



TD Bank Group Reports Second Quarter 2018 Results

Report to Shareholders • Three and Six months ended April 30, 2018

The financial information in this document is reported in Canadian dollars, and is based on the Bank's unaudited Interim Consolidated Financial Statements and related Notes prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), unless otherwise noted.

Reported results conform to generally accepted accounting principles (GAAP), in accordance with IFRS. Adjusted measures are non-GAAP measures. Refer to the "How the Bank Reports" section of the Management's Discussion and Analysis (MD&A) for an explanation of reported and adjusted results.

SECOND QUARTER FINANCIAL HIGHLIGHTS, compared with the second quarter last year:

- Reported diluted earnings per share were \$1.54, compared with \$1.31.
- Adjusted diluted earnings per share were \$1.62, compared with \$1.34.
- Reported net income was \$2,916 million, compared with \$2,503 million.
- Adjusted net income was \$3,062 million, compared with \$2,561 million.

YEAR-TO-DATE FINANCIAL HIGHLIGHTS, six months ended April 30, 2018, compared with the corresponding period last year:

- Reported diluted earnings per share were \$2.78, compared with \$2.63.
- Adjusted diluted earnings per share were \$3.18, compared with \$2.67.
- Reported net income was \$5,269 million, compared with \$5,036 million.
- Adjusted net income was \$6,008 million, compared with \$5,119 million.

SECOND QUARTER ADJUSTMENTS (ITEMS OF NOTE)

The second quarter reported earnings figures included the following items of note:

- Amortization of intangibles of \$86 million (\$73 million after tax or 4 cents per share), compared with \$78 million (\$58 million after tax or 3 cents per share) in the second quarter last year.
- Charges associated with the Scottrade transaction of \$77 million (\$73 million after tax or 4 cents per share).

TORONTO, May 24, 2018 – TD Bank Group ("TD" or the "Bank") today announced its financial results for the second quarter ended April 30, 2018. Second quarter reported earnings were \$2.9 billion, up 17% and adjusted earnings were \$3.1 billion, up 20% compared with the same quarter last year.

"We delivered exceptional earnings performance across the Bank in the second quarter, by continuing to attract customers and deepen our relationship with them," said Bharat Masrani, Group President and Chief Executive Officer. "At the half-year mark, we are extremely pleased with the earnings growth in all of our business segments, on both sides of the border."

Canadian Retail

Canadian Retail net income was \$1,833 million, an increase of 17% compared with the same quarter last year. This performance reflects higher margins, good volume growth, and strong credit performance, as well as increased trading volumes and assets under management in our wealth businesses. We continued to transform the customer experience this quarter with the launch of a digital pre-approval tool for mortgages which, combined with the mortgage affordability and pre-qualification tools, help customers feel more confident about their home buying decision and deliver a more seamless and personalized experience across multiple channels.

U.S. Retail

U.S. Retail reported net income was \$979 million (US\$770 million) and adjusted net income was \$1,052 million (US\$827 million), an increase of 16% (21% in U.S. dollars) on a reported basis and 24% (30% in U.S. dollars) on an adjusted basis, compared with the second quarter last year.

The U.S. Retail Bank, which excludes the Bank's investment in TD Ameritrade, reported net income of \$845 million (US\$663 million) and adjusted net income of \$857 million (US\$673 million). This represents an increase of 15% (20% in U.S. dollars) on a reported basis and 16% (21% in U.S. dollars) on an adjusted basis, compared with the second quarter last year. Earnings reflect peer-leading growth in loan and deposit volumes, higher margins, and a lower corporate income tax rate. We continue to focus on delivering legendary customer service and earned the "Highest Customer Satisfaction with Retail Banking in Florida", according to the J.D. Power 2018 U.S. Retail Banking study¹.

TD Ameritrade contributed \$134 million (US\$107 million) in reported earnings to the segment and \$195 million (US\$154 million) in adjusted earnings.

