. Previously, these derivatives were accounted for on an accrual basis in Wholesale Banking and the gains and losses related to the derivatives, in excess of the accrued costs were reported in Corporate segment.

## RESULTS BY GEOGRAPHY

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.

(millions of Canadian dollars)	For the years ended October 31			As at October 31
	2019			2019
	Total revenue <sup>1</sup>	Income before income taxes	Net income	Total assets
Canada	\$ 23,599	\$ 7,237	\$ 5,208	\$ 769,314
United States	15,557	4,827	4,180	524,397
Other international	1,909	1,165	2,298	121,579
<b>Total</b>	<b>\$ 41,065</b>	<b>\$ 13,229</b>	<b>\$ 11,686</b>	<b>\$ 1,415,290</b>
			2018	2018
Canada	\$ 23,332	\$ 8,886	\$ 6,523	\$ 713,677
United States	13,751	3,768	2,993	514,263
Other international	1,809	1,119	1,818	106,963
<b>Total</b>	<b>\$ 38,892</b>	<b>\$ 13,773</b>	<b>\$ 11,334</b>	<b>\$ 1,334,903</b>
			2017	2017
Canada	\$ 20,911	\$ 7,250	\$ 5,660	\$ 648,924
United States	13,371	3,677	3,075	515,478
Other international	1,920	1,394	1,782	114,593
<b>Total</b>	<b>\$ 36,202</b>	<b>\$ 12,321</b>	<b>\$ 10,517</b>	<b>\$ 1,278,995</b>

<sup>1</sup> Certain comparative amounts have been recast to conform with the presentation adopted in the current period.

NOTE 30	<b>INTEREST INCOME AND EXPENSE</b>
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The following table presents interest income and interest expense by basis of accounting measurement. Please refer to Note 2 for the type of instruments measured at amortized cost and FVOCI.

### Interest Income and Expense<sup>1</sup>

(millions of Canadian dollars)	For the years ended			
	October 31, 2019		October 31, 2018	
	Interest income	Interest expense	Interest income	Interest expense
Measured at amortized cost	\$ 31,663	\$ 11,294	\$ 27,693	\$ 9,286
Measured at FVOCI	3,165	–	2,946	–
	<b>34,828</b>	<b>11,294</b>	30,639	9,286
Not measured at amortized cost or FVOCI <sup>2</sup>	7,171	6,774	5,783	4,897
<b>Total</b>	<b>\$ 41,999</b>	<b>\$ 18,068</b>	<b>\$ 36,422</b>	<b>\$ 14,183</b>

<sup>1</sup> Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

<sup>2</sup> Includes interest income, interest expense, and dividend income for financial instruments that are measured or designated at FVTPL and equities designated at FVOCI.

NOTE 31	<b>CREDIT RISK</b>
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Concentration of credit risk exists where a number of borrowers or counterparties are engaged in similar activities, are located in the same geographic area or have comparable economic characteristics. Their ability to meet contractual obligations may be similarly affected

by changing economic, political or other conditions. The Bank's portfolio could be sensitive to changing conditions in particular geographic regions.

## Concentration of Credit Risk

(millions of Canadian dollars, except as noted)

	As at					
	Loans and customers' liability under acceptances <sup>1,2</sup>		Credit instruments <sup>3,4</sup>		Derivative financial instruments <sup>5,6</sup>	
	October 31 2019	October 31 2018	October 31 2019	October 31 2018	October 31 2019	October 31 2018
Canada	67%	67%	38%	40%	25%	24%
United States	32	32	58	57	31	31
United Kingdom	–	–	1	1	17	15
Europe – other	–	–	2	1	20	24
Other international	1	1	1	1	7	6
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
	<b>\$ 700,226</b>	<b>\$ 666,405</b>	<b>\$ 233,840</b>	<b>\$ 210,804</b>	<b>\$ 46,829</b>	<b>\$ 55,615</b>

<sup>1</sup> Of the total loans and customers' liability under acceptances, the only industry segment which equalled or exceeded 5% of the total concentration as at October 31, 2019 was real estate 10% (October 31, 2018 – 9%).

<sup>2</sup> Includes loans that are measured at FVOCI.

<sup>3</sup> As at October 31, 2019, the Bank had commitments and contingent liability contracts in the amount of \$234 billion (October 31, 2018 – \$211 billion). Included are commitments to extend credit totalling \$207 billion (October 31, 2018 – \$184 billion), of which the credit risk is dispersed as detailed in the table above.

<sup>4</sup> Of the commitments to extend credit, industry segments which equalled or exceeded 5% of the total concentration were as follows as at October 31, 2019: financial institutions 22% (October 31, 2018 – 19%); pipelines, oil and gas 9% (October 31, 2018 – 10%); automotive 9% (October 31, 2018 – 9%); power and utilities 8% (October 31, 2018 – 9%); sundry manufacturing and wholesale 7%

(October 31, 2018 – 7%); professional and other services 6% (October 31, 2018 – 6%); non-residential real estate development 6% (October 31, 2018 – 5%); telecommunications, cable, and media 6% (October 31, 2018 – 7%).

<sup>5</sup> As at October 31, 2019, the current replacement cost of derivative financial instruments amounted to \$47 billion (October 31, 2018 – \$56 billion). Based on the location of the ultimate counterparty, the credit risk was allocated as detailed in the table above. The table excludes the fair value of exchange traded derivatives.

<sup>6</sup> The largest concentration by counterparty type was with financial institutions (including non-banking financial institutions), which accounted for 69% of the total as at October 31, 2019 (October 31, 2018 – 68%). The second largest concentration was with governments, which accounted for 22% of the total as at October 31, 2019 (October 31, 2018 – 26%). No other industry segment exceeded 5% of the total.

The following table presents the maximum exposure to credit risk of financial instruments, before taking account of any collateral held or other credit enhancements.

## Gross Maximum Credit Risk Exposure<sup>1</sup>

(millions of Canadian dollars)

	As at	
	October 31 2019	October 31 2018
Cash and due from banks	\$ 4,863	\$ 4,735
Interest-bearing deposits with banks	25,583	30,720
Securities <sup>2</sup>		
Financial assets designated at fair value through profit or loss		
Government and government-insured securities	1,413	1,397
Other debt securities	2,627	2,221
Trading		
Government and government-insured securities	44,445	47,085
Other debt securities	18,680	20,106
Retained interest	19	25
Non-trading securities at fair value through profit or loss		
Government and government-insured securities	319	–
Other debt securities	4,081	2,340
Securities at fair value through other comprehensive income		
Government and government-insured securities	83,171	94,733
Other debt securities	23,969	30,948
Debt securities at amortized cost		
Government and government-insured securities	78,275	60,535
Other debt securities	52,222	46,636
Securities purchased under reverse purchase agreements	165,935	127,379
Derivatives <sup>3</sup>	48,894	56,996
Loans		
Residential mortgages	235,530	225,081
Consumer instalment and other personal	179,085	170,976
Credit card	34,989	34,015
Business and government	235,004	216,321
Trading loans	12,482	10,990
Non-trading loans at fair value through profit or loss	1,796	1,336
Loans at fair value through other comprehensive income	2,124	2,745
Customers' liability under acceptances	13,494	17,267
Amounts receivable from brokers, dealers, and clients	20,575	26,940
Other assets	5,913	5,886
<b>Total assets</b>	<b>1,295,488</b>	<b>1,237,413</b>
Credit instruments <sup>4</sup>	233,840	210,804
Unconditionally cancellable commitments to extend credit relating to personal lines of credit and credit card lines	311,138	301,752
<b>Total credit exposure</b>	<b>\$ 1,840,466</b>	<b>\$ 1,749,969</b>

<sup>1</sup> Certain comparative amounts have been recast to conform with the presentation adopted in the current period.

<sup>2</sup> Excludes equity securities.

<sup>3</sup> The carrying amount of the derivative assets represents the maximum credit risk exposure related to derivative contracts.

<sup>4</sup> The balance represents the maximum amount of additional funds that the Bank could be obligated to extend should the contracts be fully utilized. The actual maximum exposure may differ from the amount reported above. Refer to Note 27 for further details.

The Bank manages its capital under guidelines established by OSFI. The regulatory capital guidelines measure capital in relation to credit, trading market, and operational risks. The Bank has various capital policies, procedures, and controls which it utilizes to achieve its goals and objectives.

