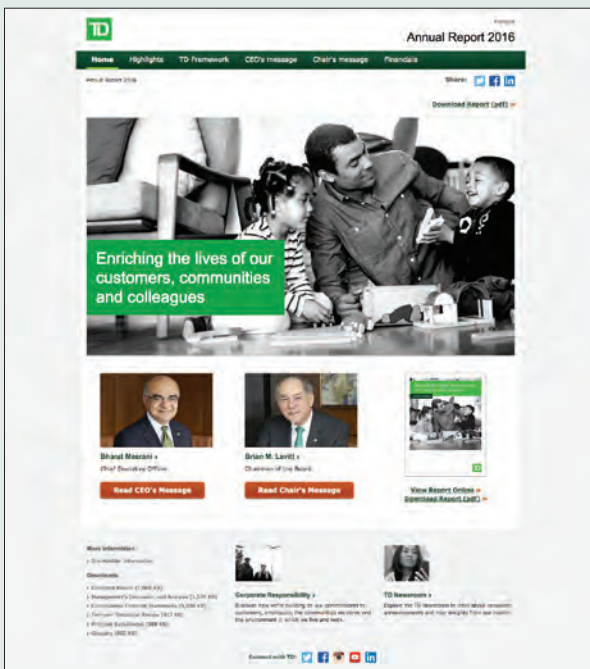


# Enriching the lives of our customers, communities and colleagues

2016 Annual Report



2016 Snapshot	1
Year at a Glance	2
Performance Indicators	4
TD Framework	5
Group President and CEO's Message	6
Chairman of the Board's Message	7
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>11</b>
<b>FINANCIAL RESULTS</b>	
Consolidated Financial Statements	116
Notes to Consolidated Financial Statements	124
Ten-Year Statistical Review	201
Glossary	207
Shareholder and Investor Information	209



For more information, see the interactive TD Annual Report online by visiting [td.com/annual-report/ar2016](http://td.com/annual-report/ar2016)

For information on TD's commitments to the community see the TD Corporate Responsibility Report online by visiting [td.com/corporate-responsibility](http://td.com/corporate-responsibility)

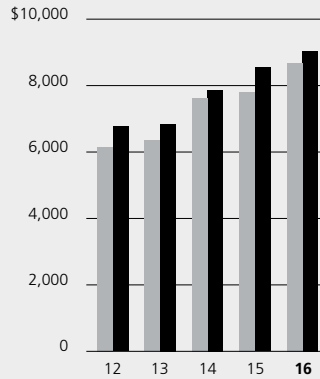
(2016 report available April 2017)

# 2016 Snapshot<sup>1</sup>

## NET INCOME

available to common shareholders  
(millions of Canadian dollars)

■ Reported ■ Adjusted



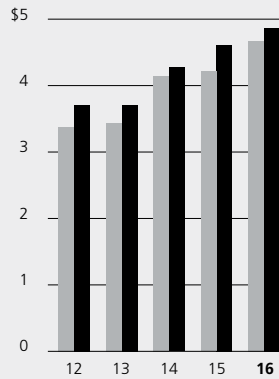
TD's 5-year CAGR

8.5% Reported  
8.0% Adjusted

## DILUTED EARNINGS PER SHARE

(Canadian dollars)

■ Reported ■ Adjusted



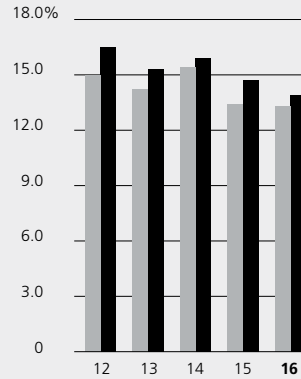
TD's 5-year CAGR

7.8% Reported  
7.3% Adjusted

## RETURN ON COMMON EQUITY

(percent)

■ Reported ■ Adjusted

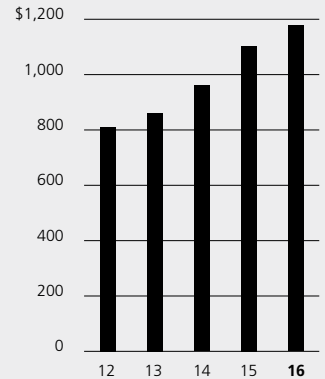


TD's 2016 Return on Common Equity

13.3% Reported  
13.9% Adjusted

## TOTAL ASSETS

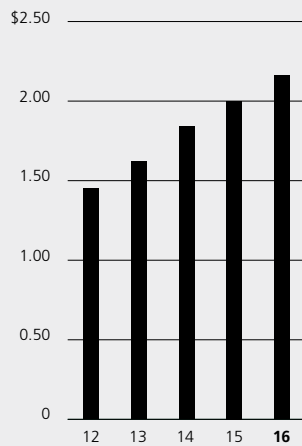
(billions of Canadian dollars)



\$1,177 billion of total assets as at October 31, 2016

## DIVIDENDS PER SHARE

(Canadian dollars)



10.6% TD's 5-year CAGR  
6.6% Canadian peers 5-year CAGR

## TOTAL SHAREHOLDER RETURN

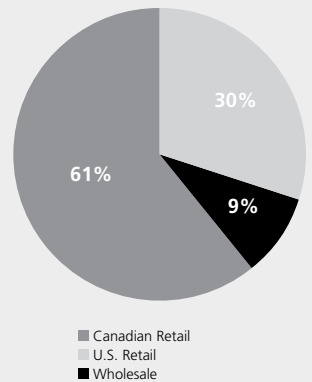
(5-year CAGR)

14.2%

12.6% Canadian peers

## TD'S PREMIUM RETAIL EARNINGS MIX<sup>2</sup>

TD's premium earnings mix reflects our North American retail focus – lower-risk businesses with stable, consistent earnings



91% Retail  
9% Wholesale

<sup>1</sup> Refer to the footnotes on pages 2 and 3 for information on how these results are calculated.

<sup>2</sup> Reported basis excluding Corporate segment.

# Year at a Glance<sup>1</sup>

<p><b>Record Reported Earnings of \$8.9 billion in 2016</b></p> <p>TD announced record reported earnings for the seventh consecutive year driven by growth in our U.S. Retail and Wholesale businesses.</p>	<p><b>TD Shares Reach an All-Time High</b></p> <p>TD common shares reached an all-time high of \$61.03 on October 31, 2016. TD also ranked #1 or #2 over the one, three, five and ten year time frames for Total Shareholder Return (TSR) among the Big 5 banks<sup>2</sup>.</p>	<p><b>Returning Capital to TD Shareholders</b></p> <p>TD raised its quarterly dividend 8% from the previous year and repurchased 9.5 million shares to offset dilution from the Bank's dividend reinvestment plan and issuances related to stock options.</p>
<p><b>Tuck-in Acquisitions to Further Strengthen U.S. Businesses</b></p> <p>TD Securities announced an agreement to acquire Albert Fried &amp; Company, a New York based broker-dealer with a prime brokerage technology platform. TD also announced an agreement to acquire Scottrade Bank, in conjunction with TD Ameritrade's agreement to acquire Scottrade's discount brokerage business<sup>3</sup>.</p>	<p><b>TD Canada Trust Remains the Leader in Service and Convenience</b></p> <p>TD Canada Trust (TDCT) retained the #1 spot in "Customer Service Excellence" among the Big 5 Canadian Banks for the twelfth consecutive year according to Ipsos. In addition, TDCT continued to lead in credit cards and total personal deposit market share and maintained the #2 position for business loan and deposit market share<sup>4,5</sup>.</p>	<p><b>Record Year in Wealth Management</b></p> <p>TD Wealth delivered double-digit growth and over \$1 billion in global earnings and surpassed the \$700 billion mark in total assets under management and administration. TD Direct Investing launched the new WebBroker Platform and successfully migrated over 1.5 million clients. The Advice businesses posted record assets and delivered earnings growth of over 25%. TD Asset Management, including Epoch, accumulated record assets under management of over \$300 billion.</p>
<p><b>Momentum in TD Securities</b></p> <p>TD Securities (TDS) achieved net income of \$920 million and ROE of 16% in 2016. TDS grew corporate loans by 28%; further expanded its U.S. capabilities and client offerings; maintained top three dealer status in Canada in key product markets; and attained the #1 ranking overall in Thomson Reuters Analyst Awards for equity research<sup>6,7</sup>.</p>	<p><b>TD Bank, America's Most Convenient Bank<sup>®</sup> delivers Record Earnings</b></p> <p>TD's U.S. Retail segment delivered US\$2.2 billion in earnings, up 11% from the prior year, and TD Bank, America's Most Convenient Bank won the J.D. Power U.S. Retail Banking Satisfaction Award for the Florida Region<sup>8</sup>.</p>	<p><b>TD Insurance Continues to Lead in Direct to Consumer and Affinity Personal Home and Auto Insurance in Canada</b></p> <p>TD Insurance (TDI) continues to enhance its claims handling and advice capabilities. In 2016, it launched the first one-stop-shop auto claims collision centre in Canada. TDI also raised the bar on customer support during the Fort McMurray wildfires, the costliest natural disaster in Canadian history. TD is ranked first in balance protection for credit cards and second in credit protection insurance among the Big 5 banks<sup>9,10,11</sup>.</p>
<p><b>TD Remains a Direct Channels Leader in Canada</b></p> <p>TD ranked first in Canadian mobile banking with the highest number of mobile unique visitors according to Comscore. TD was also recognized for its leadership in customer service excellence among the Big 5 Canadian Banks for automated teller machines (ATM), online and mobile banking according to Ipsos<sup>4,12</sup>.</p>	<p><b>TD Continues to Deliver Innovative Solutions to Help Customers Live their Lives</b></p> <p>TD introduced TD My Spend, a money management app that provides customers with real time insight into their spending. TD also introduced TD for Me. A companion to TD's Canadian banking app, it provides customers with personalized experiences, offers and reminders. Both are firsts for Canadian financial institutions. In the U.S., TD launched its Next Generation Digital platform, including a redesigned app for iOS and Android devices with more than 20 new features.</p>	<p><b>TD Provides Leadership in the Transition to the Low Carbon Economy</b></p> <p>In 2016, TD became the first Canadian company to join both the RE100, a global initiative to help increase renewable energy demand, and CDP's program to reduce carbon in the supply chain. Alongside a group of Canadian industry leaders, TD joined the Carbon Pricing Leadership Coalition to support the Canadian government's commitment to reduce carbon emissions. In 2016, TD was the highest scoring Canadian bank on the CDP Climate Disclosure Leadership Index and the only Canadian bank listed on the Dow Jones Sustainability World Index.</p>

<sup>1</sup> The Toronto-Dominion Bank (the "Bank" or "TD") 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", net of income taxes, from reported results. Refer to the "Financial Results Overview" in the accompanying 2016 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.

"Five-year CAGR" is the compound annual growth rate calculated from 2011 to 2016 on a reported and adjusted basis.

<sup>2</sup> TSR is calculated based on share price movements and dividends reinvested over the trailing one, three, five, and ten year periods ending October 31, 2016. Source: Bloomberg. Canadian peers include Royal Bank of Canada, Scotiabank, Bank of Montreal and Canadian Imperial Bank of Commerce.

<sup>3</sup> Scottrade Bank is a federal savings bank wholly-owned by Scottrade Financial Services Inc.

<sup>4</sup> TDCT achieved leadership in banking excellence in the following channels in the 2016 Ipsos Best Banking Awards: Automated Teller Machine, Online and Mobile. Leadership is defined as either a statistically significant lead over the other Big 5 Canadian Banks (at a 95% confidence interval) or a statistically equal tie with one or more of the Big 5 Canadian Banks. Ipsos 2016 Best Banking Awards are based on ongoing quarterly Customer Service Index (CSI) survey results. Sample size for the total 2016 CSI program year ended with the August 2016 survey wave was 47,305 completed surveys yielding 67,678 financial institution ratings nationally.

<sup>5</sup> Market share ranking is based on the most current data available from public financial disclosures for average credit card balances at June 2016, the Office of the Superintendent of Financial Institutions Canada (OSFI) for personal deposits, and the Canadian Bankers Association for business deposits and loans as of March 2016.

<sup>6</sup> Ranked #1 in Equity Options Block Trading and #2 in Equity Block Trading (block trades by value on all Canadian exchanges. Source: IRESS); #1 in Equity Underwriting (Source: Bloomberg); #2 in Government and Corporate debt underwriting (excludes self-led domestic bank deals and credit card deals. Bonus credit to lead. Source: Bloomberg); #3 in Canadian Syndicated Loans (deal volume awarded proportionately to the Lead Arrangers. Based on a rolling twelve-month basis. Source: Bloomberg). All rankings are as of calendar year-to-date September 2016 unless otherwise noted. Rankings reflect TD Securities' position among Canadian peers.

<sup>7</sup> The Thomson Reuters Analyst Awards are recognized as the gold standard in objective measurement of sell-side analyst performance. The awards recognize

the world's top individual sell-side analysts and sell-side firms. They measure the performance of sell-side analysts based on the returns of their buy/sell recommendations relative to industry benchmarks, and the accuracy of their earnings estimates in 16 regions across the globe. TD Securities' ranking is based on receiving the highest number of equity research awards in 2016.

<sup>8</sup> TD Bank, N.A. received the highest numerical score among Retail Banks in Florida in the J.D. Power 2016 Retail Banking Satisfaction Study, based on 76,233 responses from 10 banks measuring opinions of consumers with their primary banking provider, surveyed April 2015-February 2016. Your experiences may vary. Visit [www.jdpower.com](http://www.jdpower.com).

<sup>9</sup> Ranks based on data available from OSFI, Insurers, Insurance Bureau of Canada, and Provincial Regulators, as at December 31, 2015. Peer group top 10: Intact, Desjardins, Aviva, RSA, Wawanesa, The Co-Operators, Allstate, Economical, and Travelers.

<sup>10</sup> Balance protection insurance on credit cards per Canadian Bankers Association (CBA), April 2016.

<sup>11</sup> Credit protection insurance among Big 5 banks based on credit penetration of Mortgage Life Insurance, using data from CBA, April 2016.

<sup>12</sup> Comscore reporting current as of August 30, 2016. TD had the highest number of mobile unique visitors accessing financial services over the past three months, over the full year to-date, and over the third quarter of 2016.

## Financial Highlights

(millions of Canadian dollars, except where noted)	2016	2015	2014
<b>Results of operations</b>			
Total revenues – reported	\$ 34,315	\$ 31,426	\$ 29,961
Total revenues – adjusted <sup>1</sup>	34,308	31,437	29,681
Provision for credit losses – reported	2,330	1,683	1,557
Provision for credit losses – adjusted <sup>1</sup>	2,330	1,683	1,582
Insurance claims and related expenses	2,462	2,500	2,833
Non-interest expenses – reported	18,877	18,073	16,496
Non-interest expenses – adjusted <sup>1</sup>	18,496	17,076	15,863
Net income – reported	8,936	8,024	7,883
Net income – adjusted <sup>1</sup>	9,292	8,754	8,127
Return on common equity – reported	13.3%	13.4%	15.4%
Return on common equity – adjusted <sup>2</sup>	13.9	14.7	15.9
<b>Financial positions</b> (billions of Canadian dollars)			
Total loans net of allowance for loan losses	\$ 585.7	\$ 544.3	\$ 478.9
Total assets	1,177.0	1,104.4	960.5
Total deposits	773.7	695.6	600.7
Total equity	74.2	67.0	56.2
Total Common Equity Tier 1 Capital risk-weighted assets <sup>3</sup>	405.8	382.4	328.4
<b>Financial ratios</b>			
Efficiency ratio – reported	55.0%	57.5%	55.1%
Efficiency ratio – adjusted <sup>1</sup>	53.9	54.3	53.4
Common Equity Tier 1 Capital ratio <sup>3</sup>	10.4	9.9	9.4
Tier 1 Capital ratio <sup>3</sup>	12.2	11.3	10.9
Total Capital ratio <sup>3</sup>	15.2	14.0	13.4
Leverage ratio	4.0	3.7	n/a <sup>4</sup>
Provision for credit losses as a % of net average loans and acceptances <sup>5</sup>	0.41	0.34	0.34
<b>Common share information – reported</b> (dollars)			
Per share earnings			
Basic	\$ 4.68	\$ 4.22	\$ 4.15
Diluted	4.67	4.21	4.14
Dividends per share	2.16	2.00	1.84
Book value per share	36.71	33.81	28.45
Closing share price <sup>6</sup>	60.86	53.68	55.47
Shares outstanding (millions)			
Average basic	1,853.4	1,849.2	1,839.1
Average diluted	1,856.8	1,854.1	1,845.3
End of period	1,857.2	1,855.1	1,844.6
Market capitalization (billions of Canadian dollars)	\$ 113.0	\$ 99.6	\$ 102.3
Dividend yield	3.9%	3.8%	3.5%
Dividend payout ratio	46.1	47.4	44.3
Price-earnings ratio	13.0	12.8	13.4
Total shareholder return (1 year) <sup>7</sup>	17.9	0.4	20.1
<b>Common share information – adjusted</b> (dollars) <sup>1</sup>			
Per share earnings			
Basic	\$ 4.88	\$ 4.62	\$ 4.28
Diluted	4.87	4.61	4.27
Dividend payout ratio	44.3%	43.3%	43.0%
Price-earnings ratio	12.5	11.7	13.0

<sup>1</sup> Refer to footnote 1 on page 2.

<sup>2</sup> Adjusted return on common equity is a non-GAAP financial measure. Refer to the "Return on Common Equity" section of this document for an explanation.

<sup>3</sup> Effective the third quarter of 2014, each capital ratio has its own risk-weighted assets (RWA) measure due to the OSFI prescribed scalar for inclusion of the Credit Valuation Adjustment (CVA). For fiscal 2014, the scalars for inclusion of CVA for Common Equity Tier 1 (CET1), Tier 1, and Total Capital RWA are 57%, 65%, and 77% respectively. For fiscal 2015 and 2016, the scalars are 64%, 71%, and 77% respectively.

<sup>4</sup> Not applicable.

<sup>5</sup> Excludes acquired credit-impaired (ACI) loans and debt securities classified as loans. For additional information on ACI loans, refer to the "Credit Portfolio Quality" section of the MD&A and Note 8 of the Consolidated Financial Statements. For additional information on debt securities classified as loans, refer to the "Exposure to Non-Agency Collateralized Mortgage Obligations" discussion and tables in the "Credit Portfolio Quality" section of the MD&A.

<sup>6</sup> Toronto Stock Exchange closing market price.

<sup>7</sup> TSR is calculated based on share price movement and dividends reinvested over a trailing one year period.

# Performance Indicators<sup>1</sup>

Performance indicators focus effort, communicate our priorities, and benchmark TD's performance as we strive to be the even Better Bank. The following table highlights our performance against these indicators.

2016 PERFORMANCE INDICATORS	RESULTS <sup>1</sup>
<b>FINANCIAL</b> <ul style="list-style-type: none"> <li>Deliver above-peer-average total shareholder return<sup>2</sup></li> <li>Grow earnings per share (EPS) by 7 to 10%</li> <li>Deliver above-peer-average return on risk-weighted assets<sup>3</sup></li> </ul>	<ul style="list-style-type: none"> <li>17.9% vs. Canadian peer average of 15.4%</li> <li>6% EPS growth</li> <li>2.31% vs. Canadian peer average of 2.15%<sup>3</sup></li> </ul>
<b>BUSINESS OPERATIONS</b> <ul style="list-style-type: none"> <li>Grow revenue<sup>4</sup> faster than expenses</li> </ul>	<ul style="list-style-type: none"> <li>Total revenue growth of 10% vs. total expense growth of 8%</li> <li>Refer to "Business Segment Analysis" in the 2016 MD&amp;A for details</li> </ul>
<b>CUSTOMER</b> <ul style="list-style-type: none"> <li>Improve Legendary Experience Index (LEI)<sup>5</sup> and Customer Experience Index (CEI)<sup>6</sup> scores</li> <li>Invest in core businesses to enhance customer experience</li> </ul>	<ul style="list-style-type: none"> <li>LEI/CEI composite score 45.3% (target 46.5%)</li> <li>Refer to "Business Segment Analysis" in the 2016 MD&amp;A for details</li> </ul>
<b>EMPLOYEE</b> <ul style="list-style-type: none"> <li>Improve employee engagement score year over year</li> <li>Enhance the employee experience by: <ul style="list-style-type: none"> <li>Listening to our employees</li> <li>Building employment diversity</li> <li>Providing a healthy, safe, and flexible work environment</li> <li>Providing competitive pay, benefits, and performance-based compensation</li> <li>Investing in training and development</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Employee engagement score<sup>7</sup> was 4.18 in 2016 vs. 4.17 in 2015</li> <li>Refer to TD's 2016 Corporate Responsibility Report available April 2017</li> </ul>
<b>COMMUNITY</b> <ul style="list-style-type: none"> <li>Donate minimum of 1% of domestic pre-tax profits (five-year average) to charitable and not-for-profit organizations</li> <li>Make positive contributions by: <ul style="list-style-type: none"> <li>Supporting employees' community involvement and fundraising efforts</li> <li>Supporting advancements in our areas of focus, which include education and financial literacy, creating opportunities for young people, creating opportunities for affordable housing, and the environment</li> <li>Protecting and preserving the environment</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>\$102.8 million in donations and community sponsorships across North America and the U.K. vs. \$92.5 million in 2015</li> <li>1.2% of domestic pre-tax profits in donations and community sponsorships in Canada vs. 1.3% in 2015<sup>8</sup></li> <li>\$245,000 in domestic employee volunteer grants to 406 different organizations</li> <li>\$38.8 million, or 56.9%, of our community giving was directed to promote our areas of focus domestically</li> <li>\$5.7 million distributed to 1,113 community environmental projects through TD Friends of the Environment Foundation; an additional \$9.3 million from TD's community giving budget was used to support environmental projects</li> </ul>

<sup>1</sup> Performance indicators that include an earnings component are based on TD's full-year adjusted results (except as noted) as explained in footnote 1 on page 2. For peers, earnings have been adjusted on a comparable basis to exclude identified non-underlying items.

<sup>2</sup> TSR is calculated based on share price movement and dividends reinvested over a trailing one year period.

<sup>3</sup> Return on CET1 RWA measured year-to-date as at October 31, 2016, for comparison purposes. Each capital ratio has its own RWA measure due to the OSFI prescribed scalar for inclusion of the CVA. The scalars for inclusion of the CVA for CET1, Tier 1, and Total Capital RWA are 64%, 71%, and 77%, respectively.

<sup>4</sup> Revenue is net of insurance claims and related expenses.

<sup>5</sup> LEI is a new survey measurement program that tracks customers' experience and their overall relationship with TD. LEI was launched for TDCT and TD Bank retail programs in fiscal 2015, replacing CEI.

<sup>6</sup> CEI is a survey measurement program that tracks advocacy among TD Wealth and TD Insurance customers. TD Wealth and TD Insurance CEI programs will be transitioned to LEI programs in fiscal 2018.

<sup>7</sup> Scale for employee engagement score is from one to five.

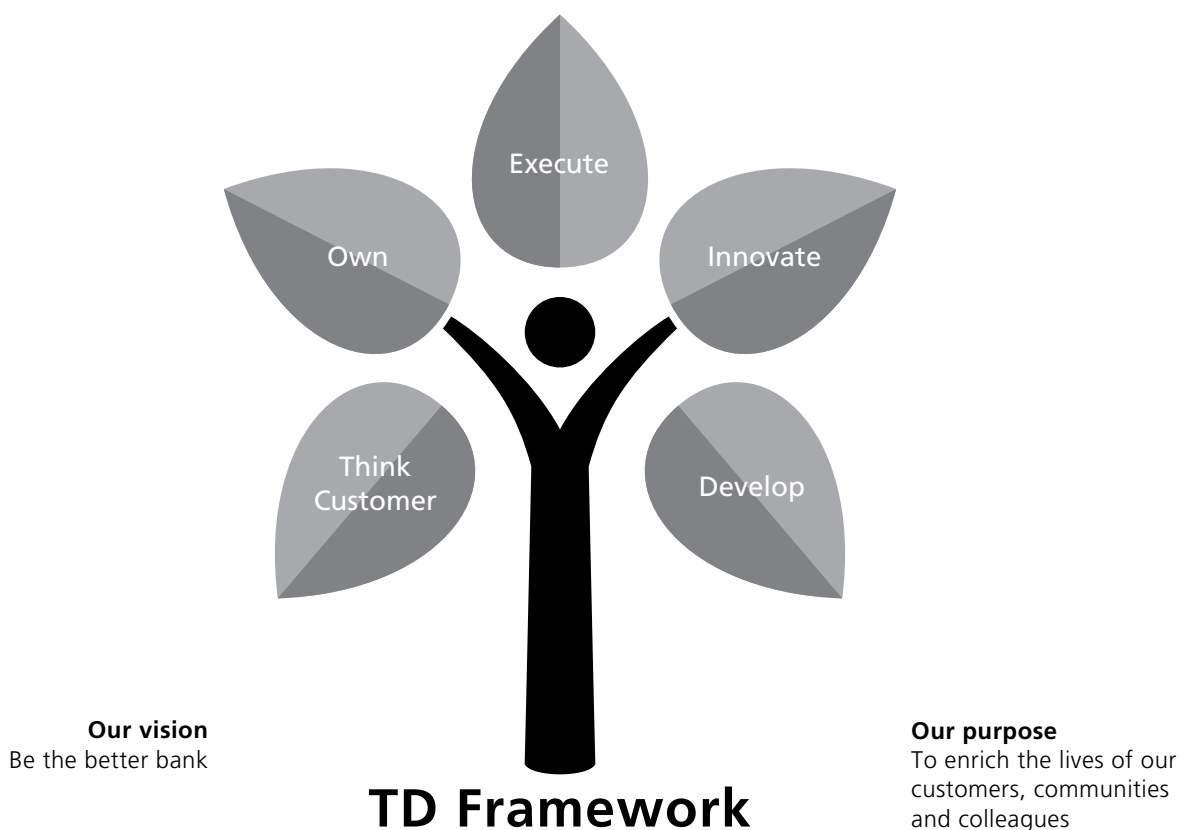
<sup>8</sup> Calculated based on Canadian cash donations/five-year rolling average domestic net income before tax.

# TD Framework

The title of this year's Annual Report, *Enriching the lives of our customers, communities and colleagues*, speaks to the purpose that underpins what we do each and every day. It is part of the new TD Framework, which guides our behaviour, shapes our culture and drives our performance.

Our Framework is described in a simple and straightforward way, so everyone has a clear understanding of how we will grow our business and people, be the brand of choice for customers and clients, and make life better in the community. It is captured in the graphic below, which expresses our mission, purpose and set of shared commitments. The TD Tree represents growth and development, strength and wisdom, and an organization with deep roots. It also reflects our ongoing focus on our environment.

Simply, it's about what we set out to achieve every day, and how we will do it. The TD Framework is inspiring, yet easy to incorporate into the work we do. Most important, it has no borders – the Framework applies to everyone at TD, no matter their business, level or location. The shared commitments are the behaviours that differentiate us and help guide the way we run our business, develop as leaders, and support our colleagues. We will use these commitments throughout the Bank to help set objectives, evaluate performance, reward and recognize our colleagues and build the skills and capabilities we need to continue succeeding as an organization.



## 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

## ENRICHING LIVES

TD strives to enrich the lives of its customers, communities and colleagues every day. This core purpose enables us to compete, win and grow in ways that create long-term shareholder value.

Indeed, we delivered record earnings of \$8.9 billion in 2016. Canadian Retail represented approximately two-thirds of our total earnings, with contributions coming from across all of our businesses including personal and commercial, wealth, and insurance. Our U.S. business continued to grow at an impressive pace with results driven by peer-leading loan and deposit volume growth. TD Securities delivered strong results as well, and improved its market position in Canada in key areas while continuing its growth momentum in the U.S.

Shareholders earned \$2.16 per share in dividend payout. TD achieved above average Total Shareholder Return among our Big 5 peers over the short, medium and long term. Common Equity Tier 1 capital ratio of 10.4% speaks to our enduring financial strength.

## THE PROMISES WE MAKE

These results point to the strength of our diverse business mix, winning growth strategy and the investments we continue to make in our business to ensure we can compete, win and grow. But, more fundamentally, they stem from our clarity of purpose and the promises we make.

### Customers

To our customers, we know they don't live to bank, they bank to live. In 2016, we continued to simplify processes and empower our people to make it easier for our customers to do business with us.

We also introduced a number of innovations to elevate their experiences. For instance, TD can now serve its customers through Facebook Messenger, a preferred channel by many – TD was, in fact, the first bank in the world to do so. What's more, this past June, we launched TD MySpend, which enables customers to easily track their spending habits in real time. Already, we have more than 700,000 registered users and this is just one example of our approach to meeting our customers' evolving needs. All this helps explain why we are ranked among the world's leading online financial services firms, with approximately 11 million active digital customers.

### Communities

Helping communities thrive is a business imperative for TD. We know that we can only be successful if the communities in which we operate are vibrant places to live and work. This includes investing our time and money in various environmental and educational initiatives. In 2016, we continued to create more green spaces and helped hundreds of thousands of people gain the knowledge, skills and confidence to manage their finances responsibly.

TD's community efforts took on special meaning in Fort McMurray, Alberta, where many people were left in extreme and, in some cases, desperate situations. I was very proud of how TD colleagues all across the Bank came together to support this community in their time of greatest need.

### Colleagues

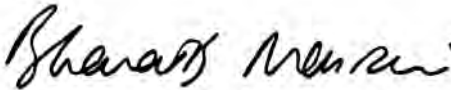
Whether serving our customers or communities, we know that our people are the ones who make a difference. We work hard to create an environment where our colleagues can be their best and do their best. To this end, we foster an inclusive culture, and provide our colleagues with meaningful work and growth opportunities. We entrust them to think like a customer and act like an owner to enhance our brand and business. I was pleased that these efforts continued to earn awards and accolades in both the U.S. and Canada in 2016.

## ENDURING PURPOSE

Looking forward, economic headwinds will likely persist. The competitive landscape will continue to intensify, as both traditional and new entrants deploy innovative technologies. Regulatory changes will require business models to evolve. And financial institutions need to contend with new and emerging threats including cyber-security.

None of this, however, will distract us from the promises we've made to our customers, communities and colleagues or the values we hold dear. Ultimately, our purpose – to enrich lives – will continue to guide TD and, in turn, will enable us to deliver superior results for our shareholders. I am confident that we have the right strategies and are making the right investments to enable us to compete, win and grow in the future.

Thank you for the confidence you have placed in TD. We work hard every day to earn your trust and look forward to continuing to do so.



**Bharat Masrani**

Group President and Chief Executive Officer




# Chairman of the Board's Message

In 2016 TD Bank Group delivered increased reported earnings for the seventh consecutive year. We delivered increased dividends for the sixth consecutive year. We operated within our risk appetite and ended the year with strong capital and liquidity positions. For the sixth year in a row, Global Finance named TD one of the world's safest banks and the safest bank in Canada.

While delivering excellent short term results, TD maintained focus on the medium to long term through substantial investment in technology and training, so as to enable TD to continue to deliver on its differentiated convenience and service promise to retail customers and to support the growth of our commercial and corporate clients.

TD's success is underpinned by its values and culture. As the pace and intensity of the competition has increased, we have maintained a focus on metrics of employee and customer satisfaction, in order to be sure that our core values continue to be well understood and widely reflected throughout the Bank, particularly in our interactions with customers.

On behalf of the Board I would like to thank our Group President and CEO, Bharat Masrani, and his leadership team, as well as every one of our employees, for their hard work, wise stewardship and balanced approach to making TD the Better Bank. I also want to thank our shareholders for their ongoing support and our customers for the opportunity to serve them every day.



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

## THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Board of Directors as at November 30, 2016, its committees and key committees' responsibilities are listed below. Our Proxy Circular for the 2017 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/experience, 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

**Amy W. Brinkley**  
Consultant, AWB Consulting, LLC, Charlotte, North Carolina

**Brian C. Ferguson**  
President & Chief Executive Officer, Cenovus Energy Inc., Calgary, Alberta

**Colleen A. Goggins**  
Corporate Director and retired Worldwide Chairman, Consumer Group, Johnson & Johnson, Princeton, New Jersey

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

**Jean-René Halde**  
Corporate Director and retired President and Chief Executive Officer, Business Development Bank of Canada, Montréal, Québec

**David E. Kepler**  
Corporate Director and retired Executive Vice President, The Dow Chemical Company, Sanford, Michigan

**Brian M. Levitt**  
Chairman of the Board, The Toronto-Dominion Bank, Toronto, Ontario

**Alan N. MacGibbon**  
Non-executive Vice Chair, Osler, Hoskin & Harcourt LLP, Toronto, Ontario

**Karen E. Maidment**  
Corporate Director and former Chief Financial and Administrative Officer, BMO Financial Group, Cambridge, Ontario

**Bharat B. Masrani**  
Group President and Chief Executive Officer, The Toronto-Dominion Bank, Toronto, Ontario

**Irene R. Miller**  
Chief Executive Officer, Akim, Inc., New York, New York

**Nadir H. Mohamed**  
Corporate Director and former President and Chief Executive Officer, Rogers Communications Inc., Toronto, Ontario

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

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 TD:</b> <ul style="list-style-type: none"> <li>• Set the criteria for selecting new directors and the Board's approach to director independence;</li> <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 TD;</li> <li>• Review and recommend the compensation of the non-management directors of TD;</li> <li>• Satisfy itself that TD communicates effectively with its shareholders, other interested parties and the public through a responsive communication policy;</li> <li>• Facilitate the evaluation of the Board and Committees;</li> <li>• Oversee an orientation program for new directors and continuing education for directors; and</li> <li>• Monitoring the functions of the Ombudsman, including by reviewing with the Ombudsman periodic reports on the activities of the Office of the Ombudsman.</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 TD'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 determine compensation for certain senior officers;</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; and</li> <li>• Produce a report on compensation which is published in TD's annual proxy circular, and review, as appropriate, any other related major public disclosures concerning compensation.</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 TD:</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 TD is exposed;</li> <li>• Review and recommend TD's Risk Appetite Statement and related metrics for approval by the Board and monitor TD's major risks as set out in the ERF;</li> <li>• Review TD's risk profile against Risk Appetite metrics; and</li> <li>• Provide a forum for "big-picture" analysis of an enterprise view of risk, including considering trends and emerging risks.</li> </ul>
Audit Committee	<b>Alan N. MacGibbon</b> <sup>2</sup> (Chair) <b>William E. Bennett</b> <sup>2</sup> <b>Brian C. Ferguson</b> <sup>2</sup> <b>Jean-René Halde</b> <b>Irene R. Miller</b> <sup>2</sup> <b>Claude Mongeau</b> <sup>2</sup>	<b>Supervising the quality and integrity of TD's financial reporting:</b> <ul style="list-style-type: none"> <li>• Oversee reliable, accurate and clear financial reporting to shareholders;</li> <li>• Oversee the effectiveness of internal controls including controls over financial reporting;</li> <li>• Be directly responsible for the selection, compensation, retention and oversight of the work of the shareholders' auditor – the shareholders' auditor reports directly to this Committee;</li> <li>• Receive reports from the shareholders' auditor, Chief Financial Officer, Chief Auditor, Chief Compliance Officer and Global Anti-Money Laundering Officer, and evaluate the effectiveness and independence of each;</li> <li>• Oversee the establishment and maintenance of processes that ensure TD is in compliance with the laws and regulations that apply to it, as well as its own policies;</li> <li>• Act as the Audit Committee and Conduct Review Committee for certain subsidiaries of TD that are federally-regulated financial institutions and insurance companies; and</li> <li>• Receive reports on and approve, if appropriate, certain transactions with related parties.</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 2016 Annual Information Form.</p>

<sup>1</sup> As at November 30, 2016

<sup>2</sup> Designated Audit Committee Financial Expert

## ENHANCED DISCLOSURE TASK FORCE

The Enhanced Disclosure Task Force (EDTF) was established by the Financial Stability Board in May 2012 to identify fundamental disclosure principles, recommendations and leading practices to enhance risk disclosures of banks. On October 29, 2012, the EDTF published its report, "Enhancing the Risk Disclosures of Banks", which sets forth 7 fundamental disclosure principles and 32 recommendations around improving risk disclosures.

Below is an index that includes the recommendations (as published by the EDTF) and lists the location of the related EDTF disclosures presented in the 2016 Annual Report or the 2016 fourth quarter Supplemental Financial Information (SFI). Information on TD's website or any SFI is not and should not be considered incorporated herein by reference into the 2016 Annual Report, Management's Discussion and Analysis, or the Consolidated Financial Statements.

Type of Risk	Topic	EDTF Disclosure	Page	
			Annual Report	SFI
General	1	Present all related risk information together in any particular report.	Refer to below for location of disclosures	
	2	The bank's risk terminology and risk measures and present key parameter values used.	72-77, 82, 88-91, 102-103	
	3	Describe and discuss top and emerging risks.	68-71	
	4	Outline plans to meet each new key regulatory ratio once applicable rules are finalized.	63-64, 70, 95-96, 98	
Risk Governance and Risk Management and Business Model	5	Summarize the bank's risk management organization, processes, and key functions.	73-76	
	6	Description of the bank's risk culture and procedures applied to support the culture.	72-73	
	7	Description of key risks that arise from the bank's business models and activities.	62, 72, 77-104	
	8	Description of stress testing within the bank's risk governance and capital frameworks.	60, 76, 84, 102	
Capital Adequacy and Risk Weighted Assets	9	Pillar 1 capital requirements and the impact for global systemically important banks.	58-59	79-80, 83
	10	Composition of capital and reconciliation of accounting balance sheet to the regulatory balance sheet.	58	79-81
	11	Flow statement of the movements in regulatory capital.		82
	12	Discussion of capital planning within a more general discussion of management's strategic planning.	59-60, 102	
	13	Analysis of how RWA relate to business activities and related risks.	60, 62	5-8
	14	Analysis of capital requirements for each methods used for calculating RWA.	78-84, 196-197	78
	15	Tabulate credit risk in the banking book for Basel asset classes and major portfolios.		53-73
	16	Flow statement reconciling the movements of RWA by risk type.	61	
Liquidity	17	Discussion of Basel III back-testing requirements.	80, 84, 89-90	75-76
	18	The bank's management of liquidity needs and liquidity reserves.	91-93	

Type of Risk	Topic	EDTF Disclosure	Page	
			Annual Report	SFI
Funding	19	Encumbered and unencumbered assets in a table by balance sheet category.	94, 188	
	20	Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity at the balance sheet date.	99-101	
	21	Discussion of the bank's funding sources and the bank's funding strategy.	97-98	
Market Risk	22	Linkage of market risk measures for trading and non-trading portfolio and balance sheet.	82	
	23	Breakdown of significant trading and non-trading market risk factors.	82, 84-85, 87	
	24	Significant market risk measurement model limitations and validation procedures.	83-85, 87, 89-90	
	25	Primary risk management techniques beyond reported risk measures and parameters.	83-87	
Credit Risk	26	Provide information that facilitates users' understanding of the bank's credit risk profile, including any significant credit risk concentrations.	42-57, 77-82, 152-155, 164-166, 194-197	21-39, 43-76
	27	Description of the bank's policies for identifying impaired or non-performing loans.	50-51, 126-127, 152	
	28	Reconciliation of the opening and closing balances of non-performing or impaired loans in the period and the allowance for loan losses.	47, 153-154	25, 29
	29	Analysis of the bank's counterparty credit risks that arises from derivative transactions.	80, 137, 160-161, 164-166	43-46
	30	Discussion of credit risk mitigation, including collateral held for all sources of credit risk.	80-81, 130-131, 137	
Other Risks	31	Description of 'other risk' types based on management's classifications and discuss how each one is identified, governed, measured and managed.	88-90, 102-104	
	32	Discuss publicly known risk events related to other risks.	89	

# 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, 2016, 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, 2016. This MD&A is dated November 30, 2016. 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 restated/reclassified to conform with the presentation adopted in the current year.

<b>FINANCIAL RESULTS OVERVIEW</b>	<b>12</b>	<b>GROUP FINANCIAL CONDITION</b>	
Net Income	15	Balance Sheet Review	41
Revenue	16	Credit Portfolio Quality	42
Provision for Credit Losses	19	Capital Position	58
Expenses	20	Securitization and Off-Balance Sheet Arrangements	64
Taxes	21	Related-Party Transactions	67
Quarterly Financial Information	22	Financial Instruments	67
<b>BUSINESS SEGMENT ANALYSIS</b>		<b>RISK FACTORS AND MANAGEMENT</b>	
Business Focus	24	Risk Factors That May Affect Future Results	68
Canadian Retail	27	Managing Risk	72
U.S. Retail	31	<b>ACCOUNTING STANDARDS AND POLICIES</b>	
Wholesale Banking	35	Critical Accounting Estimates	104
Corporate	37	Current and Future Changes in Accounting Policies	107
<b>2015 FINANCIAL RESULTS OVERVIEW</b>		Controls and Procedures	109
Summary of 2015 Performance	38	<b>ADDITIONAL FINANCIAL INFORMATION</b>	<b>110</b>
2015 Financial Performance by Business Line	40		

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, including in the Management's Discussion and Analysis ("2016 MD&A") under the heading "Economic Summary and Outlook", for each business segment under headings "Business Outlook and Focus for 2017", and in other statements regarding the Bank's objectives and priorities for 2017 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", "should", "believe", "expect", "anticipate", "intend", "estimate", "plan", "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, and interest rate), liquidity, operational (including technology and infrastructure), 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; the ability of the Bank to execute on key priorities, including the successful completion of acquisitions and dispositions, business retention plans, and strategic plans and 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; the evolution of various types of fraud or other criminal behaviour 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, risk-based capital guidelines and liquidity regulatory guidance; the overall difficult litigation environment, including in the U.S.; increased competition, including through internet and mobile banking and non-traditional 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; critical accounting estimates and changes to accounting standards, policies, and methods used by the Bank; existing and potential international debt crises; 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 2016 MD&A, as may be updated in subsequently filed quarterly reports to shareholders and news releases (as applicable) related to any transactions or events discussed under the heading "Significant Events" 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 2016 MD&A under the headings "Economic Summary and Outlook", and for each business segment, "Business Outlook and Focus for 2017", 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.

## 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 sixth largest bank in North America by branches and serves 25 million customers in three key businesses operating in a number of locations in financial centres around the globe: Canadian Retail, including TD Canada Trust, TD Auto Finance Canada, TD Wealth (Canada), TD Direct Investing, and TD Insurance; U.S. Retail, including TD Bank, America's Most Convenient Bank<sup>®</sup> TD Auto Finance U.S., TD Wealth (U.S.), and an investment in TD Ameritrade; and Wholesale Banking, including TD Securities. TD also ranks among the world's leading online financial services firms, with approximately 11 million active online and mobile customers. TD had \$1.2 trillion in assets as at October 31, 2016. 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 generally accepted accounting principles (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", net of income taxes, from reported results. The items of note relate to items which management does not believe are indicative of underlying business performance. The Bank believes that adjusted results provide the reader with a better understanding of how management views the Bank's performance. The items of note are disclosed in Table 2. 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 following table provides the operating results on a reported basis for the Bank.

TABLE 1	OPERATING RESULTS – Reported		
(millions of Canadian dollars)	2016	2015	2014
Net interest income	<b>\$ 19,923</b>	\$ 18,724	\$ 17,584
Non-interest income	<b>14,392</b>	12,702	12,377
Total revenue	<b>34,315</b>	31,426	29,961
Provision for credit losses	<b>2,330</b>	1,683	1,557
Insurance claims and related expenses	<b>2,462</b>	2,500	2,833
Non-interest expenses	<b>18,877</b>	18,073	16,496
<b>Income before income taxes and equity in net income of an investment in TD Ameritrade</b>	<b>10,646</b>	9,170	9,075
Provision for income taxes	<b>2,143</b>	1,523	1,512
Equity in net income of an investment in TD Ameritrade	<b>433</b>	377	320
<b>Net income – reported</b>	<b>8,936</b>	8,024	7,883
Preferred dividends	<b>141</b>	99	143
<b>Net income available to common shareholders and non-controlling interests in subsidiaries</b>	<b>\$ 8,795</b>	\$ 7,925	\$ 7,740
Attributable to:			
<b>Common shareholders</b>	<b>\$ 8,680</b>	\$ 7,813	\$ 7,633
<b>Non-controlling interests</b>	<b>115</b>	112	107

**TABLE 2 NON-GAAP FINANCIAL MEASURES – Reconciliation of Adjusted to Reported Net Income**

(millions of Canadian dollars)	2016	2015	2014
<b>Operating results – adjusted</b>			
Net interest income	\$ 19,923	\$ 18,724	\$ 17,584
Non-interest income <sup>1</sup>	14,385	12,713	12,097
Total revenue	34,308	31,437	29,681
Provision for credit losses <sup>2</sup>	2,330	1,683	1,582
Insurance claims and related expenses	2,462	2,500	2,833
Non-interest expenses <sup>3</sup>	18,496	17,076	15,863
Income before income taxes and equity in net income of an investment in TD Ameritrade	11,020	10,178	9,403
Provision for income taxes <sup>4</sup>	2,226	1,862	1,649
Equity in net income of an investment in TD Ameritrade <sup>5</sup>	498	438	373
<b>Net income – adjusted</b>	<b>9,292</b>	<b>8,754</b>	<b>8,127</b>
Preferred dividends	141	99	143
<b>Net income available to common shareholders and non-controlling interests in subsidiaries – adjusted</b>	<b>9,151</b>	<b>8,655</b>	<b>7,984</b>
<b>Attributable to:</b>			
Non-controlling interests in subsidiaries, net of income taxes	115	112	107
<b>Net income available to common shareholders – adjusted</b>	<b>9,036</b>	<b>8,543</b>	<b>7,877</b>
<b>Adjustments for items of note, net of income taxes</b>			
Amortization of intangibles <sup>6</sup>	(246)	(255)	(246)
Fair value of derivatives hedging the reclassified available-for-sale securities portfolio <sup>7</sup>	6	55	43
Impairment of goodwill, non-financial assets, and other charges <sup>8</sup>	(116)	–	–
Restructuring charges <sup>9</sup>	–	(471)	–
Charge related to the acquisition in U.S. strategic cards portfolio and related integration costs <sup>10</sup>	–	(51)	–
Litigation and litigation-related charge(s)/reserve(s) <sup>11</sup>	–	(8)	–
Integration charges and direct transaction costs relating to the acquisition of the credit card portfolio of MBNA Canada <sup>12</sup>	–	–	(125)
Set-up, conversion and other one-time costs related to affinity relationship with Aimia and acquisition of Aeroplan Visa credit card accounts <sup>13</sup>	–	–	(131)
Impact of Alberta flood on the loan portfolio <sup>14</sup>	–	–	19
Gain on sale of TD Waterhouse Institutional Services <sup>15</sup>	–	–	196
<b>Total adjustments for items of note</b>	<b>(356)</b>	<b>(730)</b>	<b>(244)</b>
<b>Net income available to common shareholders – reported</b>	<b>\$ 8,680</b>	<b>\$ 7,813</b>	<b>\$ 7,633</b>

<sup>1</sup> Adjusted non-interest income excludes the following items of note: \$7 million gain due to change in fair value of derivatives hedging the reclassified available-for-sale securities portfolio, as explained in footnote 7; 2015 – \$62 million gain due to change in fair value of derivatives hedging the reclassified available-for-sale securities portfolio; \$73 million difference of the transaction price over the fair value of the Nordstrom assets acquired, as explained in footnote 10; 2014 – \$49 million gain due to change in fair value of derivatives hedging the reclassified available-for-sale securities portfolio; \$231 million gain due to the sale of TD Waterhouse Institutional Services, as explained in footnote 15.

<sup>2</sup> In 2014, adjusted provision for credit losses (PCL) excludes the following items of note: \$25 million release of the provision for the impact of the Alberta flood on the loan portfolio, as explained in footnote 14.

<sup>3</sup> Adjusted non-interest expenses exclude the following items of note: \$270 million amortization of intangibles, as explained in footnote 6; 2015 – \$289 million amortization of intangibles; \$686 million due to the initiatives to reduce costs, as explained in footnote 9; \$9 million due to integration costs related to the Nordstrom transaction, as explained in footnote 10; \$52 million of litigation charges; \$39 million recovery of litigation losses, as explained in footnote 11; 2014 – \$286 million amortization of intangibles; \$169 million of integration charges relating to the acquisition of the credit card portfolio of MBNA Canada, as explained in footnote 12; \$178 million of costs in relation to the affinity relationship with Aimia and acquisition of Aeroplan Visa credit card accounts, as explained in footnote 13.

<sup>4</sup> For a reconciliation between reported and adjusted provision for income taxes, refer to the “Non-GAAP Financial Measures – Reconciliation of Reported to Adjusted Provision for Income Taxes” table in the “Income Taxes” section of the MD&A.

<sup>5</sup> Adjusted equity in net income of an investment in TD Ameritrade excludes the following items of note: \$65 million amortization of intangibles (2015 – \$61 million; 2014 – \$53 million), as explained in footnote 6. These amounts were reported in the Corporate segment.

<sup>6</sup> Amortization of intangibles relate to intangibles acquired as a result of asset acquisitions and business combinations. 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>7</sup> The Bank changed its trading strategy with respect to certain trading debt securities and reclassified these securities from trading to the available-for-sale category effective August 1, 2008. These debt securities are economically hedged, primarily with credit default swap and interest rate swap contracts which are recorded on a fair value basis with changes in fair value recorded in the period’s earnings. Management believes that this asymmetry in the accounting treatment between derivatives and the reclassified debt securities results in volatility in earnings from period to period that is not indicative of the economics of the underlying business performance in Wholesale Banking. The Bank may from time to time replace securities within the portfolio to best utilize the initial, matched fixed term funding. As a result, the derivatives are accounted for on an accrual basis in Wholesale Banking and the gains and losses related to the derivatives in excess of the accrued amounts are reported in the Corporate segment. Adjusted results of the Bank exclude the gains and losses of the derivatives in excess of the accrued amount.

<sup>8</sup> In the second quarter of 2016, the Bank recorded impairment losses on goodwill, certain intangibles, other non-financial assets and deferred tax assets, as well as other charges relating to the Direct Investing business in Europe that has been experiencing continued losses. These amounts are reported in the Corporate segment.

<sup>9</sup> In fiscal 2015, the Bank recorded restructuring charges of \$686 million (\$471 million after tax) on a net basis. During 2015, the Bank commenced its restructuring review and in the second quarter of 2015 recorded \$337 million (\$228 million after tax) of restructuring charges and recorded an additional restructuring charge of \$349 million (\$243 million after tax) on a net basis in the fourth quarter of 2015. The restructuring initiatives were intended to reduce costs and manage expenses in a sustainable manner and to achieve greater operational efficiencies. These measures included process redesign and business restructuring, retail branch and real estate optimization, and organizational review. The restructuring charges have been recorded as an adjustment to net income within the Corporate segment.

<sup>10</sup> On October 1, 2015, the Bank acquired substantially all of Nordstrom’s existing U.S. Visa and private label consumer credit card portfolio and became the primary issuer of Nordstrom credit cards in the U.S. The transaction was treated as an asset acquisition and the difference on the date of acquisition of the transaction price over the fair value of assets acquired has been recorded in non-interest income. In addition, the Bank incurred set-up, conversion and other one-time costs related to integration of the acquired cards and related program agreement. These amounts are included as an item of note in the U.S. Retail segment.

<sup>11</sup> As a result of an adverse judgment and evaluation of certain other developments and exposures in the U.S. in 2015, the Bank took prudent steps to reassess its litigation provision. Having considered these factors, including related or analogous cases, the Bank determined, in accordance with applicable accounting standards, that an increase of \$52 million (\$32 million after tax) to the Bank’s litigation provision was required in the second quarter of 2015. During the third quarter of 2015, distributions of \$39 million (\$24 million after tax) were received by the Bank as a result of previous settlements reached on certain matters in the U.S., whereby the Bank was assigned the right to these distributions, if and when made available. The amount for fiscal 2015 reflects this recovery of previous settlements.

<sup>12</sup> As a result of the acquisition of the credit card portfolio of MBNA Canada, as well as certain other assets and liabilities, the Bank incurred integration charges. Integration charges consist of costs related to information technology, employee retention, external professional consulting charges, marketing (including customer communication and rebranding), integration-related travel, employee severance costs, consulting, and training. The Bank’s integration charges related to the MBNA acquisition were higher than what were anticipated when the transaction was first announced. The elevated spending was primarily due to additional costs incurred (other than the amounts capitalized) to build out technology platforms for the business. Integration charges related to this acquisition were incurred by the Canadian Retail segment. The fourth quarter of 2014 was the last quarter Canadian Retail included any further MBNA-related integration charges as an item of note.

<sup>13</sup> On December 27, 2013, the Bank acquired approximately 50% of the existing Aeroplan credit card portfolio from the Canadian Imperial Bank of Commerce (CIBC) and on January 1, 2014, the Bank became the primary issuer of Aeroplan Visa credit cards. The Bank incurred program set-up, conversion, and other one-time costs related to the acquisition of the portfolio and related affinity agreement, consisting of information technology, external professional consulting, marketing, training, and program management, as well as a commercial subsidy payment of \$127 million (\$94 million after tax) payable to CIBC. These costs were included as an item of note in the Canadian Retail segment. The third quarter of 2014 was the last quarter Canadian Retail included any set-up, conversion, or other one-time costs related to the acquired Aeroplan credit card portfolio as an item of note.

<sup>14</sup> In the third quarter of 2014, the Bank released the remaining provision of \$25 million (\$19 million after tax) for residential loan losses from Alberta flooding that was initially recognized in 2013. The release of the remaining provision reflects low levels of delinquency and impairments to date, as well as a low likelihood of future material losses within the portfolio. These amounts were included as an item of note in the Corporate segment.

<sup>15</sup> On November 12, 2013, TD Waterhouse Canada Inc., a subsidiary of the Bank, completed the sale of the Bank's institutional services business, known as TD Waterhouse Institutional Services, to a subsidiary of National Bank of Canada. The transaction price was \$250 million in cash, subject to certain price adjustment mechanisms which were settled in the third and fourth quarters of 2014. On the transaction date, a gain of \$196 million after tax was recorded in the Corporate segment in other income. The gain is not considered to be in the normal course of business for the Bank.

**TABLE 3 RECONCILIATION OF REPORTED TO ADJUSTED EARNINGS PER SHARE (EPS)<sup>1</sup>**

(Canadian dollars)	2016	2015	2014
<b>Basic earnings per share – reported</b>	<b>\$ 4.68</b>	\$ 4.22	\$ 4.15
Adjustments for items of note <sup>2</sup>	<b>0.20</b>	0.40	0.13
<b>Basic earnings per share – adjusted</b>	<b>\$ 4.88</b>	\$ 4.62	\$ 4.28
<b>Diluted earnings per share – reported</b>	<b>\$ 4.67</b>	\$ 4.21	\$ 4.14
Adjustments for items of note <sup>2</sup>	<b>0.20</b>	0.40	0.13
<b>Diluted earnings per share – adjusted</b>	<b>\$ 4.87</b>	\$ 4.61	\$ 4.27

<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 4 AMORTIZATION OF INTANGIBLES, NET OF INCOME TAXES<sup>1</sup>**

(millions of Canadian dollars)	2016	2015	2014
TD Bank, National Association (TD Bank, N.A.)	<b>\$ 108</b>	\$ 116	\$ 115
TD Ameritrade Holding Corporation (TD Ameritrade) <sup>2</sup>	<b>65</b>	61	53
MBNA Canada	<b>36</b>	37	37
Aeroplan	<b>17</b>	17	14
Other	<b>20</b>	24	27
	<b>246</b>	255	246
Software and asset servicing rights	<b>340</b>	289	236
<b>Amortization of intangibles, net of income taxes</b>	<b>\$ 586</b>	\$ 544	\$ 482

<sup>1</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>2</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. The capital allocated to the business segments is based on 9% Common Equity Tier 1 (CET1) Capital.

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 as it 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 5 RETURN ON COMMON EQUITY**

(millions of Canadian dollars, except as noted)	2016	2015	2014
Average common equity	<b>\$ 65,121</b>	\$ 58,178	\$ 49,495
<b>Net income available to common shareholders – reported</b>	<b>8,680</b>	7,813	7,633
Items of note, net of income taxes <sup>1</sup>	<b>356</b>	730	244
<b>Net income available to common shareholders – adjusted</b>	<b>9,036</b>	8,543	7,877
<b>Return on common equity – reported</b>	<b>13.3%</b>	13.4%	15.4%
<b>Return on common equity – adjusted</b>	<b>13.9</b>	14.7	15.9

<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.



## SIGNIFICANT EVENTS IN 2016

### Announced Acquisition of Scottrade Bank

On October 24, 2016, the Bank announced an agreement to acquire Scottrade Bank, a federal savings bank wholly-owned by Scottrade Financial Services, Inc. (Scottrade), for cash consideration equal to the tangible book value of Scottrade Bank at closing, subject to certain adjustments. As of September 30, 2016, Scottrade Bank's tangible book value was approximately US\$1.3 billion. TD Ameritrade also announced an agreement to acquire Scottrade for cash and TD Ameritrade shares. Subject to completion of the acquisitions, TD and TD Ameritrade have agreed that TD will accept sweep deposits from Scottrade clients. Pursuant to its preemptive rights and subject

to any required regulatory approval, the Bank intends to concurrently purchase US\$400 million in new common equity from TD Ameritrade in connection with the proposed transaction. As a result, the Bank's anticipated pro forma common stock ownership in TD Ameritrade is expected to be approximately 41.4%.

The transaction is subject to the concurrent closing of the TD Ameritrade/Scottrade transaction as well as receipt of regulatory approvals and other customary closing conditions, and is expected to close in the second half of fiscal 2017. The results of the acquired business will be consolidated from the date of close and will be included in the U.S. Retail segment.

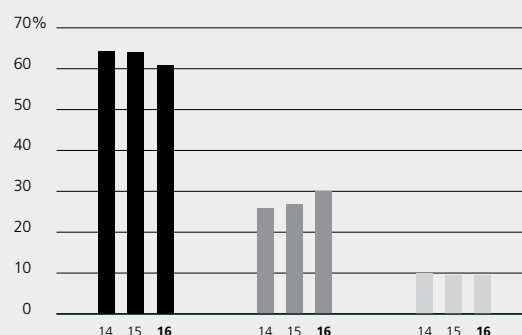
## FINANCIAL RESULTS OVERVIEW

### Net Income

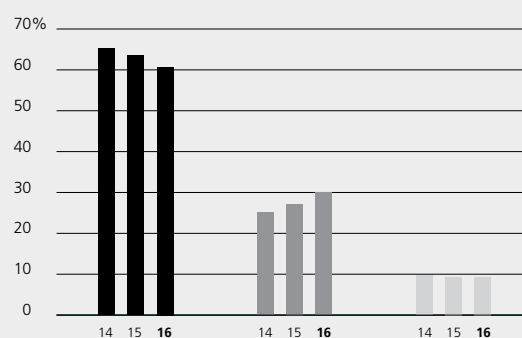
Reported net income for the year was \$8,936 million, an increase of \$912 million, or 11%, compared with last year. The increase in net income was due to higher earnings in the U.S. Retail, Canadian Retail, and Wholesale Banking segments and a lower loss in the Corporate segment. U.S. Retail net income increased primarily due to higher loan and deposit volumes, positive operating leverage, the positive impact from an acquisition in the strategic cards portfolio, higher deposit margins, higher contributions from the Bank's investment in TD Ameritrade, and the favourable impact of foreign currency translation, partially offset by higher PCL. Canadian Retail net income increase reflected revenue growth and lower insurance claims, partially offset by the impact of a higher effective tax rate, higher non-interest expenses, and higher PCL. Wholesale Banking net income increased due to higher revenue and a lower effective tax rate, partially offset by higher PCL and non-interest expenses. Corporate segment net loss reflected higher provisions for incurred but not identified credit losses, higher net corporate expenses and, an impairment of goodwill, non-financial assets and other charges, and a lower gain due to changes in the fair value of derivatives hedging the reclassified available-for-sale securities portfolio, both of which were reported as items of note, partially offset by restructuring charges in the prior year which were reported as an item of note, higher revenue from treasury and balance sheet management activities, and positive tax items in the current year. Adjusted net income for the year was \$9,292 million, an increase of \$538 million, or 6%, compared with \$8,754 million last year.

Reported diluted earnings per share (EPS) for the year were \$4.67, an increase of 11%, compared with \$4.21 last year. Adjusted diluted EPS for the year were \$4.87, a 6% increase, compared with \$4.61 last year.

#### 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.

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

U.S. Retail segment earnings, including the contribution from the Bank's investment in TD Ameritrade, reflect fluctuations in the U.S. dollar to Canadian dollar exchange rate compared with last year. Depreciation of the Canadian dollar had a favourable impact on U.S. Retail segment earnings for the year ended October 31, 2016, compared with last year, as shown in the following table.

TABLE 6	IMPACT OF FOREIGN EXCHANGE RATE ON U.S. RETAIL SEGMENT TRANSLATED EARNINGS <sup>1</sup>	
	(millions of Canadian dollars, except as noted)	2016 vs. 2015
<b>U.S. Retail Bank</b>		
Increased total revenue – reported	\$ 581	\$ 997
Increased total revenue – adjusted	581	1,002
Increased non-interest expenses – reported	344	628
Increased non-interest expenses – adjusted	344	626
Increased net income – reported, after tax	157	252
Increased net income – adjusted, after tax	157	260
Increased equity in net income of an investment in TD Ameritrade	33	45
<b>U.S. Retail segment increased net income – reported, after tax</b>	<b>190</b>	<b>297</b>
<b>U.S. Retail segment increased net income – adjusted, after tax</b>	<b>190</b>	<b>304</b>
<b>Earnings per share (dollars)</b>		
Increase in basic – reported	\$ 0.10	\$ 0.16
Increase in basic – adjusted	0.10	0.16
Increase in diluted – reported	0.10	0.16
Increase in diluted – adjusted	0.10	0.16

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

On a trailing twelve month basis, a one cent appreciation/depreciation in the U.S. dollar to Canadian dollar average exchange rate will increase/decrease U.S. Retail segment net income by approximately \$40 million.

## FINANCIAL RESULTS OVERVIEW

### Revenue

Reported revenue was \$34,315 million, an increase of \$2,889 million, or 9%, compared with last year. Adjusted revenue was \$34,308 million, an increase of \$2,871 million, or 9%, compared with last year.

#### NET INTEREST INCOME

Net interest income for the year was \$19,923 million, an increase of \$1,199 million, or 6%, compared with last year. Net interest income increased in the U.S. Retail, Corporate, and Canadian Retail segments, partially offset by a decline in the Wholesale Banking segment. U.S. Retail net interest income increased primarily due to higher loan and deposit volumes, the benefit of the December 2015 Fed rate increase (the "rate increase"), higher deposit margins, the benefit of an acquisition in the strategic cards portfolio, and the favourable impact of foreign currency translation, partially offset by lower loan margins. Corporate segment net interest income increased primarily due to the contribution from an acquisition in the strategic cards portfolio. Canadian Retail net interest income increased reflecting loan and deposit volume growth, partially offset by lower margins. Wholesale Banking net interest income decreased due to higher funding costs and lower dividend income.

#### NET INTEREST MARGIN

Net interest margin declined by 4 basis points (bps) during the year to 2.01%, compared with 2.05% last year, primarily due to lower margins in the Canadian Retail segment. U.S. Retail segment margins were flat compared with last year.

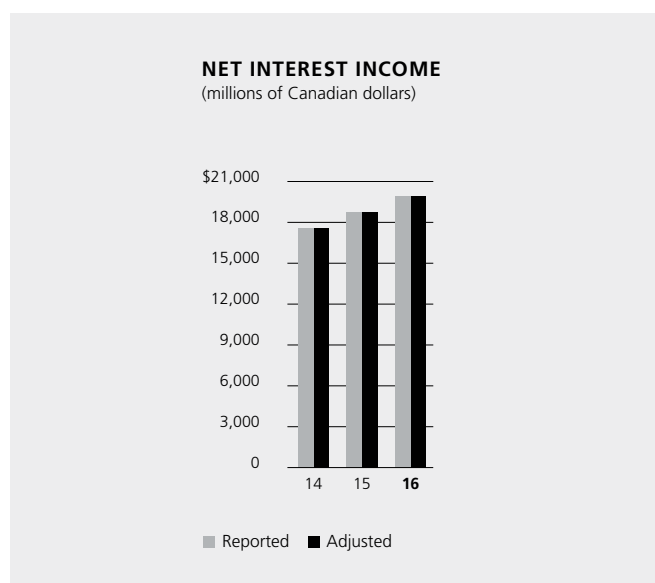


TABLE 7		NET INTEREST INCOME ON AVERAGE EARNING BALANCES <sup>1,2</sup>													
(millions of Canadian dollars, except as noted)															
			2016			2015			2014						
			Average balance	Interest <sup>3</sup>	Average rate	Average balance	Interest <sup>3</sup>	Average rate	Average balance	Interest <sup>3</sup>	Average rate				
<b>Interest-earning assets</b>															
<b>Interest-bearing deposits with Banks</b>															
Canada	\$	6,716	\$	16	0.24%	\$	4,738	\$	15	0.32%	\$	3,692	\$	17	0.46%
U.S.		38,658		187	0.48		40,684		107	0.26		27,179		72	0.26
<b>Securities</b>															
Trading															
Canada		45,102		1,187	2.63		50,234		1,297	2.58		55,383		1,367	2.47
U.S.		22,605		401	1.77		23,790		454	1.91		18,424		333	1.81
Non-trading															
Canada		41,531		614	1.48		31,639		479	1.51		23,169		377	1.63
U.S.		112,147		1,802	1.61		90,552		1,525	1.68		76,245		1,370	1.80
<b>Securities purchased under reverse repurchase agreements</b>															
Canada		42,981		254	0.59		39,384		249	0.63		33,691		288	0.85
U.S.		31,824		189	0.59		36,074		78	0.22		35,512		62	0.17
<b>Loans</b>															
Residential mortgages <sup>4</sup>															
Canada		197,925		4,726	2.39		188,048		4,924	2.62		178,128		5,212	2.93
U.S.		27,331		1,029	3.76		26,336		984	3.74		22,677		858	3.78
Consumer instalment and other personal															
Canada		97,881		4,604	4.70		93,943		4,600	4.90		90,512		4,499	4.97
U.S.		40,471		1,285	3.18		35,609		1,144	3.21		29,272		1,058	3.61
Credit card															
Canada		18,414		2,223	12.07		18,096		2,235	12.35		17,984		2,245	12.48
U.S.		12,598		1,999	15.87		8,778		1,450	16.52		7,200		1,287	17.88
Business and government <sup>4</sup>															
Canada		71,869		1,929	2.68		62,879		1,759	2.80		55,048		1,808	3.28
U.S.		105,929		3,348	3.16		85,553		2,730	3.19		64,343		2,308	3.59
<b>International</b>		<b>77,001</b>		<b>767</b>	<b>1.00</b>		<b>77,467</b>		<b>800</b>	<b>1.03</b>		<b>69,494</b>		<b>767</b>	<b>1.10</b>
<b>Total interest-earning assets</b>		<b>\$ 990,983</b>		<b>\$ 26,560</b>	<b>2.68%</b>		<b>\$ 913,804</b>		<b>\$ 24,830</b>	<b>2.72%</b>		<b>\$ 807,953</b>		<b>\$ 23,928</b>	<b>2.96%</b>
<b>Interest-bearing liabilities</b>															
<b>Deposits</b>															
Personal															
Canada	\$	193,643	\$	974	0.50%	\$	181,101	\$	1,158	0.64%	\$	172,897	\$	1,394	0.81%
U.S.		206,813		218	0.11		178,287		218	0.12		147,025		197	0.13
Banks <sup>5</sup>															
Canada		11,601		55	0.47		8,907		34	0.38		5,898		18	0.31
U.S.		6,514		47	0.72		11,764		32	0.27		7,682		16	0.21
Business and government <sup>5,6</sup>															
Canada		213,965		2,100	0.98		180,596		1,796	0.99		145,233		1,540	1.06
U.S.		148,621		1,185	0.80		154,578		909	0.59		125,375		1,065	0.85
<b>Subordinated notes and debentures</b>		<b>8,769</b>		<b>395</b>	<b>4.50</b>		<b>7,953</b>		<b>390</b>	<b>4.90</b>		<b>7,964</b>		<b>412</b>	<b>5.17</b>
<b>Obligations related to securities sold short and under repurchase agreements</b>															
Canada		45,098		412	0.91		46,340		450	0.97		47,360		535	1.13
U.S.		47,654		346	0.73		47,835		186	0.39		42,962		122	0.28
<b>Securitization liabilities<sup>7</sup></b>		<b>32,027</b>		<b>452</b>	<b>1.41</b>		<b>34,968</b>		<b>593</b>	<b>1.70</b>		<b>41,745</b>		<b>777</b>	<b>1.86</b>
<b>Other liabilities</b>															
Canada		4,225		82	1.94		4,889		79	1.62		5,652		88	1.56
U.S.		35		4	11.43		33		4	12.06		29		1	3.45
<b>International<sup>5</sup></b>		<b>45,579</b>		<b>367</b>	<b>0.81</b>		<b>35,693</b>		<b>257</b>	<b>0.72</b>		<b>32,673</b>		<b>179</b>	<b>0.55</b>
<b>Total interest-bearing liabilities</b>		<b>\$ 964,544</b>		<b>\$ 6,637</b>	<b>0.69%</b>		<b>\$ 892,944</b>		<b>\$ 6,106</b>	<b>0.68%</b>		<b>\$ 782,495</b>		<b>\$ 6,344</b>	<b>0.81%</b>
<b>Total net interest income on average earning assets</b>		<b>\$ 990,983</b>		<b>\$ 19,923</b>	<b>2.01%</b>		<b>\$ 913,804</b>		<b>\$ 18,724</b>	<b>2.05%</b>		<b>\$ 807,953</b>		<b>\$ 17,584</b>	<b>2.18%</b>

<sup>1</sup> Net interest income includes dividends on securities.

<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.

<sup>4</sup> Includes average trading loans of \$11 billion (2015 – \$10 billion, 2014 – \$10 billion).

<sup>5</sup> Includes average trading deposits with a fair value of \$77 billion (2015 – \$71 billion, 2014 – \$58 billion).

<sup>6</sup> Includes marketing fees incurred on the TD Ameritrade Insured Deposit Accounts (IDA) of \$1,235 million (2015 – \$1,051 million, 2014 – \$895 million).

<sup>7</sup> Includes average securitization liabilities at fair value of \$12 billion (2015 – \$11 billion, 2014 – \$16 billion) and average securitization liabilities at amortized cost of \$20 billion (2015 – \$24 billion, 2014 – \$26 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 8	ANALYSIS OF CHANGE IN NET INTEREST INCOME <sup>1,2</sup>					
	2016 vs. 2015			2015 vs. 2014		
	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	\$ 7	\$ (6)	\$ 1	\$ 5	\$ (7)	\$ (2)
U.S.	(5)	85	80	36	(1)	35
<b>Securities</b>						
<b>Trading</b>						
Canada	(132)	22	(110)	(127)	57	(70)
U.S.	(23)	(30)	(53)	96	25	121
<b>Non-trading</b>						
Canada	150	(15)	135	138	(36)	102
U.S.	364	(87)	277	257	(102)	155
<b>Securities purchased under reverse repurchase agreements</b>						
Canada	22	(17)	5	49	(88)	(39)
U.S.	(10)	121	111	1	15	16
<b>Loans</b>						
<b>Residential mortgages</b>						
Canada	259	(457)	(198)	290	(578)	(288)
U.S.	37	8	45	139	(13)	126
<b>Consumer instalment and other personal</b>						
Canada	193	(189)	4	171	(70)	101
U.S.	156	(15)	141	229	(143)	86
<b>Credit card</b>						
Canada	39	(51)	(12)	14	(24)	(10)
U.S.	631	(82)	549	282	(119)	163
<b>Business and government</b>						
Canada	251	(81)	170	257	(306)	(49)
U.S.	651	(33)	618	761	(339)	422
<b>International</b>	25	(58)	(33)	75	(42)	33
<b>Total interest income</b>	<b>\$ 2,615</b>	<b>\$ (885)</b>	<b>\$ 1,730</b>	<b>\$ 2,673</b>	<b>\$ (1,771)</b>	<b>\$ 902</b>
<b>Interest-bearing liabilities</b>						
<b>Deposits</b>						
<b>Personal</b>						
Canada	\$ 80	\$ (264)	\$ (184)	\$ 66	\$ (302)	\$ (236)
U.S.	35	(35)	-	42	(21)	21
<b>Banks</b>						
Canada	10	11	21	9	7	16
U.S.	(14)	29	15	8	8	16
<b>Business and government</b>						
Canada	332	(28)	304	375	(119)	256
U.S.	(35)	311	276	248	(404)	(156)
<b>Subordinated notes and debentures</b>	40	(35)	5	-	(22)	(22)
<b>Obligations related to securities sold short and under repurchase agreements</b>						
Canada	(12)	(26)	(38)	(11)	(74)	(85)
U.S.	(1)	161	160	14	50	64
<b>Securitization liabilities</b>	(50)	(91)	(141)	(126)	(58)	(184)
<b>Other liabilities</b>						
Canada	(11)	14	3	(12)	3	(9)
U.S.	-	-	-	-	3	3
<b>International</b>	52	58	110	25	53	78
<b>Total interest expense</b>	<b>\$ 426</b>	<b>\$ 105</b>	<b>\$ 531</b>	<b>\$ 638</b>	<b>\$ (876)</b>	<b>\$ (238)</b>
<b>Net interest income</b>	<b>\$ 2,189</b>	<b>\$ (990)</b>	<b>\$ 1,199</b>	<b>\$ 2,035</b>	<b>\$ (895)</b>	<b>\$ 1,140</b>

<sup>1</sup> Geographic classification of assets and liabilities is based on the domicile of the booking point of assets and liabilities.

<sup>2</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.

## NON-INTEREST INCOME

Reported non-interest income for the year was \$14,392 million, an increase of \$1,690 million, or 13%, compared with last year. All segments experienced increases in reported non-interest income. Wholesale Banking non-interest income increased due to higher trading revenue and fees. Corporate segment non-interest income increased primarily due to the contribution from an acquisition in the strategic cards portfolio and higher revenue from treasury and balance sheet management activities, partially offset by a lower gain due to change in the fair value of derivatives hedging the reclassified

available-for-sale securities portfolio, which was reported as an item of note. The increase in Canadian Retail non-interest income reflected wealth asset growth and higher personal and business banking fee-based revenue. U.S. Retail non-interest income increased primarily due to fee income growth in personal banking, the positive impact from an acquisition in the strategic cards portfolio, and the favourable impact of foreign currency translation, partially offset by a change in time order posting of customer transactions and an unfavourable hedging impact. Adjusted non-interest income for the year was \$14,385 million, an increase of \$1,672 million, or 13%, compared with last year.

TABLE 9 NON-INTEREST INCOME

(millions of Canadian dollars, except as noted)

	2016 vs. 2015			
	2016	2015	2014	% change
<b>Investment and securities services</b>				
Broker dealer fees and commissions	\$ 463	\$ 430	\$ 412	8%
Full-service brokerage and other securities services	853	760	684	12
Underwriting and advisory	546	443	482	23
Investment management fees	505	481	413	5
Mutual fund management	1,623	1,569	1,355	3
Trust fees	153	150	150	2
<b>Total investment and securities services</b>	<b>4,143</b>	<b>3,833</b>	<b>3,496</b>	<b>8</b>
Credit fees	1,048	925	845	13
Net securities gains (losses)	54	79	173	(32)
Trading income (losses)	395	(223)	(349)	277
Service charges	2,571	2,376	2,152	8
Card services	2,313	1,766	1,552	31
Insurance revenue	3,796	3,758	3,883	1
Other income (loss)	72	188	625	(62)
<b>Total</b>	<b>\$ 14,392</b>	<b>\$ 12,702</b>	<b>\$ 12,377</b>	<b>13%</b>

## 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. Trading-related income for the year was \$1,335 million, an increase of \$183 million, or 16%, compared with last year. For additional details, refer to Note 22 of the 2016 Consolidated Financial Statements. The increase in trading-related income over last year reflected higher fixed income, and foreign exchange trading, partially offset by lower equity trading.

The mix of trading-related income between net interest income and trading income is largely dependent upon the level of interest rates, which impacts the funding costs of the Bank's trading portfolios. Management believes that the total trading-related income is the appropriate measure of trading performance.

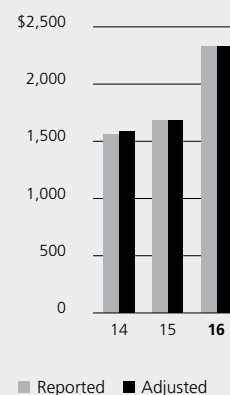
## FINANCIAL RESULTS OVERVIEW

### Provision for Credit Losses

PCL for the year was \$2,330 million, an increase of \$647 million, or 38%, compared with last year. All segments experienced increases in PCL. Corporate segment PCL increased primarily due to higher provisions for incurred but not identified credit losses. U.S. Retail PCL increased primarily due to commercial loan volume growth, an allowance increase reflecting the current economic environment in business banking, and higher provisions for auto loans and credit cards, partially offset by the release of the South Carolina flooding reserve, improvements on residential mortgages and home equity loans, and the unfavourable impact of foreign currency translation. Canadian Retail PCL reflected higher provisions in the auto lending portfolio. Wholesale Banking PCL increased due to higher specific provisions in the oil and gas sector.

#### PROVISION FOR CREDIT LOSSES

(millions of Canadian dollars)



## FINANCIAL RESULTS OVERVIEW

# Expenses

### NON-INTEREST EXPENSES

Reported non-interest expenses for the year were \$18,877 million, an increase of \$804 million, or 4%, compared with last year. All segments experienced increases in reported non-interest expenses. U.S. Retail non-interest expenses increased primarily due to business initiatives, volume growth, investments in front line employees, and the unfavourable impact of foreign exchange translation, partially offset by productivity savings. The increase in Canadian Retail non-interest expenses reflected business growth, higher employee-related expenses including revenue-based variable expenses in the wealth business, and higher investment in technology, partially offset by productivity savings. Corporate expenses increased due to the contribution from an acquisition in the strategic cards portfolio, an impairment of goodwill, non-financial assets and other charges this year, which was reported as an item of note, and higher net corporate expenses due to ongoing investments in enterprise and regulatory projects, partially offset by restructuring charges in the prior year which were reported as an item of note. Wholesale Banking non-interest expenses increased primarily due to higher variable compensation and the unfavourable impact of foreign exchange translation, partially offset by productivity savings. Adjusted non-interest expenses were \$18,496 million, an increase of \$1,420 million, or 8%, compared with last year.

### INSURANCE CLAIMS AND RELATED EXPENSES

Insurance claims and related expenses were \$2,462 million, a decrease of \$38 million, or 2%, compared with last year, reflecting more favourable prior years' claims development, partially offset by more severe weather conditions and a change in mix of reinsurance contracts.

### 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 55.0%, compared with 57.5% last year.

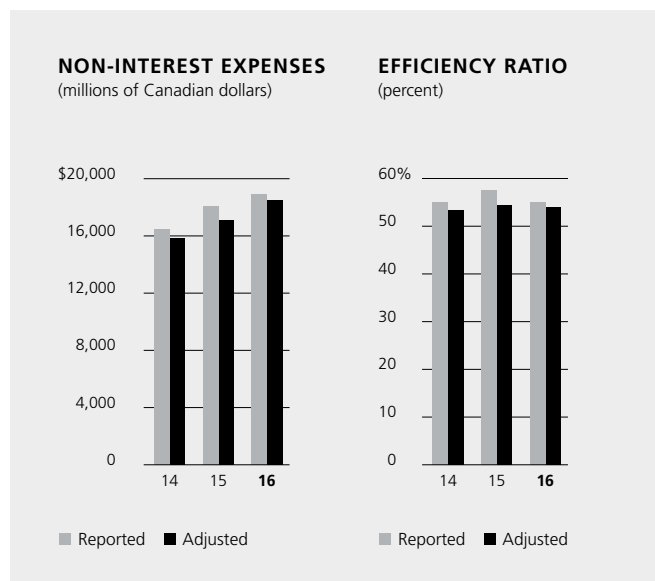


TABLE 10 NON-INTEREST EXPENSES AND EFFICIENCY RATIO<sup>1</sup>

(millions of Canadian dollars, except as noted)

	2016 vs. 2015			
	2016	2015	2014	% change
<b>Salaries and employee benefits</b>				
Salaries	\$ 5,576	\$ 5,452	\$ 5,171	2
Incentive compensation	2,170	2,057	1,927	5
Pension and other employee benefits	1,552	1,534	1,353	1
Total salaries and employee benefits	9,298	9,043	8,451	3
<b>Occupancy</b>				
Rent	915	887	800	3
Depreciation and impairment losses	427	376	324	14
Other	483	456	425	6
Total occupancy	1,825	1,719	1,549	6
<b>Equipment</b>				
Rent	182	172	147	6
Depreciation and impairment losses	202	212	209	(5)
Other	560	508	454	10
Total equipment	944	892	810	6
<b>Amortization of other intangibles</b>	708	662	598	7
<b>Marketing and business development</b>	743	728	756	2
<b>Restructuring charges</b>	(18)	686	29	(103)
<b>Brokerage-related fees</b>	316	324	321	(2)
<b>Professional and advisory services</b>	1,232	1,032	991	19
<b>Other expenses</b>				
Capital and business taxes	176	139	160	27
Postage	225	222	212	1
Travel and relocation	191	175	185	9
Other	3,237	2,451	2,434	32
Total other expenses	3,829	2,987	2,991	28
<b>Total expenses</b>	<b>\$ 18,877</b>	<b>\$ 18,073</b>	<b>\$ 16,496</b>	<b>4</b>
Efficiency ratio – reported	55.0%	57.5%	55.1%	(250)bps
Efficiency ratio – adjusted	53.9	54.3	53.4	(40)

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

## FINANCIAL RESULTS OVERVIEW

### Taxes

Reported total income and other taxes increased \$881 million, or 32%, compared with last year, reflecting an increase in income tax expense of \$620 million, or 41%, compared with last year, and an increase in other taxes of \$261 million, or 21%, compared with last year. Adjusted total income and other taxes were up \$625 million from last year, reflecting an increase in income tax expense of \$364 million, or 20%, from last year.

The Bank's reported effective tax rate was 20.1% for 2016, compared with 16.6% last year. The year-over-year increase was largely due to an increase in taxes associated with the Bank's insurance business, lower tax-exempt dividend income, changes in business mix, and the tax impact associated with the restructuring charges last year.

For a reconciliation of the Bank's effective income tax rate with the Canadian statutory income tax rate, refer to Note 26 of the 2016 Consolidated Financial Statements.

The Bank's adjusted effective income tax rate for 2016 was 20.2%, compared with 18.3% last year. The year-over-year increase was largely due to an increase in taxes associated with the Bank's insurance business, lower tax-exempt dividend income, and changes in business mix.

The Bank reports its investment in TD Ameritrade using the equity method of accounting. TD Ameritrade's tax expense of \$214 million in 2016, compared with \$221 million last year, was not part of the Bank's effective tax rate.

TABLE 11 NON-GAAP FINANCIAL MEASURES – Reconciliation of Reported to Adjusted Provision for Income Taxes			
(millions of Canadian dollars, except as noted)			
	2016	2015	2014
<b>Provision for income taxes – reported</b>	<b>\$ 2,143</b>	<b>\$ 1,523</b>	<b>\$ 1,512</b>
<b>Adjustments for items of note: Recovery of (provision for) incomes taxes<sup>1,2</sup></b>			
Amortization of intangibles	89	95	93
Fair value of derivatives hedging the reclassified available-for-sale securities portfolio	(1)	(7)	(6)
Impairment of goodwill, non-financial assets, and other charges	(5)	–	–
Restructuring charges	–	215	–
Charge related to the acquisition in U.S. strategic cards portfolio and related integration costs	–	31	–
Litigation and litigation-related charge(s)/reserve(s)	–	5	–
Integration charges and direct transaction costs relating to the acquisition of the credit card portfolio of MBNA Canada	–	–	44
Set-up, conversion and other one-time costs related to affinity relationship with Aimia and acquisition of Aeroplan Visa credit card accounts	–	–	47
Impact of Alberta flood on the loan portfolio	–	–	(6)
Gain on sale of TD Waterhouse Institutional Services	–	–	(35)
<b>Total adjustments for items of note</b>	<b>83</b>	<b>339</b>	<b>137</b>
<b>Provision for income taxes – adjusted</b>	<b>2,226</b>	<b>1,862</b>	<b>1,649</b>
<b>Other taxes</b>			
Payroll	502	485	435
Capital and premium	169	135	157
GST, HST, and provincial sales <sup>3</sup>	616	428	426
Municipal and business	203	181	172
Total other taxes	1,490	1,229	1,190
<b>Total taxes – adjusted</b>	<b>\$ 3,716</b>	<b>\$ 3,091</b>	<b>\$ 2,839</b>
<b>Effective income tax rate – adjusted<sup>4</sup></b>	<b>20.2%</b>	<b>18.3%</b>	<b>17.5%</b>

<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.