Wholesale Banking

Wholesale Banking net income was \$267 million, an increase of 8% compared with the second quarter last year, reflecting stronger revenue growth, partially offset by a higher provision for credit losses and continued investments in support of the global expansion of Wholesale Banking's U.S. dollar strategy.

Capital

TD's Common Equity Tier 1 Capital ratio on a Basel III fully phased-in basis was 11.8%.

¹ TD Bank, America's Most Convenient Bank[®] received the highest score in Florida in the J.D. Power 2018 U.S. Retail Banking Satisfaction Studies of customers' satisfaction with their own retail bank. Visit www.jdpower.com/awards.

Innovation

"TD is a leader in digital with 12 million active online and mobile customers. Our growing suite of technology patent filings and our recent acquisition of Layer 6 demonstrate how we are innovating with purpose and building the bank of the future," said Masrani. "We're proud to deliver innovative personalized and connected experiences that allow our customers to engage with us in truly differentiated ways, when and how they prefer."

Conclusion

"We continue to invest in future growth and we're very pleased with these results," said Masrani. "This quarter, TD was proud to launch The Ready Commitment, to help individuals and communities prosper in a changing world, opening doors to a more inclusive tomorrow. As we look ahead to the second half of the year, TD will remain focused on capitalizing on our scale and delivering for our customers and colleagues."

The foregoing contains forward-looking statements. Please refer to the "Caution Regarding Forward-Looking Statements" on page 4.

ENHANCED DISCLOSURE TASK FORCE

The Enhanced Disclosure Task Force (EDTF) was established by the Financial Stability Board in 2012 to identify fundamental disclosure principles, recommendations and leading practices to enhance risk disclosures of banks. The index below includes the recommendations (as published by the EDTF) and lists the location of the related EDTF disclosures presented in the second quarter 2018 Report to Shareholders (RTS), Supplemental Financial Information (SFI), or Supplemental Regulatory Capital Disclosures (SRCD). Information on TD's website, SFI, and SRCD is not and should not be considered incorporated herein by reference into the second quarter 2018 RTS, Management's Discussion and Analysis, or the Interim Consolidated Financial Statements. Certain disclosure references have been made to the Bank's 2017 Annual Report.

Type of Risk	Topic	EDTF Disclosure	Page			
			RTS Second Quarter 2018	SFI Second Quarter 2018	SRCD Second Quarter 2018	Annual Report 2017
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, 101-102
	3	Describe and discuss top and emerging risks.				67-71
	4	Outline plans to meet each new key regulatory ratio once applicable rules are finalized.	27, 41			62-63, 95-96
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.				61, 72, 77-103
	8	Description of stress testing within the bank's risk governance and capital frameworks.	32			58, 76, 84, 101
Capital Adequacy and Risk Weighted Assets	9	Pillar 1 capital requirements and the impact for global systemically important banks.	26-27, 84		1-2, 4	56-58, 63
	10	Composition of capital and reconciliation of accounting balance sheet to the regulatory balance sheet.			1-2, 5	56
	11	Flow statement of the movements in regulatory capital.			3	
	12	Discussion of capital planning within a more general discussion of management's strategic planning.				57-59, 101
	13	Analysis of how RWA relate to business activities and related risks.		4-7		59, 61
	14	Analysis of capital requirements for each methods used for calculating RWA.	32		6	78-84, 98, 198-199
	15	Tabulate credit risk in the banking book for Basel asset classes and major portfolios.			11-22	
	16	Flow statement reconciling the movements of RWA by risk type.	28-29			59-60
	17	Discussion of Basel III back-testing requirements.			25-26	80, 84, 89-90
Liquidity	18	The bank's management of liquidity needs and liquidity reserves.	34-36, 38-39			91-93
Funding	19	Encumbered and unencumbered assets in a table by balance sheet category.	37			94, 190
	20	Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity at the balance sheet date.	41-43			98-100
	21	Discussion of the bank's funding sources and the bank's funding strategy.	37-38, 40-41			97-98
Market Risk	22	Linkage of market risk measures for trading and non-trading portfolio and balance sheet.	31			82
	23	Breakdown of significant trading and non-trading market risk factors.	31-34			82, 84-87
	24	Significant market risk measurement model limitations and validation procedures.	32			83-87, 89-90
	25	Primary risk management techniques beyond reported risk measures and parameters.	32			83-87
Credit Risk	26	Provide information that facilitates users' understanding of the bank's credit risk profile, including any significant credit risk concentrations.	22-26, 68-76	15-33	7-30	41-55, 77-82, 154-157, 166-168, 196-199
	27	Description of the bank's policies for identifying impaired loans.	53-54, 58-59, 75-76			49-50, 129-130, 154
	28	Reconciliation of the opening and closing balances of impaired loans in the period and the allowance for loan losses.	22, 71-75	19, 23-24		46, 155-156
	29	Analysis of the bank's counterparty credit risks that arises from derivative transactions.			28-30	80, 139-140, 162-163, 166-168
	30	Discussion of credit risk mitigation, including collateral held for all sources of credit risk.				80-81, 133, 139-140
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, 101-103
	32	Discuss publicly known risk events related to other risks.	82			71, 188-190