The Bank's capital management objectives are:

- To be an appropriately capitalized financial institution as determined by:
  - the Bank's Risk Appetite Statement;
  - capital requirements defined by relevant regulatory authorities; and
  - the Bank's internal assessment of capital requirements consistent with the Bank's risk profile and risk tolerance levels.
- To have the most economically achievable weighted-average cost of capital, consistent with preserving the appropriate mix of capital elements to meet targeted capitalization levels.
- To ensure ready access to sources of appropriate capital, at reasonable cost, in order to:
  - insulate the Bank from unexpected events; and
  - support and facilitate business growth and/or acquisitions consistent with the Bank's strategy and risk appetite.
- To support strong external debt ratings, in order to manage the Bank's overall cost of funds and to maintain accessibility to required funding.

These objectives are applied in a manner consistent with the Bank's overall objective of providing a satisfactory return on shareholders' equity.

#### Basel III Capital Framework

Capital requirements of the Basel Committee on Banking Supervision (BCBS) are commonly referred to as Basel III. Under Basel III, Total Capital consists of three components, namely Common Equity Tier 1, Additional Tier 1, and Tier 2 Capital. Risk sensitive regulatory capital ratios are calculated by dividing CET1, Tier 1, and Total Capital by their respective risk-weighted assets (RWA), inclusive of any minimum requirements outlined under the regulatory floor. In 2015, Basel III also implemented a non-risk sensitive leverage ratio to act as a supplementary measure to the risk-sensitive capital requirements. The objective of the leverage ratio is to constrain the build-up of excess leverage in the banking sector. The leverage ratio is calculated by dividing Tier 1 Capital by leverage exposure which is primarily comprised of on-balance sheet assets with adjustments made to derivative and securities financing transaction exposures, and credit equivalent amounts of off-balance sheet exposures.

#### Capital Position and Capital Ratios

The Basel framework allows qualifying banks to determine capital levels consistent with the way they measure, manage, and mitigate risks. It specifies methodologies for the measurement of credit, trading market, and operational risks. The Bank uses the advanced approaches for the majority of its portfolios. In the U.S. Retail segment, the Bank calculates the majority of the retail portfolio's, and certain other portfolio's, credit RWA using the AIRB approach. The remaining assets in the U.S. Retail segment continue to use the standardized approach for credit risk.

For accounting purposes, IFRS is followed for consolidation of subsidiaries and joint ventures. 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 Life Insurance Capital Adequacy Test. 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.

Some of the Bank's subsidiaries are individually regulated by either OSFI or other regulators. Many of these entities have minimum capital requirements which they must maintain and which may limit the Bank's ability to extract capital or funds for other uses.

During the year ended October 31, 2019, the Bank complied with the OSFI Basel III guidelines related to capital ratios and the leverage ratio. Effective January 1, 2016, OSFI's target CET1, Tier 1, and Total Capital ratios for Canadian banks designated as domestic systemically important banks (D-SIBs) includes a 1% common equity capital surcharge bringing the targets to 8%, 9.5%, and 11.5%, respectively. In addition, on June 25, 2018, OSFI provided greater transparency related to previously undisclosed Pillar 2 CET1 capital buffers through the introduction of the public Domestic Stability Buffer (DSB) which is held by D-SIBs against Pillar 2 risks. The current buffer is set at 2% of total risk-weighted assets (RWA) and must be met with CET1 Capital, effectively raising the CET1 target to 10%.

OSFI has provided IFRS transitional provisions for the leverage ratio, which allows for the exclusion of assets securitized and sold through CMHC-sponsored programs prior to March 31, 2010, from the calculation.

The following table summarizes the Bank's regulatory capital position as at October 31.

#### Regulatory Capital Position

(millions of Canadian dollars, except as noted)

	October 31 2019	October 31 2018
<i>As at</i>		
<b>Capital</b>		
Common Equity Tier 1 Capital	\$ 55,042	\$ 52,389
Tier 1 Capital	61,683	59,735
Total Capital	74,122	70,434
<b>Risk-weighted assets used in the calculation of capital ratios<sup>1</sup></b>		
Common Equity Tier 1 Capital	\$ 455,977	\$ 435,632
Tier 1 Capital	455,977	435,780
Total Capital	455,977	435,927
<b>Capital and leverage ratios</b>		
Common Equity Tier 1 Capital ratio <sup>1</sup>	12.1%	12.0%
Tier 1 Capital ratio <sup>1</sup>	13.5	13.7
Total Capital ratio <sup>1</sup>	16.3	16.2
Leverage ratio	4.0	4.2

<sup>1</sup> In accordance with the final CAR guideline, the Credit Valuation Adjustment (CVA) capital charge has been phased in until the first quarter of 2019. Each capital ratio has its own RWA measure due to the OSFI prescribed scalar for inclusion of the CVA. For fiscal 2019, the scalars for inclusion of CVA for CET1, Tier 1, and Total Capital RWA are all 100%. For fiscal 2018, the scalars were 80%, 83%, and 86%, respectively.

**NOTE 33 RISK MANAGEMENT**

The risk management policies and procedures of the Bank are provided in the MD&A. The shaded sections of the “Managing Risk” section of

the MD&A relating to credit, market, liquidity, and insurance risks are an integral part of the 2019 Consolidated Financial Statements.

**NOTE 34 INFORMATION ON SUBSIDIARIES**

The following is a list of the directly or indirectly held significant subsidiaries.

**Significant Subsidiaries<sup>1</sup>**

(millions of Canadian dollars)

			<b>As at October 31, 2019</b>
	<b>Address of Head or Principal Office<sup>2</sup></b>	<b>Description</b>	<b>Carrying value of shares owned by the Bank<sup>3</sup></b>
<b>North America</b>			
Greystone Capital Management Inc.	Regina, Saskatchewan	Holding Company	<b>\$ 714</b>
Greystone Managed Investments Inc.	Regina, Saskatchewan	Securities Dealer	
GMI Servicing Inc.	Regina, Saskatchewan	Mortgage Servicing Entity	
Meloche Monnex Inc.	Montreal, Québec	Holding Company	<b>1,595</b>
Security National Insurance Company	Montreal, Québec	Insurance Company	
Primum Insurance Company	Toronto, Ontario	Insurance Company	
TD Direct Insurance Inc.	Toronto, Ontario	Insurance Company	
TD General Insurance Company	Toronto, Ontario	Insurance Company	
TD Home and Auto Insurance Company	Toronto, Ontario	Insurance Company	
TD Asset Management Inc.	Toronto, Ontario	Investment Counselling and Portfolio Management	<b>365</b>
TD Waterhouse Private Investment Counsel Inc.	Toronto, Ontario	Investment Counselling and Portfolio Management	
TD Auto Finance (Canada) Inc.	Toronto, Ontario	Automotive Finance Entity	<b>2,619</b>
TD Auto Finance Services Inc.	Toronto, Ontario	Automotive Finance Entity	<b>1,370</b>
TD Group US Holdings LLC	Wilmington, Delaware	Holding Company	<b>67,117</b>
Toronto Dominion Holdings (U.S.A.), Inc.	New York, New York	Holding Company	
TD Prime Services LLC	New York, New York	Securities Dealer	
TD Securities (USA) LLC	New York, New York	Securities Dealer	
Toronto Dominion (Texas) LLC	New York, New York	Financial Services Entity	
Toronto Dominion (New York) LLC	New York, New York	Financial Services Entity	
Toronto Dominion Capital (U.S.A.), Inc.	New York, New York	Small Business Investment Company	
Toronto Dominion Investments, Inc.	New York, New York	Merchant Banking and Investments	
TD Bank US Holding Company	Cherry Hill, New Jersey	Holding Company	
Epoch Investment Partners, Inc.	New York, New York	Investment Counselling and Portfolio Management	
TDAM USA Inc.	New York, New York	Investment Counselling and Portfolio Management	
TD Bank USA, National Association	Cherry Hill, New Jersey	U.S. National Bank	
TD Bank, National Association	Cherry Hill, New Jersey	U.S. National Bank	
TD Auto Finance LLC	Farmington Hills, Michigan	Automotive Finance Entity	
TD Equipment Finance, Inc.	Cherry Hill, New Jersey	Financial Services Entity	
TD Private Client Wealth LLC	New York, New York	Broker-dealer and Registered Investment Advisor	
TD Wealth Management Services Inc.	Cherry Hill, New Jersey	Insurance Agency	
TD Luxembourg International Holdings	Luxembourg, Luxembourg	Holding Company	
TD Ameritrade Holding Corporation <sup>4</sup>	Omaha, Nebraska	Securities Dealer	
TD Investment Services Inc.	Toronto, Ontario	Mutual Fund Dealer	<b>52</b>
TD Life Insurance Company	Toronto, Ontario	Insurance Company	<b>85</b>
TD Mortgage Corporation	Toronto, Ontario	Deposit-Taking Entity	<b>9,775</b>
TD Pacific Mortgage Corporation	Vancouver, British Columbia	Deposit-Taking Entity	
The Canada Trust Company	Toronto, Ontario	Trust, Loans, and Deposit-Taking Entity	
TD Securities Inc.	Toronto, Ontario	Investment Dealer and Broker	<b>2,231</b>
TD Vermillion Holdings Limited	Toronto, Ontario	Holding Company	<b>26,880</b>
TD Financial International Ltd.	Hamilton, Bermuda	Holding Company	
TD Reinsurance (Barbados) Inc.	St. James, Barbados	Reinsurance Company	
TD Waterhouse Canada Inc.	Toronto, Ontario	Investment Dealer	<b>2,442</b>