## Quarterly Financial Information

### FOURTH QUARTER 2016 PERFORMANCE SUMMARY

Reported net income for the quarter was \$2,303 million, an increase of \$464 million, or 25%, compared with the fourth quarter last year which included a restructuring charge of \$243 million after tax and costs related to an acquisition in the strategic cards portfolio, which were reported as items of note. Adjusted net income for the quarter was \$2,347 million, an increase of \$170 million, or 8%, compared with the fourth quarter last year. Reported diluted EPS for the quarter was \$1.20, compared with \$0.96 in the fourth quarter last year. Adjusted diluted EPS for the quarter was \$1.22, compared with \$1.14 in the fourth quarter last year.

Reported revenue for the quarter was \$8,745 million, an increase of \$698 million, or 9%, compared with the fourth quarter last year. All segments experienced increases in reported revenues. Corporate segment revenue increased due to the benefit of an acquisition in the strategic cards portfolio and higher revenue from treasury and balance sheet management activities. U.S. Retail revenue increased primarily due to higher loan and deposit volumes, the positive impact from an acquisition in the strategic cards portfolio, higher deposit margins, the benefit of the December 2015 Fed rate increase, customer account growth, and the favourable impact of foreign currency translation, partially offset by unfavourable hedging impact and lower loan margins. Canadian Retail revenue increased due to loan and deposit volume growth, wealth asset growth, higher fee-based revenue in personal and commercial banking, and changes in the fair value of investments supporting claims liabilities, partially offset by lower margins and lower insurance premiums. Wholesale Banking revenue increased primarily due to higher origination activity in debt and equity capital markets and higher fixed income trading revenues, partially offset by lower equity trading and advisory fees. Adjusted revenue for the quarter was \$8,726 million, an increase of \$630 million, or 8%, compared with the fourth quarter last year.

PCL for the quarter was \$548 million, an increase of \$39 million, or 8%, compared with the fourth quarter last year. The increase was primarily due to increases in the Canadian Retail and U.S. Retail segments, partially offset by decreases in the Wholesale Banking and Corporate segments. Canadian Retail PCL reflected higher commercial recoveries in the prior year and higher provisions in the auto lending portfolio. U.S. Retail PCL increased primarily due to the unfavourable impact of foreign currency translation, partially offset by lower personal banking PCL primarily related to the release of the South Carolina flooding reserve. Wholesale Banking PCL decreased primarily due to specific provisions in the oil and gas sector in the prior year. Corporate PCL decreased primarily due to provisions for incurred but not identified credit losses in the prior year.

Insurance claims and related expenses for the quarter were \$585 million, a decrease of \$52 million, or 8%, compared with the fourth quarter last year, reflecting more favourable prior years' claims development, less severe weather conditions and a change in mix of reinsurance contracts, partially offset by unfavourable current year claims experience and changes in the fair value of investments supporting claims liabilities.

Reported non-interest expenses for the quarter were \$4,848 million, a decrease of \$63 million, or 1%, compared with the fourth quarter last year. The decrease was primarily due to lower expenses in the Corporate segment, partially offset by increases in the Canadian Retail, U.S. Retail, and Wholesale Banking segments. Corporate non-interest expenses decreased due to restructuring charges in the prior year which were reported as an item of note, partially offset by the contribution from an acquisition in the strategic cards portfolio and ongoing investments in enterprise and regulatory projects. Canadian Retail non-interest expenses reflect business growth, higher investment in technology and higher employee-related expenses including revenue-based variable expenses in the wealth business, partially offset by productivity savings. U.S. Retail non-interest expenses increased primarily due to business initiatives including store optimization, volume growth, investments in front line employees, additional charges by the Federal Deposit Insurance Corporation (FDIC), and the unfavourable impact of foreign currency translation, partially offset by productivity savings. Wholesale Banking non-interest expenses increase reflected higher variable compensation and operating expenses. Adjusted non-interest expenses for the quarter were \$4,784 million, an increase of \$304 million, or 7%, compared with the fourth quarter last year.

The Bank's reported effective tax rate was 20.1% for the quarter, compared with 13.0% in the same quarter last year. The increase was largely due to an increase in taxes associated with the Bank's insurance business, lower tax-exempt dividend income, and the tax impact associated with the restructuring charges in the same quarter last year. The Bank's adjusted effective tax rate was 20.4% for the quarter, compared with 16.9% in the same quarter last year. The increase was largely due to an increase in taxes associated with the Bank's insurance business and lower tax-exempt dividend income.

### QUARTERLY TREND ANALYSIS

The Bank has had steadily increasing underlying earnings over the past eight quarters reflecting a consistent strategy, organic growth, expense discipline and investments to support future growth. Canadian Retail earnings reflect loan and deposit growth, higher fee based revenue in personal and business banking, wealth asset growth, and lower claims, with moderate expense growth. U.S. Retail earnings reflect loan and deposit growth, higher operating leverage and good credit quality. Wholesale Banking earnings reflect growth in trading revenue, underwriting, and corporate lending volumes. 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 12 QUARTERLY RESULTS

(millions of Canadian dollars, except as noted)

	For the three months ended							
	2016				2015			
	Oct. 31	Jul. 31	Apr. 30	Jan. 31	Oct. 31	Jul. 31	Apr. 30	Jan. 31
Net interest income	\$ 5,072	\$ 4,924	\$ 4,880	\$ 5,047	\$ 4,887	\$ 4,697	\$ 4,580	\$ 4,560
Non-interest income	3,673	3,777	3,379	3,563	3,160	3,309	3,179	3,054
Total revenue	8,745	8,701	8,259	8,610	8,047	8,006	7,759	7,614
Provision for credit losses	548	556	584	642	509	437	375	362
Insurance claims and related expenses	585	692	530	655	637	600	564	699
Non-interest expenses	4,848	4,640	4,736	4,653	4,911	4,292	4,705	4,165
Provision for (recovery of) income taxes	555	576	466	546	259	502	344	418
Equity in net income of an investment in TD Ameritrade	94	121	109	109	108	91	88	90
<b>Net income – reported</b>	<b>2,303</b>	<b>2,358</b>	<b>2,052</b>	<b>2,223</b>	1,839	2,266	1,859	2,060
<b>Adjustments for items of note, net of income taxes<sup>1</sup></b>								
Amortization of intangibles	60	58	63	65	65	62	65	63
Fair value of derivatives hedging the reclassified available-for-sale securities portfolio	(16)	–	51	(41)	(21)	(19)	(15)	–
Impairment of goodwill, non-financial assets, and other charges	–	–	116	–	–	–	–	–
Restructuring charges	–	–	–	–	243	–	228	–
Charge related to the acquisition in U.S. strategic cards portfolio and related integration costs	–	–	–	–	51	–	–	–
Litigation and litigation-related charge(s)/reserve(s)	–	–	–	–	–	(24)	32	–
<b>Total adjustments for items of note</b>	<b>44</b>	<b>58</b>	<b>230</b>	<b>24</b>	338	19	310	63
<b>Net income – adjusted</b>	<b>2,347</b>	<b>2,416</b>	<b>2,282</b>	<b>2,247</b>	2,177	2,285	2,169	2,123
Preferred dividends	43	36	37	25	26	25	24	24
<b>Net income available to common shareholders and non-controlling interests in subsidiaries – adjusted</b>	<b>2,304</b>	<b>2,380</b>	<b>2,245</b>	<b>2,222</b>	2,151	2,260	2,145	2,099
Attributable to:								
Common shareholders – adjusted	2,275	2,351	2,217	2,193	2,122	2,232	2,117	2,072
Non-controlling interests – adjusted	\$ 29	\$ 29	\$ 28	\$ 29	\$ 29	\$ 28	\$ 28	\$ 27

(Canadian dollars, except as noted)

<b>Basic earnings per share</b>								
Reported	\$ 1.20	\$ 1.24	\$ 1.07	\$ 1.17	\$ 0.96	\$ 1.20	\$ 0.98	\$ 1.09
Adjusted	1.23	1.27	1.20	1.18	1.15	1.21	1.15	1.12
<b>Diluted earnings per share</b>								
Reported	1.20	1.24	1.07	1.17	0.96	1.19	0.97	1.09
Adjusted	1.22	1.27	1.20	1.18	1.14	1.20	1.14	1.12
<b>Return on common equity – reported</b>	<b>13.3%</b>	<b>14.1%</b>	<b>12.5%</b>	<b>13.3%</b>	11.4%	14.9%	12.8%	14.6%
<b>Return on common equity – adjusted</b>	<b>13.6</b>	<b>14.5</b>	<b>14.0</b>	<b>13.5</b>	13.5	15.0	15.0	15.1

(billions of Canadian dollars, except as noted)

Average earning assets	\$ 1,031	\$ 989	\$ 969	\$ 975	\$ 958	\$ 925	\$ 906	\$ 862
Net interest margin as a percentage of average earning assets	1.96%	1.98%	2.05%	2.06%	2.02%	2.01%	2.07%	2.10%

<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.

## 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** provides a full range of financial products and services to customers in the Canadian personal and commercial banking, wealth, and insurance businesses. Under the TD Canada Trust brand, personal and small business banking provides a full range of financial products and services to nearly 15 million customers through its network of 1,156 branches, 3,169 automated banking machines, telephone, internet and mobile banking. Commercial Banking serves the needs of medium and large Canadian businesses by offering a broad range of customized products and services to help business owners meet their financing, investment, cash management, international trade and day-to-day banking needs. Auto Finance provides flexible financing options to customers at point of sale for automotive and recreational vehicle purchases through our auto dealer network. The credit card business provides an attractive line-up of credit cards including proprietary, co-branded and affinity credit card programs. The wealth business offers a wide range of wealth products and services to a large and diverse set of retail and institutional clients 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 in Canada.

**U.S. Retail** comprises the Bank's retail and commercial banking operations operating under the brand TD Bank, America's Most Convenient Bank,<sup>®</sup> auto financing services, and wealth management services in the U.S. The retail banking operations provide a full range of financial products and services to nearly 9 million customers through multiple delivery channels, including a network of 1,278 stores located along the east coast from Maine to Florida, mobile and internet banking, automated teller machines (ATM), and telephone. The commercial banking operations serve 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. Auto finance provides financing options to customers at point of sale for automotive vehicle purchases. 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, net of income taxes.

**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 our clients. Operating under the TD Securities brand, our clients include highly-rated companies, 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 comprises of a number of service and control functional groups such as technology solutions, direct channels, 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.

Ensuring that the Bank stays abreast of emerging trends and developments is vital to maintaining stakeholder confidence in the Bank and addressing the dynamic complexities and challenges from changing demands and expectations of our customers, shareholders, employees, governments, regulators, and the community at large.

Effective fiscal 2016, the presentation of the U.S. strategic cards portfolio revenues, PCL, and expenses in the U.S. Retail segment includes only the Bank's agreed portion of the U.S. strategic cards portfolio, while the Corporate segment includes the retailer program partners' share. Certain comparative amounts have been recast to conform with this revised presentation. There was no impact on the net income of the segments or on the presentation of gross and net results in the Bank's Consolidated Statement of Income.

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 30 of the 2016 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.

Net interest income within the Wholesale Banking segment 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 increase to net interest income and provision for income taxes reflected in the Wholesale Banking segment results is reversed in the Corporate segment. The TEB adjustment for the year was \$312 million, compared with \$417 million last year.

As noted in Note 9 of the 2016 Consolidated Financial Statements, the Bank continues to securitize loans and receivables, however under IFRS, the majority of these loans and receivables remain on balance sheet.

The "Business Outlook and Focus for 2017" section for each 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 13 RESULTS BY SEGMENT<sup>1</sup>**

(millions of Canadian dollars)

	Canadian Retail		U.S. Retail		Wholesale Banking		Corporate		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income (loss)	\$ 9,979	\$ 9,781	\$ 7,093	\$ 6,131	\$ 1,685	\$ 2,295	\$ 1,166	\$ 517	\$ 19,923	\$ 18,724
Non-interest income (loss)	10,230	9,904	2,366	2,098	1,345	631	451	69	14,392	12,702
Total revenue	20,209	19,685	9,459	8,229	3,030	2,926	1,617	586	34,315	31,426
Provision for (recovery of) credit losses	1,011	887	744	535	74	18	501	243	2,330	1,683
Insurance claims and related expenses	2,462	2,500	–	–	–	–	–	–	2,462	2,500
Non-interest expenses	8,557	8,407	5,693	5,188	1,739	1,701	2,888	2,777	18,877	18,073
Income (loss) before provision for income taxes	8,179	7,891	3,022	2,506	1,217	1,207	(1,772)	(2,434)	10,646	9,170
Provision for (recovery of) income taxes	2,191	1,953	498	394	297	334	(843)	(1,158)	2,143	1,523
Equity in net income of an investment in TD Ameritrade	–	–	435	376	–	–	(2)	1	433	377
<b>Net income (loss) – reported</b>	<b>5,988</b>	<b>5,938</b>	<b>2,959</b>	<b>2,488</b>	<b>920</b>	<b>873</b>	<b>(931)</b>	<b>(1,275)</b>	<b>8,936</b>	<b>8,024</b>
<b>Adjustments for items of note, net of income taxes<sup>2</sup></b>										
Amortization of intangibles	–	–	–	–	–	–	246	255	246	255
Fair value of derivatives hedging the reclassified available-for-sale securities portfolio	–	–	–	–	–	–	(6)	(55)	(6)	(55)
Impairment of goodwill, non-financial assets, and other charges	–	–	–	–	–	–	116	–	116	–
Restructuring charges	–	–	–	–	–	–	–	471	–	471
Charge related to the acquisition in U.S. strategic cards portfolio and related integration costs	–	–	–	51	–	–	–	–	–	51
Litigation and litigation-related charge(s)/reserve(s)	–	–	–	8	–	–	–	–	–	8
<b>Total adjustments for items of note</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>59</b>	<b>–</b>	<b>–</b>	<b>356</b>	<b>671</b>	<b>356</b>	<b>730</b>
<b>Net income (loss) – adjusted</b>	<b>\$ 5,988</b>	<b>\$ 5,938</b>	<b>\$ 2,959</b>	<b>\$ 2,547</b>	<b>\$ 920</b>	<b>\$ 873</b>	<b>\$ (575)</b>	<b>\$ (604)</b>	<b>\$ 9,292</b>	<b>\$ 8,754</b>
Average common equity	\$ 14,291	\$ 13,880	\$ 33,687	\$ 31,066	\$ 5,952	\$ 5,755	\$ 11,191	\$ 7,477	\$ 65,121	\$ 58,178
CET1 Capital risk-weighted assets <sup>3</sup>	99,025	106,392	222,995	200,067	67,416	64,950	16,408	10,951	405,844	382,360

<sup>1</sup> Certain comparative amounts have been recast to conform with the revised presentation for the U.S. strategic cards portfolio adopted in the first quarter of 2016. For further details, refer to the “Business Focus” section of this document.

<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> Each capital ratio has its own risk weighted assets (RWA) measure due to the Office of the Superintendent of Financial Institutions Canada’s (OSFI)-prescribed scalar for inclusion of the Credit Valuation Adjustment (CVA). The scalar for inclusion of CVA for CET1, Tier 1 and Total Capital RWA are 64%, 71%, and 77%, respectively.

## ECONOMIC SUMMARY AND OUTLOOK

Wildfires in the Fort McMurray, Alberta area and weak international trade figures resulted in a 1.6% contraction of Canadian economic output (quarter-on-quarter, at annual rates) in the second calendar quarter of 2016. The resumption of activity in the oil and gas sector post-wildfire, alongside a modest improvement in the international trade balance is expected to have resulted in a healthy rebound of economic growth to around 3% in the third quarter. Nevertheless, Canada’s overall growth rate for 2016 as a whole is forecast to be a sub-par 1.1%. Beneath the national figures lie diverging regional performances, with healthy growth of close to 3% expected in British Columbia and Ontario. Conversely, although the worst of the downturn appears likely to be over, the oil-producing regions such as Newfoundland and Labrador and Alberta continue to deal with the aftermath of low oil prices – made worse for Alberta by this year’s wildfires.

After falling below a 3% rate over the previous year, global growth has been showing signs of firming comfortably within the 3-3.5% range since mid-2016. Nevertheless, there are numerous headwinds at play that should limit any further acceleration in the near term. Economic uncertainty in Europe remains elevated post-Brexit, particularly as the timing of the start of negotiations and the type of trading relationship the United Kingdom will have with the European Union remain highly fluid. Both the Bank of England and the European Central Bank appear likely to maintain their aggressive monetary easing policies over the coming months, with little further stimulus anticipated by year end. The Bank of Japan continues its pursuit of deflation, shifting its focus to targeting the level of 10-year bond yields while attempting to engineer an overshoot of its inflation target. Overall, the easy stance of monetary policy globally should continue to support financial markets and risk appetite. While China remains a key source of world growth, the pace of economic expansion should continue to decelerate into next year, with negative implications for countries within its supply chain such as South Korea, Vietnam, and others.

Economic growth in the United States, which had been weak over the first half of the year, appears to have picked up. Real gross domestic product (GDP) rose 2.9% at annual rates in the July to September 2016 period according to the advance estimate. This follows three quarters in which economic activity expanded by just 1% on average. Growth in the most recent period was wide-spread across major categories, although residential investment contracted for a second straight quarter. Higher frequency indicators, such as hiring and wage growth continue to point to a healthy economy. The post-election stabilization in financial markets and rising measures of inflation compensation should provide further support for the Federal Reserve to raise its policy interest rate by 25 bps on December 14, 2016.

Looking forward, U.S. consumer spending is expected to continue to outpace overall economic growth in coming quarters, supported by a healthy labour market. Residential construction is forecast to return to positive growth, helping drive economic activity. Healthy demand and a lack of inventory, as well as an improvement in recent data all suggest that the recent pull-back in the sector has come to an end.

The U.S. 2016 election results have shifted market expectations towards larger budget deficits, higher inflation, and increased monetary tightening by the Federal Reserve. Bond yields have risen markedly as a result, as has the U.S. dollar. However, there remains a high degree of uncertainty at present regarding the size and composition of any potential fiscal stimulus. As a result, there is some downside risk to the U.S. economy resulting from the twin headwinds of higher bond yields and a stronger dollar, absent a fiscal offset.

The key economic theme in Canada remains the complex adjustment process resulting from the marked declines in commodity prices since 2014. The wildfires in Fort McMurray exerted an additional drag, although the effect appears to have already largely dissipated. Business investment is thought to have finished contracting, but meaningful growth is not expected until early 2018, as oil prices remain unsupportive of further investment and manufacturing sales growth remains weak.

As the economic adjustment process continues, external demand for Canadian goods and services should provide some relief. Following a disappointing performance in early 2016, export volumes have recovered somewhat. Continued U.S. growth should provide support to Canadian exports going forward.

The real estate sector has been a key driver of economic growth in Canada, supported by a low interest rate environment and gains in home prices. Growth is expected to remain strong in 2016, but momentum is projected to ease significantly as the impact of past interest rate decreases fade and a number of recently-implemented tax and regulatory changes act to ease demand. While a correction is expected, it will likely be modest in scope in light of continued low interest rates and a stable unemployment rate.

Government spending is also expected to provide a boost to growth over the second half of calendar 2016 and throughout 2017. Although the impact of the Canada Child Benefit on consumer spending appears modest, significant infrastructure spending is poised to lift Canada's real GDP growth rate in 2017 by as much as 0.3 percentage points. Newly-announced measures by the federal government in its recent Fall Update, including a "Canada Infrastructure Bank" as well as a new global skills strategy could provide some additional economic stimulus over the medium-to-longer term.

Against the backdrop of modest economic growth and a labour market that is expected to generate only modest employment gains, inflationary pressures are likely to remain in line with the Bank of Canada's renewed target of 2%. Although overall inflation is currently below this target, the impacts of past energy price declines are fading, while import prices are rising. As a result, we expect inflation to converge back towards the central bank's target by the middle of the 2017 calendar year.

Given the muted inflationary pressures, the Bank of Canada is expected to maintain its policy rate at 0.50% through the end of 2018. This is consistent with the Bank of Canada's most recent forecast, which showed that a degree of economic slack would persist until the middle of the 2018 calendar year.

There are a number of important risks that may push the Canadian economy off course. Should U.S. demand disappoint, Canadian export growth is likely to follow suit, removing an important source of growth. While focused on Mexico and China, protectionist sentiment may impact Canadian exports, and by extension business investment. A renegotiated North American Free Trade Agreement may also see a reduction of trade access, permanently slowing economic growth. A string of upcoming elections in the euro area may result in increased global uncertainty and volatility. Domestically, high household debt levels may precipitate a consumer deleveraging cycle. With the consumer accounting for more than half of economic activity, a sharp slowdown in personal consumption growth will have a deleterious effect on the economy as a whole. Similarly, a moderation in housing activity, whether driven by weakened affordability or a stronger than expected impact of recent regulatory changes, would remove what has been a key driver of growth in recent quarters.

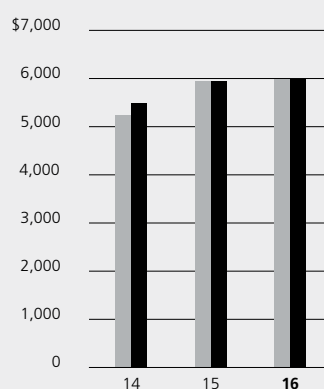
## BUSINESS SEGMENT ANALYSIS

### Canadian Retail

Canadian Retail provides a full range of financial products and services to nearly 15 million customers in the Canadian personal and commercial banking, wealth, and insurance businesses.

#### NET INCOME

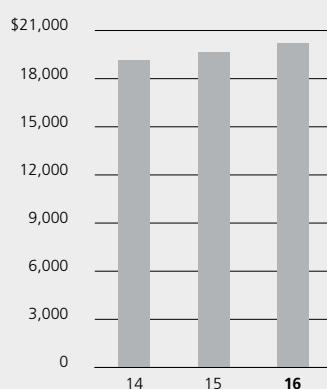
(millions of Canadian dollars)



■ Reported ■ Adjusted

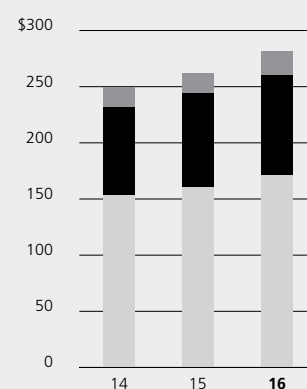
#### TOTAL REVENUE

(millions of Canadian dollars)



#### AVERAGE DEPOSITS

(millions of Canadian dollars)



■ Personal ■ Business ■ Wealth

TABLE 14 REVENUE – Reported		2016	2015	2014
(millions of Canadian dollars)				
Personal banking		\$ 10,157	\$ 9,993	\$ 9,600
Business banking		2,454	2,323	2,284
Wealth		3,640	3,436	3,226
Insurance		3,958	3,933	4,051
<b>Total</b>		<b>\$ 20,209</b>	<b>\$ 19,685</b>	<b>\$ 19,161</b>

## BUSINESS HIGHLIGHTS

- Record reported earnings of \$5,988 million.
- Continued to focus on customer service and convenience by optimizing our branch network, and investing in our digital channel experience, including mobile and online banking.
- Recognized as an industry leader in customer service excellence with distinctions that included the following:
  - Retained the #1 spot in “Customer Service Excellence”<sup>2,3</sup> among the Big 5 Canadian Banks for the twelfth consecutive year according to Ipsos, a global market research firm;
  - Won the “Online Banking Excellence”<sup>2,4</sup> award among the Big 5 Canadian Banks for the twelfth consecutive year according to Ipsos; and
  - Won the “Mobile Banking Excellence”<sup>2,5</sup> award among the Big 5 Canadian Banks for the fourth consecutive year according to Ipsos.
- Ranked first in Canadian mobile banking with the highest number of mobile unique visitors according to Comscore<sup>6</sup>.
- Continued to generate strong volume growth across key businesses:
  - Record total originations in real estate secured lending;
  - Personal Banking recorded strong chequing and savings deposit volume growth of 9.5%;
  - Business Banking generated strong loan volume growth of 10.5%;
  - TD Auto Finance Canada had record originations in Canada;
  - TD Asset Management (TDAM), the manager of TD Mutual Funds, accumulated record assets under management; and
  - TD Wealth Private Investment Advice had record net asset acquisition and record assets under administration.
- TD Insurance remained the largest direct distribution insurer<sup>7</sup> and leader in the affinity market<sup>7</sup> in Canada.
- TD has maintained strong Canadian market share<sup>8</sup> in key products:
  - #1 in personal deposit and credit card market share;
  - #2 in real estate secured lending and personal loan market share;
  - #2 in Business Banking deposit and loan market share; and
  - #1 in Direct Investing by asset, trades, and revenue market share.

## CHALLENGES IN 2016

- Continued low interest rate environment contributed to lower margins.
- Fierce competition for new and existing customers from the major Canadian banks and non-bank competitors.
- Challenging credit conditions, including increased credit losses primarily in oil-impacted regions.

## INDUSTRY PROFILE

The personal and business banking environment in Canada is very competitive among the major banks as well as some strong regional players and non-bank competitors. The intense competition makes it difficult to achieve market share gains and distinctive competitive advantage over the long term. Continued success depends upon delivering outstanding customer service and convenience, maintaining disciplined risk management practices, and prudent expense management. Business growth in the fiercely competitive wealth management industry depends on the ability to differentiate on client experience by providing the right products, services, tools and solutions to serve our clients' needs. Insurance operates in both the Canadian property and casualty insurance, and the life and health insurance industries. The property and casualty insurance industry in Canada is a fragmented and competitive market, consisting of both personal and commercial lines writers, whereas the life and health insurance industry is made up of several larger competitors.

## OVERALL BUSINESS STRATEGY

The strategy for Canadian Retail is to:

- Consistently deliver legendary customer experiences and provide trusted advice to help our customers achieve their goals and aspirations.
- Be recognized as an extraordinary place to work by embracing diversity and inclusion and helping all our colleagues achieve their full potential.
- Deliver organic growth by deepening relationships and focusing on underrepresented products and markets.
- Innovate with purpose for our customers and colleagues, simplifying to make it easier to get things done.
- Execute with speed and impact, taking only those risks we can understand and manage.
- Improve the well-being of our communities.

<sup>2</sup> Ipsos 2016 Best Banking Awards are based on full year Customer Service Index (CSI) survey results. Sample size for the total 2016 CSI program year ended with the August 2016 survey wave was 47,305 completed surveys yielding 67,678 financial institution ratings nationally. Leadership is defined as either a statistically significant lead over the other Big 5 Canadian Banks (at a 95% confidence interval) or a statistically equal tie with one or more of the Big 5 Canadian Banks.

<sup>3</sup> TD Canada Trust achieved leadership in banking excellence in the following channels in the 2016 Ipsos Best Banking Awards: Automated Teller Machine, Online and Mobile.

<sup>4</sup> TD Canada Trust won the Online Banking Excellence award among the Big 5 Canadian Banks in the proprietary Ipsos 2006-2016 Best Banking Studies<sup>SM</sup>.

<sup>5</sup> TD Canada Trust won the Mobile Banking Excellence award among the Big 5 Canadian Banks in the proprietary Ipsos 2013-2016 Best Banking Studies<sup>SM</sup>. The award was introduced in 2013.

<sup>6</sup> Comscore reporting as of August 30, 2016. TD had the highest number of mobile unique visitors accessing financial services over the past 3 months, over the full year-to-date, and over the third quarter of 2016.

<sup>7</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, 2015.

<sup>8</sup> Market share ranking is based on most current data available from OSFI for Personal Deposits and Loans as at August 2016, public financial disclosures for average credit card balances as at June 2016, from the Canadian Bankers Association for Real Estate Secured Lending as at June 2016 and Business Deposits and Loans as at March 2016, and from Investor Economics for Direct Investing asset, trades and revenue metrics as at June 2016.

TABLE 15	CANADIAN RETAIL		
(millions of Canadian dollars, except as noted)			
	2016	2015	2014
Net interest income	\$ 9,979	\$ 9,781	\$ 9,538
Non-interest income	10,230	9,904	9,623
Total revenue	20,209	19,685	19,161
Provision for credit losses	1,011	887	946
Insurance claims and related expenses	2,462	2,500	2,833
Non-interest expenses – reported	8,557	8,407	8,438
Non-interest expenses – adjusted	8,557	8,407	8,091
<b>Net income – reported</b>	<b>5,988</b>	<b>5,938</b>	<b>5,234</b>
<b>Adjustments for items of note, net of income taxes<sup>1</sup></b>			
Integration charges and direct transaction costs relating to the acquisition of the credit card portfolio of MBNA Canada	–	–	125
Set-up, conversion and other one-time costs related to affinity relationship with Aimia and acquisition of Aeroplan Visa credit card accounts	–	–	131
<b>Net income – adjusted</b>	<b>\$ 5,988</b>	<b>\$ 5,938</b>	<b>\$ 5,490</b>
<b>Selected volumes and ratios</b>			
Return on common equity – reported <sup>2</sup>	41.9%	42.8%	41.7%
Return on common equity – adjusted <sup>2</sup>	41.9	42.8	43.7
Margin on average earning assets (including securitized assets)	2.78	2.87	2.95
Efficiency ratio – reported	42.3	42.7	44.0
Efficiency ratio – adjusted	42.3	42.7	42.2
Assets under administration (billions of Canadian dollars)	\$ 345	\$ 310	\$ 293
Assets under management (billions of Canadian dollars)	268	245	227
Number of Canadian retail branches	1,156	1,165	1,165
Average number of full-time equivalent staff	38,575	39,218	39,389

<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> Capital allocated to the business segments was based on 8% CET1 Capital in fiscal 2014 and 9% in fiscal 2015 and 2016.

## REVIEW OF FINANCIAL PERFORMANCE

Canadian Retail net income for the year was \$5,988 million, an increase of \$50 million, or 1%, compared with last year. The increase in earnings reflected revenue growth and lower insurance claims, partially offset by the impact of a higher effective tax rate, higher non-interest expenses, and higher PCL. The ROE for the year was 41.9%, compared with 42.8% last year.

Canadian Retail revenue is derived from the Canadian personal and commercial banking, wealth and insurance businesses. Revenue for the year was \$20,209 million, an increase of \$524 million, or 3%, compared with last year. Net interest income increased \$198 million, or 2%, reflecting loan and deposit volume growth, partially offset by lower margins. Non-interest income increased \$326 million, or 3%, reflecting wealth asset growth and higher personal and business banking fee-based revenue. Margin on average earning assets was 2.78%, a 9 bps decrease, reflecting the low rate environment and competitive pricing.

Average loan volumes increased \$19 billion, or 5%, compared with last year, comprised of 4% growth in personal loan volumes and 10% growth in business loan volumes. Average deposit volumes increased \$19 billion, or 7%, compared with last year, comprised of 6% growth in personal deposit volumes, 7% growth in business deposit volumes and 14% growth in wealth deposit volumes.

Assets under administration (AUA) were \$345 billion as at October 31, 2016, an increase of \$35 billion, or 11%, and assets under management (AUM) were \$268 billion as at October 31, 2016, an increase of \$23 billion, or 9%, compared with last year, both reflecting new asset growth and increases in market value.

PCL for the year was \$1,011 million, an increase of \$124 million, or 14% compared with last year. Personal banking PCL was \$970 million, an increase of \$115 million, or 13%, reflecting higher provisions in the auto lending portfolio. Business banking PCL was \$41 million, an increase of \$9 million. Annualized PCL as a percentage of credit volume was 0.28%, or an increase of 2 bps, compared with last year. Net impaired loans were \$705 million, a decrease of \$10 million, or 1%, compared with last year.

Insurance claims and related expenses for the year were \$2,462 million, a decrease of \$38 million, or 2%, compared with last year, reflecting more favourable prior years' claims development, partially offset by more severe weather conditions and a change in mix of reinsurance contracts.

Non-interest expenses for the year were \$8,557 million, an increase of \$150 million, or 2%, compared with last year. The increase reflected business growth, higher employee-related expenses including revenue-based variable expenses in the wealth business, and higher investment in technology, partially offset by productivity savings.

The efficiency ratio was 42.3%, compared with 42.7% last year.

## KEY PRODUCT GROUPS

### Personal Banking

- Personal Deposits – offers a full suite of chequing, savings and investment products to retail clients across Canada.
- Consumer Lending – offers a diverse range of financing products to suit the needs of retail clients across Canada.
- Credit Cards and Merchant Solutions – offers a range of credit card products including proprietary, co-branded and affinity credit card programs.
- Auto Finance – offers retail automotive and recreational vehicle financing through an extensive network of dealers across Canada.

### Business Banking

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

### Wealth

- Direct Investing – offers a comprehensive product and service offering to self-directed retail investors.
- Advice-based business – offers financial planning and private wealth services to help clients protect, grow and transition their wealth. The advice-based wealth business has a strong partnership with the Canadian personal and commercial banking businesses.
- Asset Management – TDAM is a leading investment manager with deep retail and institutional capabilities. TD Mutual Funds is a leading mutual fund business, providing a broadly diversified range of mutual funds and professionally managed portfolios. TDAM's institutional investment business has a leading market share in Canada and includes clients of some of the largest pension funds, endowments, and corporations in Canada. All asset management units work in close partnership with other TD businesses, including the advice-based wealth business and retail banking, to align products and services to ensure a legendary client experience.

### Insurance

- Property and Casualty – TD is the largest direct distribution insurer<sup>9</sup> and the fourth largest personal insurer<sup>9</sup> in Canada. It is also the national leader in the affinity market<sup>9</sup> offering home and auto insurance to members of affinity groups such as professional associations, universities and employer groups, and other customers, through direct channels.
- Life and Health – offers credit protection and travel insurance products mostly distributed through TD Canada Trust branches. Other simple life and health insurance products and credit card balance protection are distributed through direct channels.

## BUSINESS OUTLOOK AND FOCUS FOR 2017

The Canadian Retail business will remain focused on delivering legendary customer service and convenience across all channels and deepening client relationships. We anticipate ongoing regulatory pressures and expect another year of moderate earnings growth due to the challenging operating environment. Over the next year, we expect moderate pressure on margins due to the impact of the sustained low interest rate environment and competitive pricing in the market. We expect the personal loan growth rate to be in-line with current year levels. Business lending is forecasted to remain strong as we maintain our focus on winning market share. Wealth asset acquisition is expected to be strong; however, benefits from market appreciation next year are subject to capital markets performance. Insurance results will continue to depend upon, among other things, the frequency and severity of weather-related events, as well as the impact of regulatory reforms and legislative changes. We expect an increase in credit losses for 2017 driven by volume growth. We will maintain our disciplined approach to expense management while making necessary investments in our business and infrastructure.

Our key priorities for 2017 are as follows:

- Continue to deliver legendary customer experiences while building on our lead in digital engagement to enable omni-channel experiences.
- Deliver organic growth by deepening relationships and focusing on underrepresented products and markets.
- Accelerate our growth 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.
- Keep our focus on productivity and simplify key processes to enhance customer experience, employee satisfaction, and shareholder value.
- Continue to be an extraordinary place to work.

<sup>9</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, 2015.



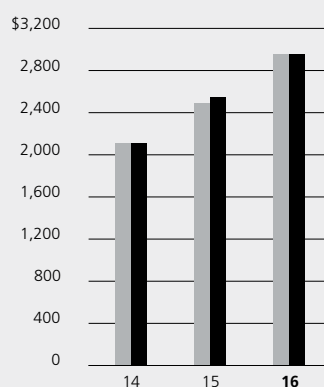
## BUSINESS SEGMENT ANALYSIS

### 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 nearly 9 million customers in the bank's U.S. personal and business banking operations, including wealth management services. U.S. Retail includes an equity investment in TD Ameritrade; it also refers mass affluent clients to TD Ameritrade for their direct investing needs.

#### NET INCOME

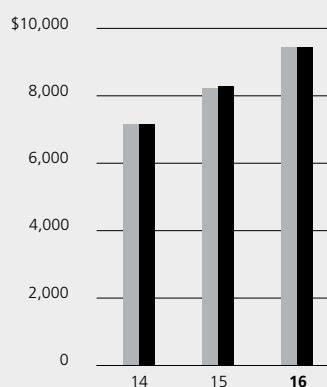
(millions of Canadian dollars)



■ Reported ■ Adjusted

#### TOTAL REVENUE

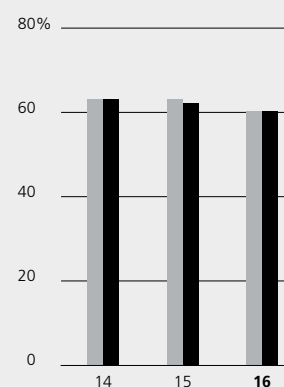
(millions of Canadian dollars)



■ Reported ■ Adjusted

#### EFFICIENCY RATIO

(percent)



■ Reported ■ Adjusted

TABLE 16 REVENUE – Reported<sup>1,2</sup>

(millions of dollars)

	Canadian dollars			U.S. dollars		
	2016	2015	2014	2016	2015	2014
Personal Banking	\$ 5,153	\$ 4,354	\$ 3,652	\$ 3,884	\$ 3,498	\$ 3,350
Business Banking	3,173	2,804	2,418	2,391	2,253	2,218
Wealth	455	411	331	343	330	303
Other <sup>3</sup>	678	660	764	512	533	701
<b>Total</b>	<b>\$ 9,459</b>	<b>\$ 8,229</b>	<b>\$ 7,165</b>	<b>\$ 7,130</b>	<b>\$ 6,614</b>	<b>\$ 6,572</b>

<sup>1</sup> Certain comparative amounts have been recast to conform with the revised presentation for the U.S. strategic cards portfolio adopted in fiscal 2016. For further details, refer to the "Business Focus" section of this document.

<sup>2</sup> Certain comparative periods have been reclassified to reflect internal allocation methodology changes.

<sup>3</sup> Other revenue consists primarily of revenue from investing activities.

## BUSINESS HIGHLIGHTS

- Record reported earnings of US\$2,234 million, up 11% compared with last year.
- Continued to provide legendary customer service and convenience:
  - Won the 2016 J.D. Power U.S. Retail Banking Satisfaction Award for the Florida Region<sup>10</sup>; and
  - Named to DiversityInc.'s Top 50 Companies in the U.S. for diversity for the fourth year in a row.
- Outperformed our peers in loan and deposit growth, as well as household acquisition.
- Deepened the relationship with new and existing customers.
- Continued to invest in digital and in our omni-channel experience.
- Announced agreement to acquire Scottrade Bank<sup>11</sup>.

## CHALLENGES IN 2016

- The competitive lending landscape continued to impact loan margins.
- Continuously challenging environment for residential real estate related lending.
- Normalizing credit conditions resulted in a moderate earnings headwind.
- Competition for new and existing customers from both U.S. banks and non-bank competitors remained fierce.
- Continuously evolving regulatory and legislative environment.

## INDUSTRY PROFILE

The U.S. consumer and commercial 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. Traditional competitors have embraced new technologies and strengthened 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 wealth management industry is also competitive and includes national and regional banks, insurance companies, independent mutual fund companies, brokers, and independent asset management companies. The keys to profitability are attracting and retaining customer relationships with legendary service and convenience, offering products that meet customers' evolving needs, managing expenses, and disciplined 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.
- Deliver productivity initiatives that enhance both the employee and customer experience.
- Maintain our conservative risk appetite.
- Build upon our unique employee culture.

<sup>10</sup> TD Bank, N.A. received the highest numerical score among retail banks in Florida in the J.D. Power 2016 Retail Banking Satisfaction Study, based on 76,233 responses from 10 banks, measuring opinions of consumers with their primary banking provider, surveyed April 2015-February 2016. Your experiences may vary. Visit [www.jdpower.com](http://www.jdpower.com).

<sup>11</sup> Acquisition is subject to the satisfaction of closing conditions, including obtaining regulatory approvals.

TABLE 17 U.S. RETAIL <sup>1</sup>		2016	2015	2014
(millions of dollars, except as noted)				
<b>Canadian Dollars</b>				
U.S. Retail Bank net income – reported <sup>2</sup>		\$ 2,524	\$ 2,112	\$ 1,805
U.S. Retail Bank net income – adjusted <sup>2</sup>		2,524	2,171	1,805
Equity in net income of an investment in TD Ameritrade		435	376	305
<b>Net income – adjusted</b>		<b>\$ 2,959</b>	<b>\$ 2,547</b>	<b>\$ 2,110</b>
<b>Net income – reported</b>		<b>2,959</b>	<b>2,488</b>	<b>2,110</b>
<b>U.S. Dollars</b>				
Net interest income		\$ 5,346	\$ 4,925	\$ 4,749
Non-interest income		1,784	1,689	1,823
Total revenue – reported		7,130	6,614	6,572
Total revenue – adjusted		7,130	6,670	6,572
Provision for credit losses		559	430	401
Non-interest expenses – reported		4,289	4,165	4,136
Non-interest expenses – adjusted		4,289	4,146	4,136
<b>U.S. Retail Bank net income – reported<sup>2</sup></b>		<b>1,906</b>	<b>1,701</b>	<b>1,657</b>
<b>Adjustments for items of note, net of income taxes<sup>3</sup></b>				
Charge related to the acquisition in U.S. strategic cards portfolio and related integration costs		–	39	–
Litigation and litigation-related charge(s)/reserve(s)		–	7	–
<b>U.S. Retail Bank net income – adjusted<sup>2</sup></b>		<b>1,906</b>	<b>1,747</b>	<b>1,657</b>
Equity in net income of an investment in TD Ameritrade		328	306	281
<b>Net income – adjusted</b>		<b>\$ 2,234</b>	<b>\$ 2,053</b>	<b>\$ 1,938</b>
<b>Net income – reported</b>		<b>2,234</b>	<b>2,007</b>	<b>1,938</b>
<b>Selected volumes and ratios</b>				
Return on common equity – reported <sup>4</sup>		8.8%	8.0%	8.4%
Return on common equity – adjusted <sup>4</sup>		8.8	8.2	8.4
Margin on average earning assets <sup>5</sup>		3.12	3.12	3.20
Efficiency ratio – reported		60.2	63.0	63.0
Efficiency ratio – adjusted		60.2	62.2	63.0
Assets under administration (billions of U.S. dollars)		\$ 13	\$ 12	\$ 12
Assets under management (billions of U.S. dollars) <sup>6</sup>		63	77	59
Number of U.S. retail stores		1,278	1,298	1,318
Average number of full-time equivalent staff		25,732	25,647	26,074

<sup>1</sup> Certain comparative amounts and ratios have been recast to conform with the revised presentation, which includes only the Bank's agreed portion of revenue, PCL, and expenses for the U.S. strategic cards portfolio and was adopted in fiscal 2016. For further details, refer to the "Business Focus" section of this document.

<sup>2</sup> Before the equity in net income of the Bank's investment in TD Ameritrade.

<sup>3</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>4</sup> Capital allocated to the business segments was based on 8% CET1 Capital in fiscal 2014 and 9% in fiscal 2015 and 2016.

<sup>5</sup> The margin on average earning assets 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.

<sup>6</sup> On August 30, 2016, a sub-advisory agreement with respect to \$14 billion in assets was terminated, of which \$3 billion were withdrawn before October 31, 2016 with the remainder to be completed by December 8, 2016. The revenue and net income associated with the terminated sub-advisory agreement is not significant to the Wealth business in U.S. Retail.

## REVIEW OF FINANCIAL PERFORMANCE

U.S. Retail net income for the year was \$2,959 million (US\$2,234 million), which included net income of \$2,524 million (US\$1,906 million) from the U.S. Retail Bank and \$435 million (US\$328 million) from TD's investment in TD Ameritrade. U.S. Retail reported earnings increased US\$227 million, or 11%, compared with last year, while adjusted earnings increased US\$181 million, or 9%. U.S. Retail Canadian dollar earnings benefited from a strengthening of the U.S. dollar with reported earnings up \$471 million, or 19%, and adjusted earnings up \$412 million, or 16%. The reported and adjusted ROE for the year was 8.8%, compared with 8.0% and 8.2%, respectively, last year.

The contribution from TD Ameritrade of US\$328 million increased US\$22 million, or 7%, compared with last year, primarily due to increased asset-based revenue and favourable tax items, partially offset by higher operating expenses and decreased trading volumes.

U.S. Retail Bank reported net income for the year was US\$1,906 million, an increase of US\$205 million, or 12%, compared with last year, primarily due to higher loan and deposit volumes, positive operating leverage, and the positive impact from an acquisition in the strategic cards portfolio, partially offset by higher PCL. U.S. Retail Bank adjusted net income increased US\$159 million, or 9%.

U.S. Retail Bank revenue is derived from personal and business banking, wealth management services, and investments. Revenue for the year was US\$7,130 million. Reported revenue increased US\$516 million, or 8%, compared with last year, while adjusted revenue was up US\$460 million, or 7%. Net interest income increased US\$421 million, or 9%, primarily reflecting higher loan and deposit volumes, the benefit of the December 2015 Fed rate increase (the "rate increase") and the benefit of an acquisition in the strategic cards portfolio. Margin on average earning assets was 3.12%, or flat compared with last year, primarily due to higher deposit margins, the rate increase, and favourable balance sheet mix, offset by lower loan margins. Reported non-interest income increased US\$95 million, or 6%, primarily reflecting fee income growth in personal banking, and the positive impact from an acquisition in the strategic cards portfolio, offset by a change in time order posting of customer transactions and unfavourable hedging impact. Adjusted non-interest income increased US\$39 million, or 2%.

Excluding an acquisition in the strategic cards portfolio, average loan volumes increased US\$13 billion, or 11%, compared with last year, due to growth in business and personal loans of 17% and 4%, respectively. Average deposit volumes increased US\$19 billion, or 9%, reflecting 7% growth in business deposit volumes, 8% growth in personal deposit volumes and an 11% increase in sweep deposit volume from TD Ameritrade.

AUA were US\$13 billion as at October 31, 2016, an increase of 11%, compared with last year, primarily due to an increase in private banking balances. AUM were US\$63 billion as at October 31, 2016, a decrease of 17%, primarily due to net outflows from institutional accounts.

PCL was US\$559 million, an increase of US\$129 million, or 30%, compared with last year. Personal banking PCL was US\$390 million, an increase of US\$25 million, or 7%, primarily due to higher provisions for auto loans and credit cards, partially offset by release of South Carolina flooding reserve, as well as improvements on residential mortgages and home equity loans. Business banking PCL was US\$165 million, an increase of US\$71 million, primarily due to commercial loan volume growth and an allowance increase reflecting the current economic environment, partially offset by release of South Carolina flooding reserve. PCL associated with debt securities classified as loans was US\$4 million, an increase of US\$33 million, due to a recovery last year. Annualized PCL as a percentage of credit volume for loans excluding debt securities classified as loans was 0.39%, an increase of 4 bps. Net impaired loans, excluding acquired credit-impaired (ACI) loans and debt securities classified as loans, were US\$1.5 billion, an increase of US\$10 million, or 1%. Net impaired loans, excluding ACI loans and debt securities classified as loans, as a percentage of total loans were 1.0% as at October 31, 2016, a decrease of 8 bps compared with last year. Net impaired debt securities classified as loans were US\$641 million, a decrease of US\$157 million, or 20%.

Non-interest expenses for the year were US\$4,289 million. Reported non-interest expenses increased US\$124 million, or 3%, compared with last year, primarily due to business initiatives, volume growth, and investments in front line employees, partially offset by productivity savings. Adjusted non-interest expenses increased US\$143 million, or 3%.

The reported and adjusted efficiency ratios for the year were 60.2%, compared with 63.0% and 62.2%, respectively, last 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. This portfolio includes Target and Nordstrom.
- Auto Finance – offers dealer floorplan financing and indirect retail automotive financing through a network of auto dealers throughout the U.S.

### **Business Banking**

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

### **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 the U.S. arm of TDAM's institutional investment business and Epoch Investment Partners Inc.

## BUSINESS OUTLOOK AND FOCUS FOR 2017

**The U.S. Retail business will remain focused on acquiring customers, deepening client relationships, and enhancing productivity. We anticipate the operating environment to remain challenging, characterized by modest economic growth, ongoing regulatory pressures, and fierce competition. We expect good loan and deposit growth and improving net interest margin. Credit losses are expected to increase in 2017, reflecting volume growth and normalizing credit conditions. We will continue to maintain a disciplined expense management approach as the benefits from on-going productivity initiatives are expected to partially fund strategic business investments. This will help generate positive operating leverage for the year.**

**Our key priorities for 2017 are as follows:**

- **Outgrow our competitors by acquiring more customers and deepening relationships.**
- **Advance our omni-channel strategy, including making key strategic investments in digital capabilities.**
- **Enhance the customer and employee experience.**
- **Continue to meet heightened regulatory expectations.**
- **Drive productivity initiatives across the Bank.**

## TD AMERITRADE HOLDING CORPORATION

Refer to Note 12 of the 2016 Consolidated Financial Statements for further information on TD Ameritrade.

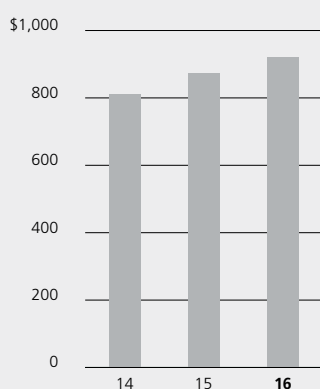
## BUSINESS SEGMENT ANALYSIS

# Wholesale Banking

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

### NET INCOME

(millions of Canadian dollars)



### TOTAL REVENUE

(millions of Canadian dollars)

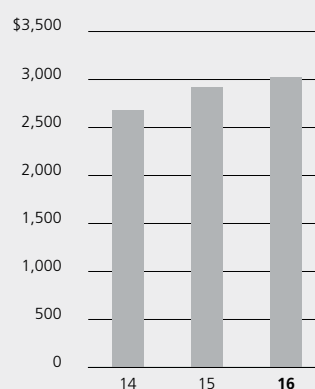


TABLE 18	REVENUE				
	(millions of Canadian dollars)		2016	2015	2014
	Investment banking and capital markets		\$ 2,410	\$ 2,334	\$ 2,170
	Corporate banking		620	592	510
	<b>Total</b>		<b>\$ 3,030</b>	<b>\$ 2,926</b>	<b>\$ 2,680</b>

## BUSINESS HIGHLIGHTS

- Earnings of \$920 million and an ROE of 15.5%.
- Higher revenue, reflecting a strengthening franchise in Canada and growth in the U.S.
- Notable deals in the year:
  - Joint book-runner on TransCanada Corporation's \$4.2 billion equity underwriting – the largest ever bought deal in Canada
  - Lead book-runner on Suncor Energy's \$2.5 billion equity underwriting
  - Joint book-runner on Aritzia Inc.'s \$460 million initial public offering (IPO) – the largest Canadian IPO of the year
- Signed an agreement to acquire Albert Fried & Company – a New York-based broker-dealer with services and capabilities including self-clearing, securities lending, and a prime brokerage technology platform in its final stages of development<sup>12</sup>.
- Ranked #1 overall in Thomson Reuters' Analyst Awards for equity research<sup>13</sup>.
- Maintained a top-three dealer status in Canada (for the nine-month period ended September 30, 2016)<sup>14</sup>:
  - #1 in equity options block trading;
  - #1 in equity underwriting;
  - #2 in equity block trading;
  - #2 in government debt and corporate debt underwriting; and
  - #3 in Canadian syndicated loans (on a rolling twelve-month basis).
- Continued investment in our infrastructure model to be more efficient and agile and meet regulatory changes.

## CHALLENGES IN 2016

- Sustained low interest rate environment and uncertainty over the timing of rate increases.
- Global fiscal and political environment contributed to investor uncertainty.
- Low energy prices resulted in increased specific provisions for credit losses in the oil and gas sector.
- Regulatory changes continued to have an impact on TD Securities' businesses.

## 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 government, corporate and institutional clients. Products include capital markets services, investment banking, and corporate banking. 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

- Expand our client franchise through organic growth.
- Provide superior advice and execution to meet clients' needs.
- Strengthen our position as a top investment dealer in Canada.
- Grow our U.S. franchise.
- Leverage our enterprise partners.
- Maintain a prudent risk profile by focusing on high quality clients, counterparties, and products.
- Adapt to rapid industry and regulatory changes.
- Be an extraordinary and inclusive place to work by attracting, developing, and retaining top talent.

TABLE 19 WHOLESALE BANKING

(millions of Canadian dollars, except as noted)	2016	2015	2014
Net interest income (TEB)	\$ 1,685	\$ 2,295	\$ 2,210
Non-interest income	1,345	631	470
Total revenue	3,030	2,926	2,680
Provision for credit losses <sup>1</sup>	74	18	11
Non-interest expenses	1,739	1,701	1,589
<b>Net income</b>	<b>\$ 920</b>	<b>\$ 873</b>	<b>\$ 813</b>
<b>Selected volumes and ratios</b>			
Trading-related revenue	\$ 1,636	\$ 1,545	\$ 1,394
Gross drawn (billions of Canadian dollars) <sup>2</sup>	20.7	16.1	12.2
Return on common equity <sup>3</sup>	15.5%	15.2%	17.5%
Efficiency ratio	57.4	58.1	59.3
Average number of full-time equivalent staff	3,766	3,748	3,654

<sup>1</sup> PCL is comprised of specific provisions for credit losses and accrual costs for credit protection. The change in market value of the credit protection, in excess of the accrual cost, is reported in the Corporate segment. Refer to Note 30 for further details.

<sup>2</sup> Includes gross loans and bankers' acceptances, excluding letters of credit, cash collateral, credit default swaps (CDS), and reserves for the corporate lending business.

<sup>3</sup> Capital allocated to the business segments was based on 8% CET1 Capital in fiscal 2014 and 9% in fiscal 2015 and 2016.

<sup>12</sup> Acquisition is subject to the satisfaction of closing conditions, including obtaining regulatory approvals.

<sup>13</sup> The Thomson Reuters Analyst Awards are recognized as the gold standard in objective measurement of sell-side analyst performance. The awards recognize the world's top individual sell-side analysts and sell-side firms. They measure the performance of sell-side analysts based on the returns of their buy/sell recommendations relative to industry benchmarks, and the accuracy of their earnings estimates in 16 regions across the globe. TD Securities ranking is based on receiving the highest number of equity research awards in 2016.

<sup>14</sup> Equity options block trading and equity block trading: block trades by value on all Canadian exchanges, Source: IRESS. Equity underwriting, Source: Bloomberg. Government and corporate debt underwriting: excludes self-led domestic bank deals and credit card deals, bonus credit to lead, Source: Bloomberg; Canadian syndicated loans: deal volume awarded proportionately to the Lead Arrangers. Source: Bloomberg. Rankings reflect TD Securities' position among Canadian peers.

## REVIEW OF FINANCIAL PERFORMANCE

Wholesale Banking net income for the year was \$920 million, an increase of \$47 million, or 5%, compared with the prior year. The increase in earnings was due to higher revenue and a lower effective tax rate, partially offset by higher PCL, and higher non-interest expenses. The ROE for the year was 15.5%, compared with 15.2% in the prior year.

Revenue for the year was \$3,030 million, an increase of \$104 million, or 4%, compared with the prior year, reflecting higher origination activity in debt and equity capital markets, higher corporate lending fees and higher fixed income and foreign exchange trading, partially offset by lower equity trading. Net interest income decreased \$610 million or 27%, reflecting higher funding costs and lower dividends. Non-interest income increased \$714 million reflecting higher trading and fees.

PCL is comprised of specific provisions for credit losses and accrual costs for credit protection. PCL for the year was \$74 million, an increase of \$56 million compared with the prior year reflecting higher specific provisions in the oil and gas sector.

Non-interest expenses for the year were \$1,739 million, an increase of \$38 million, or 2%, compared with the prior year reflecting higher variable compensation and the unfavourable impact of foreign exchange translation, partially offset by productivity savings.

### KEY PRODUCT GROUPS

#### *Investment Banking and Capital Markets*

- Includes advisory, underwriting, trading, facilitation, and trade execution services.

#### *Corporate Banking*

- Includes corporate lending, trade finance, and cash management services.

## BUSINESS OUTLOOK AND FOCUS FOR 2017

**We are cautiously optimistic about improved capital markets activity in 2017. However, we remain watchful of market sentiment as a combination of global market events, uncertainty over the outlook for interest rates and energy markets, increased competition, and evolving capital and regulatory requirements that will continue to impact our business. While these factors will likely affect corporate and investor sentiment in the near term, we believe our diversified, integrated, client-focused business model will continue to deliver solid results and grow our North American franchise. We remain focused on growing and deepening client relationships in Canada and the U.S., being a valued counterparty, and managing our risks, capital, and productivity in 2017.**

### Our key priorities for 2017 are as follows:

- Deepen client relationships.
- Continue to be a top ranked investment dealer in Canada.
- Grow our U.S. franchise in partnership with U.S. Retail.
- Expand our products and services in the U.S.
- Invest in an efficient and agile infrastructure to support growth and adapt to industry and regulatory changes.
- Maintain our focus on productivity.
- Continue to be an extraordinary place to work.

## BUSINESS SEGMENT ANALYSIS

### Corporate

Corporate segment comprises of a number of service and control functional 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 20	CORPORATE			
(millions of Canadian dollars)		2016	2015	2014
<b>Net income (loss) – reported</b>		<b>\$ (931)</b>	<b>\$ (1,275)</b>	<b>\$ (274)</b>
<b>Adjustments for items of note, net of income taxes<sup>1</sup></b>				
Amortization of intangibles		246	255	246
Fair value of derivatives hedging the reclassified available-for-sale securities portfolio		(6)	(55)	(43)
Impairment of goodwill, non-financial assets, and other charges		116	–	–
Restructuring charges		–	471	–
Impact of Alberta flood on the loan portfolio		–	–	(19)
Gain on sale of TD Waterhouse Institutional Services		–	–	(196)
<b>Total adjustments for items of note</b>		<b>356</b>	<b>671</b>	<b>(12)</b>
<b>Net income (loss) – adjusted</b>		<b>\$ (575)</b>	<b>\$ (604)</b>	<b>\$ (286)</b>
<b>Decomposition of items included in net income (loss) – adjusted</b>				
Net corporate expenses		\$ (836)	\$ (734)	\$ (727)
Other		146	18	334
Non-controlling interests		115	112	107
<b>Net income (loss) – adjusted</b>		<b>\$ (575)</b>	<b>\$ (604)</b>	<b>\$ (286)</b>
<b>Selected volumes</b>				
Average number of full-time equivalent staff		13,160	12,870	12,020

<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.

Corporate segment results include unallocated revenue and expenses, the impact of treasury and balance sheet management activities, provisions for incurred but not identified losses related to the Canadian Retail and Wholesale loan portfolios, tax items at an enterprise level, and intercompany adjustments such as elimination of taxable equivalent basis and the retailer program partners' share relating to the U.S. strategic cards portfolio.

The Corporate segment reported net loss for the year was \$931 million, compared with a reported net loss of \$1,275 million last year. The year-over-year decrease in reported net loss was attributable to restructuring charges of \$471 million after tax in the prior year and higher contribution from Other items in the current year, partially offset by impairment of goodwill, non-financial assets, and other charges of \$116 million after tax, an increase in net corporate expenses, and lower gain due to change in fair value of derivatives hedging the reclassified available-for-sale securities portfolio in the current year. Higher contribution from Other items was primarily due to higher revenue from treasury and balance sheet management activities and favourable impact of tax items, partially

offset by higher provisions for incurred but not identified credit losses. Net corporate expenses increased primarily due to ongoing investments in enterprise and regulatory projects. The adjusted net loss for the year was \$575 million, compared with an adjusted net loss of \$604 million last year.

#### BUSINESS OUTLOOK AND FOCUS FOR 2017

**As part of Corporate segment's mandate, we will continue to focus on enterprise and regulatory initiatives and effectively manage the Bank's capital and investment positions, interest rate, liquidity, funding and the market risks of TD's non-trading banking activities. We continue to address the complexities and challenges from changing demands and expectations of our customers, shareholders, employees, governments, regulators, and the community at large. We maintain constant focus on the design, development, and implementation of processes, systems, and technologies to ensure that the Bank's key businesses operate efficiently, reliably, and in compliance with all applicable regulatory requirements.**

## 2015 FINANCIAL RESULTS OVERVIEW

### Summary of 2015 Performance

TABLE 21	REVIEW OF 2015 FINANCIAL PERFORMANCE <sup>1</sup>				
(millions of Canadian dollars)	Canadian Retail	U.S. Retail	Wholesale Banking	Corporate	Total
Net interest income	\$ 9,781	\$ 6,131	\$ 2,295	\$ 517	\$ 18,724
Non-interest income	9,904	2,098	631	69	12,702
Total revenue	19,685	8,229	2,926	586	31,426
Provision for (recovery of) credit losses	887	535	18	243	1,683
Insurance claims and related expenses	2,500	–	–	–	2,500
Non-interest expenses	8,407	5,188	1,701	2,777	18,073
Net income (loss) before provision for income taxes	7,891	2,506	1,207	(2,434)	9,170
Provision for (recovery of) income taxes	1,953	394	334	(1,158)	1,523
Equity in net income of an investment in TD Ameritrade	–	376	–	1	377
<b>Net income (loss) – reported</b>	<b>5,938</b>	<b>2,488</b>	<b>873</b>	<b>(1,275)</b>	<b>8,024</b>
Adjustments for items of note, net of income taxes	–	59	–	671	730
<b>Net income (loss) – adjusted</b>	<b>\$ 5,938</b>	<b>\$ 2,547</b>	<b>\$ 873</b>	<b>\$ (604)</b>	<b>\$ 8,754</b>

<sup>1</sup> Certain comparative amounts and ratios have been recast to conform with the revised presentation for the U.S. strategic cards portfolio adopted in fiscal 2016. For further details, refer to the "Business Focus" section of this document.

#### NET INTEREST INCOME

Net interest income for the year was \$18,724 million, an increase of \$1,140 million, or 6%, compared with last year. The increase in net interest income was primarily driven by increases in the U.S. Retail, Canadian Retail, and Wholesale Banking segments, partially offset by a decline in the Corporate segment. U.S. Retail net interest income increased primarily due to strong organic loan and deposit growth, higher fee revenue, the benefit of an acquisition in the strategic cards portfolio, and the impact of foreign currency translation, partially offset by net margin compression and lower accretion. Canadian Retail net interest income increased primarily due to good loan and deposit volume growth and the full year impact of Aeroplan, partially offset by lower margins. Wholesale Banking net interest income increased primarily due to higher trading-related revenue and strong corporate lending growth. Corporate segment net interest income decreased primarily due to lower revenue from treasury and balance sheet management activities, partially offset by the contribution from an acquisition in the strategic cards portfolio.

#### NON-INTEREST INCOME

Non-interest income for the year on a reported basis was \$12,702 million, an increase of \$325 million, or 3%, compared with last year. The increase in reported non-interest income was primarily driven by increases in the Canadian Retail, Wholesale Banking, and U.S. Retail segments, partially offset by a decline in the Corporate segment. Canadian Retail non-interest income increased primarily due to wealth asset growth, higher personal and business banking fee-based revenue, and insurance premiums, partially offset by the impact of a change in mix of reinsurance contracts. Wholesale Banking non-interest income increased primarily due to strong debt underwriting fees and corporate lending growth. U.S. Retail non-interest income increased primarily due to higher fee revenue, the benefit of an acquisition in the strategic cards portfolio, and the impact of foreign currency translation, partially offset by lower gains on sales of securities. Corporate segment non-interest income decreased primarily due to the gains on sales of TD Ameritrade shares in the prior year, partially offset by the contribution from an acquisition in the strategic cards portfolio. Adjusted non-interest income for the year was \$12,713 million, an increase of \$616 million, or 5%, compared with last year.



### PROVISION FOR CREDIT LOSSES

Reported PCL for the year was \$1,683 million, an increase of \$126 million, or 8%, compared with last year. The increase was primarily driven by increases in the U.S. Retail and Corporate segments, partially offset by a decrease in the Canadian Retail segment. U.S. Retail PCL increased primarily due to volume growth, provisions related to the flooding in South Carolina, and the impact of foreign currency translation, partially offset by continued credit quality improvement across various portfolios. Corporate segment PCL increased primarily due to higher provisions for incurred but not identified credit losses related to the Canadian loan portfolio, partially offset by the contribution from an acquisition in the strategic cards portfolio. Canadian Retail PCL decreased primarily due to higher recoveries in business banking, the sale of charged-off accounts, and strong credit performance in personal banking. Adjusted PCL for the year was \$1,683 million, an increase of \$101 million, or 6%, compared with last year.

### INSURANCE CLAIMS AND RELATED EXPENSES

Insurance claims and related expenses were \$2,500 million, a decrease of \$333 million, or 12%, compared with last year, primarily due to a change in mix of reinsurance contracts, more favourable prior years' development, less severe weather conditions, and lower current year claims costs.

### NON-INTEREST EXPENSES

Reported non-interest expenses for the year were \$18,073 million, an increase of \$1,577 million, or 10%, compared with last year. The increase in reported non-interest expenses was driven by increases in the Corporate, U.S. Retail, and Wholesale Banking segments, partially offset by the Canadian Retail segment. Corporate non-interest expenses increased primarily due to restructuring charges of \$686 million, which were reported as an item of note, and the contribution from an acquisition in the strategic cards portfolio. U.S. Retail non-interest expenses increased primarily due to investments to support business growth, the impact of foreign currency translation, and an acquisition in the strategic cards portfolio, partially offset by productivity savings. Canadian Retail non-interest expenses decreased primarily due to productivity savings, partially offset by higher employee-related costs, including higher revenue-based variable expenses in the wealth business, business growth, and higher initiative spend. Wholesale Banking non-interest expenses increased primarily due to the impact of foreign exchange translation and higher operating expenses. Adjusted non-interest expenses were \$17,076 million, an increase of \$1,213 million, or 8%, compared with last year.

### PROVISION FOR INCOME TAXES

Reported total income and other taxes increased by \$50 million, or 2%, compared with last year. Income tax expense, on a reported basis, was up \$11 million, or 1%, compared with last year. Other taxes were up \$39 million, or 3%, compared with last year. Adjusted total income and other taxes were up \$252 million from last year. Total income tax expense, on an adjusted basis, was up \$213 million, or 13%, from last year.

The Bank's effective income tax rate on a reported basis was 16.6% for 2015, compared with 16.7% last year. For a reconciliation of the Bank's effective income tax rate with the Canadian statutory income tax rate, refer to Note 26 of the 2015 Consolidated Financial Statements.

The Bank's adjusted effective tax rate for the year was 18.3%, compared with 17.5% last year. The year-over-year increase was largely due to changes in business mix and the resolution of certain audit items in 2014.

The Bank reports its investment in TD Ameritrade using the equity method of accounting. TD Ameritrade's tax expense of \$221 million in the year, compared with \$198 million last year, was not part of the Bank's effective tax rate.

### BALANCE SHEET

**Total assets** were \$1,104 billion as at October 31, 2015, an increase of \$144 billion, or 15%, from October 31, 2014. The net increase was primarily due to a \$65 billion increase in loans (net of allowance for loan losses), a \$26 billion increase in available-for-sale securities, a \$15 billion increase in securities purchased under reverse repurchase agreements, \$17 billion increase in held-to-maturity securities, and a \$14 billion increase in derivatives. The impact of foreign currency translation added \$42 billion, or 4%, to growth in total assets.

**Total liabilities** were \$1,037 billion as at October 31, 2015, an increase of \$133 billion, or 15%, from October 31, 2014. The net increase was primarily due to a \$95 billion increase in deposits, a \$15 billion increase in trading deposits, and a \$14 billion increase in obligations related to securities sold under repurchase agreements. The impact of foreign currency translation added \$41 billion, or 4%, to growth in total liabilities.

**Equity** was \$67 billion as at October 31, 2015, an increase of \$11 billion, or 19%, from October 31, 2014. The increase was primarily due to higher retained earnings and an increase in accumulated other comprehensive income due to foreign currency translation.

## 2015 Financial Performance by Business Line

**Canadian Retail** net income for the year ended October 31, 2015 on a reported basis was \$5,938 million, an increase of \$704 million, or 13%, compared with the year ended October 31, 2014. The increase in reported earnings reflected increased revenue, partially offset by expense growth. Adjusted net income for the year ended October 31, 2015 was \$5,938 million, an increase of \$448 million, or 8%, compared with the year ended October 31, 2014. Revenue for the year ended October 31, 2015 was \$19,685 million, an increase of \$524 million, or 3%, compared with the year ended October 31, 2014. Net interest income increased \$243 million, or 3%, reflecting loan and deposit volume growth and the full year impact of Aeroplan, partially offset by lower margins. Non-interest income increased \$281 million, or 3%, reflecting wealth asset growth, higher personal and business banking fee-based revenue, and insurance premium growth, partially offset by a change in mix of reinsurance contracts. PCL for the year ended October 31, 2015 was \$887 million, a decrease of \$59 million, or 6% compared with the year ended October 31, 2014. Personal banking PCL was \$855 million, a decrease of \$20 million, or 2%, due primarily to the sale of charged off accounts and strong credit performance, partially offset by higher provisions in the auto lending portfolio. Business banking PCL was \$32 million, a decrease of \$39 million compared with the year ended October 31, 2014. Insurance claims and related expenses were \$2,500 million, a decrease of \$333 million, or 12%, compared with the year ended October 31, 2014, primarily due to a change in mix of reinsurance contracts, more favourable prior years' claims development, less severe weather conditions and lower current year claims costs. Reported non-interest expenses for the year ended October 31, 2015 were \$8,407 million, a decrease of \$31 million compared with the year ended October 31, 2014. The decrease in reported non-interest expenses reflected higher employee-related expenses, including higher revenue-based variable expenses in the wealth business, business growth, and higher initiative spend, partially offset by productivity savings. Adjusted non-interest expenses for the year ended October 31, 2015 were \$8,407 million, an increase of \$316 million, or 4%, compared with the year ended October 31, 2014.

**U.S. Retail** net income for the year on a reported basis was \$2,488 million (US\$2,007 million), which included net income of \$2,112 million (US\$1,701 million) from the U.S. Retail Bank and \$376 million (US\$306 million) from TD's investment in TD Ameritrade. U.S. Retail adjusted net income for the year was \$2,547 million (US\$2,053 million). Canadian dollar earnings benefited from a strengthening of the U.S. dollar during the year. The reported and adjusted annualized ROE for the year was 8.0% and 8.2% respectively, compared with 8.4% last year. U.S. Retail Bank reported net income for the year was US\$1,701 million, an increase of US\$44 million, or 3%, compared with last year, primarily due to strong organic growth, lower PCL, good expense management, and a lower effective tax rate, partially offset by lower loan margins, lower gains on sales of securities, and a charge related to an acquisition in the strategic cards portfolio and related integration costs. U.S. Retail Bank adjusted earnings of US\$1,747 million increased US\$90 million, or 5%. The contribution from TD Ameritrade of US\$306 million was up 9% compared with last year, primarily due to strong asset growth and higher transaction revenue, partially offset by higher operating expenses and lower investment gains. Reported revenue for the year was US\$6,614 million, an increase of US\$42 million, primarily due to strong organic loan and deposit growth, higher fee revenue, and the benefit of an acquisition in the strategic cards portfolio, partially offset by net margin compression, as well as, lower accretion, lower gains on sales of securities, and

a charge related to an acquisition in the strategic cards portfolio and related integration costs. Adjusted revenue was US\$6,670 million, an increase of US\$98 million, or 1%, compared with last year. PCL for the year was US\$430 million, an increase of US\$29 million, or 7%, compared with last year, primarily due to volume growth and the South Carolina flooding reserve, partially offset by continued credit quality improvement across various portfolios. Reported non-interest expenses for the year were US\$4,165 million, an increase of US\$29 million, compared with last year, primarily due to the impact of an acquisition in the strategic cards portfolio, investments to support business growth and increased provisions, partially offset by productivity savings. On an adjusted basis, non-interest expenses were US\$4,146 million, an increase of US\$10 million compared with last year.

**Wholesale Banking** net income for the year was \$873 million, an increase of \$60 million, or 7%, compared with last year. The increase in earnings was due to higher revenue, partially offset by higher non-interest expenses and a higher effective tax rate. Revenue for the year was \$2,926 million, an increase of \$246 million, or 9%, compared with the prior year. Revenue increased mainly due to higher trading-related revenue, while our continued focus on originations both in Canada and the U.S. resulted in robust debt underwriting fees and strong corporate lending growth. The increase in debt underwriting fees was largely driven by improved client activity, and corporate lending revenue increased on strong loan volume growth. The revenue increase also included the positive impact of foreign exchange translation. This was partially offset by lower mergers and acquisition (M&A) and equity underwriting fees. Trading-related revenue increased due to improved foreign exchange and fixed income trading that benefited from strong client activity in the year despite a challenging global environment, and higher equity trading on improved client volumes and increased volatility in the latter half of the year. PCL is comprised of specific provisions for credit losses and accrual costs for credit protection. The change in market value of the credit protection, in excess of the accrual cost, is reported in the Corporate segment. PCL for the year was \$18 million, an increase of \$7 million compared with last year, and consisted of the accrual cost of credit protection and a specific credit provision in the corporate lending portfolio. PCL in the prior year consisted primarily of the accrual cost of credit protection. Non-interest expenses for the year were \$1,701 million, an increase of \$112 million, or 7%, compared with last year. Non-interest expenses increased primarily due to the impact of foreign exchange translation and higher operating expenses.

**Corporate segment** reported net loss for the year was \$1,275 million, compared with a reported net loss of \$274 million last year. Current year reported net loss includes restructuring charges of \$686 million (\$471 million after-tax) on a net basis. The adjusted net loss for the year was \$604 million, compared with an adjusted net loss of \$286 million last year. The year-over-year increase in the reported net loss was attributable to Other items. Other items were lower due to the gain on sale of TD Ameritrade shares (\$85 million after-tax) and favourable impact of tax items in the prior year, lower revenue from treasury and balance sheet management activities, and higher provisions for incurred but not identified credit losses due to volume growth and refinements in allowance methodology in the Canadian Retail and Wholesale loan portfolios.

GROUP FINANCIAL CONDITION

# Balance Sheet Review

**AT A GLANCE OVERVIEW**

**Total assets were \$1,177 billion as at October 31, 2016, an increase of \$73 billion, or 7%, compared with October 31, 2015.**

TABLE 22	CONDENSED CONSOLIDATED BALANCE SHEET	
	(millions of Canadian dollars)	
	<i>As at</i>	
	October 31	October 31
	2016	2015
<b>Assets</b>		
Interest-bearing deposits with banks	\$ 53,714	\$ 42,483
Available-for-sale securities	107,571	88,782
Held-to-maturity securities	84,395	74,450
Loans, net of allowance for loan losses	585,656	544,341
Other	345,631	354,317
<b>Total assets</b>	<b>\$ 1,176,967</b>	<b>\$ 1,104,373</b>
<b>Liabilities</b>		
Trading deposits	79,786	74,759
Derivatives	65,425	57,218
Deposits	773,660	695,576
Obligations related to securities sold under repurchase agreements	48,973	67,156
Other	134,909	142,636
<b>Total liabilities</b>	<b>1,102,753</b>	<b>1,037,345</b>
<b>Total equity</b>	<b>74,214</b>	<b>67,028</b>
<b>Total liabilities and equity</b>	<b>\$ 1,176,967</b>	<b>\$ 1,104,373</b>

**Total assets** were \$1,177 billion as at October 31, 2016, an increase of \$73 billion, or 7%, from October 31, 2015. The increase was primarily due to an increase in loans, net of allowance for loan losses of \$41 billion, available-for-sale securities of \$19 billion, interest-bearing deposits with banks of \$11 billion, and held-to-maturity securities of \$10 billion. The foreign currency translation impact on total assets, primarily in the U.S. Retail segment, was \$12 billion or 1%.

**Loans (net of allowance for loan losses)** increased \$41 billion primarily due to an increase in the U.S. Retail, Canadian Retail, and Wholesale Banking segments. The increase in U.S. Retail was primarily due to growth in business and government loans and personal loans. The increase in Canadian Retail was primarily due to growth in business and government loans, personal loans, and residential mortgages. The increase in Wholesale was primarily due to growth in business and government loans.

**Available-for-sale securities** increased \$19 billion primarily due to new investments, net of maturities and sales.

**Interest-bearing deposits with banks** increased \$11 billion primarily due to higher personal deposit volumes.

**Held-to-maturity securities** increased \$10 billion primarily due to new investments, net of maturities and foreign currency translations.

**Total liabilities** were \$1,103 billion as at October 31, 2016, an increase of \$66 billion, or 6%, from October 31, 2015. The increase was primarily due to an increase in deposits of \$78 billion, derivatives of \$8 billion, trading deposits of \$5 billion, partially offset by obligations related to securities sold under repurchase agreements of \$18 billion. The foreign currency translation impact on total liabilities, primarily in the U.S. Retail segment, was \$11 billion or 1%.

**Deposits** increased \$78 billion largely driven by the U.S. Retail, Canadian Retail, and Corporate segments. U.S. Retail deposits increased primarily due to personal non-term deposits and business and government deposits. Canadian Retail reflected increases in business and government deposits, and personal non-term deposits. Corporate segment's deposits increased primarily due to senior debt and covered bond issuances, net of maturities.

**Derivatives** increased \$8 billion primarily due to the current interest rate and foreign exchange environment, partially offset by netting of positions.

**Trading deposits** increased \$5 billion primarily due to higher issuance of certificates of deposits and commercial paper in Wholesale Banking.

**Obligations related to securities sold under repurchase agreements** decreased \$18 billion primarily due to a decrease in trading volumes.

**Equity** was \$74 billion as at October 31, 2016, an increase of \$7 billion, or 11%, from October 31, 2015. The increase was primarily due to higher retained earnings, higher preferred shares due to new issuances, and an increase in accumulated other comprehensive income due to foreign currency translation.

## Credit Portfolio Quality

### AT A GLANCE OVERVIEW

- **Loans and acceptances net of allowance for loan losses were \$601 billion, an increase of \$40 billion compared with last year.**
- **Impaired loans net of counterparty-specific and individually insignificant allowances were \$2,785 million, an increase of \$125 million compared with last year.**
- **Provision for credit losses was \$2,330 million, compared with \$1,683 million last year.**
- **Total allowance for loan losses increased by \$439 million to \$3,873 million.**

### LOAN PORTFOLIO

Overall in 2016, the Bank's credit quality remained stable despite uncertain economic conditions. During 2016, the Bank increased its credit portfolio by \$40 billion, or 7%, from the prior year, largely due to volume growth in the Canadian and U.S. Retail segments and the impact of foreign exchange.

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 32 of the 2016 Consolidated Financial Statements.

### CONCENTRATION OF CREDIT RISK

The Bank's loan portfolio continued to be dominated by Canadian and U.S. residential mortgages, consumer instalment and other personal loans, and credit cards, representing 65% of total loans net of counterparty-specific and individually insignificant allowances, down from 67% in 2015. During the year, these portfolios increased by \$16 billion, or 4%, and totalled \$393 billion at year end. Residential mortgages represented 36% of the portfolio in 2016, down from 38% in 2015. Consumer instalment and other personal loans, and credit cards were 29% of total loans net of counterparty-specific and individually insignificant allowances in 2016, consistent with 2015.

The Bank's business and government credit exposure was 35% of total loans net of counterparty-specific and individually insignificant allowances, up from 33% in 2015. The largest business and government sector concentrations in Canada were the real estate and financial sectors, which comprised 4.8% and 1.7%, respectively. Real estate was the leading U.S. sector of concentration and represented 4.7% of net loans, up from 4.3% in 2015.

Geographically, the credit portfolio remained concentrated in Canada. In 2016, the percentage of loans held in Canada was 66%, down from 68% in 2015. The largest Canadian exposure was in Ontario, which represented 39% of total loans net of counterparty-specific and individually insignificant allowance for loan losses for 2016, down from 40% in 2015.

The balance of the credit portfolio was predominantly in the U.S., which represented 33% of the portfolio, up from 31% in 2015 primarily due to the impact of foreign exchange and volume growth in business and government and consumer indirect auto loans. Exposures to debt securities classified as loans, ACI loans, and other geographic regions were relatively small. The largest U.S. exposures by state were in New England, New Jersey, and New York which represented 6%, 6%, and 5% of total loans net of counterparty-specific and individually insignificant allowances, respectively, compared with 7%, 6% and 5%, respectively, in the prior year.

### Oil and Gas Exposure

From the beginning of fiscal 2015, West Texas Intermediate crude oil prices fell from approximately US\$80 per barrel to US\$47 as at October 31, 2016. Within the Commercial and Wholesale portfolios, TD had \$3.7 billion of drawn exposure to oil and gas producers and services as at October 31, 2016, representing less than 1% of the Bank's total gross loans and acceptances outstanding. Of the \$3.7 billion drawn exposure, \$1.2 billion is to investment grade borrowers and \$2.5 billion to non-investment grade borrowers based on the Bank's internal rating system. The portfolio of oil and gas exposure is broadly diversified and consistent with TD's North American strategy. For certain producers, a borrowing base re-determination is performed on a semi-annual basis, the results of which are used to determine exposure levels and credit terms. Within the retail credit portfolios, TD had \$62.8 billion of consumer and small business outstanding exposure in Alberta, Saskatchewan, and Newfoundland and Labrador as at October 31, 2016, the regions most impacted by lower oil prices. Excluding real estate secured lending, consumer and small business banking drawn exposure represents 2% of the Bank's total gross loans and acceptances outstanding. The Bank regularly conducts stress testing on its credit portfolios in light of current market conditions. The Bank's portfolios continue to perform within expectations given the current level and near term outlook for commodity prices in this sector.