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING PERFORMANCE

This 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 three and six months ended April 30, 2018, compared with the corresponding periods shown. This MD&A should be read in conjunction with the Bank's unaudited Interim Consolidated Financial Statements and related Notes included in this Report to Shareholders and with the 2017 Consolidated Financial Statements and related Notes and 2017 MD&A. This MD&A is dated May 23, 2018. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from the Bank's 2017 Consolidated Financial Statements and related Notes or Interim Consolidated Financial Statements and related Notes, prepared in accordance with IFRS as issued by the IASB. Note that certain comparative amounts have been restated/reclassified to conform with the presentation adopted in the current period. Additional information relating to the Bank, including the Bank's 2017 Annual Information Form, is available on the Bank's website at <http://www.td.com>, as well as on SEDAR at <http://www.sedar.com> and on the SEC's website at <http://www.sec.gov> (EDGAR filers section).

Caution Regarding Forward-Looking Statements

From time to time, the Bank (as defined in this document) makes written and/or oral forward-looking statements, including in this document, in other filings with Canadian regulators or the United States (U.S.) Securities and Exchange Commission (SEC), and in other communications. In addition, representatives of the Bank may make forward-looking statements orally to analysts, investors, the media and others. All such statements are made pursuant to the "safe harbour" provisions of, and are intended to be forward-looking statements under, applicable Canadian and U.S. securities legislation, including the *U.S. Private Securities Litigation Reform Act of 1995*. Forward-looking statements include, but are not limited to, statements made in this document, the Management's Discussion and Analysis ("2017 MD&A") in the Bank's 2017 Annual Report under the heading "Economic Summary and Outlook", for the Canadian Retail, U.S. Retail, and Wholesale Banking segments under headings "Business Outlook and Focus for 2018", and for the Corporate segment, "Focus for 2018", and in other statements regarding the Bank's objectives and priorities for 2018 and beyond and strategies to achieve them, the regulatory environment in which the Bank operates, and the Bank's anticipated financial performance. Forward-looking statements are typically identified by words such as "will", "would", "should", "believe", "expect", "anticipate", "intend", "estimate", "plan", "goal", "target", "may", and "could".

By their very nature, these forward-looking statements require the Bank to make assumptions and are subject to inherent risks and uncertainties, general and specific. Especially in light of the uncertainty related to the physical, financial, economic, political, and regulatory environments, such risks and uncertainties – many of which are beyond the Bank's control and the effects of which can be difficult to predict – may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Risk factors that could cause, individually or in the aggregate, such differences include: credit, market (including equity, commodity, foreign exchange, interest rate, and credit spreads), liquidity, operational (including technology and infrastructure), 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, capital guidelines and liquidity regulatory guidance and the bank recapitalization "bail-in" regime; exposure related to significant litigation and regulatory matters; 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 2017 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. 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 2017 MD&A under the headings "Economic Summary and Outlook", for the Canadian Retail, U.S. Retail, and Wholesale Banking segments, "Business Outlook and Focus for 2018", and for the Corporate segment, "Focus for 2018", 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.