<sup>1</sup> Unless otherwise noted, The Toronto-Dominion Bank, either directly or through its subsidiaries, owns 100% of the entity and/or 100% of any issued and outstanding voting securities and non-voting securities of the entities listed.

<sup>2</sup> Each subsidiary is incorporated or organized in the country in which its head or principal office is located, with the exception of Toronto Dominion Investments B.V., a company incorporated in The Netherlands, but with its principal office in the United Kingdom.

<sup>3</sup> Carrying amounts are prepared for purposes of meeting the disclosure requirements of Section 308 (3)(a)(ii) of the *Bank Act*. Intercompany transactions may be

included herein which are eliminated for consolidated financial reporting purposes. Certain amounts have been adjusted to conform with the presentation adopted in the current period.

<sup>4</sup> As at October 31, 2019, the Bank's reported investment in TD Ameritrade Holding Corporation was 43.19% (October 31, 2018 – 41.61%) of the outstanding shares of TD Ameritrade Holding Corporation. TD Luxembourg International Holdings and its ownership of TD Ameritrade Holding Corporation is included given the significance of the Bank's investment in TD Ameritrade Holding Corporation.

## Significant Subsidiaries (continued)<sup>1</sup>

(millions of Canadian dollars)

			As at October 31, 2019
International	Address of Head or Principal Office <sup>2</sup>	Description	Carrying value of shares owned by the Bank <sup>3</sup>
TD Bank N.V.	Amsterdam, The Netherlands	Dutch Bank	\$ 632
TD Ireland Unlimited Company	Dublin, Ireland	Holding Company	894
TD Global Finance Unlimited Company	Dublin, Ireland	Securities Dealer	
TD Securities (Japan) Co. Ltd.	Tokyo, Japan	Securities Dealer	12
Toronto Dominion Australia Limited	Sydney, Australia	Securities Dealer	97
Toronto Dominion Investments B.V.	London, England	Holding Company	1,114
TD Bank Europe Limited	London, England	UK Bank	
Toronto Dominion Holdings (U.K.) Limited	London, England	Holding Company	
TD Securities Limited	London, England	Securities Dealer	
Toronto Dominion (South East Asia) Limited	Singapore, Singapore	Financial Institution	931

<sup>1</sup> Unless otherwise noted, The Toronto-Dominion Bank, either directly or through its subsidiaries, owns 100% of the entity and/or 100% of any issued and outstanding voting securities and non-voting securities of the entities listed.

<sup>2</sup> Each subsidiary is incorporated or organized in the country in which its head or principal office is located, with the exception of Toronto Dominion Investments B.V., a company incorporated in The Netherlands, but with its principal office in the United Kingdom.

<sup>3</sup> Carrying amounts are prepared for purposes of meeting the disclosure requirements of Section 308 (3)(a)(ii) of the *Bank Act*. Intercompany transactions may be included herein which are eliminated for consolidated financial reporting purposes. Certain amounts have been adjusted to conform with the presentation adopted in the current period.

### SUBSIDIARIES WITH RESTRICTIONS TO TRANSFER FUNDS

Certain of the Bank's subsidiaries have regulatory requirements to fulfil, in accordance with applicable law, in order to transfer funds, including paying dividends to, repaying loans to, or redeeming subordinated debentures issued to, the Bank. These customary requirements include, but are not limited to:

- Local regulatory capital and/or surplus adequacy requirements;
- Basel requirements under Pillar 1 and Pillar 2;
- Local regulatory approval requirements; and
- Local corporate and/or securities laws.

As at October 31, 2019, the net assets of subsidiaries subject to regulatory or CAR was \$86.3 billion (October 31, 2018 – \$79.8 billion), before intercompany eliminations.

In addition to regulatory requirements outlined above, the Bank may be subject to significant restrictions on its ability to use the assets or settle the liabilities of members of its group. Key contractual restrictions may arise from the provision of collateral to third parties in the normal course of business, for example through secured financing transactions; assets securitized which are not subsequently available for transfer by the Bank; and assets transferred into other consolidated and unconsolidated structured entities. The impact of these restrictions has been disclosed in Notes 9 and 27.

Aside from non-controlling interests disclosed in Note 21, there were no significant restrictions on the ability of the Bank to access or use the assets or settle the liabilities of subsidiaries within the group as a result of protective rights of non-controlling interests.

NOTE 35	<b>SIGNIFICANT AND SUBSEQUENT EVENTS, AND PENDING TRANSACTIONS</b>
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### Bank Supports Acquisition of TD Ameritrade Holding Corporation by The Charles Schwab Corporation

On November 25, 2019, the Bank announced its support for the acquisition of TD Ameritrade, of which the Bank is a major shareholder, by The Charles Schwab Corporation (Schwab), through a definitive agreement announced by those companies. Under the terms of the transaction, all TD Ameritrade shareholders, including the Bank, would exchange each TD Ameritrade share they own for 1.0837 shares of Schwab. As a result, the Bank will exchange its approximate 43% ownership in TD Ameritrade for an approximate 13.4% stake in Schwab, consisting of up to 9.9% voting common shares and the remainder in non-voting common shares, convertible upon transfer to a third party. TD expects to record a revaluation gain at closing.

The transaction is subject to certain closing conditions, including majority approval by the shareholders of each of TD Ameritrade and Schwab, and majority approval of TD Ameritrade's shareholders other than TD and certain other shareholders of TD Ameritrade that have entered into voting agreements. In addition, the transaction is subject

to receipt of regulatory approvals. The transaction is expected to close in the second half of calendar 2020, subject to all applicable closing conditions having been satisfied.

If the transaction closes, it is expected to have minimal capital impact on the Bank, and the Bank expects to account for its investment in Schwab using the equity method of accounting. The Bank and Schwab have entered into a new Stockholders' Agreement that will become effective upon closing, under which the Bank will have two seats on Schwab's Board of Directors, subject to the Bank meeting certain conditions. Under the agreement, the Bank will be subject to customary standstill and lockup restrictions. The Bank and Schwab have also entered into a revised and extended long-term IDA agreement that will become effective upon closing and extends to 2031. Starting on July 1, 2021, IDA deposits, which were \$142 billion (US\$108 billion) as at October 31, 2019, can be reduced at Schwab's option by up to US\$10 billion a year, with a floor of US\$50 billion. The servicing fee under the revised IDA agreement will be set at 15 bps upon closing.