<b>TABLE 23</b>	<b>LOANS AND ACCEPTANCES, NET OF COUNTERPARTY-SPECIFIC AND INDIVIDUALLY INSIGNIFICANT ALLOWANCES BY INDUSTRY SECTOR<sup>1</sup></b>
-----------------	---

(millions of Canadian dollars, except as noted)

	<i>As at</i>					<i>Percentage of total</i>		
	<b>October 31 2016</b>	October 31 2015	October 31 2014	October 31 2015	October 31 2014	<b>October 31 2016</b>	October 31 2015	October 31 2014
	<b>Gross loans</b>	<b>Counterparty- specific and individually insignificant allowances</b>	<b>Net loans</b>	Net loans	Net loans			
<b>Canada</b>								
Residential mortgages	<b>\$ 189,299</b>	<b>\$ 15</b>	<b>\$ 189,284</b>	\$ 184,992	\$ 175,112	<b>31.3%</b>	32.8%	35.4%
Consumer instalment and other personal								
HELOC	<b>65,068</b>	<b>9</b>	<b>65,059</b>	61,303	59,549	<b>10.8</b>	10.9	12.0
Indirect Auto	<b>20,577</b>	<b>40</b>	<b>20,537</b>	19,008	16,453	<b>3.4</b>	3.4	3.3
Other	<b>16,456</b>	<b>32</b>	<b>16,424</b>	16,042	16,073	<b>2.7</b>	2.8	3.3
Credit card	<b>18,226</b>	<b>106</b>	<b>18,120</b>	17,833	17,822	<b>3.0</b>	3.2	3.6
Total personal	<b>309,626</b>	<b>202</b>	<b>309,424</b>	299,178	285,009	<b>51.2</b>	53.1	57.6
Real estate								
Residential	<b>16,001</b>	<b>7</b>	<b>15,994</b>	14,855	14,592	<b>2.7</b>	2.6	3.0
Non-residential	<b>12,780</b>	<b>2</b>	<b>12,778</b>	11,327	9,766	<b>2.1</b>	2.0	2.0
Total real estate	<b>28,781</b>	<b>9</b>	<b>28,772</b>	26,182	24,358	<b>4.8</b>	4.6	5.0
Agriculture	<b>6,017</b>	<b>2</b>	<b>6,015</b>	5,409	4,586	<b>1.0</b>	1.0	0.9
Automotive	<b>5,483</b>	<b>2</b>	<b>5,481</b>	4,048	3,288	<b>0.9</b>	0.7	0.7
Financial	<b>10,198</b>	–	<b>10,198</b>	10,590	7,616	<b>1.7</b>	1.9	1.5
Food, beverage, and tobacco	<b>2,076</b>	–	<b>2,076</b>	1,452	1,641	<b>0.3</b>	0.3	0.3
Forestry	<b>523</b>	–	<b>523</b>	492	379	<b>0.1</b>	0.1	0.1
Government, public sector entities, and education	<b>6,589</b>	–	<b>6,589</b>	5,851	4,492	<b>1.1</b>	1.0	0.9
Health and social services	<b>5,480</b>	<b>4</b>	<b>5,476</b>	4,926	4,298	<b>0.9</b>	0.9	0.9
Industrial construction and trade contractors	<b>2,486</b>	<b>22</b>	<b>2,464</b>	2,121	1,888	<b>0.4</b>	0.4	0.4
Metals and mining	<b>1,379</b>	<b>1</b>	<b>1,378</b>	1,252	1,146	<b>0.2</b>	0.2	0.2
Pipelines, oil, and gas	<b>3,871</b>	<b>36</b>	<b>3,835</b>	3,384	2,690	<b>0.6</b>	0.6	0.5
Power and utilities	<b>1,792</b>	–	<b>1,792</b>	1,549	1,594	<b>0.3</b>	0.3	0.3
Professional and other services	<b>4,065</b>	<b>8</b>	<b>4,057</b>	3,726	3,471	<b>0.7</b>	0.7	0.7
Retail sector	<b>2,517</b>	<b>11</b>	<b>2,506</b>	2,215	2,201	<b>0.4</b>	0.4	0.5
Sundry manufacturing and wholesale	<b>2,305</b>	<b>16</b>	<b>2,289</b>	2,300	1,811	<b>0.4</b>	0.4	0.4
Telecommunications, cable, and media	<b>2,083</b>	–	<b>2,083</b>	2,427	945	<b>0.4</b>	0.4	0.2
Transportation	<b>1,634</b>	<b>2</b>	<b>1,632</b>	1,386	1,070	<b>0.3</b>	0.2	0.2
Other	<b>3,775</b>	<b>2</b>	<b>3,773</b>	4,747	4,258	<b>0.6</b>	0.8	0.9
Total business and government	<b>91,054</b>	<b>115</b>	<b>90,939</b>	84,057	71,732	<b>15.1</b>	14.9	14.6
Total Canada	<b>\$ 400,680</b>	<b>\$ 317</b>	<b>\$ 400,363</b>	\$ 383,235	\$ 356,741	<b>66.3%</b>	68.0%	72.2%

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

**TABLE 23 LOANS AND ACCEPTANCES, NET OF COUNTERPARTY-SPECIFIC AND INDIVIDUALLY INSIGNIFICANT ALLOWANCES BY INDUSTRY SECTOR (continued)<sup>1</sup>**

(millions of Canadian dollars, except as noted)

	As at			Percentage of total		
	October 31 2016	October 31 2015	October 31 2014	October 31 2016	October 31 2015	October 31 2014
	Gross loans	Counterparty-specific and individually insignificant allowances	Net loans	Net loans	Net loans	
<b>United States</b>						
Residential mortgages	\$ 27,662	\$ 34	\$ 27,628	\$ 26,892	\$ 23,326	4.6%
Consumer instalment and other personal						4.8%
HELOC	13,208	76	13,132	13,285	11,646	2.2
Indirect Auto	28,370	6	28,364	24,855	18,777	4.7
Other	745	3	742	690	613	0.1
Credit card	13,680	184	13,496	12,165	7,543	2.2
Total personal	83,665	303	83,362	77,887	61,905	13.8
Real estate						13.8
Residential	6,852	7	6,845	5,680	4,288	1.1
Non-residential	21,675	12	21,663	18,303	14,023	3.6
Total real estate	28,527	19	28,508	23,983	18,311	4.7
Agriculture	570	–	570	467	363	0.1
Automotive	5,757	1	5,756	3,025	2,529	1.0
Financial	4,719	3	4,716	5,877	3,342	0.8
Food, beverage, and tobacco	3,741	2	3,739	2,534	2,085	0.6
Forestry	594	7	587	562	469	0.1
Government, public sector entities, and education	11,388	1	11,387	9,088	6,422	1.9
Health and social services	10,792	5	10,787	9,716	7,371	1.8
Industrial construction and trade contractors	1,834	4	1,830	1,491	1,300	0.3
Metals and mining	1,490	4	1,486	1,160	1,075	0.2
Pipelines, oil, and gas	3,006	25	2,981	1,485	940	0.5
Power and utilities	2,643	1	2,642	1,797	1,269	0.4
Professional and other services	11,215	8	11,207	8,663	6,403	1.9
Retail sector	4,553	8	4,545	4,207	3,150	0.8
Sundry manufacturing and wholesale	7,395	6	7,389	7,002	4,257	1.2
Telecommunications, cable, and media	4,819	1	4,818	4,068	1,985	0.8
Transportation	11,648	1	11,647	11,115	7,164	1.9
Other	2,022	8	2,014	891	908	0.3
Total business and government	116,713	104	116,609	97,131	69,343	19.3
Total United States	200,378	407	199,971	175,018	131,248	33.1
<b>International</b>						
Personal	16	–	16	5	9	–
Business and government	1,513	–	1,513	1,978	2,124	0.2
Total international	1,529	–	1,529	1,983	2,133	0.2
Total excluding other loans	602,587	724	601,863	560,236	490,122	99.6
<b>Other loans</b>						
Debt securities classified as loans	1,674	206	1,468	1,980	2,482	0.2
Acquired credit-impaired loans <sup>2</sup>	974	62	912	1,331	1,616	0.2
Total other loans	2,648	268	2,380	3,311	4,098	0.4
<b>Total</b>	<b>\$ 605,235</b>	<b>\$ 992</b>	<b>\$ 604,243</b>	<b>\$ 563,547</b>	<b>\$ 494,220</b>	<b>100.0%</b>
<b>Incurred but not identified allowance</b>						
Personal, business and government			2,826	2,503	2,172	
Debt securities classified as loans			55	57	59	
Total incurred but not identified allowance			2,881	2,560	2,231	
<b>Total, net of allowance</b>			<b>\$ 601,362</b>	<b>\$ 560,987</b>	<b>\$ 491,989</b>	
Percentage change over previous year – loans and acceptances, net of counterparty-specific and individually insignificant allowances			7.2%	14.0%	9.0%	
Percentage change over previous year – loans and acceptances, net of allowance			7.2	14.0	9.0	

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

<sup>2</sup> Includes all FDIC covered loans and other ACI loans.

TABLE 24	<b>LOANS AND ACCEPTANCES, NET OF COUNTERPARTY-SPECIFIC AND INDIVIDUALLY INSIGNIFICANT ALLOWANCES BY GEOGRAPHY<sup>1,2</sup></b>
----------	---

(millions of Canadian dollars, except as noted)

	As at			Percentage of total		
	October 31 2016	October 31 2015	October 31 2014	October 31 2016	October 31 2015	October 31 2014
	Gross loans	Counterparty- specific and individually insignificant allowances	Net loans	Net loans	Net loans	
<b>Canada</b>						
Atlantic provinces	\$ 10,909	\$ 14	\$ 10,895	\$ 10,706	\$ 10,350	1.8%
British Columbia <sup>3</sup>	54,195	26	54,169	51,979	50,137	9.0
Ontario <sup>3</sup>	236,667	159	236,508	224,532	202,734	39.1
Prairies <sup>3</sup>	67,585	87	67,498	66,083	64,151	11.2
Québec	31,324	31	31,293	29,935	29,369	5.2
Total Canada	400,680	317	400,363	383,235	356,741	66.3
<b>United States</b>						
Carolinas (North and South)	9,803	15	9,788	8,293	6,390	1.6
Florida	13,893	23	13,870	12,015	8,836	2.3
New England <sup>4</sup>	38,831	87	38,744	36,781	30,903	6.4
New Jersey	33,961	51	33,910	31,749	23,459	5.6
New York	31,370	47	31,323	26,363	23,677	5.2
Pennsylvania	13,171	27	13,144	14,008	8,514	2.2
Other	59,349	157	59,192	45,809	29,469	9.8
Total United States	200,378	407	199,971	175,018	131,248	33.1
<b>International</b>						
Europe	500	-	500	196	369	-
Other	1,029	-	1,029	1,787	1,764	0.2
Total international	1,529	-	1,529	1,983	2,133	0.2
Total excluding other loans	602,587	724	601,863	560,236	490,122	99.6
<b>Other loans</b>	2,648	268	2,380	3,311	4,098	0.4
<b>Total</b>	\$ 605,235	\$ 992	\$ 604,243	\$ 563,547	\$ 494,220	100.0%
Incurred but not identified allowance			2,881	2,560	2,231	
<b>Total, net of allowance</b>			\$ 601,362	\$ 560,987	\$ 491,989	
<b>Percentage change over previous year – loans and acceptances, net of counterparty-specific and individually insignificant allowances for loan losses</b>			<b>2016</b>	<b>2015</b>	<b>2014</b>	
Canada			4.5%	7.4%	6.5%	
United States			14.3	33.3	19.1	
International			(22.9)	(7.0)	(5.2)	
Other loans			(28.1)	(19.2)	(31.0)	
<b>Total</b>			7.2%	14.0%	9.0%	

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

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

<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.

## 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 ensure 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 borrower 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 25 REAL ESTATE SECURED LENDING<sup>1,2</sup>**

(millions of Canadian dollars, except as noted)

	<i>As at</i>											
	Residential mortgages				Home equity lines of credit				Total			
	Insured <sup>3</sup>		Uninsured		Insured <sup>3</sup>		Uninsured		Insured <sup>3</sup>		Uninsured	
<b>October 31, 2016</b>												
<b>Canada</b>												
Atlantic provinces	\$ 4,007	2.1%	\$ 1,940	1.0%	\$ 515	0.8%	\$ 1,052	1.6%	\$ 4,522	1.8%	\$ 2,992	1.2%
British Columbia <sup>4</sup>	17,134	9.1	16,789	8.9	2,639	4.1	9,211	14.2	19,773	7.8	26,000	10.2
Ontario <sup>4</sup>	48,307	25.5	42,234	22.3	9,053	13.9	25,181	38.6	57,360	22.6	67,415	26.4
Prairies <sup>4</sup>	27,236	14.4	12,999	6.9	4,100	6.3	8,321	12.8	31,336	12.3	21,320	8.4
Québec	11,750	6.2	6,903	3.6	1,595	2.5	3,401	5.2	13,345	5.2	10,304	4.1
Total Canada	108,434	57.3%	80,865	42.7%	17,902	27.6%	47,166	72.4%	126,336	49.7%	128,031	50.3%
United States	917		27,120		10		13,280		927		40,400	
<b>Total</b>	<b>\$ 109,351</b>		<b>\$ 107,985</b>		<b>\$ 17,912</b>		<b>\$ 60,446</b>		<b>\$ 127,263</b>		<b>\$ 168,431</b>	

October 31, 2015

<b>Canada</b>												
Atlantic provinces	\$ 4,086	2.2%	\$ 1,675	0.9%	\$ 580	0.9%	\$ 965	1.6%	\$ 4,666	1.9%	\$ 2,640	1.1%
British Columbia <sup>4</sup>	19,364	10.5	14,099	7.6	3,173	5.2	7,798	12.7	22,537	9.1	21,897	8.9
Ontario <sup>4</sup>	53,592	29.0	34,447	18.6	10,603	17.4	21,411	34.8	64,195	26.1	55,858	22.7
Prairies <sup>4</sup>	27,890	15.1	11,477	6.2	4,607	7.5	7,596	12.4	32,497	13.2	19,073	7.7
Québec	12,435	6.7	5,944	3.2	1,816	3.0	2,768	4.5	14,251	5.8	8,712	3.5
Total Canada	117,367	63.5%	67,642	36.5%	20,779	34.0%	40,538	66.0%	138,146	56.1%	108,180	43.9%
United States	951		26,413		10		13,439		961		39,852	
<b>Total</b>	<b>\$ 118,318</b>		<b>\$ 94,055</b>		<b>\$ 20,789</b>		<b>\$ 53,977</b>		<b>\$ 139,107</b>		<b>\$ 148,032</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> 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>4</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 26 RESIDENTIAL MORTGAGES BY REMAINING AMORTIZATION<sup>1,2</sup>**

	<i>As at</i>								
	<5 years	5- <10 years	10- <15 years	15- <20 years	20- <25 years	25- <30 years	30- <35 years	>=35 years	Total
	<b>October 31, 2016</b>								
Canada	1.1%	4.2%	7.7%	14.3%	39.4%	31.7%	1.6%	—%	100.0%
United States	3.7	4.8	12.1	4.7	14.7	58.5	1.2	0.3	100.0
<b>Total</b>	<b>1.5%</b>	<b>4.2%</b>	<b>8.2%</b>	<b>13.1%</b>	<b>36.3%</b>	<b>35.2%</b>	<b>1.5%</b>	<b>—%</b>	<b>100.0%</b>
<b>October 31, 2015</b>									
Canada	1.2%	4.4%	7.9%	14.3%	37.5%	31.8%	2.9%	—%	100.0%
United States	2.6	2.9	16.1	4.1	12.3	61.2	0.6	0.2	100.0
<b>Total</b>	<b>1.4%</b>	<b>4.3%</b>	<b>8.9%</b>	<b>13.0%</b>	<b>34.3%</b>	<b>35.4%</b>	<b>2.6%</b>	<b>0.1%</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 27	UNINSURED AVERAGE LOAN-TO-VALUE – Newly Originated and Newly Acquired <sup>1,2,3</sup>					
	October 31, 2016			October 31, 2015		
	Residential mortgages	Home equity lines of credit <sup>4,6</sup>	Total	Residential mortgages	Home equity lines of credit <sup>4,6</sup>	Total
<b>Canada</b>						
Atlantic provinces	73%	69%	72%	73%	68%	71%
British Columbia <sup>5</sup>	67	62	65	68	62	66
Ontario <sup>5</sup>	69	65	67	69	65	67
Prairies <sup>5</sup>	73	69	71	73	68	71
Québec	72	71	72	72	70	71
Total Canada	69	65	68	70	65	68
United States	67	62	65	69	62	66
<b>Total</b>	<b>69%</b>	<b>64%</b>	<b>67%</b>	<b>70%</b>	<b>65%</b>	<b>68%</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> Home equity lines of credit loan-to-value includes first position collateral mortgage if applicable.

<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.

<sup>6</sup> Home equity lines of credit fixed rate advantage option is included in loan-to-value calculation.

## IMPAIRED LOANS

A loan is considered impaired 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. Excluding debt securities classified as loans, FDIC covered loans, and other ACI loans, gross impaired loans increased \$265 million, or 8%, compared with the prior year, due to new credit impaired formations outpacing resolutions and the impact of foreign exchange.

In Canada, net impaired loans decreased by \$9 million, or 1% in 2016. Residential mortgages, consumer instalment and other personal loans, and credit cards, generated impaired loans net of counterparty-specific and individually insignificant allowances of \$600 million, a decrease of \$25 million, or 4%, compared with the prior year. Business and government loans had \$137 million in net impaired loans, an increase of \$16 million, or 13%, compared with the prior year, primarily due to new credit impaired formations in the metals and mining, industrial construction and trade contractors, and health and social services sectors.

In the U.S., net impaired loans increased by \$134 million, or 7% in 2016. Residential mortgages, consumer instalment and other personal loans, and credit cards, had net impaired loans of \$1,513 million, an increase of \$168 million, or 12%, compared with the prior year, due primarily to U.S. home equity line of credit new formations and the impact of foreign exchange. Business and government loans generated \$535 million in net impaired loans, a decrease of \$34 million, or 6%, compared with the prior year primarily due to decreases in the real estate and retail sectors, offset by an increase in the pipelines, oil and gas sector.

Geographically, 26% of total impaired loans net of counterparty-specific and individually insignificant allowances were generated by Canada and 74% by the U.S. Net impaired loans in Canada were concentrated in Ontario, which represented 10% of total net impaired loans, down from 12% in the prior year. U.S. net impaired loans were concentrated in New England, New Jersey and New York representing 20%, 14% and 12% respectively of net impaired loans, compared with 20%, 15% and 12%, respectively, in the prior year.

TABLE 28	CHANGES IN GROSS IMPAIRED LOANS AND ACCEPTANCES		
(millions of Canadian dollars)	2016	2015	2014
<b>Personal, Business and Government Loans<sup>1,2</sup></b>			
Impaired loans as at beginning of period	\$ 3,244	\$ 2,731	\$ 2,692
Classified as impaired during the period	5,621	4,836	4,613
Transferred to not impaired during the period	(1,521)	(1,179)	(1,352)
Net repayments	(1,523)	(1,257)	(1,157)
Disposals of loans	(4)	(8)	(7)
Amounts written off	(2,350)	(2,141)	(2,178)
Recoveries of loans and advances previously written off	–	–	–
Exchange and other movements	42	262	120
<b>Impaired loans as at end of year</b>	<b>\$ 3,509</b>	<b>\$ 3,244</b>	<b>\$ 2,731</b>

<sup>1</sup> Excludes debt securities classified as loans. For additional information refer to the "Exposure to Non-Agency Collateralized Mortgage Obligations" section of this document and Note 8 of the 2016 Consolidated Financial Statements.

<sup>2</sup> Excludes FDIC covered loans and other ACI loans. For additional information refer to the "Exposure to Acquired Credit-Impaired Loans" discussion and table in this section of the document and Note 8 of the 2016 Consolidated Financial Statements.

**TABLE 29** **IMPAIRED LOANS NET OF COUNTERPARTY-SPECIFIC AND INDIVIDUALLY INSIGNIFICANT ALLOWANCES**  
**BY INDUSTRY SECTOR**<sup>1,2,3</sup>

(millions of Canadian dollars, except as noted)

	As at						Percentage of total					
	Oct. 31 2016	Oct. 31 2015	Oct. 31 2014	Oct. 31 2013	Oct. 31 2012	Oct. 31 2016	Oct. 31 2015	Oct. 31 2014	Oct. 31 2013	Oct. 31 2012		
	Gross impaired loans	Counterparty- specific and individually insignificant allowances	Net impaired loans	Net impaired loans	Net impaired loans	Net impaired loans	Net impaired loans					
<b>Canada</b>												
Residential mortgages	\$ 400	\$ 15	\$ 385	\$ 378	\$ 427	\$ 434	\$ 465	13.9%	14.2%	19.0%	19.3%	22.1%
Consumer instalment and other personal												
HELOC	149	9	140	166	249	301	306	5.0	6.2	11.1	13.4	14.6
Indirect Auto	49	40	9	17	17	16	14	0.3	0.7	0.8	0.7	0.7
Other	52	32	20	19	20	21	30	0.7	0.7	0.9	0.9	1.4
Credit card	152	106	46	45	66	43	95	1.7	1.7	2.9	2.0	4.5
Total personal	802	202	600	625	779	815	910	21.6	23.5	34.7	36.3	43.3
Real estate												
Residential	10	7	3	6	10	13	15	0.1	0.2	0.4	0.6	0.7
Non-residential	9	2	7	7	4	5	1	0.3	0.3	0.2	0.2	0.1
Total real estate	19	9	10	13	14	18	16	0.4	0.5	0.6	0.8	0.8
Agriculture	11	2	9	3	5	5	4	0.3	0.1	0.3	0.2	0.2
Automotive	3	2	1	1	1	–	2	–	–	–	–	0.1
Financial	2	–	2	1	1	1	21	0.1	–	–	0.1	1.0
Food, beverage, and tobacco	2	–	2	1	–	3	2	0.1	–	–	0.1	0.1
Forestry	–	–	–	–	2	1	4	–	–	0.1	0.1	0.2
Government, public sector entities, and education	–	–	–	1	3	4	2	–	–	0.1	0.2	0.1
Health and social services	15	4	11	3	5	2	17	0.4	0.1	0.3	0.1	0.8
Industrial construction and trade contractors	33	22	11	2	1	6	6	0.4	0.1	–	0.2	0.3
Metals and mining	19	1	18	6	1	9	1	0.7	0.2	–	0.4	0.1
Pipelines, oil, and gas	87	36	51	68	1	20	1	1.8	2.6	–	0.9	0.1
Power and utilities	–	–	–	–	–	–	–	–	–	–	–	–
Professional and other services	12	8	4	4	4	3	4	0.1	0.2	0.2	0.1	0.2
Retail sector	22	11	11	9	7	18	22	0.4	0.3	0.4	0.8	1.0
Sundry manufacturing and wholesale	19	16	3	2	2	7	8	0.1	0.1	0.1	0.3	0.3
Telecommunications, cable, and media	–	–	–	2	1	–	19	–	0.1	–	–	0.9
Transportation	2	2	–	2	1	1	–	–	0.1	–	0.1	–
Other	6	2	4	3	5	2	3	0.1	0.1	0.3	0.1	0.1
Total business and government	252	115	137	121	54	100	132	4.9	4.5	2.4	4.5	6.3
Total Canada	\$ 1,054	\$ 317	\$ 737	\$ 746	\$ 833	\$ 915	\$ 1,042	26.5%	28.0%	37.1%	40.8%	49.6%

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

<sup>2</sup> Excludes FDIC covered loans and other ACI loans. For additional information refer to the "Exposure to Acquired Credit-Impaired Loans" discussion and table in this section of the document and Note 8 of the 2016 Consolidated Financial Statements.

<sup>3</sup> Excludes debt securities classified as loans. For additional information refer to the "Exposure to Non-Agency Collateralized Mortgage Obligations" section of this document and Note 8 of the 2016 Consolidated Financial Statements.

**TABLE 29 IMPAIRED LOANS NET OF COUNTERPARTY-SPECIFIC AND INDIVIDUALLY INSIGNIFICANT ALLOWANCES BY INDUSTRY SECTOR (continued)**<sup>1,2,3</sup>

(millions of Canadian dollars, except as noted)

	As at						Percentage of total					
	Oct. 31 2016	Oct. 31 2015	Oct. 31 2014	Oct. 31 2013	Oct. 31 2012	Oct. 31 2016	Oct. 31 2015	Oct. 31 2014	Oct. 31 2013	Oct. 31 2012		
	Gross impaired loans	Counterparty-specific and individually insignificant allowances	Net impaired loans	Net impaired loans	Net impaired loans	Net impaired loans						
<b>United States</b>												
Residential mortgages	\$ 452	\$ 34	\$ 418	\$ 361	\$ 303	\$ 250	\$ 187	15.0%	13.6%	13.5%	11.1%	8.9%
Consumer instalment and other personal												
HELOC	939	76	863	780	325	204	179	31.0	29.3	14.5	9.1	8.5
Indirect Auto	196	6	190	155	128	76	24	6.8	5.8	5.7	3.4	1.2
Other	7	3	4	5	4	1	2	0.1	0.2	0.2	0.1	0.1
Credit card	222	184	38	44	29	98	3	1.4	1.7	1.3	4.3	0.1
Total personal	1,816	303	1,513	1,345	789	629	395	54.3	50.6	35.2	28.0	18.8
Real estate												
Residential	61	7	54	68	79	98	133	1.9	2.6	3.5	4.4	6.3
Non-residential	99	12	87	133	154	205	191	3.1	5.0	6.9	9.1	9.1
Total real estate	160	19	141	201	233	303	324	5.0	7.6	10.4	13.5	15.4
Agriculture	1	-	1	1	1	1	2	-	-	-	0.1	0.1
Automotive	15	1	14	11	14	12	15	0.5	0.4	0.6	0.5	0.7
Financial	27	3	24	26	25	8	6	0.9	1.0	1.1	0.4	0.3
Food, beverage, and tobacco	6	2	4	7	9	10	7	0.1	0.3	0.4	0.4	0.3
Forestry	19	7	12	-	1	1	1	0.4	-	-	0.1	0.1
Government, public sector entities, and education	9	1	8	8	16	19	7	0.3	0.3	0.7	0.8	0.3
Health and social services	34	5	29	38	49	23	18	1.1	1.4	2.2	1.0	0.8
Industrial construction and trade contractors	26	4	22	30	26	46	40	0.8	1.1	1.2	2.1	1.9
Metals and mining	8	4	4	13	9	18	26	0.1	0.5	0.4	0.8	1.2
Pipelines, oil, and gas	102	25	77	6	-	-	4	2.8	0.2	-	-	0.2
Power and utilities	1	1	-	-	-	-	-	-	-	-	-	-
Professional and other services	83	8	75	74	84	68	41	2.7	2.8	3.7	3.0	2.0
Retail sector	51	8	43	65	80	99	70	1.6	2.4	3.6	4.4	3.4
Sundry manufacturing and wholesale	47	6	41	40	39	28	46	1.5	1.5	1.7	1.3	2.2
Telecommunications, cable, and media	10	1	9	13	16	12	10	0.3	0.5	0.7	0.5	0.5
Transportation	26	1	25	31	15	39	32	0.9	1.2	0.7	1.8	1.5
Other	14	8	6	5	5	12	14	0.2	0.2	0.3	0.5	0.7
Total business and government	639	104	535	569	622	699	663	19.2	21.4	27.7	31.2	31.6
Total United States	2,455	407	2,048	1,914	1,411	1,328	1,058	73.5	72.0	62.9	59.2	50.4
<b>International</b>												
Business and government	-	-	-	-	-	-	-	-	-	-	-	-
Total international	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 3,509</b>	<b>\$ 724</b>	<b>\$ 2,785</b>	<b>\$ 2,660</b>	<b>\$ 2,244</b>	<b>\$ 2,243</b>	<b>\$ 2,100</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>4.09%</b>	<b>4.24%</b>	<b>4.28%</b>	<b>4.83%</b>	<b>4.86%</b>					

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

<sup>2</sup> Excludes FDIC covered loans and other ACI loans. For additional information refer to the "Exposure to Acquired Credit-Impaired Loans" discussion and table in this section of the document and Note 8 of the 2016 Consolidated Financial Statements.

<sup>3</sup> Excludes debt securities classified as loans. For additional information refer to the "Exposure to Non-Agency Collateralized Mortgage Obligations" section of this document and Note 8 of the 2016 Consolidated Financial Statements.

**TABLE 30 IMPAIRED LOANS NET OF COUNTERPARTY-SPECIFIC AND INDIVIDUALLY INSIGNIFICANT ALLOWANCES FOR LOAN LOSSES BY GEOGRAPHY<sup>1,2,3,4</sup>**

(millions of Canadian dollars, except as noted)

	As at			Percentage of total		
	October 31 2016	October 31 2015	October 31 2014	October 31 2016	October 31 2015	October 31 2014
	Gross impaired loans	Counterparty-specific and individually insignificant allowances	Net impaired loans			
<b>Canada</b>						
Atlantic provinces	\$ 46	\$ 14	\$ 32	1.2%	1.3%	1.7%
British Columbia <sup>5</sup>	111	26	85	3.1	4.1	8.2
Ontario <sup>5</sup>	436	159	277	9.9	11.9	14.8
Prairies <sup>5</sup>	318	87	231	8.3	5.9	6.6
Québec	143	31	112	4.0	4.8	5.8
Total Canada	1,054	317	737	26.5	28.0	37.1
<b>United States</b>						
Carolinas (North and South)	113	15	98	3.5	4.1	3.0
Florida	177	23	154	5.5	6.1	4.3
New England <sup>6</sup>	651	87	564	20.2	19.7	18.7
New Jersey	447	51	396	14.2	14.6	14.3
New York	375	47	328	11.8	12.0	9.0
Pennsylvania	188	27	161	5.8	6.4	6.6
Other	504	157	347	12.5	9.1	7.0
Total United States	2,455	407	2,048	73.5	72.0	62.9
<b>Total</b>	<b>\$ 3,509</b>	<b>\$ 724</b>	<b>\$ 2,785</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Net impaired loans as a % of net loans<sup>7</sup></b>			<b>0.46%</b>		<b>0.48%</b>	<b>0.46%</b>

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

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

<sup>3</sup> Excludes FDIC covered loans and other ACI loans. For additional information refer to the "Exposure to Acquired Credit-Impaired Loans" discussion and table in this section of the document and Note 8 of the 2016 Consolidated Financial Statements.

<sup>4</sup> Excludes debt securities classified as loans. For additional information refer to the "Exposure to Non-Agency Collateralized Mortgage Obligations" section of this document and Note 8 of the 2016 Consolidated Financial Statements.

<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.

<sup>6</sup> The states included in New England are as follows: Connecticut, Maine, Massachusetts, New Hampshire, and Vermont.

<sup>7</sup> Includes customers' liability under acceptances.

## ALLOWANCE FOR CREDIT LOSSES

Total allowance for credit losses consists of counterparty-specific and collectively assessed allowances. The allowance is increased by the PCL, and decreased by write-offs net of recoveries and disposals. The Bank maintains the allowance at levels that management believes is adequate to absorb incurred credit-related losses in the lending portfolio. Individual problem accounts, general economic conditions, loss experience, as well as the sector and geographic mix of the lending portfolio are all considered by management in assessing the appropriate allowance levels.

### Counterparty-specific allowance

The Bank establishes counterparty-specific allowances for individually significant impaired loans when the estimated realizable value of the loan is less than its recorded value, based on the discounting of expected future cash flows.

During 2016, counterparty-specific allowances increased by \$30 million, or 8%, resulting in a total counterparty-specific allowance of \$399 million primarily due to an increase in the oil and gas sector and the impact of foreign exchange. Excluding debt securities classified as loans, FDIC covered loans and other ACI loans, counterparty-specific allowances increased by \$33 million, or 21% from the prior year, primarily due to an increase in the oil and gas sector and the impact of foreign exchange.

### Collectively assessed allowance for individually insignificant impaired loans

Individually insignificant loans, such as the Bank's personal and small business banking loans and credit cards, are collectively assessed for impairment. Allowances are calculated using a formula that incorporates recent loss experience, historical default rates, and the type of collateral pledged.

During 2016, the collectively assessed allowance for individually insignificant impaired loans increased by \$88 million, or 17%, resulting in a total of \$593 million, primarily due to the U.S. credit card portfolio and the impact of foreign exchange. Excluding FDIC covered loans and other ACI loans, the collectively assessed allowance for individually insignificant impaired loans increased by \$107 million, or 25% from the prior year, primarily due to the U.S. credit card portfolio and the impact of foreign exchange.

### Collectively assessed allowance for incurred but not identified credit losses

The collectively assessed allowance for incurred but not identified credit losses is established to recognize losses that management estimates to have occurred in the portfolio at the balance sheet date for loans not yet specifically identified as impaired. The level of collectively assessed allowance for incurred but not identified losses reflects exposures across all portfolios and categories. The collectively assessed allowance for incurred but not identified credit losses is reviewed on a quarterly basis using credit risk models and management's judgment. The allowance level is calculated using the probability of default (PD), the loss given default (LGD), and the exposure at default (EAD) of the related portfolios. The PD is the likelihood that a borrower will not be able to meet its scheduled repayments. The LGD 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 EAD. EAD is the total amount the Bank expects to be exposed to at the time of default.

For the commercial and wholesale portfolios, allowances are estimated using borrower specific information. The LGD is based on the security and structure of the facility; EAD is a function of the current usage, the borrower's risk rating, and the committed amount of the facility. For the consumer lending and small business banking portfolios, the collectively assessed allowance for incurred but not identified credit losses is calculated on a pooled portfolio level with each pool comprising exposures with similar credit risk characteristics segmented, for example by product type and PD estimate. Recovery data models are used in the determination of the LGD for each pool. EAD is a function of the current usage and historical exposure experience at default.

As at October 31, 2016, the collectively assessed allowance for incurred but not identified credit losses was \$3,381 million, up from \$2,873 million as at October 31, 2015. Excluding debt securities classified as loans, the collectively assessed allowance for incurred but not identified credit losses increased by \$509 million, or 18% from the prior year, primarily due to changes in risk, volume growth, and the impact of foreign exchange. The Bank periodically reviews the methodology for calculating the allowance for incurred but not identified credit losses. As part of this review, certain revisions may be made to reflect updates in statistically derived loss estimates for the Bank's recent loss experience of its credit portfolios, which may cause the Bank to provide or release amounts from the allowance for incurred but not identified losses. During the year ended October 31, 2016, certain refinements were made to the methodology, the cumulative effect of which was not material. Allowance for credit losses are further described in Note 8 of the 2016 Consolidated Financial Statements.

#### PROVISION FOR CREDIT LOSSES

The PCL is the amount charged to income to bring the total allowance for credit losses, including both counterparty-specific and collectively assessed allowances, to a level that management considers adequate to absorb incurred credit-related losses in the Bank's loan portfolio. Provisions in the year are reduced by any recoveries in the year.

The Bank recorded a total PCL of \$2,330 million in 2016, compared with a total PCL of \$1,683 million in 2015. This amount comprised \$1,871 million of counterparty-specific and individually insignificant provisions and \$459 million in collectively assessed incurred but not identified provisions. The total PCL as a percentage of net average loans and acceptances increased to 0.40% from 0.32%.

In Canada, residential mortgages, consumer instalment and other personal loans, and credit cards, required counterparty-specific and individually insignificant provisions of \$945 million, an increase of \$117 million, or 14%, compared to 2015 primarily due to increases in provisions for the indirect auto portfolio. Business and government loans required counterparty-specific and individually insignificant provisions of \$103 million, an increase of \$41 million, or 66%, compared to 2015 primarily in the professional and other services and pipeline, oil and gas sectors.

In the U.S., residential mortgages, consumer instalment and other personal loans, and credit cards, required counterparty-specific and individually insignificant provisions of \$807 million, an increase of \$177 million, or 28%, compared to 2015, primarily due to increases in provisions for the credit card portfolio. Business and government loans required counterparty-specific and individually insignificant provisions of \$39 million, a decrease of \$41 million, compared to 2015 primarily due to higher recoveries across various industries offset by higher provisions in the pipeline, oil and gas sector.

Geographically, 56% of counterparty-specific and individually insignificant provisions were attributed to Canada and 45% to the U.S. Canadian counterparty-specific and individually insignificant provisions were concentrated in Ontario, which represented 21% of total counterparty-specific and individually insignificant provisions, down from 27% in 2015. U.S. counterparty-specific and individually insignificant provisions were concentrated in New England, New York, and New Jersey, representing 6%, 5% and 4%, respectively, of total counterparty-specific and individually insignificant provisions, down from 9%, 5% and 6% respectively, in the prior year.

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

TABLE 31	PROVISION FOR CREDIT LOSSES <sup>1</sup>		
(millions of Canadian dollars)	2016	2015	2014
<b>Provision for credit losses – counterparty-specific and individually insignificant</b>			
Provision for credit losses – counterparty-specific	\$ 139	\$ 76	\$ 168
Provision for credit losses – individually insignificant	2,334	2,062	1,849
Recoveries	(602)	(601)	(533)
<b>Total provision for credit losses for counterparty-specific and individually insignificant</b>	<b>1,871</b>	<b>1,537</b>	<b>1,484</b>
<b>Provision for credit losses – incurred but not identified</b>			
Canadian Retail and Wholesale Banking <sup>2</sup>	165	44	8
U.S. Retail	210	76	8
Corporate <sup>3</sup>	84	26	57
<b>Total provision for credit losses – incurred but not identified</b>	<b>459</b>	<b>146</b>	<b>73</b>
<b>Provision for credit losses</b>	<b>\$ 2,330</b>	<b>\$ 1,683</b>	<b>\$ 1,557</b>

<sup>1</sup> Certain comparative amounts have been recast to conform with revised presentation for the U.S. strategic cards portfolio adopted in fiscal 2016. For further details, refer to the "Business Focus" section of this document.

<sup>2</sup> The incurred but not identified PCL is included in the Corporate segment results for management reporting.

<sup>3</sup> The retailer program partners' share of the U.S. strategic cards portfolio.

**TABLE 32 PROVISION FOR CREDIT LOSSES BY INDUSTRY SECTOR<sup>1</sup>**

(millions of Canadian dollars, except as noted)

	<i>For the years ended</i>			<i>Percentage of total</i>		
	<b>October 31 2016</b>	October 31 2015	October 31 2014	<b>October 31 2016</b>	October 31 2015	October 31 2014
<b>Provision for credit losses – counterparty-specific and individually insignificant</b>						
<b>Canada</b>						
Residential mortgages	\$ 15	\$ 25	\$ 15	0.8%	1.6%	1.0%
Consumer instalment and other personal						
HELOC	5	7	8	0.3	0.4	0.6
Indirect auto	253	153	137	13.5	10.0	9.2
Other	169	148	167	9.0	9.6	11.3
Credit card	503	495	462	26.9	32.2	31.1
Total personal	945	828	789	50.5	53.8	53.2
Real estate						
Residential	–	(3)	(1)	–	(0.2)	(0.1)
Non-residential	–	3	3	–	0.2	0.2
Total real estate	–	–	2	–	–	0.1
Agriculture	–	2	1	–	0.1	0.1
Automotive	1	2	2	0.1	0.1	0.1
Financial	–	–	1	–	–	0.1
Food, beverage, and tobacco	(3)	11	–	(0.2)	0.7	–
Forestry	–	–	–	–	–	–
Government, public sector entities, and education	(1)	–	–	(0.1)	–	–
Health and social services	4	–	2	0.2	–	0.1
Industrial construction and trade contractors	11	21	9	0.6	1.4	0.6
Metals and mining	1	(1)	2	0.1	(0.1)	0.1
Pipelines, oil, and gas	43	21	(2)	2.3	1.4	(0.1)
Professional and other services	9	(18)	31	0.5	(1.1)	2.1
Retail sector	12	9	19	0.6	0.6	1.2
Sundry manufacturing and wholesale	14	–	9	0.7	–	0.6
Telecommunications, cable, and media	1	–	1	0.1	–	0.1
Transportation	4	4	6	0.2	0.3	0.4
Other	7	11	1	0.4	0.7	0.1
Total business and government	103	62	84	5.5	4.1	5.6
Total Canada	1,048	890	873	56.0	57.9	58.8
<b>United States</b>						
Residential mortgages	16	24	8	0.9	1.6	0.6
Consumer instalment and other personal						
HELOC	58	69	38	3.1	4.5	2.5
Indirect auto	146	123	148	7.8	8.0	10.0
Other	96	77	59	5.1	5.0	4.0
Credit card	491	337	309	26.2	21.9	20.8
Total personal	807	630	562	43.1	41.0	37.9
Real estate						
Residential	(5)	–	(7)	(0.3)	–	(0.5)
Non-residential	6	15	(4)	0.4	1.0	(0.3)
Total real estate	1	15	(11)	0.1	1.0	(0.8)
Agriculture	–	–	–	–	–	–
Automotive	1	4	2	0.1	0.3	0.1
Financial	(3)	1	(13)	(0.2)	0.1	(0.9)
Food, beverage, and tobacco	1	4	(1)	0.1	0.3	(0.1)
Forestry	7	–	–	0.4	–	–
Government, public sector entities, and education	(6)	2	(1)	(0.4)	0.1	(0.1)
Health and social services	2	2	8	0.1	0.1	0.6
Industrial construction and trade contractors	(1)	9	6	(0.1)	0.6	0.4
Metals and mining	3	–	–	0.2	–	–
Pipelines, oil, and gas	25	–	–	1.2	–	–
Power and utilities	1	–	–	0.1	–	–
Professional and other services	(2)	8	7	(0.1)	0.5	0.5
Retail sector	(4)	11	3	(0.2)	0.7	0.2
Sundry manufacturing and wholesale	(4)	18	9	(0.2)	1.1	0.6
Telecommunications, cable, and media	3	2	–	0.2	0.1	–
Transportation	1	–	(2)	0.1	–	(0.1)
Other	14	4	13	0.7	0.3	0.9
Total business and government	39	80	20	2.1	5.2	1.3
Total United States	846	710	582	45.2	46.2	39.2
Total excluding other loans	1,894	1,600	1,455	101.2	104.1	98.0
<b>Other loans</b>						
Debt securities classified as loans	8	(27)	31	0.4	(1.8)	2.1
Acquired credit-impaired loans <sup>2</sup>	(31)	(36)	(2)	(1.6)	(2.3)	(0.1)
Total other loans	(23)	(63)	29	(1.2)	(4.1)	2.0
<b>Total provision for credit losses – counterparty-specific and individually insignificant</b>	<b>\$ 1,871</b>	<b>\$ 1,537</b>	<b>\$ 1,484</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Provision for credit losses – incurred but not identified</b>						
Personal, business and government	463	157	120			
Debt securities classified as loans	(4)	(11)	(47)			
Total provision for credit losses – incurred but not identified	459	146	73			
<b>Total provision for credit losses</b>	<b>\$ 2,330</b>	<b>\$ 1,683</b>	<b>\$ 1,557</b>			

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

<sup>2</sup> Includes all FDIC covered loans and other ACI loans.

**TABLE 33 PROVISION FOR CREDIT LOSSES BY GEOGRAPHY<sup>1,2</sup>**

(millions of Canadian dollars, except as noted)

	For the years ended			Percentage of total		
	October 31 2016	October 31 2015	October 31 2014	October 31 2016	October 31 2015	October 31 2014
<b>Canada</b>						
Atlantic provinces	\$ 69	\$ 53	\$ 49	3.0%	3.1%	3.1%
British Columbia <sup>3</sup>	120	112	109	5.1	6.7	7.0
Ontario <sup>2</sup>	400	415	446	17.2	24.7	28.6
Prairies <sup>3</sup>	310	174	141	13.3	10.3	9.1
Québec	149	136	128	6.4	8.1	8.2
<b>Total Canada</b>	<b>1,048</b>	<b>890</b>	<b>873</b>	<b>45.0</b>	<b>52.9</b>	<b>56.0</b>
<b>United States</b>						
Carolinas (North and South)	33	26	30	1.4	1.5	1.9
Florida	53	43	36	2.3	2.6	2.3
New England <sup>4</sup>	112	135	84	4.8	8.0	5.4
New Jersey	81	87	52	3.4	5.2	3.4
New York	98	84	56	4.2	5.0	3.6
Pennsylvania	41	41	33	1.8	2.4	2.1
Other	428	294	291	18.4	17.5	18.7
<b>Total United States</b>	<b>846</b>	<b>710</b>	<b>582</b>	<b>36.3</b>	<b>42.2</b>	<b>37.4</b>
<b>International</b>						
Other	–	–	–	–	–	–
<b>Total international</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total excluding other loans</b>	<b>1,894</b>	<b>1,600</b>	<b>1,455</b>	<b>81.3</b>	<b>95.1</b>	<b>93.4</b>
Other loans	(23)	(63)	29	(1.0)	(3.8)	1.9
<b>Total counterparty-specific and individually insignificant provision</b>	<b>1,871</b>	<b>1,537</b>	<b>1,484</b>	<b>80.3</b>	<b>91.3</b>	<b>95.3</b>
Incurred but not identified provision	459	146	73	19.7	8.7	4.7
<b>Total provision for credit losses</b>	<b>\$ 2,330</b>	<b>\$ 1,683</b>	<b>\$ 1,557</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>5</sup></b>	<b>October 31 2016</b>	<b>October 31 2015</b>	<b>October 31 2014</b>			
<b>Canada</b>						
Residential mortgages	0.01%	0.01%	0.01%			
Credit card, consumer instalment and other personal	0.81	0.72	0.72			
Business and government	0.12	0.08	0.13			
<b>Total Canada</b>	<b>0.27</b>	<b>0.24</b>	<b>0.25</b>			
<b>United States</b>						
Residential mortgages	0.06	0.09	0.04			
Credit card, consumer instalment and other personal	1.50	1.38	1.54			
Business and government	0.04	0.10	0.03			
<b>Total United States</b>	<b>0.46</b>	<b>0.46</b>	<b>0.49</b>			
<b>International</b>	<b>–</b>	<b>–</b>	<b>–</b>			
<b>Total excluding other loans</b>	<b>0.33</b>	<b>0.31</b>	<b>0.31</b>			
Other loans	(0.84)	(1.69)	0.59			
<b>Total counterparty-specific and individually insignificant provision</b>	<b>0.32</b>	<b>0.29</b>	<b>0.32</b>			
<b>Incurred but not identified provision</b>	<b>0.08</b>	<b>0.03</b>	<b>0.02</b>			
<b>Total provision for credit losses as a % of average net loans and acceptances</b>	<b>0.40%</b>	<b>0.32%</b>	<b>0.33%</b>			

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

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

<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> Includes customers' liability under acceptances.

## NON-PRIME LOANS

As at October 31, 2016, the Bank had approximately \$2.6 billion (October 31, 2015 – \$2.6 billion), gross exposure to non-prime loans, which primarily consist of automotive loans originated in Canada. The credit loss rate, which is an indicator of credit quality and is defined as the annual PCL divided by the average month-end loan balance was approximately 6.79% on an annual basis (October 31, 2015 – 3.84%). PCL primarily increased due to higher provisions for individually insignificant impaired loans, reflecting continued weakness in oil and gas impacted regions. These loans are recorded at amortized cost.

## 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 34** | **EXPOSURE TO EUROPE – Total Net Exposure by Country and Counterparty**

(millions of Canadian dollars)

As at

Country	Loans and commitments <sup>1</sup>				Derivatives, repos, and securities lending <sup>2</sup>				Trading and investment portfolio <sup>3,4</sup>				Total Exposure <sup>5</sup>	
	Corporate	Sovereign	Financial	Total	Corporate	Sovereign	Financial	Total	Corporate	Sovereign	Financial	Total		
<b>October 31, 2016</b>														
<b>GIIPS</b>														
Greece	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Italy	–	168	6	174	–	–	9	9	22	36	1	59	242	
Ireland	–	–	–	–	45	–	592	637	–	–	–	–	637	
Portugal	–	–	–	–	–	–	26	26	1	–	–	–	27	
Spain	–	105	48	153	–	–	52	52	2	–	–	–	207	
<b>Total GIIPS</b>	<b>–</b>	<b>273</b>	<b>54</b>	<b>327</b>	<b>45</b>	<b>–</b>	<b>679</b>	<b>724</b>	<b>25</b>	<b>36</b>	<b>1</b>	<b>62</b>	<b>1,113</b>	
<b>Rest of Europe</b>														
Belgium	268	–	5	273	166	45	21	232	5	94	–	99	604	
Finland	7	64	13	84	–	21	100	121	–	1,379	–	1,379	1,584	
France	437	765	169	1,371	96	863	1,582	2,541	108	6,734	262	7,104	11,016	
Germany	1,037	644	55	1,736	464	738	709	1,911	186	10,779	19	10,984	14,631	
Netherlands	588	555	271	1,414	604	240	367	1,211	16	4,271	506	4,793	7,418	
Sweden	–	64	222	286	–	247	76	323	7	1,359	451	1,817	2,426	
Switzerland	1,125	58	125	1,308	75	–	802	877	51	–	168	219	2,404	
United Kingdom	1,787	3,009	37	4,833	1,000	550	4,823	6,373	158	1,765	3,429	5,352	16,558	
Other <sup>6</sup>	–	4	7	11	60	317	683	1,060	7	1,366	571	1,944	3,015	
<b>Total Rest of Europe</b>	<b>5,249</b>	<b>5,163</b>	<b>904</b>	<b>11,316</b>	<b>2,465</b>	<b>3,021</b>	<b>9,163</b>	<b>14,649</b>	<b>538</b>	<b>27,747</b>	<b>5,406</b>	<b>33,691</b>	<b>59,656</b>	
<b>Total Europe</b>	<b>\$ 5,249</b>	<b>\$ 5,436</b>	<b>\$ 958</b>	<b>\$ 11,643</b>	<b>\$ 2,510</b>	<b>\$ 3,021</b>	<b>\$ 9,842</b>	<b>\$ 15,373</b>	<b>\$ 563</b>	<b>\$ 27,783</b>	<b>\$ 5,407</b>	<b>\$ 33,753</b>	<b>\$ 60,769</b>	

October 31, 2015

<b>GIIPS</b>														
Greece	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Italy	–	203	4	207	–	–	3	3	1	25	2	28	238	
Ireland	–	–	–	–	–	–	375	375	–	–	–	–	375	
Portugal	–	–	–	–	–	–	–	–	–	–	–	–	–	
Spain	–	63	47	110	–	–	37	37	7	–	–	7	154	
<b>Total GIIPS</b>	<b>–</b>	<b>266</b>	<b>51</b>	<b>317</b>	<b>–</b>	<b>–</b>	<b>415</b>	<b>415</b>	<b>8</b>	<b>25</b>	<b>2</b>	<b>35</b>	<b>767</b>	
<b>Rest of Europe</b>														
Belgium	4,794	–	40	4,834	98	32	1	131	6	–	–	6	4,971	
Finland	7	65	13	85	–	23	64	87	–	952	–	952	1,124	
France	469	–	205	674	97	617	1,178	1,892	29	3,339	176	3,544	6,110	
Germany	1,451	1,094	100	2,645	507	754	738	1,999	88	9,442	127	9,657	14,301	
Netherlands	457	295	517	1,269	641	330	223	1,194	14	4,189	464	4,667	7,130	
Sweden	–	30	167	197	–	27	62	89	28	458	441	927	1,213	
Switzerland	1,103	181	216	1,500	22	–	707	729	11	–	211	222	2,451	
United Kingdom	2,161	2,434	128	4,723	750	764	3,982	5,496	114	548	4,002	4,664	14,883	
Other <sup>6</sup>	118	15	8	141	63	113	356	532	9	1,235	137	1,381	2,054	
<b>Total Rest of Europe</b>	<b>10,560</b>	<b>4,114</b>	<b>1,394</b>	<b>16,068</b>	<b>2,178</b>	<b>2,660</b>	<b>7,311</b>	<b>12,149</b>	<b>299</b>	<b>20,163</b>	<b>5,558</b>	<b>26,020</b>	<b>54,237</b>	
<b>Total Europe</b>	<b>\$ 10,560</b>	<b>\$ 4,380</b>	<b>\$ 1,445</b>	<b>\$ 16,385</b>	<b>\$ 2,178</b>	<b>\$ 2,660</b>	<b>\$ 7,726</b>	<b>\$ 12,564</b>	<b>\$ 307</b>	<b>\$ 20,188</b>	<b>\$ 5,560</b>	<b>\$ 26,055</b>	<b>\$ 55,004</b>	

<sup>1</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, 2016, or October 31, 2015.

<sup>2</sup> Exposures are calculated on a fair value basis and are net of collateral. Total market value of pledged collateral is \$6.9 billion for GIIPS (October 31, 2015 – \$5.6 billion) and \$24.7 billion for the rest of Europe (October 31, 2015 – \$41.9 billion). Derivatives are presented as net exposures where there is an International Swaps and Derivatives Association (ISDA) master netting agreement.

<sup>3</sup> Trading portfolio exposures are net of eligible short positions. Deposits of \$1.3 billion (October 31, 2015 – \$1.5 billion) are included in the trading and investment portfolio.

<sup>4</sup> The fair values of the GIIPS exposures in Level 3 in the trading and investment portfolio were not significant as at October 31, 2016, and October 31, 2015.

<sup>5</sup> The reported exposures do not include \$0.3 billion of protection the Bank purchased through CDS (October 31, 2015 – \$0.4 billion).

<sup>6</sup> Other European exposure is distributed across 9 countries (October 31, 2015 – 10 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, 2016, and October 31, 2015.



**TABLE 35 EXPOSURE TO EUROPE – Gross European Lending Exposure by Country**

(millions of Canadian dollars)

Country	October 31, 2016			As at October 31, 2015		
	Loans and Commitments			Loans and Commitments		
	Direct <sup>1</sup>	Indirect <sup>2</sup>	Total	Direct <sup>1</sup>	Indirect <sup>2</sup>	Total
<b>GIIPS</b>						
Greece	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Italy	170	4	174	204	3	207
Ireland	–	–	–	–	–	–
Portugal	–	–	–	–	–	–
Spain	–	153	153	63	47	110
<b>Total GIIPS</b>	<b>170</b>	<b>157</b>	<b>327</b>	<b>267</b>	<b>50</b>	<b>317</b>
<b>Rest of Europe</b>						
Belgium	–	273	273	–	4,834	4,834
Finland	71	13	84	61	24	85
France	830	541	1,371	179	495	674
Germany	788	948	1,736	1,730	915	2,645
Netherlands	970	444	1,414	744	525	1,269
Sweden	282	4	286	193	4	197
Switzerland	562	746	1,308	662	838	1,500
United Kingdom	3,117	1,716	4,833	2,581	2,142	4,723
Other <sup>3</sup>	5	6	11	135	6	141
<b>Total Rest of Europe</b>	<b>6,625</b>	<b>4,691</b>	<b>11,316</b>	<b>6,285</b>	<b>9,783</b>	<b>16,068</b>
<b>Total Europe</b>	<b>\$ 6,795</b>	<b>\$ 4,848</b>	<b>\$ 11,643</b>	<b>\$ 6,552</b>	<b>\$ 9,833</b>	<b>\$ 16,385</b>

<sup>1</sup> Includes interest-bearing deposits with banks, funded loans, and banker's acceptances.

<sup>2</sup> Includes undrawn commitments and letters of credit.

<sup>3</sup> Other European exposure is distributed across 9 countries (October 31, 2015 – 10 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, 2016, and October 31, 2015.

Of the Bank's European exposure, approximately 98% (October 31, 2015 – 99%) is to counterparties in countries rated AA or better by either Moody's Investor Services (Moody's) or Standard & Poor's (S&P), with the majority of this exposure to the sovereigns themselves and 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 A+ or better by either Moody's or S&P, and cash. Additionally, the Bank has 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 \$8.9 billion (October 31, 2015 – \$8.8 billion) of direct exposure to supranational entities with European sponsorship and indirect exposure including \$0.2 billion (October 31, 2015 – \$1.6 billion) of 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.

#### EXPOSURE TO ACQUIRED CREDIT-IMPAIRED LOANS

ACI loans are generally loans 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. Evidence of credit quality deterioration as of the acquisition date may include statistics such as past due status and credit scores. ACI loans are initially recorded at fair value and, as a result, no allowance for credit losses is recorded on the date of acquisition.

ACI loans were acquired through the acquisitions of FDIC-assisted transactions, which include FDIC covered loans subject to loss sharing agreements with the FDIC, South Financial, Chrysler Financial, and a credit card portfolio within the U.S. strategic cards portfolio. The following table presents the unpaid principal balance, carrying value, counterparty-specific allowance, allowance for individually insignificant impaired loans, and the net carrying value as a percentage of the unpaid principal balance for ACI loans.

**TABLE 36 ACQUIRED CREDIT-IMPAIRED LOAN PORTFOLIO**

(millions of Canadian dollars, except as noted)

As at

	Unpaid principal balance <sup>1</sup>	Carrying value	Counterparty-specific allowance	Allowance for individually insignificant impaired loans	Carrying value net of allowances	Percentage of unpaid principal balance
<b>October 31, 2016</b>						
FDIC-assisted acquisitions	\$ 508	\$ 480	\$ 1	\$ 35	\$ 444	87.4%
South Financial	529	494	3	23	468	88.5%
Other <sup>2</sup>	2	–	–	–	–	–
<b>Total ACI loan portfolio</b>	<b>\$ 1,039</b>	<b>\$ 974</b>	<b>\$ 4</b>	<b>\$ 58</b>	<b>\$ 912</b>	<b>87.8%</b>
<b>October 31, 2015</b>						
FDIC-assisted acquisitions	\$ 636	\$ 601	\$ 1	\$ 45	\$ 555	87.3%
South Financial	853	813	5	32	776	91.0%
Other <sup>2</sup>	40	–	–	–	–	–
<b>Total ACI loan portfolio</b>	<b>\$ 1,529</b>	<b>\$ 1,414</b>	<b>\$ 6</b>	<b>\$ 77</b>	<b>\$ 1,331</b>	<b>87.1%</b>

<sup>1</sup> Represents contractual amount owed net of charge-offs since acquisition of the loan.

<sup>2</sup> Other includes the ACI loan portfolios of Chrysler Financial and an acquired credit card portfolio within the U.S. strategic cards portfolio.

During the year ended October 31, 2016, the Bank recorded a recovery of \$31 million in PCL on ACI loans (2015 – \$36 million, 2014 – \$2 million). The following table provides key credit statistics by past due contractual status and geographic concentrations based on ACI loans unpaid principal balance.

**TABLE 37 ACQUIRED CREDIT-IMPAIRED LOANS – Key Credit Statistics**

(millions of Canadian dollars, except as noted)

As at

	October 31, 2016		October 31, 2015	
	Unpaid principal balance <sup>1</sup>		Unpaid principal balance <sup>1</sup>	
<b>Past due contractual status</b>				
Current and less than 30 days past due	\$ 914	88.0%	\$ 1,314	85.9%
30-89 days past due	24	2.3	42	2.8
90 or more days past due	101	9.7	173	11.3
<b>Total ACI loans</b>	<b>\$ 1,039</b>	<b>100.0%</b>	<b>\$ 1,529</b>	<b>100.0%</b>
<b>Geographic region</b>				
Florida	\$ 691	66.5%	\$ 933	61.0%
South Carolina	260	25.0	443	29.0
North Carolina	83	8.0	110	7.2
Other U.S. and Canada	5	0.5	43	2.8
<b>Total ACI loans</b>	<b>\$ 1,039</b>	<b>100.0%</b>	<b>\$ 1,529</b>	<b>100.0%</b>

<sup>1</sup> Represents contractual amount owed net of charge-offs since acquisition of the loan.

### EXPOSURE TO NON-AGENCY COLLATERALIZED MORTGAGE OBLIGATIONS

As a result of the acquisition of Commerce Bancorp Inc., the Bank has exposure to non-agency Collateralized Mortgage Obligations (CMOs) collateralized primarily by Alt-A and Prime Jumbo mortgages, most of which are pre-payable fixed-rate mortgages without rate reset features. At the time of acquisition, the portfolio was recorded at fair value, which became the new cost basis for this portfolio.

These debt securities are classified as loans and carried at amortized cost using the effective interest rate method, and are evaluated for loan losses on a quarterly basis using the incurred credit loss model. The impairment assessment follows the loan loss accounting model, where there are two types of allowances for credit losses, counterparty-specific and collectively assessed. Counterparty-specific

allowances represent individually significant loans, including the Bank's debt securities classified as loans, which are assessed for whether impairment exists at the counterparty-specific level. Collectively assessed allowances consist of loans for which no impairment is identified on a counterparty-specific level and are grouped into portfolios of exposures with similar credit risk characteristics to collectively assess if impairment exists at the portfolio level.

The allowance for losses that are incurred but not identified as at October 31, 2016, was US\$41 million (October 31, 2015 – US\$43 million). During the year ended October 31, 2016, the Bank recorded an increase of allowances for credit losses of US\$3 million in PCL (net release of allowance for credit losses of US\$29 million in 2015 and of US\$14 million in 2014).

The following table presents the par value, carrying value, allowance for loan losses, and the net carrying value as a percentage of the par value for the non-agency CMO portfolio as at October 31, 2016, and October 31, 2015. As at October 31, 2016, the balance of the remaining

acquisition-related incurred loss was US\$160 million (October 31, 2015 – US\$158 million). This amount is reflected in the following table as a component of the discount from par to carrying value.

TABLE 38		NON-AGENCY CMO LOANS PORTFOLIO				
(millions of U.S. dollars, except as noted)						<i>As at</i>
	Par value	Carrying value	Allowance for loan losses	Carrying value net of allowance	Percentage of par value	
					<b>October 31, 2016</b>	
<b>Non-agency CMOs</b>	<b>\$ 1,158</b>	<b>\$ 1,020</b>	<b>\$ 195</b>	<b>\$ 825</b>	<b>71.2%</b>	
					October 31, 2015	
<b>Non-agency CMOs</b>	<b>\$ 1,431</b>	<b>\$ 1,268</b>	<b>\$ 202</b>	<b>\$ 1,066</b>	<b>74.5%</b>	

During the second quarter of 2009, the Bank re-securitized a portion of the non-agency CMO portfolio. As part of the on-balance sheet re-securitization, new credit ratings were obtained for the re-securitized securities that better reflect the discount on acquisition and the Bank's risk inherent on the entire portfolio. The net capital benefit of the

re-securitization transaction is reflected in the changes in RWA. For accounting purposes, the Bank retained a majority of the beneficial interests in the re-securitized securities resulting in no financial statement impact. The Bank's assessment of impairment for these reclassified securities is not impacted by a change in the credit ratings.

TABLE 39		NON-AGENCY ALT-A AND PRIME JUMBO CMO PORTFOLIO BY VINTAGE YEAR					
(millions of U.S. dollars)							<i>As at</i>
	Alt-A		Prime Jumbo		Total		
	Amortized cost	Fair value	Amortized cost	Fair value	Amortized cost	Fair value	
							<b>October 31, 2016</b>
2003	\$ 20	\$ 23	\$ 20	\$ 21	\$ 40	\$ 44	
2004	49	55	15	17	64	72	
2005	204	248	14	16	218	264	
2006	157	187	73	84	230	271	
2007	226	270	88	99	314	369	
<b>Total portfolio net of counterparty-specific and individually insignificant credit losses</b>	<b>\$ 656</b>	<b>\$ 783</b>	<b>\$ 210</b>	<b>\$ 237</b>	<b>\$ 866</b>	<b>\$ 1,020</b>	
Less: allowance for incurred but not identified credit losses					41		
<b>Total</b>					<b>\$ 825</b>		
							October 31, 2015
2003	\$ 36	\$ 41	\$ 41	\$ 44	\$ 77	\$ 85	
2004	62	69	19	21	81	90	
2005	256	297	18	20	274	317	
2006	201	220	90	101	291	321	
2007	274	314	112	120	386	434	
<b>Total portfolio net of counterparty-specific and individually insignificant credit losses</b>	<b>\$ 829</b>	<b>\$ 941</b>	<b>\$ 280</b>	<b>\$ 306</b>	<b>\$ 1,109</b>	<b>\$ 1,247</b>	
Less: allowance for incurred but not identified credit losses					43		
<b>Total</b>					<b>\$ 1,066</b>		

GROUP FINANCIAL CONDITION

Capital Position

TABLE 40	CAPITAL STRUCTURE AND RATIOS – Basel III <sup>1</sup>	
(millions of Canadian dollars, except as noted)	2016	2015
<b>Common Equity Tier 1 Capital</b>		
Common shares plus related contributed surplus	\$ 20,881	\$ 20,457
Retained earnings	35,452	32,053
Accumulated other comprehensive income	11,834	10,209
<b>Common Equity Tier 1 Capital before regulatory adjustments</b>	<b>68,167</b>	<b>62,719</b>
<b>Common Equity Tier 1 Capital regulatory adjustments</b>		
Goodwill (net of related tax liability)	(19,517)	(19,143)
Intangibles (net of related tax liability)	(2,241)	(2,192)
Deferred tax assets excluding those arising from temporary differences	(172)	(367)
Cash flow hedge reserve	(1,690)	(1,498)
Shortfall of provisions to expected losses	(906)	(140)
Gains and losses due to changes in own credit risk on fair valued liabilities	(166)	(188)
Defined benefit pension fund net assets (net of related tax liability)	(11)	(104)
Investment in own shares	(72)	(4)
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)	(1,064)	(1,125)
<b>Total regulatory adjustments to Common Equity Tier 1 Capital</b>	<b>(25,839)</b>	<b>(24,761)</b>
<b>Common Equity Tier 1 Capital</b>	<b>42,328</b>	<b>37,958</b>
<b>Additional Tier 1 Capital instruments</b>		
Directly issued qualifying Additional Tier 1 instruments plus stock surplus	3,899	2,202
Directly issued capital instruments subject to phase out from Additional Tier 1	3,236	3,211
Additional Tier 1 instruments issued by subsidiaries and held by third parties subject to phase out	286	399
<b>Additional Tier 1 Capital instruments before regulatory adjustments</b>	<b>7,421</b>	<b>5,812</b>
<b>Additional Tier 1 Capital instruments regulatory adjustments</b>		
Investment in own Additional Tier 1 instruments	–	(2)
Significant investments in the capital of banking, financial, and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	(352)	(352)
<b>Total regulatory adjustments to Additional Tier 1 Capital</b>	<b>(352)</b>	<b>(354)</b>
<b>Additional Tier 1 Capital</b>	<b>7,069</b>	<b>5,458</b>
<b>Tier 1 Capital</b>	<b>49,397</b>	<b>43,416</b>
<b>Tier 2 Capital instruments and provisions</b>		
Directly issued qualifying Tier 2 instruments plus related stock surplus	5,760	2,489
Directly issued capital instruments subject to phase out from Tier 2	4,899	5,927
Tier 2 instruments issued by subsidiaries and held by third parties subject to phase out	270	207
Collective allowances	1,660	1,731
<b>Tier 2 Capital before regulatory adjustments</b>	<b>12,589</b>	<b>10,354</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	(170)	(170)
<b>Total regulatory adjustments to Tier 2 Capital</b>	<b>(170)</b>	<b>(170)</b>
<b>Tier 2 Capital</b>	<b>12,419</b>	<b>10,184</b>
<b>Total Capital</b>	<b>61,816</b>	<b>53,600</b>
<b>Risk-weighted assets<sup>2</sup></b>		
Common Equity Tier 1 Capital	\$ 405,844	\$ 382,360
Tier 1 Capital	405,844	383,301
Total Capital	405,844	384,108
<b>Capital Ratios and Multiples</b>		
Common Equity Tier 1 Capital (as percentage of CET1 Capital risk-weighted assets)	10.4%	9.9%
Tier 1 Capital (as percentage of Tier 1 Capital risk-weighted assets)	12.2	11.3
Total Capital (as percentage of Total Capital risk-weighted assets)	15.2	14.0
Leverage ratio <sup>3</sup>	4.0	3.7

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

<sup>2</sup> Each capital ratio has its own RWA measure due to the OSFI-prescribed scalar for inclusion of the CVA. The scalar for inclusion of CVA for CET1, Tier 1, and Total Capital RWA are 64%, 71%, and 77%, respectively.

<sup>3</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

Enterprise Capital Management 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 required capital 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 consistent with TD's solvency and ratings standards. The Bank's chosen standards are well-founded and consistent with its overall risk profile and current operating environment.

Since November 1, 2007, the Bank has been operating 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 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 and 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. 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 ratio 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

The Office of the Superintendent of Financial Institutions Canada's (OSFI) Capital Adequacy Requirements (CAR) guideline details how the Basel III capital rules apply to Canadian banks.

Effective January 1, 2014, the CVA capital charge is to be phased in over a five year period based on a scalar approach. For fiscal 2016, the scalars for inclusion of the CVA for CET1, Tier 1, and Total Capital RWA are 64%, 71%, and 77%, respectively, unchanged from fiscal 2015. This scalar for the CET1 calculation increases to 72% in 2017, 80% in 2018, and 100% in 2019. A similar set of scalar phase-in percentages apply to the Tier 1 and Total Capital ratio calculations.

Effective January 1, 2013, all newly issued non-common Tier 1 and Tier 2 capital instruments must include non-viability contingent capital (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.

At the discretion of OSFI, a common equity countercyclical capital buffer (CCB) within a range of 0% to 2.5% could be imposed. No CCB is currently in effect.

In July 2013, the BCBS published the updated final rules on global systemically important banks (G-SIB). None of the Canadian banks have been designated as a G-SIB. In March 2013, OSFI designated the six major Canadian banks as domestic systemically important banks (D-SIB), 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.

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

## 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, market, and operational risks. The Bank uses the advanced approaches for the majority of its portfolios. 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 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 Minimum Continuing Capital Surplus Requirements and Minimum Capital 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, 2016, the Bank's CET1, Tier 1, and Total Capital ratios were 10.4%, 12.2%, and 15.2%, respectively. Compared with the Bank's CET1 Capital ratio of 9.9% at October 31, 2015, the CET1 Capital ratio, as at October 31, 2016, increased due to growth in retained earnings, partially offset by a combination of common shares repurchased, actuarial losses on employee benefit plans primarily due to a decline in long term interest rates, and RWA growth in the Canadian and U.S. Retail segments.

As at October 31, 2016, the Bank's leverage ratio was 4.0%. Compared with the Bank's leverage ratio of 3.7% at October 31, 2015, the leverage ratio, as at October 31, 2016, increased mainly from capital generation and preferred share issuances, partially offset by business growth in all segments.

### Common Equity Tier 1 Capital

CET1 Capital was \$42.3 billion as at October 31, 2016. Strong 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 \$521 million under the dividend reinvestment plan and from stock option exercises.

### Tier 1 and Tier 2 Capital

Tier 1 Capital was \$49 billion as at October 31, 2016, consisting of CET1 Capital and Additional Tier 1 Capital of \$42 billion and \$7 billion, respectively. Tier 1 Capital management activities during the year consisted of the issuance of \$700 million non-cumulative Rate Reset Preferred Shares, Series 12 and \$1 billion non-cumulative Rate Reset Preferred Shares, Series 14, both of which included NVCC Provisions to ensure loss absorbency at the point of non-viability.

Tier 2 Capital was \$12 billion as at October 31, 2016. Tier 2 Capital management activities during the year consisted of the issuance of \$1.25 billion 4.859% subordinated debentures due March 4, 2031, and US\$1.5 billion 3.625% subordinated debentures due September 15, 2031, both of which included NVCC Provisions to ensure loss absorbency at the point of non-viability, and the redemption of \$1 billion 3.367% subordinated debentures due November 2, 2020. On October 27, 2016, the Bank announced its intention to redeem \$2.25 billion 4.779% subordinated debentures due December 14, 2105 on December 14, 2016.

## 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 modeling and stress testing practices which help inform the Bank's overall CAR.

The ICAAP is led by Risk Management 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. Risk Management alongside Enterprise Capital Management 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, 2016, the quarterly dividend was \$0.55 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 \$2.16 per share (2015 – \$2.00). For cash dividends payable on the Bank's preferred shares, refer to Note 21 of the 2016 Consolidated Financial Statements. As at October 31, 2016, 1,857 million common shares were outstanding (2015 – 1,855 million). The Bank's ability to pay dividends is subject to the requirements of the *Bank Act* (Canada) (the "*Bank Act*") and OSFI. Refer to Note 21 of the 2016 Consolidated Financial Statements for further information on dividend restrictions.

## NORMAL COURSE ISSUER BID

On December 9, 2015, the Bank announced that the Toronto Stock Exchange and OSFI approved the Bank's normal course issuer bid (NCIB) to repurchase for cancellation up to 9.5 million of the Bank's common shares. During the year ended October 31, 2016, the Bank completed its share repurchase under the NCIB and repurchased 9.5 million common shares at an average price of \$51.23 per share for a total amount of \$487 million.

## 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.

TABLE 41	COMMON EQUITY TIER 1 CAPITAL RISK-WEIGHTED ASSETS <sup>1</sup>	
	As at	
	October 31 2016	October 31 2015
<b>Credit risk<sup>2</sup></b>		
<b>Retail</b>		
Residential secured	\$ 29,563	\$ 28,726
Qualifying revolving retail	18,965	12,586
Other retail	43,288	60,976
<b>Non-retail</b>		
Corporate	169,559	150,497
Sovereign	5,139	4,071
Bank	9,087	11,412
<b>Securitization exposures</b>	<b>16,161</b>	<b>13,074</b>
<b>Equity exposures</b>	<b>789</b>	<b>866</b>
Exposures subject to standardized or Internal Ratings Based (IRB) approaches	292,551	282,208
Adjustment to IRB RWA for scaling factor	8,515	6,347
Other assets not included in standardized or IRB approaches	39,230	40,032
<b>Total credit risk</b>	<b>340,296</b>	<b>328,587</b>
<b>Market risk</b>		
Trading book	12,211	12,655
<b>Operational risk<sup>3</sup></b>	<b>48,001</b>	<b>41,118</b>
<b>Regulatory floor</b>	<b>5,336</b>	<b>–</b>
<b>Total</b>	<b>\$ 405,844</b>	<b>\$ 382,360</b>

<sup>1</sup> Each capital ratio has its own RWA measure due to the OSFI-prescribed scalar for inclusion of the CVA. The scalar for inclusion of CVA for CET1, Tier 1 and Total Capital RWA are 64%, 71%, and 77%, respectively.

<sup>2</sup> Effective the third quarter of 2016, the majority of U.S. Retail's retail portfolio credit risk RWA are calculated using the AIRB approach. Prior to the third quarter of 2016, RWA were calculated using the Standardized Approach.

<sup>3</sup> Effective the third quarter of 2016, operational risk RWA is calculated using a combination of the Advanced Measurement Approach (AMA) and the Standardized Approach (TSA). Prior to the third quarter of 2016, RWA were calculated using TSA.

**TABLE 42 FLOW STATEMENT FOR RISK-WEIGHTED ASSETS – Disclosure for Non-Counterparty Credit Risk and Counterparty Credit Risk – Risk-Weighted Assets Movement by Key Driver**

(millions of Canadian dollars)

	October 31, 2016		For the years ended October 31, 2015	
	Non-counterparty credit risk	Counterparty credit risk	Non-counterparty credit risk	Counterparty credit risk
<b>Common Equity Tier 1 Capital RWA, balance at beginning of period</b>	<b>\$ 308,164</b>	<b>\$ 20,423</b>	\$ 258,009	\$ 17,917
Book size	18,589	(527)	21,254	680
Book quality	2,556	(223)	(679)	(405)
Model updates	(11,195)	(4,144)	(910)	–
Methodology and policy	–	–	–	705
Acquisitions and disposals	(318)	–	2,169	–
Foreign exchange movements	5,124	432	26,242	1,526
Other	1,415	–	2,079	–
Total RWA movement	16,171	(4,462)	50,155	2,506
<b>Common Equity Tier 1 Capital RWA, balance at end of period</b>	<b>\$ 324,335</b>	<b>\$ 15,961</b>	\$ 308,164	\$ 20,423

Counterparty credit risk is comprised of over-the-counter derivatives, repo-style transactions, trades cleared through central counterparties, and CVA RWA which was phased in at 64% for fiscal 2016 (2015 – 64%). Non-counterparty credit risk includes loans and advances to retail customers (individuals and small business), corporate entities (wholesale and commercial customers), banks and governments, as well as holdings of debt, equity securities, and other assets (including prepaid expenses, current and deferred income taxes, land, building, equipment, and other depreciable property).

The Book size category consists of organic changes in book size and composition (including new business and maturing loans) and, for fiscal 2016, is mainly due to growth in commercial loans in the U.S. Retail segment and across various portfolios in the Canadian Retail segment.

The Book quality category includes quality of book changes caused by experience such as underlying customer behaviour or demographics, including changes through model calibrations/realignments.

The Model updates category relates to model implementation, changes in model scope, or any changes to address model malfunctions. 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. RWA in counterparty credit risk decreased due to optimization in the potential future exposures calculation for certain derivatives allowed under the Basel III framework.

The Methodology and policy category impacts are methodology changes to the calculations driven by regulatory policy changes, such as new regulations.

Foreign exchange movements are mainly due to fluctuations in the U.S. dollar to Canadian dollar exchange rate on the U.S. portfolios in the U.S. Retail segment.

The Other category consists of items not described in the above categories including changes in exposures not included under advanced or standardized methodologies such as prepaid expenses, current and deferred income taxes, land, building, equipment and other depreciable property, and other assets.

The Movement in risk levels category reflects changes in risk due to position changes and market movements.

The Model updates category reflects updates to the model to reflect recent experience and changes in model scope.

The Methodology and policy category reflects methodology changes to the calculations driven by regulatory policy changes. Methodology changes related to debt specific risk drove the decrease in RWA. Foreign exchange movements and other are deemed not meaningful since RWA exposure measures are calculated in Canadian dollars. Therefore, no foreign exchange translation is required.

**TABLE 44 FLOW STATEMENT FOR RISK-WEIGHTED ASSETS – Disclosure for Operational Risk – Risk-Weighted Assets Movement by Key Driver**

(millions of Canadian dollars)

	For the years ended	
	October 31 2016	October 31 2015
<b>RWA, balance at beginning of period</b>	<b>\$ 41,118</b>	\$ 38,092
Revenue generation	790	3,026
Movement in risk levels	–	–
Methodology and policy	6,093	–
Acquisitions and disposals	–	–
<b>RWA, balance at end of period</b>	<b>\$ 48,001</b>	\$ 41,118

The movement in the Revenue generation category is due to a change in gross income. The Movement in risk levels category primarily reflects changes in risk due to operational loss experience, business environment and internal control factors, scenario analysis and movements in foreign exchange. The Model updates category relates to model implementation, changes in model scope, or any changes to address model malfunctions. The Methodology and policy category reflects newly adopted methodology changes to the calculations driven by regulatory policy changes. Effective the third quarter of 2016, OSFI approved the Bank to use the AMA to calculate operational risk weighted assets.

**TABLE 43 FLOW STATEMENT FOR RISK-WEIGHTED ASSETS – Disclosure for Market Risk – Risk-Weighted Assets Movement by Key Driver**

(millions of Canadian dollars)

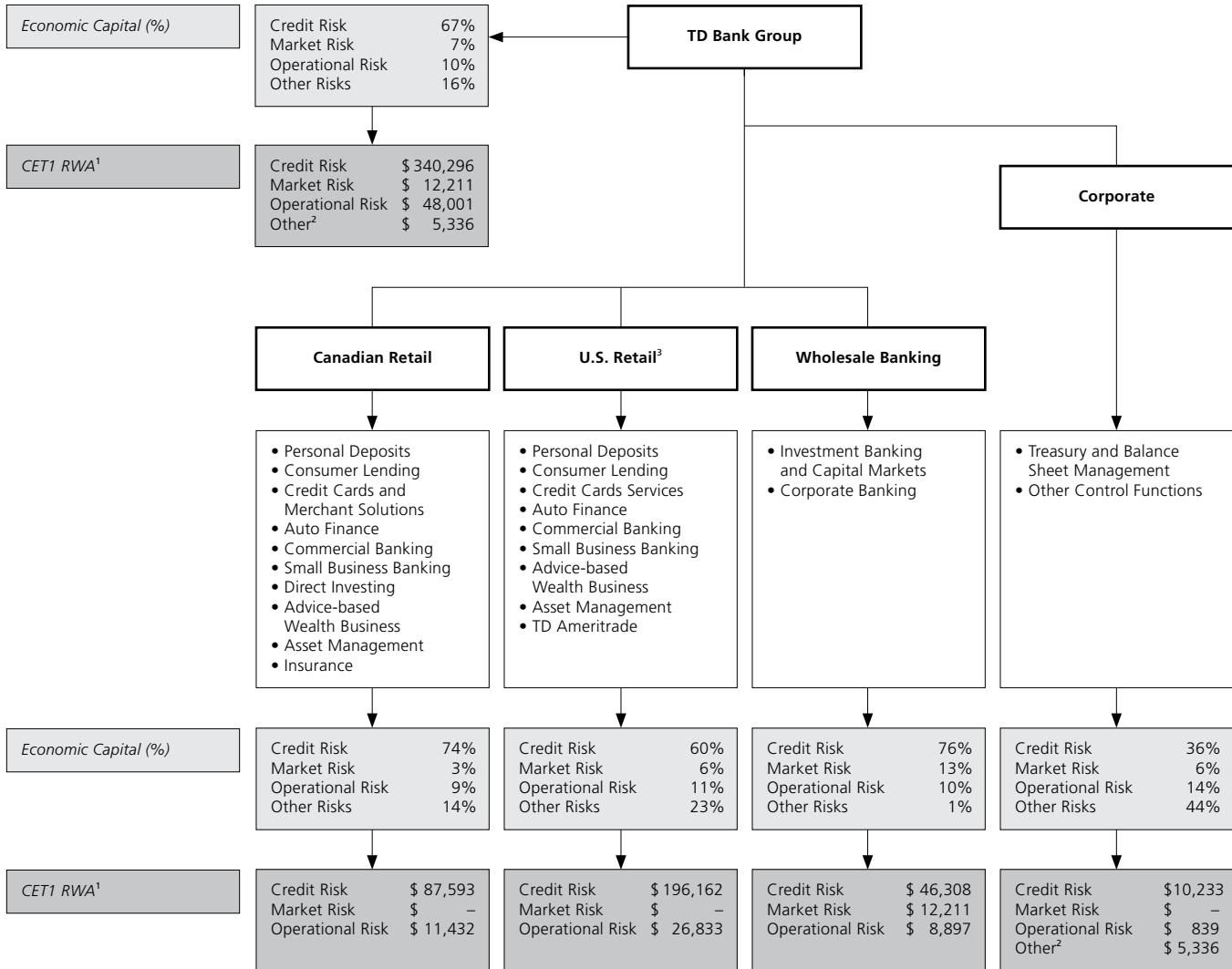
	For the years ended	
	October 31 2016	October 31 2015
<b>RWA, balance at beginning of period</b>	<b>\$ 12,655.0</b>	\$ 14,376.0
Movement in risk levels	548.0	49.0
Model updates	–	–
Methodology and policy	(992.0)	(1,770.0)
Acquisitions and disposals	–	–
Foreign exchange movements and other	n/m <sup>1</sup>	n/m <sup>1</sup>
Total RWA movement	(444.0)	(1,721.0)
<b>RWA, balance at end of period</b>	<b>\$ 12,211.0</b>	\$ 12,655.0

<sup>1</sup> Not meaningful.

## 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, 2016. 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 required 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> Includes regulatory floor

<sup>3</sup> U.S. Retail includes TD Ameritrade in Other Risks



TABLE 45	OUTSTANDING EQUITY AND SECURITIES EXCHANGEABLE/CONVERTIBLE INTO EQUITY <sup>1</sup>	
	<i>As at</i>	
(millions of shares/units, except as noted)	October 31 2016	October 31 2015
	Number of shares/units	Number of shares/units
<b>Common shares outstanding</b>	<b>1,857.6</b>	1,856.2
Treasury shares – common	<b>(0.4)</b>	(1.1)
<b>Total common shares</b>	<b>1,857.2</b>	1,855.1
<b>Stock options</b>		
Vested	<b>5.5</b>	7.0
Non-vested	<b>9.9</b>	11.4
Series S	<b>5.4</b>	5.4
Series T	<b>4.6</b>	4.6
Series Y	<b>5.5</b>	5.5
Series Z	<b>4.5</b>	4.5
Series 1	<b>20.0</b>	20.0
Series 3	<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 <sup>2</sup>	<b>28.0</b>	–
Series 14 <sup>3</sup>	<b>40.0</b>	–
Total preferred shares – equity	<b>176.0</b>	108.0
Treasury shares – preferred	<b>(0.2)</b>	(0.1)
<b>Total preferred shares</b>	<b>175.8</b>	107.9
<b>Capital Trust Securities</b> (thousands of shares)		
Trust units issued by TD Capital Trust III:		
TD Capital Trust III Securities – Series 2008	<b>1,000.0</b>	1,000.0
Debt issued by TD Capital Trust IV:		
TD Capital Trust IV Notes – Series 1	<b>550.0</b>	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 2016 Consolidated Financial Statements.

<sup>2</sup> On January 14, 2016, the Bank issued 28 million non-cumulative 5-Year Rate Reset Preferred Shares, Series 12 (“Series 12 shares”) for gross cash consideration of \$700 million, which included NVCC Provisions to ensure loss absorbency at the point of non-viability. If the NVCC Provisions were to be triggered, the maximum number of common shares that could be issued based on the formula for conversion applicable to the Series 12 shares, and assuming there are no declared and unpaid dividends on the Series 12 shares or Series 13 shares, as applicable, would be 140 million.

<sup>3</sup> On September 8, 2016, the Bank issued 40 million non-cumulative 5-Year Rate Reset Preferred Shares, Series 14 (“Series 14 shares”) for gross cash consideration of \$1 billion, which included NVCC Provisions to ensure loss absorbency at the point of non-viability. If the NVCC Provisions were to be triggered, the maximum number of common shares that could be issued based on the formula for conversion applicable to the Series 14 shares, and assuming there are no declared and unpaid dividends on the Series 14 shares or Series 15 shares, as applicable, would be 200 million.

## FUTURE REGULATORY CAPITAL DEVELOPMENTS

In February 2014, the U.S. Federal Reserve Board released final rules on Enhanced Prudential Standards for large Foreign Bank Organizations and U.S. Bank Holding Companies (BHCs). As a result of these rules, as of July 1, 2016, TD has consolidated 90% of its U.S. legal entity ownership interests under a single top tier U.S. Intermediate Holding Company (IHC), and will consolidate 100% of its U.S. legal entity ownership interests by July 1, 2017. The IHC will be subject to the same extensive capital, liquidity, and risk management requirements as large BHCs.

On August 1, 2014, the Department of Finance released a public consultation paper (the “Bail-in Consultation”) regarding a proposed Taxpayer Protection and Bank Recapitalization regime (commonly referred to as “bail-in”) which outlines their intent to implement a comprehensive risk management framework for Canada’s D-SIBs. Refer to the section on “Regulatory Developments Concerning Liquidity and Funding” in this document for more details.

In December 2014, BCBS released a consultative document introducing a capital floor framework based on Basel II/III standardized approaches to calculate RWA. This framework will replace the current transitional floor, which is based on the Basel I standard. The objectives of a capital floor are to ensure minimum levels of banking system capital, mitigate internal approaches model risk, and enhance comparability of capital ratios across banks. The calibration of the floor is outside the scope of this consultation. The impact on the Bank will be dependent on the final calibration of the capital floor and on the revised credit, market, and operational risk standardized approaches which are currently all under review and consultation.

In July 2015, BCBS released a consultative document on a revision of the CVA framework set out in the current Basel III capital standards for the treatment of counterparty credit risk. The revised framework proposes to better align the capital standard with the fair value measurement of CVA employed under various accounting regimes and the proposed revisions to the market risk framework under the Fundamental Review of the Trading Book. The estimated timing for implementation is early 2018 to align with the implementation of the revised market risk framework.