This document was reviewed by the Bank's Audit Committee and was approved by the Bank's Board of Directors, on the Audit Committee's recommendation, prior to its release.

TABLE 1: FINANCIAL HIGHLIGHTS

(millions of Canadian dollars, except as noted)

	As at or for the three months ended			As at or for the six months ended	
	April 30 2018	January 31 2018	April 30 2017	April 30 2018	April 30 2017
Results of operations					
Total revenue	\$ 9,467	\$ 9,360	\$ 8,473	\$ 18,827	\$ 17,593
Provision for credit losses ¹	556	693	500	1,249	1,133
Insurance claims and related expenses	558	575	538	1,133	1,112
Non-interest expenses	4,822	4,846	4,786	9,668	9,683
Net income – reported	2,916	2,353	2,503	5,269	5,036
Net income – adjusted ²	3,062	2,946	2,561	6,008	5,119
Financial position (billions of Canadian dollars)					
Total loans net of allowance for loan losses	\$ 622.0	\$ 607.1	\$ 598.5	\$ 622.0	\$ 598.5
Total assets	1,283.8	1,261.3	1,251.9	1,283.8	1,251.9
Total deposits	829.8	813.4	807.1	829.8	807.1
Total equity	76.7	73.2	76.2	76.7	76.2
Total Common Equity Tier 1 Capital risk-weighted assets ³	417.8	441.3	420.1	417.8	420.1
Financial ratios					
Return on common equity – reported	16.8 %	13.2 %	14.4 %	14.9 %	14.4 %
Return on common equity – adjusted ⁴	17.6	16.6	14.8	17.1	14.6
Efficiency ratio – reported	50.9	51.8	56.5	51.4	55.0
Efficiency ratio – adjusted ²	50.1	50.6	55.8	50.3	54.4
Provision for loan losses as a % of net average loans and acceptances ⁵	0.36	0.45	0.35	0.40	0.39
Common share information – reported (dollars)					
Per share earnings					
Basic	\$ 1.54	\$ 1.24	\$ 1.31	\$ 2.78	\$ 2.63
Diluted	1.54	1.24	1.31	2.78	2.63
Dividends per share	0.67	0.60	0.60	1.27	1.15
Book value per share	38.26	36.58	38.08	38.26	38.08
Closing share price ⁶	72.11	74.82	64.23	72.11	64.23
Shares outstanding (millions)					
Average basic	1,843.6	1,841.7	1,854.4	1,842.6	1,855.1
Average diluted	1,847.5	1,846.2	1,858.7	1,846.8	1,859.5
End of period	1,844.6	1,843.7	1,843.4	1,844.6	1,843.4
Market capitalization (billions of Canadian dollars)	\$ 133.0	\$ 137.9	\$ 118.4	\$ 133.0	\$ 118.4
Dividend yield ^{7,8}	3.7 %	3.3 %	3.6 %	3.5 %	3.5 %
Dividend payout ratio	43.5	48.3	45.9	45.6	43.7
Price-earnings ratio	12.7	13.8	12.7	12.7	12.7
Total shareholder return (1 year) ⁹	16.3	14.9	19.3	16.3	19.3
Common share information – adjusted (dollars) ²					
Per share earnings					
Basic	\$ 1.62	\$ 1.56	\$ 1.34	\$ 3.18	\$ 2.68
Diluted	1.62	1.56	1.34	3.18	2.67
Dividend payout ratio	41.4 %	38.3 %	44.8 %	39.9 %	43.0 %
Price-earnings ratio	11.9	13.0	12.4	11.9	12.4
Capital ratios					
Common Equity Tier 1 Capital ratio ³	11.8 %	10.6 %	10.8 %	11.8 %	10.8 %
Tier 1 Capital ratio ³	13.5	12.1	12.5	13.5	12.5
Total Capital ratio ³	15.8	14.2	14.9	15.8	14.9
Leverage ratio	4.1	4.0	3.9	4.1	3.9