# Ten-year Statistical Review – IFRS

## Condensed Consolidated Balance Sheet<sup>1</sup>

(millions of Canadian dollars)	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>ASSETS</b>									
Cash resources and other	\$ 30,446	\$ 35,455	\$ 55,156	\$ 57,621	\$ 45,637	\$ 46,554	\$ 32,164	\$ 25,128	\$ 24,112
Trading loans, securities, and other <sup>2</sup>	261,144	262,115	254,361	211,111	188,317	168,926	188,016	199,280	171,109
Non-trading financial assets at fair value through profit or loss	6,503	4,015	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Derivatives	48,894	56,996	56,195	72,242	69,438	55,796	49,461	60,919	59,845
Debt securities at amortized cost, net of allowance for credit losses	130,497	107,171	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Held-to-maturity securities	n/a	n/a	71,363	84,395	74,450	56,977	29,961	–	–
Securities purchased under reverse repurchase agreements	165,935	127,379	134,429	86,052	97,364	82,556	64,283	69,198	56,981
Loans, net of allowance for loan losses	684,608	646,393	612,591	585,656	544,341	478,909	444,922	408,848	377,187
Other	87,263	95,379	94,900	79,890	84,826	70,793	53,214	47,680	46,259
<b>Total assets</b>	<b>\$ 1,415,290</b>	<b>\$ 1,334,903</b>	<b>\$ 1,278,995</b>	<b>\$ 1,176,967</b>	<b>\$ 1,104,373</b>	<b>\$ 960,511</b>	<b>\$ 862,021</b>	<b>\$ 811,053</b>	<b>\$ 735,493</b>
<b>LIABILITIES</b>									
Trading deposits	\$ 26,885	\$ 114,704	\$ 79,940	\$ 79,786	\$ 74,759	\$ 59,334	\$ 50,967	\$ 38,774	\$ 29,613
Derivatives	50,051	48,270	51,214	65,425	57,218	51,209	49,471	64,997	61,715
Financial liabilities designated at fair value through profit or loss	105,131	16	8	190	1,415	3,250	12	17	32
Deposits	886,977	851,439	832,824	773,660	695,576	600,716	541,605	487,754	449,428
Other	247,820	231,694	230,291	172,801	199,740	181,986	160,601	160,088	139,158
Subordinated notes and debentures	10,725	8,740	9,528	10,891	8,637	7,785	7,982	11,318	11,543
<b>Total liabilities</b>	<b>1,327,589</b>	<b>1,254,863</b>	<b>1,203,805</b>	<b>1,102,753</b>	<b>1,037,345</b>	<b>904,280</b>	<b>810,638</b>	<b>762,948</b>	<b>691,489</b>
<b>EQUITY</b>									
<b>Shareholders' Equity</b>									
Common shares	21,713	21,221	20,931	20,711	20,294	19,811	19,316	18,691	17,491
Preferred shares	5,800	5,000	4,750	4,400	2,700	2,200	3,395	3,395	3,395
Treasury shares	(47)	(151)	(183)	(36)	(52)	(55)	(147)	(167)	(116)
Contributed surplus	157	193	214	203	214	205	170	196	212
Retained earnings	49,497	46,145	40,489	35,452	32,053	27,585	23,982	20,868	18,213
Accumulated other comprehensive income (loss)	10,581	6,639	8,006	11,834	10,209	4,936	3,159	3,645	3,326
	87,701	79,047	74,207	72,564	65,418	54,682	49,875	46,628	42,521
Non-controlling interests in subsidiaries	–	993	983	1,650	1,610	1,549	1,508	1,477	1,483
<b>Total equity</b>	<b>87,701</b>	<b>80,040</b>	<b>75,190</b>	<b>74,214</b>	<b>67,028</b>	<b>56,231</b>	<b>51,383</b>	<b>48,105</b>	<b>44,004</b>
<b>Total liabilities and equity</b>	<b>\$ 1,415,290</b>	<b>\$ 1,334,903</b>	<b>\$ 1,278,995</b>	<b>\$ 1,176,967</b>	<b>\$ 1,104,373</b>	<b>\$ 960,511</b>	<b>\$ 862,021</b>	<b>\$ 811,053</b>	<b>\$ 735,493</b>

## Condensed Consolidated Statement of Income – Reported<sup>2</sup>

(millions of Canadian dollars)	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net interest income	\$ 23,931	\$ 22,239	\$ 20,847	\$ 19,923	\$ 18,724	\$ 17,584	\$ 16,074	\$ 15,026	\$ 13,661
Non-interest income	17,134	16,653	15,355	14,392	12,702	12,377	11,185	10,520	10,179
<b>Total revenue</b>	<b>41,065</b>	<b>38,892</b>	<b>36,202</b>	<b>34,315</b>	<b>31,426</b>	<b>29,961</b>	<b>27,259</b>	<b>25,546</b>	<b>23,840</b>
Provision for credit losses	3,029	2,480	2,216	2,330	1,683	1,557	1,631	1,795	1,490
Insurance claims and related expenses	2,787	2,444	2,246	2,462	2,500	2,833	3,056	2,424	2,178
Non-interest expenses	22,020	20,195	19,419	18,877	18,073	16,496	15,069	14,016	13,047
<b>Income before income taxes and equity in net income of an investment in TD Ameritrade</b>	<b>13,229</b>	<b>13,773</b>	<b>12,321</b>	<b>10,646</b>	<b>9,170</b>	<b>9,075</b>	<b>7,503</b>	<b>7,311</b>	<b>7,125</b>
Provision for (recovery of) income taxes	2,735	3,182	2,253	2,143	1,523	1,512	1,135	1,085	1,326
Equity in net income of an investment in TD Ameritrade	1,192	743	449	433	377	320	272	234	246
<b>Net income</b>	<b>11,686</b>	<b>11,334</b>	<b>10,517</b>	<b>8,936</b>	<b>8,024</b>	<b>7,883</b>	<b>6,640</b>	<b>6,460</b>	<b>6,045</b>
Preferred dividends	252	214	193	141	99	143	185	196	180
<b>Net income available to common shareholders and non-controlling interests in subsidiaries</b>	<b>\$ 11,434</b>	<b>\$ 11,120</b>	<b>\$ 10,324</b>	<b>\$ 8,795</b>	<b>\$ 7,925</b>	<b>\$ 7,740</b>	<b>\$ 6,455</b>	<b>\$ 6,264</b>	<b>\$ 5,865</b>
Attributable to:									
Common shareholders	\$ 11,416	\$ 11,048	\$ 10,203	\$ 8,680	\$ 7,813	\$ 7,633	\$ 6,350	\$ 6,160	\$ 5,761
Non-controlling interests in subsidiaries	18	72	121	115	112	107	105	104	104

## Condensed Consolidated Statement of Changes in Equity

(millions of Canadian dollars)	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Shareholders' Equity</b>									
Common shares	\$ 21,713	\$ 21,221	\$ 20,931	\$ 20,711	\$ 20,294	\$ 19,811	\$ 19,316	\$ 18,691	\$ 17,491
Preferred shares	5,800	5,000	4,750	4,400	2,700	2,200	3,395	3,395	3,395
Treasury shares	(47)	(151)	(183)	(36)	(52)	(55)	(147)	(167)	(116)
Contributed surplus	157	193	214	203	214	205	170	196	212
Retained earnings	49,497	46,145	40,489	35,452	32,053	27,585	23,982	20,868	18,213
Accumulated other comprehensive income (loss)	10,581	6,639	8,006	11,834	10,209	4,936	3,159	3,645	3,326
<b>Total</b>	<b>87,701</b>	<b>79,047</b>	<b>74,207</b>	<b>72,564</b>	<b>65,418</b>	<b>54,682</b>	<b>49,875</b>	<b>46,628</b>	<b>42,521</b>
Non-controlling interests in subsidiaries	–	993	983	1,650	1,610	1,549	1,508	1,477	1,483
<b>Total equity</b>	<b>\$ 87,701</b>	<b>\$ 80,040</b>	<b>\$ 75,190</b>	<b>\$ 74,214</b>	<b>\$ 67,028</b>	<b>\$ 56,231</b>	<b>\$ 51,383</b>	<b>\$ 48,105</b>	<b>\$ 44,004</b>

<sup>1</sup> Certain comparative amounts have been recast to conform with the presentation adopted in the current period.

<sup>2</sup> Includes financial assets designated at fair value through profit or loss and financial assets at fair value through other comprehensive income (available-for-sale securities under IAS 39).