In December 2015, BCBS released the second consultative document on revisions to the standardized approach for credit risk. Similar to the first consultative document published in December 2014, the scope covers most asset classes, including Bank and Corporate exposures, Residential and Commercial real estate and off-balance sheet exposures.

In January 2016, OSFI issued for comment a draft guideline on Pillar 3 Disclosure Requirements. This guideline clarifies OSFI’s expectations regarding domestic implementation by federally regulated deposit-taking institutions of the Revised Pillar 3 Disclosure Requirements issued by the BCBS in January 2015, which require disclosure of standard templates to provide comparability and consistency of capital and risk disclosures amongst banks. The final version of the guideline will replace OSFI’s November 2007 Advisory on Pillar 3 Disclosure Requirements. The implementation date for these requirements is expected to be no later than the fourth quarter of 2018.

In March 2016, BCBS issued a consultative document “Reducing variation in credit risk-weighted assets – constraints on the use of internal model approaches”. The key aspects of the proposal include removing the option to use the Internal Ratings Based approaches for certain exposure categories, such as loans to financial institutions and large corporations, and providing greater specification of parameter estimation practices, including model-parameter floors.

In March 2016, BCBS also released the consultative paper on a new Standardized Measurement Approach (SMA) to replace the AMA to measure operational risk.

In April 2016, BCBS issued a consultative document on revisions to the Basel III Leverage Ratio Framework and reaffirmed the 3% minimum leverage ratio requirement, but is considering higher requirements for G-SIBs, which would not currently be applicable to TD. Proposed revisions to the design and calibration of the framework include changes to the measurement of derivative exposures, equalization of trade date and settlement date accounting methodologies, treatment of provisions and alignment of the credit conversion factors for off-balance sheet items with those proposed in the revised standardized approach for credit risk.

In April 2016, OSFI released for public consultation proposed updates to the regulatory capital requirements for loans secured by residential real estate. The update introduces a risk-sensitive floor for

capital models that will be tied to the behaviour of property prices, both in terms of recent housing price trends and the behaviour of housing prices relative to household incomes, thereby increasing risk weights for certain loans secured by residential real estate. The new rule will come into effect for fiscal 2017 and will apply prospectively to newly issued loans.

In July 2016, BCBS published an updated standard on the revised securitization framework to incorporate the final standard for the capital treatment for “simple, transparent, and comparable” (STC) securitizations. Securitization exposures that meet the STC criteria qualify for reduced minimum capital requirements. The updated framework will be effective January 2018.

In October 2016, BCBS issued a discussion paper on the options for the long-term regulatory treatment of accounting provisions, given the upcoming changes in accounting provisioning standards under IFRS 9 that require the use of expected credit loss (ECL) models instead of incurred loss models. Simultaneously, BCBS issued a consultative document that proposes to retain, for the interim period, the current regulatory treatment of accounting provisions. The BCBS is also considering a transitional arrangement for the impact of ECL accounting on regulatory capital. Refer to the section on “Future Changes in Accounting Policy” in this document for additional details on IFRS 9.

---

## 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, including special purpose entities (SPEs). The Bank uses SPEs 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 Note 2 of the 2016 Consolidated Financial Statements for further information regarding the Bank’s involvement with SPEs.

### *Securitization of Bank-Originated Assets*

The Bank securitizes residential mortgages, business and government loans, credit cards, 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 remain on the Bank’s Consolidated Balance Sheet. Additionally, the Bank securitizes credit cards and personal loans by selling them to Bank-sponsored SPEs 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 2016 Consolidated Financial Statements for further information.

**TABLE 46 EXPOSURES SECURITIZED BY THE BANK AS ORIGINATOR<sup>1</sup>**

(millions of Canadian dollars)

As at

	Significant unconsolidated SPEs		Significant consolidated SPEs	Non-SPE third-parties	
	Securitized assets	Carrying value of retained interests	Securitized assets	Securitized assets	Carrying value of retained interests
	October 31, 2016				
Residential mortgage loans	\$ 23,081	\$ –	\$ –	\$ 3,661	\$ –
Consumer instalment and other personal loans <sup>2</sup>	–	–	3,642	–	–
Credit card loans	–	–	2,012	–	–
Business and government loans	–	–	–	1,664	31
<b>Total exposure</b>	<b>\$ 23,081</b>	<b>\$ –</b>	<b>\$ 5,654</b>	<b>\$ 5,325</b>	<b>\$ 31</b>
	October 31, 2015				
Residential mortgage loans	\$ 23,452	\$ –	\$ –	\$ 6,759	\$ –
Consumer instalment and other personal loans <sup>2</sup>	–	–	3,642	–	–
Credit card loans	–	–	–	–	–
Business and government loans	–	–	–	1,828	38
<b>Total exposure</b>	<b>\$ 23,452</b>	<b>\$ –</b>	<b>\$ 3,642</b>	<b>\$ 8,587</b>	<b>\$ 38</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 SPEs and Canadian non-SPE 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. As at October 31, 2016, the Bank has not recognized any retained interests due to the securitization of residential mortgage loans on its Consolidated Balance Sheet.

### Consumer Instalment and Other Personal Loans

The Bank securitizes consumer instalment and other personal loans through consolidated SPEs. The Bank consolidates the SPEs as they serve as financing vehicles for the Bank's assets, the Bank has power over the key economic decisions of the SPE, and the Bank is exposed to the majority of the residual risks of the SPEs. As at October 31, 2016, the SPEs had \$4 billion of issued notes outstanding (October 31, 2015 – \$4 billion). As at October 31, 2016, the Bank's maximum potential exposure to loss for these conduits was \$4 billion (October 31, 2015 – \$4 billion) of which \$4 billion underlying consumer instalment and other personal loans was government insured (October 31, 2015 – nil).

### Credit Card Loans

The Bank securitizes credit card loans through an SPE. The Bank has consolidated the SPE as it serves as a financing vehicle for the Bank's assets, and the Bank is exposed to the majority of the residual risks of the SPE. As at October 31, 2016, the Bank securitized \$2 billion of credit card receivables. As at October 31, 2016, the consolidated SPE had US\$1.5 billion variable rate notes outstanding (October 31, 2015 – nil). The notes are issued to third party investors and have fair value of US\$1.5 billion as at October 31, 2016 (October 31, 2015 – nil). 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 SPEs and Canadian non-SPE 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 expected credit losses 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 Special Purpose 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 SPEs, which are not consolidated by the Bank. TD'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 \$14.5 billion as at October 31, 2016 (October 31, 2015 – \$10.6 billion). Further, as at October 31, 2016, the Bank had committed to provide an additional \$3.5 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, 2015 – \$1.7 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 47** **EXPOSURE TO THIRD PARTY-ORIGINATED ASSETS SECURITIZED BY BANK-SPONSORED UNCONSOLIDATED CONDUITS**

(millions of Canadian dollars, except as noted)

	October 31, 2016		As at October 31, 2015	
	Exposure and ratings profile of unconsolidated SPEs AAA <sup>1</sup>	Expected weighted-average life (years) <sup>2</sup>	Exposure and ratings profile of unconsolidated SPEs AAA <sup>1</sup>	Expected weighted-average life (years) <sup>2</sup>
Residential mortgage loans	\$ 9,826	3.0	\$ 6,962	3.2
Credit card loans	–	–	–	–
Automobile loans and leases	2,637	1.3	1,847	1.6
Trade receivables	1,989	2.3	1,792	2.2
<b>Total exposure</b>	<b>\$ 14,452</b>	<b>2.6</b>	<b>\$ 10,601</b>	<b>2.7</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, 2016, the Bank held \$1.1 billion of ABCP issued by Bank-sponsored multi-seller conduits within the Available-for-sale securities and Trading loans, securities, and other categories on its Consolidated Balance Sheet (October 31, 2015 – \$1.1 billion).

#### 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 \$1.8 billion as at October 31, 2016 (October 31, 2015 – \$1.3 billion). The assets within these conduits are comprised of individual notes backed by automotive loan receivables, credit card receivables, and trade receivables. As at October 31, 2016, 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 28 of the 2016 Consolidated Financial Statements provides detailed information about the maximum amount of additional credit the Bank could be obligated to extend.

#### Leveraged Finance Credit Commitments

Also included in "Commitments to extend credit" in Note 28 of the 2016 Consolidated Financial Statements are leveraged finance credit commitments. Leveraged finance credit commitments are agreements that provide funding to a borrower with higher leverage ratio, relative to the industry in which it operates, and for the purposes of acquisitions, buyouts or capital distributions. During the year, the Bank refined the definition and it may be subject to further refinement moving forward. As at October 31, 2016, the Bank's exposure to leveraged finance credit commitments, including funded and unfunded amounts, was \$24.9 billion (October 31, 2015 – \$11.2 billion).

#### 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, assets sold with recourse, credit enhancements, written options, and indemnification agreements. Certain guarantees remain off-balance sheet. Refer to Note 28 of the 2016 Consolidated Financial Statements for further information regarding the accounting for guarantees.

---

## GROUP FINANCIAL CONDITION

# 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 24 of the 2016 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 EQUITY-ACCOUNTED INVESTEEES (1) 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.

The following is a description of significant transactions between the Bank and TD Ameritrade.

#### *Insured Deposit Account (formerly known as Money Market Deposit Account) Agreement*

The Bank is party to an IDA agreement, as amended, with TD Ameritrade, pursuant to which the Bank makes available to clients of TD Ameritrade, IDAs as designated sweep vehicles. TD Ameritrade provides marketing and support services with respect to the IDA. The Bank paid fees of \$1,235 million in 2016 (2015 – \$1,051 million; 2014 – \$895 million) to TD Ameritrade for the deposit accounts. The fee paid by the Bank is based on the average insured deposit balance of \$112 billion in 2016 (2015 – \$95 billion; 2014 – \$80 billion) with a portion of the fee 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 based on 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, 2016, amounts receivable from TD Ameritrade were \$72 million (October 31, 2015 – \$79 million). As at October 31, 2016, amounts payable to TD Ameritrade were \$141 million (October 31, 2015 – \$140 million).

#### **(2) 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, 2016, the Bank paid \$97 million (October 31, 2015 – \$124 million; October 31, 2014 – \$122 million) for these services. As at October 31, 2016, the amount payable to Symcor was \$16 million (October 31, 2015 – \$10 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, 2016, and October 31, 2015.

---

## 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

loans and securities, and financial instruments designated at fair value through profit or loss, securities classified as available-for-sale, and all derivatives are measured at fair value in the Bank's Consolidated Financial Statements, with the exception of certain available-for-sale securities recorded at cost. Financial instruments classified as held-to-maturity, loans and receivables, 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 Judgements, 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.

## 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 THAT MAY AFFECT THE BANK AND FUTURE RESULTS**

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. 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 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, business investment, government spending, exchange rates, sovereign debt risks, the strength of the economy, threats of terrorism, civil unrest, geopolitical risk associated with political unrest, 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.

#### **Executing on Key Priorities and Strategies**

The Bank has a number of priorities and strategies, 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 TD 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 2017” 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 successful, 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 Information Security Risk**

Technology and information 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, hackers and other 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 and the third parties providing services to us, may be subject to attacks, breaches or other compromises. These may include cyber-attacks such as targeted attacks on banking systems and applications, malicious software, denial of service attacks, phishing attacks and theft of data, and may involve attempts to fraudulently induce employees, customers, third party service providers or other users of the Bank’s systems to disclose sensitive information in order to gain access to the Bank’s data or that of its customers. The Bank actively monitors, manages, and continues to enhance its ability to mitigate these technology and information security risks through enterprise-wide programs, using industry best practices, and robust threat and vulnerability assessments and responses. The Bank also invests in projects to continually review and enhance its information technology infrastructure. It is possible that the Bank, or those with whom the Bank does business, may not anticipate or implement effective measures against all such information and technology related risks, particularly because the techniques used change frequently and risks can originate from a wide variety of sources that have also become increasingly sophisticated. As such, with any attack, breach or 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.

### **Evolution of Fraud and Criminal Behaviour**

As a financial institution, TD is inherently exposed to various types of fraud and other financial crime. The sophistication, complexity and materiality of these crimes evolves quickly. 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 other parties including financial statements and financial information. The Bank may also rely on the representations of customers and counterparties as to the accuracy and completeness of such information. In addition to the risk of material loss that could result in the event of a financial crime, client and market confidence in the Bank could be potentially impacted. TD 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.

### **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 also create reliance upon the continuity, reliability and security of these relationships, and their associated processes, people and facilities. As the financial services industry and its supply chains become more complex, the need for robust, holistic and sophisticated controls and ongoing oversight also grows. 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, and criminal or terrorist acts (such as cyber-attacks), 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 supplier risk management, as well as policies and procedures governing third party relationships from the point of selection through the life cycle of both the relationship and the good or service. 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 introduction of new, and changes to current laws and regulations, changes in interpretation or application of existing laws and regulations, judicial decisions, as well as the fiscal, economic and monetary policies of various regulatory agencies and governments in Canada, the U.S. and other countries, and changes in their interpretation or implementation, could adversely affect TD's operations, profitability and reputation. 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 most recent financial crisis resulted in, and could further result in, unprecedented and considerable change to laws and regulations applicable to financial institutions and the financial industry. The global privacy landscape continues to experience regulatory change, with significant new legislation anticipated to come into force in the jurisdictions in which TD does business in the short- and medium-term. In the U.S., updates to the definition of 'fiduciary' under rules promulgated by the Department of Labor could impact a broad range of products and sales practices. Finally, in Canada, there are a number of regulatory initiatives underway that could impact financial institutions, including with respect to the deposit insurance system, credit cards, payment evolution and modernization, consumer protection, and the Canadian housing market.

### **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, was signed into law on July 21, 2010. It requires significant structural reform to the U.S. financial services industry and affects every banking organization operating in the U.S., including the Bank. 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 of the rules that impact the Bank include:

- *The "Volcker Rule"* – In December 2013, the U.S. Board of Governors of the Federal Reserve System (the "Federal Reserve") and other U.S. federal regulatory agencies issued final regulations implementing the Volcker Rule provisions of Dodd-Frank, which restrict banking entities from engaging, as principal, in proprietary trading and from sponsoring or holding ownership interests in or having certain relationships with certain hedge funds and private equity funds, subject to certain exceptions and exclusions. The Volcker Rule also requires banking entities to establish comprehensive compliance programs that are reasonably designed to document, describe, monitor, and limit covered trading and fund activities. The Bank has established compliance programs under the Volcker Rule where applicable. However, given the complexity of the Volcker Rule's application, and the lack of regulatory guidance on certain matters, it is possible that future regulatory guidance or review could result in additional limitations on the Bank's trading and fund activities. The Volcker Rule will likely continue to increase our operational and compliance costs.
- *Capital Planning and Stress Testing* – Pursuant to the Federal Reserve's Comprehensive Capital Analysis and Review (CCAR) process, the Bank is required to submit an annual capital plan, as well as annual and semi-annual stress test results for our top-tier U.S. bank holding company (TD Group US Holdings LLC), on a consolidated basis, to the Federal Reserve. The Federal Reserve defines stress test scenarios for both the company-run and supervisory stress tests by bank holding companies. In addition, the U.S. Office of the Comptroller of the Currency (OCC) defines requirements for company-run stress tests by national banks. On April 5, 2016, TD Group US Holdings LLC submitted its first annual capital plan and prescribed stress testing results to the Federal Reserve. TD Bank, N.A. and TD Bank USA, N.A. also submitted prescribed stress testing results to the OCC. On June 29, 2016, the Federal Reserve announced that it did not object to the annual capital plan of TD Group US Holdings LLC. On October 5, 2016, TD Group US Holdings LLC provided its first semi-annual stress test submission. Any issues arising from U.S. regulators' review of such capital plan and stress testing may negatively impact the Bank's operations and/or reputation and lead to increased costs.

- *Intermediate Holding Company Establishment* – In February 2014, the Federal Reserve adopted a final rule that imposes “enhanced prudential standards” on certain non-U.S. banking organizations (“FBOs”) having a U.S. presence and global consolidated assets of US\$10 billion or more. Such standards include enhanced capital and liquidity requirements, stress testing obligations and risk management standards with additional requirements and expectations for FBOs with at least US\$50 billion in combined U.S. assets. In addition, FBOs with U.S. non-branch assets of US\$50 billion or more, such as the Bank, were required to establish, by July 1, 2016, a separately capitalized top-tier U.S. intermediate holding company (IHC). The IHC is required to hold the FBO’s ownership interests in all of its U.S. subsidiaries (with certain limited exceptions) but not the assets of the FBO’s U.S. branches and agencies. TD is implementing the IHC requirements in phases, the first of which was concluded in July 2015, at which time TD Group US Holdings LLC was established as the top-tier bank holding company in the U.S. On July 1, 2016, TD Group US Holdings LLC was officially designated as the Bank’s IHC and at least 90% of the Bank’s U.S. non-branch assets were transferred to it, with the remaining ownership interests in the Bank’s U.S. subsidiaries to be transferred to the IHC by July 1, 2017. Compliance with the rule, including adopted proposals, also requires increased reporting, recordkeeping and disclosure requirements. The foregoing actions did, and will continue to, require TD to incur operational, capital, liquidity, and compliance costs and may impact its businesses, operations, and results in the U.S. and overall.

In general, in connection with Dodd-Frank and its implementing regulations and actions by regulators, the Bank could be negatively impacted by loss of revenue, limitations on the products or services it offers, and additional operational and compliance costs.

#### *Basel III*

OSFI’s guideline on Liquidity Adequacy Requirements (LAR) will incorporate the finalized Basel Committee on Banking Supervision Net Stable Funding Ratio (NSFR) rules in the near future. TD expects that OSFI will require banks to meet the 100% NSFR ratio no later than 2018. The Bank will continue to evaluate the impact of implementing the NSFR and determine adjustments required to liquidity and funding management strategies.

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

Our businesses are subject to extensive regulation and oversight. Regulatory change is occurring in all of the geographies where TD operates, with some of the most noteworthy changes arising in the U.S. Regulators have demonstrated a trend towards establishing new standards and best practice expectations via enforcement actions and an increased use of public enforcement with substantial fines and penalties when compliance breaches occur. TD continually monitors and evaluates the potential impact of rules, proposals, consent orders, and regulatory guidance relevant within all of its business segments. However, while the Bank devotes substantial compliance, legal, and operational business resources to facilitate compliance with these rules by their respective effective dates and consideration of regulator expectations set out in enforcement actions, it is possible that TD may not be able to accurately predict the impact of final versions of rules or the interpretation or enforcement actions taken by regulators. This could require the Bank to take further actions or incur more costs than expected. In addition, TD believes that regulators may continue to take

formal enforcement action, rather than taking informal/supervisory actions, more frequently than they have done historically. As a result, despite its prudence and management efforts, the Bank’s 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 successfully addressed new rules, orders or enforcement actions to which it is subject. As such, the Bank may continue to face a greater number or wider scope of investigations, enforcement actions and litigation. 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.

#### **Principles for Effective Risk Data Aggregation**

In January 2013, the Basel Committee on Banking Supervision (BCBS) finalized its “Principles for Effective Risk Data Aggregation and Reporting”. The principles provide guidelines for areas such as: governance of risk data, architecture and infrastructure, accuracy, completeness, timeliness, and adaptability of reporting. As a result, the Bank faces increased complexity with respect to operational compliance and increased compliance and operating costs. Programs are in place to manage the enhancement of risk data aggregation and reporting.

#### **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 attraction of new customers can be influenced by many factors, including the quality, pricing and variety of products and services offered, as well as an institution’s reputation and ability to innovate. Ongoing or increased competition may impact the Bank’s pricing of products and services and may cause us to lose market share. Increased competition also may require us to make additional short and long-term investments in order to remain competitive, 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 competitors, which include domestic institutions in jurisdictions outside of Canada or non-traditional providers 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 to compete with banks in the provision of electronic and Internet-based financial solutions, without facing the same regulatory requirements or oversight. These evolving distribution methods by such competitors 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 by reducing revenue. Each of the business segments of the Bank monitors the competitive environment including reviewing and amending customer acquisition and management strategies as appropriate. The Bank has been investing in enhanced capabilities for our customers to transact across all of our channels seamlessly, with a particular emphasis on mobile technologies.



## **OTHER RISK FACTORS THAT MAY AFFECT FUTURE RESULTS**

### ***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 litigations 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 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 additional 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 28 of the Consolidated Financial Statements.

### ***Acquisitions and Strategic Plans***

The Bank regularly explores opportunities to acquire other companies, or parts of their businesses directly or indirectly through the acquisition strategies of its subsidiaries. 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. The Bank's financial performance is also influenced by its ability to execute strategic plans developed by management. If these strategic plans do not meet with success or there is a change in strategic plans, there could be an impact on the Bank's financial performance and the Bank's earnings could grow more slowly or decline. The Bank undertakes due diligence before completing an acquisition and closely monitors integration activities and performance post acquisition.

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

The Bank's future performance depends to a large extent on the availability of qualified people and the Bank's ability to attract, develop and retain key executives. There is intense competition for the best people in the financial services sector. Although it is the goal of the Bank's management resource policies and practices to attract, develop, and retain key executives employed by the Bank or an entity acquired by the Bank, there is no assurance that the Bank will be able to do so. Annually, the Bank undertakes a comprehensive formal resource planning process that assesses critical capability requirements for all areas of the business and facilitates an assessment of current executive leadership capabilities and developmental opportunities against both current and future business needs. The outcomes from the process inform plans at both the enterprise and business level to retain, develop, or acquire the required executive talent which are actioned throughout the course of the year.

### ***Currency and Interest Rates***

Currency and interest rate 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, 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. The Bank manages non-trading currency and interest rate 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.

### ***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 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 Consolidated Financial Statements.

# Managing Risk

## EXECUTIVE SUMMARY

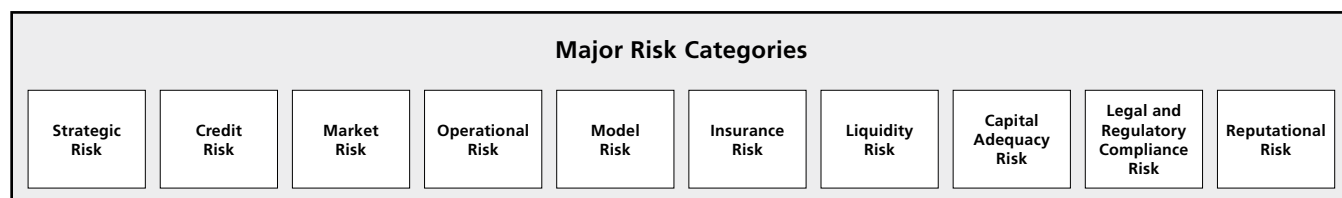
Growing profitability in financial services involves selectively taking and managing risks within TD’s risk appetite. The Bank’s goal is to earn a stable and sustainable rate of return for every dollar of risk it takes, while putting significant emphasis on investing in TD’s businesses to ensure it can meet its future strategic objectives.

The Bank’s Enterprise Risk Framework (ERF) reinforces TD’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 TD’s risk appetite.

## RISKS INVOLVED IN TD’S BUSINESSES

TD’s Risk Inventory describes the 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. TD’s major risk categories are: Strategic Risk, Credit Risk, Market Risk, Operational Risk, Model Risk, Insurance Risk, Liquidity Risk, Capital Adequacy Risk, Legal and Regulatory Compliance Risk, and Reputational Risk.



## RISK APPETITE

TD’s RAS is the primary means used to communicate how TD views risk and determines the type and amount of risk it is willing to take to deliver on the Bank’s strategy and enhance shareholder value. In defining its risk appetite, the Bank takes into account its vision, mission, strategy, guiding principles, risk philosophy, and capacity to bear risk. The guiding principles for TD’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.

TD 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. TD’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 TD’s RAS measures. The function also monitors and evaluates the effectiveness of these practices and measures. RAS measures are 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 TD’s RAS measures.

## RISK CULTURE

The Bank’s risk culture embodies the “tone at the top” set by the Board, Chief Executive Officer (CEO), and Senior Executive Team (SET), which informs TD’s vision, mission, guiding principles, and leadership profile. These governing objectives describe the attitudes and 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. TD’s risk culture promotes accountability, learning from past experiences, and encourages open communication and transparency on all aspects of risk taking. TD 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 TD’s risk culture. TD’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 TD 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. TD’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 prepared by Risk Management and reviewed by the Risk Committee 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 independent oversight and objective 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 TD'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 TD's risk culture by increasing the knowledge and understanding of the Bank's expectations for risk taking.

**WHO MANAGES RISK**

TD'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, business segments are accountable for risks arising in their business and are responsible for identifying, assessing, and measuring the risks, as well as designing and implementing mitigating controls. Business segments also monitor and report on the ongoing effectiveness of their controls to safeguard TD from exceeding its risk appetite.

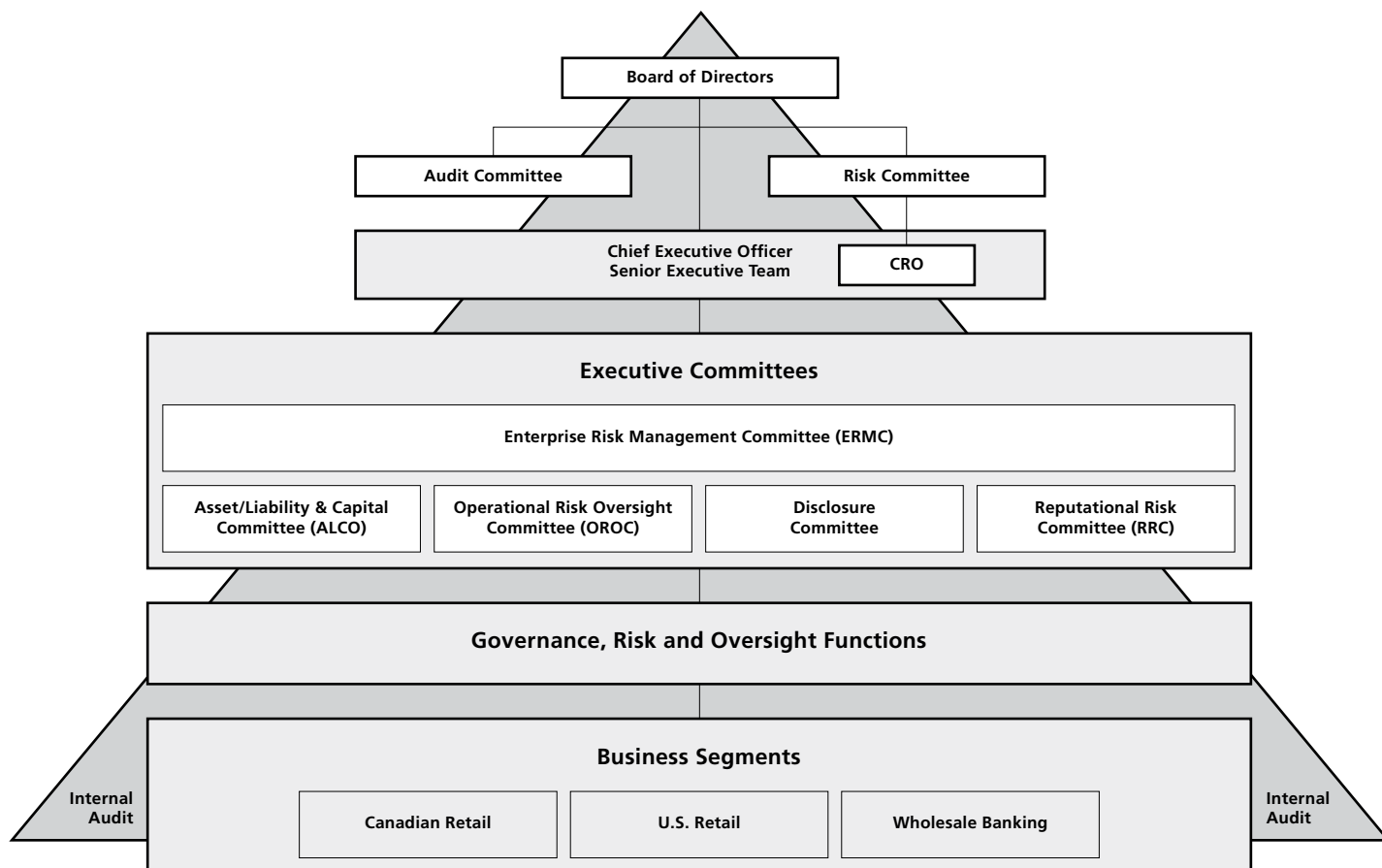
The Bank's risk governance model includes a senior management committee structure that is designed to support transparent risk reporting and discussions. TD's overall risk and control oversight

is provided by the Board and its committees (primarily the Audit and Risk Committees). The CEO and SET determine TD's long-term direction within the Bank's risk appetite and apply it to the business segments. 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 also employs a "three lines of defence" model to describe the role of business segments (first line), governance, risk, and oversight functions, such as Risk Management and Legal and Regulatory Compliance functions (second line), and Internal Audit (third line) in managing risk across TD.

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 management culture, and the internal control framework across the enterprise. It accomplishes its risk management mandate both directly and indirectly through its four committees, primarily the Audit Committee and Risk Committee, as well as the Human Resources and Corporate Governance Committees. On an annual basis, the Board reviews and approves TD's RAS and related measures to ensure ongoing relevance and alignment with TD's strategy.

### **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 (AML) group, Compliance group and Internal Audit. The Committee monitors compliance with policies in respect of ethical personal and business conduct, including the Bank's Code of Conduct and Ethics and the Whistleblower Policy.

### **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 a set of corporate governance principles, including a code of conduct and ethics, aimed at fostering a healthy governance culture at TD.

### **Chief Executive Officer and Senior Executive Team**

The CEO and the SET develop and recommend to the Board the Bank's long-term strategic plan and direction and also develop and recommend for Board approval TD's risk appetite. The SET manages risk in accordance with TD's risk appetite and considers 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 TD'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 ERM, 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, the ALCO oversees directly and through its standing subcommittees (the Risk Capital Committee (RCC) and Global Liquidity Forum (GLF)) the management of TD'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 OROC oversees the identification, monitoring, and control of key risks within TD's operational risk profile.
- Disclosure Committee – chaired by the Group Head and Chief Financial Officer, the Disclosure Committee oversees that appropriate controls and procedures are in place and operating to permit timely, accurate, balanced, and compliant disclosure to regulators, shareholders, and the market.
- RRC – chaired by the Group Head and CRO, the RRC 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 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 management culture. Risk Management works with the business segments and other corporate oversight functions to establish policies, standards, and limits that align with TD's risk appetite and monitors and reports on existing and emerging risks and compliance with TD's risk appetite. The CRO is supported by a dedicated 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 ERM and approved by the CEO, to align with TD's risk appetite and manage risk within approved risk limits.

### **Internal Audit**

TD's internal audit function provides independent and objective assurance to the Board regarding the effectiveness of risk management, control, and governance processes employed to ensure compliance with TD's risk appetite. Internal Audit reports on its evaluation to management and the Board.

### **Compliance**

The Compliance Department is responsible for ensuring there is effective management of compliance risk across TD globally; driving a consistent, adaptable and effective culture across the organization; and assessing the adequacy of, adherence to and effectiveness of TD's day-to-day Regulatory Compliance Management controls.

### **Global Anti-Money Laundering**

The Global AML Department is responsible for Anti-Money Laundering, Anti-Terrorist Financing, and Economic Sanctions regulatory compliance and prudential risk management across TD in alignment with enterprise policies so that the money laundering, terrorist financing and economic sanctions risks are appropriately identified and mitigated.

### Treasury and Balance Sheet Management

The Treasury and Balance Sheet Management (TBSM) group manages, directs, and reports on the Bank's capital and investment positions, interest rate risk, liquidity and funding risk, and the market risks of TD's non-trading banking activities. The Risk Management function oversees TBSM's capital and investment activities.

### Three Lines of Defence

In order to further the understanding of responsibilities for risk management, the Bank employs a "three lines of defence" model that describes the roles and responsibilities of the business segments, governance, risk and oversight functions, and Internal Audit in managing risk across the Bank. The following chart describes the respective accountabilities of each line of defence at TD.

THREE LINES OF DEFENCE	
<b>First Line</b>	<b>Business Segment Accountabilities</b>
<i>Identify and Control</i>	<ul style="list-style-type: none"> <li>• Manage and identify risk in day-to-day activities.</li> <li>• Ensure activities are within TD's risk appetite and risk management policies.</li> <li>• Design, implement, and maintain effective internal controls.</li> <li>• Implement risk based approval processes for all new products, activities, processes, and systems.</li> <li>• Deliver training, tools, and advice to support its accountabilities.</li> <li>• Monitor and report on risk profile.</li> </ul>
<b>Second Line</b>	<b>Governance, Risk, and Oversight Function Accountabilities</b>
<i>Set Standards and Challenge</i>	<ul style="list-style-type: none"> <li>• Establish and communicate enterprise governance, risk, and control strategies and policies.</li> <li>• Provide oversight and independent challenge to the first line through review, inquiry, and discussion.</li> <li>• Provide training, tools, and advice to support the first line in carrying out its accountabilities.</li> <li>• Monitor and report on compliance with risk appetite and policies.</li> </ul>
<b>Third Line</b>	<b>Internal Audit Accountabilities</b>
<i>Independent Assurance</i>	<ul style="list-style-type: none"> <li>• Verify independently that TD's ERF is 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, TD applies the following principles in governing how it manages risks:

- **Enterprise-Wide in Scope** – Risk Management will span all areas of TD, including third-party alliances and joint venture undertakings to the extent they may impact TD, 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 TD'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

TD's comprehensive and proactive approach to risk management is comprised of four basic 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, TD'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. TD'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 significant business segments and corporate oversight functions to assess their own key risks and internal controls annually 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**

TD'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 TD's risk appetite and risk tolerances.

The Bank's approach to risk control also includes risk and capital assessments to appropriately capture key risks in TD's measurement and management of capital adequacy. This involves the review, challenge, and endorsement by senior management committees of the ICAAP and related economic capital practices. At TD, 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 TD's 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. The ERM, the Risk Committee, and the Board also receive annual and periodic reporting on EWST and an annual update on the Bank's ICAAP. 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.

### **Enterprise-Wide Stress Testing**

EWST at TD is part of the long-term strategic, financial, and capital planning exercise that is a key component of the ICAAP framework and helps validate the risk appetite of the Bank. TD's EWST program involves the development, application, and assessment of severe, but plausible, stress scenarios on earnings, capital, and liquidity. It enables management to identify and articulate enterprise-wide risks and understand potential vulnerabilities that are relevant to TD's risk profile. Stress scenarios are developed considering the key macroeconomic and idiosyncratic risks facing the Bank. A combination of approaches incorporating both quantitative modelling and qualitative analysis are utilized to assess the impact on the Bank's performance in stress environments. Stress testing engages senior management in each business segment, Finance, TBSM, Economics, and Risk Management. The RCC, which is a subcommittee of the ALCO, provides oversight of the processes and practices governing the EWST program.

As part of its 2016 program, the Bank evaluated two internally generated macroeconomic stress scenarios covering a range of severities and duration, as described below. The scenarios were constructed to cover a wide variety of risk factors meaningful to TD's risk profile in both the North American and global economies. Stressed macroeconomic variables such as unemployment, GDP, resale home prices, and interest rates were forecasted over the stress horizon which drives the assessment of impacts. In both scenarios evaluated in the 2016 program, the Bank remained adequately capitalized. Results of the scenarios were reviewed by senior executives, incorporated in the Bank's planning process, and presented to the Risk Committee and the Board.

<b>ENTERPRISE-WIDE STRESS SCENARIOS</b>	
<b><i>Extreme Scenario</i></b>	<b><i>Severe Scenario</i></b>
<ul style="list-style-type: none"><li>• The scenario emanates from a financial crisis stemming from China where severe and persistent disruptions in financial markets lead to a dramatic unwinding in Chinese debt markets. China's difficulties rapidly spread to other emerging markets triggering widespread banking failures and a banking crisis across numerous emerging markets. Market contagion spills over into Western Europe more broadly with banks in core euro zone countries facing severe pressure due to their exposure to emerging market credit. European financial institutions record significant losses and sovereigns across Europe suffer debt downgrades. This results in losses imposed on North American banks through their exposures to European banks and sovereigns. Combined with a dramatic loss in investor confidence and severe declines in global equity and commodity markets, the European financial crisis rapidly spreads to North America, ushering in a deep global recession.</li><li>• External shocks to the Canadian economy trigger an unwinding of household imbalances. Unemployment rises sharply as home prices deteriorate significantly. Extremely low oil prices lead to a disproportionate impact on the Canadian economy relative to the U.S.</li></ul>	<ul style="list-style-type: none"><li>• The scenario is benchmarked against historical recessions that have taken place in the U.S. and Canada. The recession extends four consecutive quarters followed by a modest recovery.</li><li>• The scenario incorporates deterioration in key macroeconomic variables such as GDP, resale home prices, and unemployment that align with historically observed recessions.</li><li>• TD Economics maintains a risk index that measures current vulnerabilities to a number of key risk factors. This risk index is then leveraged to scale the severity of the above mentioned indicators.</li></ul>

Separate from the EWST program, the Bank's U.S.-based subsidiaries complete their own capital planning and regulatory stress testing exercises. These include OCC Dodd-Frank Act stress testing requirements for operating banks, and the Federal Reserve Board's capital plan rule and related CCAR requirements for the holding company.

TD also employs reverse stress testing as part of a comprehensive Crisis Management Recovery Planning program to assess potential mitigating actions and contingency planning strategies. The scenario contemplates significantly stressful events that would result in TD reaching the point of non-viability in order to consider meaningful remedial actions for replenishing the Bank's capital and liquidity position.

## 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 group, under the leadership of the Group Head and Chief Financial Officer is charged with developing the Bank's overall long-term and short-term strategy with input and support from senior executives across TD. In addition, each member of the SET is responsible for establishing and managing long-term and short-term strategies for their business areas (organic and through acquisitions), and for ensuring such strategies are aligned with the overall enterprise strategy and risk appetite. Each SET member is also accountable to the CEO for identifying and assessing, measuring, controlling, and monitoring and reporting on the effectiveness and risks of their business strategies. The ERM oversees the identification and monitoring of significant and emerging risks related to TD's strategies and ensures that mitigating actions are taken where appropriate. 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 they are managed.

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, 2016 and 2015.

## 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 better understand, select, and manage its exposures to reduce significant fluctuations in earnings.

The Bank's strategy is to ensure 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 each credit risk control unit separately reports 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 their discretionary authority.

Risk Management provides independent oversight of credit risk by developing policies that govern and control portfolio risks, and 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 STRATEGIC RISK

The strategies and operating performance of significant business units and corporate functions are assessed regularly by the CEO and the relevant members of the SET through an integrated financial and strategic planning process, management meetings, operating/financial reviews, and strategic business updates. The Bank's annual planning process considers enterprise and individual segment long-term and short-term strategies and associated key initiatives while also establishing enterprise asset concentration limits. The process evaluates alignment between segment-level and enterprise-level strategies and risk appetite. Once the strategy is set, regular strategic business updates conducted throughout the year ensure that alignment is maintained. The reviews include an evaluation of the strategy of each business, the overall operating environment including competitive position, performance assessment, initiatives for strategy execution, and key business risks. The frequency of strategic business reviews depends on the risk profile and size of the business or function. The overall state of Strategic Risk and adherence to TD's risk appetite is reviewed by the ERM in the normal course, as well as by the Board. Additionally, each material acquisition is assessed for its 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.

## 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.

Risk Management centrally approves all credit risk policies and credit decision-making strategies, as well as the discretionary limits of officers throughout the Bank for extending lines of credit.

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 TD'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. Larger dollar exposures and material exceptions to policy are escalated to Retail Risk Management. Material policy exceptions are tracked and reported to monitor portfolio trends and identify potential weaknesses in underwriting guidelines and strategies. Where unfavourable trends are identified, remedial actions are taken to address those weaknesses.

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 its management. The businesses also use risk ratings to determine the amount of credit exposure it 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 ensure that the loan portfolio is diversified. The Bank manages its 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 ensure that those 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.

### **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 the Standardized Approach for some small 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 the Standardized approach subject to 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 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:

- PD – the likelihood that the borrower will not be able to meet its scheduled repayments within a one year time horizon.
- LGD – the amount of loss the Bank would likely incur when a borrower defaults on a loan, which is expressed as a percentage of EAD.
- EAD – the total amount the Bank is exposed to at the time of default.

By applying these risk parameters, TD 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 all 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 undrawn credit limit prior to default. PD, LGD and EAD models are calibrated using 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 books; a customer's credit bureau attributes; and a customer's other holdings with the Bank. 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 prior to implementation and on an annual basis 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 18.20
	8	18.21 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 1994-2015, 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.

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. Where an appropriate level of historical defaults is available per model, this data is used in the LGD estimation process. 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 judgement 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, such as during an economic recession. To reflect this, average calibrated LGDs take into account both the statistical estimation uncertainty and the higher than average LGDs experienced during downturn periods.

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 incurred but not identified allowance for credit losses. Consistent with the AIRB Approach to measure capital adequacy at a one-year risk horizon, the parameters are estimated to a twelve-month forward time horizon.

### 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 judgement, 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:

### 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%.

Given that UGD is determined in part by PD, UGD data is consolidated by BRR up to one-year prior to default. An average UGD is then calculated for each BRR along with the statistical uncertainty of the estimates.

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, per BRR grade, plus an appropriate adjustment for statistical and model uncertainty.

### **Credit Risk Exposures Subject to the Standardized Approach**

Currently the Standardized Approach 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. Under the Standardized Approach, 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. TD 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 the Standardized Approach:

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 TD. The Bank uses the Current Exposure Method to calculate the credit equivalent amount, which is defined by OSFI as the replacement cost plus an amount for 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 conduct stress tests to identify and quantify exposure to extreme events. The Bank establishes various limits, including gross notional limits, to manage business volumes and concentrations. TD 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, 2016, after taking into account risk mitigation strategies, TD 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.

### **Stress Testing**

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.

### **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 is 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 TD'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 AIRB, 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. These 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, 2016			October 31, 2015		
	Standardized	AIRB	Total	Standardized	AIRB	Total
<b>Retail</b>						
Residential secured	\$ 1,334	\$ 334,878	\$ 336,212	\$ 32,897	\$ 276,526	\$ 309,423
Qualifying revolving retail	–	90,778	90,778	–	63,169	63,169
Other retail	18,894	71,940	90,834	59,655	38,952	98,607
Total retail	20,228	497,596	517,824	92,552	378,647	471,199
<b>Non-retail</b>						
Corporate	127,399	252,616	380,015	114,698	225,263	339,961
Sovereign	77,166	139,367	216,533	55,934	128,496	184,430
Bank	17,721	66,432	84,153	13,542	111,602	125,144
Total non-retail	222,286	458,415	680,701	184,174	465,361	649,535
<b>Gross credit risk exposures</b>	<b>\$ 242,514</b>	<b>\$ 956,011</b>	<b>\$ 1,198,525</b>	<b>\$ 276,726</b>	<b>\$ 844,008</b>	<b>\$ 1,120,734</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.

<sup>2</sup> Effective the third quarter of 2016, the majority of U.S. Retail's retail portfolio credit risk RWA are calculated using AIRB approach. Prior to the third quarter of 2016, RWA were calculated using the Standardized Approach.

### Other Credit Risk Exposures

#### Non-trading Equity Exposures

TD'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

For externally rated securitization exposures, the Bank uses both the Standardized Approach and the Ratings Based Approach (RBA). Both approaches assign risk weights to exposures using external ratings. The Bank uses ratings assigned by one or more external rating agencies, including Moody's and S&P. The RBA also takes into account additional factors, including the time horizon of the rating (long-term or short-term), the number of underlying exposures in the asset pool, and the seniority of the position.

The Bank uses the Internal Assessment Approach (IAA) to manage the credit risk of its exposures relating to ABCP securitizations that are not externally rated.

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.

All exposures are assigned an internal risk rating based on the Bank's assessment, which must be reviewed at least annually. The Bank's ratings reflect its assessment of risk of loss, consisting of the combined PD and LGD for each exposure. The ratings scale TD uses corresponds to the long-term ratings scales used by the rating agencies.

The Bank's IAA 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 IAA in all aspects of its credit risk management, including performance tracking, control mechanisms, management reporting, and the calculation of capital. Under the IAA, exposures are multiplied by OSFI prescribed risk weights to calculate RWA for capital purposes.

## Market Risk

*Trading Market Risk is the risk of loss in financial instruments or the balance sheet due to adverse movements in market factors such as interest rates, foreign exchange rates, equity prices, commodity prices, credit spreads, volatilities, and correlations from trading activities.*

*Non-Trading Market Risk is the risk of loss in financial instruments, the balance sheet or in earnings, or the risk of volatility in earnings from non-trading activities such as asset-liability management or investments, predominantly from interest rate, foreign exchange and equity risks.*

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, 2016, using the Internal Model 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 49		MARKET RISK LINKAGE TO THE BALANCE SHEET						
(millions of Canadian dollars)		October 31, 2016			October 31, 2015			As at
	Balance sheet	Trading market risk	Non-trading market risk	Balance sheet	Trading market risk	Non-trading market risk	Non-trading market risk – primary risk sensitivity	
<b>Assets subject to market risk</b>								
Interest-bearing deposits with banks	\$ 53,714	\$ 258	\$ 53,456	\$ 42,483	\$ 219	\$ 42,264	Interest rate	
Trading loans, securities, and other	99,257	92,282	6,975	95,157	89,372	5,785	Interest rate	
Derivatives	72,242	63,931	8,311	69,438	58,144	11,294	Equity, foreign exchange, interest rate	
Financial assets designated at fair value through profit or loss	4,283	–	4,283	4,378	–	4,378	Interest rate	
Available-for-sale securities	107,571	–	107,571	88,782	–	88,782	Foreign exchange, interest rate	
Held-to-maturity securities	84,395	–	84,395	74,450	–	74,450	Foreign exchange, interest rate	
Securities purchased under reverse repurchase agreements	86,052	1,728	84,324	97,364	13,201	84,163	Interest rate	
Loans	589,529	–	589,529	547,775	–	547,775	Interest rate	
Customers' liability under acceptances	15,706	–	15,706	16,646	–	16,646	Interest rate	
Investment in TD Ameritrade	7,091	–	7,091	6,683	–	6,683	Equity	
Other assets <sup>1</sup>	1,769	–	1,769	1,545	–	1,545	Interest rate	
<b>Assets not exposed to market risk</b>	<b>55,358</b>	<b>–</b>	<b>–</b>	<b>59,672</b>	<b>–</b>	<b>–</b>		
<b>Total Assets</b>	<b>1,176,967</b>	<b>158,199</b>	<b>963,410</b>	<b>1,104,373</b>	<b>160,936</b>	<b>883,765</b>		
<b>Liabilities subject to market risk</b>								
Trading deposits	79,786	3,876	75,910	74,759	2,231	72,528	Interest rate	
Derivatives	65,425	60,221	5,204	57,218	52,752	4,466	Foreign exchange, interest rate	
Securitization liabilities at fair value	12,490	12,490	–	10,986	10,986	–	Interest rate	
Other financial liabilities designated at fair value through profit or loss	190	177	13	1,415	1,402	13	Interest rate	
Deposits	773,660	–	773,660	695,576	–	695,576	Equity, interest rate	
Acceptances	15,706	–	15,706	16,646	–	16,646	Interest rate	
Obligations related to securities sold	33,115	29,973	3,142	38,803	33,594	5,209	Interest rate	
Obligations related to securities sold under repurchase agreements	48,973	3,657	45,316	67,156	12,376	54,780	Interest rate	
Securitization liabilities at amortized cost	17,918	–	17,918	22,743	–	22,743	Interest rate	
Subordinated notes and debentures	10,891	–	10,891	8,637	–	8,637	Interest rate	
Other liabilities <sup>1</sup>	15,526	–	15,526	11,866	–	11,866	Interest rate	
<b>Liabilities and Equity not exposed to market risk</b>	<b>103,287</b>	<b>–</b>	<b>–</b>	<b>98,568</b>	<b>–</b>	<b>–</b>		
<b>Total Liabilities and Equity</b>	<b>\$ 1,176,967</b>	<b>\$ 110,394</b>	<b>\$ 963,286</b>	<b>\$ 1,104,373</b>	<b>\$ 113,341</b>	<b>\$ 892,464</b>		

<sup>1</sup> Relates to retirement benefits, insurance, and structured entity liabilities.

## MARKET RISK IN TRADING ACTIVITIES

The overall objective of TD's trading businesses is to provide wholesale banking services, including facilitation and liquidity, to clients of the Bank. TD 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 includes Wholesale Banking senior management.

There were no significant reclassifications between trading and non-trading books during the year ended October 31, 2016.

## 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 TD'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.

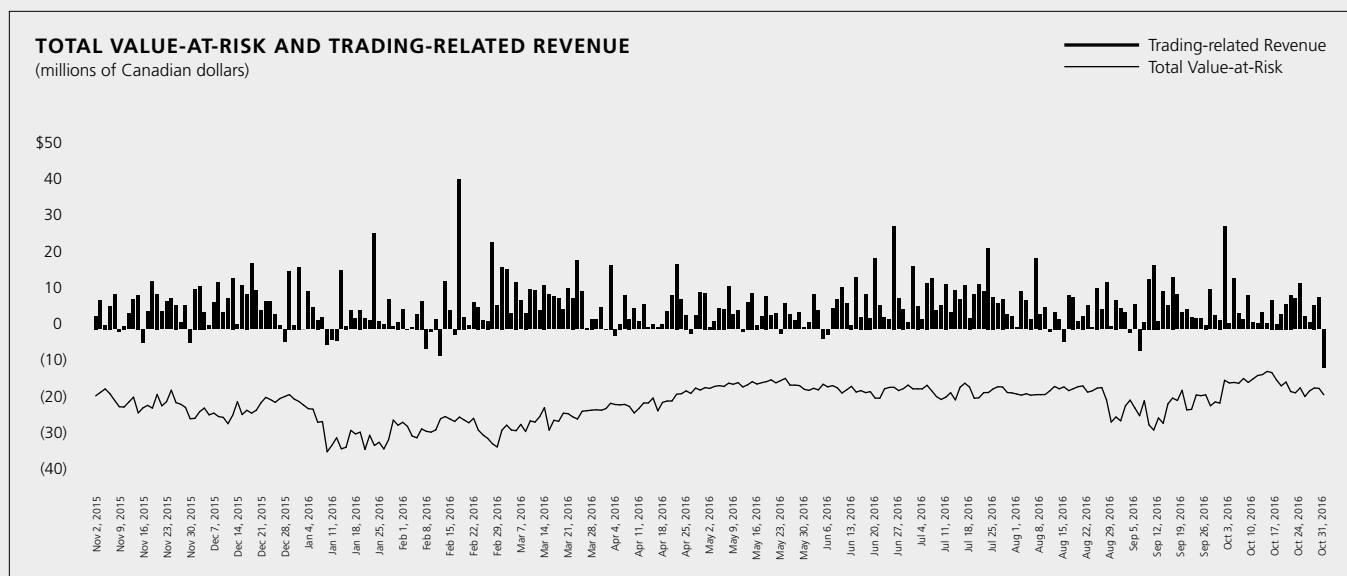
## Calculating VaR

TD computes total VaR on a daily basis by combining the General Market Risk (GMR) and Idiosyncratic Debt Specific Risk (IDSR) associated with the Bank's 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-related revenue within Wholesale Banking. Trading-related revenue is the total of trading income reported in non-interest income and the net interest income on trading positions reported in net interest income, and is reported on a TEB. For the year ending October 31, 2016, there were 24 days of trading losses and trading-related revenue was positive for 91% 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.

To mitigate some of the shortcomings of VaR, the Bank uses additional metrics designed for risk management and capital purposes. These include Stressed VaR, 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 2016, 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. TD 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 50 PORTFOLIO MARKET RISK MEASURES	2016				2015			
	As at	Average	High	Low	As at	Average	High	Low
Interest rate risk	\$ 10.1	\$ 10.8	\$ 21.9	\$ 5.4	\$ 8.4	\$ 8.0	\$ 14.9	\$ 3.8
Credit spread risk	7.2	8.4	15.6	5.1	7.9	7.8	11.8	4.6
Equity risk	5.9	8.6	11.2	3.5	9.8	9.0	13.5	4
Foreign exchange risk	2.7	3.2	7.4	1.4	4.9	3.8	9	1.1
Commodity risk	1.1	2.1	4.2	1	1.5	1.5	3.3	0.8
Idiosyncratic debt specific risk	13.5	12.7	22.6	7.9	12.9	15.9	22.5	12.6
Diversification effect <sup>1</sup>	(22.4)	(25.3)	n/m <sup>2</sup>	n/m <sup>2</sup>	(26.5)	(25.3)	n/m <sup>2</sup>	n/m <sup>2</sup>
<b>Total Value-at-Risk (one-day)</b>	<b>\$ 18.1</b>	<b>\$ 20.5</b>	<b>\$ 33.8</b>	<b>\$ 11.7</b>	<b>\$ 18.9</b>	<b>\$ 20.7</b>	<b>\$ 26</b>	<b>\$ 15.3</b>
<b>Stressed Value-at-Risk (one-day)</b>	<b>32.8</b>	<b>34.8</b>	<b>43.6</b>	<b>21.6</b>	<b>18.3</b>	<b>28.8</b>	<b>35.1</b>	<b>18.3</b>
<b>Incremental Risk Capital Charge (one-year)</b>	<b>240.6</b>	<b>205.8</b>	<b>287.9</b>	<b>144.9</b>	<b>255.4</b>	<b>246.4</b>	<b>319.6</b>	<b>164.5</b>

<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 was relatively unchanged compared to the prior year, reflecting a combination of changes in risk positions and market rates. The year-over-year average Stressed VaR increase was mostly driven by equity positions. The average IRC declined by \$40.6 million over the year due to changes in U.S. Agency positions.

### Validation of VaR Model

The Bank uses a back-testing process to compare the actual and theoretical profit and losses to VaR to ensure 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, and the credit crisis of Fall 2008.

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. Such market risks primarily include interest rate risk and foreign exchange risk.*

### WHO IS RESPONSIBLE FOR ASSET/LIABILITY MANAGEMENT

TBSM measures and manages the market risks of the Bank's non-trading banking activities, with oversight from the Asset/Liability and Capital Committee, 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 incur loss 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. The objective of interest rate risk management is 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 banking products.

The Bank is exposed to interest rate risk when asset and liability principal and interest cash flows (determined using the target-modeled maturity profile) have different interest payment or maturity dates. These are called "mismatched positions". An interest-sensitive asset or liability is repriced when interest rates change, when there is cash flow from final maturity, normal amortization, or when customers exercise prepayment, conversion, or redemption options offered for the specific product.

TD'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 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 model 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 philosophy, or management actions in response to changes in market conditions.

TD's policy sets overall limits on EVaR and NIIS which are linked to capital and net interest income, respectively. These Board 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.

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 Bank regularly performs valuations of all asset and liability positions, as well as off-balance sheet exposures. TD's objective is to stabilize net interest income over time through disciplined asset/liability matching and hedging.

The interest rate risk 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 core deposit portfolio;
- a target investment profile on its net equity position; and
- liquidation assumptions on mortgages other than from embedded pre-payment options.

The objective of portfolio management within the closed 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 TD to a significant financial risk.

- **Rate Commitments:** The Bank models 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 non-market incentives, 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.
- **Non-Maturity Liabilities:** The Bank models its exposure to non-maturity liabilities, such as core deposits, by assessing interest rate elasticity and balance permanence using historical data and business judgement. Fluctuations of non-maturity deposits can occur because of factors such as interest rate movements, equity market movements, and changes to customer liquidity preferences.

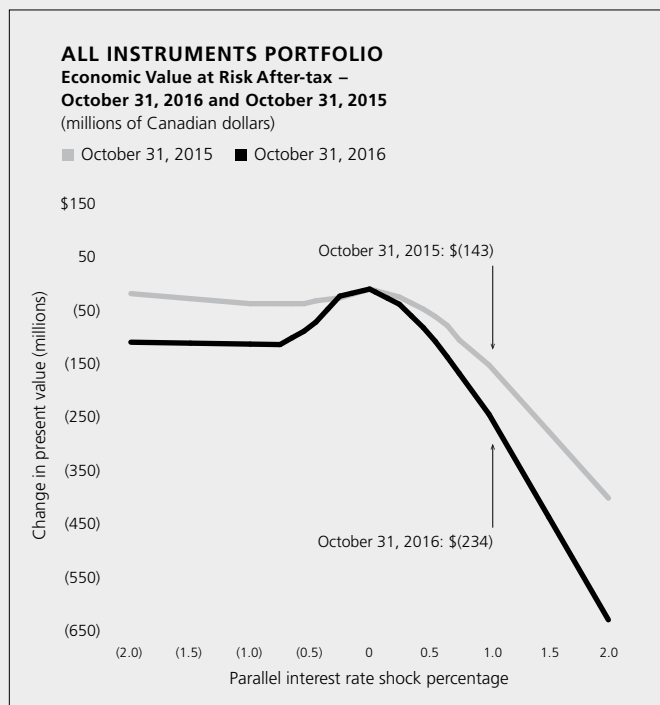
To manage product option exposures the Bank purchases options or uses a dynamic hedging process designed to replicate the payoff of a purchased option. The Bank also models the margin compression that would be caused by declining interest rates on certain interest rate sensitive demand deposit accounts.

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.

## Interest Rate Risk<sup>15</sup>

The following graph shows the Bank's interest rate risk exposure (as measured by Economic Value at Risk (EVaR)) on all non-trading assets, liabilities, and derivative instruments used for interest rate risk management.



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, 2016, an immediate and sustained 100 bps increase in interest rates would have decreased the economic value of shareholders' equity by \$234 million (October 31, 2015 – \$143 million) after tax. An immediate and sustained 100 bps decrease in interest rates is typically used to determine the reduction in the economic value of shareholders' equity. However, due to the low rate environment in both Canada and in the U.S. at the end of the quarter, it was only possible to shock Canadian and U.S. rates by 75 bps and 50 bps respectively, while maintaining a floor at 0%. The impact of these scenarios would have reduced the economic value of shareholders' equity by \$103 million (October 31, 2015 – \$27 million) after tax.

The interest risk exposure, or EVaR, in the insurance business is not included in the above graph. Interest rate risk 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 TD has material exposure.

TABLE 51 SENSITIVITY OF AFTER-TAX ECONOMIC VALUE AT RISK BY CURRENCY<sup>1,2</sup>

(millions of Canadian dollars)

Currency	October 31, 2016		October 31, 2015	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
Canadian dollar	\$ 8	\$ (64) <sup>3</sup>	\$ (5)	\$ (15) <sup>3</sup>
U.S. dollar	(242)	(39) <sup>4</sup>	(138)	(12) <sup>4</sup>
	\$ (234)	\$ (103)	\$ (143)	\$ (27)

<sup>1</sup> Effective the second quarter of 2016, unfunded pension and benefit liabilities are included in EVaR sensitivity.

<sup>2</sup> Effective the third quarter of 2016, the Bank enhanced the methodology used to stabilize product margins over time.

<sup>3</sup> Due to the low rate environment EVaR sensitivity has been measured using a 75 bps rate decline for Canadian interest rates for the year ended October 31, 2016, and a 50 bps decline for the year ended October 31, 2015, corresponding to an interest rate environment that is floored at 0%.

<sup>4</sup> Due to the low rate environment EVaR sensitivity has been measured using a 50 bps rate decline for U.S. interest rates for the year ended October 31, 2016, 25 bps decline for the year ended October 31, 2015. All rate shocks are floored at 0%.

For the NIIIS measure (not shown on the graph), a 100 bps increase in interest rates on October 31, 2016, would have increased pre-tax net interest income by \$131 million (October 31, 2015 – \$345 million increase) in the next twelve months due to the mismatched positions. A 100 bps decrease in interest rates on October 31, 2016, would have decreased pre-tax net interest income by \$123 million (October 31, 2015 – \$272 million decrease) in the next twelve months

due to the mismatched positions. Over the last year, the reported NIIIS exposures have decreased due to a decreasing portion of permanent non-rate sensitive deposits being invested in a longer term maturity profile. This is consistent with net interest income management strategies overseen by ALCO. Reported NIIIS remains consistent with the Bank's risk appetite and within established Board limits.

<sup>15</sup> The footnotes included in Table 51 are also applicable to this graph.



The following table shows the sensitivity of net interest income (pre-tax) by currency for those currencies where the Bank has material exposure.

CURRENCY	October 31, 2016		October 31, 2015	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
Canadian dollar	\$ 52	\$ (65) <sup>1</sup>	\$ 235	\$ (234) <sup>1</sup>
U.S. dollar	79	(58) <sup>2</sup>	110	(38) <sup>2</sup>
	\$ 131	\$ (123)	\$ 345	\$ (272)

<sup>1</sup> NII sensitivity has been measured using a 75 bps rate decline for Canadian interest rates for the year ended October 31, 2016, and a 75 bps rate decline for the year ended October 31, 2015, corresponding to an interest rate environment that is floored at 0%.

<sup>2</sup> NII sensitivity has been measured using a 50 bps rate decline for U.S. interest rates for the year ended October 31, 2016, and a 25 bps rate decline for the year ended October 31, 2015, corresponding to an interest rate environment that is floored at 0%.

### 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 have 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 interest 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 capital ratios change by no more than an acceptable amount for a given change in foreign exchange rates.

### 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 unanticipated deposit and loan fluctuations and overall funds 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. Strategies for the investment portfolio are managed based on the interest rate environment, balance sheet mix, actual and anticipated loan demand, liquidity risk management objectives and regulatory requirements, funding opportunities, and the overall interest rate sensitivity of the Bank. The Risk Committee reviews and approves the Enterprise Investment Policy that sets out limits for the Bank's investment portfolio.

### WHY MARGINS ON AVERAGE EARNING ASSETS FLUCTUATE OVER TIME

As previously noted, the objective of 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 embedded options. This approach also creates margin certainty on fixed rate loans and deposits as they are booked. Despite this approach however, the margin on average earning assets is subject to change over time for the following reasons:

- margins earned on new and renewing fixed-rate products relative to the margin previously earned on matured products will affect the overall portfolio margin;
- the weighted-average margin on average earning assets will shift as the mix of business changes; and
- 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 tends to moderate the impact of these factors 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.*

Operating a complex financial institution exposes the Bank's businesses to a broad range of operational risks, including failed transaction processing, documentation errors, fiduciary and information breaches, technology failures, business disruption, theft and fraud, workplace injury, and damage to physical assets as a result of internal or outsourced business activities. The impact can result in significant financial loss, reputational harm, or regulatory censure and penalties.

Operational risk is embedded in all of the Bank's business activities, including the practices for managing other risks such as credit, market, and liquidity risk. The Bank must mitigate and manage operational risk so that it can 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.

### WHO MANAGES OPERATIONAL RISK

Operational Risk Management is an independent function that designs and maintains the Bank's overall 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 ensures 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.

The Bank also maintains groups who oversee specific enterprise wide operational risk policies. These policies govern the activities of the corporate functions responsible for the management and appropriate oversight of business continuity and crisis/incident management, third party supplier management, financial crime and fraud management, project management, technology, information and cyber security management.

The senior management of individual business units is responsible for the day-to-day management of operational risk following the Bank's established operational risk management policies and three lines of defence model. An independent risk management 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 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 risk appetite for operational risk, limits, governance, policies, and processes. The Operational Risk Management Framework is maintained by Risk Management and supports alignment with TD'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 ensure 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 ensure that the Bank analyzes and manages such risks appropriately and takes suitable corrective and preventative action. The Bank also reviews, analyzes, and benchmarks TD 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 to assess the likelihood and loss impact of low frequency, high impact operational risk events. 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 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 ensure management accountability and attention are maintained over current and emerging issues.

#### **Insurance**

Operational Risk Management includes oversight of the effective use of insurance aligned with the Bank's risk management strategy and risk appetite. To provide additional protection from loss, the Bank manages a comprehensive portfolio of insurance and other risk mitigating arrangements. The insurance terms and provisions, including types and amounts of coverage in the portfolio, are continually assessed to ensure that both 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 TD's risk to third parties where appropriate. The Bank transacts with external insurers that satisfy TD's minimum financial rating requirements.

#### **Technology, Information 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 needs to manage risks to ensure adequate and proper day-to-day operations; and only authorized 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 information security risks through enterprise-wide programs using industry best practices and robust threat and vulnerability assessments and responses. Together with the Bank's operational risk management framework, technology, information and cyber security programs also include enhanced resiliency planning and testing, as well as disciplined change management practices.

### **Business Continuity and Crisis/Incident Management**

During incidents that could disrupt the Bank's business and operations, Business Continuity and Crisis Management supports the ability of senior management to continue to manage and operate their businesses, and provide customers access to products and services. The Bank's robust enterprise-wide business continuity and crisis management program leverages a multi-tiered, global crisis/incident management governance structure to ensure effective oversight, ownership, and management of crises and incidents affecting the Bank. All areas of the Bank are required to maintain and regularly test business continuity plans designed to respond to a broad range of potential scenarios.

### **Supplier 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-level third-party risk management program that guides third-party activities throughout the life cycles of the arrangements and ensures the level of risk management and senior management oversight is appropriate to the size, risk, and importance 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 Management Office. This approach involves senior management governance and oversight of the Bank's project portfolio and leverages leading industry practices to guide TD'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 Financial Crime and Fraud Management Group leads the development and implementation of enterprise-wide financial crime and fraud management strategies, policies, and practices. TD employs advanced fraud analytics 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 TSA. Effective the third quarter of 2016, OSFI approved the Bank to use AMA. Entities not reported under AMA, use the TSA methodology.

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.

Excluding those events involving litigation, the Bank did not experience any material single operational risk loss event in 2016. Refer to Note 28 of the 2016 Consolidated Financial Statements for further information on material legal or regulatory actions.

## **Model Risk**

*Model risk is the potential for adverse consequences arising from decisions based on incorrect or misused models 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 annually approves the Bank's Model Risk 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 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 regulatory requirements and materiality, monitor model performance, and provide training to all stakeholders. The validation process varies in rigour, depending on the model type and use, 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 and materiality;
- 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 a similar or alternative validation 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.

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 or processes 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 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 or reserving. 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 ensure strong independent oversight and control of risk within the insurance business. The Risk Committee for the insurance business provides critical oversight of the risk management activities within the business and monitors 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 reserves for claim liabilities is central to the insurance operation. The Bank establishes reserves to cover estimated future payments (including loss adjustment expenses) on all claims arising from insurance contracts underwritten. The reserves cannot be established with complete certainty, and represent management's best estimate for future claim payments. As such, the Bank regularly monitors liability estimates against claims experience and adjusts reserves as appropriate if experience emerges differently than anticipated. Claim liabilities are governed by the Bank's general insurance reserving policy.

Sound product design is an essential element of managing risk. The Bank's exposure to insurance risk is generally 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 automobile insurance legislation, the 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 geographic concentration risk associated with personal property 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.

## 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 sell 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 LAR guidelines. Under the LAR guidelines, Canadian banks are required to maintain a Liquidity Coverage Ratio (LCR) at the minimum of 100%. The Bank operates under a prudent funding paradigm with an emphasis on maximizing deposits as a core source of funding, and having a ready access to wholesale funding markets across diversified terms, funding types, and currencies so as 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 ensures low exposure to identified sources of 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 policies in place to properly measure and manage liquidity risk. The GLF, a subcommittee of the ALCO comprised of senior management from TBSM, Risk Management, Finance, and Wholesale Banking, identifies and monitors TD'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 and Policies annually.

Pursuant to the Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations, TD has established TD Group US Holding LLC (TDGUS), as TD's U.S. Intermediate Holding Company (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 treasury areas are responsible for measuring, monitoring, and managing liquidity risks for major business segments:

- Liquidity Risk Management (LRM) in TBSM is responsible for maintaining the liquidity risk management policy and asset pledging policy, along with associated limits, standards, and processes to ensure that consistent and efficient liquidity management approaches are applied across all of the Bank's operations. TBSM LRM also manages and reports the combined Canadian Retail (including domestic wealth businesses), Corporate segment, and Wholesale Banking liquidity positions. U.S. TBSM is responsible for managing the liquidity position for U.S. Retail operations, as well as in conjunction with LRM, the liquidity position of CUSO.
- Other regional operations, including those within TD's insurance, and non-U.S. foreign branches and/or subsidiaries are responsible for managing their liquidity risk and positions in compliance with their own policies, local regulatory requirements and, as applicable, consistent with the enterprise policy.

## HOW TD MANAGES LIQUIDITY RISK

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 TD's access to funding or destabilize TD's deposit base. The Bank does not rely on short-term wholesale funding for purposes other than funding trading assets.

The Bank has developed an internal view for managing liquidity that uses an assumed "Severe Combined Stress Scenario" lasting for a 90-day period. The Severe Combined Stress scenario models potential liquidity requirements during a crisis resulting in a loss of confidence in TD's ability to meet obligations as they come due. The Bank also assumes loss of access to all forms of external wholesale funding during the 90-day period.

In addition to this Bank-specific event, the Severe Combined Stress Scenario 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, a significant increase in the Bank's funding costs, and a significant decrease in the marketability of assets. The Bank calculates "required liquidity" for this scenario related to the following conditions:

- 100% of all maturing unsecured wholesale and secured funding coming due;
- accelerated attrition or "run-off" of deposit balances;
- increased utilization of available credit and liquidity facilities to personal, commercial, and corporate lending customers;
- increased collateral requirements associated with downgrades in TD's credit rating and adverse movement in reference rates for derivative contracts; and
- coverage of maturities related to the bankers' acceptances the Bank issues on behalf of clients and ABCP.

The Bank also manages its liquidity to comply with the regulatory liquidity requirements in the OSFI LAR (LCR and the Net Cumulative Cash Flow (NCCF) monitoring tool). The LCR requires that banks maintain a minimum liquidity coverage of 100% over a 30-day stress period. TD's liquidity policy stipulates that the Bank must maintain sufficient "available liquidity" to cover "required liquidity" at all times throughout the Severe Combined Stress Scenario subject to buffers over the regulatory minimums. As a result, the Bank's liquidity is managed to the higher of TD's 90-day surplus requirement and the target buffers over the regulatory minimums.

The Bank does not consolidate the surplus liquidity of U.S. Retail with the positions of other entities due to investment restrictions imposed by the U.S. Federal Reserve Board on funds generated from deposit taking activities by member financial institutions. Surplus liquidity domiciled in insurance business subsidiaries is also excluded in the enterprise liquidity position calculation due to regulatory investment restrictions.

The Funds Transfer Pricing process in TBSM considers liquidity risk as a key determinant of the cost or credit of funds provided to loans and deposits, respectively. Liquidity costs applied to loans are determined based on the appropriate term funding profile, while deposits are assessed based on the required liquidity reserves and balance stability. Liquidity costs are also applied to other contingent commitments like undrawn lines of credit provided to customers.

## LIQUID ASSETS

The unencumbered liquid assets TD holds to satisfy 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. Unencumbered liquid assets are represented in a cumulative liquidity gap framework with adjustments made for 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.

Although TD has access to the Bank of Canada's Emergency Lending Assistance Program, the Federal Reserve Bank Discount Window in the U.S., and the European Central Bank standby facilities, TD does not consider borrowing capacity at central banks under these types of programs as a source of available liquidity when assessing liquidity positions.

Assets held by TD to satisfy 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 53 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 <sup>3</sup>	Total liquid assets		Encumbered liquid assets	Unencumbered liquid assets <sup>3</sup>
October 31, 2016						
Cash and due from banks	\$ 3,147	\$ –	\$ 3,147	1%	\$ 349	\$ 2,798
Canadian government obligations	15,860	39,156	55,016	12	23,360	31,656
NHA MBS	35,134	211	35,345	8	3,183	32,162
Provincial government obligations	9,230	10,255	19,485	4	10,450	9,035
Corporate issuer obligations	5,279	3,699	8,978	2	1,617	7,361
Equities	22,304	6,049	28,353	6	8,514	19,839
Other marketable securities and/or loans	4,179	1,037	5,216	1	963	4,253
<b>Total Canadian dollar-denominated</b>	<b>95,133</b>	<b>60,407</b>	<b>155,540</b>	<b>34</b>	<b>48,436</b>	<b>107,104</b>
Cash and due from banks	46,035	–	46,035	10	1,093	44,942
U.S. government obligations	26,242	32,914	59,156	13	29,214	29,942
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	33,492	6,091	39,583	8	15,460	24,123
Other sovereign obligations	53,218	20,027	73,245	16	12,979	60,266
Corporate issuer obligations	57,441	9,192	66,633	14	13,046	53,587
Equities	6,828	8,787	15,615	3	3,202	12,413
Other marketable securities and/or loans	6,325	1,027	7,352	2	–	7,352
<b>Total non-Canadian dollar-denominated</b>	<b>229,581</b>	<b>78,038</b>	<b>307,619</b>	<b>66</b>	<b>74,994</b>	<b>232,625</b>
<b>Total</b>	<b>\$ 324,714</b>	<b>\$ 138,445</b>	<b>\$ 463,159</b>	<b>100%</b>	<b>\$ 123,430</b>	<b>\$ 339,729</b>

October 31, 2015

Cash and due from banks	\$ 2,904	\$ –	\$ 2,904	1%	\$ 170	\$ 2,734
Canadian government obligations	17,636	29,024	46,660	11	19,622	27,038
NHA MBS	38,517	471	38,988	9	3,273	35,715
Provincial government obligations	9,344	6,783	16,127	4	7,002	9,125
Corporate issuer obligations	5,296	4,103	9,399	2	1,503	7,896
Equities	15,324	3,522	18,846	5	7,192	11,654
Other marketable securities and/or loans	3,537	1,173	4,710	1	670	4,040
<b>Total Canadian dollar-denominated</b>	<b>92,558</b>	<b>45,076</b>	<b>137,634</b>	<b>33</b>	<b>39,432</b>	<b>98,202</b>
Cash and due from banks	36,872	–	36,872	9	21	36,851
U.S. government obligations	13,042	28,734	41,776	10	29,110	12,666
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	31,296	5,792	37,088	9	14,407	22,681
Other sovereign obligations	42,978	35,495	78,473	19	21,838	56,635
Corporate issuer obligations	55,543	917	56,460	13	4,275	52,185
Equities	5,887	3,092	8,979	2	1,275	7,704
Other marketable securities and/or loans	6,637	14,203	20,840	5	12,429	8,411
<b>Total non-Canadian dollar-denominated</b>	<b>192,255</b>	<b>88,233</b>	<b>280,488</b>	<b>67</b>	<b>83,355</b>	<b>197,133</b>
<b>Total</b>	<b>\$ 284,813</b>	<b>\$ 133,309</b>	<b>\$ 418,122</b>	<b>100%</b>	<b>\$ 122,787</b>	<b>\$ 295,335</b>

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

<sup>2</sup> Positions stated include gross asset values pertaining to secured borrowing/lending and reverse-repurchase/repurchase businesses.

<sup>3</sup> Liquid assets include collateral received that can be re-hypothecated or otherwise redeployed.

The increase of \$44.4 billion in total unencumbered liquid assets from October 31, 2015, was mainly due to term wholesale funding 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 54 SUMMARY OF UNENCUMBERED LIQUID ASSETS BY BANK, SUBSIDIARIES, AND BRANCHES<sup>1</sup>**

(millions of Canadian dollars)

As at

	October 31 2016	October 31 2015
The Toronto-Dominion Bank (Parent)	\$ 115,816	\$ 91,426
Bank subsidiaries	201,945	176,350
Foreign branches	21,968	27,559
<b>Total</b>	<b>\$ 339,729</b>	<b>\$ 295,335</b>

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

The Bank's monthly average liquid assets (excluding those held in insurance subsidiaries) for the years ended October 31, 2016, and October 31, 2015, are summarized in the following table.

**TABLE 55 SUMMARY OF AVERAGE LIQUID ASSETS BY TYPE AND CURRENCY<sup>1,2</sup>**

(millions of Canadian dollars, except as noted)

*Average for the years ended*

	Bank-owned liquid assets	Securities received as collateral from securities financing and derivative transactions <sup>3</sup>	Total liquid assets		Average for the years ended	
					Encumbered liquid assets	Unencumbered liquid assets <sup>3</sup>
October 31, 2016						
Cash and due from banks	\$ 2,879	\$ –	\$ 2,879	1%	\$ 331	\$ 2,548
Canadian government obligations	13,905	38,636	52,541	11	21,393	31,148
NHA MBS	34,772	258	35,030	7	3,098	31,932
Provincial government obligations	9,008	10,509	19,517	4	10,671	8,846
Corporate issuer obligations	5,596	3,916	9,512	2	1,573	7,939
Equities	19,686	6,039	25,725	6	8,737	16,988
Other marketable securities and/or loans	4,094	1,020	5,114	1	1,127	3,987
<b>Total Canadian dollar-denominated</b>	<b>89,940</b>	<b>60,378</b>	<b>150,318</b>	<b>32</b>	<b>46,930</b>	<b>103,388</b>
Cash and due from banks	48,113	–	48,113	10	1,123	46,990
U.S. government obligations	24,836	36,415	61,251	13	29,534	31,717
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	33,307	5,768	39,075	8	15,587	23,488
Other sovereign obligations	52,739	25,448	78,187	17	16,102	62,085
Corporate issuer obligations	56,581	10,858	67,439	15	13,601	53,838
Equities	6,140	8,689	14,829	3	3,152	11,677
Other marketable securities and/or loans	6,370	898	7,268	2	–	7,268
<b>Total non-Canadian dollar-denominated</b>	<b>228,086</b>	<b>88,076</b>	<b>316,162</b>	<b>68</b>	<b>79,099</b>	<b>237,063</b>
<b>Total</b>	<b>\$ 318,026</b>	<b>\$ 148,454</b>	<b>\$ 466,480</b>	<b>100%</b>	<b>\$ 126,029</b>	<b>\$ 340,451</b>

October 31, 2015

Cash and due from banks	\$ 2,674	\$ –	\$ 2,674	1%	\$ 419	\$ 2,255
Canadian government obligations	18,626	32,226	50,852	12	20,067	30,785
NHA MBS	38,126	459	38,585	9	3,502	35,083
Provincial government obligations	8,843	7,621	16,464	4	7,469	8,995
Corporate issuer obligations	7,807	4,206	12,013	3	1,662	10,351
Equities	15,977	3,216	19,193	4	6,481	12,712
Other marketable securities and/or loans	4,030	1,029	5,059	1	624	4,435
<b>Total Canadian dollar-denominated</b>	<b>96,083</b>	<b>48,757</b>	<b>144,840</b>	<b>34</b>	<b>40,224</b>	<b>104,616</b>
Cash and due from banks	38,261	–	38,261	9	841	37,420
U.S. government obligations	13,552	28,978	42,530	10	30,402	12,128
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	32,224	7,871	40,095	9	15,887	24,208
Other sovereign obligations	43,942	37,899	81,841	19	21,929	59,912
Corporate issuer obligations	56,645	9,419	66,064	15	11,666	54,398
Equities	6,118	3,002	9,120	2	1,039	8,081
Other marketable securities and/or loans	5,381	5,370	10,751	2	4,234	6,517
<b>Total non-Canadian dollar-denominated</b>	<b>196,123</b>	<b>92,539</b>	<b>288,662</b>	<b>66</b>	<b>85,998</b>	<b>202,664</b>
<b>Total</b>	<b>\$ 292,206</b>	<b>\$ 141,296</b>	<b>\$ 433,502</b>	<b>100%</b>	<b>\$ 126,222</b>	<b>\$ 307,280</b>

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

<sup>3</sup> Liquid assets include collateral received that can be re-hypothecated or otherwise redeployed.

<sup>2</sup> Positions stated include gross asset values pertaining to secured borrowing/lending and reverse-repurchase/repurchase businesses.

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 56 SUMMARY OF AVERAGE UNENCUMBERED LIQUID ASSETS BY BANK, SUBSIDIARIES, AND BRANCHES<sup>1</sup>**

(millions of Canadian dollars)

*Average for the years ended*

	Average for the years ended	
	October 31 2016	October 31 2015
The Toronto-Dominion Bank (Parent)	\$ 116,541	\$ 100,820
Bank subsidiaries	200,966	180,908
Foreign branches	22,944	25,552
<b>Total</b>	<b>\$ 340,451</b>	<b>\$ 307,280</b>

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

## ASSET ENCUMBRANCE

In the course of the Bank's day-to-day operations, securities and other assets are pledged to obtain funding, support trading and prime brokerage businesses, and participate in clearing and/or settlement

systems. In addition to liquid assets, 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 57 ENCUMBERED AND UNENCUMBERED ASSETS<sup>1</sup>

(millions of Canadian dollars, except as noted)

As at

	October 31, 2016				Total assets	Encumbered assets as a % of total assets
	Encumbered <sup>2</sup>		Unencumbered			
	Pledged as collateral <sup>3</sup>	Other <sup>4</sup>	Available as collateral <sup>5</sup>	Other <sup>6</sup>		
Cash and due from banks	\$ –	\$ –	\$ –	\$ 3,907	\$ 3,907	–%
Interest-bearing deposits with banks	4,904	1,200	43,714	3,896	53,714	0.5
Securities, trading loans, and other <sup>7</sup>	42,019	11,736	227,909	13,842	295,506	4.6
Derivatives	–	–	–	72,242	72,242	–
Securities purchased under reverse repurchase agreements <sup>8</sup>	–	–	–	86,052	86,052	–
Loans, net of allowance for loan losses	22,943	53,393	74,077	435,243	585,656	6.5
Customers' liability under acceptances	–	–	–	15,706	15,706	–
Investment in TD Ameritrade	–	–	–	7,091	7,091	–
Goodwill	–	–	–	16,662	16,662	–
Other intangibles	–	–	–	2,639	2,639	–
Land, buildings, equipment, and other depreciable assets	–	–	–	5,482	5,482	–
Deferred tax assets	–	–	–	2,084	2,084	–
Other assets <sup>9</sup>	542	–	–	29,684	30,226	–
<b>Total on-balance sheet assets</b>	<b>\$ 70,408</b>	<b>\$ 66,329</b>	<b>\$ 345,700</b>	<b>\$ 694,530</b>	<b>\$ 1,176,967</b>	<b>11.6%</b>
<b>Off-balance sheet items<sup>10</sup></b>						
Securities purchased under reverse repurchase agreements	66,538	–	35,272	(86,052)		
Securities borrowing and collateral received	26,527	569	18,314	–		
Margin loans and other client activity	3,380	–	14,725	(8,747)		
<b>Total off-balance sheet items</b>	<b>96,445</b>	<b>569</b>	<b>68,311</b>	<b>(94,799)</b>		
<b>Total</b>	<b>\$ 166,853</b>	<b>\$ 66,898</b>	<b>\$ 414,011</b>	<b>\$ 599,731</b>		

	October 31, 2015					
Total on-balance sheet assets	\$ 84,327	\$ 61,731	\$ 285,773	\$ 672,542	\$ 1,104,373	13.2%
Total off-balance sheet items	98,447	–	51,678	(104,452)		
<b>Total</b>	<b>\$ 182,774</b>	<b>\$ 61,731</b>	<b>\$ 337,451</b>	<b>\$ 568,090</b>		

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

<sup>2</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>3</sup> Represents assets that have been posted externally to support the Bank's liabilities and day-to-day operations, including securities related to repurchase agreements, securities lending, clearing and payment systems, and assets pledged for derivative transactions. Also includes assets that have been pledged supporting Federal Home Loan Bank (FHLB) activity.

<sup>4</sup> Assets supporting TD's funding activities, assets pledged against securitization liabilities, and assets held by consolidated securitization vehicles or in pools for covered bond issuance.

<sup>5</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 held-to-maturity securities that are available for collateral purposes however not regularly utilized in practice.

<sup>6</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>7</sup> Securities include trading loans, securities, and other financial assets designated at fair value through profit or loss, available-for-sale securities, and held-to-maturity securities.

<sup>8</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>9</sup> Other assets include amounts receivable from brokers, dealers, and clients.

<sup>10</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 “Severe Combined Stress” scenario, TD also performs liquidity stress testing on multiple alternate scenarios. These scenarios are a mix of TD-specific events, global macroeconomic stress events, and/or regional/subsidiary specific events designed to test the impact from unique drivers. Liquidity assessments are also part of the Bank’s enterprise-wide stress testing program. Results from these stress event scenarios are used to inform the establishment of or make enhancements to policy limits and contingency funding plan actions.

The Bank has liquidity contingency funding plans in place at the enterprise level (“Enterprise CFP”) and for subsidiaries operating in both domestic and foreign jurisdictions (“Regional CFP”). The Enterprise 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 stages based on the severity and duration of the liquidity situation, and identifies recovery actions appropriate for each stage. For each recovery action, it provides key operational steps required to execute the action. Regional CFP recovery actions are aligned to support the Enterprise CFP as well as any identified local liquidity needs during stress. The actions and governance structure proposed in the Enterprise CFP are aligned with the Bank’s Crisis Management Recovery Plan.