# Ten-year Statistical Review – Canadian GAAP

## Condensed Consolidated Balance Sheet

(millions of Canadian dollars)

	2011	2010
<b>ASSETS</b>		
Cash resources and other	\$ 24,111	\$ 21,710
Securities	192,538	171,612
Securities purchased under reverse repurchase agreements	53,599	50,658
Loans, net of allowance for loan losses	303,495	269,853
Other	112,617	105,712
<b>Total assets</b>	<b>\$ 686,360</b>	<b>\$ 619,545</b>
<b>LIABILITIES</b>		
Deposits	\$ 481,114	\$ 429,971
Other	145,209	132,691
Subordinated notes and debentures	11,670	12,506
Liabilities for preferred shares and capital trust securities	32	582
Non-controlling interests in subsidiaries	1,483	1,493
	639,508	577,243
<b>EQUITY</b>		
Common shares	18,417	16,730
Preferred shares	3,395	3,395
Treasury shares	(116)	(92)
Contributed surplus	281	305
Retained earnings	24,339	20,959
Accumulated other comprehensive income (loss)	536	1,005
	46,852	42,302
<b>Total liabilities and shareholders' equity</b>	<b>\$ 686,360</b>	<b>\$ 619,545</b>

## Condensed Consolidated Statement of Income – Reported

(millions of Canadian dollars)

	2011	2010
Net interest income	\$ 12,831	\$ 11,543
Non-interest income	8,763	8,022
<b>Total revenue</b>	<b>21,594</b>	<b>19,565</b>
Provision for credit losses	1,465	1,625
Non-interest expenses	13,083	12,163
<b>Income before income taxes, non-controlling interests in subsidiaries and equity in net income of an associated company</b>	<b>7,046</b>	<b>5,777</b>
Provision for (recovery of) income taxes	1,299	1,262
Non-controlling interests in subsidiaries, net of income taxes	104	106
Equity in net income of an associated company, net of income taxes	246	235
<b>Net income</b>	<b>5,889</b>	<b>4,644</b>
Preferred dividends	180	194
<b>Net income available to common shareholders</b>	<b>\$ 5,709</b>	<b>\$ 4,450</b>

## Condensed Consolidated Statement of Changes in Equity

(millions of Canadian dollars)

	2011	2010
Common shares	\$ 18,417	\$ 16,730
Preferred shares	3,395	3,395
Treasury shares	(116)	(92)
Contributed surplus	281	305
Retained earnings	24,339	20,959
Accumulated other comprehensive income (loss)	536	1,005
<b>Total equity</b>	<b>\$ 46,852</b>	<b>\$ 42,302</b>

# Ten-year Statistical Review

## Other Statistics – IFRS Reported

		2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Per common share</b>	<b>1</b> Basic earnings	\$ <b>6.26</b>	\$ 6.02	\$ 5.51	\$ 4.68	\$ 4.22	\$ 4.15	\$ 3.46	\$ 3.40	\$ 3.25
	<b>2</b> Diluted earnings	<b>6.25</b>	6.01	5.50	4.67	4.21	4.14	3.44	3.38	3.21
	<b>3</b> Dividends	<b>2.89</b>	2.61	2.35	2.16	2.00	1.84	1.62	1.45	1.31
	<b>4</b> Book value	<b>45.20</b>	40.50	37.76	36.71	33.81	28.45	25.33	23.60	21.72
	<b>5</b> Closing market price	<b>75.21</b>	73.03	73.34	60.86	53.68	55.47	47.82	40.62	37.62
	<b>6</b> Closing market price to book value	<b>1.66</b>	1.80	1.94	1.66	1.59	1.95	1.89	1.72	1.73
	<b>7</b> Closing market price appreciation	<b>3.0%</b>	(0.4)%	20.5%	13.4%	(3.2)%	16.0%	17.7%	8.0%	2.4%
	<b>8</b> Total shareholder return (1-year) <sup>1</sup>	<b>7.1</b>	3.1	24.8	17.9	0.4	20.1	22.3	11.9	5.7
<b>Performance ratios</b>	<b>9</b> Return on common equity	<b>14.5%</b>	15.7%	14.9%	13.3%	13.4%	15.4%	14.2%	15.0%	16.2%
	<b>10</b> Return on Common Equity Tier 1 Capital risk-weighted assets <sup>2,3</sup>	<b>2.55</b>	2.56	2.46	2.21	2.20	2.45	2.32	2.58	2.78
	<b>11</b> Efficiency ratio	<b>53.6</b>	51.9	53.6	55.0	57.5	55.1	55.3	54.9	60.2
	<b>12</b> Net interest margin	<b>1.96</b>	1.95	1.96	2.01	2.05	2.18	2.20	2.23	2.30
	<b>13</b> Common dividend payout ratio	<b>46.1</b>	43.3	42.6	46.1	47.4	44.3	46.9	42.5	40.2
	<b>14</b> Dividend yield <sup>4</sup>	<b>3.9</b>	3.5	3.6	3.9	3.7	3.5	3.8	3.7	3.4
	<b>15</b> Price-earnings ratio <sup>5</sup>	<b>12.0</b>	12.2	13.3	13.0	12.8	13.4	13.9	12.0	11.7
<b>Asset quality</b>	<b>16</b> Net impaired loans as a % of net loans <sup>6,7</sup>	<b>0.33%</b>	0.37%	0.38%	0.46%	0.48%	0.46%	0.50%	0.52%	0.56%
	<b>17</b> Net impaired loans as a % of common equity <sup>6,7</sup>	<b>2.81</b>	3.33	3.45	4.09	4.24	4.28	4.83	4.86	5.27
	<b>18</b> Provision for credit losses as a % of net average loans and acceptances <sup>6,7</sup>	<b>0.45</b>	0.39	0.37	0.41	0.34	0.34	0.38	0.43	0.39
<b>Capital ratios</b>	<b>19</b> Common Equity Tier 1 Capital ratio <sup>3,8</sup>	<b>12.1%</b>	12.0%	10.7%	10.4%	9.9%	9.4%	9.0%	n/a%	n/a%
	<b>20</b> Tier 1 Capital ratio <sup>2,3</sup>	<b>13.5</b>	13.7	12.3	12.2	11.3	10.9	11.0	12.6	13.0
	<b>21</b> Total Capital ratio <sup>2,3</sup>	<b>16.3</b>	16.2	14.9	15.2	14.0	13.4	14.2	15.7	16.0
<b>Other</b>	<b>22</b> Common equity to total assets	<b>5.8</b>	5.5	5.4	5.8	5.7	5.5	5.4	5.3	5.3
	<b>23</b> Number of common shares outstanding (millions)	<b>1,811.9</b>	1,828.3	1,839.6	1,857.2	1,855.1	1,844.6	1,835.0	1,832.3	1,802.0
	<b>24</b> Market capitalization (millions of Canadian dollars)	<b>\$ 136,274</b>	\$ 133,519	\$ 134,915	\$ 113,028	\$ 99,584	\$ 102,322	\$ 87,748	\$ 74,417	\$ 67,782
	<b>25</b> Average number of full-time equivalent staff <sup>9</sup>	<b>89,031</b>	84,383	83,160	81,233	81,483	81,137	78,748	78,397	75,631
	<b>26</b> Number of retail outlets <sup>10</sup>	<b>2,380</b>	2,411	2,446	2,476	2,514	2,534	2,547	2,535	2,483
	<b>27</b> Number of retail brokerage offices	<b>113</b>	109	109	111	108	111	110	112	108
	<b>28</b> Number of automated banking machines	<b>6,302</b>	5,587	5,322	5,263	5,171	4,833	4,734	4,739	4,650

<sup>1</sup> Total shareholder return is calculated based on share price movement and dividends reinvested over a trailing one-year period.

<sup>2</sup> Effective fiscal 2013, amounts are calculated in accordance with the Basel III regulatory framework, and are presented based on the "all-in" methodology. Prior to fiscal 2013, amounts were calculated in accordance with the Basel II regulatory framework. Prior to 2012, amounts were calculated based on Canadian GAAP.

<sup>3</sup> Effective fiscal 2014, the CVA has been implemented based on a phase-in approach until the first quarter of 2019. Effective the third quarter 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 scalars for inclusion of CVA for CET1, Tier 1, and Total Capital RWA were 64%, 71%, and 77%, respectively. For fiscal 2017, the corresponding scalars were 72%, 77%, and 81%, respectively, for fiscal 2018, were 80%, 83%, and 86%, respectively, and for fiscal 2019, the corresponding scalars are all 100%. Prior to the second quarter of 2018, the RWA as it relates to the regulatory floor was calculated based on the Basel I risk weights which are the same for all capital ratios.

<sup>4</sup> Dividend yield is calculated as the dividend per common share paid during the year divided by the daily average closing stock price during the year.

<sup>5</sup> The price-earnings ratio is computed using diluted net income per common share over the trailing 4 quarters.

<sup>6</sup> Includes customers' liability under acceptances.

<sup>7</sup> Excludes acquired credit-impaired loans, and prior to November 1, 2017, certain debt securities classified as loans (DSCL). DSCL are now classified as debt securities at amortized cost under IFRS 9.

<sup>8</sup> Effective fiscal 2013, the Bank implemented the Basel III regulatory framework. As a result, the Bank began reporting the measures, CET1 and CET1 Capital ratio, in accordance with the "all-in" methodology. Accordingly, amounts for years prior to fiscal 2013 are not applicable (n/a).

<sup>9</sup> In fiscal 2014, the Bank conformed to a standardized definition of full-time equivalent staff across all segments. The definition includes, among other things, hours for overtime and contractors as part of its calculations. Comparatives for years prior to fiscal 2014 have not been restated.

<sup>10</sup> Includes retail bank outlets, private client centre branches, and estate and trust branches.

# Ten-year Statistical Review (continued)

## Other Statistics – Canadian GAAP Reported

		2011	2010
<b>Per common share</b>	<b>1</b> Basic earnings	\$ 3.23	\$ 2.57
	<b>2</b> Diluted earnings	3.21	2.55
	<b>3</b> Dividends	1.31	1.22
	<b>4</b> Book value	24.12	22.15
	<b>5</b> Closing market price	37.62	36.73
	<b>6</b> Closing market price to book value	1.56	1.66
	<b>7</b> Closing market price appreciation	2.4%	19.1%
	<b>8</b> Total shareholder return on common shareholders' investment <sup>1</sup>	5.7	23.4
<b>Performance ratios</b>	<b>9</b> Return on common equity	14.5%	12.1%
	<b>10</b> Return on risk-weighted assets	2.78	2.33
	<b>11</b> Efficiency ratio <sup>2</sup>	60.6	62.2
	<b>12</b> Net interest margin	2.37	2.35
	<b>13</b> Common dividend payout ratio	40.6	47.6
	<b>14</b> Dividend yield <sup>3</sup>	3.4	3.5
<b>Asset quality</b>	<b>15</b> Price-earnings ratio <sup>4</sup>	11.7	14.4
	<b>16</b> Impaired loans net of specific allowance as a % of net loans <sup>5</sup>	0.59%	0.65%
	<b>17</b> Net impaired loans as a % of common equity <sup>5</sup>	4.07	4.41
	<b>18</b> Provision for credit losses as a % of net average loans <sup>5</sup>	0.48	0.63
<b>Capital ratios</b>	<b>19</b> Tier 1 Capital ratio	13.0%	12.2%
	<b>20</b> Total Capital ratio	16.0	15.5
<b>Other</b>	<b>21</b> Common equity to total assets	6.3	6.3
	<b>22</b> Number of common shares outstanding (millions)	1,802.0	1,757.0
	<b>23</b> Market capitalization (millions of Canadian dollars)	\$ 67,782	\$ 64,526
	<b>24</b> Average number of full-time equivalent staff	75,631	68,725
	<b>25</b> Number of retail outlets <sup>6</sup>	2,483	2,449
	<b>26</b> Number of retail brokerage offices	108	105
	<b>27</b> Number of automated banking machines	4,650	4,550

<sup>1</sup> Return is calculated based on share price movement and dividends reinvested over the trailing twelve-month period.

<sup>2</sup> The efficiency ratio under Canadian GAAP is based on the presentation of insurance revenue being reported net of claims and expenses.

<sup>3</sup> Dividend yield is calculated as the dividend per common share paid during the year divided by the daily average closing stock price during the year.

<sup>4</sup> The price-earnings ratio is computed using diluted net income per common share over the trailing 4 quarters.

<sup>5</sup> Excludes acquired credit-impaired loans and certain DSCL.

<sup>6</sup> Includes retail bank outlets, private client centre branches, and estate and trust branches.

## Financial and Banking Terms

**Adjusted Results:** A non-GAAP financial measure used to assess each of the Bank's businesses and to measure the Bank's overall performance.

**Allowance for Credit Losses:** Total allowance for credit losses consists of counterparty-specific, collectively assessed allowance for individually insignificant impaired loans, and collectively assessed allowance for incurred but not identified credit losses. The allowance is increased by the provision for credit losses, and decreased by write-offs net of recoveries and disposals. The Bank maintains the allowance at levels that management believes are adequate to absorb incurred credit-related losses in the lending portfolio.

**Alt-A Mortgages:** A classification of mortgages where borrowers have a clean credit history consistent with prime lending criteria. However, characteristics about the mortgage such as loan to value (LTV), loan documentation, occupancy status or property type, etc., may cause the mortgage not to qualify under standard underwriting programs.

**Amortized Cost:** The amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization, using EIRM, of any differences between the initial amount and the maturity amount, and minus any reduction for impairment.

**Assets under Administration (AUA):** 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). These assets are not reported on the Bank's Consolidated Balance Sheet.

**Assets under Management (AUM):** Assets that are beneficially owned by customers, managed by the Bank, where the Bank has discretion to make 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. These assets are not reported on the Bank's Consolidated Balance Sheet. Some assets under management that are also administered by the Bank are included in assets under administration.

**Asset-backed Commercial Paper (ABCP):** A form of commercial paper that is collateralized by other financial assets. Institutional investors usually purchase such instruments in order to diversify their assets and generate short-term gains.

**Asset-backed Securities (ABS):** A security whose value and income payments are derived from and collateralized (or "backed") by a specified pool of underlying assets.

**Average Common Equity:** Average common equity is the equity cost of capital calculated using the capital asset pricing model.

**Average Earning Assets:** The average carrying value of deposits with banks, loans and securities based on daily balances for the period ending October 31 in each fiscal year.

**Basis Points (bps):** A unit equal to 1/100 of 1%. Thus, a 1% change is equal to 100 basis points.

**Carrying Value:** The value at which an asset or liability is carried at on the Consolidated Balance Sheet.

**Collateralized Mortgage Obligation (CMO):** They are collateralized debt obligations consisting of mortgage-backed securities that are separated and issued as different classes of mortgage pass-through securities with different terms, interest rates, and risks. CMOs by private issuers are collectively referred to as non-agency CMOs.

**Common Equity Tier 1 (CET1) Capital:** This is a primary Basel III capital measure comprised mainly of common equity, retained earnings and qualifying non-controlling interest in subsidiaries. Regulatory deductions made to arrive at the CET1 Capital include goodwill and intangibles, unconsolidated investments in banking, financial, and insurance entities, deferred tax assets, defined benefit pension fund assets, and shortfalls in allowances.

**Common Equity Tier 1 (CET1) Capital Ratio:** CET1 Capital ratio represents the predominant measure of capital adequacy under Basel III and equals CET1 Capital divided by RWA.

**Compound Annual Growth Rate (CAGR):** A measure of growth over multiple time periods from the initial investment value to the ending investment value assuming that the investment has been compounding over the time period.

**Credit Valuation Adjustment (CVA):** CVA represents an add-on capital charge that measures credit risk due to default of derivative counterparties. This add on charge requires banks to capitalize for the potential changes in counterparty credit spread for the derivative portfolios. As per OSFI's CAR guideline, CVA capital add-on charge was effective January 1, 2014.

**Dividend Yield:** Dividends paid during the year divided by average of high and low common share prices for the year.

**Effective Interest Rate (EIR):** The rate that discounts expected future cash flows for the expected life of the financial instrument to its carrying value. The calculation takes into account the contractual interest rate, along with any fees or incremental costs that are directly attributable to the instrument and all other premiums or discounts.

**Effective Interest Rate Method (EIRM):** A technique for calculating the actual interest rate in a period based on the amount of a financial instrument's book value at the beginning of the accounting period. Under EIRM, the effective interest rate, which is a key component of the calculation, discounts the expected future cash inflows and outflows expected over the life of a financial instrument.

**Efficiency Ratio:** Non-interest expenses as a percentage of total revenue; the efficiency ratio measures the efficiency of the Bank's operations.

**Enhanced Disclosure Task Force (EDTF):** Established by the Financial Stability Board in May 2012 with the goal of improving the risk disclosures of the banks and other financial institutions.