## CREDIT RATINGS

Credit ratings impact TD’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 or hedging 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 58 CREDIT RATINGS <sup>1</sup>			
<i>As at</i>			
October 31, 2016			
Rating agency	Short-term debt rating	Senior long-term debt rating	Outlook
Moody’s	P-1	Aa1	Negative
S&P	A-1+	AA-	Stable
DBRS	R-1 (high)	AA	Negative

<sup>1</sup> The above ratings are for The Toronto-Dominion Bank legal entity. A more extensive listing, including subsidiaries’ ratings, is 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 inasmuch 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.

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 TD is able to provide additional collateral required by trading counterparties in the event of a one-notch downgrade in the Bank’s senior long-term credit ratings. A multi-notch downgrade could have an impact on liquidity requirements by requiring the Bank to post additional collateral for the benefit of the Bank’s trading counterparties. The following table presents the additional collateral required as of the reporting date in the event of one, two, and three-notch downgrades of the Bank’s credit ratings.

TABLE 59	ADDITIONAL COLLATERAL REQUIREMENTS FOR RATING DOWNGRADES	
	<i>Average for the years ended</i>	
(millions of Canadian dollars)		
	October 31 2016	October 31 2015
One-notch downgrade	\$ 141	\$ 225
Two-notch downgrade	168	251
Three-notch downgrade	386	440

## LIQUIDITY COVERAGE RATIO

The Bank must maintain the LCR above 100% under normal operating conditions in accordance with the OSFI LAR requirement. The LCR is calculated as the ratio of the stock of unencumbered high quality liquid assets (HQLA) over the net cash outflow requirements in the next 30 days under a hypothetical liquidity stress event. The stress event incorporates a number of idiosyncratic and market-wide shocks, including deposit run-offs, partial loss of wholesale funding, additional collateral requirements due to credit rating downgrades and market volatility, increases in usage of credit and liquidity facilities provided to the Bank’s clients, and other obligations the Bank expects to honour during stress to mitigate reputational risk. HQLA eligible for the LCR calculation under the OSFI LAR are primarily central bank reserves, sovereign issued or guaranteed securities, and high quality securities issued by non-financial entities. In calculating the LCR, HQLA haircuts, deposit run-off rates, and other outflow and inflow rates are prescribed by the OSFI LAR guideline.

The following table summarizes the Bank's average monthly LCR position for the fourth quarter of 2016, calculated in accordance with OSFI's LAR guideline.

**TABLE 60 AVERAGE BASEL III LIQUIDITY COVERAGE RATIO<sup>1</sup>**

(millions of Canadian dollars, except as noted)

	Average for the three months ended	
	October 31, 2016	
	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 <sup>4</sup>	\$ 200,328
<b>Cash outflows</b>		
Retail deposits and deposits from small business customers, of which:	\$ 399,760	\$ 27,828
Stable deposits <sup>5</sup>	173,541	5,206
Less stable deposits	226,219	22,622
Unsecured wholesale funding, of which:	218,112	98,703
Operational deposits (all counterparties) and deposits in networks of cooperative banks <sup>6</sup>	100,863	23,873
Non-operational deposits (all counterparties)	89,011	46,592
Unsecured debt	28,238	28,238
Secured wholesale funding	n/a <sup>4</sup>	6,594
Additional requirements, of which:	158,176	39,990
Outflows related to derivative exposures and other collateral requirements	23,356	6,116
Outflows related to loss of funding on debt products	7,678	7,678
Credit and liquidity facilities	127,142	26,196
Other contractual funding obligations	13,903	8,321
Other contingent funding obligations <sup>7</sup>	513,344	7,559
<b>Total cash outflows</b>	\$ n/a <sup>4</sup>	\$ 188,995
<b>Cash inflows</b>		
Secured lending	\$ 119,380	\$ 17,532
Inflows from fully performing exposures	14,223	8,059
Other cash inflows	9,082	9,082
<b>Total cash inflows</b>	\$ 142,685	\$ 34,673
	Average for the three months ended	
	October 31 2016	July 31 2016
	Total adjusted value	Total adjusted value
<b>Total high-quality liquid assets<sup>8</sup></b>	\$ 200,328	\$ 189,802
<b>Total net cash outflows<sup>9</sup></b>	154,322	144,086
<b>Liquidity coverage ratio<sup>10</sup></b>	130%	132%

<sup>1</sup> The average is comprised of the three month ends that are in the fiscal 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 the OSFI LAR guidelines.

<sup>4</sup> Not applicable.

<sup>5</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>6</sup> Operational deposits from non-SME business customers are deposits kept with the Bank in order to facilitate their access and ability to conduct payment and settlement activities. These activities include clearing, custody, or cash management services.

<sup>7</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>8</sup> Adjusted HQLA includes both asset haircut and applicable caps, as prescribed by the OSFI LAR (HQLA assets after haircuts are capped at 40% for Level 2 and 15% for Level 2B).

<sup>9</sup> Adjusted Net Cash Outflows include both inflow and outflow rates and applicable caps, as prescribed by the OSFI LAR (inflows are capped at 75% of outflows).

<sup>10</sup> The LCR percentage is calculated as the simple average of the three month-end LCR percentages.

The Bank's average LCR of 130% for quarter ended October 31, 2016, 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 guidelines. The average HQLA of the Bank for the quarter ended October 31, 2016, was \$200.3 billion (July 31, 2016 – \$189.8 billion), with level 1 assets representing 84%.

The Bank's reported HQLA excludes excess HQLA from the U.S. Retail operations, as required by the OSFI LAR, 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, among other things, assets be funded to the appropriate term.

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 73% of the Bank's total funding excluding securitization.

TABLE 61	SUMMARY OF DEPOSIT FUNDING	
	(millions of Canadian dollars)	
	<i>As at</i>	
	October 31 2016	October 31 2015
P&C deposits – Canadian Retail	\$ 324,606	\$ 293,309
P&C deposits – U.S. Retail	318,503	284,655
Other deposits	795	1,627
<b>Total</b>	<b>\$ 643,904</b>	<b>\$ 579,591</b>

The Bank actively maintains various 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's wholesale funding is diversified by geography, by currency, and by funding types. The Bank also utilizes certificates of deposit and commercial paper as short term (1 year and less) funding.

The following table summarizes the Bank's term funding programs by geography, with the related program size. The Bank also maintains Evergreen Credit Card Trust to issue notes securitized by credit card receivables.

Canada	United States	Europe/Australia
Capital Securities Program (\$10 billion)	U.S. SEC (F-3) Registered Linked Senior Debt, Capital Securities and Linked Notes Program (US\$40 billion)	United Kingdom Listing Authority (UKLA) Registered Legislative Covered Bond Program (\$40 billion)
Senior Medium Term Linked Notes Program (\$2 billion)		UKLA Registered European Medium Term Note Program (US\$20 billion)
		Australian Debt Issuance Program (A\$5 billion)

TD 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 for the year ended October 31, 2016, was \$112.4 billion (October 31, 2015 – \$102.2 billion).

TABLE 62	LONG-TERM FUNDING	
	<i>As at</i>	
	October 31 2016	October 31 2015
<b>Long-term funding by currency</b>		
Canadian dollar	40%	41%
U.S. dollar	41	43
Euro	13	10
British pound	3	4
Other	3	2
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Long-term funding by type</b>		
Senior unsecured medium term notes	53%	51%
Covered bonds	26	23
Mortgage securitization <sup>1</sup>	16	22
Term asset backed securities	5	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 overly-dependent on large wholesale depositors for funding. The Bank also limits the amount of short-term wholesale funding that can mature within a given time period to mitigate exposures to refinancing risk during a stress event.

The Bank continues to explore all opportunities to access lower-cost funding on a sustainable basis. The following table represents the various sources of funding obtained as at October 31, 2016, and October 31, 2015.

TABLE 63		WHOLESALE FUNDING						
(millions of Canadian dollars)								As at
							October 31	October 31
							2016	2015
							Total	Total
Deposits from banks <sup>1</sup>	\$ 6,243	\$ 4,077	\$ 1,986	\$ 820	\$ 7	\$ –	\$ 13,133	\$ 9,902
Bearer deposit note	338	435	1,626	415	–	–	2,814	1,678
Certificates of deposit	9,109	10,190	16,208	18,354	683	–	54,544	66,046
Commercial paper	3,897	8,089	5,202	4,223	–	–	21,411	15,304
Asset backed commercial paper <sup>2</sup>	–	–	–	–	–	–	–	–
Covered bonds	–	–	4,010	–	2,298	22,547	28,855	23,719
Mortgage securitization	–	734	816	2,581	5,933	20,342	30,406	33,729
Senior unsecured medium term notes	66	2,203	512	7,184	16,595	33,699	60,259	53,656
Subordinated notes and debentures <sup>3</sup>	–	–	–	–	–	10,891	10,891	8,637
Term asset backed securitization	–	–	957	–	2,091	2,421	5,469	3,400
Other <sup>4</sup>	1,565	873	105	1,004	3	16	3,566	1,613
<b>Total</b>	<b>\$ 21,218</b>	<b>\$ 26,601</b>	<b>\$ 31,422</b>	<b>\$ 34,581</b>	<b>\$ 27,610</b>	<b>\$ 89,916</b>	<b>\$ 231,348</b>	<b>\$ 217,684</b>
Of which:								
Secured	\$ –	\$ 734	\$ 5,783	\$ 2,581	\$ 10,325	\$ 45,326	\$ 64,749	\$ 60,871
Unsecured	21,218	25,867	25,639	32,000	17,285	44,590	166,599	156,813
<b>Total</b>	<b>\$ 21,218</b>	<b>\$ 26,601</b>	<b>\$ 31,422</b>	<b>\$ 34,581</b>	<b>\$ 27,610</b>	<b>\$ 89,916</b>	<b>\$ 231,348</b>	<b>\$ 217,684</b>

<sup>1</sup> Includes fixed-term deposits with banks.

<sup>2</sup> Represents ABCP issued by consolidated bank-sponsored structured entities.

<sup>3</sup> Subordinated notes and debentures are not considered wholesale funding as they may be raised primarily for capital management purposes.

<sup>4</sup> Includes fixed-term deposits from non-bank institutions (unsecured) of \$3.5 billion (October 31, 2015 – \$1.6 billion).

Excluding the Wholesale Banking mortgage aggregation business, the Bank's total 2016 mortgage-backed securities issuance was \$1.9 billion (2015 – \$2.1 billion), and other asset-backed securities was \$2.0 billion (2015 – \$1.6 billion). The Bank also issued \$22.2 billion of unsecured medium-term notes (2015 – \$14.8 billion) and \$9.1 billion of covered bonds (2015 – \$6.5 billion), in various currencies and markets during the year ended October 31, 2016. This includes unsecured medium-term notes and covered bonds issued but settling subsequent to year end.

#### REGULATORY DEVELOPMENTS CONCERNING LIQUIDITY AND FUNDING

On November 9, 2015, the Financial Stability Board issued the final Total Loss-Absorbing Capacity (TLAC) standard for global systemically important banks (G-SIBs). The TLAC standard defines a minimum requirement for the instruments and liabilities that should be readily available for bail-in in resolution. Separately and on the same day, the Basel Committee on Banking Supervision (BCBS) released a consultative document on TLAC holdings, setting out its proposed prudential treatment of banks' investments in TLAC. It is applicable to all banks subject to the Basel Committee's standards, including both G-SIBs and non-G-SIBs. On October 12, 2016, BCBS released the final standard on the regulatory capital treatment of banks' investments in instruments that comprise TLAC for G-SIBs. The main elements of the final standard include treatments of the deduction of Tier 2 capital, threshold levels and instruments ranking pari passu with subordinated forms of TLAC.

Since TD is not a G-SIB, we do not expect the TLAC requirements to apply to the Bank. As a Canadian D-SIB, however, TD will be subject to the bail-in law in Canada. On March 22, 2016, the Government of Canada in its 2016 federal budget, proposed to introduce framework legislation for the bail-in regime along with accompanying enhancements to Canada's bank resolution toolkit. The regime will provide the Canada Deposit Insurance Corporation (CDIC) with a new statutory power to convert specified eligible liabilities of D-SIBs into common shares in the unlikely event such banks become non-viable. On April 20, 2016, the Budget Implementation Act was tabled, providing amendments to the CDIC Act, Bank Act and other statutes to allow for bail-in. TD is monitoring the bail-in developments and expects further details to be included in the regulations and an implementation timeline to be clarified in the near future.

In October 2014, the BCBS released the final standard for "Basel III: the net stable funding ratio." The Net Stable Funding Ratio (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 one year to support their businesses. In June 2015, the BCBS released the final requirements for the "Net Stable Funding Ratio Disclosure Standards". The standard defines a common public disclosure framework for the NSFR calculated in accordance to the guidelines published by BCBS in October 2014. The NSFR and its public disclosure requirements are expected to become minimum standards by January 2018.

**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 and 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 Bank's asset/liability matching or 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. The Bank also funds the stable balance of revolving lines of credit with long term funding. The Bank issues long-term funding based primarily on the projected net growth of non-trading assets. The Bank 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 related funding.

**TABLE 64 REMAINING CONTRACTUAL MATURITY**

(millions of Canadian dollars)

As at

	October 31, 2016									
	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	\$ 3,907	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 3,907
Interest-bearing deposits with banks	52,081	617	236	199	–	–	–	–	581	53,714
Trading loans, securities, and other <sup>1</sup>	843	2,466	6,685	5,211	3,421	8,069	19,671	15,589	37,302	99,257
Derivatives	5,577	6,938	5,001	3,821	2,680	10,103	19,780	18,342	–	72,242
Financial assets designated at fair value through profit or loss	41	83	801	353	159	415	1,333	915	183	4,283
Available-for-sale securities	200	1,976	995	1,757	1,593	10,175	48,890	39,916	2,069	107,571
Held-to-maturity securities	560	5,791	3,290	1,065	1,172	8,360	37,182	26,975	–	84,395
Securities purchased under reverse repurchase agreements	56,641	21,541	5,855	1,777	238	–	–	–	–	86,052
Loans										
Residential mortgages	772	2,252	4,483	8,598	9,786	52,123	108,256	31,066	–	217,336
Consumer instalment and other personal	438	881	1,934	2,734	3,401	14,724	35,505	24,058	60,856	144,531
Credit card	–	–	–	–	–	–	–	–	31,914	31,914
Business and government	21,293	4,574	7,006	6,581	5,153	16,402	59,765	59,006	14,294	194,074
Debt securities classified as loans	–	68	16	27	10	66	78	1,409	–	1,674
<b>Total loans</b>	<b>22,503</b>	<b>7,775</b>	<b>13,439</b>	<b>17,940</b>	<b>18,350</b>	<b>83,315</b>	<b>203,604</b>	<b>115,539</b>	<b>107,064</b>	<b>589,529</b>
Allowance for loan losses	–	–	–	–	–	–	–	–	(3,873)	(3,873)
<b>Loans, net of allowance for loan losses</b>	<b>22,503</b>	<b>7,775</b>	<b>13,439</b>	<b>17,940</b>	<b>18,350</b>	<b>83,315</b>	<b>203,604</b>	<b>115,539</b>	<b>103,191</b>	<b>585,656</b>
Customers' liability under acceptances	13,589	2,046	67	3	1	–	–	–	–	15,706
Investment in TD Ameritrade	–	–	–	–	–	–	–	–	7,091	7,091
Goodwill <sup>2</sup>	–	–	–	–	–	–	–	–	16,662	16,662
Other intangibles <sup>2</sup>	–	–	–	–	–	–	–	–	2,639	2,639
Land, buildings, equipment, and other depreciable assets <sup>3</sup>	–	–	–	–	–	–	–	–	5,482	5,482
Deferred tax assets	–	–	–	–	–	–	–	–	2,084	2,084
Amounts receivable from brokers, dealers, and clients	17,436	–	–	–	–	–	–	–	–	17,436
Other assets	2,488	518	686	128	97	150	269	153	8,301	12,790
<b>Total assets</b>	<b>\$ 175,866</b>	<b>\$ 49,751</b>	<b>\$ 37,055</b>	<b>\$ 32,254</b>	<b>\$ 27,711</b>	<b>\$ 120,587</b>	<b>\$ 330,729</b>	<b>\$ 217,429</b>	<b>\$ 185,585</b>	<b>\$ 1,176,967</b>
<b>Liabilities</b>										
Trading deposits	\$ 13,002	\$ 14,604	\$ 23,930	\$ 13,070	\$ 12,071	\$ 1,103	\$ 1,226	\$ 780	\$ –	\$ 79,786
Derivatives	5,526	6,623	4,890	3,066	1,962	8,106	17,779	17,473	–	65,425
Securitization liabilities at fair value	–	594	334	678	226	1,944	4,989	3,725	–	12,490
Other financial liabilities designated at fair value through profit or loss	73	41	13	25	37	–	–	1	–	190
Deposits <sup>3,4</sup>										
Personal	3,846	6,024	7,794	6,038	5,195	9,236	11,915	132	389,052	439,232
Banks	5,741	3,056	231	77	10	3	3	12	8,068	17,201
Business and government	14,654	15,307	8,064	7,563	2,623	19,927	46,952	12,492	189,645	317,227
<b>Total deposits</b>	<b>24,241</b>	<b>24,387</b>	<b>16,089</b>	<b>13,678</b>	<b>7,828</b>	<b>29,166</b>	<b>58,870</b>	<b>12,636</b>	<b>586,765</b>	<b>773,660</b>
Acceptances	13,589	2,046	67	3	1	–	–	–	–	15,706
Obligations related to securities sold short <sup>1</sup>	1,066	1,118	1,127	1,311	883	3,406	11,239	11,869	1,096	33,115
Obligations related to securities sold under repurchase agreements	39,986	5,315	2,545	540	507	40	40	–	–	48,973
Securitization liabilities at amortized cost	–	141	481	570	1,108	3,989	8,597	3,032	–	17,918
Amounts payable to brokers, dealers, and clients	17,857	–	–	–	–	–	–	–	–	17,857
Insurance-related liabilities	145	216	313	378	372	974	1,891	1,057	1,700	7,046
Other liabilities <sup>5</sup>	2,960	2,247	1,734	276	196	2,535	2,551	808	6,389	19,696
Subordinated notes and debentures	–	–	–	–	–	–	–	10,891	–	10,891
<b>Equity</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>74,214</b>	<b>74,214</b>
<b>Total liabilities and equity</b>	<b>\$ 118,445</b>	<b>\$ 57,332</b>	<b>\$ 51,523</b>	<b>\$ 33,595</b>	<b>\$ 25,191</b>	<b>\$ 51,263</b>	<b>\$ 107,182</b>	<b>\$ 62,272</b>	<b>\$ 670,164</b>	<b>\$ 1,176,967</b>
<b>Off-balance sheet commitments</b>										
Purchase obligations										
Operating lease commitments	\$ 80	\$ 159	\$ 237	\$ 235	\$ 232	\$ 896	\$ 2,173	\$ 3,943	\$ –	\$ 7,955
Network service agreements	–	–	–	–	–	–	–	–	–	–
Automated teller machines	13	26	23	6	6	24	20	–	–	118
Contact center technology	3	5	8	8	8	29	–	–	–	61
Software licensing and equipment maintenance	15	85	30	47	36	127	103	–	–	443
Credit and liquidity commitments										
Financial and performance standby letters of credit	841	1,386	3,159	3,006	1,856	3,951	8,405	142	–	22,746
Documentary and commercial letters of credit	24	21	217	68	9	30	67	–	–	436
Commitments to extend credit and liquidity <sup>6,7</sup>	16,582	15,349	9,217	6,405	5,544	15,116	73,544	3,342	2,271	147,370
Unconsolidated structured entity commitments	–	–	–	–	–	–	–	–	–	–
Commitments to liquidity facilities for ABCP	–	1,180	830	395	923	212	–	–	–	3,540

<sup>1</sup> Amount has been recorded according to the remaining contractual maturity of the underlying security.

<sup>2</sup> For the purposes of this table, non-financial assets have been recorded as having 'no specific maturity'.

<sup>3</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>4</sup> Includes \$29 billion of covered bonds with remaining contractual maturities of \$4 billion in 'over 3 months to 6 months', \$2 billion in 'over 1 to 2 years', \$20 billion in 'over 2 to 5 years', and \$3 billion in 'over 5 years'.

<sup>5</sup> Includes \$115 million of capital lease commitments with remaining contractual maturities of \$1 million in 'less than 1 month', \$5 million in '1 month to 3 months', \$7 million in '3 months to 6 months', \$7 million in '6 months to 9 months', \$7 million in '9 months to 1 year', \$28 million in 'over 1 to 2 years', \$46 million in 'over 2 to 5 years', and \$14 million in 'over 5 years'.

<sup>6</sup> Includes \$131 million in commitments to extend credit to private equity investments.

<sup>7</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.

**TABLE 64 REMAINING CONTRACTUAL MATURITY (continued)<sup>1</sup>**

(millions of Canadian dollars)

As at

	October 31, 2015									
	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	\$ 3,154	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 3,154
Interest-bearing deposits with banks	40,890	420	529	154	53	–	–	–	437	42,483
Trading loans, securities, and other <sup>2</sup>	1,955	3,957	3,327	3,524	4,587	9,410	15,426	17,958	35,013	95,157
Derivatives	2,845	4,661	2,906	3,443	3,315	10,102	22,291	19,875	–	69,438
Financial assets designated at fair value through profit or loss	195	488	535	205	285	552	770	1,171	177	4,378
Available-for-sale securities	268	1,763	1,899	1,299	1,249	4,556	33,196	42,580	1,972	88,782
Held-to-maturity securities	170	966	1,779	1,930	1,896	6,952	35,744	25,013	–	74,450
Securities purchased under reverse repurchase agreements	57,371	21,490	14,315	3,002	1,083	95	8	–	–	97,364
Loans										
Residential mortgages	1,301	2,418	12,045	11,703	11,579	30,751	111,105	31,471	–	212,373
Consumer instalment and other personal	477	1,140	2,779	2,058	2,256	2,454	36,243	26,251	61,813	135,471
Credit card	–	–	–	–	–	–	–	–	30,215	30,215
Business and government	18,755	4,682	7,030	6,699	4,132	11,578	49,473	52,845	12,335	167,529
Debt securities classified as loans	1	5	94	43	–	120	243	1,681	–	2,187
<b>Total loans</b>	<b>20,534</b>	<b>8,245</b>	<b>21,948</b>	<b>20,503</b>	<b>17,967</b>	<b>44,903</b>	<b>197,064</b>	<b>112,248</b>	<b>104,363</b>	<b>547,775</b>
Allowance for loan losses	–	–	–	–	–	–	–	–	(3,434)	(3,434)
Loans, net of allowance for loan losses	20,534	8,245	21,948	20,503	17,967	44,903	197,064	112,248	100,929	544,341
Customers' liability under acceptances	13,889	2,380	337	40	–	–	–	–	–	16,646
Investment in TD Ameritrade	–	–	–	–	–	–	–	–	6,683	6,683
Goodwill <sup>3</sup>	–	–	–	–	–	–	–	–	16,337	16,337
Other intangibles <sup>3</sup>	–	–	–	–	–	–	–	–	2,671	2,671
Land, buildings, equipment, and other depreciable assets <sup>3</sup>	–	–	–	–	–	–	–	–	5,314	5,314
Deferred tax assets	–	–	–	–	–	–	–	–	1,931	1,931
Amounts receivable from brokers, dealers, and clients	21,996	–	–	–	–	–	–	–	–	21,996
Other assets	2,356	539	1,468	85	120	93	140	82	8,365	13,248
<b>Total assets</b>	<b>\$ 165,623</b>	<b>\$ 44,909</b>	<b>\$ 49,043</b>	<b>\$ 34,185</b>	<b>\$ 30,555</b>	<b>\$ 76,663</b>	<b>\$ 304,639</b>	<b>\$ 218,927</b>	<b>\$ 179,829</b>	<b>\$ 1,104,373</b>
<b>Liabilities</b>										
Trading deposits	\$ 12,654	\$ 16,457	\$ 27,238	\$ 11,751	\$ 4,308	\$ 360	\$ 1,202	\$ 789	\$ –	\$ 74,759
Derivatives	2,629	4,462	2,599	2,720	2,343	7,520	17,294	17,651	–	57,218
Securitization liabilities at fair value	–	471	27	285	–	1,933	5,033	3,237	–	10,986
Other financial liabilities designated at fair value through profit or loss	190	204	284	337	224	176	–	–	–	1,415
Deposits <sup>4,5</sup>										
Personal	4,580	6,736	7,075	5,252	4,896	9,333	12,353	190	345,403	395,818
Banks	6,118	2,782	774	173	211	1	6	13	7,002	17,080
Business and government	15,815	10,600	6,622	5,813	13,950	13,265	37,896	10,266	168,451	282,678
<b>Total deposits</b>	<b>26,513</b>	<b>20,118</b>	<b>14,471</b>	<b>11,238</b>	<b>19,057</b>	<b>22,599</b>	<b>50,255</b>	<b>10,469</b>	<b>520,856</b>	<b>695,576</b>
Acceptances	13,889	2,380	337	40	–	–	–	–	–	16,646
Obligations related to securities sold short <sup>2</sup>	942	1,631	2,017	1,917	417	3,113	9,583	10,904	8,279	38,803
Obligations related to securities sold under repurchase agreements	54,621	7,884	2,499	1,427	424	225	76	–	–	67,156
Securitization liabilities at amortized cost	24	983	1,366	1,547	1,971	4,104	10,013	2,735	–	22,743
Amounts payable to brokers, dealers, and clients	22,664	–	–	–	–	–	–	–	–	22,664
Insurance-related liabilities	127	170	257	352	330	829	1,728	1,054	1,672	6,519
Other liabilities <sup>6</sup>	1,356	2,243	682	286	170	1,261	3,215	101	4,909	14,223
Subordinated notes and debentures	–	–	–	–	–	–	–	8,637	–	8,637
<b>Equity</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>67,028</b>	<b>67,028</b>
<b>Total liabilities and equity</b>	<b>\$ 135,609</b>	<b>\$ 57,003</b>	<b>\$ 51,777</b>	<b>\$ 31,900</b>	<b>\$ 29,244</b>	<b>\$ 42,120</b>	<b>\$ 98,399</b>	<b>\$ 55,577</b>	<b>\$ 602,744</b>	<b>\$ 1,104,373</b>
<b>Off-balance sheet commitments</b>										
Purchase obligations										
Operating lease commitments	\$ 77	\$ 155	\$ 231	\$ 228	\$ 227	\$ 874	\$ 2,183	\$ 4,091	\$ –	\$ 8,066
Network service agreements	2	3	5	5	–	–	–	–	–	15
Automated teller machines	9	19	28	29	30	21	35	–	–	171
Contact center technology	3	5	8	8	8	32	29	–	–	93
Software licensing and equipment maintenance	12	71	36	38	27	112	74	7	–	377
Credit and liquidity commitments										
Financial and performance standby letters of credit	868	1,406	2,415	2,917	1,586	3,183	8,479	192	–	21,046
Documentary and commercial letters of credit	53	50	97	64	12	35	19	–	–	330
Commitments to extend credit and liquidity <sup>7,8</sup>	12,541	14,457	9,654	5,665	8,509	11,579	63,334	3,660	1,881	131,280
Unconsolidated structured entity commitments										
Commitments to liquidity facilities for ABCP	–	151	148	138	138	464	707	–	–	1,746

<sup>1</sup> Certain comparative amounts have been reclassified 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> 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 \$24 billion of covered bonds with remaining contractual maturities of \$4 billion in '9 months to 1 year', \$4 billion in 'over 1 to 2 years', \$13 billion in 'over 2 to 5 years', and \$3 billion in 'over 5 years'.

<sup>6</sup> Includes \$106 million of capital lease commitments with remaining contractual maturities of \$3 million in 'less than 1 month', \$7 million in '1 month to 3 months', \$8 million in '3 months to 6 months', \$7 million in '6 months to 9 months', \$6 million in '9 months to 1 year', \$24 million in 'over 1 to 2 years', \$29 million in 'over 2 to 5 years', and \$22 million in 'over 5 years'.

<sup>7</sup> Includes \$133 million in commitments to extend credit to private equity investments.

<sup>8</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.

## 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 capital adequacy requirements.*

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 of a financial institution requires that TD holds sufficient capital under all conditions to avoid the risk of breaching minimum capital levels prescribed by regulators.

### WHO MANAGES CAPITAL ADEQUACY RISK

The Board has the ultimate responsibility for overseeing adequacy of capital and capital management. 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 ensures the Bank's ICAAP is effective in meeting capital adequacy requirements.

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.

Enterprise Capital Management within TBSM is responsible for forecasting and monitoring compliance with capital targets, on a consolidated basis. Enterprise Capital Management updates the capital forecast and makes recommendations to the ALCO regarding capital issuance, repurchase and redemption. Risk Capital Assessment, within Risk Management, leads the ICAAP and EWST processes. Business segments are responsible for managing to 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 Foreign Bank Organizations 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 to ensure 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, ensuring 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 under stress conditions so that the Bank exceeds minimum capital requirements. 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.

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, associated with management's target debt rating.

In addition, the Bank has a Capital Contingency Plan that is designed to prepare management to ensure capital adequacy through periods of Bank-specific or systemic market stress. The Capital Contingency Plan determines the governance and procedures to be followed if the Bank's consolidated capital levels are forecast to fall below capital targets. It outlines potential management actions that may be taken to prevent such a breach from occurring.

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 capital limits. Capital usage is 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 impacts of the EWST are applied to the capital forecast and are considered in the determination of capital targets.

## Legal and Regulatory Compliance Risk

*Legal and regulatory compliance (LRC) risk is the risk associated with the failure to meet the Bank's legal obligations from legislative, regulatory or contractual perspectives. This includes risks associated with the failure to identify, communicate and comply with current and changing laws, regulations, rules, regulatory guidance, self-regulatory organization standards and codes of conduct, including the prudent risk management of Money Laundering or Terrorist Financing Risk ("LRC requirements"). It also includes the risks associated with the failure to meet material contractual obligations or similarly binding legal commitments, by either the Bank or other parties contracting with the Bank. Potential consequences of failing to mitigate LRC risk include financial loss, regulatory sanctions and loss of reputation, which could be material to the Bank.*

The Bank is exposed to LRC risk in virtually all of our activities. Failure to meet regulatory and legal requirements poses a risk of censure or penalty, may lead to litigation, and puts our reputation at risk. Financial penalties, reputational damage and other costs associated with legal proceedings, and unfavourable judicial or regulatory judgments or actions may also adversely affect TD's business, results of operations and financial condition. LRC 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. LRC risk can occur as part of the normal course of operating TD's businesses.

### WHO MANAGES LEGAL AND REGULATORY COMPLIANCE RISK

The proactive and effective management of LRC risk is complex given the breadth and pervasiveness of exposure. The Legal and Regulatory Compliance Risk Management Framework applies enterprise-wide to TD and to all of TD's business segments, and governance, risk and oversight functions. Each of the Bank's businesses is responsible for compliance with LRC requirements applicable to their jurisdiction and specific business requirements, and for adhering to LRC requirements in their business operations, including setting the appropriate tone for legal and regulatory compliance. 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 TD's risk appetite. The Legal, Compliance, and AML departments, together with the Regulatory Risk (including Regulatory Relationships and Government Affairs) group, provide objective guidance, advice and oversight with respect to managing LRC risk. Representatives of these groups participate, as required, in senior operating committees of the Bank's businesses. Also, the senior management of the Legal, Compliance, and AML departments have established regular meetings with and reporting to the Audit Committee, which oversees the establishment and maintenance of processes and policies that ensure the Bank is in compliance with applicable laws and regulations (as well as its own policies).

### HOW TD MANAGES LEGAL AND REGULATORY COMPLIANCE RISK

Effective management of LRC risk is a result of enterprise-wide collaboration and requires (a) independent and objective identification and assessment of LRC risk, (b) objective guidance and advisory services to identify, assess, control and monitor LRC risk, and (c) an approved set of frameworks, policies, procedures, guidelines and practices. Each of



the Legal, Compliance, and AML departments plays a critical role in the management of LRC 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: acts as an independent regulatory compliance and risk management function; assesses the adequacy of, adherence to and effectiveness of the Bank's regulatory compliance management controls; and provides an opinion to the Board, as to whether the regulatory compliance management controls are sufficiently robust in achieving compliance with applicable regulatory requirements. The AML department (1) acts as an independent regulatory compliance and risk management oversight function, is responsible for regulatory compliance and the broader prudential risk management components of AML programs; (2) monitors, evaluates and reports on AML program controls, design and execution; and (3) reports on the overall adequacy and effectiveness of the AML programs. In addition, the Compliance, and AML departments have developed methodologies and processes to measure and aggregate LRC risks on an ongoing basis as a critical baseline to assess whether TD's internal controls are effective in adequately mitigating LRC risk.

The Legal department acts as an independent provider of legal services and advice, and protects TD from unacceptable legal risk. The Legal department has also developed methodologies for measuring litigation risk for adherence to our Risk Appetite.

Controls employed by the Legal, Compliance and AML departments (including policies, frameworks, training and education) support the responsibility of each business to adhere to LRC requirements.

Finally, the Bank's Regulatory Risk groups also create and facilitate communication with elected officials and regulators, monitor legislation and regulations, support business relationships with governments, coordinate regulatory examinations, facilitate regulatory approvals of new products, and advance the public policy objectives of the Bank.

## Reputational Risk

*Reputational risk is the potential that stakeholder impressions, 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 impressions about TD's business practices and may involve any aspect of the Bank's operations, but usually involves concerns about business ethics and integrity, competence, or the quality or suitability of products and services. As such, reputational risk is not managed in isolation from TD's other major risk categories, as all risk categories can have an impact on reputation, which in turn can impact TD's 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 RRC 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 across TD where significant reputational risk profiles have been identified and escalated. The RRC ensures that escalated initiatives and activities have received adequate senior management and subject matter expert review for reputational risk implications prior to implementation.

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 following ethical practices at all times, complying with applicable policies, legislation, and regulations and 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 TD's reputation.

### HOW TD MANAGES REPUTATIONAL RISK

TD's approach to the management of reputational risk combines the experience and knowledge of individual business segments, 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. TD's Reputational Risk Management Framework provides a comprehensive overview of the Bank's approach to the management of this risk. Amongst other significant policies, TD's Enterprise Reputational Risk Management Policy is approved by the Group Head and CRO. This Policy sets out the requirements under which business segments and corporate shared services are required to manage reputational risk. These include implementing procedures and designating a business-level committee to review reputational risks and escalating as appropriate to the RRC.

The Bank also has an enterprise-wide New Business and Product Approval Policy that is approved by the Risk Committee and establishes standard practices to be used across TD to support consistent processes for approving new businesses, products and services. The policy is supported by business segment specific processes, which involve independent review from oversight functions, and includes consideration of 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 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, fleet, 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 retail customers and clients to whom TD provides financing or in which TD invests; (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 Chief Environment Officer who 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. There is also an enterprise-wide Environmental Steering Committee (ESC) composed of senior executives from TD's main business segments and corporate functions. The ESC is responsible for approving environmental strategy and performance standards, and communicating these throughout the business. TD's business segments are responsible for implementing the environmental strategy and managing associated risks within their units.

### HOW TD MANAGES ENVIRONMENTAL RISK

TD manages environmental risks within the Environmental Management System (EMS) which consist of two components: an Environmental Policy, and Environmental Procedures and Processes. The Bank's EMS is consistent with the ISO 14001 international standard, which represents industry best practice. The Bank's Environmental Policy reflects the global scope of its environmental activities.

Within the Bank's Environmental Management System, it has identified a number of priority areas and has made voluntary commitments relating to these.

The Bank's environmental metrics, targets, and performance are publicly reported within its annual Corporate Responsibility Report. Performance is reported according to the Global Reporting Initiative (GRI) and is independently assured.

TD 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, climate risk, biodiversity, stakeholder engagement, and free prior and informed consent (FPIC) of Aboriginal 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 Corporate Responsibility Report.

TDAM is a signatory to the United Nations Principles for Responsible Investment (UNPRI). Under the UNPRI, investors commit to incorporate environmental and social issues into investment analysis and decision-making. TDAM applies its Sustainable Investing Policy across its operations. The Policy provides information on how TDAM is implementing the UNPRI. In 2015, TD Insurance became a signatory to the United Nations Environment Program Finance Initiative Principles for Sustainable Insurance (UNEP FI-PSI) which provides a global framework for managing environmental, social and governance 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.

For more information on TD's environmental policy, management and performance, please refer to the Corporate Responsibility Report, which is available at the Bank's website: <http://www.td.com/corporateresponsibility/>.

## 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 and protocols 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 and protocols are aligned between the Bank and TD Ameritrade to coordinate necessary intercompany information flow. The Bank has designated the Group Head and CFO to have responsibility for the TD Ameritrade investment, including regular meetings with the TD Ameritrade 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.

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.

---

## ACCOUNTING STANDARDS AND POLICIES

### Critical Accounting 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 2016 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 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, and the consolidation of structured entities.

### ACCOUNTING POLICIES AND ESTIMATES

The Bank's 2016 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 2016 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.

## IMPAIRMENT OF FINANCIAL ASSETS

### **Available-for-Sale Securities**

Impairment losses are recognized on available-for-sale securities if there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition and the loss event(s) results in a decrease in the estimated cash flows of the instrument. The Bank individually reviews these securities at least quarterly for the presence of these conditions. For available-for-sale equity securities, a significant or prolonged decline in fair value below cost is considered objective evidence of impairment. For available-for-sale debt securities, a deterioration of credit quality is considered objective evidence of impairment. Other factors considered in the impairment assessment include 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 are recognized on held-to-maturity securities if there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition and the loss event(s) results in a decrease in the estimated cash flows of the instrument. The Bank reviews these securities at least quarterly for impairment at the counterparty-specific level. If there is no objective evidence of impairment at the counterparty-specific level then the security is grouped with other held-to-maturity securities with similar credit risk characteristics and collectively assessed for impairment, which considers losses incurred but not identified. A deterioration of credit quality is considered objective evidence of impairment. Other factors considered in the impairment assessment include 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, is considered impaired when there is objective evidence that there has been a deterioration of credit quality subsequent to the initial recognition of the loan to the extent the Bank no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. The Bank assesses loans for objective evidence of impairment individually for loans that are individually significant, and collectively for loans that are not individually significant. The allowance for credit losses represents management's best estimate of impairment incurred in the lending portfolios, including any off-balance sheet exposures, at the balance sheet date. Management exercises judgment as to the timing of designating a loan as impaired, the amount of the allowance required, and the amount that will be recovered once the borrower defaults. Changes in the amount that management expects to recover would have a direct impact on the provision for credit losses and may result in a change in the allowance for credit losses.

If there is no objective evidence of impairment for an individual loan, whether significant or not, the loan is 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 employs internally developed models that utilize parameters for probability of default, loss given default and exposure at default. Management's judgment is used to determine the point within the range that is 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 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 incurred but not identified 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 instrument, 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.

The inherent nature of private equity investing is that the Bank's valuation may change over time due to developments in the business underlying the investment. Such fluctuations may be significant depending on the nature of the factors going into the valuation methodology and the extent of change in those factors.

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.

An analysis of fair value of financial instruments and further details as to how they are measured are provided in Note 5 of the Bank's 2016 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 asset 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 other comprehensive income. 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, expected credit losses, 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 using management's best estimates of key assumptions including credit losses, prepayment rates, forward yield curves and discount rates, that are commensurate with the risks involved. 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 fair value 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 fair value of CGUs, and the use of different assumptions and estimates in the fair value 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, fair values 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 unallocated 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 reflects long-term corporate AA bond yields as of the measurement date. 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 23.

## Current and Future Changes in Accounting Policies

### 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.

#### **Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* (IFRS 9), which replaces the guidance in IAS 39. This final version includes requirements on: (1) Classification and measurement of financial assets and liabilities; (2) Impairment of financial assets; and (3) General hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively with certain exceptions. 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 has made the decision not to restate comparative period financial information and will recognize any measurement difference between the previous carrying amount and the new carrying amount on November 1, 2017, through an adjustment to opening retained earnings. In January 2015, OSFI issued the final version of the Advisory titled "Early adoption of IFRS 9 *Financial Instruments* for Domestic Systemically Important Banks". All D-SIBs, including the Bank, are required to early adopt IFRS 9 for the annual period beginning on November 1, 2017. Consequential amendments were made to IFRS 7, *Financial Instruments: Disclosures* (IFRS 7) introducing expanded qualitative and quantitative disclosures related to IFRS 9, which are required to be adopted for the annual period beginning on November 1, 2017, when the Bank first applies IFRS 9. In December 2015, the BCBS issued "Guidance on credit risk and accounting for expected credit losses" which sets out supervisory guidance on sound credit risk practices associated with the implementation and ongoing application of expected credit loss accounting frameworks. In June 2016, OSFI issued the guideline "IFRS 9 *Financial Instruments and Disclosures*", which provides guidance to Federally Regulated Entities on the application of IFRS 9 that is consistent with the BCBS guidance. This guideline, which is effective for the Bank upon adoption of IFRS 9, replaces certain guidelines that were in effect under IAS 39.

The adoption of IFRS 9 is a significant initiative for the Bank supported by a formal governance framework and a robust implementation plan. An Executive Steering Committee has been formed with joint leadership from Finance and Risk and with representation from Technology, Internal Audit, and project management teams. A communication plan including progress reporting protocols has been established with regular updates provided to the Executive Steering Committee on key decisions. IFRS 9 overview sessions have been held at various levels within the Bank, including the Audit and Risk Committees of the Board.

The Bank has enhanced its governance framework and has established a dedicated committee to review, challenge, and approve key areas of judgment and assumptions used in forecasting multiple economic scenarios and associated probabilities upon adoption of IFRS 9. The committee will include representation from Risk, Finance and Economics.

The key responsibilities of the project include defining IFRS 9 risk methodology and accounting policy, identifying data and system requirements, and developing an appropriate operating model and governance framework. The Bank's implementation plan includes the following phases: (a) Initiation and Planning; (b) Detailed Assessment; (c) Design and Solution Development; and (d) Implementation, with work streams focused on each of the three required sections of IFRS 9 noted above as well as Reporting and Disclosures. The Bank is on track with its project timelines. The Detailed Assessment and Design phase has been completed and the Solution Development phase is in progress.

The following is a summary of the new accounting concepts and project status under IFRS 9:

#### *Classification and Measurement*

Financial assets will be classified based on the Bank's business model for managing its financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are classified into one of the following three categories, which determine how it is measured subsequent to initial recognition: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss. An election may be made to hold certain equity securities at FVOCI, with no subsequent recycling of gains and losses into net income. In addition to the classification tests described above, IFRS 9 also includes an option to irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

The classification and measurement of financial liabilities remain largely unchanged under IFRS 9, except for financial liabilities measured at fair value through profit or loss when classified as held for trading or designated using the fair value option. When the fair value option is elected, the Bank will be required to recognize the change in the fair value of the financial liability arising from changes in the Bank's own credit risk in other comprehensive income.

The Bank has defined its significant business models and is in the process of assessing the cash flow characteristics for all financial assets under the scope of IFRS 9. Potential classification and measurement changes include the reclassification of certain debt securities that are currently measured at FVOCI to an amortized cost category under IFRS 9 as a result of the business model assessment.

#### *Impairment*

IFRS 9 introduces a new impairment model based on expected credit losses (ECL) which will replace the existing incurred loss model under IAS 39. Currently, impairment losses are recognized when there is objective evidence of credit quality deterioration to the extent that the Bank no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. If there is no objective evidence of impairment for an individual loan, the loan is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment losses incurred but not identified. Under IFRS 9, ECLs will be recognized in profit or loss before a loss event has occurred, which could result in earlier recognition of credit losses compared to the current model.

The expected credit loss model requires the recognition of impairment at an amount equal to the probability-weighted 12-month ECLs or lifetime ECLs depending on whether there has been a significant increase in credit risk since initial recognition of the financial instrument. If a significant increase in credit risk has occurred since initial recognition, then impairment is measured as lifetime ECLs otherwise 12-month ECLs are measured, which represent the portion of lifetime ECLs that are expected to occur based on default events that are possible within 12 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 will revert back to being measured based on 12-month ECLs. The IFRS 9 model breaks down into three stages: Stage 1 – 12-month ECLs for performing instruments, Stage 2 – Lifetime ECLs for performing instruments that have experienced a significant increase in credit risk, and Stage 3 – Lifetime ECLs for non-performing financial assets. The Stage 3 population is expected to largely align with the impaired population under IAS 39.

ECLs will be measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument and will consider reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions that impact our credit risk assessment. Probability-weighted multiple scenarios will be considered when determining stage allocation and measuring ECLs.

IFRS 9 requires ECLs to be recognized in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes. While entities are not expected to consider every possible scenario, the scenarios considered should reflect a representative sample of possible outcomes. When there is a non-linear relationship between the different forward-looking

scenarios and the associated change in ECLs, using a single forward-looking scenario will not meet the objectives of IFRS 9. Economic forecasts must consider internal and external information and be consistent with the forward-looking information used for other purposes such as budgeting and forecasting. The scenarios must be representative and not biased to extreme scenarios. Parameter coherence is considered in each scenario so that it is realistic. The scenarios considered must take into account key drivers of ECLs, particularly non-linearity and asymmetric sensitivities within portfolios to estimate effects of changes in parameters on ECLs.

For retail exposures, significant increase in credit risk will be assessed based on changes in the 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. ECLs will be 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 instrument and discounted to the reporting date.

For non-retail exposures, significant increase in credit risk will be assessed based on changes in the internal risk rating since initial recognition, incorporating relevant forward-looking macroeconomic information. ECLs will be 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. Similar to IAS 39, ECLs for significant non-retail impaired exposures will be measured individually.

The IFRS 9 expected credit loss calculation will leverage where appropriate the Bank's existing expected loss model parameters used for regulatory capital purposes including PD, LGD and EAD with adjustments as required to comply with the IFRS 9 requirements. The main differences are summarized in the following chart:

	<b>Regulatory Capital</b>	<b>IFRS 9</b>
<b>PD</b>	Through-the-cycle 12-month PD based on the long run average of a full economic cycle. The default backstop is generally 90 days past due.	Point-in-time 12-month or lifetime PD based on historical experience, current conditions and relevant forward looking expectations. The default backstop will generally be 90 days past due.
<b>LGD</b>	Downturn LGD based on losses that would be expected in an economic downturn and subject to certain regulatory floors. Both direct and indirect collection costs are considered.	Expected LGD based on historical charge-off events and recovery payments, current information about attributes specific to borrower, and direct costs. Macroeconomic variables and expected cash flows from credit enhancements will be incorporated as appropriate and excludes undue conservatism and floors.
<b>EAD</b>	Based on the drawn balance plus expected utilization of any undrawn portion prior to default, and cannot be lower than the drawn balance.	EAD represents the expected balance at default across the lifetime horizon and conditional on forward looking expectations.
<b>Other</b>		Expected credit losses are discounted from the default date to the reporting date.

Based on the current regulatory requirements, the negative impact from potential increases in the balance sheet allowances under IFRS 9 on CET1 capital could be partially mitigated by reductions in negative regulatory capital adjustments related to any shortfall of allowances to regulatory expected losses in the CET1 calculation. In October 2016, the BCBS issued a consultative document, "Regulatory treatment of accounting provisions – interim approach and transitional arrangements" and a discussion paper, "Regulatory treatment of accounting provisions". The consultative document sets out the BCBS' proposal to retain, for an interim period, the current regulatory treatment of accounting provisions under the standardized and internal ratings-based approaches and also provides potential transitional arrangements. The discussion paper provides policy options for long-term regulatory treatment of provisions.

The new impairment model will apply to all financial assets measured at amortized cost or fair value through other comprehensive income with the most significant impact expected to be on loan assets. The model will also apply to loan commitments and financial guarantees that are not measured at fair value through profit or loss.

The Bank has defined the functional requirements for the calculation of ECLs and is currently developing and integrating the end-to-end technology solution for tracking credit migration under the new ECL model as well as the impact to forecasting economic variables, risk parameters, and credit risk modelling processes. The Bank will continue to focus on the development and validation of the new impairment models and related processes and controls in the upcoming year and assess the quantitative impact of applying an ECL approach by the end of 2017.

### General Hedge Accounting

IFRS 9 introduces a new general hedge accounting model which better aligns accounting with risk management activities. The new standard permits a wider range of qualifying hedged items and hedged risks as well as types of hedging instruments. Effectiveness testing will have an increased focus on establishing an economic relationship, achieving a target hedge ratio and monitoring credit risk exposures. Voluntary discontinuation of hedging relationships is no longer permitted except in limited circumstances based on the risk management objectives of hedge strategies. The Bank has an accounting policy choice to adopt the new general hedge accounting model under IFRS 9 or continue to apply the hedge accounting requirements under IAS 39. The Bank has made the decision to continue applying the IAS 39 hedge accounting requirements at this time and will comply with the revised hedge accounting disclosures as required by the related amendments to IFRS 7.

### Revenue from Contracts with Customers

In May 2014, the IASB issued 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 standard also requires additional qualitative and quantitative disclosures. In July 2015, the IASB confirmed a one-year deferral of the effective date to annual periods beginning on or after January 1, 2018, which will be November 1, 2018 for the Bank, and is to be applied retrospectively. In April 2016, the IASB issued amendments to IFRS 15, which provided additional guidance on the identification of performance obligations, on assessing principal versus agent considerations and on licensing revenue. The amendments also provided additional transitional relief upon initial adoption of IFRS 15 and have the same effective date as the IFRS 15 standard. The Bank is currently assessing the impact of adopting this standard.

### Leases

In January 2016, the IASB issued IFRS 16, *Leases* (IFRS 16), which will replace IAS 17, 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. Lessees will also recognize depreciation expense on the right-of-use asset and interest expense on the lease liability in the statement of income. Short-term leases, which are defined as those that have a lease term of 12 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, and is to be applied retrospectively. Early adoption is permitted only if aligned with or after the adoption of IFRS 15. The Bank is currently assessing the impact of adopting IFRS 16.

### Share-based Payment

In June 2016, the IASB published amendments to IFRS 2, *Share-based Payment*, 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 will be November 1, 2018 for the Bank, and is to be applied prospectively; however, retrospective application is permitted in certain instances. Early adoption is permitted. The amendments to IFRS 2 are not expected to have a material impact on the Bank.

---

## 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, 2016. 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, 2016.

#### 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, 2016, 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, 2016. 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, 2016.

#### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the year and quarter ended October 31, 2016, 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 65		INVESTMENT PORTFOLIO – Securities Maturity Schedule <sup>1,2</sup>							As at	
(millions of Canadian dollars)										
		Remaining terms to maturities <sup>3</sup>					Total	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 2016	October 31 2015	October 31 2014	
<b>Available-for-sale securities</b>										
<b>Government and government-related securities</b>										
Canadian government debt										
<i>Federal</i>										
Fair value	\$ 659	\$ 6,975	\$ 5,781	\$ 1,296	\$ 6	\$ –	\$ 14,717	\$ 14,431	\$ 8,404	
Amortized cost	657	6,950	5,769	1,289	6	–	14,671	14,450	8,355	
Yield	1.86%	1.66%	1.76%	2.54%	1.66%	–%	1.79%	1.48%	1.82%	
<i>Provinces</i>										
Fair value	538	2,028	1,471	3,797	17	–	7,851	7,185	4,545	
Amortized cost	537	2,015	1,468	3,836	15	–	7,871	7,233	4,518	
Yield	2.45%	2.46%	2.40%	3.04%	3.59%	–%	2.73%	1.98%	2.08%	
U.S. federal government debt										
Fair value	–	2,382	9,964	11,546	–	–	23,892	10,636	152	
Amortized cost	–	2,375	9,956	11,598	–	–	23,929	10,711	152	
Yield	–%	0.96%	1.35%	1.88%	–%	–%	1.57%	1.81%	0.12%	
U.S. states, municipalities and agencies										
Fair value	676	436	2,987	1,516	4,966	–	10,581	11,949	11,978	
Amortized cost	675	432	2,885	1,518	4,938	–	10,448	11,815	11,798	
Yield	1.86%	2.33%	1.86%	1.76%	1.68%	–%	1.78%	1.73%	1.81%	
Other OECD government-guaranteed debt										
Fair value	1,656	3,989	5,267	4,597	–	–	15,509	11,655	3,322	
Amortized cost	1,657	3,990	5,272	4,655	–	–	15,574	11,713	3,313	
Yield	0.77%	1.34%	1.64%	1.65%	–%	–%	1.48%	1.26%	1.67%	
Canadian mortgage-backed securities										
Fair value	81	2,141	2,692	35	–	–	4,949	4,060	3,306	
Amortized cost	81	2,111	2,689	35	–	–	4,916	4,021	3,256	
Yield	0.99%	2.06%	1.48%	1.62%	–%	–%	1.72%	2.01%	2.24%	
<b>Other debt securities</b>										
Asset-backed securities										
Fair value	1,076	3,088	3,414	5,314	5,701	–	18,593	16,762	18,903	
Amortized cost	1,076	3,084	3,406	5,293	5,806	–	18,665	16,921	18,831	
Yield	0.49%	1.37%	1.21%	2.04%	1.40%	–%	1.49%	1.28%	1.06%	
Non-agency CMO										
Fair value	–	–	–	–	625	–	625	916	1,722	
Amortized cost	–	–	–	–	624	–	624	921	1,713	
Yield	–%	–%	–%	–%	1.63%	–%	1.63%	2.13%	2.77%	
Corporate and other debt										
Fair value	1,716	3,950	2,396	109	114	1	8,286	8,765	8,099	
Amortized cost	1,708	3,919	2,379	106	116	1	8,229	8,770	8,008	
Yield	2.78%	2.91%	2.44%	3.63%	5.26%	1.23%	2.80%	2.96%	2.91%	
<b>Equity securities</b>										
Common shares										
Fair value	–	–	–	–	–	2,054	2,054	1,858	1,760	
Amortized cost	–	–	–	–	–	1,934	1,934	1,770	1,642	
Yield	–%	–%	–%	–%	–%	1.94%	1.94%	5.42%	4.74%	
Preferred shares										
Fair value	–	–	–	–	–	186	186	114	171	
Amortized cost	–	–	–	–	–	168	168	112	153	
Yield	–%	–%	–%	–%	–%	4.37%	4.37%	4.33%	1.26%	
<b>Debt securities reclassified from trading</b>										
Fair value	49	1	–	204	74	–	328	451	646	
Amortized cost	48	1	–	183	69	–	301	420	596	
Yield	8.76%	7.92%	–%	5.72%	4.84%	–%	6.01%	6.84%	4.61%	
<b>Total available-for-sale securities</b>										
Fair value	\$ 6,451	\$ 24,990	\$ 33,972	\$ 28,414	\$ 11,503	\$ 2,241	\$ 107,571	\$ 88,782	\$ 63,008	
Amortized cost	6,439	24,877	33,824	28,513	11,574	2,103	107,330	88,857	62,335	
Yield	1.62%	1.81%	1.63%	2.05%	1.57%	2.13%	1.78%	1.89%	1.89%	

<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, 2016, includes securities issued by Federal Republic of Germany of \$9.8 billion (as at October 31, 2015, includes securities issued by Government of Japan of \$8.9 billion and Federal Republic of Germany of \$8.6 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 65 INVESTMENT PORTFOLIO – Securities Maturity Schedule (continued)<sup>1,2</sup>**

(millions of Canadian dollars)

As at

	Remaining terms to maturities <sup>3</sup>						Total October 31 2016	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 2015	October 31 2014
	<b>Held-to-maturity securities</b>								
<b>Government and government-related securities</b>									
Canadian government debt									
<i>Federal</i>									
Fair value	\$ –	\$ 320	\$ 492	\$ –	\$ –	\$ –	\$ 812	\$ 983	\$ –
Amortized cost	–	316	486	–	–	–	802	974	–
Yield	–%	1.86%	1.83%	–%	–%	–%	1.84%	1.78%	–%
U.S. federal government and agencies debt									
Fair value	–	–	–	–	–	–	–	–	–
Amortized cost	–	–	–	–	–	–	–	–	–
Yield	–%	–%	–%	–%	–%	–%	–%	–%	–%
U.S. states, municipalities and agencies									
Fair value	89	5,038	6,382	7,230	3,380	–	22,119	18,847	18,879
Amortized cost	89	4,995	6,240	7,144	3,377	–	21,845	18,648	18,792
Yield	1.45%	1.78%	2.12%	2.03%	2.25%	–%	2.03%	2.03%	2.04%
Other OECD government-guaranteed debt									
Fair value	10,347	13,205	4,739	632	–	–	28,923	24,265	15,492
Amortized cost	10,326	13,028	4,664	625	–	–	28,643	24,045	15,327
Yield	0.18%	0.41%	0.14%	0.50%	–%	–%	0.29%	0.57%	1.00%
<b>Other debt securities</b>									
Other issuers									
Fair value	1,458	7,352	8,543	1,991	13,789	–	33,133	30,647	22,955
Amortized cost	1,462	7,311	8,503	2,009	13,820	–	33,105	30,783	22,858
Yield	3.17%	1.48%	0.99%	1.26%	2.44%	–%	1.81%	1.50%	1.08%
<b>Total held-to-maturity schedules</b>									
Fair value	\$ 11,894	\$ 25,915	\$ 20,156	\$ 9,853	\$ 17,169	\$ –	\$ 84,987	\$ 74,742	\$ 57,326
Amortized cost	11,877	25,650	19,893	9,778	17,197	–	84,395	74,450	56,977
Yield	0.56%	1.00%	1.17%	1.78%	2.40%	–%	1.35%	1.33%	1.38%

<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, 2016, includes securities issued by Federal Republic of Germany of \$9.8 billion (as at October 31, 2015, includes securities issued by Government of Japan of \$8.9 billion and Federal Republic of Germany of \$8.6 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 66** **LOAN PORTFOLIO – Maturity Schedule**

(millions of Canadian dollars)

As at

	Remaining terms to maturities							
	Under 1 year	1 to 5 years	Over 5 years	Total	October 31 2015	October 31 2014	October 31 2013	October 31 2012
					October 31 2016			
<b>Canada</b>								
Residential mortgages	\$ 25,379	\$ 160,304	\$ 3,616	\$ 189,299	\$ 185,009	\$ 175,125	\$ 164,389	\$ 154,247
Consumer instalment and other personal								
HELOC	43,329	21,732	7	65,068	61,317	59,568	61,581	64,753
Indirect Auto	271	10,423	9,883	20,577	19,038	16,475	14,666	13,965
Other	15,015	989	452	16,456	16,075	16,116	15,193	14,574
Credit card	18,226	–	–	18,226	17,941	17,927	15,288	14,236
Total personal	102,220	193,448	13,958	309,626	299,380	285,211	271,117	261,775
Real estate								
Residential	5,376	6,043	4,582	16,001	14,862	14,604	13,685	12,477
Non-residential	4,468	4,619	3,693	12,780	11,330	9,768	8,153	7,252
Total real estate	9,844	10,662	8,275	28,781	26,192	24,372	21,838	19,729
Total business and government (including real estate)	46,984	30,739	13,331	91,054	84,155	71,814	64,272	55,797
Total loans – Canada	149,204	224,187	27,289	400,680	383,535	357,025	335,389	317,572
<b>United States</b>								
Residential mortgages	511	101	27,050	27,662	26,922	23,335	20,945	17,362
Consumer instalment and other personal								
HELOC	11,027	211	1,970	13,208	13,334	11,665	10,607	10,122
Indirect Auto	298	16,852	11,220	28,370	24,862	18,782	16,323	13,466
Other	255	451	39	745	693	615	533	490
Credit card	13,680	–	–	13,680	12,274	7,637	6,900	1,097
Total personal	25,771	17,615	40,279	83,665	78,085	62,034	55,308	42,537
Real estate								
Residential	1,408	2,759	2,685	6,852	5,691	4,294	3,470	3,015
Non-residential	2,379	10,460	8,836	21,675	18,317	14,037	12,084	10,831
Total real estate	3,787	13,219	11,521	28,527	24,008	18,331	15,554	13,846
Total business and government (including real estate)	14,762	54,232	47,719	116,713	97,217	69,417	55,000	47,181
Total loans – United States	40,533	71,847	87,998	200,378	175,302	131,451	110,308	89,718
<b>Other International</b>								
Personal	16	–	–	16	5	9	10	11
Business and government	657	856	–	1,513	1,978	2,124	2,240	2,653
Total loans – Other international	673	856	–	1,529	1,983	2,133	2,250	2,664
<b>Other loans</b>								
Debt securities classified as loans	121	144	1,409	1,674	2,187	2,695	3,744	4,994
Acquired credit-impaired loans	541	362	71	974	1,414	1,713	2,485	3,767
Total other loans	662	506	1,480	2,648	3,601	4,408	6,229	8,761
<b>Total loans</b>	<b>\$ 191,072</b>	<b>\$ 297,396</b>	<b>\$ 116,767</b>	<b>\$ 605,235</b>	<b>\$ 564,421</b>	<b>\$ 495,017</b>	<b>\$ 454,176</b>	<b>\$ 418,715</b>

**TABLE 67** **LOAN PORTFOLIO – Rate Sensitivity**

(millions of Canadian dollars)

As at

	October 31, 2016		October 31, 2015		October 31, 2014		October 31, 2013		October 31, 2012	
	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	\$ 212,257	\$ 82,507	\$ 176,316	\$ 66,949	\$ 155,614	\$ 59,555	\$ 158,435	\$ 45,395	\$ 133,730
Variable rate	85,139	34,260	72,663	32,208	73,672	24,991	60,401	23,065	58,199	20,867
<b>Total</b>	<b>\$ 297,396</b>	<b>\$ 116,767</b>	<b>\$ 248,979</b>	<b>\$ 99,157</b>	<b>\$ 229,286</b>	<b>\$ 84,546</b>	<b>\$ 218,836</b>	<b>\$ 68,460</b>	<b>\$ 191,929</b>	<b>\$ 58,648</b>

The change in the Bank's allowance for credit losses for the years ended October 31 are shown in the following table.

TABLE 68	ALLOWANCE FOR CREDIT LOSSES				
(millions of Canadian dollars, except as noted)					
	2016	2015	2014	2013	2012
<b>Allowance for loan losses – Balance at beginning of year</b>	<b>\$ 3,434</b>	\$ 3,028	\$ 2,855	\$ 2,644	\$ 2,314
<b>Provision for credit losses</b>	<b>2,330</b>	1,683	1,557	1,631	1,795
<b>Write-offs</b>					
<b>Canada</b>					
Residential mortgages	18	23	21	20	18
Consumer instalment and other personal					
HELOC	11	13	13	18	16
Indirect Auto	334	224	207	160	155
Other	221	218	234	274	310
Credit card	623	638	582	543	335
Total personal	1,207	1,116	1,057	1,015	834
Real estate					
Residential	3	4	1	2	3
Non-residential	2	3	3	3	4
Total real estate	5	7	4	5	7
Total business and government (including real estate)	107	74	109	104	108
Total Canada	1,314	1,190	1,166	1,119	942
<b>United States</b>					
Residential mortgages	22	16	17	33	42
Consumer instalment and other personal					
HELOC	38	47	43	65	101
Indirect Auto	232	206	232	231	145
Other	121	101	79	74	67
Credit card	530	454	288	56	50
Total personal	943	824	659	459	405
Real estate					
Residential	3	5	12	16	91
Non-residential	11	22	18	59	84
Total real estate	14	27	30	75	175
Total business and government (including real estate)	76	124	117	191	385
Total United States	1,019	948	776	650	790
<b>Other International</b>					
Personal	–	–	–	–	–
Business and government	–	–	–	–	–
Total other international	–	–	–	–	–
<b>Other loans</b>					
Debt securities classified as loans	14	13	5	11	–
Acquired credit-impaired loans <sup>1,2</sup>	4	6	20	38	112
<b>Total other loans</b>	<b>18</b>	19	25	49	112
<b>Total write-offs against portfolio</b>	<b>2,351</b>	2,157	1,967	1,818	1,844
<b>Recoveries</b>					
<b>Canada</b>					
Residential mortgages	1	1	5	3	4
Consumer instalment and other personal					
HELOC	–	2	5	2	3
Indirect Auto	91	78	138	35	20
Other	52	58	60	55	51
Credit card	118	124	109	101	46
Total personal	262	263	317	196	124
Real estate					
Residential	1	1	1	1	1
Non-residential	3	1	2	1	1
Total real estate	4	2	3	2	2
Total business and government (including real estate)	27	33	29	28	25
Total Canada	\$ 289	\$ 296	\$ 346	\$ 224	\$ 149

<sup>1</sup> Includes all FDIC covered loans and other ACI loans.

<sup>2</sup> Other adjustments are required as a result of the accounting for FDIC covered loans. For additional information, refer to the "FDIC Covered Loans" section in Note 8 of the Bank's 2016 Consolidated Financial Statements.

TABLE 68		ALLOWANCE FOR CREDIT LOSSES (continued)				
(millions of Canadian dollars, except as noted)		2016	2015	2014	2013	2012
<b>United States</b>						
Residential mortgages		\$ 9	\$ 11	\$ 10	\$ 17	\$ 15
Consumer instalment and other personal						
HELOC		5	5	5	4	6
Indirect Auto		85	83	12	64	35
Other		26	23	20	22	19
Credit card		114	113	60	5	5
Total personal		239	235	107	112	80
Real estate						
Residential		4	9	14	8	8
Non-residential		4	9	15	10	13
Total real estate		8	18	29	18	21
Total business and government (including real estate)		54	50	73	49	57
Total United States		293	285	180	161	137
<b>Other International</b>						
Personal		-	-	-	-	-
Business and government		-	1	-	-	-
Total other international		-	1	-	-	-
<b>Other loans</b>						
Debt securities classified as loans		-	-	-	-	-
Acquired credit-impaired loans <sup>1,2</sup>		20	19	7	9	1
Total other loans		20	19	7	9	1
Total recoveries on portfolio		602	601	533	394	287
Net write-offs		(1,749)	(1,556)	(1,434)	(1,424)	(1,557)
Disposals		(2)	(3)	-	(41)	-
Foreign exchange and other adjustments		47	321	112	46	20
Total allowance for credit losses		4,060	3,473	3,090	2,856	2,572
Less: Allowance for off-balance sheet positions <sup>3</sup>		187	39	62	1	(72)
Allowance for loan losses – Balance at end of year		\$ 3,873	\$ 3,434	\$ 3,028	\$ 2,855	\$ 2,644
Ratio of net write-offs in the period to average loans outstanding		0.30%	0.30%	0.31%	0.33%	0.39%

<sup>1</sup> Includes all FDIC covered loans and other ACI loans.

<sup>2</sup> Other adjustments are required as a result of the accounting for FDIC covered loans. For additional information, refer to the "FDIC Covered Loans" section in Note 8 of the Bank's 2016 Consolidated Financial Statements.

<sup>3</sup> The allowance for credit losses for off-balance sheet instruments is recorded in Other liabilities on the Consolidated Balance Sheet.

TABLE 69		AVERAGE DEPOSITS								
(millions of Canadian dollars, except as noted)		October 31, 2016			October 31, 2015			For the years ended		
		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		\$ 3,674	\$ -	-%	\$ 6,685	\$ -	-%	\$ 5,405	\$ -	-%
Interest bearing demand deposits		58,124	521	0.90	45,081	570	1.26	38,443	597	1.55
Notice deposits		189,018	249	0.13	172,124	306	0.18	159,687	421	0.26
Term deposits		168,393	2,359	1.40	146,714	2,112	1.44	120,493	1,934	1.61
Total deposits booked in Canada		419,209	3,129	0.75	370,604	2,988	0.81	324,028	2,952	0.91
<b>Deposits booked in the United States</b>										
Non-interest bearing demand deposits		9,969	-	-	8,723	-	-	6,961	-	-
Interest bearing demand deposits		3,945	7	0.18	2,812	4	0.14	1,387	3	0.22
Notice deposits		277,744	921	0.33	239,078	842	0.35	196,735	1,059	0.54
Term deposits		70,290	522	0.74	94,016	313	0.33	74,999	216	0.29
Total deposits booked in the United States		361,948	1,450	0.40	344,629	1,159	0.34	280,082	1,278	0.46
<b>Deposits booked in the other international</b>										
Non-interest bearing demand deposits		54	-	-	55	-	-	20	-	-
Interest bearing demand deposits		1,918	4	0.21	1,874	5	0.27	1,803	2	0.11
Notice deposits		-	-	-	2	-	-	27	-	-
Term deposits		27,132	175	0.64	17,042	90	0.53	17,951	81	0.45
Total deposits booked in other international		29,104	179	0.62	18,973	95	0.50	19,801	83	0.42
<b>Total average deposits</b>		<b>\$ 810,261</b>	<b>\$ 4,758</b>	<b>0.59%</b>	<b>\$ 734,206</b>	<b>\$ 4,242</b>	<b>0.58%</b>	<b>\$ 623,911</b>	<b>\$ 4,313</b>	<b>0.69%</b>

<sup>1</sup> As at October 31, 2016, deposits by foreign depositors in TD's Canadian bank offices amounted to \$17 billion (October 31, 2015 – \$13 billion, October 31, 2014 – \$8 billion).

<b>TABLE 70</b>	<b>DEPOSITS – Denominations of \$100,000 or greater<sup>1</sup></b>
-----------------	---

(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, 2016				
Canada	\$ 32,237	\$ 10,607	\$ 13,721	\$ 83,304	\$ 139,869
United States	23,027	13,450	17,760	2,547	56,784
Other international	16,033	10,582	7,297	10	33,922
<b>Total</b>	<b>\$ 71,297</b>	<b>\$ 34,639</b>	<b>\$ 38,778</b>	<b>\$ 85,861</b>	<b>\$ 230,575</b>
	October 31, 2015				
Canada	\$ 31,147	\$ 4,234	\$ 20,715	\$ 64,989	\$ 121,085
United States	28,018	27,687	14,672	2,545	72,922
Other international	10,222	4,976	4,168	–	19,366
<b>Total</b>	<b>\$ 69,387</b>	<b>\$ 36,897</b>	<b>\$ 39,555</b>	<b>\$ 67,534</b>	<b>\$ 213,373</b>
	October 31, 2014				
Canada	\$ 23,860	\$ 3,411	\$ 13,461	\$ 54,743	\$ 95,475
United States	32,950	13,359	28,012	2,380	76,701
Other international	12,131	1,985	1,446	–	15,562
<b>Total</b>	<b>\$ 68,941</b>	<b>\$ 18,755</b>	<b>\$ 42,919</b>	<b>\$ 57,123</b>	<b>\$ 187,738</b>

<sup>1</sup> Deposits in Canada, U.S., and Other international include wholesale and retail deposits.

<b>TABLE 71</b>	<b>SHORT-TERM BORROWINGS</b>
-----------------	------------------------------

(millions of Canadian dollars, except as noted)

*As at*

	October 31 2016	October 31 2015	October 31 2014
<b>Obligations related to securities sold under repurchase agreements</b>			
Balance at year-end	<b>\$ 48,973</b>	\$ 67,156	\$ 53,112
Average balance during the year	<b>65,511</b>	75,082	62,025
Maximum month-end balance	<b>70,415</b>	74,669	55,944
Weighted-average rate at October 31	<b>0.38%</b>	0.25%	0.39%
Weighted-average rate during the year	<b>0.51</b>	0.37	0.38

# Consolidated Financial Statements

## 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.

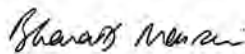
Management has assessed the effectiveness of the Bank's internal control over financial reporting as at October 31, 2016, using the framework found in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 Framework. Based upon this assessment, management has concluded that as at October 31, 2016, 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, 2016, 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 there from, 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  
November 30, 2016

---

## **INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM TO SHAREHOLDERS**

### ***Report on Financial Statements***

We have audited the accompanying consolidated financial statements of The Toronto-Dominion Bank, which comprise the Consolidated Balance Sheet as at October 31, 2016 and 2015, 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, 2016, and a summary of significant accounting policies and other explanatory information.

### ***Management's responsibility for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

### ***Auditors' responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures

that are appropriate in the circumstances. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

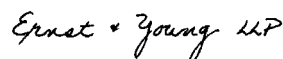
We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Toronto-Dominion Bank as at October 31, 2016 and 2015, and its financial performance and its cash flows for each of the years in the three-year period ended October 31, 2016, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### ***Other matter***

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Toronto-Dominion Bank's internal control over financial reporting as of October 31, 2016, 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 November 30, 2016, expressed an unqualified opinion on The Toronto-Dominion Bank's internal control over financial reporting.



### **Ernst & Young LLP**

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
November 30, 2016

---

**INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM TO SHAREHOLDERS**

***Report on Internal Control under Standards of the Public Company Accounting Oversight Board (United States)***

We have audited The Toronto-Dominion Bank's internal control over financial reporting as of October 31, 2016, 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). The Toronto-Dominion Bank'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 The Toronto-Dominion Bank's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

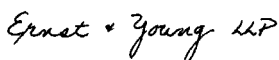
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). 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 IFRS, 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.

In our opinion, The Toronto-Dominion Bank maintained, in all material respects, effective internal control over financial reporting as of October 31, 2016, based on the COSO criteria.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheet of The Toronto-Dominion Bank as at October 31, 2016 and 2015, 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, 2016, of The Toronto-Dominion Bank and our report dated November 30, 2016, expressed an unqualified opinion thereon.



**Ernst & Young LLP**  
Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
November 30, 2016




# Consolidated Balance Sheet

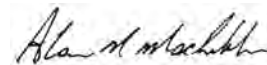
(millions of Canadian dollars)

	<i>As at</i>	
	October 31 2016	October 31 2015
<b>ASSETS</b>		
<b>Cash and due from banks</b>	<b>\$ 3,907</b>	<b>\$ 3,154</b>
<b>Interest-bearing deposits with banks</b>	<b>53,714</b>	<b>42,483</b>
	<b>57,621</b>	<b>45,637</b>
Trading loans, securities, and other (Notes 5, 7)	99,257	95,157
Derivatives (Notes 5, 11)	72,242	69,438
Financial assets designated at fair value through profit or loss (Note 5)	4,283	4,378
Available-for-sale securities (Notes 5, 7)	107,571	88,782
	<b>283,353</b>	<b>257,755</b>
<b>Held-to-maturity securities (Note 7)</b>	<b>84,395</b>	<b>74,450</b>
<b>Securities purchased under reverse repurchase agreements</b>	<b>86,052</b>	<b>97,364</b>
<b>Loans (Note 8)</b>		
Residential mortgages	217,336	212,373
Consumer instalment and other personal	144,531	135,471
Credit card	31,914	30,215
Business and government	194,074	167,529
Debt securities classified as loans	1,674	2,187
	<b>589,529</b>	<b>547,775</b>
Allowance for loan losses (Note 8)	<b>(3,873)</b>	<b>(3,434)</b>
Loans, net of allowance for loan losses	<b>585,656</b>	<b>544,341</b>
<b>Other</b>		
Customers' liability under acceptances	15,706	16,646
Investment in TD Ameritrade (Note 12)	7,091	6,683
Goodwill (Note 14)	16,662	16,337
Other intangibles (Note 14)	2,639	2,671
Land, buildings, equipment, and other depreciable assets (Note 15)	5,482	5,314
Deferred tax assets (Note 26)	2,084	1,931
Amounts receivable from brokers, dealers, and clients	17,436	21,996
Other assets (Note 16)	12,790	13,248
	<b>79,890</b>	<b>84,826</b>
<b>Total assets</b>	<b>\$ 1,176,967</b>	<b>\$ 1,104,373</b>
<b>LIABILITIES</b>		
Trading deposits (Notes 5, 17)	\$ 79,786	\$ 74,759
Derivatives (Notes 5, 11)	65,425	57,218
Securitization liabilities at fair value (Notes 5, 9)	12,490	10,986
Other financial liabilities designated at fair value through profit or loss (Note 5)	190	1,415
	<b>157,891</b>	<b>144,378</b>
<b>Deposits (Note 17)</b>		
Personal	439,232	395,818
Banks	17,201	17,080
Business and government	317,227	282,678
	<b>773,660</b>	<b>695,576</b>
<b>Other</b>		
Acceptances	15,706	16,646
Obligations related to securities sold short (Note 5)	33,115	38,803
Obligations related to securities sold under repurchase agreements (Note 5)	48,973	67,156
Securitization liabilities at amortized cost (Note 9)	17,918	22,743
Amounts payable to brokers, dealers, and clients	17,857	22,664
Insurance-related liabilities	7,046	6,519
Other liabilities (Note 18)	19,696	14,223
	<b>160,311</b>	<b>188,754</b>
<b>Subordinated notes and debentures (Note 19)</b>	<b>10,891</b>	<b>8,637</b>
<b>Total liabilities</b>	<b>1,102,753</b>	<b>1,037,345</b>
<b>EQUITY</b>		
Common shares (Note 21)	20,711	20,294
Preferred shares (Note 21)	4,400	2,700
Treasury shares – common (Note 21)	(31)	(49)
Treasury shares – preferred (Note 21)	(5)	(3)
Contributed surplus	203	214
Retained earnings	35,452	32,053
Accumulated other comprehensive income (loss)	11,834	10,209
	<b>72,564</b>	<b>65,418</b>
<b>Non-controlling interests in subsidiaries (Note 21)</b>	<b>1,650</b>	<b>1,610</b>
<b>Total equity</b>	<b>74,214</b>	<b>67,028</b>
<b>Total liabilities and equity</b>	<b>\$ 1,176,967</b>	<b>\$ 1,104,373</b>

The accompanying Notes are an integral part of these Consolidated Financial Statements.



**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>		
	2016	2015	2014
<b>Interest income</b>			
Loans	<b>\$ 21,751</b>	\$ 20,319	\$ 19,716
Securities			
Interest	<b>3,672</b>	3,155	2,913
Dividends	<b>912</b>	1,214	1,173
Deposits with banks	<b>225</b>	142	126
	<b>26,560</b>	24,830	23,928
<b>Interest expense</b>			
Deposits	<b>4,758</b>	4,242	4,313
Securitization liabilities	<b>452</b>	593	777
Subordinated notes and debentures	<b>395</b>	390	412
Other	<b>1,032</b>	881	842
	<b>6,637</b>	6,106	6,344
<b>Net interest income</b>	<b>19,923</b>	18,724	17,584
<b>Non-interest income</b>			
Investment and securities services	<b>4,143</b>	3,833	3,496
Credit fees	<b>1,048</b>	925	845
Net securities gain (loss) (Note 7)	<b>54</b>	79	173
Trading income (loss) (Note 22)	<b>395</b>	(223)	(349)
Service charges	<b>2,571</b>	2,376	2,152
Card services	<b>2,313</b>	1,766	1,552
Insurance revenue (Note 23)	<b>3,796</b>	3,758	3,883
Other income (loss)	<b>72</b>	188	625
	<b>14,392</b>	12,702	12,377
<b>Total revenue</b>	<b>34,315</b>	31,426	29,961
<b>Provision for credit losses (Note 8)</b>	<b>2,330</b>	1,683	1,557
<b>Insurance claims and related expenses (Note 23)</b>	<b>2,462</b>	2,500	2,833
<b>Non-interest expenses</b>			
Salaries and employee benefits (Note 25)	<b>9,298</b>	9,043	8,451
Occupancy, including depreciation	<b>1,825</b>	1,719	1,549
Equipment, including depreciation	<b>944</b>	892	810
Amortization of other intangibles	<b>708</b>	662	598
Marketing and business development	<b>743</b>	728	756
Restructuring charges	<b>(18)</b>	686	29
Brokerage-related fees	<b>316</b>	324	321
Professional and advisory services	<b>1,232</b>	1,032	991
Other	<b>3,829</b>	2,987	2,991
	<b>18,877</b>	18,073	16,496
<b>Income before income taxes and equity in net income of an investment in TD Ameritrade</b>	<b>10,646</b>	9,170	9,075
<b>Provision for (recovery of) income taxes (Note 26)</b>	<b>2,143</b>	1,523	1,512
<b>Equity in net income of an investment in TD Ameritrade (Note 12)</b>	<b>433</b>	377	320
<b>Net income</b>	<b>8,936</b>	8,024	7,883
<b>Preferred dividends</b>	<b>141</b>	99	143
<b>Net income available to common shareholders and non-controlling interests in subsidiaries</b>	<b>\$ 8,795</b>	\$ 7,925	\$ 7,740
Attributable to:			
Common shareholders	<b>\$ 8,680</b>	\$ 7,813	\$ 7,633
Non-controlling interests in subsidiaries	<b>115</b>	112	107
<b>Earnings per share (dollars) (Note 27)</b>			
Basic	<b>\$ 4.68</b>	\$ 4.22	\$ 4.15
Diluted	<b>4.67</b>	4.21	4.14
<b>Dividends per share (dollars)</b>	<b>2.16</b>	2.00	1.84

Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Comprehensive Income

(millions of Canadian dollars)

	<i>For the years ended October 31</i>		
	2016	2015	2014
<b>Net income</b>	<b>\$ 8,936</b>	<b>\$ 8,024</b>	<b>\$ 7,883</b>
<b>Other comprehensive income (loss), net of income taxes</b>			
<i>Items that will be subsequently reclassified to net income</i>			
Change in unrealized gains (losses) on available-for-sale securities <sup>1</sup>	274	(464)	69
Reclassification to earnings of net losses (gains) in respect of available-for-sale securities <sup>2</sup>	(56)	(93)	(163)
Net change in unrealized foreign currency translation gains (losses) on investments in foreign operations	1,290	8,090	3,697
Reclassification to earnings of net losses (gains) on investments in foreign operations <sup>3</sup>	-	-	(13)
Net foreign currency translation gains (losses) from hedging activities <sup>4</sup>	34	(2,764)	(1,390)
Reclassification to earnings of net losses (gains) on hedges of investments in foreign operations <sup>5</sup>	-	-	13
Change in net gains (losses) on derivatives designated as cash flow hedges <sup>6</sup>	835	4,805	2,439
Reclassification to earnings of net losses (gains) on cash flow hedges <sup>7</sup>	(752)	(4,301)	(2,875)
<i>Items that will not be subsequently reclassified to net income</i>			
Actuarial gains (losses) on employee benefit plans <sup>8</sup>	(882)	400	(458)
	<b>743</b>	<b>5,673</b>	<b>1,319</b>
<b>Comprehensive income (loss) for the year</b>	<b>\$ 9,679</b>	<b>\$ 13,697</b>	<b>\$ 9,202</b>
Attributable to:			
Common shareholders	<b>\$ 9,423</b>	<b>\$ 13,486</b>	<b>\$ 8,952</b>
Preferred shareholders	<b>141</b>	<b>99</b>	<b>143</b>
Non-controlling interests in subsidiaries	<b>115</b>	<b>112</b>	<b>107</b>

<sup>1</sup> Net of income tax provision in 2016 of \$125 million (2015 – income tax recovery of \$210 million; 2014 – income tax provision of \$67 million).

<sup>2</sup> Net of income tax provision in 2016 of \$32 million (2015 – income tax provision of \$78 million; 2014 – income tax provision of \$81 million).

<sup>3</sup> Net of income tax provision in 2016 of nil million (2015 – income tax provision of nil; 2014 – income tax provision of nil).

<sup>4</sup> Net of income tax provision in 2016 of \$9 million (2015 – income tax recovery of \$985 million; 2014 – income tax recovery of \$488 million).

<sup>5</sup> Net of income tax provision in 2016 of nil million (2015 – income tax provision of nil; 2014 – income tax recovery of \$4 million).

<sup>6</sup> Net of income tax provision in 2016 of \$599 million (2015 – income tax provision of \$2,926 million; 2014 – income tax provision of \$1,394 million).

<sup>7</sup> Net of income tax provision in 2016 of \$533 million (2015 – income tax provision of \$2,744 million; 2014 – income tax provision of \$1,617 million).

<sup>8</sup> Net of income tax recovery in 2016 of \$340 million (2015 – income tax provision of \$147 million; 2014 – income tax recovery of \$210 million).

The accompanying Notes are an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity

(millions of Canadian dollars)	For the years ended October 31		
	2016	2015	2014
<b>Common shares (Note 21)</b>			
Balance at beginning of year	\$ 20,294	\$ 19,811	\$ 19,316
Proceeds from shares issued on exercise of stock options	186	128	199
Shares issued as a result of dividend reinvestment plan	335	355	339
Purchase of shares for cancellation	(104)	–	(43)
Balance at end of year	20,711	20,294	19,811
<b>Preferred shares (Note 21)</b>			
Balance at beginning of year	2,700	2,200	3,395
Issue of shares	1,700	1,200	1,000
Redemption of shares	–	(700)	(2,195)
Balance at end of year	4,400	2,700	2,200
<b>Treasury shares – common (Note 21)</b>			
Balance at beginning of year	(49)	(54)	(145)
Purchase of shares	(5,769)	(5,269)	(4,197)
Sale of shares	5,787	5,274	4,288
Balance at end of year	(31)	(49)	(54)
<b>Treasury shares – preferred (Note 21)</b>			
Balance at beginning of year	(3)	(1)	(2)
Purchase of shares	(115)	(244)	(154)
Sale of shares	113	242	155
Balance at end of year	(5)	(3)	(1)
<b>Contributed surplus</b>			
Balance at beginning of year	214	205	170
Net premium (discount) on sale of treasury shares	26	25	48
Issuance of stock options, net of options exercised (Note 24)	(28)	–	(5)
Other	(9)	(16)	(8)
Balance at end of year	203	214	205
<b>Retained earnings</b>			
Balance at beginning of year	32,053	27,585	23,982
Net income attributable to shareholders	8,821	7,912	7,776
Common dividends	(4,002)	(3,700)	(3,384)
Preferred dividends	(141)	(99)	(143)
Share issue expenses and others	(14)	(28)	(11)
Net premium on repurchase of common shares and redemption of preferred shares	(383)	(17)	(177)
Actuarial gains (losses) on employee benefit plans	(882)	400	(458)
Balance at end of year	35,452	32,053	27,585
<b>Accumulated other comprehensive income (loss)</b>			
<i>Net unrealized gain (loss) on available-for-sale securities:</i>			
Balance at beginning of year	81	638	732
Other comprehensive income (loss)	218	(557)	(94)
Balance at end of year	299	81	638
<i>Net unrealized foreign currency translation gain (loss) on investments in foreign operations, net of hedging activities:</i>			
Balance at beginning of year	8,355	3,029	722
Other comprehensive income (loss)	1,324	5,326	2,307
Balance at end of year	9,679	8,355	3,029
<i>Net gain (loss) on derivatives designated as cash flow hedges:</i>			
Balance at beginning of year	1,773	1,269	1,705
Other comprehensive income (loss)	83	504	(436)
Balance at end of year	1,856	1,773	1,269
<b>Total</b>	<b>11,834</b>	<b>10,209</b>	<b>4,936</b>
<b>Non-controlling interests in subsidiaries</b>			
Balance at beginning of year	1,610	1,549	1,508
Net income attributable to non-controlling interests in subsidiaries	115	112	107
Other	(75)	(51)	(66)
Balance at end of year	1,650	1,610	1,549
<b>Total equity</b>	<b>\$ 74,214</b>	<b>\$ 67,028</b>	<b>\$ 56,231</b>

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>		
	2016	2015	2014
<b>Cash flows from (used in) operating activities</b>			
Net income before income taxes	<b>\$ 11,079</b>	\$ 9,547	\$ 9,395
Adjustments to determine net cash flows from (used in) operating activities			
Provision for credit losses (Note 8)	2,330	1,683	1,557
Depreciation (Note 15)	629	588	533
Amortization of other intangibles	708	662	598
Net securities losses (gains) (Note 7)	(54)	(79)	(173)
Equity in net income of an investment in TD Ameritrade (Note 12)	(433)	(377)	(320)
Deferred taxes (Note 26)	103	(352)	31
Changes in operating assets and liabilities			
Interest receivable and payable (Notes 16, 18)	7	(294)	(204)
Securities sold short	(5,688)	(662)	(2,364)
Trading loans and securities	(4,100)	6,016	767
Loans net of securitization and sales	(44,351)	(63,947)	(33,717)
Deposits	81,885	108,446	72,059
Derivatives	5,403	(7,633)	(4,597)
Financial assets and liabilities designated at fair value through profit or loss	96	371	1,783
Securitization liabilities	(3,321)	(2,429)	(11,394)
Other	(168)	(16,267)	(8,041)
Net cash from (used in) operating activities	<b>44,125</b>	35,273	25,913
<b>Cash flows from (used in) financing activities</b>			
Change in securities sold under repurchase agreements	(18,183)	14,044	13,494
Issuance of subordinated notes and debentures (Note 19)	3,262	2,500	-
Redemption of subordinated notes and debentures (Note 19)	(1,000)	(1,675)	(150)
Common shares issued (Note 21)	152	108	168
Preferred shares issued (Note 21)	1,686	1,184	989
Repurchase of common shares (Note 21)	(487)	-	(220)
Redemption of preferred shares (Note 21)	-	(717)	(2,195)
Sale of treasury shares (Note 21)	5,926	5,541	4,491
Purchase of treasury shares (Note 21)	(5,884)	(5,513)	(4,351)
Dividends paid	(3,808)	(3,444)	(3,188)
Distributions to non-controlling interests in subsidiaries	(115)	(112)	(107)
Net cash from (used in) financing activities	<b>(18,451)</b>	11,916	8,931
<b>Cash flows from (used in) investing activities</b>			
Interest-bearing deposits with banks	(11,231)	1,290	(15,190)
Activities in available-for-sale securities (Note 7)			
Purchases	(53,145)	(58,775)	(38,887)
Proceeds from maturities	28,661	27,055	30,032
Proceeds from sales	4,665	6,631	6,403
Activities in held-to-maturity securities (Note 7)			
Purchases	(20,575)	(15,120)	(9,258)
Proceeds from maturities	15,557	9,688	6,542
Activities in debt securities classified as loans			
Purchases	(41)	(23)	(37)
Proceeds from maturities	621	875	1,263
Proceeds from sales	1	-	10
Net purchases of land, buildings, equipment, and other depreciable assets	(797)	(972)	(828)
Changes in securities purchased under reverse repurchase agreements	11,312	(14,808)	(13,069)
Net cash acquired from (paid for) divestitures, acquisitions, and the sale of TD Ameritrade shares (Notes 12, 13)	-	(2,918)	(2,768)
Net cash from (used in) investing activities	<b>(24,972)</b>	(47,077)	(35,787)
Effect of exchange rate changes on cash and due from banks	51	261	143
<b>Net increase (decrease) in cash and due from banks</b>	<b>753</b>	373	(800)
Cash and due from banks at beginning of year	3,154	2,781	3,581
<b>Cash and due from banks at end of year</b>	<b>\$ 3,907</b>	\$ 3,154	\$ 2,781
<b>Supplementary disclosure of cash flows from operating activities</b>			
Amount of income taxes paid (refunded) during the year	\$ 1,182	\$ 554	\$ 1,241
Amount of interest paid during the year	6,559	6,167	6,478
Amount of interest received during the year	25,577	23,483	22,685
Amount of dividends received during the year	921	1,216	1,179

The accompanying Notes are an integral part of these Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

To facilitate a better understanding of the Bank's Consolidated Financial Statements, significant accounting policies, and related disclosures, a listing of all the notes is provided below.

NOTE	TOPIC	PAGE	NOTE	TOPIC	PAGE
1	Nature of Operations	124	19	Subordinated Notes and Debentures	172
2	Summary of Significant Accounting Policies	124	20	Capital Trust Securities	173
3	Significant Accounting Judgments, Estimates, and Assumptions	133	21	Equity	173
4	Current and Future Changes in Accounting Policies	135	22	Trading-Related Income	175
5	Fair Value Measurements	136	23	Insurance	176
6	Offsetting Financial Assets and Financial Liabilities	147	24	Share-Based Compensation	178
7	Securities	148	25	Employee Benefits	179
8	Loans, Impaired Loans, and Allowance for Credit Losses	152	26	Income Taxes	184
9	Transfers of Financial Assets	155	27	Earnings Per Share	186
10	Structured Entities	157	28	Provisions, Contingent Liabilities, Commitments, Guarantees, Pledged Assets, and Collateral	186
11	Derivatives	160	29	Related Party Transactions	189
12	Investment in Associates and Joint Ventures	167	30	Segmented Information	190
13	Significant Acquisitions and Disposals	168	31	Interest Rate Risk	192
14	Goodwill and Other Intangibles	168	32	Credit Risk	194
15	Land, Buildings, Equipment, and Other Depreciable Assets	170	33	Regulatory Capital	198
16	Other Assets	170	34	Risk Management	199
17	Deposits	171	35	Information on Subsidiaries	199
18	Other Liabilities	172			

## NOTE 1 NATURE OF OPERATIONS

### 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 Note 2. Certain comparative amounts have been restated/reclassified 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 November 30, 2016.

Certain disclosures are included in the shaded sections of the "Managing Risk" section of the accompanying 2016 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

### 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, including special purpose entities (SPEs), 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 to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Revenue associated with the rendering of services is recognized by reference to the stage of completion of the transaction at the end of the reporting period.

Interest from interest-bearing assets and liabilities 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 income include asset management fees, administration and commission fees, and investment banking fees. Asset management fees and administration and commission fees include income from investment management and related services, custody and institutional trust services, and brokerage services, which are recognized as income over the period in which the related service is rendered. Investment management fees are primarily calculated based on average daily or point in time assets under management (AUM) or by assets under administration (AUA) by investment mandate. Administration fees earned may either be a fixed amount per client account, or calculated based on a percentage of daily, monthly, or annual AUM for institutional accounts. Investment banking fees, including advisory fees, are recognized as income when earned, and underwriting fees are recognized as income when the Bank has rendered all services to the issuer and is entitled to collect the fee.

Credit fees include commissions, liquidity fees, restructuring fees, and loan syndication fees and are recognized as earned.

Card services income, including interchange income from credit and debit cards and annual fees, is recognized as earned, except for annual fees, which are recognized over a twelve-month period. Service charges, trust, and other fee income is recognized as earned.

Revenue recognition policies related to financial instruments and insurance are described in the following accounting policies.

### **FINANCIAL INSTRUMENTS OTHER THAN DERIVATIVES**

#### **Trading Assets and Trading Liabilities**

Financial instruments are included within the trading portfolio if they have been originated, acquired, or incurred principally for the purpose of selling or repurchasing in the near term, or they 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.

Included within the trading portfolio are trading securities, trading loans, trading deposits, securitization liabilities at fair value, obligations related to securities sold short, and physical commodities, as well as certain financing-type physical commodities transactions that are recorded on the Consolidated Balance Sheet as securities purchased under reverse repurchase agreements and obligations related to securities sold under repurchase agreements, respectively.

Trading portfolio assets and liabilities are recognized on a trade date basis and 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. Physical commodities are measured at fair value less costs to sell.

Transaction costs are expensed as incurred. Dividends are recognized on the ex-dividend date and interest is recognized on an accrual basis using the effective interest rate method (EIRM). Both dividends and interest are included in interest income or interest expense.

#### **Designated at Fair Value through Profit or Loss**

Certain financial assets and liabilities that do not meet the definition of trading may be designated at fair value through profit or loss. To be designated at fair value through profit or loss, financial assets or 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 assets or liabilities, or both, 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 fair value through profit or loss designation is available only for those financial instruments for which a reliable estimate of fair value can be obtained. Once financial assets and liabilities are designated at fair value through profit or loss, the designation is irrevocable.

Assets and liabilities designated at fair value through profit or loss 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 other income. Interest is recognized on an accrual basis using the EIRM and is included in interest income or interest expense.

#### **Available-for-Sale Securities**

Financial assets not classified as trading, designated at fair value through profit or loss, held-to-maturity or loans, are classified as available-for-sale and include equity securities and debt securities.

Available-for-sale securities are recognized on a trade date basis and are 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 available-for-sale are calculated on a weighted-average cost basis and are recognized in net securities gains (losses) in non-interest income. Dividends are recognized on the ex-dividend date and interest income is recognized on an accrual basis using the EIRM. Both dividends and interest are included in Interest income on the Consolidated Statement of Income.

Impairment losses are recognized if there is objective evidence of impairment as a result of one or more events that have occurred (a 'loss event') and the loss event(s) results in a decrease in the estimated future cash flows of the instrument. A significant or prolonged decline in fair value below cost is considered objective evidence of impairment for available-for-sale equity securities. A deterioration in credit quality is considered objective evidence of impairment for available-for-sale debt securities. Qualitative factors are also considered when assessing impairment for available-for-sale securities. When impairment is identified, the cumulative net loss previously recognized in other comprehensive income, less any impairment loss previously recognized on the Consolidated Statement of Income, is 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 increases, the impairment loss is not reversed through the Consolidated Statement of Income. Subsequent increases in fair value are recognized in other comprehensive income. If the fair value of a previously impaired debt security subsequently increases and the increase can be objectively related to an event occurring after the impairment was recognized on the Consolidated Statement of Income, then the impairment loss is reversed through the Consolidated Statement of Income. An increase in fair value in excess of impairment recognized previously on the Consolidated Statement of Income is recognized in other comprehensive income.

#### **Held-to-Maturity Securities**

Debt securities with fixed or determinable payments and fixed maturity dates, that do not meet the definition of loans and receivables, and that the Bank intends and has the ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost, net of impairment losses. Securities classified as held-to-maturity are assessed for objective evidence of impairment at the counterparty-specific level. If there is no objective evidence of impairment at the counterparty-specific level then the security is grouped with other held-to-maturity securities with similar credit risk characteristics and collectively assessed for impairment, which considers losses incurred but not identified. Interest income is recognized using the EIRM and is included in Interest income on the Consolidated Statement of Income.

#### **Loans and Allowance for Loan Losses**

##### *Loans*

Loans are non-derivative financial assets with fixed or determinable payments that the Bank does not intend to sell immediately or in the near term and that are not quoted in an active market. Loans are carried at amortized cost on the Consolidated Balance Sheet, net of an allowance for loan losses, 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 the 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 to interest income over the term of the loan.

##### *Loan Impairment, Excluding Acquired Credit-Impaired Loans*

A loan, including a debt security classified as a loan, is considered impaired when there is objective evidence that there has been a deterioration of credit quality subsequent to the initial recognition of the loan (a 'loss event') to the extent the Bank no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. Indicators of impairment could include, but are 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 will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset.

A loan will be reclassified back to performing status when it has been determined that there is 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 have been remedied. For gross impaired debt securities classified as loans, subsequent to any recorded impairment, interest income continues to be recognized using the 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 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. Once modified, additional impairment is recorded where the Bank identifies a decrease in the



modified loan's estimated realizable value as a result of the modification. Modified loans are assessed for impairment, consistent with the Bank's existing policies for impairment.

#### *Allowance for Credit Losses, Excluding Acquired Credit-Impaired Loans*

The allowance for credit losses represents 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 includes credit-related allowances for residential mortgages, consumer instalment and other personal, credit card, business and government loans, and debt securities classified as loans, is deducted from Loans on the Consolidated Balance Sheet. The allowance for credit 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. The Bank maintains both counterparty-specific and collectively assessed allowances. Each quarter, allowances are 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 continue to be recognized by means of an allowance for credit losses until a loan is written off.

A loan is written off against the related allowance for credit 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 secured 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.

#### *Counterparty-Specific Allowance*

Individually significant loans, such as the Bank's medium-sized business and government loans and debt securities classified as loans, are assessed for impairment at the counterparty-specific level. The impairment assessment is based on the counterparty's credit ratings, overall financial condition, and where applicable, the realizable value of the collateral. Collateral is reviewed at least annually and when conditions arise indicating an earlier review is necessary. An allowance, if applicable, is measured as the difference between the carrying amount of the loan and the estimated recoverable amount. The estimated recoverable amount is 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, are collectively assessed for impairment. Allowances are calculated using a formula that incorporates recent loss experience, historical default rates which are delinquency levels in interest or principal payments that indicate impairment, other applicable currently observable data, and the type of collateral pledged.

#### *Collectively Assessed Allowance for Incurred but Not Identified Credit Losses*

If there is no objective evidence of impairment for an individual loan, whether significant or not, the loan is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment for losses incurred but not identified. This allowance is referred to as the allowance for incurred but not identified credit losses. The level of the allowance for each group depends upon an assessment of business and economic conditions, historical loss experience, loan portfolio composition, and other relevant indicators. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions. The allowance for incurred but not identified credit losses is calculated using credit risk models that consider probability of default (loss frequency), loss given credit default (loss severity), and exposure at default. For purposes

of measuring the collectively assessed allowance for incurred but not identified credit losses, default is defined as delinquency levels in interest or principal payments that would indicate impairment.

#### *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 the current market rates. As a result, no allowance for credit losses is recorded on the date of acquisition. 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 acquired credit-impaired (ACI) loans.

Acquired performing loans are subsequently accounted for at amortized cost based on their contractual cash flows and any acquisition related discount or premium is considered to be an adjustment to the loan yield and is recognized in interest income using the 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 are not accreted. Acquired loans are 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 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 that 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 EIR as compared to the carrying value of the loan. Impairment is 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 increase or decrease which may result 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 is recognized.

#### *Federal Deposit Insurance Corporation Covered Loans*

Loans subject to loss share agreements with the Federal Deposit Insurance Corporation (FDIC) are considered FDIC covered loans. The amounts expected to be reimbursed by the FDIC are considered separately as indemnification assets and are initially measured at fair value. If losses on the portfolio are greater than amounts expected at the acquisition date, an impairment loss is taken by establishing an allowance for credit losses, which is determined on a gross basis, exclusive of any adjustments to the indemnification assets.

Indemnification assets are subsequently adjusted for any changes in estimates related to the overall collectability of the underlying loan portfolio. Any additional impairment of the underlying loan portfolio generally results in an increase of the indemnification asset through

the provision for credit losses. Alternatively, decreases in the expectation of losses of the underlying loan portfolio generally results in a decrease of the indemnification asset through net interest income (or through the provision for credit losses if impairment was previously taken). The indemnification asset is drawn down as payments are received from the FDIC pertaining to the loss share agreements.

FDIC covered loans are recorded in Loans on the Consolidated Balance Sheet. The indemnification assets are recorded in Other assets on the Consolidated Balance Sheet.

At the end of each loss share period, the Bank may be required to make a payment to the FDIC if actual losses incurred are less than the intrinsic loss estimate as defined in the loss share agreements. The payment is determined as 20% of the excess between the intrinsic loss estimate and actual covered losses determined in accordance with the loss sharing agreement, net of specified servicing costs. The fair value of the estimated payment is included in part of the indemnification asset at the date of acquisition. Subsequent changes to the estimated payment are considered in determining the adjustment to the indemnification asset as described above.

#### *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.

#### **Financial Liabilities Carried at Amortized Cost**

##### *Deposits*

Deposits, other than deposits included in a trading portfolio, are accounted for at amortized cost. Accrued interest on deposits, calculated using the EIRM, is included in Other liabilities on the Consolidated Balance Sheet.

##### *Subordinated Notes and Debentures*

Subordinated notes and debentures are initially recognized at fair value and subsequently accounted for at amortized cost. Interest expense, including capitalized transaction costs, is recognized on an accrual basis using the EIRM.

#### **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. Financial standby letters of credit are financial guarantees that 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. Guarantees, including financial and performance standby letters of credit, 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 which are over-the-counter (OTC) contracts designed to transfer the credit risk in an underlying financial instrument from one counterparty to another.

#### **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 in 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.

#### **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 portfolio. The realized and unrealized gains or losses on trading derivatives are recognized immediately in trading income (losses).

##### **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, *Financial Instruments: Recognition and Measurement* (IAS 39), they are classified by the Bank 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 classified 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 immediately 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).

#### *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 that are denominated in foreign currencies, as well as the variability in future cash flows on non-trading assets and liabilities that bear interest at variable rates, or are expected to be reinvested in the future. 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 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 accumulated in other comprehensive income are reclassified to Net interest income or Non-interest income, as applicable, 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 other comprehensive income at that time remains in other comprehensive income 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 other comprehensive income 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 on the Consolidated Statement of Income. Gains and losses accumulated in other comprehensive income 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 other financial instruments (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 fair value through profit or loss. 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 OF FOREIGN CURRENCIES**

The Bank's Consolidated Financial Statements are presented in Canadian dollars, which is the presentation currency of the Bank. 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 prevailing throughout the year. Translation gains and losses are included in non-interest income except for available-for-sale equity securities where unrealized translation gains and losses are recorded in other comprehensive income until the asset is sold or becomes impaired.

Foreign-currency denominated subsidiaries are those with a functional currency other than Canadian dollars. For the purpose of translation into the Bank's functional currency, all assets and liabilities are translated at exchange rates in effect at the balance sheet date and all income and expenses are translated at average exchange rates for the period. Unrealized translation gains and losses relating to these operations, net of gains or losses arising from net investment hedges of these positions and applicable income taxes, are included in other comprehensive income. Translation gains and losses accumulated in other comprehensive income are recognized on the Consolidated Statement of Income upon the disposal or partial disposal of the investment in the foreign operation. The investment balance of foreign entities accounted for by the equity method, including TD Ameritrade, is translated into Canadian dollars using the closing rate at the end of the period 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 in income 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 in income 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 risk 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 in other comprehensive income. 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 under IFRS 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 the 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 expenses and Non-interest income, respectively, 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 determined using the EIRM and 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 under IFRS 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 to sell 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 is applied to the goodwill balance. An impairment loss 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 to sell 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. 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. 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 (and 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 (disposal groups). Non-current assets (and 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 (and 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 the effects of hedges, 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 reflects long-term corporate AA bond yields as of the measurement date. 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 12 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.

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 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. The increase in provisions due to the passage of time is recognized as interest expense.

## **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 the period in which management determines they are no longer required or as determined by statute.

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.

#### **IMPAIRMENT OF FINANCIAL ASSETS**

##### ***Available-for-Sale Securities***

Impairment losses are recognized on available-for-sale securities if there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition and the loss event(s) results in a decrease in the estimated cash flows of the instrument. The Bank individually reviews these securities at least quarterly for the presence of these conditions. For available-for-sale equity securities, a significant or prolonged decline in fair value below cost is considered objective evidence of impairment. For available-for-sale debt securities, a deterioration of credit quality is considered objective evidence of impairment. Other factors considered in the impairment assessment include 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 are recognized on held-to-maturity securities if there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition and the loss event(s) results in a decrease in the estimated cash flows of the instrument. The Bank reviews these securities at least quarterly for impairment at the counterparty-specific level. If there is no objective evidence of impairment at the counterparty-specific level then the security is grouped with other held-to-maturity securities with similar credit risk characteristics and collectively assessed for impairment, which considers losses incurred but not identified. A deterioration of credit quality is considered objective evidence of impairment. Other factors considered in the impairment assessment include 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, is considered impaired when there is objective evidence that there has been a deterioration of credit quality subsequent to the initial recognition of the loan to the extent the Bank no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. The Bank assesses loans for objective evidence of impairment individually for loans that are individually significant, and collectively for loans that are not individually significant. The allowance for credit losses represents management's best estimate of impairment incurred in the lending portfolios, including any off-balance sheet exposures, at the balance sheet date. Management exercises judgment as to the timing of designating a loan as impaired, the amount of the allowance required, and the amount that will be recovered once the borrower defaults. Changes in the amount that management expects to recover would have a direct impact on the provision for credit losses and may result in a change in the allowance for credit losses.

If there is no objective evidence of impairment for an individual loan, whether significant or not, the loan is 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 employs internally developed models that utilize

parameters for probability of default, loss given default and exposure at default. Management's judgment is used to determine the point within the range that is 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 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 incurred but not identified 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 instrument, 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.

The inherent nature of private equity investing is that the Bank's valuation may change over time due to developments in the business underlying the investment. Such fluctuations may be significant depending on the nature of the factors going into the valuation methodology and the extent of change in those factors.

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.

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 asset 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 other comprehensive income. 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, expected credit losses, 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 using management's best estimates of key assumptions including credit losses, prepayment rates, forward yield curves and discount rates, that are commensurate with the risks involved. 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 fair value 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 fair value of CGUs, and the use of different assumptions and estimates in the fair value 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, fair values 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 unallocated 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 reflects long-term corporate AA bond yields as of the measurement date. 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 23.

#### **CONSOLIDATION OF STRUCTURED ENTITIES**

Management judgment is required when assessing whether the Bank should consolidate an entity, particularly complex entities. 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 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.

NOTE 4	CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES
--------	---

#### 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.

##### **Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* (IFRS 9), which replaces the guidance in IAS 39. This final version 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 at this time and will comply with the revised hedge accounting disclosures as required by the related amendments to IFRS 7.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively with certain exceptions. 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 has made the decision not to restate comparative period financial information and will recognize any measurement difference between the previous carrying amount and the new carrying amount on November 1, 2017, through an adjustment to opening retained earnings. In January 2015, OSFI issued the final version of the Advisory titled "Early adoption of IFRS 9 *Financial Instruments* for Domestic Systemically Important Banks". All domestic systemically important banks (D-SIBs), including the Bank, are required to early adopt IFRS 9 for the annual period beginning on November 1, 2017. Consequential amendments were made to IFRS 7, *Financial Instruments: Disclosures* (IFRS 7) introducing expanded qualitative and quantitative disclosures related to IFRS 9, which are required to be adopted for the annual period beginning on November 1, 2017, when the Bank first applies IFRS 9.

In December 2015, the Basel Committee on Banking Supervision (BCBS) issued "Guidance on credit risk and accounting for expected credit losses" which sets out supervisory guidance on sound credit risk practices associated with the implementation and ongoing application of expected credit loss accounting frameworks. In June 2016, OSFI issued the guideline, "IFRS 9 *Financial Instruments and Disclosures*", which provides guidance to Federally Regulated Entities on the application of IFRS 9 that is consistent with the BCBS guidance. This guideline, which is effective for the Bank upon adoption of IFRS 9, replaces certain guidelines that were in effect under IAS 39. The adoption of IFRS 9 is a significant initiative for the Bank supported by a formal governance framework and a robust implementation plan.

##### **Revenue from Contracts with Customers**

In May 2014, the IASB issued 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 standard also requires additional qualitative and quantitative disclosures. In July 2015, the IASB confirmed a one-year deferral of the effective date to annual periods beginning on or after January 1, 2018, which will be November 1, 2018 for the Bank, and is to be applied retrospectively. In April 2016, the IASB issued amendments to IFRS 15, which provided additional guidance on the identification of performance obligations, on assessing principal versus agent considerations and on licensing revenue. The amendments also provided additional transitional relief upon initial adoption of IFRS 15 and have the same effective date as the IFRS 15 standard. The Bank is currently assessing the impact of adopting this standard.

##### **Leases**

In January 2016, the IASB issued IFRS 16, *Leases* (IFRS 16), which will replace IAS 17, 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. Lessees will also recognize depreciation expense on the right-of-use asset and interest expense on the lease liability in the statement of income. Short-term leases, which are defined as those that have a lease term of 12 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, and is to be applied retrospectively. Early adoption is permitted only if aligned with or after the adoption of IFRS 15. The Bank is currently assessing the impact of adopting IFRS 16.

##### **Share-based Payment**

In June 2016, the IASB published amendments to IFRS 2, *Share-based Payment*, 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 will be November 1, 2018 for the Bank, and is to be applied prospectively; however, retrospective application is permitted in certain instances. Early adoption is permitted. The amendments to IFRS 2 are not expected to have a material impact on the Bank.

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, assets and liabilities designated at fair value through profit or loss, instruments classified as available-for-sale, 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 includes 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 (TBA) 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 is primarily based on broker quotes, third-party vendor prices, or other valuation techniques, such as the use of option-adjusted spread (OAS) 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, including debt securities reclassified from trading to available-for-sale, is primarily based on broker quotes, third-party vendor prices, or other valuation techniques, such as discounted cash flow techniques. Market inputs used in the 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 relative fair value. Subsequently, the fair value of retained interests recognized by the Bank is determined by estimating the present value of future expected cash flows using management's best estimates of key assumptions including credit losses, prepayment rates, forward yield curves, and discount rates, that are commensurate with the risks involved. 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, other than debt securities classified as loans, 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.

At initial recognition, debt securities classified as loans do not include securities with quoted prices in active markets. When quoted market prices are not readily available, fair value is based on quoted market prices of similar securities, other third-party evidence or by using a valuation technique that maximizes the use of observable market inputs. If quoted prices in active markets subsequently become available, these are used to determine fair value for debt securities classified as loans.

The fair value of loans carried at fair value through profit or loss, which includes trading loans and loans designated at fair value through profit or loss, 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.

##### **Commodities**

The fair value of physical commodities is based on quoted prices in active markets, where available. The Bank also transacts in 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 fulfill 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.

In the case of defaulted counterparties, a specific provision is established to recognize the estimated realizable value, net of collateral held, based on market pricing in effect at the time the default is recognized. In these instances, the estimated realizable value is measured by discounting the expected future cash flows at an appropriate EIR immediately prior to impairment, after adjusting for the value of collateral. The fair value of non-trading derivatives is determined on the same basis as for trading derivatives.

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 in response to growing evidence that market implied funding costs and benefits are considered in the pricing and fair valuation of uncollateralized derivatives. Some of the key drivers of FVA include the market implied cost of funding spread over the London Interbank Offered Rate (LIBOR) and the expected average exposure by counterparty. FVA is further adjusted to account for the extent to which the funding cost is incorporated into observed traded levels and to calibrate to the expected term of the trade.

The FVA applies to both assets and liabilities, but largely relates to uncollateralized derivative assets given the impact of the Bank's own credit risk, which is a significant component of the funding costs, is already incorporated in the valuation of uncollateralized derivative liabilities through the application of CRVA. The Bank will continue to monitor industry practice, and may refine the methodology and the products to which FVA applies to 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, 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.

### **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 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.

### **Other Financial Liabilities Designated at Fair Value**

For deposits designated at fair value through profit or loss, fair value is determined using discounted cash flow valuation techniques which maximize the use of observable market inputs such as benchmark yield curves. The Bank considers the impact of its own creditworthiness in the valuation of these deposits by reference to observable market inputs. The Bank currently issues mortgage loan commitments to its customers which allow them to lock in a fixed mortgage rate prior to their expected funding date. The Bank values loan commitments through the use of an option pricing model and with adjustments calculated using an expected funding ratio to arrive at the most representative fair value. The expected funding ratio represents the Bank's best estimate, based on historical analysis, as to the amount of loan commitments that will actually fund. If commitment extensions are exercised by the borrower, the Bank will remeasure the written option at fair value.

### **Portfolio Exception**

IFRS 13 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 measured at Fair Value**

The fair value of assets and liabilities subsequently not measured at fair value include loans, deposits, certain securitization liabilities, certain securities purchased under reverse repurchase agreements, 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, customers' liability under acceptances, and acceptances.

### Carrying Value and Fair Value of Financial Instruments not carried at Fair Value

The fair values in the following table exclude the value of 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, 2016		October 31, 2015	
	Carrying value	Fair value	Carrying value	Fair value
	<i>As at</i>			
<b>FINANCIAL ASSETS</b>				
Cash and due from banks	\$ 3,907	\$ 3,907	\$ 3,154	\$ 3,154
Interest-bearing deposits with banks	53,714	53,714	42,483	42,483
Held-to-maturity securities <sup>2</sup>				
Government and government-related securities	51,290	51,855	43,667	44,095
Other debt securities	33,105	33,135	30,783	30,647
Total held-to-maturity securities	84,395	84,990	74,450	74,742
Securities purchased under reverse repurchase agreements	84,324	84,324	84,163	84,163
Loans	584,243	589,080	542,418	544,862
Debt securities classified as loans	1,413	1,678	1,923	2,166
Total loans	585,656	590,758	544,341	547,028
Other				
Customers' liability under acceptances	15,706	15,706	16,646	16,646
Amounts receivable from brokers, dealers and clients	17,436	17,436	21,996	21,996
Other assets	4,352	4,352	4,247	4,247
Total assets not carried at fair value	\$ 849,490	\$ 855,187	\$ 791,480	\$ 794,459
<b>FINANCIAL LIABILITIES</b>				
Deposits	\$ 773,660	\$ 776,161	\$ 695,576	\$ 697,376
Acceptances	15,706	15,706	16,646	16,646
Obligations related to securities sold under repurchase agreements	45,316	45,316	54,780	54,780
Securitization liabilities at amortized cost	17,918	18,276	22,743	23,156
Amounts payable to brokers, dealers and clients	17,857	17,857	22,664	22,664
Other liabilities	9,229	9,288	7,788	7,826
Subordinated notes and debentures	10,891	11,331	8,637	8,992
Total liabilities not carried at fair value	\$ 890,577	\$ 893,935	\$ 828,834	\$ 831,440

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

<sup>2</sup> Includes debt securities reclassified from available-for-sale to held-to-maturity. Refer to Note 7 for carrying value and fair value of the reclassified debt securities.

#### 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 in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain Canadian and U.S. Treasury bills and Government bonds that are highly liquid and are 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. This category generally includes Canadian and U.S. Government securities, Canadian and U.S. agency mortgage-backed debt securities, corporate debt securities, certain derivative contracts, certain securitization liabilities, and certain trading deposits.

**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 fair valued 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. This category generally includes retained interests in certain loan securitizations and certain derivative contracts.

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<sup>1</sup>

(millions of Canadian dollars)

	October 31, 2016				October 31, 2015			
	Level 1	Level 2	Level 3	Total <sup>2</sup>	Level 1	Level 2	Level 3	Total <sup>2</sup>
<b>FINANCIAL ASSETS AND COMMODITIES</b>								
<b>Trading loans, securities, and other<sup>3</sup></b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	\$ 70	\$ 9,978	\$ 34	\$ 10,082	\$ 493	\$ 11,560	\$ –	\$ 12,053
Provinces	–	5,678	–	5,678	–	6,121	24	6,145
U.S. federal, state, municipal governments, and agencies debt	724	17,246	–	17,970	1	15,719	–	15,720
Other OECD government guaranteed debt	–	4,424	73	4,497	–	4,194	5	4,199
Mortgage-backed securities	–	1,472	–	1,472	–	1,019	–	1,019
<b>Other debt securities</b>								
Canadian issuers	–	2,697	15	2,712	–	2,558	57	2,615
Other issuers	–	7,572	148	7,720	–	7,442	108	7,550
<b>Equity securities</b>								
Common shares	29,054	96	65	29,215	28,933	447	186	29,566
Preferred shares	27	–	–	27	33	–	5	38
<b>Trading loans</b>								
Commodities	8,071	176	–	8,247	5,410	154	–	5,564
Retained interests	–	–	31	31	–	–	38	38
	37,946	60,945	366	99,257	34,870	59,864	423	95,157
<b>Derivatives</b>								
Interest rate contracts	4	27,364	–	27,368	2	27,968	–	27,970
Foreign exchange contracts	44	41,828	9	41,881	45	38,692	6	38,743
Credit contracts	–	–	–	–	–	59	4	63
Equity contracts	–	1,391	729	2,120	–	1,376	560	1,936
Commodity contracts	51	816	6	873	32	691	3	726
	99	71,399	744	72,242	79	68,786	573	69,438
<b>Financial assets designated at fair value through profit or loss</b>								
Securities <sup>3</sup>	80	4,046	157	4,283	106	4,189	83	4,378
	80	4,046	157	4,283	106	4,189	83	4,378
<b>Available-for-sale securities</b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	–	14,717	–	14,717	–	14,431	–	14,431
Provinces	–	7,851	–	7,851	–	7,185	–	7,185
U.S. federal, state, municipal governments, and agencies debt	–	34,473	–	34,473	–	22,585	–	22,585
Other OECD government guaranteed debt	–	15,503	6	15,509	–	11,648	7	11,655
Mortgage-backed securities	–	4,949	–	4,949	–	4,060	–	4,060
<b>Other debt securities</b>								
Asset-backed securities	–	18,593	–	18,593	–	16,261	501	16,762
Non-agency collateralized mortgage obligation portfolio	–	625	–	625	–	916	–	916
Corporate and other debt	–	8,266	20	8,286	–	8,618	147	8,765
<b>Equity securities</b>								
Common shares <sup>4,5</sup>	231	223	1,594	2,048	177	100	1,575	1,852
Preferred shares	88	–	98	186	20	–	94	114
<b>Debt securities reclassified from trading</b>								
	–	49	279	328	–	169	282	451
	319	105,249	1,997	107,565	197	85,973	2,606	88,776
Securities purchased under reverse repurchase agreements	–	1,728	–	1,728	–	13,201	–	13,201
<b>FINANCIAL LIABILITIES</b>								
Trading deposits	\$ –	\$ 76,568	\$ 3,218	\$ 79,786	\$ –	\$ 72,879	\$ 1,880	\$ 74,759
<b>Derivatives</b>								
Interest rate contracts	3	22,092	95	22,190	34	22,959	88	23,081
Foreign exchange contracts	16	39,535	5	39,556	25	30,588	5	30,618
Credit contracts	–	257	–	257	–	290	–	290
Equity contracts	–	1,351	1,408	2,759	2	1,316	957	2,275
Commodity contracts	75	587	1	663	49	899	6	954
	94	63,822	1,509	65,425	110	56,052	1,056	57,218
Securitization liabilities at fair value	–	12,490	–	12,490	–	10,986	–	10,986
<b>Other financial liabilities designated at fair value through profit or loss</b>								
Obligations related to securities sold short <sup>3</sup>	1,396	31,705	14	33,115	8,783	29,961	59	38,803
Obligations related to securities sold under repurchase agreements	–	3,657	–	3,657	–	12,376	–	12,376

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

<sup>2</sup> Fair value is the same as carrying value.

<sup>3</sup> Balances reflect the reduction of securities owned (long positions) by the amount of identical securities sold but not yet purchased (short positions).

<sup>4</sup> As at October 31, 2016, the carrying values of certain available-for-sale equity securities of \$6 million (October 31, 2015 – \$6 million) are carried at cost in the absence of quoted market prices in an active market and are excluded from the table above.

<sup>5</sup> As at October 31, 2016, common shares include the fair value of Federal Reserve Stock and Federal Home Loan Bank stock of \$1.3 billion (October 31, 2015 – \$1.3 billion) which are redeemable by the issuer at cost for which cost approximates fair value. These securities cannot be traded in the market; hence, these securities have not been subject to sensitivity analysis of Level 3 financial assets and liabilities.

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, 2016 and October 31, 2015.

#### ***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 Nov. 1, 2015	Total realized and unrealized gains (losses)		Movements			Transfers		Fair value as at Oct. 31, 2016	Change in unrealized gains (losses) on instruments still held <sup>4</sup>
		Included in income <sup>1</sup>	Included in OCI <sup>2</sup>	Purchases	Issuances	Other <sup>3</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										
Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34	\$ -	\$ 34	\$ -
Provinces	24	3	-	39	-	(67)	3	(2)	-	-
Other OECD government guaranteed debt	5	-	-	1	-	-	73	(6)	73	-
<b>Other debt securities</b>										
Canadian issuers	57	(1)	-	23	-	(66)	3	(1)	15	(1)
Other issuers	108	17	-	129	-	(201)	340	(245)	148	9
<b>Equity securities</b>										
Common shares	186	-	-	77	-	(198)	-	-	65	-
Preferred shares	5	-	-	32	-	(37)	-	-	-	-
<b>Trading loans</b>										
<b>Commodities</b>										
Retained interests	38	2	-	-	-	(9)	-	-	31	2
	423	21	-	301	-	(578)	453	(254)	366	10
<b>Financial assets designated at fair value through profit or loss</b>										
Securities	83	2	-	101	-	(62)	53	(20)	157	1
Loans	-	-	-	-	-	-	-	-	-	-
	83	2	-	101	-	(62)	53	(20)	157	1
<b>Available-for-sale securities</b>										
<b>Government and government-related securities</b>										
Canadian government debt										
Federal	-	-	-	-	-	-	-	-	-	-
Provinces	-	-	-	-	-	-	-	-	-	-
Other OECD government guaranteed debt	7	-	-	-	-	(1)	-	-	6	-
<b>Other debt securities</b>										
Asset-backed securities	501	-	-	-	-	(501)	-	-	-	-
Corporate and other debt	147	5	(3)	-	-	(5)	3	(127)	20	(1)
<b>Equity securities</b>										
Common shares	1,575	53	(32)	71	-	(73)	-	-	1,594	(23)
Preferred shares	94	(18)	11	11	-	-	-	-	98	11
<b>Debt securities reclassified from trading</b>										
	282	36	-	-	-	(4)	-	(35)	279	-
	\$ 2,606	\$ 76	\$ (24)	\$ 82	\$ -	\$ (584)	\$ 3	\$ (162)	\$ 1,997	\$ (13)

	Fair value as at Nov. 1, 2015	Total realized and unrealized losses (gains)		Movements			Transfers		Fair value as at Oct. 31, 2016	Change in unrealized losses (gains) on instruments still held <sup>4</sup>
		Included in income <sup>1</sup>	Included in OCI <sup>2</sup>	Purchases	Issuances	Other <sup>3</sup>	Into Level 3	Out of Level 3		
<b>FINANCIAL LIABILITIES</b>										
<b>Trading deposits<sup>5</sup></b>										
	\$ 1,880	\$ 130	\$ -	\$ (480)	\$ 2,032	\$ (343)	\$ 11	\$ (12)	\$ 3,218	\$ 151
<b>Derivatives<sup>6</sup></b>										
Interest rate contracts	88	11	-	-	-	(4)	-	-	95	9
Foreign exchange contracts	(1)	(3)	-	-	-	(1)	-	1	(4)	(2)
Credit contracts	(4)	4	-	-	-	-	-	-	-	4
Equity contracts	397	258	-	(80)	209	(105)	1	(1)	679	258
Commodity contracts	3	3	-	-	-	(8)	(3)	-	(5)	(2)
	483	273	-	(80)	209	(118)	(2)	-	765	267
<b>Other financial liabilities designated at fair value through profit or loss</b>										
	13	(64)	-	-	130	(66)	-	-	13	(41)
<b>Obligations related to securities sold short</b>										
	\$ 59	\$ -	\$ -	\$ (103)	\$ -	\$ 58	\$ -	\$ -	\$ 14	\$ -

<sup>1</sup> Gains (losses) on financial assets and liabilities are recognized in Net securities gains (losses), Trading income (loss), and Other income (loss) on the Consolidated Statement of Income.

<sup>2</sup> Other comprehensive income (OCI).

<sup>3</sup> Consists of sales, settlements, and foreign exchange.

<sup>4</sup> Changes in unrealized gains (losses) on available-for-sale securities are recognized in accumulated other comprehensive income (AOCI).

<sup>5</sup> Beginning February 1, 2016, issuances and repurchases of trading deposits are reported on a gross basis.

<sup>6</sup> As at October 31, 2016, consists of derivative assets of \$0.7 billion (November 1, 2015 - \$0.6 billion) and derivative liabilities of \$1.5 billion (November 1, 2015 - \$1.1 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 Nov. 1, 2014	Total realized and unrealized gains (losses)		Movements			Transfers		Fair value as at Oct. 31, 2015	Change in unrealized gains (losses) on instruments still held <sup>4</sup>
		Included in income <sup>2</sup>	Included in OCI	Purchases	Issuances	Other <sup>3</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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (9)	\$ 33	\$ -	\$ 24	\$ -
Other OECD government guaranteed debt	-	-	-	-	-	-	5	-	5	-
<b>Other debt securities</b>										
Canadian issuers	20	-	-	63	-	(96)	72	(2)	57	(1)
Other issuers	66	(11)	-	61	-	(167)	184	(25)	108	-
<b>Equity securities</b>										
Common shares	4	-	-	276	-	(94)	-	-	186	-
Preferred shares	-	-	-	31	-	(26)	-	-	5	-
<b>Retained interests</b>	48	3	-	-	-	(13)	-	-	38	2
	138	(8)	-	431	-	(405)	294	(27)	423	1
<b>Financial assets designated at fair value through profit or loss</b>										
Securities	-	-	-	-	-	-	83	-	83	-
Loans	5	1	-	-	-	(6)	-	-	-	2
	5	1	-	-	-	(6)	83	-	83	2
<b>Available-for-sale securities</b>										
<b>Government and government-related securities</b>										
Canadian government debt										
Provinces	51	1	-	-	-	-	-	(52)	-	1
Other OECD government guaranteed debt	5	-	-	-	-	2	-	-	7	-
<b>Other debt securities</b>										
Asset-backed securities	-	-	(44)	-	-	43	502	-	501	(44)
Corporate and other debt	19	3	5	-	-	(3)	242	(119)	147	5
<b>Equity securities</b>										
Common shares	1,303	91	2	404	-	(225)	-	-	1,575	40
Preferred shares	141	(34)	(12)	-	-	(1)	-	-	94	(12)
<b>Debt securities reclassified from trading</b>	309	29	28	-	-	(68)	38	(54)	282	28
	\$ 1,828	\$ 90	\$ (21)	\$ 404	\$ -	\$ (252)	\$ 782	\$ (225)	\$ 2,606	\$ 18
<b>FINANCIAL LIABILITIES</b>										
<b>Trading deposits</b>	\$ 1,631	\$ 6	\$ -	\$ -	\$ 834	\$ (591)	\$ -	\$ -	\$ 1,880	\$ (13)
<b>Derivatives<sup>5</sup></b>										
Interest rate contracts	81	2	-	-	-	5	-	-	88	4
Foreign exchange contracts	(2)	(2)	-	-	-	-	(3)	6	(1)	1
Credit contracts	-	(4)	-	-	-	-	-	-	(4)	(4)
Equity contracts	504	(63)	-	(96)	194	(124)	-	(18)	397	(66)
Commodity contracts	4	26	-	-	-	(25)	(2)	-	3	7
	587	(41)	-	(96)	194	(144)	(5)	(12)	483	(58)
<b>Other financial liabilities designated at fair value through profit or loss</b>										
	8	(40)	-	-	90	(45)	-	-	13	(46)
<b>Obligations related to securities sold short</b>										
	\$ 34	\$ -	\$ -	\$ (78)	\$ -	\$ 105	\$ -	\$ (2)	\$ 59	\$ -

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

<sup>2</sup> Gains (losses) on financial assets and liabilities are recognized in Net securities gains (losses), Trading income (loss), and Other income (loss) on the Consolidated Statement of Income.

<sup>3</sup> Consists of sales, settlements, and foreign exchange.

<sup>4</sup> Changes in unrealized gains (losses) on available-for-sale securities are recognized in AOCI.

<sup>5</sup> As at October 31, 2015, consists of derivative assets of \$0.6 billion (November 1, 2014 - \$1.1 billion) and derivative liabilities of \$1.1 billion (November 1, 2014 - \$1.6 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.

#### *Credit Spread*

Credit spread is a significant input used in the valuation of many derivatives. It is the primary reflection of the creditworthiness of a counterparty and represents the premium or yield return above the benchmark reference that a bond holder would require in order to allow for the credit quality difference between the entity and the reference benchmark. An increase/(decrease) in credit spread will (decrease)/increase the value of financial instrument. Credit spread may be negative where the counterparty is more credit worthy than the benchmark against which the spread is calculated. A wider credit spread represents decreasing creditworthiness.

#### *Prepayment Rate and Liquidation Rate*

Expected future prepayment and liquidation rates are significant inputs for retained interests and represent the amount of unscheduled principal repayment. The prepayment rate and liquidation rate will be obtained from prepayment forecasts which are based on a number of factors such as historical prepayment rates for similar pool loans and the future economic outlook, considering factors including, but not limited to, future interest rates.

#### *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 mortgage commitments issued by the Bank. The funding ratio represents an estimate of 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.

#### *Net Asset Value*

The fair value of certain private funds are based on the net asset value (NAV) provided by fund managers as there are no observable prices for these instruments.

#### *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.

**Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities**

The following tables present 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<sup>1</sup>**

		October 31, 2016		October 31, 2015		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	61	131	55	136	points
<b>Other debt securities</b>	Market comparable	Bond price equivalent	–	109	–	128	points
<b>Equity securities<sup>2</sup></b>	Market comparable	New issue price	100	100	100	100	%
	Discounted cash flow	Discount rate	7	18	8	20	%
	EBITDA multiple	Earnings multiple	4.5	20.5	4.6	22	times
	Market comparable	Price equivalent	54	117	52	117	%
<b>Retained interests</b>	Discounted cash flow	Prepayment and liquidation rates	–	–	–	–	%
		Discount rates	287	324	280	360	bps <sup>3</sup>
<b>Other financial assets designated at fair value through profit or loss</b>	Net asset value	Net asset value	n/a <sup>4</sup>	n/a <sup>4</sup>	n/a <sup>4</sup>	n/a <sup>4</sup>	
	Market comparable	Bond price equivalent	99	100	100	101	points
<b>Derivatives</b>							
Interest rate contracts	Swaption model	Currency specific volatility	28	264	17	292	%
	Discounted cash flow	Inflation rate swap curve	1	2	1	2	%
	Option model	Funding ratio	55	75	75	75	%
Foreign exchange contracts	Option model	Currency specific volatility	9	14	8	12	%
Credit contracts	Discounted cash flow	Credit spread	7	40	7	55	bps <sup>3</sup>
Equity contracts	Option model	Price correlation	3	95	10	90	%
		Quanto correlation	(38)	17	(38)	17	%
		Dividend yield	–	10	–	12	%
		Equity volatility	2	116	6	94	%
Commodity contracts	Option model	Quanto correlation	(66)	(46)	(45)	(25)	%
		Swaption correlation	29	41	24	36	%
<b>Trading deposits</b>	Option model	Price correlation	3	95	(23)	98	%
		Quanto correlation	(38)	17	(38)	17	%
		Dividend yield	–	10	–	14	%
		Equity volatility	7	116	6	116	%
	Swaption model	Currency specific volatility	28	264	17	292	%
<b>Other financial liabilities designated at fair value through profit or loss</b>	Option model	Funding ratio	2	72	1	72	%
<b>Obligations related to securities sold short</b>	Market comparable	New issue price	100	100	100	100	%

<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, 2016, common shares exclude the fair value of Federal Reserve stock and Federal Home Loan Bank stock of \$1.3 billion (October 31, 2015 – \$1.3 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>3</sup> Basis points.

<sup>4</sup> Not applicable.

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 credit derivatives, sensitivity was calculated on unobservable credit spreads using assumptions derived from the underlying bond position credit spreads. 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 available-for-sale equity securities, 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, 2016		As at October 31, 2015	
	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>Trading loans, securities, and other</b>				
<b>Government and government-related securities</b>				
Canadian government debt				
Federal	\$ 1	\$ 1	\$ –	\$ –
<b>Equity securities</b>				
Common shares	–	–	6	6
<b>Retained interests</b>	<b>2</b>	<b>–</b>	<b>2</b>	<b>–</b>
	<b>3</b>	<b>1</b>	<b>8</b>	<b>6</b>
<b>Derivatives</b>				
Equity contracts	14	16	24	33
	<b>14</b>	<b>16</b>	<b>24</b>	<b>33</b>
<b>Financial assets designated at fair value through profit or loss</b>				
Securities	5	5	–	–
	<b>5</b>	<b>5</b>	<b>–</b>	<b>–</b>
<b>Available-for-sale securities</b>				
<b>Other debt securities</b>				
Corporate and other debt	2	2	3	3
<b>Equity securities</b>				
Common shares	42	12	52	16
Preferred shares	16	5	5	5
<b>Debt securities reclassified from trading</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>4</b>
	<b>60</b>	<b>19</b>	<b>64</b>	<b>28</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Trading deposits</b>				
	<b>15</b>	<b>23</b>	<b>13</b>	<b>17</b>
<b>Derivatives</b>				
Interest rate contracts	27	18	29	14
Equity contracts	31	27	54	40
	<b>58</b>	<b>45</b>	<b>83</b>	<b>54</b>
<b>Other financial liabilities designated at fair value through profit or loss</b>				
	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>
<b>Obligations related to securities sold short</b>				
	<b>–</b>	<b>–</b>	<b>1</b>	<b>1</b>
<b>Total</b>	<b>\$ 156</b>	<b>\$ 110</b>	<b>\$ 195</b>	<b>\$ 141</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 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 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 market inputs at initial recognition.

(millions of Canadian dollars)	For the years ended October 31	
	2016	2015
Balance as at beginning of year	\$ 30	\$ 33
New transactions	69	57
Recognized in the Consolidated Statement of Income during the year	(58)	(60)
<b>Balance as at end of year</b>	<b>\$ 41</b>	<b>\$ 30</b>

## FINANCIAL ASSETS AND LIABILITIES 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 fair value through profit or loss. The actuarial valuation of the insurance reserve is measured using a discount factor which is based on the yield of the supporting invested assets, with changes in the discount factor being recognized on the Consolidated Statement of Income. The unrealized gain or loss on securities designated at fair value through profit or loss is 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 are managed on a fair value basis, or are economically hedged with derivatives as doing so eliminates or significantly reduces an accounting mismatch. As a result, these debt securities have been designated at fair value through profit or loss. The derivatives are carried at fair value, with the change in fair value recognized in non-interest income.

### Other Liabilities Designated at Fair Value through Profit or Loss

Certain deposits and loan commitments issued to customers to provide a mortgage at a fixed rate have been designated at fair value through profit or loss. These deposits and commitments are economically hedged with derivatives and other financial instruments where the changes

in fair value are recognized in non-interest income. The designation of these deposits and loan commitments at fair value through profit or loss eliminates an accounting mismatch that would otherwise arise. The contractual maturity amounts for the deposits designated at fair value through profit or loss were \$0 million less than the carrying amount as at October 31, 2016 (October 31, 2015 – \$4 million less than the carrying amount). As at October 31, 2016, the fair value of deposits designated at fair value through profit or loss includes zero of the Bank's own credit risk (October 31, 2015 – \$1 million). Due to the short-term nature of the loan commitments, changes in the Bank's own credit do not have a significant impact on the determination of fair value.

### Income (Loss) from Changes in Fair Value of Financial Assets and Liabilities Designated at Fair Value through Profit or Loss

During the year ended October 31, 2016, the income (loss) representing net changes in the fair value of financial assets and liabilities designated at fair value through profit or loss was \$(20) million (2015 – \$(16) million).

### 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 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, 2016				October 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>								
Cash and due from banks	\$ 3,907	\$ –	\$ –	\$ 3,907	\$ 3,154	\$ –	\$ –	\$ 3,154
Interest-bearing deposits with banks	–	53,714	–	53,714	–	42,483	–	42,483
Held-to-maturity securities								
Government and government-related securities	–	51,855	–	51,855	–	44,095	–	44,095
Other debt securities	–	33,135	–	33,135	–	30,647	–	30,647
Total held-to-maturity securities	–	84,990	–	84,990	–	74,742	–	74,742
Securities purchased under reverse repurchase agreements	–	84,324	–	84,324	–	84,163	–	84,163
Loans	–	205,455	383,625	589,080	–	197,568	347,294	544,862
Debt securities classified as loans	–	304	1,374	1,678	–	528	1,638	2,166
Total Loans	–	205,759	384,999	590,758	–	198,096	348,932	547,028
Other								
Customers' liability under acceptances	–	15,706	–	15,706	–	16,646	–	16,646
Amounts receivables from brokers, dealers, and clients	–	17,436	–	17,436	–	21,996	–	21,996
Other assets	–	4,259	93	4,352	–	4,108	139	4,247
Total assets with fair value disclosures	\$ 3,907	\$ 466,188	\$ 385,092	\$ 855,187	\$ 3,154	\$ 442,234	\$ 349,071	\$ 794,459
<b>LIABILITIES</b>								
Deposits	\$ –	\$ 776,161	\$ –	\$ 776,161	\$ –	\$ 697,376	\$ –	\$ 697,376
Acceptances	–	15,706	–	15,706	–	16,646	–	16,646
Obligations related to securities sold under repurchase agreements	–	45,316	–	45,316	–	54,780	–	54,780
Securitization liabilities at amortized cost	–	18,276	–	18,276	–	23,156	–	23,156
Amounts payable to brokers, dealers, and clients	–	17,857	–	17,857	–	22,664	–	22,664
Other liabilities	–	8,314	974	9,288	–	7,001	825	7,826
Subordinated notes and debentures	–	11,331	–	11,331	–	8,992	–	8,992
Total liabilities with fair value disclosures	\$ –	\$ 892,961	\$ 974	\$ 893,935	\$ –	\$ 830,615	\$ 825	\$ 831,440

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

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 the Other assets note in accounts receivable and other items and in the Other liabilities note 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 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 balance sheet line, after giving effect to transactions with the same counterparties that have been offset in the balance sheet. Related amounts and collateral received that are not offset on the 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, 2016

	Gross amounts of recognized financial instruments before balance sheet netting	Gross amounts of recognized financial instruments set-off 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 set-off in the Consolidated Balance Sheet <sup>1,2</sup>		
				Amounts subject to an enforceable master netting agreement	Collateral	Net Amount
<b>FINANCIAL ASSETS</b>						
Derivatives	\$ 105,511	\$ 33,269	\$ 72,242	\$ 45,646	\$ 14,688	\$ 11,908
Securities purchased under reverse repurchase agreements	102,053	16,001	86,052	309	83,902	1,841
<b>Total</b>	<b>207,564</b>	<b>49,270</b>	<b>158,294</b>	<b>45,955</b>	<b>98,590</b>	<b>13,749</b>
<b>Financial Liabilities</b>						
Derivatives	98,694	33,269	65,425	45,646	14,911	4,868
Obligations related to securities sold under repurchase agreements	64,974	16,001	48,973	309	48,663	1
<b>Total</b>	<b>\$ 163,668</b>	<b>\$ 49,270</b>	<b>\$ 114,398</b>	<b>\$ 45,955</b>	<b>\$ 63,574</b>	<b>\$ 4,869</b>

October 31, 2015

<b>FINANCIAL ASSETS</b>						
Derivatives	\$ 96,632	\$ 27,194	\$ 69,438	\$ 39,962	\$ 18,602	\$ 10,874
Securities purchased under reverse repurchase agreements	113,007	15,643	97,364	6,705	90,538	121
<b>Total</b>	<b>209,639</b>	<b>42,837</b>	<b>166,802</b>	<b>46,667</b>	<b>109,140</b>	<b>10,995</b>
<b>Financial Liabilities</b>						
Derivatives	84,412	27,194	57,218	39,962	11,966	5,290
Obligations related to securities sold under repurchase agreements	82,799	15,643	67,156	6,705	60,445	6
<b>Total</b>	<b>\$ 167,211</b>	<b>\$ 42,837</b>	<b>\$ 124,374</b>	<b>\$ 46,667</b>	<b>\$ 72,411</b>	<b>\$ 5,296</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.

**RECLASSIFICATION OF CERTAIN DEBT SECURITIES – TRADING TO AVAILABLE-FOR-SALE**

During 2008, the Bank changed its trading strategy with respect to certain debt securities as a result of deterioration in markets and severe dislocation in the credit market. These debt securities were initially recorded as trading securities measured at fair value with any changes in fair value as well as any gains or losses realized on disposal recognized in trading income. Since the Bank no longer intended to actively trade in these debt securities, the Bank reclassified these debt securities from trading to available-for-sale effective August 1, 2008.

The fair value of the reclassified debt securities was \$328 million as at October 31, 2016 (October 31, 2015 – \$451 million). For the year ended October 31, 2016, net interest income of \$19 million after tax (October 31, 2015 – \$27 million after tax) was recorded relating to the reclassified debt securities. There was no significant increase in fair value recorded in OCI during the year ended October 31, 2016 (October 31, 2015 – decrease of \$4 million after tax). Had the Bank not reclassified these debt securities, the change in the fair value of these debt securities would have been included as part of trading income, the impact of which would have resulted in no significant

increase for the year ended October 31, 2016 (October 31, 2015 – decrease of \$4 million after tax). During the year ended October 31, 2016, reclassified debt securities with a fair value of \$155 million (October 31, 2015 – \$312 million) were sold or matured, and \$7 million after tax (October 31, 2015 – \$13 million after tax) was recorded in net securities gains during the year ended October 31, 2016.

**RECLASSIFICATIONS OF CERTAIN DEBT SECURITIES – AVAILABLE-FOR-SALE TO HELD-TO-MATURITY**

The Bank has reclassified certain debt securities from available-for-sale to held-to-maturity. For these debt securities, the Bank's strategy is to earn the yield to maturity to aid in prudent capital management under Basel III. These debt securities were previously recorded at fair value, with changes in fair value recognized in OCI. Subsequent to the date of reclassification, the net unrealized gain or loss recognized in AOCI is amortized to interest income over the remaining life of the reclassified debt securities using the EIRM. The reclassifications are non-cash transactions that are excluded from the Consolidated Statement of Cash Flows.

The Bank has completed the following reclassifications.

**Reclassifications from Available-for-Sale to Held-to-Maturity Securities**

(millions of Canadian dollars, except as noted)

Reclassification Date	October 31, 2016			October 31, 2015		As at the reclassification date	
	Amount reclassified	Fair value	Carrying value	Fair value	Carrying value	Weighted-average effective interest rate	Undiscounted recoverable cash flows
March 1, 2013	\$ 11,084	\$ 1,618	\$ 1,605	\$ 4,248	\$ 4,219	1.8%	\$11,341
September 23, 2013	9,854	7,022	6,934	8,995	8,916	1.9	10,742
November 1, 2013	21,597	20,339	20,401	22,532	22,637	1.1	24,519
Other reclassifications <sup>1</sup>	8,342	8,607	8,577	5,085	5,121	2.5	9,490

<sup>1</sup> Represent reclassifications completed during the years ended October 31, 2016 and October 31, 2015.

Had the Bank not reclassified these debt securities, the change in the fair value recognized in OCI for these debt securities would have been an increase of \$156 million during the year ended October 31, 2016 (October 31, 2015 – a decrease of \$275 million). After the reclassification, the debt securities contributed the following amounts to net income.

	For the years ended	
	October 31 2016	October 31 2015
Net interest income <sup>1</sup>	\$ 593	\$ 540
Provision for (recovery of) income taxes	226	199
<b>Net income</b>	<b>\$ 367</b>	<b>\$ 341</b>

<sup>1</sup> Includes amortization of net unrealized gains of \$20 million during the year ended October 31, 2016 (October 31, 2015 – \$46 million), associated with these reclassified held-to-maturity securities that is presented as Reclassification to earnings of net losses (gains) in respect of available-for-sale securities on the Consolidated Statement of Comprehensive Income. The impact of this amortization on net interest income is offset by the amortization of the corresponding net reclassification premium on these debt securities.

## 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 2016						As at October 31 2015	
	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	\$ 5,726	\$ 1,737	\$ 788	\$ 1,154	\$ 677	\$ –	\$ 10,082	\$ 12,053
Provinces	1,552	689	567	1,102	1,768	–	5,678	6,145
U.S. federal, state, municipal governments, and agencies debt	3,971	3,717	3,325	6,922	35	–	17,970	15,720
Other OECD government-guaranteed debt	2,266	1,036	500	540	155	–	4,497	4,199
Mortgage-backed securities								
Residential	170	468	681	–	–	–	1,319	899
Commercial	9	51	12	76	5	–	153	120
	13,694	7,698	5,873	9,794	2,640	–	39,699	39,136
<b>Other debt securities</b>								
Canadian issuers	609	669	592	498	344	–	2,712	2,615
Other issuers	2,498	3,111	1,351	671	89	–	7,720	7,550
	3,107	3,780	1,943	1,169	433	–	10,432	10,165
<b>Equity securities</b>								
Common shares	–	–	–	–	–	29,215	29,215	29,566
Preferred shares	–	–	–	–	–	27	27	38
	–	–	–	–	–	29,242	29,242	29,604
<b>Retained interests</b>								
	–	1	3	20	7	–	31	38
<b>Total trading securities</b>	<b>\$ 16,801</b>	<b>\$ 11,479</b>	<b>\$ 7,819</b>	<b>\$ 10,983</b>	<b>\$ 3,080</b>	<b>\$ 29,242</b>	<b>\$ 79,404</b>	<b>\$ 78,943</b>
<b>Securities designated at fair value through profit or loss (FVO securities)</b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	\$ 533	\$ –	\$ –	\$ –	\$ 27	\$ –	\$ 560	\$ 884
Provinces	–	48	118	286	256	–	708	569
Other OECD government-guaranteed debt	527	332	–	–	–	–	859	940
	1,060	380	118	286	283	–	2,127	2,393
<b>Other debt securities</b>								
Canadian issuers	25	246	528	308	31	–	1,138	944
Other issuers	340	428	51	–	–	103	922	864
	365	674	579	308	31	103	2,060	1,808
<b>Equity securities</b>								
Common shares	–	–	–	–	–	96	96	177
	–	–	–	–	–	96	96	177
<b>Total FVO securities</b>	<b>\$ 1,425</b>	<b>\$ 1,054</b>	<b>\$ 697</b>	<b>\$ 594</b>	<b>\$ 314</b>	<b>\$ 199</b>	<b>\$ 4,283</b>	<b>\$ 4,378</b>
<b>Available-for-sale securities</b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	\$ 659	\$ 6,975	\$ 5,781	\$ 1,296	\$ 6	\$ –	\$ 14,717	\$ 14,431
Provinces	538	2,028	1,471	3,797	17	–	7,851	7,185
U.S. federal, state, municipal governments, and agencies debt	676	2,818	12,951	13,062	4,966	–	34,473	22,585
Other OECD government-guaranteed debt	1,656	3,989	5,267	4,597	–	–	15,509	11,655
Mortgage-backed securities	81	2,141	2,692	35	–	–	4,949	4,060
	3,610	17,951	28,162	22,787	4,989	–	77,499	59,916
<b>Other debt securities</b>								
Asset-backed securities	1,076	3,088	3,414	5,314	5,701	–	18,593	16,762
Non-agency collateralized mortgage obligation portfolio	–	–	–	–	625	–	625	916
Corporate and other debt	1,716	3,950	2,396	109	114	1	8,286	8,765
	2,792	7,038	5,810	5,423	6,440	1	27,504	26,443
<b>Equity securities</b>								
Common shares	–	–	–	–	–	2,054	2,054	1,858
Preferred shares	–	–	–	–	–	186	186	114
	–	–	–	–	–	2,240	2,240	1,972
<b>Debt securities reclassified from trading</b>								
	49	1	–	204	74	–	328	451
<b>Total available-for-sale securities</b>	<b>\$ 6,451</b>	<b>\$ 24,990</b>	<b>\$ 33,972</b>	<b>\$ 28,414</b>	<b>\$ 11,503</b>	<b>\$ 2,241</b>	<b>\$ 107,571</b>	<b>\$ 88,782</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
							2016	2015
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>Held-to-maturity securities</b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	\$ -	\$ 316	\$ 486	\$ -	\$ -	\$ -	\$ 802	\$ 974
U.S. federal, state, municipal governments, and agencies debt	89	4,995	6,240	7,144	3,377	-	21,845	18,648
Other OECD government guaranteed debt	10,326	13,028	4,664	625	-	-	28,643	24,045
	10,415	18,339	11,390	7,769	3,377	-	51,290	43,667
<b>Other debt securities</b>								
Asset-backed securities	-	4,142	7,247	1,522	4,384	-	17,295	19,014
Non-agency collateralized mortgage obligation portfolio	-	-	-	-	9,436	-	9,436	6,158
Other issuers	1,462	3,169	1,256	487	-	-	6,374	5,611
	1,462	7,311	8,503	2,009	13,820	-	33,105	30,783
<b>Total held-to-maturity securities</b>	<b>11,877</b>	<b>25,650</b>	<b>19,893</b>	<b>9,778</b>	<b>17,197</b>	<b>-</b>	<b>84,395</b>	<b>74,450</b>
<b>Total securities</b>	<b>\$ 36,554</b>	<b>\$ 63,173</b>	<b>\$ 62,381</b>	<b>\$ 49,769</b>	<b>\$ 32,094</b>	<b>\$ 31,682</b>	<b>\$ 275,653</b>	<b>\$ 246,553</b>

<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 Available-for-Sale Securities

(millions of Canadian dollars)

	As at							
	October 31, 2016				October 31, 2015			
	Cost/amortized cost <sup>1</sup>	Gross unrealized gains	Gross unrealized (losses)	Fair value <sup>2</sup>	Cost/amortized cost <sup>1</sup>	Gross unrealized gains	Gross unrealized (losses)	Fair value <sup>2</sup>
<b>Available-for-sale securities</b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	\$ 14,671	\$ 62	\$ (16)	\$ 14,717	\$ 14,450	\$ 42	\$ (61)	\$ 14,431
Provinces	7,871	29	(49)	7,851	7,233	19	(67)	7,185
U.S. federal, state, municipal governments, and agencies debt	34,377	176	(80)	34,473	22,526	169	(110)	22,585
Other OECD government guaranteed debt	15,574	13	(78)	15,509	11,713	4	(62)	11,655
Mortgage-backed securities	4,916	37	(4)	4,949	4,021	49	(10)	4,060
	77,409	317	(227)	77,499	59,943	283	(310)	59,916
<b>Other debt securities</b>								
Asset-backed securities	18,665	57	(129)	18,593	16,921	15	(174)	16,762
Non-agency collateralized mortgage obligation portfolio	624	1	-	625	921	2	(7)	916
Corporate and other debt	8,229	83	(26)	8,286	8,770	75	(80)	8,765
	27,518	141	(155)	27,504	26,612	92	(261)	26,443
<b>Equity securities</b>								
Common shares	1,934	134	(14)	2,054	1,770	118	(30)	1,858
Preferred shares	168	18	-	186	112	6	(4)	114
	2,102	152	(14)	2,240	1,882	124	(34)	1,972
<b>Debt securities reclassified from trading</b>	<b>301</b>	<b>27</b>	<b>-</b>	<b>328</b>	<b>420</b>	<b>33</b>	<b>(2)</b>	<b>451</b>
<b>Total available-for-sale securities</b>	<b>\$ 107,330</b>	<b>\$ 637</b>	<b>\$ (396)</b>	<b>\$ 107,571</b>	<b>\$ 88,857</b>	<b>\$ 532</b>	<b>\$ (607)</b>	<b>\$ 88,782</b>

<sup>1</sup> Includes the foreign exchange translation of amortized cost balances at the period-end spot rate.

<sup>2</sup> As at October 31, 2016, the carrying values of certain available-for-sale equity securities of \$6 million (October 31, 2015 – \$6 million) are carried at cost in the absence of quoted market prices in an active market and are included in the table above.



In the following table, unrealized losses for available-for-sale securities are categorized as “12 months or longer” if for each of the consecutive twelve months preceding October 31, 2016, and October 31, 2015, the fair value of the securities was less than the amortized cost. If not, they have been categorized as “less than 12 months”.

### Unrealized Loss Positions for Available-for-Sale Securities

(millions of Canadian dollars)

	As at					
	Less than 12 months		12 months or longer		October 31, 2016	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
<b>Available-for-sale securities</b>						
<b>Government and government-related securities</b>						
Canadian government debt						
Federal	\$ 61	\$ –	\$ 4,471	\$ 16	\$ 4,532	\$ 16
Provinces	124	–	3,552	49	3,676	49
U.S. federal, state and municipal governments, and agencies debt	5,058	8	12,772	72	17,830	80
Other OECD government-guaranteed debt	4,528	12	6,771	66	11,299	78
Mortgage-backed securities						
Residential	395	1	827	3	1,222	4
	10,166	21	28,393	206	38,559	227
<b>Other debt securities</b>						
Asset-backed securities	2,376	1	6,901	128	9,277	129
Corporate and other debt	751	6	2,098	20	2,849	26
	3,127	7	8,999	148	12,126	155
<b>Equity securities</b>						
Common shares	–	–	18	14	18	14
Preferred shares	–	–	9	–	9	–
	–	–	27	14	27	14
<b>Debt securities reclassified from trading</b>						
	–	–	–	–	–	–
<b>Total</b>	<b>\$ 13,293</b>	<b>\$ 28</b>	<b>\$ 37,419</b>	<b>\$ 368</b>	<b>\$ 50,712</b>	<b>\$ 396</b>

October 31, 2015

<b>Available-for-sale securities</b>						
<b>Government and government-related securities</b>						
Canadian government debt						
Federal	\$ 13,618	\$ 61	\$ 131	\$ –	\$ 13,749	\$ 61
Provinces	6,800	67	–	–	6,800	67
U.S. federal, state and municipal governments, and agencies debt	12,848	95	1,056	15	13,904	110
Other OECD government-guaranteed debt	8,973	62	–	–	8,973	62
Mortgage-backed securities						
Residential	1,348	10	–	–	1,348	10
	43,587	295	1,187	15	44,774	310
<b>Other debt securities</b>						
Asset-backed securities	11,038	130	2,165	51	13,203	181
Corporate and other debt	4,497	57	659	23	5,156	80
	15,535	187	2,824	74	18,359	261
<b>Equity securities</b>						
Common shares	171	30	–	–	171	30
Preferred shares	21	4	–	–	21	4
	192	34	–	–	192	34
<b>Debt securities reclassified from trading</b>						
	74	2	–	–	74	2
<b>Total</b>	<b>\$ 59,388</b>	<b>\$ 518</b>	<b>\$ 4,011</b>	<b>\$ 89</b>	<b>\$ 63,399</b>	<b>\$ 607</b>

### Securities Gains (Losses)

During the year ended October 31, 2016, the net realized gains (losses) on available-for-sale securities were \$81 million (2015 – \$124 million; 2014 – \$183 million). Impairment losses on available-for-sale securities for the year ended October 31, 2016, were

\$27 million (2015 – \$45 million; 2014 – \$10 million). None of these impairment losses related to debt securities in the reclassified portfolio as described in the Reclassification of Certain Debt Securities – Trading to Available-For-Sale section of the Note.

The following table presents the Bank's loans, impaired loans, and related allowance for loan losses as at October 31.

**Loans, Impaired Loans, and Allowance for Loan Losses**

(millions of Canadian dollars)

	As at								
	October 31, 2016								
	Gross Loans				Allowance for loan losses <sup>1</sup>				
	Neither past due nor impaired	Past due but not impaired	Impaired <sup>2</sup>	Total	Counter-party specific	Individually insignificant impaired loans	Incurred but not identified loan losses	Total allowance for loan losses	Net loans
Residential mortgages <sup>3,4,5</sup>	\$ 213,586	\$ 2,523	\$ 852	\$ 216,961	\$ -	\$ 49	\$ 48	\$ 97	\$ 216,864
Consumer instalment and other personal <sup>6</sup>	136,650	6,390	1,392	144,432	-	166	656	822	143,610
Credit card	29,715	1,825	374	31,914	-	290	924	1,214	30,700
Business and government <sup>3,4,5</sup>	191,229	1,454	891	193,574	189	30	1,198	1,417	192,157
<b>Total</b>	<b>\$ 571,180</b>	<b>\$ 12,192</b>	<b>\$ 3,509</b>	<b>\$ 586,881</b>	<b>\$ 189</b>	<b>\$ 535</b>	<b>\$ 2,826</b>	<b>\$ 3,550</b>	<b>\$ 583,331</b>
Debt securities classified as loans				1,674	206	-	55	261	1,413
Acquired credit-impaired loans				974	4	58	-	62	912
<b>Total</b>				<b>\$ 589,529</b>	<b>\$ 399</b>	<b>\$ 593</b>	<b>\$ 2,881</b>	<b>\$ 3,873</b>	<b>\$ 585,656</b>

	October 31, 2015								
Residential mortgages <sup>3,4,5</sup>	\$ 208,802	\$ 2,343	\$ 786	\$ 211,931	\$ -	\$ 47	\$ 58	\$ 105	\$ 211,826
Consumer instalment and other personal <sup>6</sup>	128,123	5,923	1,278	135,324	-	136	632	768	134,556
Credit card	28,148	1,761	306	30,215	-	217	897	1,114	29,101
Business and government <sup>3,4,5</sup>	163,840	1,990	874	166,704	156	28	916	1,100	165,604
<b>Total</b>	<b>\$ 528,913</b>	<b>\$ 12,017</b>	<b>\$ 3,244</b>	<b>\$ 544,174</b>	<b>\$ 156</b>	<b>\$ 428</b>	<b>\$ 2,503</b>	<b>\$ 3,087</b>	<b>\$ 541,087</b>
Debt securities classified as loans				2,187	207	-	57	264	1,923
Acquired credit-impaired loans				1,414	6	77	-	83	1,331
<b>Total</b>				<b>\$ 547,775</b>	<b>\$ 369</b>	<b>\$ 505</b>	<b>\$ 2,560</b>	<b>\$ 3,434</b>	<b>\$ 544,341</b>

<sup>1</sup> Excludes allowance for off-balance sheet positions.

<sup>2</sup> As at October 31, 2016, impaired loans exclude \$1.1 billion (October 31, 2015 – \$1.2 billion) of gross impaired debt securities classified as loans.

<sup>3</sup> Excludes trading loans with a fair value of \$12 billion as at October 31, 2016 (October 31, 2015 – \$11 billion), and amortized cost of \$11 billion as at October 31, 2016 (October 31, 2015 – \$10 billion).

<sup>4</sup> Includes insured mortgages of \$118 billion as at October 31, 2016 (October 31, 2015 – \$126 billion).

<sup>5</sup> As at October 31, 2016, impaired loans with a balance of \$448 million did not have a related allowance for loan losses (October 31, 2015 – \$419 million). An allowance was not required for these loans as the balance relates to loans that are insured or loans where the realizable value of the collateral exceeded the loan amount.

<sup>6</sup> Includes Canadian government-insured real estate personal loans of \$18 billion as at October 31, 2016 (October 31, 2015 – \$21 billion).

**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 \$106 million as at October 31, 2016 (October 31, 2015 – \$134 million), and were recorded in Other assets on the Consolidated Balance Sheet.

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, 2016				October 31, 2015			
	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	\$ 909	\$ 852	\$ 49	\$ 844	\$ 844	\$ 786	\$ 47	\$ 790
Consumer instalment and other personal	1,557	1,392	166	1,492	1,437	1,278	136	1,045
Credit card	374	374	290	345	306	306	217	294
Business and government	984	891	219	883	978	874	184	866
<b>Total</b>	<b>\$ 3,824</b>	<b>\$ 3,509</b>	<b>\$ 724</b>	<b>\$ 3,564</b>	<b>\$ 3,565</b>	<b>\$ 3,244</b>	<b>\$ 584</b>	<b>\$ 2,995</b>

<sup>1</sup> Excludes ACI loans and debt securities classified as loans.

<sup>2</sup> Represents contractual amount of principal owed.

The changes to the Bank's allowance for credit losses, as at and for the years ended October 31, are shown in the following tables.

### Allowance for Credit Losses

(millions of Canadian dollars)

	Balance as at November 1 2015	Provision for credit losses	Write-offs	Recoveries	Disposals	Foreign exchange and other adjustments	Balance as at October 31 2016
<b>Counterparty-specific allowance</b>							
Business and government	\$ 156	\$ 79	\$ (85)	\$ 44	\$ (1)	\$ (4)	\$ 189
Debt securities classified as loans	207	8	(14)	–	–	5	206
Total counterparty-specific allowance excluding acquired credit-impaired loans	363	87	(99)	44	(1)	1	395
Acquired credit-impaired loans <sup>1,2</sup>	6	(6)	–	14	–	(10)	4
Total counterparty-specific allowance	369	81	(99)	58	(1)	(9)	399
<b>Collectively assessed allowance for individually insignificant impaired loans</b>							
Residential mortgages	47	31	(40)	10	–	1	49
Consumer instalment and other personal Credit card	136	727	(957)	259	(1)	2	166
Business and government	217	994	(1,153)	232	–	–	290
Debt securities classified as loans	28	63	(98)	37	–	–	30
Total collectively assessed allowance for individually insignificant impaired loans excluding acquired credit-impaired loans	428	1,815	(2,248)	538	(1)	3	535
Acquired credit-impaired loans <sup>1,2</sup>	77	(25)	(4)	6	–	4	58
Total collectively assessed allowance for individually insignificant impaired loans	505	1,790	(2,252)	544	(1)	7	593
<b>Collectively assessed allowance for incurred but not identified credit losses</b>							
Residential mortgages	58	(11)	–	–	–	1	48
Consumer instalment and other personal Credit card	657	20	–	–	–	8	685
Business and government	1,029	121	–	–	–	19	1,169
Debt securities classified as loans	1,072	333	–	–	–	19	1,424
Debt securities classified as loans	57	(4)	–	–	–	2	55
Total collectively assessed allowance for incurred but not identified credit losses	2,873	459	–	–	–	49	3,381
<b>Allowance for credit losses</b>							
Residential mortgages	105	20	(40)	10	–	2	97
Consumer instalment and other personal Credit card	793	747	(957)	259	(1)	10	851
Business and government	1,246	1,115	(1,153)	232	–	19	1,459
Debt securities classified as loans	1,256	475	(183)	81	(1)	15	1,643
Debt securities classified as loans	264	4	(14)	–	–	7	261
Total allowance for credit losses excluding acquired credit-impaired loans	3,664	2,361	(2,347)	582	(2)	53	4,311
Acquired credit-impaired loans <sup>1,2</sup>	83	(31)	(4)	20	–	(6)	62
<b>Total allowance for credit losses</b>	<b>3,747</b>	<b>2,330</b>	<b>(2,351)</b>	<b>602</b>	<b>(2)</b>	<b>47</b>	<b>4,373</b>
Less: Allowance for off-balance sheet positions <sup>3</sup>	313	183	–	–	–	4	500
<b>Allowance for loan losses</b>	<b>\$ 3,434</b>	<b>\$ 2,147</b>	<b>\$ (2,351)</b>	<b>\$ 602</b>	<b>\$ (2)</b>	<b>\$ 43</b>	<b>\$ 3,873</b>

<sup>1</sup> Includes all FDIC covered loans and other ACI loans.

<sup>2</sup> Other adjustments are required as a result of the accounting for FDIC covered loans. For additional information, refer to the "FDIC Covered Loans" section in this Note.

<sup>3</sup> The allowance for credit losses for off-balance sheet positions is recorded in Other liabilities on the Consolidated Balance Sheet.

## Allowance for Credit Losses

(millions of Canadian dollars)	Balance as at November 1 2014	Provision for credit losses	Write-offs	Recoveries	Disposals	Foreign exchange and other adjustments	Balance as at October 31 2015
<b>Counterparty-specific allowance</b>							
Business and government	\$ 134	\$ 57	\$ (73)	\$ 42	\$ (3)	\$ (1)	\$ 156
Debt securities classified as loans	213	(27)	(13)	–	–	34	207
Total counterparty-specific allowance excluding acquired credit-impaired loans	347	30	(86)	42	(3)	33	363
Acquired credit-impaired loans <sup>1,2</sup>	8	(6)	(1)	10	–	(5)	6
Total counterparty-specific allowance	355	24	(87)	52	(3)	28	369
<b>Collectively assessed allowance for individually insignificant impaired loans</b>							
Residential mortgages	22	49	(39)	12	–	3	47
Consumer instalment and other personal	110	577	(809)	249	–	9	136
Credit card	199	832	(1,092)	237	–	41	217
Business and government	22	85	(125)	42	–	4	28
Total collectively assessed allowance for individually insignificant impaired loans excluding acquired credit-impaired loans	353	1,543	(2,065)	540	–	57	428
Acquired credit-impaired loans <sup>1,2</sup>	89	(30)	(5)	9	–	14	77
Total collectively assessed allowance for individually insignificant impaired loans	442	1,513	(2,070)	549	–	71	505
<b>Collectively assessed allowance for incurred but not identified credit losses</b>							
Residential mortgages	48	4	–	–	–	6	58
Consumer instalment and other personal	602	3	–	–	–	52	657
Credit card	924	40	–	–	–	65	1,029
Business and government	872	110	–	–	–	90	1,072
Debt securities classified as loans	59	(11)	–	–	–	9	57
Total collectively assessed allowance for incurred but not identified credit losses	2,505	146	–	–	–	222	2,873
<b>Allowance for credit losses</b>							
Residential mortgages	70	53	(39)	12	–	9	105
Consumer instalment and other personal	712	580	(809)	249	–	61	793
Credit card	1,123	872	(1,092)	237	–	106	1,246
Business and government	1,028	252	(198)	84	(3)	93	1,256
Debt securities classified as loans	272	(38)	(13)	–	–	43	264
Total allowance for credit losses excluding acquired credit-impaired loans	3,205	1,719	(2,151)	582	(3)	312	3,664
Acquired credit-impaired loans <sup>1,2</sup>	97	(36)	(6)	19	–	9	83
<b>Total allowance for credit losses</b>	<b>3,302</b>	<b>1,683</b>	<b>(2,157)</b>	<b>601</b>	<b>(3)</b>	<b>321</b>	<b>3,747</b>
Less: Allowance for off-balance sheet positions <sup>3</sup>	274	19	–	–	–	20	313
<b>Allowance for loan losses</b>	<b>\$ 3,028</b>	<b>\$ 1,664</b>	<b>\$ (2,157)</b>	<b>\$ 601</b>	<b>\$ (3)</b>	<b>\$ 301</b>	<b>\$ 3,434</b>

<sup>1</sup> Includes all FDIC covered loans and other ACI loans.

<sup>2</sup> Other adjustments are required as a result of the accounting for FDIC covered loans. For additional information, refer to the "FDIC Covered Loans" section in this Note.

<sup>3</sup> The allowance for credit losses for off-balance sheet positions is recorded in Other liabilities 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</sup>

(millions of Canadian dollars)	October 31, 2016				October 31, 2015			
	1-30 days	31-60 days	61-89 days	Total	1-30 days	31-60 days	61-89 days	Total
Residential mortgages	\$ 1,876	\$ 486	\$ 161	\$ 2,523	\$ 1,511	\$ 729	\$ 103	\$ 2,343
Consumer instalment and other personal	5,364	812	214	6,390	5,023	702	198	5,923
Credit card	1,340	303	182	1,825	1,317	287	157	1,761
Business and government	1,270	138	46	1,454	1,829	123	38	1,990
<b>Total</b>	<b>\$ 9,850</b>	<b>\$ 1,739</b>	<b>\$ 603</b>	<b>\$ 12,192</b>	<b>\$ 9,680</b>	<b>\$ 1,841</b>	<b>\$ 496</b>	<b>\$ 12,017</b>

<sup>1</sup> Excludes all ACI loans and debt securities classified as loans.