**Expected Credit Loss (ECL):** Is a calculation of the present value of the amount expected to be lost on a financial asset, for financial reporting purposes. It is calculated as:  
 $ECL = PD \text{ (probability of default)} \times EAD \text{ (exposure at default)} \times LGD \text{ (loss given default)} \times \text{Discount Factor}$ . Discount Factor is based on the expected date of default.

**Fair Value:** price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions.

**Federal Deposit Insurance Corporation (FDIC):** A U.S. government corporation which provides deposit insurance guaranteeing the safety of a depositor's accounts in member banks. The FDIC also examines and supervises certain financial institutions for safety and soundness, performs certain consumer-protection functions, and manages banks in receiverships (failed banks).

**Fair value reported in profit and loss (FVPL):** Under IFRS 9, the classification is dependent on two tests, a contractual cash flow test (named SPPI) and a business model assessment. Unless the asset meets the requirements of both tests, it is measured at fair value with all changes in fair value reported in profit and loss.

**Fair value through other comprehensive income (FVOCI):** Under IFRS 9, if the asset passes the contractual cash flows test (named SPPI), the business model assessment determines how the instrument is classified. If the instrument is being held to collect contractual cash flows, that is, if it is not expected to be sold, it is classified as amortized cost. If the business model for the instrument is to both collect contractual cash flows and potentially sell the asset, it is reported at FVOCI.

**Forward Contracts:** Over-the-counter contracts between two parties 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.

**Futures:** Exchange-traded contracts to buy or sell a security at a predetermined price on a specified future date.

**Hedging:** A risk management technique intended to mitigate the Bank's exposure to fluctuations in interest rates, foreign currency exchange rates, or other market factors. The elimination or reduction of such exposure is accomplished by engaging in capital markets activities to establish offsetting positions.

**Impaired Loans:** Loans where, in management's opinion, there has been a deterioration of credit quality to the extent that the Bank no longer has reasonable assurance as to the timely collection of the full amount of principal and interest.

**Loss Given Default (LGD):** It is the amount of the loss the Bank would likely incur when a borrower defaults on a loan, which is expressed as a percentage of exposure at default.

**Mark-to-Market (MTM):** A valuation that reflects current market rates as at the balance sheet date for financial instruments that are carried at fair value.

**Master Netting Agreements:** Legal agreements between two parties that have multiple derivative contracts with each other that provide for the net settlement of all contracts through a single payment, in a single currency, in the event of default or termination of any one contract.

**Net Interest Margin:** Net interest income as a percentage of average earning assets.

**Non-Viability Contingent Capital (NVCC):** Instruments (preferred shares and subordinated debt) that contain a feature or a provision that allows the financial institution to either permanently convert these instruments into common shares or fully write-down the instrument, in the event that the institution is no longer viable.

**Notional:** A reference amount on which payments for derivative financial instruments are based.

**Office of the Superintendent of Financial Institutions Canada (OSFI):** The regulator of Canadian federally chartered financial institutions and federally administered pension plans.

**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.

**Prime Jumbo Mortgages:** A classification of mortgages where borrowers have a clean credit history consistent with prime lending criteria and standard mortgage characteristics. However, the size of the mortgage exceeds the maximum size allowed under government sponsored mortgage entity programs.

**Probability of Default (PD):** It is the likelihood that a borrower will not be able to meet its scheduled repayments.

**Provision for Credit Losses (PCL):** Amount added to the allowance for credit losses to bring it to a level that management considers adequate to absorb all incurred credit-related losses in its portfolio.

**Return on Common Equity Tier 1 (CET1) Capital Risk-Weighted Assets:** Net income available to common shareholders as a percentage of average CET1 Capital risk-weighted assets.

**Return on Common Equity (ROE):** Net income available to common shareholders as a percentage of average common shareholders' equity. A broad measurement of a bank's effectiveness in employing shareholders' funds.

**Return on Tangible Common Equity (ROTCE):** A non-GAAP financial measure calculated as reported net income available to common shareholders after adjusting for the after tax amortization of acquired intangibles, which are treated as an item of note, as a percentage of average Tangible common equity.

**Risk-Weighted Assets (RWA):** Assets calculated by applying a regulatory risk-weight factor to on and off-balance sheet exposures. The risk-weight factors are established by the OSFI to convert on and off-balance sheet exposures to a comparable risk level.

**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.

**Solely Payments of Principal and Interest (SPPI):** IFRS 9 requires that the following criteria be met in order for a financial instrument to be classified at amortized cost:

- The entity's business model relates to managing financial assets (such as bank trading activity), and, as such, an asset is held with the intention of collecting its contractual cash flows; and
- An asset's contractual cash flows represent SPPI.

**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.

**Tangible common equity (TCE):** A non-GAAP financial measure calculated as common shareholders' equity less goodwill, imputed goodwill, and intangibles on an investment in TD Ameritrade and other acquired intangible assets, net of related deferred tax liabilities.

**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.

**Tier 1 Capital Ratio:** 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 RWA.

**Total Capital Ratio:** Total Capital is defined as the total of net Tier 1 and Tier 2 Capital. Total Capital ratio is calculated as Total Capital divided by RWA.

**Total Shareholder Return (TSR):** The change in market price plus dividends paid during the year as a percentage of the prior year's closing market price per common share.

**Value-at-Risk (VaR):** A metric used to monitor and control overall risk levels and to calculate the regulatory capital required for market risk in trading activities. VaR measures the adverse impact that potential changes in market rates and prices could have on the value of a portfolio over a specified period of time.

# Board Committees

COMMITTEE	MEMBERS <sup>1</sup>	KEY RESPONSIBILITIES <sup>1</sup>
Corporate Governance Committee	<b>Brian M. Levitt</b> (Chair) <b>William E. Bennett</b> <b>Karen E. Maidment</b> <b>Alan N. MacGibbon</b>	<b>Responsibility for corporate governance of the Bank:</b> <ul style="list-style-type: none"> <li>Identify individuals qualified to become Board members and recommend to the Board the director nominees for the next annual meeting of shareholders and recommend candidates to fill vacancies on the Board that occur between meetings of the shareholders;</li> <li>Develop and recommend to the Board a set of corporate governance principles, including a code of conduct and ethics, aimed at fostering a healthy governance culture at the Bank;</li> <li>Satisfy itself that the Bank communicates effectively, both proactively and responsively, with its shareholders, other interested parties, and the public;</li> <li>Oversee the Bank's strategy and reporting on corporate responsibility for environmental and social matters;</li> <li>Act as the conduct review committee for the Bank and certain of its Canadian subsidiaries that are federally-regulated financial institutions, including providing oversight of conduct risk; and</li> <li>Oversee the evaluation of the Board and Committees.</li> </ul>
Human Resources Committee	<b>Karen E. Maidment</b> (Chair) <b>Amy W. Brinkley</b> <b>Mary Jo Haddad</b> <b>Brian M. Levitt</b> <b>Nadir H. Mohamed</b>	<b>Responsibility for management's performance evaluation, compensation and succession planning:</b> <ul style="list-style-type: none"> <li>Discharge, and assist the Board in discharging, the responsibility of the Board relating to leadership, human resource planning and compensation, as set out in this Committee's charter;</li> <li>Set performance objectives for the Chief Executive Officer (CEO), which encourage the Bank's long-term financial success and regularly measure the CEO's performance against these objectives;</li> <li>Recommend compensation for the CEO to the Board for approval, and review and approve compensation for certain senior officers;</li> <li>Monitor the Bank's compensation strategy, plans, policies, and practices for alignment to the Financial Stability Board Principles for Sound Compensation Practices and Implementation Standards, including the appropriate consideration of risk;</li> <li>Oversee a robust talent planning and development process, including review and approval of the succession plans for the senior officer positions and heads of control functions;</li> <li>Review and recommend the CEO succession plan to the Board of Directors for approval;</li> <li>Produce a report on compensation which is published in the Bank's annual proxy circular, and review, as appropriate, any other related major public disclosures concerning compensation; and</li> <li>Oversee strategy, design and management of the Bank's employee pension, retirement savings, and benefit plans.</li> </ul>
Risk Committee	<b>William E. Bennett</b> (Chair) <b>Amy W. Brinkley</b> <b>Colleen A. Goggins</b> <b>David E. Kepler</b> <b>Alan N. MacGibbon</b> <b>Karen E. Maidment</b>	<b>Supervising the management of risk of the Bank:</b> <ul style="list-style-type: none"> <li>Approve the Enterprise Risk Framework (ERF) and related risk category frameworks and policies that establish the appropriate approval levels for decisions and other measures to manage risk to which the Bank is exposed;</li> <li>Review and recommend the Bank's Enterprise Risk Appetite Statement for approval by the Board and oversee the Bank's major risks as set out in the ERF;</li> <li>Review the Bank's risk profile against Risk Appetite of the Bank; and</li> <li>Provide a forum for "big-picture" analysis of an enterprise view of risk including considering trends and current and emerging risks.</li> </ul>
Audit Committee	<b>Alan N. MacGibbon<sup>2</sup></b> (Chair) <b>William E. Bennett<sup>2</sup></b> <b>Brian C. Ferguson<sup>2</sup></b> <b>Jean-René Halde</b> <b>Irene R. Miller<sup>2</sup></b> <b>Claude Mongeau<sup>2</sup></b>	<b>Supervising the quality and integrity of the Bank's financial reporting and compliance requirements:</b> <ul style="list-style-type: none"> <li>Oversee reliable, accurate, and clear financial reporting to shareholders;</li> <li>Oversee effectiveness of internal controls, including internal controls over financial reporting;</li> <li>Directly responsible for the selection, compensation, retention and oversight of the work of the shareholders' auditor – the shareholders' auditor reports directly to the Committee;</li> <li>Receive reports from the shareholders' auditor, chief financial officer, chief auditor, chief compliance officer, global chief anti-money laundering officer, and evaluate the effectiveness and independence of each;</li> <li>Oversee the establishment and maintenance of policies and programs reasonably designed to achieve and maintain the Bank's compliance with the laws and regulations that apply to it; and</li> <li>Act as the Audit Committee for certain subsidiaries of the Bank that are federally regulated financial institutions.</li> </ul> <p>Additional information relating to the responsibilities of the Audit Committee in respect of the appointment and oversight of the shareholder's independent external auditor is included in the Bank's 2019 Annual Information Form.</p>