## COLLATERAL

As at October 31, 2016, the fair value of financial collateral held against loans that were past due but not impaired was \$455 million (October 31, 2015 – \$279 million). In addition, the Bank also holds non-financial collateral as security for 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.

## ACQUIRED CREDIT-IMPAIRED LOANS

ACI loans are comprised of commercial, retail, and FDIC covered loans, from the acquisitions of South Financial, FDIC-assisted, Chrysler Financial, and a credit card portfolio within the U.S. strategic cards portfolio, and had outstanding unpaid principal balances of \$6.3 billion, \$2.1 billion, \$874 million, and \$41 million, respectively, and fair values of \$5.6 billion, \$1.9 billion, \$794 million, and nil, respectively, at the acquisition dates.

## Acquired Credit-Impaired Loans

	As at	
	October 31 2016	October 31 2015
<b>FDIC-assisted acquisitions</b>		
Unpaid principal balance <sup>1</sup>	\$ 508	\$ 636
Credit related fair value adjustments <sup>2</sup>	(11)	(12)
Interest rate and other related premium/(discount)	(17)	(23)
Carrying value	480	601
Counterparty-specific allowance <sup>3</sup>	(1)	(1)
Allowance for individually insignificant impaired loans <sup>3</sup>	(35)	(45)
Carrying value net of related allowance – FDIC-assisted acquisitions <sup>4</sup>	444	555
<b>South Financial</b>		
Unpaid principal balance <sup>1</sup>	529	853
Credit related fair value adjustments <sup>2</sup>	(15)	(18)
Interest rate and other related premium/(discount)	(20)	(22)
Carrying value	494	813
Counterparty-specific allowance <sup>3</sup>	(3)	(5)
Allowance for individually insignificant impaired loans <sup>3</sup>	(23)	(32)
Carrying value net of related allowance – South Financial	468	776
<b>Other<sup>5</sup></b>		
Unpaid principal balance <sup>1</sup>	2	40
Credit related fair value adjustments <sup>2</sup>	(2)	(40)
Carrying value – Other	–	–
<b>Total carrying value net of related allowance – Acquired credit-impaired loans</b>	<b>\$ 912</b>	<b>\$ 1,331</b>

<sup>1</sup> Represents contractual amount owed net of charge-offs since the acquisition of the loan.

<sup>2</sup> Credit related fair value adjustments include incurred credit losses on acquisition and are not accreted to interest income.

<sup>3</sup> Management concluded as part of the Bank's assessment of the ACI loans that it was probable that higher than estimated principal credit losses would result in a decrease in expected cash flows subsequent to acquisition. As a result, counterparty-specific and individually insignificant allowances have been recognized.

<sup>4</sup> Carrying value does not include the effect of the FDIC loss sharing agreement.

<sup>5</sup> Includes Chrysler Financial and an acquired credit card portfolio within the U.S. strategic cards portfolio.

## FDIC COVERED LOANS

As at October 31, 2016, the balance of FDIC covered loans was \$480 million (October 31, 2015 – \$601 million) and was recorded in Loans on the Consolidated Balance Sheet. As at October 31, 2016, the balance of indemnification assets was \$22 million (October 31, 2015 – \$39 million) and was recorded in Other assets on the Consolidated Balance Sheet.

## 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 certain 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 the 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, 2016		October 31, 2015	
	Fair value	Carrying amount	Fair value	Carrying amount
Securitization of residential mortgage loans	\$ 26,930	\$ 26,742	\$ 30,355	\$ 30,211
Other financial assets transferred related to securitization <sup>1</sup>	3,342	3,342	3,173	3,170
<b>Total</b>	<b>30,272</b>	<b>30,084</b>	<b>33,528</b>	<b>33,381</b>
<b>Associated liabilities<sup>2</sup></b>	<b>\$ (30,766)</b>	<b>\$ (30,407)</b>	<b>\$ (34,142)</b>	<b>\$ (33,729)</b>

<sup>1</sup> Includes asset-backed securities, asset-backed commercial paper, cash, repurchase agreements, and Government of Canada securities used to fulfill 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 \$18 billion as at October 31, 2016 (October 31, 2015 – \$23 billion), and securitization liabilities carried at fair value of \$12 billion as at October 31, 2016 (October 31, 2015 – \$11 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<sup>1</sup>

(millions of Canadian dollars)

Nature of transaction	As at	
	October 31 2016	October 31 2015
<b>Carrying amount of assets</b>		
Repurchase agreements <sup>2,3</sup>	\$ 9,676	\$ 24,007
Securities lending agreements	14,023	13,967
<b>Total</b>	<b>23,699</b>	<b>37,974</b>
<b>Carrying amount of associated liabilities<sup>3</sup></b>	<b>\$ 9,474</b>	<b>\$ 23,954</b>

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

<sup>2</sup> Includes \$3.7 billion, as at October 31, 2016, of assets related to repurchase agreements or swaps that are collateralized by physical precious metals (October 31, 2015 – \$4.9 billion).

<sup>3</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, 2016, the fair value of retained interests was \$31 million (October 31, 2015 – \$38 million). There are no expected credit losses 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, 2016, the trading income recognized on the retained interest was \$2 million (October 31, 2015 – \$3 million).

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, 2016, the carrying value of these servicing rights was \$25 million (October 31, 2015 – \$20 million) and the fair value was \$28 million (October 31, 2015 – \$26 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, 2016, was \$24 million (October 31, 2015 – \$12 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 asset-backed commercial paper (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 also sponsors the TD Mortgage Fund (the "Fund"), which is a mutual fund containing a portfolio of Canadian residential mortgages sold by the Bank into the Fund. The Bank has a put option with the Fund under which it is required to repurchase defaulted mortgage loans at their carrying amount from the Fund. The Bank's exposure under this put option is mitigated as the mortgages in the Fund are collateralized and government guaranteed. In addition to the put option, the Bank provides a liquidity facility to the Fund for the benefit of fund unit investors. Under the liquidity facility, the Bank is obligated to repurchase mortgages at their fair value to enable the Fund to honour unit-holder redemptions in the event that the Fund experiences a liquidity event.

As disclosed in Note 28, on April 22, 2016, the Fund was discontinued and merged with another mutual fund managed by the Bank. The mortgages held by the Fund were not merged into the other mutual fund and as a result of the Fund's discontinuation, the mortgages were repurchased from the Fund at a fair value of \$155 million. Prior to the discontinuation of the Fund, during the year ended October 31, 2016, the fair value of the mortgages repurchased from the Fund as a result of a liquidity event was \$21 million (twelve months ended October 31, 2015 – \$29 million). Although the Bank had power over the Fund, the Fund was not consolidated by the Bank prior to its discontinuation as the Bank did not absorb a significant proportion of variable returns. The variability related primarily to the credit risk of the underlying mortgages which are government guaranteed.

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 and TD Capital Trust IV (together the "CaTS Entities"); and (2) TD Covered Bond Guarantor Limited Partnership and TD Covered Bond (Legislative) Guarantor Limited Partnership (together the "Covered Bond Entities").

The CaTS Entities issued innovative capital securities which currently 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 is exposed to the risks and returns from certain CaTS Entities as it holds the residual risks in those entities, typically through retaining all the voting securities of the entity. Where the entity's portfolio of assets are exposed to risks which are not related to the Bank's own credit risk, the Bank is considered to be exposed to significant variable returns of the entity and consolidates the entity. However, certain CaTS Entities hold assets which are only exposed to the Bank's own credit risk. In this case, the Bank does not absorb significant variable returns of the entity as it is ultimately exposed only to its own credit risk, and does not consolidate. Refer to Note 20 for further details.

The Bank issues, or has issued, debt under its covered bond programs where the principal and interest payments of the notes are guaranteed by a covered bond entity, with such guarantee secured by a portfolio of assets held by the entity. 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 Entities as it has power over the key economic activities and retains all the variable returns in these entities.

### **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**

#### ***Securizations***

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. Amounts in Other are predominantly related to investments in community-based U.S. tax-advantage entities described in Note 12 as well as commitments to certain U.S. municipal funds. 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, 2016				October 31, 2015			
	Securitized	Investment funds and trusts	Other	Total	Securitized	Investment funds and trusts	Other	Total
<b>FINANCIAL ASSETS</b>								
Trading loans, securities, and other	\$ 5,793	\$ 642	\$ –	\$ 6,435	\$ 6,148	\$ 1,123	\$ –	\$ 7,271
Derivatives <sup>2</sup>	–	30	–	30	–	156	–	156
Financial assets designated at fair value through profit or loss	16	172	26	214	12	108	39	159
Available-for-sale securities	42,083	509	95	42,687	42,415	388	122	42,925
Held-to-maturity securities	48,575	–	–	48,575	43,820	–	–	43,820
Loans	2,891	–	–	2,891	3,081	–	–	3,081
Other	9	–	2,903	2,912	7	–	2,717	2,724
<b>Total assets</b>	<b>99,367</b>	<b>1,353</b>	<b>3,024</b>	<b>103,744</b>	<b>95,483</b>	<b>1,775</b>	<b>2,878</b>	<b>100,136</b>
<b>FINANCIAL LIABILITIES</b>								
Derivatives <sup>2</sup>	–	346	–	346	–	195	–	195
Obligations related to securities sold short	3,002	265	–	3,267	3,023	232	–	3,255
<b>Total liabilities</b>	<b>3,002</b>	<b>611</b>	<b>–</b>	<b>3,613</b>	<b>3,023</b>	<b>427</b>	<b>–</b>	<b>3,450</b>
Off-balance sheet exposure <sup>3</sup>	16,274	131	3,776	20,181	11,869	353	1,832	14,054
Maximum exposure to loss from involvement with unconsolidated structured entities	112,639	873	6,800	120,312	104,329	1,701	4,710	110,740
Size of sponsored unconsolidated structured entities <sup>4</sup>	\$ 14,215	\$ 1,005	\$ 1,750	\$ 16,970	\$ 10,404	\$ 252	\$ 1,750	\$ 12,406

<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's non-interest income received from its involvement with these asset management entities was \$1.7 billion (October 31, 2015 – \$1.6 billion) for the year ended October 31, 2016. The total AUM in these entities as at October 31, 2016, was \$191.6 billion (October 31, 2015 – \$178.9 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 privately 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 options and futures.

### **Interest Rate Derivatives**

The Bank uses interest rate derivatives, such as interest rate futures and forwards, swaps, and options in managing interest rate risks. Interest rate risk is the impact that changes in interest rates could have on the Bank's margins, earnings, and economic value. Changes in interest rate can impact the market value of fixed rate assets and liabilities. Further, certain assets and liabilities repayment rates vary depending on interest rates.

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 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.

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.

### **Foreign Exchange Derivatives**

The Bank uses foreign exchange derivatives, such as futures, forwards, and swaps in managing foreign exchange risks. 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 have foreign exchange risk. The Bank is exposed to non-trading foreign exchange risk from its investments in foreign operations when the Bank's foreign currency assets are greater or less than the liabilities in that currency; they create foreign currency open positions.

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.

### **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 ratings 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.

### Fair Value of Derivatives – Held or Issued for Trading Purposes

(millions of Canadian dollars)

	October 31, 2016				October 31, 2015	
	Average fair value for the year <sup>1</sup>		Fair value as at balance sheet date		Fair value as at balance sheet date	
	Positive	Negative	Positive	Negative	Positive	Negative
Interest rate contracts						
Futures	\$ –	\$ 12	\$ 1	\$ –	\$ –	\$ 32
Forward rate agreements	101	44	122	49	3	26
Swaps	26,086	22,225	24,069	20,232	23,520	19,983
Options written	–	466	–	414	–	495
Options purchased	516	–	452	–	609	–
Total interest rate contracts	26,703	22,747	24,644	20,695	24,132	20,536
Foreign exchange contracts						
Futures	–	–	–	–	–	–
Forward contracts	13,511	14,296	16,087	16,743	8,783	9,724
Swaps	–	–	–	–	–	–
Cross-currency interest rate swaps	20,046	19,883	17,470	18,613	19,630	18,224
Options written	–	476	–	568	–	427
Options purchased	477	–	542	–	404	–
Total foreign exchange contracts	34,034	34,655	34,099	35,924	28,817	28,375
Credit derivatives						
Credit default swaps – protection purchased	12	66	–	101	9	55
Credit default swaps – protection sold	11	11	–	2	11	8
Total credit derivative contracts	23	77	–	103	20	63
Other contracts						
Equity contracts	816	1,340	798	1,413	890	1,317
Commodity contracts	748	852	873	663	726	954
Total other contracts	1,564	2,192	1,671	2,076	1,616	2,271
<b>Fair value – trading</b>	<b>\$ 62,324</b>	<b>\$ 59,671</b>	<b>\$ 60,414</b>	<b>\$ 58,798</b>	<b>\$ 54,585</b>	<b>\$ 51,245</b>

<sup>1</sup> The average fair value of trading derivatives over a 12-month period had a positive fair value and a negative fair value of \$56.6 billion and \$55.4 billion, respectively, for the year ended October 31, 2015.

### Fair Value of Derivatives – Held or Issued for Non-Trading Purposes

(millions of Canadian dollars)

	October 31, 2016		October 31, 2015	
	Fair value as at balance sheet date		Fair value as at balance sheet date	
	Positive	Negative	Positive	Negative
Interest rate contracts				
Forward rate agreements	\$ 1	\$ –	\$ –	\$ –
Swaps	2,676	1,492	3,806	2,543
Options written	–	3	–	2
Options purchased	47	–	32	–
Total interest rate contracts	2,724	1,495	3,838	2,545
Foreign exchange contracts				
Forward contracts	1,870	393	3,408	455
Swaps	–	–	–	–
Cross-currency interest rate swaps	5,912	3,239	6,518	1,788
Total foreign exchange contracts	7,782	3,632	9,926	2,243
Credit derivatives				
Credit default swaps – protection purchased	–	154	43	227
Total credit derivative contracts	–	154	43	227
Other contracts				
Equity contracts	1,322	1,346	1,046	958
Total other contracts	1,322	1,346	1,046	958
<b>Fair value – non-trading</b>	<b>\$ 11,828</b>	<b>\$ 6,627</b>	<b>\$ 14,853</b>	<b>\$ 5,973</b>

The following table distinguishes the 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

(millions of Canadian dollars)

<i>As at</i>										
<b>October 31, 2016</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 <sup>1</sup>	Net investment		
<b>Derivatives held or issued for non-trading purposes</b>										
Interest rate contracts	\$ 495	\$ 529	\$ –	\$ 1,700	\$ 2,724	\$ 869	\$ (170)	\$ 48	\$ 748	\$ 1,495
Foreign exchange contracts	–	7,676	66	40	7,782	–	2,847	643	142	3,632
Credit derivatives	–	–	–	–	–	–	–	–	154	154
Other contracts	–	525	–	797	1,322	–	5	–	1,341	1,346
<b>Fair value – non-trading</b>	<b>\$ 495</b>	<b>\$ 8,730</b>	<b>\$ 66</b>	<b>\$ 2,537</b>	<b>\$ 11,828</b>	<b>\$ 869</b>	<b>\$ 2,682</b>	<b>\$ 691</b>	<b>\$ 2,385</b>	<b>\$ 6,627</b>

October 31, 2015

### Derivatives held or issued for non-trading purposes

Interest rate contracts	\$ 448	\$ 596	\$ –	\$ 2,794	\$ 3,838	\$ 837	\$ 403	\$ 51	\$ 1,254	\$ 2,545
Foreign exchange contracts	–	9,881	13	32	9,926	–	1,650	537	56	2,243
Credit derivatives	–	–	–	43	43	–	–	–	227	227
Other contracts	–	410	–	636	1,046	–	–	–	958	958
<b>Fair value – non-trading</b>	<b>\$ 448</b>	<b>\$ 10,887</b>	<b>\$ 13</b>	<b>\$ 3,505</b>	<b>\$ 14,853</b>	<b>\$ 837</b>	<b>\$ 2,053</b>	<b>\$ 588</b>	<b>\$ 2,495</b>	<b>\$ 5,973</b>

<sup>1</sup> These derivatives assets qualify to be offset with certain derivative liabilities on the Consolidated Balance Sheet. Refer to Note 6 for further details.

The following table discloses the impact of derivatives and non-derivative instruments designated in hedge accounting relationships and the related hedged items, where appropriate, in the Consolidated Statement of Income and in OCI for the years ended October 31.

### Results of Hedge Activities Recorded in Net Income and Other Comprehensive Income

(millions of Canadian dollars)

	<i>For the years ended October 31</i>		
	2016	2015	2014
<b>Fair value hedges</b>			
Gains (losses) recognized in income on derivatives <sup>1,2</sup>	\$ 23	\$ (773)	\$ (142)
Gains (losses) recognized in income on hedged items attributable to the hedged risk <sup>2</sup>	(4)	776	113
Hedge ineffectiveness <sup>2</sup>	19	3	(29)
<b>Cash flow hedges</b>			
Gains (losses) recognized in OCI on derivatives <sup>3</sup>	1,448	7,725	3,849
Gains (losses) reclassified from OCI into income <sup>4</sup>	1,285	7,047	4,494
Hedge ineffectiveness <sup>2</sup>	(11)	(4)	1
<b>Net investment hedges</b>			
Gains (losses) recognized in OCI on derivatives <sup>1,3</sup>	36	(3,732)	(1,878)
Gains (losses) reclassified from OCI into income hedges <sup>4</sup>	–	–	17
Hedge ineffectiveness <sup>2</sup>	–	–	–

<sup>1</sup> Includes non-derivative financial instruments such as foreign currency deposit liabilities. The fair value attributable to the foreign exchange risk of these non-derivative financial instruments was \$21 billion as at October 31, 2016 (October 31, 2015 – \$22 billion).

<sup>2</sup> Amounts are recorded in non-interest income.

<sup>3</sup> OCI is presented on a pre-tax basis.

<sup>4</sup> Amounts are recorded in net interest income or non-interest income, as applicable.

The following table indicates the periods when hedged cash flows in designated cash flow hedge accounting relationships are expected to occur as at October 31.

### Hedged Cash Flows

(millions of Canadian dollars)

	<i>As at</i>					<b>Total</b>
	<b>October 31, 2016</b>					
	<b>Within 1 year</b>	<b>Over 1 year to 3 years</b>	<b>Over 3 years to 5 years</b>	<b>Over 5 years to 10 years</b>	<b>Over 10 years</b>	
<b>Cash flow hedges</b>						
Cash inflows	\$ 20,119	\$ 19,364	\$ 7,514	\$ 1,988	\$ 168	\$ 49,153
Cash outflows	(10,311)	(26,491)	(15,765)	(6,075)	–	(58,642)
<b>Net cash flows</b>	<b>\$ 9,808</b>	<b>\$ (7,127)</b>	<b>\$ (8,251)</b>	<b>\$ (4,087)</b>	<b>\$ 168</b>	<b>\$ (9,489)</b>
						October 31, 2015
<b>Cash flow hedges</b>						
Cash inflows	\$ 18,125	\$ 19,630	\$ 12,223	\$ 3,061	\$ 517	\$ 53,556
Cash outflows	(10,055)	(23,030)	(14,754)	(8,994)	–	(56,833)
<b>Net cash flows</b>	<b>\$ 8,070</b>	<b>\$ (3,400)</b>	<b>\$ (2,531)</b>	<b>\$ (5,933)</b>	<b>\$ 517</b>	<b>\$ (3,277)</b>

Income related to interest cash flows is recognized using the EIRM over the life of the underlying instrument. Foreign currency translation gains and losses related to future cash flows on hedged items are recognized as incurred.

During the years ended October 31, 2016, and October 31, 2015, there were no significant instances where forecasted hedged transactions failed to occur.

The following table presents gains (losses) on non-trading derivatives that have not been designated in qualifying hedge accounting relationships. These gains (losses) are partially offset by gains (losses) recorded on the Consolidated Statement of Income and on the Consolidated Statement of Other Comprehensive Income on related non-derivative instruments.

### Gains (Losses) on Non-Trading Derivatives not Designated in Qualifying Hedge Accounting Relationships<sup>1</sup>

(millions of Canadian dollars)

	<i>For the years ended October 31</i>		
	<b>2016</b>	2015	2014
Interest rate contracts	<b>\$ (147)</b>	\$ (108)	\$ (66)
Foreign exchange contracts	<b>7</b>	(23)	13
Credit derivatives	<b>(70)</b>	(35)	(100)
Equity	<b>2</b>	2	10
Other contracts	–	–	–
<b>Total</b>	<b>\$ (208)</b>	\$ (164)	\$ (143)

<sup>1</sup> Amounts are recorded in non-interest income.

### 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 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
							2016
							2015
	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	\$ –	\$ –	\$ 438,709	\$ 438,709	\$ –	\$ 438,709	\$ 261,425
Forward rate agreements	388,754	118,517	–	507,271	214	507,485	372,891
Swaps	4,430,548	560,316	–	4,990,864	1,072,602	6,063,466	4,636,437
Options written	–	14,841	42,543	57,384	340	57,724	29,235
Options purchased	–	16,717	68,989	85,706	2,081	87,787	34,445
<b>Total interest rate contracts</b>	<b>4,819,302</b>	<b>710,391</b>	<b>550,241</b>	<b>6,079,934</b>	<b>1,075,237</b>	<b>7,155,171</b>	<b>5,334,433</b>
<b>Foreign exchange contracts</b>							
Futures	–	–	7	7	–	7	37
Forward contracts	–	1,127,778	–	1,127,778	32,875	1,160,653	713,690
Swaps	–	–	–	–	–	–	–
Cross-currency interest rate swaps	–	556,542	–	556,542	89,241	645,783	548,953
Options written	–	32,097	–	32,097	–	32,097	23,973
Options purchased	–	32,683	–	32,683	–	32,683	23,286
<b>Total foreign exchange contracts</b>	<b>–</b>	<b>1,749,100</b>	<b>7</b>	<b>1,749,107</b>	<b>122,116</b>	<b>1,871,223</b>	<b>1,309,939</b>
<b>Credit derivatives</b>							
Credit default swaps – protection purchased	4,039	1,541	–	5,580	3,853	9,433	8,333
Credit default swaps – protection sold	439	419	–	858	–	858	904
<b>Total credit derivative contracts</b>	<b>4,478</b>	<b>1,960</b>	<b>–</b>	<b>6,438</b>	<b>3,853</b>	<b>10,291</b>	<b>9,237</b>
<b>Other contracts</b>							
Equity contracts	–	47,371	40,678	88,049	32,835	120,884	112,335
Commodity contracts	246	22,627	23,414	46,287	–	46,287	25,834
<b>Total other contracts</b>	<b>246</b>	<b>69,998</b>	<b>64,092</b>	<b>134,336</b>	<b>32,835</b>	<b>167,171</b>	<b>138,169</b>
<b>Total</b>	<b>\$ 4,824,026</b>	<b>\$ 2,531,449</b>	<b>\$ 614,340</b>	<b>\$ 7,969,815</b>	<b>\$ 1,234,041</b>	<b>\$ 9,203,856</b>	<b>\$ 6,791,778</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> Includes \$894 billion of over-the-counter derivatives that are transacted with clearing houses (October 31, 2015 – \$912 billion) and \$340 billion of over-the-counter derivatives that are transacted with non-clearing houses (October 31, 2015 – \$374 billion) as at October 31, 2016. There were no exchange-traded derivatives both as at October 31, 2016 and October 31, 2015.

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 Term to Maturity

(millions of Canadian dollars)

	October 31				As at
	2016				October 31
	Remaining term to maturity				2015
Notional Principal	Within 1 year	Over 1 year to 5 years	Over 5 years	Total	Total
<b>Interest rate contracts</b>					
Futures	\$ 383,979	\$ 54,730	\$ –	\$ 438,709	\$ 261,425
Forward rate agreements	463,517	43,968	–	507,485	372,891
Swaps	2,199,711	2,941,286	922,469	6,063,466	4,636,437
Options written	48,875	6,456	2,393	57,724	29,235
Options purchased	79,371	5,568	2,848	87,787	34,445
Total interest rate contracts	3,175,453	3,052,008	927,710	7,155,171	5,334,433
<b>Foreign exchange contracts</b>					
Futures	7	–	–	7	37
Forward contracts	1,106,174	53,191	1,288	1,160,653	713,690
Swaps	–	–	–	–	–
Cross-currency interest rate swaps	143,382	373,138	129,263	645,783	548,953
Options written	30,123	1,942	32	32,097	23,973
Options purchased	30,973	1,669	41	32,683	23,286
Total foreign exchange contracts	1,310,659	429,940	130,624	1,871,223	1,309,939
<b>Credit derivatives</b>					
Credit default swaps – protection purchased	2,243	4,019	3,171	9,433	8,333
Credit default swaps – protection sold	180	510	168	858	904
Total credit derivative contracts	2,423	4,529	3,339	10,291	9,237
<b>Other contracts</b>					
Equity contracts	63,738	56,719	427	120,884	112,335
Commodity contracts	36,564	9,234	489	46,287	25,834
Total other contracts	100,302	65,953	916	167,171	138,169
<b>Total</b>	<b>\$ 4,588,837</b>	<b>\$ 3,552,430</b>	<b>\$ 1,062,589</b>	<b>\$ 9,203,856</b>	<b>\$ 6,791,778</b>

### 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 business 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 area within Wholesale Banking 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 shown 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

(millions of Canadian dollars)

	October 31, 2016			October 31, 2015		
	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	\$ 132	\$ 256	\$ 64	\$ 26	\$ 67	\$ 21
Swaps	21,542	26,041	11,577	21,908	26,915	13,869
Options purchased	495	569	278	638	727	359
Total interest rate contracts	22,169	26,866	11,919	22,572	27,709	14,249
<b>Foreign exchange contracts</b>						
Forward contracts	17,756	32,874	5,652	11,976	20,750	4,866
Cross-currency interest rate swaps	23,382	40,645	9,315	26,148	52,070	16,645
Options purchased	542	954	198	404	688	166
Total foreign exchange contracts	41,680	74,473	15,165	38,528	73,508	21,677
<b>Other contracts</b>						
Credit derivatives	3	291	109	17	287	118
Equity contracts	1,285	4,963	1,087	1,079	4,185	954
Commodity contracts	777	1,925	516	582	1,431	365
Total other contracts	2,065	7,179	1,712	1,678	5,903	1,437
<b>Total derivatives</b>	<b>65,914</b>	<b>108,518</b>	<b>28,796</b>	<b>62,778</b>	<b>107,120</b>	<b>37,363</b>
Less: impact of master netting agreements	45,646	63,176	19,856	39,962	58,659	24,957
<b>Total derivatives after netting</b>	<b>20,268</b>	<b>45,342</b>	<b>8,940</b>	<b>22,816</b>	<b>48,461</b>	<b>12,406</b>
Less: impact of collateral	8,533	8,881	2,146	11,820	12,173	3,649
<b>Net derivatives</b>	<b>11,735</b>	<b>36,461</b>	<b>6,794</b>	<b>10,996</b>	<b>36,288</b>	<b>8,757</b>
Qualifying Central Counterparty (QCCP) Contracts	2,106	15,917	3,234	1,937	14,735	2,070
<b>Total</b>	<b>\$ 13,841</b>	<b>\$ 52,378</b>	<b>\$ 10,028</b>	<b>\$ 12,933</b>	<b>\$ 51,023</b>	<b>\$ 10,827</b>

## Current Replacement Cost of Derivatives

(millions of Canadian dollars, except as noted)

	Canada <sup>1</sup>		United States <sup>1</sup>		Other International <sup>1</sup>		Total	
	October 31 2016	October 31 2015	October 31 2016	October 31 2015	October 31 2016	October 31 2015	October 31 2016	October 31 2015
<b>By sector</b>								
Financial	\$ 38,574	\$ 35,352	\$ 4,374	\$ 4,373	\$ 6,420	\$ 6,405	\$ 49,368	\$ 46,130
Government	9,198	9,107	80	38	2,193	2,830	11,471	11,975
Other	2,336	2,111	1,128	837	1,611	1,725	5,075	4,673
Current replacement cost	\$ 50,108	\$ 46,570	\$ 5,582	\$ 5,248	\$ 10,224	\$ 10,960	\$ 65,914	\$ 62,778
Less: impact of master netting agreements and collateral							54,179	51,782
<b>Total current replacement cost</b>							<b>\$ 11,735</b>	<b>\$ 10,996</b>
<b>By location of risk<sup>2</sup></b>								
Canada	\$ 4,913	\$ 4,268					41.9%	38.8%
United States	4,009	4,379					34.2	39.8
Other international								
United Kingdom	903	256					7.7	2.3
Europe – other	1,002	1,496					8.5	13.6
Other	908	597					7.7	5.5
Total Other international	2,813	2,349					23.9	21.4
<b>Total current replacement cost</b>	<b>\$ 11,735</b>	<b>\$ 10,996</b>					<b>100.0%</b>	<b>100.0%</b>

<sup>1</sup> Based on geographic location of unit responsible for recording revenue.

<sup>2</sup> After impact of master netting agreements and collateral.

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 ratings of the Bank, either as counterparty or as guarantor of one of the Bank's subsidiaries. At October 31, 2016, the aggregate net liability position of those contracts would require: (1) the posting of collateral or other acceptable remedy totalling \$233 million (October 31, 2015 – \$97 million) in the event of a one-notch or two-notch downgrade in the Bank's senior debt ratings; and (2) funding totalling nil (October 31, 2015 – nil) 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 ratings.

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 market-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 senior debt ratings of the Bank, to post additional collateral. As at October 31, 2016, the fair value of all derivative instruments with credit risk related contingent features in a net liability position was \$15 billion (October 31, 2015 – \$14 billion). The Bank has posted \$18 billion (October 31, 2015 – \$16 billion) of collateral for this exposure in the normal course of business. As at October 31, 2016, the impact of a one-notch downgrade in the Bank's senior debt ratings would require the Bank to post an additional \$111 million (October 31, 2015 – \$194 million) of collateral to that posted in the normal course of business. A two-notch downgrade in the Bank's senior debt ratings would require the Bank to post an additional \$123 million (October 31, 2015 – \$228 million) of collateral to that posted in the normal course of business.



**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, 2016, the Bank's reported investment in TD Ameritrade was 42.38% (October 31, 2015 – 41.54%) of the outstanding shares of TD Ameritrade with a fair value of \$10 billion (US\$8 billion) (October 31, 2015 – \$10 billion (US\$8 billion)) based on the closing price of US\$34.21 (October 31, 2015 – US\$34.47) on the New York Stock Exchange.

During the year ended October 31, 2016, TD Ameritrade repurchased 12.0 million shares (for the year ended October 31, 2015 – 8.4 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%.

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, 2016, and October 31, 2015, TD Ameritrade did not experience any significant restrictions to transfer funds in the form of cash dividends, or repayment of loans or advances.

Pursuant to its pre-emptive rights and subject to any required regulatory approval, the Bank intends to purchase US\$400 million in new common equity from TD Ameritrade in connection with TD Ameritrade's acquisition of Scottrade Financial Services, Inc. (Scottrade). As a result, the Bank's anticipated pro forma common stock ownership in TD Ameritrade is expected to be approximately 41.4%. Refer to the "Financial Results Overview – Significant Events in 2016" section of the MD&A for a discussion of the announced acquisition of Scottrade Bank.

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)

	September 30 2016	September 30 2015
<b>Assets</b>		
Receivables from brokers, dealers, and clearing organizations	\$ 1,596	\$ 1,127
Receivables from clients, net	16,014	16,697
Other assets, net	21,038	16,661
<b>Total assets</b>	<b>\$ 38,648</b>	<b>\$ 34,485</b>
<b>Liabilities</b>		
Payable to brokers, dealers, and clearing organizations	\$ 2,736	\$ 3,539
Payable to clients	25,555	20,966
Other liabilities	3,583	3,570
<b>Total liabilities</b>	<b>31,874</b>	<b>28,075</b>
<b>Stockholders' equity<sup>2</sup></b>	<b>6,774</b>	<b>6,410</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 38,648</b>	<b>\$ 34,485</b>

<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)

	For the years ended September 30		
	2016	2015	2014
<b>Revenues</b>			
Net interest revenue	\$ 789	\$ 764	\$ 629
Fee-based and other revenue	3,623	3,227	2,756
<b>Total revenues</b>	<b>4,412</b>	<b>3,991</b>	<b>3,385</b>
<b>Operating expenses</b>			
Employee compensation and benefits	1,111	991	823
Other	1,553	1,370	1,168
<b>Total operating expenses</b>	<b>2,664</b>	<b>2,361</b>	<b>1,991</b>
<b>Other expense (income)</b>	<b>70</b>	<b>45</b>	<b>17</b>
<b>Pre-tax income</b>	<b>1,678</b>	<b>1,585</b>	<b>1,377</b>
Provision for income taxes	563	585	524
<b>Net income<sup>1</sup></b>	<b>\$ 1,115</b>	<b>\$ 1,000</b>	<b>\$ 853</b>
Earnings per share – basic (dollars)	<b>\$ 2.10</b>	<b>\$ 1.84</b>	<b>\$ 1.55</b>
Earning per share – diluted (dollars)	<b>2.09</b>	<b>1.83</b>	<b>1.54</b>

<sup>1</sup> The Bank's equity share of net income of TD Ameritrade is subject to adjustments relating to amortization of intangibles, which are not included.

## 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, 2016, or October 31, 2015. The carrying amount of the Bank's investment in individually immaterial associates and joint ventures during the period was \$3.0 billion (October 31, 2015 – \$2.8 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.

NOTE 13	<b>SIGNIFICANT ACQUISITIONS AND DISPOSALS</b>
---------	---

### **Acquisition of Nordstrom Inc.'s U.S. Credit Card Portfolio**

On October 1, 2015, the Bank, through its subsidiary, TD Bank USA, National Association (TD Bank USA, N.A.), acquired substantially all of Nordstrom Inc.'s (Nordstrom) existing U.S. Visa and private label consumer credit card portfolio, with a gross outstanding balance of \$2.9 billion (US\$2.2 billion). In addition, the Bank and Nordstrom entered into a long-term agreement under which the Bank became the exclusive U.S. issuer of Nordstrom-branded Visa and private label consumer credit cards to Nordstrom customers.

At the date of acquisition the Bank recorded the credit card receivables at their fair value of \$2.9 billion. The transaction was treated as an asset acquisition and the pre-tax difference of \$73 million on the date of acquisition of the transaction price over the fair value of assets acquired has been recorded in non-interest income. The gross amounts of revenue and credit losses have been recorded on the Consolidated Statement of Income in the U.S. Retail segment since that date. Nordstrom shares in a fixed percentage of the revenue and credit losses incurred. Nordstrom's share of revenue and credit losses is recorded in Non-interest expenses on the Consolidated Statement of Income and related receivables from, or payables to Nordstrom are recorded in Other assets or Other liabilities, respectively, on the Consolidated Balance Sheet.

### **Acquisition of certain CIBC Aeroplan Credit Card Accounts**

On December 27, 2013, the Bank, Aimia Inc. (Aimia), and the Canadian Imperial Bank of Commerce (CIBC) closed a transaction under which

the Bank acquired approximately 50% of CIBC's existing Aeroplan credit card portfolio, which primarily included accounts held by customers who did not have an existing retail banking relationship with CIBC. The Bank accounted for the purchase as an asset acquisition. The results of the acquisition have been recorded in the Canadian Retail segment.

The Bank acquired approximately 540,000 cardholder accounts with an outstanding balance of \$3.3 billion at a price of par plus \$50 million less certain adjustments for total cash consideration of \$3.3 billion. At the date of acquisition, the fair value of credit card receivables acquired was \$3.2 billion and the fair value of an intangible asset for the purchased credit card relationships was \$146 million.

In connection with the purchase agreement, the Bank agreed to pay CIBC a further \$127 million under a commercial subsidy agreement. This payment was recognized as a non-interest expense in 2014.

### **Disposal of TD Waterhouse Institutional Services**

On November 12, 2013, TD Waterhouse Canada Inc., a subsidiary of the Bank, completed the sale of the Bank's institutional services business, known as TD Waterhouse Institutional Services, to a subsidiary of National Bank of Canada. The transaction price was \$250 million in cash, subject to certain price adjustment mechanisms. A pre-tax gain of \$231 million was recorded in the Corporate segment in other income in the first quarter of 2014. An additional pre-tax gain of \$13 million was recorded in the Corporate segment subsequently, upon the settlement of price adjustment mechanisms.

NOTE 14	<b>GOODWILL AND OTHER INTANGIBLES</b>
---------	---------------------------------------

The fair value 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 fair value of CGUs, and the use of different assumptions and estimates in the fair value 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, fair values 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 \$11 billion and primarily related to treasury assets 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 fair value less costs to sell or its 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 Multiple**

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. The pre-tax terminal multiple for the period after the Bank's internal forecast was derived from observable terminal multiples of comparable financial institutions and ranged from 11 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 its carrying amount.

During fiscal 2016, the Bank recorded impairment losses of \$98.9 million on goodwill, which is reflected in the Canadian Retail segment, and certain intangibles relating to a business that has been experiencing continued losses. The impairment losses on intangibles are reported in the Corporate segment as other non-interest expenses.

## 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, 2014	\$ 2,249	\$ 11,834	\$ 150	\$ 14,233
Impairment losses <sup>2</sup>	–	–	–	–
Foreign currency translation adjustments and other	120	1,984	–	2,104
Carrying amount of goodwill as at October 31, 2015	2,369	13,818	150	16,337
Impairment losses <sup>2</sup>	(52)	–	–	(52)
Foreign currency translation adjustments and other	20	357	–	377
<b>Carrying amount of goodwill as at October 31, 2016</b>	<b>\$ 2,337</b>	<b>\$ 14,175</b>	<b>\$ 150</b>	<b>\$ 16,662</b>
<b>Pre-tax discount rates</b>				
2015	9.1–12.4%	9.7–10.5%	12.4%	
<b>2016</b>	<b>9.1–10.7</b>	<b>9.9–10.5</b>	<b>12.4</b>	

<sup>1</sup> Goodwill predominantly relates to U.S. personal and commercial banking.

<sup>2</sup> Accumulated impairment as at October 31, 2016, was \$52 million (October 31, 2015 – 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, 2014	\$ 2,204	\$ 738	\$ 1,677	\$ 227	\$ 572	\$ 5,418
Additions	–	–	394	74	6	474
Disposals	–	–	(31)	(3)	–	(34)
Fully amortized intangibles	–	–	(178)	(12)	–	(190)
Foreign currency translation adjustments and other	353	20	76	15	82	546
As at October 31, 2015	2,557	758	1,938	301	660	6,214
Additions	–	–	598	64	9	671
Disposals	–	–	(42)	(7)	–	(49)
Fully amortized intangibles	–	–	(226)	(3)	–	(229)
Foreign currency translation adjustments and other	66	4	(2)	32	6	106
<b>At October 31, 2016</b>	<b>\$ 2,623</b>	<b>\$ 762</b>	<b>\$ 2,266</b>	<b>\$ 387</b>	<b>\$ 675</b>	<b>\$ 6,713</b>
<b>Amortization and impairment</b>						
As at November 1, 2014	\$ 1,598	\$ 181	\$ 530	\$ 130	\$ 299	\$ 2,738
Disposals	–	–	(16)	(1)	–	(17)
Impairment losses	–	–	5	–	–	5
Amortization charge for the year	162	83	295	63	50	653
Fully amortized intangibles	–	–	(178)	(12)	–	(190)
Foreign currency translation adjustments and other	264	6	47	7	30	354
As at October 31, 2015	2,024	270	683	187	379	3,543
Disposals	–	–	(37)	(6)	–	(43)
Impairment losses	–	–	36	3	22	61
Amortization charge for the year	147	85	333	82	44	691
Fully amortized intangibles	–	–	(226)	(3)	–	(229)
Foreign currency translation adjustments and other	54	1	(3)	(2)	1	51
<b>As at October 31, 2016</b>	<b>\$ 2,225</b>	<b>\$ 356</b>	<b>\$ 786</b>	<b>\$ 261</b>	<b>\$ 446</b>	<b>\$ 4,074</b>
<b>Net Book Value:</b>						
As at October 31, 2015	\$ 533	\$ 488	\$ 1,255	\$ 114	\$ 281	\$ 2,671
<b>As at October 31, 2016</b>	<b>398</b>	<b>406</b>	<b>1,480</b>	<b>126</b>	<b>229</b>	<b>2,639</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, 2014	\$ 909	\$ 2,897	\$ 874	\$ 1,283	\$ 1,561	\$ 7,524
Additions	–	174	113	211	134	632
Disposals	(2)	(21)	(111)	(23)	(19)	(176)
Fully depreciated assets	–	(62)	(116)	(104)	(66)	(348)
Foreign currency translation adjustments and other	111	268	30	76	144	629
As at October 31, 2015	1,018	3,256	790	1,443	1,754	8,261
Additions	–	175	265	163	143	746
Disposals	–	(72)	(4)	(34)	(27)	(137)
Fully depreciated assets	–	(68)	(195)	(241)	(47)	(551)
Foreign currency translation adjustments and other	(6)	58	3	(11)	35	79
<b>As at October 31, 2016</b>	<b>\$ 1,012</b>	<b>\$ 3,349</b>	<b>\$ 859</b>	<b>\$ 1,320</b>	<b>\$ 1,858</b>	<b>\$ 8,398</b>
<b>Accumulated depreciation and impairment/losses</b>						
As at November 1, 2014	\$ –	\$ 940	\$ 409	\$ 632	\$ 613	\$ 2,594
Depreciation charge for the year	–	134	183	137	134	588
Disposals	–	(18)	(73)	(22)	(19)	(132)
Impairment losses	–	–	–	–	–	–
Fully depreciated assets	–	(62)	(116)	(104)	(66)	(348)
Foreign currency translation adjustments and other	–	141	16	38	50	245
As at October 31, 2015	–	1,135	419	681	712	2,947
Depreciation charge for the year	–	148	172	154	147	621
Disposals	–	(42)	(4)	(32)	(27)	(105)
Impairment losses	–	–	2	–	6	8
Fully depreciated assets	–	(68)	(195)	(241)	(47)	(551)
Foreign currency translation adjustments and other	–	(26)	12	4	6	(4)
<b>As at October 31, 2016</b>	<b>\$ –</b>	<b>\$ 1,147</b>	<b>\$ 406</b>	<b>\$ 566</b>	<b>\$ 797</b>	<b>\$ 2,916</b>
<b>Net Book Value:</b>						
As at October 31, 2015	\$ 1,018	\$ 2,121	\$ 371	\$ 762	\$ 1,042	\$ 5,314
<b>As at October 31, 2016</b>	<b>1,012</b>	<b>2,202</b>	<b>453</b>	<b>754</b>	<b>1,061</b>	<b>5,482</b>

**NOTE 16 OTHER ASSETS**

**Other Assets**

(millions of Canadian dollars)

	October 31 2016	October 31 2015
Accounts receivable and other items	\$ 8,092	\$ 7,810
Accrued interest	1,634	1,563
Cheques and other items in transit	–	216
Current income tax receivable	389	1,245
Defined benefit asset	11	104
Insurance-related assets, excluding investments	1,758	1,441
Prepaid expenses	906	869
<b>Total</b>	<b>\$ 12,790</b>	<b>\$ 13,248</b>

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. Accrued interest on deposits, calculated using the EIRM, is included in Other liabilities on the Consolidated

Balance Sheet. 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, 2016, was \$231 billion (October 31, 2015 – \$213 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.

## Deposits

(millions of Canadian dollars)

							As at	
							October 31	October 31
							2016	2015
	By Type			By Country			Total	Total
	Demand	Notice	Term	Canada	United States	International		
Personal	\$ 14,531	\$ 374,521	\$ 50,180	\$ 203,608	\$ 234,380	\$ 1,244	\$ 439,232	\$ 395,818
Banks <sup>1</sup>	8,025	43	9,133	12,745	472	3,984	17,201	17,080
Business and government <sup>2</sup>	73,011	116,634	127,582	221,300	93,916	2,011	317,227	282,678
Designated at fair value through profit or loss <sup>3</sup>	–	–	176	176	–	–	176	1,402
Trading <sup>4</sup>	–	–	79,786	7,229	44,045	28,512	79,786	74,759
<b>Total</b>	<b>\$ 95,567</b>	<b>\$ 491,198</b>	<b>\$ 266,857</b>	<b>\$ 445,058</b>	<b>\$ 372,813</b>	<b>\$ 35,751</b>	<b>\$ 853,622</b>	<b>\$ 771,737</b>
<b>Non-interest-bearing deposits included above</b>								
In domestic offices <sup>4</sup>							\$ 35,401	\$ 27,661
In foreign offices							53,089	47,485
<b>Interest-bearing deposits included above</b>								
In domestic offices <sup>4</sup>							409,657	369,622
In foreign offices							355,456	326,885
U.S. federal funds deposited <sup>5</sup>							19	84
<b>Total<sup>2,5</sup></b>							<b>\$ 853,622</b>	<b>\$ 771,737</b>

<sup>1</sup> Includes deposits and advances with the Federal Home Loan Bank.

<sup>2</sup> As at October 31, 2016, includes \$29 billion in Deposits on the Consolidated Balance Sheet relating to covered bondholders (October 31, 2015 – \$24 billion) and \$2 billion (October 31, 2015 – \$2 billion) due to TD Capital Trust IV.

<sup>3</sup> Included in Other financial liabilities designated at fair value through profit or loss on the Consolidated Balance Sheet.

<sup>4</sup> Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

<sup>5</sup> As at October 31, 2016, includes deposits of \$474 billion (October 31, 2015 – \$438 billion) denominated in U.S. dollars and \$48 billion (October 31, 2015 – \$36 billion) denominated in other foreign currencies.

## Term Deposits

(millions of Canadian dollars)

							As at	
							October 31	October 31
							2016	2015
	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	\$ 28,897	\$ 9,236	\$ 6,379	\$ 2,730	\$ 2,806	\$ 132	\$ 50,180	\$ 50,415
Banks	9,115	3	3	–	–	12	9,133	10,078
Business and government	48,211	19,927	13,854	12,687	20,411	12,492	127,582	114,227
Designated at fair value through profit or loss <sup>1</sup>	176	–	–	–	–	–	176	1,402
Trading	76,677	1,103	354	390	482	780	79,786	74,759
<b>Total</b>	<b>\$ 163,076</b>	<b>\$ 30,269</b>	<b>\$ 20,590</b>	<b>\$ 15,807</b>	<b>\$ 23,699</b>	<b>\$ 13,416</b>	<b>\$ 266,857</b>	<b>\$ 250,881</b>

<sup>1</sup> Included in Other financial liabilities designated at fair value through profit or loss on the Consolidated Balance Sheet.

## Term Deposits due within a Year

(millions of Canadian dollars)

					As at	
					October 31	October 31
					2016	2015
	Within 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Total	Total	
Personal	\$ 9,870	\$ 7,794	\$ 11,233	\$ 28,897	\$ 28,539	
Banks	8,797	231	87	9,115	10,058	
Business and government	29,961	8,064	10,186	48,211	52,800	
Designated at fair value through profit or loss <sup>1</sup>	102	12	62	176	1,226	
Trading	27,606	23,930	25,141	76,677	72,408	
<b>Total</b>	<b>\$ 76,336</b>	<b>\$ 40,031</b>	<b>\$ 46,709</b>	<b>\$ 163,076</b>	<b>\$ 165,031</b>	

<sup>1</sup> Included in Other financial liabilities designated at fair value through profit or loss on the Consolidated Balance Sheet.

**NOTE 18 OTHER LIABILITIES**
**Other Liabilities**

(millions of Canadian dollars)

	<i>As at</i>	
	October 31 2016	October 31 2015
Accounts payable, accrued expenses, and other items	\$ 4,401	\$ 3,901
Accrued interest	960	882
Accrued salaries and employee benefits	2,829	2,601
Cheques and other items in transit	1,598	–
Current income tax payable	58	69
Deferred tax liabilities	345	323
Defined benefit liability	3,011	1,947
Liabilities related to structured entities	5,469	3,400
Provisions	1,025	1,100
<b>Total</b>	<b>\$ 19,696</b>	<b>\$ 14,223</b>

**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>				
Maturity date	Interest rate (%)	Reset spread (%)	Earliest par redemption date	October 31 2016	October 31 2015
November 2, 2020 <sup>1</sup>	3.367 <sup>2</sup>	1.250 <sup>2</sup>	November 2, 2015	\$ –	\$ 998
September 20, 2022 <sup>3</sup>	4.644 <sup>2</sup>	1.000 <sup>2</sup>	September 20, 2017	260	267
July 9, 2023	5.828 <sup>2</sup>	2.550 <sup>2</sup>	July 9, 2018	650	650
May 26, 2025	9.150	n/a <sup>4</sup>	–	200	199
June 24, 2025 <sup>5</sup>	2.692 <sup>2</sup>	1.210 <sup>2</sup>	June 24, 2020	1,517	1,489
September 30, 2025 <sup>5</sup>	2.982 <sup>2</sup>	1.830 <sup>2</sup>	September 30, 2020	1,004	1,000
March 4, 2031 <sup>5</sup>	4.859 <sup>2</sup>	3.490 <sup>2</sup>	March 4, 2026	1,242	–
September 15, 2031 <sup>5</sup>	3.625 <sup>6</sup>	2.205 <sup>6</sup>	September 15, 2026	1,968	–
December 14, 2105	4.779 <sup>7</sup>	1.740 <sup>7</sup>	December 14, 2016 <sup>8</sup>	2,250	2,235
December 18, 2106	5.763 <sup>7</sup>	1.990 <sup>7</sup>	December 18, 2017	1,800	1,799
<b>Total</b>				<b>\$ 10,891</b>	<b>\$ 8,637</b>

<sup>1</sup> On November 2, 2015 ("Redemption Date"), the Bank redeemed all of its outstanding \$1 billion 3.367% subordinated debentures due November 2, 2020, at a redemption price of 100% of the principal amount. Interest on the debentures ceased to accrue on and after the Redemption Date.

<sup>2</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>3</sup> Obligation of a subsidiary.

<sup>4</sup> Not applicable.

<sup>5</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 are no declared and unpaid interest on the respective subordinated notes, as applicable, 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, 375 million for the 4.859% subordinated debentures due March 4, 2031 and assuming a Canadian to U.S. dollar exchange rate of 1.00, 450 million for the 3.625% subordinated debentures due September 15, 2031.

<sup>6</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>7</sup> Interest rate is for the period to but excluding the earliest par redemption date, and thereafter, it will be reset every 5 years at a rate of 5-year Government of Canada yield plus the reset spread noted.

<sup>8</sup> On October 27, 2016, the Bank announced its intention to exercise its right to redeem on December 14, 2016 (the "Redemption Date"), all of its outstanding \$2.25 billion 4.779% subordinated debentures due December 14, 2105, at a redemption price of 100 per cent of the principal amount. Interest on the debentures will cease to accrue on and after the Redemption Date.

**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>	
	October 31 2016	October 31 2015
Within 1 year	\$ 2,250	\$ 998
Over 1 year to 3 years	–	–
Over 3 years to 4 years	–	–
Over 4 years to 5 years	–	–
Over 5 years	8,641	7,639
<b>Total</b>	<b>\$ 10,891</b>	<b>\$ 8,637</b>

The Bank issued innovative capital securities through two structured entities: TD Capital Trust III (Trust III) and TD Capital Trust IV (Trust IV).

#### TD CAPITAL TRUST III SECURITIES – SERIES 2008

On September 17, 2008, Trust III, a closed-end trust, issued TD Capital Trust III Securities – Series 2008 (TD CaTS III). The proceeds from the issuance were invested in trust assets purchased from the Bank. Each TD CaTS III may be automatically exchanged, without the consent of the holders, into 40 non-cumulative Class A First Preferred Shares, Series A9 of the Bank on the occurrence of certain events. TD CaTS III are reported on the Consolidated Balance Sheet as Non-controlling interests in subsidiaries because the Bank consolidates Trust III.

#### 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. Each TD CaTS IV – 1 and 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. As of October 31, 2016, there was \$450 million (October 31, 2015 – \$450 million) in principal amount of TD Capital Trust IV Notes – Series 2 issued and outstanding.

### Capital Trust Securities

(millions of Canadian dollars, except as noted)

	Thousands of units	Distribution/Interest payment dates	Annual yield	Redemption date		October 31 2016	October 31 2015
				At the option of the issuer	As at		
<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>	\$ 989	\$ 964	
<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	550	
TD Capital Trust IV Notes – Series 2	450	June 30, Dec. 31	10.000% <sup>5</sup>	June 30, 2014 <sup>4</sup>	450	450	
TD Capital Trust IV Notes – Series 3	750	June 30, Dec. 31	6.631% <sup>6</sup>	Dec. 31, 2014 <sup>4</sup>	750	750	
	1,750				\$ 1,750	\$ 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 the redemption date and on any distribution date thereafter, Trust III may, with regulatory approval, redeem TD CaTS III in whole, without the consent of the holders.

<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 or after the redemption date, Trust IV may, with regulatory approval, redeem the TD CaTS IV – 1, 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>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> 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. Preferred shares issued after January 1, 2013, 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, 2016		October 31, 2015	
	Number of shares	Amount	Number of shares	Amount
<b>Common Shares</b>				
Balance as at beginning of year	1,856.2	\$ 20,294	1,846.2	\$ 19,811
Proceeds from shares issued on exercise of stock options	4.9	186	3.3	128
Shares issued as a result of dividend reinvestment plan	6.0	335	6.7	355
Purchase of shares for cancellation	(9.5)	(104)	–	–
<b>Balance as at end of year – common shares</b>	<b>1,857.6</b>	<b>\$ 20,711</b>	<b>1,856.2</b>	<b>\$ 20,294</b>
<b>Preferred Shares – Class A</b>				
Series S	5.4	\$ 135	5.4	\$ 135
Series T	4.6	115	4.6	115
Series Y	5.5	137	5.5	137
Series Z	4.5	113	4.5	113
Series 1 <sup>1</sup>	20.0	500	20.0	500
Series 3 <sup>1</sup>	20.0	500	20.0	500
Series 5 <sup>1</sup>	20.0	500	20.0	500
Series 7 <sup>1</sup>	14.0	350	14.0	350
Series 9 <sup>1</sup>	8.0	200	8.0	200
Series 11 <sup>1</sup>	6.0	150	6.0	150
Series 12 <sup>1</sup>	28.0	700	–	–
Series 14 <sup>1</sup>	40.0	1,000	–	–
<b>Balance as at end of year – preferred shares</b>	<b>176.0</b>	<b>\$ 4,400</b>	<b>108.0</b>	<b>\$ 2,700</b>
<b>Treasury shares – common<sup>2,3</sup></b>				
Balance as at beginning of year	1.1	\$ (49)	1.6	\$ (54)
Purchase of shares	104.9	(5,769)	98.2	(5,269)
Sale of shares	(105.6)	5,787	(98.7)	5,274
<b>Balance as at end of year – treasury shares – common</b>	<b>0.4</b>	<b>\$ (31)</b>	<b>1.1</b>	<b>\$ (49)</b>
<b>Treasury shares – preferred<sup>2,3</sup></b>				
Balance as at beginning of year	0.1	\$ (3)	–	\$ (1)
Purchase of shares	5.1	(115)	9.9	(244)
Sale of shares	(5.0)	113	(9.8)	242
<b>Balance as at end of year – treasury shares – preferred</b>	<b>0.2</b>	<b>\$ (5)</b>	<b>0.1</b>	<b>\$ (3)</b>

<sup>1</sup> NVCC Series 1, 3, 5, 7, 9, 11, 12, and 14 Preferred Shares 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, 100 million, 100 million, 70 million, 40 million, 30 million, 140 million, and 200 million, respectively.

<sup>2</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.

<sup>3</sup> Certain comparative amounts have been restated to conform with the presentation adopted in the current period.

### 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>Fixed Rate Preferred Shares</b>					
Series 11 <sup>2</sup>	July 21, 2015	4.9	n/a	October 31, 2020 <sup>3</sup>	n/a
<b>Rate Reset Preferred Shares<sup>4</sup></b>					
Series S	June 11, 2008	3.371	1.60	July 31, 2018	Series T
Series Y	July 16, 2008	3.5595	1.68	October 31, 2018	Series Z
Series 1 <sup>2</sup>	June 4, 2014	3.9	2.24	October 31, 2019	Series 2
Series 3 <sup>2</sup>	July 31, 2014	3.8	2.27	July 31, 2019	Series 4
Series 5 <sup>2</sup>	December 16, 2014	3.75	2.25	January 31, 2020	Series 6
Series 7 <sup>2</sup>	March 10, 2015	3.6	2.79	July 31, 2020	Series 8
Series 9 <sup>2</sup>	April 24, 2015	3.7	2.87	October 31, 2020	Series 10
Series 12 <sup>2</sup>	January 14, 2016	5.5	4.66	April 30, 2021	Series 13
Series 14 <sup>2</sup>	September 8, 2016	4.85	4.12	October 31, 2021	Series 15
<b>Floating Rate Preferred Shares<sup>4,5</sup></b>					
Series T	July 31, 2013	n/a	1.60	July 31, 2018	Series S
Series Z	October 31, 2013	n/a	1.68	October 31, 2018	Series Y

<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 five years thereafter to equal the then five-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> Non-viability contingent capital.

<sup>3</sup> Subject to regulatory consent, redeemable on or after October 31, 2020, at a redemption price of \$26.00, and thereafter, at a declining redemption price.

<sup>4</sup> Subject to regulatory consent, redeemable on the redemption date noted and every five years thereafter, at \$25 per share. Convertible on the conversion date noted and every five years thereafter if not redeemed. If converted, the holders have the option to convert back to the original Series of preferred shares every five years.

<sup>5</sup> Subject to a redemption price of \$25.50 per share if redeemed prior to July 31, 2018, for Series T and October 31, 2018, for Series Z.



## NORMAL COURSE ISSUER BID

On December 9, 2015, the Bank announced that the Toronto Stock Exchange and OSFI approved the Bank's normal course issuer bid (NCIB) to repurchase for cancellation up to 9.5 million of the Bank's common shares. During the year ended October 31, 2016, the Bank completed its share repurchase under the NCIB and repurchased 9.5 million common shares at an average price of \$51.23 per share for a total amount of \$487 million.

## 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, 6.0 million common shares at a discount of 0% were issued from the Bank's treasury (2015 – 6.7 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 either Trust III or Trust IV fails to pay semi-annual distributions or interest in full to holders of their respective trust securities, TD CaTS III and 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.

(millions of Canadian dollars)	As at	
	October 31 2016	October 31 2015
REIT preferred stock, Series A	\$ 661	\$ 646
TD Capital Trust III Securities – Series 2008 <sup>1</sup>	989	964
<b>Total</b>	<b>\$ 1,650</b>	<b>\$ 1,610</b>

<sup>1</sup> Refer to Note 20 for a description of the TD Capital Trust III securities.

### REIT Preferred Stock, Fixed-to-Floating Rate Exchangeable Non-Cumulative Perpetual Preferred Stock, Series A

A real estate investment trust, Northgroup Preferred Capital Corporation (Northgroup REIT), a subsidiary of TD Bank, N.A., issued 500,000 shares of Fixed-to-Floating Rate Exchangeable Non-Cumulative Perpetual Preferred Stock, Series A (Series A shares). Each Series A share is entitled to semi-annual non-cumulative cash dividends, if declared, at a per annum rate of 6.378% until October 17, 2017, and at a per annum rate of three-month LIBOR plus 1.1725% payable quarterly thereafter. The Series A shares are redeemable by Northgroup REIT, subject to regulatory consent, at a price of US\$1,000 plus a make-whole amount at any time after October 15, 2012, and prior to October 15, 2017, and at a price of US\$1,000 per Series A share on October 15, 2017, and every five years thereafter. Each Series A share may be automatically exchanged, without the consent of the holders, into a newly issued share of preferred stock of TD Bank, N.A. on the occurrence of certain events.

## NOTE 22 TRADING-RELATED INCOME

Trading assets and liabilities, including trading derivatives, certain securities and loans held within a trading portfolio that are designated at fair value through profit or loss, trading loans and trading deposits, are measured at fair value, with gains and losses recognized on the Consolidated Statement of Income.

Trading-related income comprises Net interest income, Trading income (losses), and income from financial instruments designated at fair value through profit or loss that are managed within a trading portfolio, all recorded on the Consolidated Statement of Income. 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. Realized and unrealized gains and losses on financial instruments designated at fair value through profit or loss are included in Non-interest income on the Consolidated Statement of Income.

Trading-related income excludes underwriting fees and commissions on securities transactions, which are shown separately on the Consolidated Statement of Income.

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

### Trading-Related Income

(millions of Canadian dollars)

	For the years ended October 31		
	2016	2015	2014
Net interest income (loss)	\$ 934	\$ 1,380	\$ 1,337
Trading income (loss)	395	(223)	(349)
Financial instruments designated at fair value through profit or loss <sup>1</sup>	6	(5)	(9)
<b>Total</b>	<b>1,335</b>	<b>1,152</b>	<b>979</b>
<b>By product</b>			
Interest rate and credit portfolios	742	636	601
Foreign exchange portfolios	622	467	385
Equity and other portfolios	(35)	54	2
Financial instruments designated at fair value through profit or loss <sup>1</sup>	6	(5)	(9)
<b>Total</b>	<b>\$ 1,335</b>	<b>\$ 1,152</b>	<b>\$ 979</b>

<sup>1</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.

**INSURANCE REVENUE AND EXPENSES**

Insurance revenue is presented on the Consolidated Statement of Income under insurance revenue and claims-related expenses including the impact of reinsurance.

**Insurance Revenue and Insurance Claims and Related Expenses<sup>1</sup>**

(millions of Canadian dollars)	For the years ended October 31		
	2016	2015	2014
<b>Insurance Revenue</b>			
Earned Premiums			
Gross	\$ 4,226	\$ 4,186	\$ 4,389
Reinsurance ceded	933	891	856
Net earned premiums	3,293	3,295	3,533
Fee income and other revenue <sup>2</sup>	503	463	350
<b>Insurance Revenue</b>	<b>3,796</b>	<b>3,758</b>	<b>3,883</b>
<b>Insurance Claims and Related Expenses</b>			
Gross	3,086	2,734	3,041
Reinsurance ceded	624	234	208
<b>Insurance Claims and Related Expenses</b>	<b>\$ 2,462</b>	<b>\$ 2,500</b>	<b>\$ 2,833</b>

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

<sup>2</sup> Ceding commissions received and paid are included within fee income and other revenue. Ceding commissions paid and netted against fee income in 2016 were \$142 million (2015 – \$177 million; 2014 – \$182 million).

**RECONCILIATION OF CHANGES IN LIABILITIES FOR PROPERTY AND CASUALTY INSURANCE**

For property and casualty insurance, the recognized liabilities are comprised of a provision for unpaid claims (refer to the following section (a)) and unearned premiums (refer to the following section (b)).

**(a) Movement in Provision for Unpaid Claims**

The following table presents movements in the property and casualty insurance net provision for unpaid claims during the year.

**Movement in Provision for Unpaid Claims**

(millions of Canadian dollars)	October 31, 2016			October 31, 2015		
	Gross	Reinsurance/ Other recoverable	Net	Gross	Reinsurance/ Other recoverable	Net
<b>Balance as at beginning of year</b>	\$ 4,757	\$ 138	\$ 4,619	\$ 4,371	\$ 148	\$ 4,223
Claims costs for current accident year	2,804	366	2,438	2,415	6	2,409
Prior accident years claims development (favourable) unfavourable	(264)	(16)	(248)	(163)	11	(174)
Increase (decrease) due to changes in assumptions:						
Discount rate	(4)	(3)	(1)	18	–	18
Provision for adverse deviation	30	6	24	41	–	41
<b>Claims and related expenses</b>	<b>2,566</b>	<b>353</b>	<b>2,213</b>	<b>2,311</b>	<b>17</b>	<b>2,294</b>
Claims paid during the year for:						
Current accident year	(1,189)	(135)	(1,054)	(1,003)	–	(1,003)
Prior accident years	(960)	(8)	(952)	(929)	(34)	(895)
	(2,149)	(143)	(2,006)	(1,932)	(34)	(1,898)
Increase (decrease) in other recoverables	40	40	–	7	7	–
<b>Balance as at end of year</b>	<b>\$ 5,214</b>	<b>\$ 388</b>	<b>\$ 4,826</b>	<b>\$ 4,757</b>	<b>\$ 138</b>	<b>\$ 4,619</b>

**(b) Movement in Provision for 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, 2016			October 31, 2015		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Balance as at beginning of year</b>	\$ 1,590	\$ –	\$ 1,590	\$ 1,559	\$ –	\$ 1,559
Written premiums	3,039	105	2,934	3,074	87	2,987
Earned premiums	(3,054)	(105)	(2,949)	(3,043)	(87)	(2,956)
<b>Balance as at end of year</b>	<b>\$ 1,575</b>	<b>\$ –</b>	<b>\$ 1,575</b>	<b>\$ 1,590</b>	<b>\$ –</b>	<b>\$ 1,590</b>

### (c) Other Movements in Insurance Liabilities

Other movements of \$85 million in insurance liabilities (nil as at October 31, 2015) consist of changes in life and health insurance policy benefit liabilities and other insurance payables that were caused primarily by the aging of in-force business and changes in actuarial assumptions.

### PROPERTY AND CASUALTY CLAIMS DEVELOPMENT

The following table shows the estimates of cumulative incurred claims for the nine most recent accident years, 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
	2008 and prior	2009	2010	2011	2012	2013	2014	2015	2016	
<b>Net ultimate claims cost at end of accident year</b>	<b>\$ 3,335</b>	<b>\$ 1,598</b>	<b>\$ 1,742</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>Revised estimates</b>										
One year later	3,366	1,627	1,764	1,728	1,930	2,227	2,334	2,367	-	
Two years later	3,359	1,663	1,851	1,823	1,922	2,191	2,280	-	-	
Three years later	3,423	1,720	1,921	1,779	1,884	2,158	-	-	-	
Four years later	3,527	1,763	1,926	1,768	1,860	-	-	-	-	
Five years later	3,631	1,753	1,931	1,739	-	-	-	-	-	
Six years later	3,612	1,756	1,904	-	-	-	-	-	-	
Seven years later	3,646	1,740	-	-	-	-	-	-	-	
Eight years later	3,623	-	-	-	-	-	-	-	-	
<b>Current estimates of cumulative claims</b>	<b>3,623</b>	<b>1,740</b>	<b>1,904</b>	<b>1,739</b>	<b>1,860</b>	<b>2,158</b>	<b>2,280</b>	<b>2,367</b>	<b>2,438</b>	
Cumulative payments to date	(3,425)	(1,660)	(1,766)	(1,556)	(1,516)	(1,617)	(1,523)	(1,353)	(1,054)	
Net undiscounted provision for unpaid claims	198	80	138	183	344	541	757	1,014	1,384	\$ 4,639
Effect of discounting										(250)
Provision for adverse deviation										437
<b>Net provision for unpaid claims</b>										<b>\$ 4,826</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, 2016		October 31, 2015	
	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 an absolute change of 1% in key assumptions</b>				
Discount rate assumption used				
Increase in assumption	\$ 135	\$ 98	\$ 127	\$ 94
Decrease in assumption	(145)	(106)	(136)	(100)
Margin for adverse deviation assumption used				
Increase in assumption	(47)	(35)	(45)	(33)
Decrease in assumption	47	35	45	33
<b>Impact of an absolute change of 5% in key assumptions</b>				
Frequency of claims				
Increase in assumption	(32)	(23)	(32)	(24)
Decrease in assumption	32	23	32	24
Severity of claims				
Increase in assumption	(240)	(175)	(219)	(161)
Decrease in assumption	240	175	219	161

For life and health insurance, critical assumptions used in the measurement of insurance contract liabilities are determined by the Appointed Actuary. 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, 2016, for the property and casualty insurance business, 67.3% of net written premiums were derived from automobile policies (October 31, 2015 – 68.9%) followed by residential with 32.2% (October 31, 2015 – 30.6%). The distribution by provinces show that business is mostly concentrated in Ontario with 57.6% of net written premiums (October 31, 2015 – 59.0%). The Western provinces represented 28.6% (October 31, 2015 – 28.8%), followed by the Atlantic provinces with 7.8% (October 31, 2015 – 6.3%), and Québec at 6.0% (October 31, 2015 – 5.9%).

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 24 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, 21.7 million common shares have been reserved for future issuance (October 31, 2015 – 23.6 million). The outstanding options expire on various dates to December 9, 2025. 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)

	2016		2015		2014	
	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	18.4	\$ 40.65	19.4	\$ 36.72	22.0	\$ 33.89
Granted	2.5	53.15	2.6	52.46	2.6	47.59
Exercised	(4.9)	35.21	(3.3)	30.31	(5.0)	31.32
Forfeited/cancelled	(0.6)	48.29	(0.3)	44.25	(0.2)	39.60
<b>Number outstanding, end of year</b>	<b>15.4</b>	<b>\$ 44.18</b>	<b>18.4</b>	<b>\$ 40.65</b>	<b>19.4</b>	<b>\$ 36.72</b>
Exercisable, end of year	5.5	\$ 37.19	7.0	\$ 35.90	7.1	\$ 31.18

The weighted average share price for the options exercised in 2016 was \$54.69 (2015 – \$53.98; 2014 – \$52.15).

The following table summarizes information relating to stock options outstanding and exercisable as at October 31, 2016.

##### 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 – \$36.63	2.5	3.7	35.35	2.5	35.35
\$36.64 – \$40.22	2.4	4.3	37.23	2.4	37.23
\$40.54 – \$44.61	2.9	6.0	40.55	–	–
\$44.74 – \$47.59	2.9	6.0	47.02	0.6	44.74
\$52.46 – \$53.15	4.7	8.5	52.80	–	–

For the year ended October 31, 2016, the Bank recognized compensation expense for stock option awards of \$6.5 million (October 31, 2015 – \$19.8 million; October 31, 2014 – \$25.6 million). For the year ended October 31, 2016, 2.5 million (October 31, 2015 – 2.6 million; October 31, 2014 – 2.6 million) options were granted by the Bank at a weighted-average fair value of \$4.93 per option (2015 – \$9.06 per option; 2014 – \$9.29 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 Fair Value of Options

(in Canadian dollars, except as noted)	2016	2015	2014
Risk-free interest rate	1.00%	1.44%	1.90%
Expected option life (years)	6.3 years	6.3 years	6.2 years
Expected volatility <sup>1</sup>	15.82%	25.06%	27.09%
Expected dividend yield	3.45%	3.65%	3.66%
Exercise price/share price	\$ 53.15	\$ 52.46	\$ 47.59

<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 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, 2016, was 26 million (2015 – 26 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, 2016, 6.2 million deferred share units were outstanding (October 31, 2015 – 6.5 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, 2016, the Bank recognized compensation expense, net of the effects of hedges, for these plans of \$467 million (2015 – \$441 million; 2014 – \$415 million). The compensation expense recognized before the effects of hedges was \$720 million (2015 – \$471 million; 2014 – \$718 million). The carrying amount of the liability relating to these plans, based on the closing share price, was \$1.8 billion at October 31, 2016 (October 31, 2015 – \$1.6 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, 2016, the Bank's contributions totalled \$66 million (2015 – \$67 million; 2014 – \$65 million) and were expensed as salaries and employee benefits. As at October 31, 2016, an aggregate of 20 million common shares were held under the Employee Ownership Plan (October 31, 2015 – 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.

#### NOTE 25 EMPLOYEE BENEFITS

#### 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.

Funding for the Bank's principal pension plans is provided by contributions from the Bank and members of the plans, as applicable. 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 plan are adequately funded over time. The Bank's contributions to the principal pension plans during 2016 were \$384 million (2015 – \$357 million). The 2016 contributions were made in accordance with the actuarial valuation reports for funding purposes as at October 31, 2015, for both of the principal pension plans. The 2015 contributions were made in accordance with the actuarial valuation reports for funding purposes as at October 31, 2014, for the Society and the TDPP. The next valuation date for funding purposes is as at October 31, 2016, for both of the principal pension plans.

The Bank also provides certain post-retirement benefits, which are generally non-funded. Post-retirement benefit plans, where offered, generally include health care and dental benefits. 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.

#### INVESTMENT STRATEGY AND ASSET ALLOCATION

The primary objective of the Society and the TDPP is to achieve an annualized real rate of return of 1.50% and 1.75%, respectively, over rolling ten-year periods. The investments of the Society and the TDPP are managed with the primary objective of providing reasonable and stable rates of return, consistent with available market opportunities, prudent portfolio management, and levels of risk commensurate with the return expectations and asset mix policy as set out by the risk budget of 7% and 14% surplus volatility, respectively. The investment policies for the principal pension plans exclude Pension Enhancement Account (PEA) assets which are invested at the member's discretion in certain mutual funds.

Public debt instruments of both the Society and the TDPP must meet or exceed a credit rating of BBB- at the time of purchase and during the holding period. 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%; asset-backed securities must have a minimum credit rating of AAA and not exceed 25% of the mandate; debt instruments of non-government entities must not exceed 80%; debt instruments of non-Canadian government entities must not exceed 20%; debt instruments of a single non-government or non-Canadian government entity must not exceed 10%; and debt instruments issued by the Government of Canada, provinces of Canada, or municipalities must not exceed 100%, 75%, or 10%, respectively. Also with respect to the Society's public debt portfolio, up to 14% 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%; asset-backed securities must have a minimum credit rating of AAA and not exceed 25% of the mandate; and there is a limitation of 10% for any one issuer. The remainder of the public debt portfolio is not permitted to invest in debt instruments of non-government entities.

The TDPP is not permitted to invest in debt instruments of non-government entities.

The equity portfolios of both the Society and the TDPP are broadly diversified primarily across medium 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 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.

The asset allocations by asset category for the principal pension plans (excluding PEA assets) are as follows:

## Plan Asset Allocation

(millions of Canadian dollars, except as noted)

As at October 31, 2016	Acceptable range	% of total	Society <sup>1</sup>		Acceptable range	% of total	TDPP <sup>1</sup>	
			Fair value				Fair value	
			Quoted	Unquoted			Quoted	Unquoted
Debt	40-70%	62%	\$ -	\$ 2,962	25-56%	43%	\$ -	\$ 413
Equity	24-42	33	1,165	407	44-65	56	51	488
Alternative investments <sup>1</sup>	0-35	5	31	208	0-20	1	-	11
Other <sup>2</sup>	n/a	n/a	-	43	n/a	n/a	-	44
<b>Total</b>		<b>100%</b>	<b>\$ 1,196</b>	<b>\$ 3,620</b>		<b>100%</b>	<b>\$ 51</b>	<b>\$ 956</b>

As at October 31, 2015

Debt	58-76%	64%	\$ -	\$ 2,852	44-56%	50%	\$ -	\$ 369
Equity	24-42	30	1,015	346	44-56	50	-	374
Alternative investments <sup>1</sup>	0-10	6	37	227	n/a	n/a	n/a	n/a
Other <sup>2</sup>	n/a	n/a	-	74	n/a	n/a	-	33
<b>Total</b>		<b>100%</b>	<b>\$ 1,052</b>	<b>\$ 3,499</b>		<b>100%</b>	<b>\$ -</b>	<b>\$ 776</b>

As at October 31, 2014

Debt	58-72%	60%	\$ -	\$ 2,489	44-56%	50%	\$ -	\$ 277
Equity	24-34.5	32	1,228	84	44-56	50	-	280
Cash equivalents	0-4	2	-	93	n/a	n/a	n/a	n/a
Alternative investments <sup>1</sup>	0-12.5	6	40	188	n/a	n/a	n/a	n/a
Other <sup>2</sup>	n/a	n/a	-	101	n/a	n/a	-	25
<b>Total</b>		<b>100%</b>	<b>\$ 1,268</b>	<b>\$ 2,955</b>		<b>100%</b>	<b>\$ -</b>	<b>\$ 582</b>

<sup>1</sup> The Society's alternative investments primarily include private equity funds, none of which is invested in the Bank and its affiliates. The principal pension plans also invest in investment vehicles which may hold shares or debt issued by the Bank.

<sup>2</sup> Consists mainly of PEA assets, interest and dividends receivable, and amounts due to and due from brokers for securities traded but not yet settled.

## 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, and price risks), credit risk, longevity 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 counterparties
- Monitoring adherence to asset allocation guidelines
- Monitoring asset class performance against benchmarks

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. Where required, approvals will also be sought from the applicable local body to comply with local regulatory requirements. 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 pension plan consisting of a defined benefit portion and a defined contribution portion. The defined benefit portion was closed to new members after May 31, 1987, and newly eligible employees joined the defined contribution portion of the plan. The Bank received regulatory approval to wind-up the defined contribution portion of the plan effective April 1, 2011. The wind-up was completed on May 31, 2012. Funding for the defined benefit portion 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, 2016, were \$121 million (October 31, 2015 – \$103 million; October 31, 2014 – \$92 million), which included core and matching contributions. 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 TD Auto Finance (legacy Chrysler Financial) employees.

### Supplemental Employee Retirement Plans

Supplemental employee retirement plans are partially funded by the Bank for eligible employees.

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.

### 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>		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
<b>Change in projected benefit obligation</b>									
Projected benefit obligation at beginning of year	\$ 5,377	\$ 5,321	\$ 4,338	\$ 553	\$ 557	\$ 551	\$ 2,743	\$ 2,644	\$ 2,196
Obligations included due to TD Auto Finance plan merger <sup>3</sup>	–	–	–	–	–	–	–	19	–
Service cost – benefits earned	331	359	282	17	20	18	10	13	10
Interest cost on projected benefit obligation	191	219	205	21	23	26	105	113	106
Remeasurement (gain) loss – financial	1,179	(279)	591	(9)	(12)	50	259	(35)	188
Remeasurement (gain) loss – demographic	–	18	44	–	–	(82)	(11)	(11)	129
Remeasurement (gain) loss – experience	8	(71)	(1)	2	(21)	6	(12)	17	17
Members' contributions	66	69	66	–	–	–	–	–	–
Benefits paid	(347)	(259)	(204)	(16)	(14)	(12)	(265)	(251)	(114)
Change in foreign currency exchange rate	–	–	–	–	–	–	45	264	106
Past service cost (credit) <sup>4,5</sup>	–	–	–	–	–	–	(11)	(30)	6
<b>Projected benefit obligation as at October 31</b>	<b>6,805</b>	<b>5,377</b>	<b>5,321</b>	<b>568</b>	<b>553</b>	<b>557</b>	<b>2,863</b>	<b>2,743</b>	<b>2,644</b>
<b>Change in plan assets</b>									
Plan assets at fair value at beginning of year	5,327	4,805	4,177	–	–	–	1,910	1,734	1,575
Assets included due to TD Auto Finance plan merger <sup>3</sup>	–	–	–	–	–	–	–	18	–
Interest income on plan assets	195	205	208	–	–	–	74	76	77
Remeasurement gain (loss) – return on plan assets less interest income	207	158	264	–	–	–	40	(31)	72
Members' contributions	66	69	66	–	–	–	–	–	–
Employer's contributions	384	357	302	16	14	12	101	153	35
Benefits paid	(347)	(259)	(204)	(16)	(14)	(12)	(265)	(251)	(114)
Change in foreign currency exchange rate	–	–	–	–	–	–	39	216	98
Defined benefit administrative expenses	(9)	(8)	(8)	–	–	–	(4)	(5)	(9)
<b>Plan assets at fair value as at October 31</b>	<b>5,823</b>	<b>5,327</b>	<b>4,805</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,895</b>	<b>1,910</b>	<b>1,734</b>
<b>Net defined benefit asset (liability)</b>	<b>(982)</b>	<b>(50)</b>	<b>(516)</b>	<b>(568)</b>	<b>(553)</b>	<b>(557)</b>	<b>(968)</b>	<b>(833)</b>	<b>(910)</b>
<b>Annual expense</b>									
Net employee benefits expense includes the following:									
Service cost – benefits earned	331	359	282	17	20	18	10	13	10
Net interest cost (income) on net defined benefit liability (asset)	(4)	14	(3)	21	23	26	31	37	29
Past service cost (credit) <sup>4,5</sup>	–	–	–	–	–	–	(11)	(30)	6
Defined benefit administrative expenses	9	8	7	–	–	–	7	8	5
<b>Total expense</b>	<b>\$ 336</b>	<b>\$ 381</b>	<b>\$ 286</b>	<b>\$ 38</b>	<b>\$ 43</b>	<b>\$ 44</b>	<b>\$ 37</b>	<b>\$ 28</b>	<b>\$ 50</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	3.52%	4.42%	4.21%	3.60%	4.40%	4.30%	3.65%	4.39%	4.27%
Weighted-average rate of compensation increase	2.66	2.63	2.86	3.25	3.25	3.50	1.18	1.20	1.30

<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 5.0%. The rate is assumed to decrease gradually to 3.17% by the year 2028 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. Other employee benefit plans operated by the Bank and certain of its subsidiaries are not considered material for disclosure purposes. 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> Effective December 31, 2014, certain TD Auto Finance retirement plans were merged and certain previously undisclosed obligations and assets are now included in fiscal 2016 and 2015. The opening balances of these obligations and assets for the year ended October 31, 2015, were \$19 million and \$18 million, respectively (October 31, 2014 – \$14 million and \$16 million, respectively).

<sup>4</sup> Includes a settlement gain of \$12 million related to a portion of the TDAF defined benefit pension plan that was settled during 2016.

<sup>5</sup> Includes a settlement gain of \$35 million related to a portion of the TD Banknorth defined benefit pension plan that was settled during 2015.

During the year ended October 31, 2017, the Bank expects to contribute \$438 million to its principal pension plans, \$17 million to its principal non-pension post-retirement benefit plan, and \$33 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		
	<i>As at October 31</i>								
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Male aged 65 at measurement date	22.1	22.1	21.9	22.1	22.1	21.9	21.4	22.0	22.0
Female aged 65 at measurement date	24.0	23.9	23.8	24.0	23.9	23.8	23.4	24.0	23.3
Male aged 40 at measurement date	23.4	23.3	23.2	23.4	23.3	23.2	22.5	22.5	23.1
Female aged 40 at measurement date	25.1	25.1	25.0	25.1	25.1	25.0	25.0	25.0	25.6

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 (2015 – 16 years, 2014 – 16 years), 17 years (2015 – 17 years, 2014 – 18 years), and 13 years (2015 – 13 years, 2014 – 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)

	<i>As at</i>		
	October 31, 2016		
	Obligation		
	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	\$ 1,230	\$ 103	\$ 414
1% increase in assumption	(948)	(81)	(335)
Rates of compensation increase			
1% decrease in assumption	(366)	n/a <sup>1</sup>	–
1% increase in assumption	397	n/a <sup>1</sup>	–
Life expectancy			
1 year decrease in assumption	(142)	(20)	(86)
1 year increase in assumption	135	20	84
Health care cost initial trend rate			
1% decrease in assumption	n/a	(89)	(4)
1% increase in assumption	n/a	111	5

<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)

	<i>As at</i>		
	October 31 2016	October 31 2015	October 31 2014
<b>Other assets</b>			
Principal pension plans	\$ –	\$ 95	\$ –
Other pension and retirement plans <sup>1</sup>	3	–	9
Other employee benefit plans <sup>2</sup>	8	9	6
<b>Total other assets</b>	<b>11</b>	<b>104</b>	<b>15</b>
<b>Other liabilities</b>			
Principal pension plans	982	145	516
Principal non-pension post-retirement benefit plan	568	553	557
Other pension and retirement plans <sup>1</sup>	971	833	919
Other employee benefit plans <sup>2</sup>	490	416	401
<b>Total other liabilities</b>	<b>3,011</b>	<b>1,947</b>	<b>2,393</b>
<b>Net amount recognized</b>	<b>\$ (3,000)</b>	<b>\$ (1,843)</b>	<b>\$ (2,378)</b>

<sup>1</sup> Effective December 31, 2014, certain TD Auto Finance retirement plans were merged. For fiscal 2016 and 2015, these assets and liabilities have been included in Other pension and retirement plans. Previously, these assets or liabilities were included in Other employee benefit plans.

<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.

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 2016	October 31 2015	October 31 2014
Actuarial gains (losses) recognized in Other Comprehensive Income			
Principal pension plans	\$ (980)	\$ 490	\$ (371)
Principal non-pension post-retirement benefit plan	7	33	26
Other pension and retirement plans <sup>2</sup>	(193)	1	(266)
Other employee benefit plans <sup>3</sup>	(56)	23	(57)
<b>Total actuarial gains (losses) recognized in Other Comprehensive Income</b>	<b>\$ (1,222)</b>	<b>\$ 547</b>	<b>\$ (668)</b>

<sup>1</sup> Amounts are presented on pre-tax basis.

<sup>2</sup> Effective December 31, 2014, certain TD Auto Finance retirement plans were merged. For fiscal 2016 and 2015, these actuarial gains or losses have been included in Other pension and retirement plans. Previously, these actuarial gains or losses were included in Other employee benefit plans.

<sup>3</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 provision for (recovery of) income taxes is comprised of the following.

### Provision for (Recovery of) Income Taxes

(millions of Canadian dollars)

	For the years ended October 31		
	2016	2015	2014
<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	\$ 2,106	\$ 1,881	\$ 1,450
Adjustments in respect of prior years and other	(66)	(6)	31
<b>Total current income taxes</b>	<b>2,040</b>	<b>1,875</b>	<b>1,481</b>
<b>Deferred income taxes</b>			
Provision for (recovery of) deferred income taxes related to the origination and reversal of temporary differences	50	(372)	37
Effect of changes in tax rates	2	(1)	1
Recovery of income taxes due to recognition of previously unrecognized deductible temporary differences and unrecognized tax losses of a prior period	–	8	(11)
Adjustments in respect of prior years and other	51	13	4
<b>Total deferred income taxes</b>	<b>103</b>	<b>(352)</b>	<b>31</b>
<b>Total provision for income taxes – Consolidated Statement of Income</b>	<b>2,143</b>	<b>1,523</b>	<b>1,512</b>
<b>Provision for (recovery of) income taxes – Statement of Other Comprehensive Income</b>			
Current income taxes	51	(1,279)	(623)
Deferred income taxes	(229)	414	(269)
	<b>(178)</b>	<b>(865)</b>	<b>(892)</b>
<b>Income taxes – other non-income related items including business combinations and other adjustments</b>			
Current income taxes	26	14	(9)
Deferred income taxes	(5)	51	(4)
	<b>21</b>	<b>65</b>	<b>(13)</b>
<b>Total provision for (recovery of) income taxes</b>	<b>1,986</b>	<b>723</b>	<b>607</b>
<b>Current income taxes</b>			
Federal	1,003	53	413
Provincial	693	61	284
Foreign	421	496	152
	<b>2,117</b>	<b>610</b>	<b>849</b>
<b>Deferred income taxes</b>			
Federal	(171)	220	(72)
Provincial	(116)	134	(44)
Foreign	156	(241)	(126)
	<b>(131)</b>	<b>113</b>	<b>(242)</b>
<b>Total provision for (recovery of) income taxes</b>	<b>\$ 1,986</b>	<b>\$ 723</b>	<b>\$ 607</b>

### Reconciliation to Statutory Income Tax Rate

(millions of Canadian dollars, except as noted)

	2016		2015		2014	
Income taxes at Canadian statutory income tax rate	\$ 2,819	26.5%	\$ 2,409	26.3%	\$ 2,385	26.3%
Increase (decrease) resulting from:						
Dividends received	(233)	(2.2)	(319)	(3.5)	(321)	(3.5)
Rate differentials on international operations	(439)	(4.1)	(556)	(6.1)	(489)	(5.4)
Other – net	(4)	(0.1)	(11)	(0.1)	(63)	(0.7)
<b>Provision for income taxes and effective income tax rate</b>	<b>\$ 2,143</b>	<b>20.1%</b>	<b>\$ 1,523</b>	<b>16.6%</b>	<b>\$ 1,512</b>	<b>16.7%</b>

Deferred tax assets and liabilities comprise of the following.

### Deferred Tax Assets and Liabilities

(millions of Canadian dollars)

	October 31 2016	As at October 31 2015
<b>Deferred tax assets</b>		
Allowance for credit losses	\$ 865	\$ 737
Land, buildings, equipment, and other depreciable assets	29	19
Deferred (income) expense	31	65
Trading loans	114	124
Employee benefits	841	714
Pensions	424	114
Losses available for carry forward	154	260
Tax credits	165	399
Other	346	322
<b>Total deferred tax assets<sup>1</sup></b>	<b>2,969</b>	<b>2,754</b>
<b>Deferred tax liabilities</b>		
Securities	793	664
Intangibles	331	404
Goodwill	106	78
<b>Total deferred tax liabilities</b>	<b>1,230</b>	<b>1,146</b>
<b>Net deferred tax assets</b>	<b>1,739</b>	<b>1,608</b>
<b>Reflected on the Consolidated Balance Sheet as follows:</b>		
Deferred tax assets	2,084	1,931
Deferred tax liabilities <sup>2</sup>	345	323
<b>Net deferred tax assets</b>	<b>\$ 1,739</b>	<b>\$ 1,608</b>

<sup>1</sup> 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 \$29 million as at October 31, 2016 (October 31, 2015 – \$21 million), of which \$7 million (October 31, 2015 – \$11 million) is scheduled to expire within five years.

<sup>2</sup> Included in Other liabilities on the Consolidated Balance Sheet.

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)

	2016				2015			
	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	\$ (128)	\$ –	\$ –	\$ (128)	\$ (155)	\$ –	\$ –	\$ (155)
Land, buildings, equipment, and other depreciable assets	(10)	–	–	(10)	(12)	–	–	(12)
Deferred (income) expense	34	–	–	34	(35)	–	–	(35)
Trading loans	10	–	–	10	–	–	–	–
Pensions	30	(340)	–	(310)	111	142	–	253
Employee benefits	(132)	5	–	(127)	(27)	8	–	(19)
Losses available for carry forward	106	–	–	106	(4)	–	–	(4)
Tax credits	234	–	–	234	(42)	–	–	(42)
Other deferred tax assets	(19)	–	(5)	(24)	(193)	–	(6)	(199)
Securities	23	106	–	129	(124)	264	–	140
Intangible assets	(73)	–	–	(73)	117	–	–	117
Pensions	28	–	–	28	12	–	57	69
<b>Total deferred income tax expense (recovery)</b>	<b>\$ 103</b>	<b>\$ (229)</b>	<b>\$ (5)</b>	<b>\$ (131)</b>	<b>\$ (352)</b>	<b>\$ 414</b>	<b>\$ 51</b>	<b>\$ 113</b>

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, 2016. The total amount of these temporary differences was \$51 billion as at October 31, 2016 (October 31, 2015 – \$48 billion).

**NOTE 27 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, and reflects the impact of the stock dividend on the Bank's basic and diluted earnings per share, as if it was retrospectively applied to all periods presented.

**Basic and Diluted Earnings Per Share**

(millions of Canadian dollars, except as noted)

	For the years ended October 31		
	2016	2015	2014
<b>Basic earnings per share</b>			
Net income attributable to common shareholders	\$ 8,680	\$ 7,813	\$ 7,633
Weighted-average number of common shares outstanding (millions)	1,853.4	1,849.2	1,839.1
<b>Basic earnings per share (dollars)</b>	<b>\$ 4.68</b>	\$ 4.22	\$ 4.15
<b>Diluted earnings per share</b>			
Net income attributable to common shareholders	\$ 8,680	\$ 7,813	\$ 7,633
Net income available to common shareholders including impact of dilutive securities	8,680	7,813	7,633
Weighted-average number of common shares outstanding (millions)	1,853.4	1,849.2	1,839.1
Effect of dilutive securities			
Stock options potentially exercisable (millions) <sup>1</sup>	3.4	4.9	6.2
Weighted-average number of common shares outstanding – diluted (millions)	1,856.8	1,854.1	1,845.3
<b>Diluted earnings per share (dollars)<sup>1</sup></b>	<b>\$ 4.67</b>	\$ 4.21	\$ 4.14

<sup>1</sup> For the years ended October 31, 2016, October 31, 2015, and October 31, 2014, the computation of diluted earnings per share did not include any weighted-average options where the option price was greater than the average market price of the Bank's common shares.

**NOTE 28 PROVISIONS, CONTINGENT LIABILITIES, COMMITMENTS, GUARANTEES, PLEDGED ASSETS, AND COLLATERAL**

**PROVISIONS**

The following table summarizes the Bank's provisions.

**Provisions**

(millions of Canadian dollars)

	Restructuring <sup>1</sup>	Litigation and Other <sup>2</sup>	Total
Balance as at November 1, 2015	\$ 486	\$ 301	\$ 787
Additions	20	175	195
Amounts used	(276)	(101)	(377)
Release of unused amounts	(38)	(53)	(91)
Foreign currency translation adjustments and other	6	5	11
<b>Balance as of October 31, 2016, before allowance for credit losses for off-balance sheet instruments</b>	<b>\$ 198</b>	<b>\$ 327</b>	<b>\$ 525</b>
Add: allowance for credit losses for off-balance sheet instruments <sup>3</sup>			500
<b>Balance as of October 31, 2016</b>			<b>\$ 1,025</b>

<sup>1</sup> Includes provisions for onerous lease contracts.

<sup>2</sup> Certain amounts were reclassified to conform with the presentation adopted in the current period.

<sup>3</sup> Refer to Note 8 for further details.

**LITIGATION AND OTHER**

Litigation and other primarily include provisions relating to legal reserves. 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, 2016, the Bank's RPL is from zero to approximately \$461 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 of such 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 matters 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 those legal or regulatory actions may be material to the Bank's consolidated results of operations for any particular reporting period.

The following is a description of the Bank's material legal or regulatory actions.

#### **Stanford Litigation**

The Toronto-Dominion 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, 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 Toronto-Dominion 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. 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 the Official Stanford Investors Committee ("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 the OSIC's complaint. TD filed its answer to class plaintiffs' complaint on August 26, 2016.

The Toronto-Dominion 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 parties intend to schedule a status conference to set a timetable for proceeding with the Joint Liquidators' case and dealing with the Dynasty case.

#### **Overdraft Litigation**

TD Bank, N.A. was originally named as a defendant in six putative nationwide class actions challenging the manner in which it calculates and collects overdraft fees: *Dwyer v. TD Bank, N.A.* (D. Mass.); *Hughes v. TD Bank, N.A.* (D. N.J.); *Mascaro v. TD Bank, N.A.* (D. D.C.); *Mazzadra, et al. v. TD Bank, N.A.* (S.D. Fla.); *Kimenker v. TD Bank, N.A.* (D. N.J.); and *Mosser v. TD Bank, N.A.* (D. Pa.). These actions were transferred to the United States District Court for the Southern District of Florida and have now been dismissed or settled. Settlement payments were made to class members in June 2013, and a second

distribution to eligible class members of residual settlement funds was made in October 2014. The Court retains jurisdiction over class members and distributions.

TD Bank, N.A. was subsequently 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: *King, et al. v. TD Bank, N.A. f/k/a Carolina First Bank* (D.S.C.); *Padilla, et al. v. TD Bank, N.A.* (E.D. Pa.); *Hurel v. TD Bank, N.A. and The Toronto-Dominion Bank* (D.N.J.); *Koshgarian v. TD Bank, N.A. and The Toronto-Dominion Bank* (S.D.N.Y.); *Goodall v. The Toronto-Dominion Bank and TD Bank, N.A.* (M.D. FL.); *Klein et al. v. TD Bank, N.A.* (D.N.J.); *Ucciferri v. TD Bank, N.A.* (D.N.J.); and *Austin v. TD Bank, N.A.* (D. Conn.); *Robinson v. TD Bank, N.A.* (S.D. Fla.) ("Robinson Case No. 60469"); *Robinson v. TD Bank, N.A.* (S.D. Fla.) ("Robinson Case No. 60476"); and *Mingrone v. TD Bank, N.A.* (E.D.N.Y.). The King action further challenges the overdraft practices of Carolina First Bank prior to its merger into TD Bank, N.A. in September 2010. The Toronto-Dominion Bank was also named as a defendant in the Hurel, Koshgarian, and Goodall actions, but was subsequently dismissed without prejudice in Hurel. All eleven of the actions have been consolidated for pretrial proceedings as MDL 2613 in the United States District Court for the District of South Carolina. The plaintiffs filed a consolidated amended class action complaint on June 19, 2015, which governs all of the consolidated cases other than the Mingrone action. The Mingrone class action complaint was dismissed without prejudice on July 21, 2015. The Toronto-Dominion Bank was not named as a defendant in the consolidated amended class action complaint. On December 10, 2015, the court granted in part and denied in part TD Bank, N.A.'s motion to dismiss. Discovery relevant to class certification has been completed, and the parties' briefing of class certification issues is in progress.

#### **Credit Card Fees**

Between 2011 and 2013, seven proposed class actions were commenced in British Columbia, Alberta, Saskatchewan, Ontario and Québec: *Coburn and Watson's Metropolitan Home v. Bank of America Corporation, et al.*; *1023916 Alberta Ltd. v. Bank of America Corporation, et al.*; *Macaronies Hair Club v. BOFA Canada Bank, et al.*; *The Crown & Hand Pub Ltd. v. Bank of America Corporation, 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 Quebec Inc. v. Visa Canada Corporation, et al.* The defendants in each action are Visa Canada Corporation (Visa) and MasterCard International Incorporated (MasterCard) (collectively, the "Networks"), along with TD and several other financial institutions. The plaintiff class members are Canadian merchants who accept payment for products and services by Visa and/or MasterCard. 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 (Honour All Cards, No Discrimination and No Surcharge) have the effect of increasing the merchant fees. The actions include claims of civil conspiracy, breach of the Competition Act, interference with economic relations and unjust enrichment. Unspecified general and punitive damages are sought on behalf of the merchant class members. 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 has been shortened significantly. At a hearing in October 2016, the plaintiffs sought to amend their claims to reinstate the extended class period.

#### **RESTRUCTURING**

In fiscal 2015 the Bank recorded restructuring charges of \$686 million (\$471 million after tax) on a net basis. During 2015 the Bank commenced its restructuring review and in the second quarter of 2015 recorded \$337 million (\$228 million after tax) of restructuring charges and recorded an additional restructuring charge of

\$349 million (\$243 million after tax) on a net basis in the fourth quarter of 2015. The restructuring initiatives were intended to reduce costs and manage expenses in a sustainable manner and to achieve greater operational efficiencies. These measures included process redesign and business restructuring, retail branch and real estate optimization, and organizational review and primarily related to asset impairments, exiting of lease agreements, employee severance and other personnel-related costs.

## 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. 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 2016	October 31 2015
<b>Financial and performance standby letters of credit</b>	\$ 22,747	\$ 21,046
<b>Documentary and commercial letters of credit</b>	436	330
<b>Commitments to extend credit<sup>1</sup></b>		
Original term to maturity of one year or less	41,096	40,477
Original term to maturity of more than one year	106,274	90,803
<b>Total</b>	<b>\$ 170,553</b>	<b>\$ 152,656</b>

<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, 2016, the Bank is committed to fund \$131 million (October 31, 2015 – \$133 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 for premises and for equipment, where the annual rental is in excess of \$100 thousand, is estimated at \$943 million for 2017; \$896 million for 2018; \$814 million for 2019, \$720 million for 2020, and \$4,582 million for 2021 and thereafter.

Future minimum finance lease commitments where the annual payment is in excess of \$100 thousand, is estimated at \$27 million for 2017; \$28 million for 2018; \$26 million for 2019, \$12 million for 2020, and \$22 million for 2021 and thereafter.

The premises and equipment net rental expense, included under Non-interest expenses in the Consolidated Statement of Income, was \$1.1 billion for the year ended October 31, 2016 (October 31, 2015 – \$1.1 billion; October 31, 2014 – \$0.9 billion).

## PLEGDED 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<sup>1</sup>

(millions of Canadian dollars)	October 31 2016	October 31 2015
<b>Sources of pledged assets and collateral</b>		
Bank assets		
Cash and due from banks	\$ 187	\$ –
Interest-bearing deposits with banks	6,106	5,862
Loans	76,150	69,585
Securities	53,546	70,612
Other assets	751	–
	<b>136,740</b>	<b>146,059</b>
Third-party assets <sup>2</sup>		
Collateral received and available for sale or repledging	163,040	150,125
Less: Collateral not repledged	(66,596)	(51,678)
	<b>96,444</b>	<b>98,447</b>
	<b>233,184</b>	<b>244,506</b>
<b>Uses of pledged assets and collateral<sup>3</sup></b>		
Derivatives	12,595	11,478
Obligations related to securities sold under repurchase agreements	53,103	70,011
Securities borrowing and lending	37,874	30,867
Obligations related to securities sold short	22,481	36,303
Securitization	34,601	36,500
Covered bond	28,668	22,071
Clearing systems, payment systems, and depositories	4,521	4,137
Foreign governments and central banks	1,480	1,320
Other	37,861	31,819
<b>Total</b>	<b>\$ 233,184</b>	<b>\$ 244,506</b>

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

<sup>2</sup> Includes collateral received from reverse repurchase agreements, securities borrowing, margin loans, and other client activity.

<sup>3</sup> Includes \$19.1 billion of on-balance sheet assets that the Bank has pledged and that the counterparty can subsequently repledge as at October 31, 2016 (October 31, 2015 – \$33.4 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

The following types of transactions represent the principal guarantees that the Bank has entered into.

### Assets Sold With Contingent Repurchase Obligations

The Bank sells mortgage loans, which it continues to service, to the TD Mortgage Fund (the "Fund"), a mutual fund managed by the Bank. As part of its responsibilities, the Bank has an obligation to repurchase mortgage loans when they default or if the Fund experiences a liquidity event such that it does not have sufficient cash to honour unit-holder redemptions. On April 22, 2016, the Fund was discontinued and merged with another mutual fund managed by the Bank. The mortgages held by the Fund were not merged into the other mutual fund and as a result of the Fund's discontinuation,

the mortgages were repurchased from the Fund at a fair value of \$155 million. Prior to the discontinuation of the Fund, during the year ended October 31, 2016, the fair value of the mortgages repurchased from the Fund as a result of a liquidity event was \$21 million (twelve months ended October 31, 2015 – \$29 million). For further details on the Bank's involvement with the Fund, refer to Note 10.

#### 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.

The following table summarizes as at October 31, the maximum potential amount of future payments that could be made under guarantees without consideration of possible recoveries under recourse provisions or from collateral held or pledged.

#### Maximum Potential Amount of Future Payments

(millions of Canadian dollars)	As at	
	October 31 2016	October 31 2015
Financial and performance standby letters of credit	\$ 22,747	\$ 21,046
Assets sold with contingent repurchase obligations	39	207
<b>Total</b>	<b>\$ 22,786</b>	<b>\$ 21,253</b>

NOTE 29	<b>RELATED PARTY TRANSACTIONS</b>
---------	-----------------------------------

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, 2016, \$231 million (October 31, 2015 – \$340 million) of loans were made to 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		
	2016	2015	2014
Short-term employee benefits	\$ 25	\$ 22	\$ 27
Post-employment benefits	3	3	1
Share-based payments	32	31	37
<b>Total</b>	<b>\$ 60</b>	<b>\$ 56</b>	<b>\$ 65</b>

In addition, the Bank offers deferred share and other plans to non-employee directors, executives, and certain other key employees. Refer to Note 24 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, 2016, other than as described in the following sections.

#### Other Transactions with TD Ameritrade and Symcor

##### (1) TRANSACTIONS WITH TD AMERITRADE HOLDING CORPORATION

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, IDAs as designated sweep vehicles. TD Ameritrade provides marketing and support services with respect to the IDA. The Bank paid fees of \$1.2 billion during the year ended October 31, 2016 (October 31, 2015 – \$1.1 billion; October 31, 2014 – \$0.9 billion) to TD Ameritrade for the deposit accounts. The fee paid by the Bank is based on the average insured deposit balance of \$112 billion for the year ended October 31, 2016 (October 31, 2015 – \$95 billion; October 31, 2014 – \$80 billion) with a portion of the fee 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 basis points (bps) on the aggregate average daily balance in the sweep accounts (subject to adjustment based on a specified formula).

As at October 31, 2016, amounts receivable from TD Ameritrade were \$72 million (October 31, 2015 – \$79 million). As at October 31, 2016, amounts payable to TD Ameritrade were \$141 million (October 31, 2015 – \$140 million).

##### (2) 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, 2016, the Bank paid \$97 million (October 31, 2015 – \$124 million; October 31, 2014 – \$122 million) for these services. As at October 31, 2016, the amount payable to Symcor was \$16 million (October 31, 2015 – \$10 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, 2016, and October 31, 2015.

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 commercial banking businesses, 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 commercial 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.

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 reclassified certain debt securities from trading to the available-for-sale category effective August 1, 2008. As part of the Bank's trading strategy, these debt securities are economically hedged, primarily with CDS and interest rate swap contracts. These derivatives are not eligible for reclassification and are recorded on a fair value basis with changes in fair value recorded in the period's earnings. Management believes that this asymmetry in the accounting treatment between derivatives and the reclassified debt securities results in volatility in earnings from period to period that is not indicative of the economics of the underlying business performance in Wholesale Banking. As a result, the derivatives are accounted for on an accrual basis in Wholesale Banking and the gains and losses related to the derivatives, in excess of the accrued costs, are reported in the Corporate segment.



The following table summarizes the segment results for the years ended October 31.

### Results by Business Segment<sup>1</sup>

(millions of Canadian dollars)

	<i>For the years ended October 31</i>				
	<b>2016</b>				
	<b>Canadian Retail</b>	<b>U.S. Retail</b>	<b>Wholesale Banking</b>	<b>Corporate</b>	<b>Total</b>
Net interest income (loss)	\$ 9,979	\$ 7,093	\$ 1,685	\$ 1,166	\$ 19,923
Non-interest income (loss)	10,230	2,366	1,345	451	14,392
Total revenue	20,209	9,459	3,030	1,617	34,315
Provision for (reversal of) credit losses	1,011	744	74	501	2,330
Insurance claims and related expenses	2,462	–	–	–	2,462
Non-interest expenses	8,557	5,693	1,739	2,888	18,877
Income (loss) before income taxes	8,179	3,022	1,217	(1,772)	10,646
Provision for (recovery of) income taxes	2,191	498	297	(843)	2,143
Equity in net income of an investment in TD Ameritrade	–	435	–	(2)	433
<b>Net income (loss)</b>	<b>\$ 5,988</b>	<b>\$ 2,959</b>	<b>\$ 920</b>	<b>\$ (931)</b>	<b>\$ 8,936</b>
<b>Total assets as at October 31</b>	<b>\$ 383,011</b>	<b>\$ 388,749</b>	<b>\$ 342,478</b>	<b>\$ 62,729</b>	<b>\$ 1,176,967</b>
					2015
Net interest income (loss)	\$ 9,781	\$ 6,131	\$ 2,295	\$ 517	\$ 18,724
Non-interest income (loss)	9,904	2,098	631	69	12,702
Total revenue	19,685	8,229	2,926	586	31,426
Provision for (reversal of) credit losses	887	535	18	243	1,683
Insurance claims and related expenses	2,500	–	–	–	2,500
Non-interest expenses	8,407	5,188	1,701	2,777	18,073
Income (loss) before income taxes	7,891	2,506	1,207	(2,434)	9,170
Provision for (recovery of) income taxes	1,953	394	334	(1,158)	1,523
Equity in net income of an investment in TD Ameritrade	–	376	–	1	377
<b>Net income (loss)</b>	<b>\$ 5,938</b>	<b>\$ 2,488</b>	<b>\$ 873</b>	<b>\$ (1,275)</b>	<b>\$ 8,024</b>
<b>Total assets as at October 31</b>	<b>\$ 360,100</b>	<b>\$ 347,249</b>	<b>\$ 343,485</b>	<b>\$ 53,539</b>	<b>\$ 1,104,373</b>
					2014
Net interest income (loss)	\$ 9,538	\$ 5,179	\$ 2,210	\$ 657	\$ 17,584
Non-interest income (loss)	9,623	1,986	470	298	12,377
Total revenue	19,161	7,165	2,680	955	29,961
Provision for (reversal of) credit losses	946	436	11	164	1,557
Insurance claims and related expenses	2,833	–	–	–	2,833
Non-interest expenses	8,438	4,512	1,589	1,957	16,496
Income (loss) before income taxes	6,944	2,217	1,080	(1,166)	9,075
Provision for (recovery of) income taxes	1,710	412	267	(877)	1,512
Equity in net income of an investment in TD Ameritrade	–	305	–	15	320
<b>Net income (loss)</b>	<b>\$ 5,234</b>	<b>\$ 2,110</b>	<b>\$ 813</b>	<b>\$ (274)</b>	<b>\$ 7,883</b>
<b>Total assets as at October 31</b>	<b>\$ 334,660</b>	<b>\$ 277,085</b>	<b>\$ 317,524</b>	<b>\$ 31,242</b>	<b>\$ 960,511</b>

<sup>1</sup> Effective fiscal 2016, the presentation of the U.S. strategic cards portfolio revenues, provision for credit losses, and expenses in the U.S. Retail segment includes only the Bank's agreed portion of the U.S. strategic cards portfolio, while the Corporate segment includes the retailer program partners' share. Certain comparative amounts have been recast to conform with this revised presentation. There was no impact on the net income of the segments or on the presentation of gross and net results in the Bank's Consolidated Statement of Income.

## 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
	2016			2016
	Total revenue	Income before income taxes	Net income	Total assets
Canada	\$ 20,374	\$ 6,760	\$ 5,133	\$ 632,215
United States	12,217	2,873	2,436	462,330
Other international	1,724	1,013	1,367	82,422
<b>Total</b>	<b>\$ 34,315</b>	<b>\$ 10,646</b>	<b>\$ 8,936</b>	<b>\$ 1,176,967</b>
			2015	2015
Canada	\$ 20,224	\$ 6,625	\$ 5,361	\$ 623,061
United States	10,140	2,040	1,802	417,186
Other international	1,062	505	861	64,126
<b>Total</b>	<b>\$ 31,426</b>	<b>\$ 9,170</b>	<b>\$ 8,024</b>	<b>\$ 1,104,373</b>
			2014	2014
Canada	\$ 19,642	\$ 6,314	\$ 5,106	\$ 554,036
United States	8,363	1,579	1,284	324,865
Other international	1,956	1,182	1,493	81,610
<b>Total</b>	<b>\$ 29,961</b>	<b>\$ 9,075</b>	<b>\$ 7,883</b>	<b>\$ 960,511</b>

### NOTE 31 INTEREST RATE RISK

The Bank earns and pays interest on certain assets and liabilities. To the extent that the assets and liabilities mature or reprice at different points in time, the Bank is exposed to interest rate risk. The following table details the balances of interest-rate sensitive assets and liabilities by the earlier of the maturity or repricing date. Contractual repricing dates may be adjusted according to management's estimates for prepayments or early redemptions that are independent of changes

in interest rates. Certain assets and liabilities are shown as non-rate sensitive although the profile assumed for actual management may be different. Derivatives are presented in the floating rate category. The Bank's risk management policies and procedures relating to credit, market, and liquidity risks as required under IFRS 7 are outlined in the shaded sections of the "Managing Risk" section of the MD&A.

## Interest Rate Risk<sup>1</sup>

(millions of Canadian dollars,  
except as noted)

	As at October 31, 2016							
	Floating rate	Within 3 months	3 months to 1 year	Total within 1 year	Over 1 year to 5 years	Over 5 years	Non- interest sensitive	Total
<b>Assets</b>								
Cash resources and other	\$ 21,808	\$ 35,177	\$ 435	\$ 57,420	\$ –	\$ –	\$ 201	\$ 57,621
Trading loans, securities, and other	908	3,160	15,174	19,242	27,444	15,081	37,490	99,257
Financial assets designated at fair value through profit or loss	736	63	821	1,620	1,566	1,012	85	4,283
Available-for-sale	127	24,482	7,159	31,768	52,863	22,300	640	107,571
Held-to-maturity	–	23,337	7,020	30,357	44,172	9,866	–	84,395
Securities purchased under reverse repurchase agreements	7,780	67,652	6,951	82,383	–	–	3,669	86,052
Loans	24,390	241,749	67,969	334,108	205,286	31,996	14,266	585,656
Other	87,949	–	–	87,949	–	–	64,183	152,132
<b>Total assets</b>	<b>143,698</b>	<b>395,620</b>	<b>105,529</b>	<b>644,847</b>	<b>331,331</b>	<b>80,255</b>	<b>120,534</b>	<b>1,176,967</b>
<b>Liabilities and equity</b>								
Trading deposits	–	27,516	47,770	75,286	699	–	3,801	79,786
Other financial liabilities designated at fair value through profit or loss	13	102	74	189	–	1	–	190
Other deposits	283,443	78,682	41,243	403,368	124,107	32,412	213,773	773,660
Securitization liabilities at fair value	–	594	1,238	1,832	6,933	3,725	–	12,490
Obligations related to securities sold short	33,115	–	–	33,115	–	–	–	33,115
Obligations related to securities sold under repurchase agreements	656	39,895	1,457	42,008	3,308	–	3,657	48,973
Securitization liabilities at amortized cost	–	6,698	1,608	8,306	7,334	2,278	–	17,918
Subordinated notes and debentures	–	2,265	260	2,525	4,950	3,416	–	10,891
Other	81,131	–	–	81,131	–	–	44,599	125,730
Equity	–	–	–	–	3,400	1,000	69,814	74,214
<b>Total liabilities and equity</b>	<b>398,358</b>	<b>155,752</b>	<b>93,650</b>	<b>647,760</b>	<b>150,731</b>	<b>42,832</b>	<b>335,644</b>	<b>1,176,967</b>
<b>Net position</b>	<b>\$ (254,660)</b>	<b>\$ 239,868</b>	<b>\$ 11,879</b>	<b>\$ (2,913)</b>	<b>\$ 180,600</b>	<b>\$ 37,423</b>	<b>\$ (215,110)</b>	<b>\$ –</b>

	October 31, 2015							
<b>Total assets</b>	\$ 133,302	\$ 366,821	\$ 102,253	\$ 602,376	\$ 282,792	\$ 83,820	\$ 135,385	\$ 1,104,373
<b>Total liabilities and equity</b>	351,641	169,453	91,507	612,601	130,286	39,633	321,853	1,104,373
<b>Net position</b>	<b>\$ (218,339)</b>	<b>\$ 197,368</b>	<b>\$ 10,746</b>	<b>\$ (10,225)</b>	<b>\$ 152,506</b>	<b>\$ 44,187</b>	<b>\$ (186,468)</b>	<b>\$ –</b>

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

## Interest Rate Risk by Category<sup>1</sup>

(millions of Canadian dollars)

	As at October 31, 2016							
	Floating rate	Within 3 months	3 months to 1 year	Total within 1 year	Over 1 year to 5 years	Over 5 years	Non- interest sensitive	Total
Canadian currency	\$ (226,294)	\$ 119,905	\$ 35,798	\$ (70,591)	\$ 132,887	\$ 5,992	\$ (121,817)	\$ (53,529)
Foreign currency	(28,366)	119,963	(23,919)	67,678	47,713	31,431	(93,293)	53,529
<b>Net position</b>	<b>\$ (254,660)</b>	<b>\$ 239,868</b>	<b>\$ 11,879</b>	<b>\$ (2,913)</b>	<b>\$ 180,600</b>	<b>\$ 37,423</b>	<b>\$ (215,110)</b>	<b>\$ –</b>

	October 31, 2015							
Canadian currency	\$ (172,121)	\$ 118,865	\$ 34,537	\$ (18,719)	\$ 112,985	\$ 11,279	\$ (110,591)	\$ (5,046)
Foreign currency	(46,218)	78,503	(23,791)	8,494	39,521	32,908	(75,877)	5,046
<b>Net position</b>	<b>\$ (218,339)</b>	<b>\$ 197,368</b>	<b>\$ 10,746</b>	<b>\$ (10,225)</b>	<b>\$ 152,506</b>	<b>\$ 44,187</b>	<b>\$ (186,468)</b>	<b>\$ –</b>

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

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)

	Loans and customers' liability under acceptances <sup>1</sup>				Credit instruments <sup>2,3</sup>		Derivative financial instruments <sup>4,5</sup>	
	October 31	October 31	October 31	October 31	October 31	October 31		
	2016	2015	2016	2015	2016	2015		
Canada	66%	68%	41%	40%	30%	35%		
United States <sup>6</sup>	33	31	56	55	28	25		
United Kingdom	–	–	1	1	18	16		
Europe – other	–	–	1	3	18	18		
Other international	1	1	1	1	6	6		
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>		
	<b>\$ 601,362</b>	<b>\$ 560,987</b>	<b>\$ 170,553</b>	<b>\$ 152,656</b>	<b>\$ 65,914</b>	<b>\$ 62,778</b>		

As at

<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, 2016, was: real estate 10% (October 31, 2015 – 9%).

<sup>2</sup> As at October 31, 2016, the Bank had commitments and contingent liability contracts in the amount of \$171 billion (October 31, 2015 – \$153 billion). Included are commitments to extend credit totalling \$147 billion (October 31, 2015 – \$131 billion), of which the credit risk is dispersed as detailed in the table above.

<sup>3</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, 2016: financial institutions 19% (October 31, 2015 – 17%); pipelines, oil and gas 10% (October 31, 2015 – 10%); power and utilities 9% (October 31, 2015 – 9%); sundry manufacturing and wholesale 7% (October 31, 2015 – 7%); automotive 7% (October 31, 2015 – 6%); telecommunications, cable and media 6% (October 31, 2015 – 5%); professional and other services 6% (October 31, 2015 – 6%); government, public sector entities, and education 5% (October 31, 2015 – 6%); non-residential real estate development 5% (October 31, 2015 – 4%).

<sup>4</sup> As at October 31, 2016, the current replacement cost of derivative financial instruments amounted to \$66 billion (October 31, 2015 – \$63 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>5</sup> The largest concentration by counterparty type was with financial institutions (including non-banking financial institutions), which accounted for 75% of the total as at October 31, 2016 (October 31, 2015 – 74%). The second largest concentration was with governments, which accounted for 17% of the total as at October 31, 2016 (October 31, 2015 – 19%). No other industry segment exceeded 5% of the total.

<sup>6</sup> Debt securities classified as loans were 0.2% as at October 31, 2016 (October 31, 2015 – 0.3%), of the total loans and customers' liability under acceptances.

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)

	October 31 2016	As at October 31 2015
Cash and due from banks	\$ 3,907	\$ 3,154
Interest-bearing deposits with banks	53,714	42,483
Securities <sup>2</sup>		
Financial assets designated at fair value through profit and loss		
Government and government-insured securities	2,127	2,393
Other debt securities	2,060	1,808
Trading		
Government and government-insured securities	39,699	39,136
Other debt securities	10,432	10,165
Retained interest	31	38
Available-for-sale		
Government and government-insured securities	77,499	59,916
Other debt securities	27,832	26,894
Held-to-maturity		
Government and government-insured securities	51,290	43,667
Other debt securities	33,105	30,783
Securities purchased under reverse purchase agreements	86,052	97,364
Derivatives <sup>3</sup>	75,249	79,870
Loans		
Residential mortgages	217,220	212,245
Consumer instalment and other personal	143,701	134,693
Credit card	30,700	29,101
Business and government	192,622	166,379
Debt securities classified as loans	1,413	1,923
Trading loans	11,606	10,650
Customers' liability under acceptances	15,706	16,646
Amounts receivable from brokers, dealers and clients	17,436	21,996
Other assets	4,352	4,247
<b>Total assets</b>	<b>1,097,753</b>	<b>1,035,551</b>
Credit instruments <sup>4</sup>	170,553	152,656
Unconditionally cancellable commitments to extend credit relating to personal lines of credit and credit card lines	269,912	239,839
<b>Total credit exposure</b>	<b>\$ 1,538,218</b>	<b>\$ 1,428,046</b>

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

<sup>2</sup> Excludes equity securities.

<sup>3</sup> The gross maximum credit exposure for derivatives is based on the credit equivalent amount less the impact of certain master netting arrangements. The amounts exclude exchange traded derivatives and non-trading credit derivatives. Refer to Note 11 for further details.

<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 28 for further details.

### Credit Quality of Financial Assets

The following table provides the on and off-balance sheet exposures by risk-weight for certain financial assets that are subject to the Standardized Approach to credit risk. Under the Standardized Approach, assets receive an OSFI-prescribed risk-weight based on

factors including counterparty type, product type, collateral, and external credit assessments. These assets relate primarily to the Bank's U.S. Retail portfolio. Refer to the "Managing Risk – Credit Risk" section of the MD&A for a discussion on the risk rating for the Standardized Approach and on the Bank's risk ratings.

### Financial Assets Subject to the Standardized Approach by Risk-Weights<sup>1,2</sup>

(millions of Canadian dollars)

	As at								
	October 31, 2016								
	0%	20%	35%	50%	75% <sup>3</sup>	100% <sup>4</sup>	150%	350%	Total
<b>Loans</b>									
Residential mortgages	\$ 22	\$ 207	\$ 48	\$ –	\$ 742	\$ 27	\$ –	\$ –	\$ 1,046
Consumer instalment and other personal	488	49	5	–	903	–	95	–	1,540
Credit card	–	–	–	–	15,929	–	290	–	16,219
Business and government	11,208	8,542	–	–	767	82,840	430	–	103,787
Debt securities classified as loans	–	29	–	–	–	5	–	–	34
<b>Total loans</b>	<b>11,718</b>	<b>8,827</b>	<b>53</b>	<b>–</b>	<b>18,341</b>	<b>82,872</b>	<b>815</b>	<b>–</b>	<b>122,626</b>
<b>Held-to-maturity</b>	<b>1,683</b>	<b>47,104</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>224</b>	<b>–</b>	<b>519</b>	<b>49,530</b>
<b>Securities purchased under reverse repurchase agreements</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Customers' liability under acceptances</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>1</b>
<b>Other assets<sup>5</sup></b>	<b>13,165</b>	<b>917</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14,083</b>
<b>Total assets</b>	<b>26,566</b>	<b>56,848</b>	<b>53</b>	<b>1</b>	<b>18,341</b>	<b>83,097</b>	<b>815</b>	<b>519</b>	<b>186,240</b>
<b>Off-balance sheet credit instruments</b>	<b>535</b>	<b>4,012</b>	<b>–</b>	<b>–</b>	<b>394</b>	<b>27,383</b>	<b>–</b>	<b>–</b>	<b>32,324</b>
<b>Total</b>	<b>\$ 27,101</b>	<b>\$ 60,860</b>	<b>\$ 53</b>	<b>\$ 1</b>	<b>\$ 18,735</b>	<b>\$ 110,480</b>	<b>\$ 815</b>	<b>\$ 519</b>	<b>\$ 218,564</b>

October 31, 2015

<b>Loans</b>									
Residential mortgages	\$ –	\$ –	\$ 24,010	\$ –	\$ 2,901	\$ 386	\$ 4	\$ –	\$ 27,301
Consumer instalment and other personal	847	317	5,154	–	32,302	79	294	–	38,993
Credit card	–	–	–	–	21,258	–	180	–	21,438
Business and government	11,279	5,190	–	–	3,891	73,087	717	–	94,164
Debt securities classified as loans	–	134	–	–	–	7	–	–	141
<b>Total loans</b>	<b>12,126</b>	<b>5,641</b>	<b>29,164</b>	<b>–</b>	<b>60,352</b>	<b>73,559</b>	<b>1,195</b>	<b>–</b>	<b>182,037</b>
<b>Held-to-maturity</b>	<b>1,646</b>	<b>41,994</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>43,640</b>
<b>Securities purchased under reverse repurchase agreements</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Customers' liability under acceptances</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>2</b>
<b>Other assets<sup>5</sup></b>	<b>12,710</b>	<b>527</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>13,238</b>
<b>Total assets</b>	<b>26,482</b>	<b>48,162</b>	<b>29,164</b>	<b>1</b>	<b>60,352</b>	<b>73,561</b>	<b>1,195</b>	<b>–</b>	<b>238,917</b>
<b>Off-balance sheet credit instruments</b>	<b>382</b>	<b>2,516</b>	<b>–</b>	<b>–</b>	<b>461</b>	<b>25,776</b>	<b>–</b>	<b>–</b>	<b>29,135</b>
<b>Total</b>	<b>\$ 26,864</b>	<b>\$ 50,678</b>	<b>\$ 29,164</b>	<b>\$ 1</b>	<b>\$ 60,813</b>	<b>\$ 99,337</b>	<b>\$ 1,195</b>	<b>\$ –</b>	<b>\$ 268,052</b>

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

<sup>2</sup> Effective the third quarter of 2016, the majority of U.S. Retail's retail portfolio credit risk Risk Weighted Assets (RWA) are calculated using Advanced Internal Rating Based (AIRB) approach. Prior to the third quarter of 2016, RWA were calculated using the Standardized Approach.

<sup>3</sup> Based on the Bank's internal risk ratings, 66% of retail exposures are rated 'low risk' or 'normal risk' and 34% are rated 'high risk' or 'default' as at October 31, 2016 (October 31, 2015 – 70% and 30%, respectively).

<sup>4</sup> Based on the Bank's internal risk ratings, 39% of non-retail exposures are rated 'investment grade' and 61% are rated 'non-investment grade' as at October 31, 2016 (October 31, 2015 – 38% and 62%, respectively).

<sup>5</sup> Other assets include amounts due from banks and interest-bearing deposits with banks.

The following tables provide the on and off-balance sheet exposures by risk rating for certain non-retail and retail financial assets that are subject to the AIRB Approach to credit risk in the Basel III Capital Accord. Under the AIRB Approach, assets receive a risk rating based on internal models of the Bank's historical loss experience (by counterparty type) and on other key risk assumptions. The non-retail and retail asset risk rating classifications subject to the AIRB Approach reflect whether the exposure is subject to a guarantee, which would result in the exposure being classified based on the internal risk rating

of the guarantor. The following risk ratings may not directly correlate with the 'Neither past due nor impaired', 'Past due but not impaired' and 'Impaired' status disclosed in Note 8 – Loans, Impaired Loans and Allowance for Credit Losses, because of the aforementioned risk transference guarantees, and certain loan exposures that remain subject to the Standardized Approach. Refer to the "Managing Risk – Credit Risk" section of the MD&A for a discussion on the credit risk rating for non-retail and retail exposures subject to the AIRB Approach.

## Non-Retail Financial Assets Subject to the AIRB Approach by Risk Rating

(millions of Canadian dollars)

	<i>As at</i>				
	October 31, 2016				
	Investment grade	Non-investment grade	Watch and classified	Impaired/defaulted	Total
<b>Loans</b>					
Residential mortgages <sup>1</sup>	\$ 90,124	\$ –	\$ –	\$ –	\$ 90,124
Consumer instalment and other personal <sup>1</sup>	17,925	1	–	–	17,926
Business and government	39,468	38,134	1,776	333	79,711
Debt securities classified as loans	1,024	82	72	250	1,428
<b>Total loans</b>	<b>148,541</b>	<b>38,217</b>	<b>1,848</b>	<b>583</b>	<b>189,189</b>
<b>Held-to-maturity</b>	<b>34,865</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>34,865</b>
<b>Securities purchased under reverse repurchase agreements</b>	<b>75,441</b>	<b>10,611</b>	<b>–</b>	<b>–</b>	<b>86,052</b>
<b>Customers' liability under acceptances</b>	<b>8,411</b>	<b>7,080</b>	<b>214</b>	<b>–</b>	<b>15,705</b>
<b>Other assets<sup>2</sup></b>	<b>40,421</b>	<b>72</b>	<b>–</b>	<b>–</b>	<b>40,493</b>
<b>Total assets</b>	<b>307,679</b>	<b>55,980</b>	<b>2,062</b>	<b>583</b>	<b>366,304</b>
<b>Off-balance sheet credit instruments</b>	<b>75,364</b>	<b>10,840</b>	<b>1,039</b>	<b>18</b>	<b>87,261</b>
<b>Total</b>	<b>\$ 383,043</b>	<b>\$ 66,820</b>	<b>\$ 3,101</b>	<b>\$ 601</b>	<b>\$ 453,565</b>

October 31, 2015

<b>Loans</b>					
Residential mortgages <sup>1</sup>	\$ 98,583	\$ –	\$ –	\$ –	\$ 98,583
Consumer instalment and other personal <sup>1</sup>	21,392	30	–	–	21,422
Business and government	32,933	32,194	1,054	161	66,342
Debt securities classified as loans	1,356	163	113	207	1,839
<b>Total loans</b>	<b>154,264</b>	<b>32,387</b>	<b>1,167</b>	<b>368</b>	<b>188,186</b>
<b>Held-to-maturity</b>	<b>30,810</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>30,810</b>
<b>Securities purchased under reverse repurchase agreements</b>	<b>86,801</b>	<b>10,563</b>	<b>–</b>	<b>–</b>	<b>97,364</b>
<b>Customers' liability under acceptances</b>	<b>9,039</b>	<b>7,326</b>	<b>273</b>	<b>6</b>	<b>16,644</b>
<b>Other assets<sup>2</sup></b>	<b>29,617</b>	<b>160</b>	<b>–</b>	<b>–</b>	<b>29,777</b>
<b>Total assets</b>	<b>310,531</b>	<b>50,436</b>	<b>1,440</b>	<b>374</b>	<b>362,781</b>
<b>Off-balance sheet credit instruments</b>	<b>71,725</b>	<b>10,300</b>	<b>340</b>	<b>19</b>	<b>82,384</b>
<b>Total</b>	<b>\$ 382,256</b>	<b>\$ 60,736</b>	<b>\$ 1,780</b>	<b>\$ 393</b>	<b>\$ 445,165</b>

<sup>1</sup> Includes CMHC insured exposures classified as sovereign exposure under Basel III and therefore included in the non-retail category under the AIRB Approach.

<sup>2</sup> Other assets include amounts due from banks and interest-bearing deposits with banks.

## Retail Financial Assets Subject to the AIRB Approach by Risk Rating<sup>1,2</sup>

(millions of Canadian dollars)

	<i>As at</i>					
	October 31, 2016					
	Low risk	Normal risk	Medium risk	High risk	Default	Total
<b>Loans</b>						
Residential mortgages <sup>3</sup>	\$ 59,331	\$ 56,105	\$ 7,902	\$ 2,185	\$ 643	\$ 126,166
Consumer instalment and other personal <sup>3</sup>	46,710	47,392	20,898	9,336	729	125,065
Credit card	5,030	3,663	4,402	2,530	70	15,695
Business and government <sup>4</sup>	810	3,691	3,967	1,896	212	10,576
<b>Total loans</b>	<b>111,881</b>	<b>110,851</b>	<b>37,169</b>	<b>15,947</b>	<b>1,654</b>	<b>277,502</b>
<b>Held-to-maturity</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Off-balance sheet credit instruments</b>	<b>83,184</b>	<b>18,945</b>	<b>5,258</b>	<b>1,272</b>	<b>4</b>	<b>108,663</b>
<b>Total</b>	<b>\$ 195,065</b>	<b>\$ 129,796</b>	<b>\$ 42,427</b>	<b>\$ 17,219</b>	<b>\$ 1,658</b>	<b>\$ 386,165</b>

October 31, 2015

<b>Loans</b>						
Residential mortgages <sup>3</sup>	\$ 43,920	\$ 36,169	\$ 4,684	\$ 1,572	\$ 144	\$ 86,489
Consumer instalment and other personal <sup>3</sup>	31,290	28,953	10,322	4,223	268	75,056
Credit card	2,564	2,398	2,354	1,407	54	8,777
Business and government <sup>4</sup>	545	3,193	2,232	999	54	7,023
<b>Total loans</b>	<b>78,319</b>	<b>70,713</b>	<b>19,592</b>	<b>8,201</b>	<b>520</b>	<b>177,345</b>
<b>Held-to-maturity</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Off-balance sheet credit instruments</b>	<b>58,822</b>	<b>12,571</b>	<b>3,379</b>	<b>916</b>	<b>4</b>	<b>75,692</b>
<b>Total</b>	<b>\$ 137,141</b>	<b>\$ 83,284</b>	<b>\$ 22,971</b>	<b>\$ 9,117</b>	<b>\$ 524</b>	<b>\$ 253,037</b>

<sup>1</sup> Effective the third quarter of 2016, the majority of U.S. Retail's retail portfolio credit risk RWA are calculated using AIRB approach. Prior to the third quarter of 2016, RWA were calculated using the Standardized Approach.

<sup>2</sup> Credit exposures relating to the Bank's insurance subsidiaries have been excluded. The financial instruments held by the insurance subsidiaries are mainly comprised of available-for-sale securities and securities designated at fair value through profit or loss, which are carried at fair value on the Consolidated Balance Sheet.

<sup>3</sup> Excludes CMHC insured exposures classified as sovereign exposure under Basel III and therefore included in the non-retail category under the AIRB Approach.

<sup>4</sup> Business and government loans in the retail portfolio include small business loans.

The Bank manages its capital under guidelines established by OSFI. The regulatory capital guidelines measure capital in relation to credit, 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; or
  - 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 and Supervision (BCBS) are commonly referred to as Basel III. Under Basel III, Total Capital consists of three components, namely Common Equity Tier 1 (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 risk-weighted assets (RWA). 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 ratio 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, market, and operational risks. The Bank uses the advanced approaches for the majority of its portfolios. 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 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 Minimum Continuing Capital Surplus Requirements and Minimum Capital 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, 2016, the Bank complied with the OSFI Basel III guideline 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 D-SIBs includes a 1% common equity capital surcharge bringing the targets to 8%, 9.5%, and 11.5%, respectively.

OSFI has provided IFRS transitional provisions for the leverage ratio (as previously with the ACM), 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 2016	October 31 2015
<i>As at</i>		
<b>Capital</b>		
Common Equity Tier 1 Capital	\$ 42,328	\$ 37,958
Tier 1 Capital	49,397	43,416
Total Capital	61,816	53,600
<b>Risk-weighted assets used in the calculation of capital ratios<sup>1</sup></b>		
Common Equity Tier 1 Capital	\$ 405,844	\$ 382,360
Tier 1 Capital	405,844	383,301
Total Capital	405,844	384,108
<b>Capital and leverage ratios</b>		
Common Equity Tier 1 Capital ratio <sup>1</sup>	10.4%	9.9%
Tier 1 Capital ratio <sup>1</sup>	12.2	11.3
Total Capital ratio <sup>1</sup>	15.2	14.0
Leverage ratio	4.0	3.7

<sup>1</sup> In accordance with the final CAR guideline, the Credit Valuation Adjustment (CVA) capital charge is being 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. The scalars for inclusion of CVA for CET1, Tier 1, and Total Capital RWA are 64%, 71%, and 77%, respectively.



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 market, liquidity, and insurance risks are an integral part of the 2016 Consolidated Financial Statements.

The following is a list of the directly or indirectly held significant subsidiaries.

**Significant Subsidiaries<sup>1</sup>**

(millions of Canadian dollars)

	Address of Head or Principal Office <sup>2</sup>	Description	As at October 31, 2016 Carrying value of shares owned by the Bank
<b>North America</b>			
Meloche Monnex Inc.	Montréal, Québec	Holding Company providing management services to subsidiaries	\$ 1,660
Security National Insurance Company	Montréal, 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	314
TD Waterhouse Private Investment Counsel Inc.	Toronto, Ontario	Investment Counselling and Portfolio Management	
TD Auto Finance (Canada) Inc.	Toronto, Ontario	Automotive Finance Entity	1,966
TD Auto Finance Services Inc.	Toronto, Ontario	Automotive Finance Entity	1,325
TD Financing Services Home Inc.	Toronto, Ontario	Mortgage Lender	48
TD Financing Services Inc.	Toronto, Ontario	Financial Services Entity	163
TD Group US Holdings LLC	Wilmington, Delaware	Holding Company	48,548
Toronto Dominion Holdings (U.S.A.), Inc.	New York, New York	Holding Company	
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	
TD Bank US Holding Company	Cherry Hill, New Jersey	Holding Company	
Epoch Investment Partners, Inc.	New York, New York	Investment Counselling and Portfolio Management	
TD Bank USA, National Association	Wilmington, Delaware	U.S. National Bank	
TD Bank, National Association	Wilmington, Delaware	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 Investment Services Inc.	Toronto, Ontario	Mutual Fund Dealer	32
TD Life Insurance Company	Toronto, Ontario	Insurance Company	63
TD Mortgage Corporation	Toronto, Ontario	Loans and Deposits Entity	12,102
TD Pacific Mortgage Corporation	Vancouver, British Columbia	Deposit Taking Entity	
The Canada Trust Company	Toronto, Ontario	Trust, Loans and Deposits Entity	
TD Securities Inc.	Toronto, Ontario	Investment Dealer and Broker	1,913
TD Vermillion Holdings ULC	Vancouver, British Columbia	Holding Company	20,451
TD Financial International Ltd.	Hamilton, Bermuda	Holding Company	
TD Reinsurance (Barbados) Inc.	St. James, Barbados	Reinsurance Company	
Toronto Dominion International Inc.	St. James, Barbados	Intragroup Lending Company	
TD Waterhouse Canada Inc.	Toronto, Ontario	Investment Dealer	2,044
TDAM USA Inc.	Wilmington, Delaware	Investment Counselling and Portfolio Management	12

<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.

**Significant Subsidiaries (continued)<sup>1</sup>**

(millions of Canadian dollars)

			<b>As at October 31, 2016</b>
<b>International</b>	<b>Address of Head or Principal Office<sup>2</sup></b>	<b>Description</b>	<b>Carrying value of shares owned by the Bank</b>
TD Bank International S.A.	Luxembourg, Luxembourg	International Direct Brokerage	<b>\$ 43</b>
TD Bank N.V.	Amsterdam, The Netherlands	Dutch Bank	<b>699</b>
TD Ireland TD Global Finance	Dublin, Ireland Dublin, Ireland	Holding Company Securities Dealer	<b>1,056</b>
TD Luxembourg International Holdings TD Ameritrade Holding Corporation <sup>3</sup>	Luxembourg, Luxembourg Omaha, Nebraska	Holding Company Securities Dealer	<b>7,091</b>
TD Wealth Holdings (UK) Limited TD Direct Investing (Europe) Limited	Leeds, England Leeds, England	Holding Company Direct Broker	<b>139</b>
Thirdco II Limited TD Asset Administration UK Limited	Leeds, England Leeds, England	Investment Holding Company Foreign Securities Dealer	<b>108</b>
Toronto Dominion Australia Limited	Sydney, Australia	Securities Dealer	<b>238</b>
Toronto Dominion Investments B.V. TD Bank Europe Limited	London, England London, England	Holding Company UK Bank	<b>1,028</b>
Toronto Dominion Holdings (U.K.) Limited TD Securities Limited	London, England London, England	Holding Company Securities Dealer	
Toronto Dominion (South East Asia) Limited	Singapore, Singapore	Foreign Financial Institution	<b>1,310</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> As at October 31, 2016, the Bank's reported investment in TD Ameritrade Holding Corporation was 42.38% (October 31, 2015 – 41.54%) 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.

**SUBSIDIARIES WITH RESTRICTIONS TO TRANSFER FUNDS**

Certain of the Bank's subsidiaries have regulatory requirements to fulfill, 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, 2016, the net assets of subsidiaries subject to regulatory or capital adequacy requirements was \$73.1 billion (October 31, 2015 – \$66.2 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 28.

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.

# Ten-year Statistical Review – IFRS<sup>1</sup>

## Condensed Consolidated Balance Sheet

(millions of Canadian dollars)	2016	2015	2014	2013	2012	2011
<b>ASSETS</b>						
Cash resources and other	\$ 57,621	\$ 45,637	\$ 46,554	\$ 32,164	\$ 25,128	\$ 24,112
Trading loans, securities, and other <sup>2</sup>	211,111	188,317	168,926	188,016	199,280	171,109
Derivatives	72,242	69,438	55,796	49,461	60,919	59,845
Held-to-maturity securities	84,395	74,450	56,977	29,961	–	–
Securities purchased under reverse repurchase agreements	86,052	97,364	82,556	64,283	69,198	56,981
Loans, net of allowance for loan losses	585,656	544,341	478,909	444,922	408,848	377,187
Other	79,890	84,826	70,793	53,214	47,680	46,259
<b>Total assets</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	79,786	74,759	59,334	50,967	38,774	29,613
Derivatives	65,425	57,218	51,209	49,471	64,997	61,715
Deposits	773,660	695,576	600,716	541,605	487,754	449,428
Other	172,991	201,155	185,236	160,613	160,105	139,190
Subordinated notes and debentures	10,891	8,637	7,785	7,982	11,318	11,543
<b>Total liabilities</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>						
Common shares	20,711	20,294	19,811	19,316	18,691	17,491
Preferred shares	4,400	2,700	2,200	3,395	3,395	3,395
Treasury shares	(36)	(52)	(55)	(147)	(167)	(116)
Contributed surplus	203	214	205	170	196	212
Retained earnings	35,452	32,053	27,585	23,982	20,868	18,213
Accumulated other comprehensive income (loss)	11,834	10,209	4,936	3,159	3,645	3,326
	72,564	65,418	54,682	49,875	46,628	42,521
Non-controlling interests in subsidiaries	1,650	1,610	1,549	1,508	1,477	1,483
<b>Total equity</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>\$ 1,176,967</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

(millions of Canadian dollars)	2016	2015	2014	2013	2012	2011
Net interest income	\$ 19,923	\$ 18,724	\$ 17,584	\$ 16,074	\$ 15,026	\$ 13,661
Non-interest income	14,392	12,702	12,377	11,185	10,520	10,179
<b>Total revenue</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	2,330	1,683	1,557	1,631	1,795	1,490
Insurance claims and related expenses	2,462	2,500	2,833	3,056	2,424	2,178
Non-interest expenses	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>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	2,143	1,523	1,512	1,135	1,085	1,326
Equity in net income of an investment in TD Ameritrade	433	377	320	272	234	246
<b>Net income</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	141	99	143	185	196	180
<b>Net income available to common shareholders and non-controlling interests in subsidiaries</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	\$ 8,680	\$ 7,813	\$ 7,633	\$ 6,350	\$ 6,160	\$ 5,761
Non-controlling interests in subsidiaries	115	112	107	105	104	104

## Condensed Consolidated Statement of Income – Adjusted

(millions of Canadian dollars)	2016	2015	2014	2013	2012	2011
Net interest income	\$ 19,923	\$ 18,724	\$ 17,584	\$ 16,074	\$ 15,062	\$ 13,661
Non-interest income	14,385	12,713	12,097	11,114	10,615	10,052
<b>Total revenue</b>	<b>34,308</b>	<b>31,437</b>	<b>29,681</b>	<b>27,188</b>	<b>25,677</b>	<b>23,713</b>
Provision for credit losses	2,330	1,683	1,582	1,606	1,903	1,490
Insurance claims and related expenses	2,462	2,500	2,833	3,056	2,424	2,178
Non-interest expenses	18,496	17,076	15,863	14,390	13,180	12,373
<b>Income before income taxes and equity in net income of an investment in TD Ameritrade</b>	<b>11,020</b>	<b>10,178</b>	<b>9,403</b>	<b>8,136</b>	<b>8,170</b>	<b>7,672</b>
Provision for (recovery of) income taxes	2,226	1,862	1,649	1,326	1,397	1,545
Equity in net income of an investment in TD Ameritrade	498	438	373	326	291	305
<b>Net income</b>	<b>9,292</b>	<b>8,754</b>	<b>8,127</b>	<b>7,136</b>	<b>7,064</b>	<b>6,432</b>
Preferred dividends	141	99	143	185	196	180
<b>Net income available to common shareholders and non-controlling interests in subsidiaries</b>	<b>\$ 9,151</b>	<b>\$ 8,655</b>	<b>\$ 7,984</b>	<b>\$ 6,951</b>	<b>\$ 6,868</b>	<b>\$ 6,252</b>
Attributable to:						
Common shareholders	\$ 9,036	\$ 8,543	\$ 7,877	\$ 6,846	\$ 6,764	\$ 6,148
Non-controlling interests in subsidiaries	115	112	107	105	104	104

<sup>1</sup> The Bank prepares its Consolidated Financial Statements in accordance with IFRS, as issued by the IASB, the current GAAP, and refers to results prepared in accordance with IFRS as “reported” results. Adjusted results (excluding “items of note”, net of income taxes, from reported results) and related terms are not defined terms under GAAP and therefore, may not be comparable to similar terms used by other issuers. For further explanation, refer to the “How the Bank Reports” section in the 2016 MD&A. Refer to the following page for a reconciliation with reported results.

<sup>2</sup> Includes available-for-sale securities and financial assets designated at fair value through profit or loss.

# Ten-year Statistical Review – IFRS<sup>1</sup>

## Reconciliation of Non-GAAP Financial Measures

(millions of Canadian dollars)	2016	2015	2014	2013	2012	2011
<b>Net income available to common shareholders – reported</b>	<b>\$ 8,680</b>	<b>\$ 7,813</b>	<b>\$ 7,633</b>	<b>\$ 6,350</b>	<b>\$ 6,160</b>	<b>\$ 5,761</b>
<b>Adjustments for items of note, net of income taxes</b>						
Amortization of intangibles	246	255	246	232	238	391
Fair value of derivatives hedging the reclassified available-for-sale securities portfolio	(6)	(55)	(43)	(57)	89	(128)
Impairment of goodwill, non-financial assets, and other charges	116	–	–	–	–	–
Restructuring charges	–	471	–	90	–	–
Charge related to the acquisition in U.S. strategic cards portfolio and related integration costs	–	51	–	–	–	–
Litigation and litigation-related charge(s)/reserve(s)	–	8	–	100	248	–
Integration charges and direct transaction costs relating to the acquisition of the credit card portfolio of MBNA Canada	–	–	125	92	104	–
Set-up, conversion and other one-time costs related to affinity relationship with Aimia and acquisition of Aeroplan Visa credit card accounts	–	–	131	20	–	–
Impact of Alberta flood on the loan portfolio	–	–	(19)	19	–	–
Gain on sale of TD Waterhouse Institutional Services	–	–	(196)	–	–	–
Impact of Superstorm Sandy	–	–	–	–	37	–
Integration charges, direct transaction costs, and changes in fair value of contingent consideration relating to the Chrysler Financial acquisition	–	–	–	–	17	55
Reduction of allowance for incurred but not identified credit losses	–	–	–	–	(120)	–
Positive impact due to changes in statutory income tax rates	–	–	–	–	(18)	–
Integration charges and direct transaction costs relating to U.S. Retail acquisitions	–	–	–	–	9	82
Fair value of credit default swaps hedging the corporate loan book, net of provision for credit losses	–	–	–	–	–	(13)
<b>Total adjustments for items of note</b>	<b>356</b>	<b>730</b>	<b>244</b>	<b>496</b>	<b>604</b>	<b>387</b>
<b>Net income available to common shareholders – adjusted</b>	<b>\$ 9,036</b>	<b>\$ 8,543</b>	<b>\$ 7,877</b>	<b>\$ 6,846</b>	<b>\$ 6,764</b>	<b>\$ 6,148</b>

## Condensed Consolidated Statement of Changes in Equity

(millions of Canadian dollars)	2016	2015	2014	2013	2012	2011
Common shares	\$ 20,711	\$ 20,294	\$ 19,811	\$ 19,316	\$ 18,691	\$ 17,491
Preferred shares	4,400	2,700	2,200	3,395	3,395	3,395
Treasury shares	(36)	(52)	(55)	(147)	(167)	(116)
Contributed surplus	203	214	205	170	196	212
Retained earnings	35,452	32,053	27,585	23,982	20,868	18,213
Accumulated other comprehensive income (loss)	11,834	10,209	4,936	3,159	3,645	3,326
<b>Total</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	1,650	1,610	1,549	1,508	1,477	1,483
<b>Total equity</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> The Bank prepares its Consolidated Financial Statements in accordance with IFRS, as issued by the IASB, the current GAAP, and refers to results prepared in accordance with IFRS as “reported” results. Adjusted results (excluding “items of note”, net of income taxes, from reported results) and related terms are not defined terms under GAAP and therefore, may not be comparable to similar terms used by other issuers. For further explanation, refer to the “How the Bank Reports” section in the 2016 MD&A.

# Ten-year Statistical Review – IFRS<sup>1</sup>

## Other Statistics – Reported

		2016	2015	2014	2013	2012	2011
<b>Per common share</b>	<b>1</b> Basic earnings	\$ 4.68	\$ 4.22	\$ 4.15	\$ 3.46	\$ 3.40	\$ 3.25
	<b>2</b> Diluted earnings	4.67	4.21	4.14	3.44	3.38	3.21
	<b>3</b> Dividends	2.16	2.00	1.84	1.62	1.45	1.31
	<b>4</b> Book value	36.71	33.81	28.45	25.33	23.60	21.72
	<b>5</b> Closing market price	60.86	53.68	55.47	47.82	40.62	37.62
	<b>6</b> Closing market price to book value	1.66	1.59	1.95	1.89	1.72	1.73
	<b>7</b> Closing market price appreciation	13.4%	(3.2)%	16.0%	17.7%	8.0%	2.4%
	<b>8</b> Total shareholder return on common shareholders' investment <sup>2</sup>	17.9	0.4	20.1	22.3	11.9	5.7
<b>Performance ratios</b>	<b>9</b> Return on common equity	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>3,4</sup>	2.21	2.20	2.45	2.32	2.58	2.78
	<b>11</b> Efficiency ratio	55.0	57.5	55.1	55.3	54.9	60.2
	<b>12</b> Net interest margin as a % of average earning assets	2.01	2.05	2.18	2.20	2.23	2.30
	<b>13</b> Common dividend payout ratio	46.1	47.4	44.3	46.9	42.5	40.2
	<b>14</b> Dividend yield <sup>5</sup>	3.9	3.8	3.5	3.7	3.8	3.4
	<b>15</b> Price earnings ratio <sup>6</sup>	13.0	12.8	13.4	13.9	12.0	11.7
<b>Asset quality</b>	<b>16</b> Impaired loans net of counterparty-specific and individually insignificant allowances as a % of net loans <sup>7,8</sup>	0.46%	0.48%	0.46%	0.50%	0.52%	0.56%
	<b>17</b> Net impaired loans as a % of common equity <sup>7,8</sup>	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 <sup>7,8</sup>	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>4,9</sup>	10.4%	9.9%	9.4%	9.0%	n/a%	n/a%
	<b>20</b> Tier 1 capital ratio <sup>3,4</sup>	12.2	11.3	10.9	11.0	12.6	13.0
	<b>21</b> Total capital ratio <sup>3,4</sup>	15.2	14.0	13.4	14.2	15.7	16.0
<b>Other</b>	<b>22</b> Common equity to total assets	5.8	5.7	5.5	5.4	5.3	5.3
	<b>23</b> Number of common shares outstanding (millions)	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)	\$ 113,028	\$ 99,584	\$ 102,322	\$ 87,748	\$ 74,417	\$ 67,782
	<b>25</b> Average number of full-time equivalent staff <sup>10</sup>	81,233	81,483	81,137	78,748	78,397	75,631
	<b>26</b> Number of retail outlets <sup>11</sup>	2,476	2,514	2,534	2,547	2,535	2,483
	<b>27</b> Number of retail brokerage offices	111	108	111	110	112	108
	<b>28</b> Number of automated banking machines	5,263	5,171	4,833	4,734	4,739	4,650

## Other Statistics – Adjusted

		2016	2015	2014	2013	2012	2011
<b>Per common share</b>	<b>1</b> Basic earnings	\$ 4.88	\$ 4.62	\$ 4.28	\$ 3.72	\$ 3.73	\$ 3.47
	<b>2</b> Diluted earnings	4.87	4.61	4.27	3.71	3.71	3.43
<b>Performance ratios</b>	<b>3</b> Return on common equity	13.9%	14.7%	15.9%	15.3%	16.5%	17.3%
	<b>4</b> Return on Common Equity Tier 1 Capital risk-weighted assets <sup>3,4</sup>	2.31	2.40	2.53	2.50	2.83	2.95
	<b>5</b> Efficiency ratio	53.9	54.3	53.4	52.9	51.3	52.2
	<b>6</b> Common dividend payout ratio	44.3	43.3	43.0	43.5	38.7	37.7
	<b>7</b> Price-earnings ratio <sup>6</sup>	12.5	11.7	13.0	12.9	11.0	11.0

<sup>1</sup> The Bank prepares its Consolidated Financial Statements in accordance with IFRS, as issued by the IASB, the current GAAP, and refers to results prepared in accordance with IFRS as "reported" results. Adjusted results (excluding "items of note", net of income taxes, from reported results) and related terms are not defined terms under GAAP and therefore, may not be comparable to similar terms used by other issuers. For further explanation, refer to "How the Bank Reports" section in the 2016 MD&A.

<sup>2</sup> Return is calculated based on share price movement and dividends reinvested over the trailing twelve month period.

<sup>3</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>4</sup> Effective fiscal 2014, the CVA is being 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 are 57%, 65% and 77% respectively. For fiscal 2015 and 2016, the scalars are 64%, 71%, and 77% respectively.

<sup>5</sup> Yield is calculated as dividends paid during the year divided by average of high and low common share prices for the year.

<sup>6</sup> The price-earnings ratio is computed using diluted net income per common share over the trailing 4 quarters.

<sup>7</sup> Includes customers' liability under acceptances.

<sup>8</sup> Excludes acquired credit-impaired loans and debt securities classified as loans. For additional information on acquired credit-impaired loans, refer to the "Credit Portfolio Quality" section of the 2016 MD&A. For additional information on debt securities classified as loans, refer to the "Exposure to Non-Agency Collateralized Mortgage Obligations" discussion and tables in the "Credit Portfolio Quality" section of the 2016 MD&A.

<sup>9</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 periods prior to fiscal 2013 are not applicable (n/a).

<sup>10</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 periods prior to fiscal 2014 have not been restated.

<sup>11</sup> Includes retail bank outlets, private client centre branches, and estate and trust branches.

# Ten-year Statistical Review – Canadian GAAP<sup>1</sup>

## Condensed Consolidated Balance Sheet

(millions of Canadian dollars)	2011	2010	2009	2008	2007
<b>ASSETS</b>					
Cash resources and other	\$ 24,111	\$ 21,710	\$ 21,517	\$ 17,946	\$ 16,536
Securities	192,538	171,612	148,823	144,125	123,036
Securities purchased under reverse repurchase agreements	53,599	50,658	32,948	42,425	27,648
Loans, net of allowance for loan losses	303,495	269,853	253,128	219,624	175,915
Other	112,617	105,712	100,803	139,094	78,989
<b>Total assets</b>	<b>686,360</b>	<b>619,545</b>	<b>557,219</b>	<b>563,214</b>	<b>422,124</b>
<b>LIABILITIES</b>					
Deposits	481,114	429,971	391,034	375,694	276,393
Other	145,209	132,691	112,078	140,406	112,905
Subordinated notes and debentures	11,670	12,506	12,383	12,436	9,449
Liabilities for preferred shares and capital trust securities	32	582	1,445	1,444	1,449
Non-controlling interests in subsidiaries	1,483	1,493	1,559	1,560	524
	639,508	577,243	518,499	531,540	400,720
<b>EQUITY</b>					
Common shares	18,417	16,730	15,357	13,278	6,577
Preferred shares	3,395	3,395	3,395	1,875	425
Treasury shares <sup>2</sup>	(116)	(92)	(15)	(79)	–
Contributed surplus	281	305	336	392	119
Retained earnings	24,339	20,959	18,632	17,857	15,954
Accumulated other comprehensive income (loss)	536	1,005	1,015	(1,649)	(1,671)
	46,852	42,302	38,720	31,674	21,404
<b>Total liabilities and shareholders' equity</b>	<b>\$ 686,360</b>	<b>\$ 619,545</b>	<b>\$ 557,219</b>	<b>\$ 563,214</b>	<b>\$ 422,124</b>

## Condensed Consolidated Statement of Income – Reported

(millions of Canadian dollars)	2011	2010	2009	2008	2007
Net interest income	\$ 12,831	\$ 11,543	\$ 11,326	\$ 8,532	\$ 6,924
Non-interest income	8,763	8,022	6,534	6,137	7,357
<b>Total revenue</b>	<b>21,594</b>	<b>19,565</b>	<b>17,860</b>	<b>14,669</b>	<b>14,281</b>
Provision for credit losses	1,465	1,625	2,480	1,063	645
Non-interest expenses	13,083	12,163	12,211	9,502	8,975
<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>	<b>3,169</b>	<b>4,104</b>	<b>4,661</b>
Provision for (recovery of) income taxes	1,299	1,262	241	537	853
Non-controlling interests in subsidiaries, net of income taxes	104	106	111	43	95
Equity in net income of an associated company, net of income taxes	246	235	303	309	284
<b>Net income</b>	<b>5,889</b>	<b>4,644</b>	<b>3,120</b>	<b>3,833</b>	<b>3,997</b>
Preferred dividends	180	194	167	59	20
<b>Net income available to common shareholders</b>	<b>\$ 5,709</b>	<b>\$ 4,450</b>	<b>\$ 2,953</b>	<b>\$ 3,774</b>	<b>\$ 3,977</b>

## Condensed Consolidated Statement of Income – Adjusted

(millions of Canadian dollars)	2011	2010	2009	2008	2007
Net interest income	\$ 12,831	\$ 11,543	\$ 11,326	\$ 8,532	\$ 6,924
Non-interest income	8,587	8,020	7,294	5,840	7,148
<b>Total revenue</b>	<b>21,418</b>	<b>19,563</b>	<b>18,620</b>	<b>14,372</b>	<b>14,072</b>
Provision for credit losses	1,465	1,685	2,225	1,046	705
Non-interest expenses	12,395	11,464	11,016	9,291	8,390
<b>Income before income taxes, non-controlling interests in subsidiaries and equity in net income of an associated company</b>	<b>7,558</b>	<b>6,414</b>	<b>5,379</b>	<b>4,035</b>	<b>4,977</b>
Provision for (recovery of) income taxes	1,508	1,387	923	554	1,000
Non-controlling interests in subsidiaries, net of income taxes	104	106	111	43	119
Equity in net income of an associated company, net of income taxes	305	307	371	375	331
<b>Net income</b>	<b>6,251</b>	<b>5,228</b>	<b>4,716</b>	<b>3,813</b>	<b>4,189</b>
Preferred dividends	180	194	167	59	20
<b>Net income available to common shareholders</b>	<b>\$ 6,071</b>	<b>\$ 5,034</b>	<b>\$ 4,549</b>	<b>\$ 3,754</b>	<b>\$ 4,169</b>

<sup>1</sup> Results prepared in accordance with Canadian GAAP were referred to as “reported” results. Adjusted results (excluding “items of note”, net of income taxes, from reported results) and related terms were not defined terms under Canadian GAAP and therefore, may not be comparable to similar terms used by other issuers. For further explanation, refer to the “How the Bank Reports” section of the 2016 MD&A. Refer to the following page for a reconciliation with reported results.

<sup>2</sup> Effective fiscal 2008, treasury shares have been reclassified from common and preferred shares and are shown separately. Prior to fiscal 2008, the amounts for treasury shares were not reasonably determinable.

# Ten-year Statistical Review – Canadian GAAP<sup>1</sup>

## Reconciliation of Non-GAAP Financial Measures

(millions of Canadian dollars)	2011	2010	2009	2008	2007
<b>Net income available to common shareholders – reported</b>	\$ 5,709	\$ 4,450	\$ 2,953	\$ 3,774	\$ 3,977
<b>Adjustments for items of note, net of income taxes</b>					
Amortization of intangibles	426	467	492	404	353
Reversal of Enron litigation reserve	–	–	–	(323)	–
Fair value of derivatives hedging the reclassified available-for-sale debt securities portfolio	(134)	(5)	450	(118)	–
Gain relating to restructuring of VISA	–	–	–	–	(135)
TD Banknorth restructuring, privatization and merger-related charges	–	–	–	–	43
Integration and restructuring charges relating to U.S. Retail acquisitions	69	69	276	70	–
Fair value of credit default swaps hedging the corporate loan book, net of provision for credit loss	(13)	4	126	(107)	(30)
Integration charges related to the Chrysler Financial acquisition	14	–	–	–	–
Other tax items <sup>1</sup>	–	(11)	–	34	–
Provision for (release of) insurance claims	–	(17)	–	20	–
Reduction of general allowance for credit losses	–	(44)	178	–	(39)
Agreement with Canada Revenue Agency	–	121	–	–	–
Settlement of TD Banknorth shareholder litigation	–	–	39	–	–
FDIC special assessment charge	–	–	35	–	–
<b>Total adjustments for items of note</b>	362	584	1,596	(20)	192
<b>Net income available to common shareholders – adjusted</b>	\$ 6,071	\$ 5,034	\$ 4,549	\$ 3,754	\$ 4,169

## Condensed Consolidated Statement of Changes in Equity

(millions of Canadian dollars)	2011	2010	2009	2008	2007
Common shares	\$ 18,417	\$ 16,730	\$ 15,357	\$ 13,278	\$ 6,577
Preferred shares	3,395	3,395	3,395	1,875	425
Treasury shares <sup>2</sup>	(116)	(92)	(15)	(79)	–
Contributed surplus	281	305	336	392	119
Retained earnings	24,339	20,959	18,632	17,857	15,954
Accumulated other comprehensive income (loss)	536	1,005	1,015	(1,649)	(1,671)
<b>Total equity</b>	\$ 46,852	\$ 42,302	\$ 38,720	\$ 31,674	\$ 21,404

<sup>1</sup> Results prepared in accordance with Canadian GAAP were referred to as “reported” results. Adjusted results (excluding “items of note”, net of income taxes, from reported results) and related terms were not defined terms under Canadian GAAP and therefore, may not be comparable to similar terms used by other issuers. For further explanation, refer to the “How the Bank Reports” section of the 2016 MD&A.

<sup>2</sup> Effective fiscal 2008, treasury shares have been reclassified from common and preferred shares and are shown separately. Prior to fiscal 2008, the amounts for treasury shares were not reasonably determinable.

# Ten-year Statistical Review – Canadian GAAP<sup>1</sup>

## Other Statistics – Reported

		2011	2010	2009	2008	2007
<b>Per common share</b>	<b>1</b> Basic earnings	\$ 3.23	\$ 2.57	\$ 1.75	\$ 2.45	\$ 2.77
	<b>2</b> Diluted earnings	3.21	2.55	1.74	2.44	2.74
	<b>3</b> Dividends	1.31	1.22	1.22	1.18	1.06
	<b>4</b> Book value	24.12	22.15	20.57	18.39	14.62
	<b>5</b> Closing market price	37.62	36.73	30.84	28.46	35.68
	<b>6</b> Closing market price to book value	1.56	1.66	1.50	1.55	2.44
	<b>7</b> Closing market price appreciation	2.4%	19.1%	8.4%	(20.2)%	9.6%
	<b>8</b> Total shareholder return on common shareholders' investment <sup>2</sup>	5.7	23.4	13.6	(17.1)	13.0
<b>Performance ratios</b>	<b>9</b> Return on common equity	14.5%	12.1%	8.4%	14.4%	19.3%
	<b>10</b> Return on risk-weighted assets	2.78	2.33	1.47	2.19	2.67
	<b>11</b> Efficiency ratio <sup>3</sup>	60.6	62.2	68.4	64.8	62.8
	<b>12</b> Net interest margin	2.37	2.35	2.54	2.22	2.06
	<b>13</b> Common dividend payout ratio	40.6	47.6	70.3	49.0	38.1
	<b>14</b> Dividend yield <sup>4</sup>	3.4	3.5	4.8	3.8	3.0
	<b>15</b> Price-earnings ratio <sup>5</sup>	11.7	14.4	17.8	11.7	13.0
<b>Asset quality</b>	<b>16</b> Impaired loans net of specific allowance as a % of net loans <sup>6,7</sup>	0.59%	0.65%	0.62%	0.35%	0.20%
	<b>17</b> Net impaired loans as a % of common equity <sup>6,7</sup>	4.07	4.41	4.41	2.70	1.74
	<b>18</b> Provision for credit losses as a % of net average loans <sup>6,7</sup>	0.48	0.63	0.92	0.50	0.37
<b>Capital ratios</b>	<b>19</b> Tier 1 Capital ratio	13.0%	12.2%	11.3%	9.8%	10.3%
	<b>20</b> Total Capital ratio	16.0	15.5	14.9	12.0	13.0
<b>Other</b>	<b>21</b> Common equity to total assets	6.3	6.3	6.3	5.3	5.0
	<b>22</b> Number of common shares outstanding (millions)	1,802.0	1,757.0	1,717.6	1,620.2	1,435.6
	<b>23</b> Market capitalization (millions of Canadian dollars)	\$ 67,782	\$ 64,526	\$ 52,972	\$ 46,112	\$ 51,216
	<b>24</b> Average number of full-time equivalent staff <sup>8</sup>	75,631	68,725	65,930	58,792	51,163
	<b>25</b> Number of retail outlets <sup>9</sup>	2,483	2,449	2,205	2,238	1,733
	<b>26</b> Number of retail brokerage offices	108	105	190	249	211
	<b>27</b> Number of Automated Banking Machines	4,650	4,550	4,197	4,147	3,344

## Other Statistics – Adjusted

		2011	2010	2009	2008	2007
<b>Per common share</b>	<b>1</b> Basic earnings	\$ 3.43	\$ 2.91	\$ 2.69	\$ 2.46	\$ 2.90
	<b>2</b> Diluted earnings	3.41	2.89	2.68	2.44	2.88
<b>Performance ratios</b>	<b>3</b> Return on common equity	15.4%	13.7%	12.9%	14.3%	20.3%
	<b>4</b> Return on risk-weighted assets	2.95	2.63	2.27	2.18	2.80
	<b>5</b> Efficiency ratio <sup>3</sup>	57.9	58.6	59.2	64.6	59.6
	<b>6</b> Common dividend payout ratio	38.1	42.1	45.6	49.3	36.4
	<b>7</b> Price-earnings ratio <sup>5</sup>	11.0	12.7	11.6	11.6	12.4

<sup>1</sup> Results prepared in accordance with Canadian GAAP were referred to as "reported" results. Adjusted results (excluding "items of note", net of income taxes, from reported results) and related terms were not defined terms under Canadian GAAP and therefore, may not be comparable to similar terms used by other issuers. For further explanation, refer to the "How the Bank Reports" section of the 2016 MD&A.

<sup>2</sup> Return is calculated based on share price movement and reinvested dividends over the trailing twelve-month period.

<sup>3</sup> The efficiency ratios under Canadian GAAP for the fiscal years 2011 and prior are based on the presentation of Insurance revenues being reported net of claims and expenses.

<sup>4</sup> Yield is calculated as dividends paid during the year divided by average of high and low common share prices for 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 debt securities classified as loans. For additional information on acquired credit-impaired loans, refer to the "Credit Portfolio Quality" section of the 2016 MD&A. For additional information on debt securities classified as loans, refer to the "Exposure to Non-Agency Collateralized Mortgage Obligations" discussion and tables in the "Credit Portfolio Quality" section of the 2016 MD&A.

<sup>8</sup> Reflects the number of employees on an average full-time equivalent basis.

<sup>9</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 the 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 makes investment selections on behalf of the client (in accordance with an investment policy). In addition to the TD family of mutual funds, the Bank manages assets on behalf of individuals, pension funds, corporations, institutions, endowments and foundations. These assets are not reported on the Bank's Consolidated Balance Sheet.

**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 Earnings 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 Capital Adequacy Requirements (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.

**Exposure at Default (EAD):** It is the total amount the Bank expects to be exposed to at the time of default.

**Fair Value:** The 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).

**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.

---

## GLOSSARY (continued)

**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.

**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.

**Special Purpose Entities (SPEs):** Entities that are created to accomplish a narrow and well-defined objective. SPEs may take the form of a corporation, trust, partnership, or unincorporated entity. SPEs are often created with legal arrangements that impose limits on the decision-making powers of their governing board, trustees or management over the operations of the SPE.

**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.

**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.

# 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 2016

Ernst & Young LLP

## DIVIDENDS

**Direct dividend depositing:** 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.

**U.S. dollar dividends:** 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. Other shareholders can request dividend payments in U.S. funds by contacting the Bank's transfer agent. Until February 28, 2017, dividends will be exchanged into U.S. funds at the Bank of Canada noon rate on the fifth business day after the record date, or as otherwise advised by the Bank.

Effective March 1, 2017, 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.

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 registered shareholder (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 (and resuming) receiving annual and quarterly reports	<b>Transfer Agent:</b> CST Trust Company 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@canstockta.com">inquiries@canstockta.com</a> or <a href="http://www.canstockta.com">www.canstockta.com</a>
Hold your TD shares through the Direct Registration System in the United States	Missing dividends, lost share certificates, estate questions, address changes to the share register, eliminating duplicate mailings of shareholder materials or stopping (and resuming) receiving annual and quarterly reports	<b>Co-Transfer Agent and Registrar:</b> Computershare P.O. Box 30170 College Station, TX 77842-3170 or 211 Quality Circle, Suite 210 College Station, TX 77845 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">www.computershare.com</a>
Beneficially own 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	Your intermediary

## 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 Chairman of the Board, by writing to:

Chairman 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 Chairman received from shareholders and expressing an interest to communicate directly with the independent directors via the Chairman 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:** 1-866-233-2323

**Cantonese/Mandarin:** 1-800-328-3698

**Telephone device for the hearing impaired:**  
1-800-361-1180

## General information:

Contact Corporate and Public Affairs  
416-982-8578

**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, March 30, 2017  
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



® The TD logo and other trade-marks are the property of The Toronto-Dominion Bank or a wholly-owned subsidiary, in Canada and/or other countries.