<sup>1</sup> As at December 4, 2019

<sup>2</sup> Designated Audit Committee Financial Expert

# Shareholder and Investor Information

## MARKET LISTINGS

The common shares of The Toronto-Dominion Bank are listed for trading on the Toronto Stock Exchange and the New York Stock Exchange under the symbol "TD". The Toronto-Dominion Bank preferred shares are listed on the Toronto Stock Exchange.

Further information regarding the Bank's listed securities, including ticker symbols and CUSIP numbers, is available on our website at [www.td.com](http://www.td.com) under Investor Relations/Share Information or by calling TD Shareholder Relations at 1-866-756-8936 or 416-944-6367 or by e-mailing [tdshinfo@td.com](mailto:tdshinfo@td.com).

## AUDITORS FOR FISCAL 2019

Ernst & Young LLP

## DIVIDENDS

**Direct dividend depositing:** Registered shareholders may have their dividends deposited directly to any bank account in Canada or the U.S. For this service, please contact the Bank's transfer agent at the address below. Beneficial shareholders should contact their intermediary.

**U.S. dollar dividends:** For registered shareholders, dividend payments sent to U.S. addresses or made directly to U.S. bank accounts will be made in U.S. funds unless a shareholder otherwise instructs the Bank's transfer agent. Registered shareholders whose dividends are sent to non-U.S. addresses can also request dividend payments in U.S. funds by contacting the Bank's transfer agent. Dividends will be exchanged into U.S. funds at the Bank of Canada daily average exchange rate published

at 16:30 (Eastern) on the fifth business day after the record date, or as otherwise advised by the Bank. Beneficial shareholders should contact their intermediary.

Dividend information is available at [www.td.com](http://www.td.com) under Investor Relations/Share Information. Dividends, including the amounts and dates, are subject to declaration by the Board of Directors of the Bank.

## DIVIDEND REINVESTMENT PLAN

For information regarding the Bank's dividend reinvestment plan, please contact our transfer agent or visit our website at [www.td.com](http://www.td.com) under Investor Relations/Share Information/Dividends.

IF YOU	AND YOUR INQUIRY RELATES TO	PLEASE CONTACT
Are a <b>registered shareholder</b> (your name appears on your TD share certificate)	Missing dividends, lost share certificates, estate questions, address changes to the share register, dividend bank account changes, the dividend reinvestment plan, eliminating duplicate mailings of shareholder materials or stopping (or resuming) receiving annual and quarterly reports	<b>Transfer Agent:</b> AST Trust Company (Canada) P.O. Box 700, Station B Montréal, Québec H3B 3K3 1-800-387-0825 (Canada and U.S. only) or 416-682-3860 Facsimile: 1-888-249-6189 <a href="mailto:inquiries@astfinancial.com">inquiries@astfinancial.com</a> or <a href="http://www.astfinancial.com/ca-en">www.astfinancial.com/ca-en</a>
Hold your TD shares through the <b>Direct Registration System in the United States</b>	Missing dividends, lost share certificates, estate questions, address changes to the share register, eliminating duplicate mailings of shareholder materials or stopping (or resuming) receiving annual and quarterly reports	<b>Co-Transfer Agent and Registrar:</b> Computershare P.O. Box 505000 Louisville, KY 40233 or 462 South 4th Street, Suite 1600 Louisville, KY 40202 1-866-233-4836 TDD for hearing impaired: 1-800-231-5469 Shareholders outside of U.S.: 201-680-6578 TDD shareholders outside of U.S.: 201-680-6610 <a href="http://www.computershare.com/investor">www.computershare.com/investor</a>
<b>Beneficially own</b> TD shares that are held in the name of an intermediary, such as a bank, a trust company, a securities broker or other nominee	Your TD shares, including questions regarding the dividend reinvestment plan and mailings of shareholder materials	<b>Your intermediary</b>

## TD SHAREHOLDER RELATIONS

For all other shareholder inquiries, please contact TD Shareholder Relations at 416-944-6367 or 1-866-756-8936 or e-mail [tdshinfo@td.com](mailto:tdshinfo@td.com). Please note that by leaving us an e-mail or voicemail message you are providing your consent for us to forward your inquiry to the appropriate party for response.

Shareholders may communicate directly with the independent directors through the Chair of the Board, by writing to:

Chair of the Board  
The Toronto-Dominion Bank  
P.O. Box 1  
Toronto-Dominion Centre  
Toronto, Ontario M5K 1A2

or you may send an e-mail c/o TD Shareholder Relations at [tdshinfo@td.com](mailto:tdshinfo@td.com). E-mails addressed to the Chair received from shareholders and expressing an interest to communicate directly with the independent directors via the Chair will be provided to Mr. Levitt.

## HEAD OFFICE

The Toronto-Dominion Bank  
P.O. Box 1  
Toronto-Dominion Centre  
King St. W. and Bay St.  
Toronto, Ontario M5K 1A2

Product and service information 24 hours a day, seven days a week:

**In Canada** contact TD Canada Trust  
1-866-222-3456

**In the U.S.** contact TD Bank,  
America's Most Convenient Bank®  
1-888-751-9000

**French:** 1-800-895-4463

**Cantonese/Mandarin:** 1-800-387-2828

**Telephone device for the hearing**

**impaired (TTY):** 1-800-361-1180

**Website:** In Canada: [www.td.com](http://www.td.com)

In the U.S.: [www.tdbank.com](http://www.tdbank.com)

**E-mail:** [customer.service@td.com](mailto:customer.service@td.com)

(Canada only; U.S. customers can e-mail customer service via [www.tdbank.com](http://www.tdbank.com))

## ANNUAL MEETING

Thursday, April 2, 2020  
9:30 a.m. (Eastern)  
Design Exchange  
Toronto, Ontario

## SUBORDINATED NOTES SERVICES

**Trustee for subordinated notes:**  
Computershare Trust Company of Canada  
Attention: Manager,  
Corporate Trust Services  
100 University Avenue, 11th Floor  
Toronto, Ontario M5J 2Y1

**Vous pouvez vous procurer des exemplaires en français du rapport annuel au service suivant :**  
Affaires internes et publiques  
La Banque Toronto-Dominion  
P.O. Box 1, Toronto-Dominion Centre  
Toronto (Ontario) M5K 1A2

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