¹ Effective November 1, 2017, amounts were prepared in accordance with IFRS 9, *Financial Instruments* (IFRS 9). Prior period comparatives were prepared in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39) and have not been restated. Refer to "How the Bank Reports" section of this document and Note 2 and Note 6 of the Interim Consolidated Financial Statements for further details.

² Adjusted measures are non-GAAP measures. Refer to the "How the Bank Reports" section of this document for an explanation of reported and adjusted results.

³ Each capital ratio has its own risk-weighted assets (RWA) measure due to the Office of the Superintendent of Financial Institutions Canada (OSFI) prescribed scalar for inclusion of the Credit Valuation Adjustment (CVA). For fiscal 2017, the scalars for inclusion of CVA for Common Equity Tier 1 (CET1), Tier 1, and Total Capital RWA were 72%, 77%, and 81%, respectively. For fiscal 2018, the scalars are 80%, 83%, and 86%. Prior to the second quarter of 2018, as the Bank was constrained by the Basel I regulatory floor, the RWA as it relates to the regulatory floor was calculated based on the Basel I risk weights which are the same for all capital ratios.

⁴ 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.

⁵ Excludes acquired credit-impaired (ACI) loans and prior to November 1, 2017, certain Debt securities classified as loans (DSCL). DSCL are now reclassified as Debt securities at amortized cost (DSAC) under IFRS 9.

⁶ Toronto Stock Exchange (TSX) closing market price.

⁷ Certain comparative amounts have been recast to conform with the presentation adopted in the current period.

⁸ Dividend yield is calculated as the annualized dividend per common share paid divided by daily average closing stock price in the relevant period. Dividend per common share is derived as follows: a) for the quarter – by annualizing the dividend per common share paid during the quarter; and b) for the year-to-date – by annualizing the year-to-date dividend per common share paid.

⁹ Total shareholder return (TSR) is calculated based on share price movement and dividends reinvested over a trailing one year period.

HOW WE PERFORMED

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 more than 25 million customers in three key businesses operating in a number of locations in financial centres around the globe: Canadian Retail, which includes the results of the Canadian personal and commercial banking, wealth and insurance businesses; U.S. Retail, which includes the results of the U.S. personal and business banking operations, wealth management services and the Bank's investment in TD Ameritrade; and Wholesale Banking. TD also ranks among the world's leading online financial services firms, with approximately 12 million active online and mobile customers. TD had \$1.3 trillion in assets on April 30, 2018. 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 Interim Consolidated Financial Statements in accordance with IFRS, the current GAAP, and refers to results prepared in accordance with IFRS as "reported" results. The Bank also utilizes non-GAAP financial measures referred to as "adjusted" results to assess each of its businesses and to measure the Bank's overall performance. To arrive at adjusted results, the Bank removes "items of note", from reported results. The items of note relate to items which management does not believe are indicative of underlying business performance. The Bank believes that adjusted results provide the reader with a better understanding of how management views the Bank's performance. The items of note are disclosed in Table 3. As explained, adjusted results differ from reported results determined in accordance with IFRS. Adjusted results, items of note, and related terms used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.

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

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

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

U.S. Tax Reform

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

The reduction of the U.S. federal corporate tax rate enacted by the U.S. Tax Act resulted in a one-time adjustment during the first quarter of 2018 to the Bank's U.S. deferred tax assets and liabilities to the lower base rate of 21% as well as an adjustment to the Bank's carrying balances of certain tax credit-related investments and its investment in TD Ameritrade. Based on the Bank's current assessment of the implications of the U.S. Tax Act, the Bank recorded a one-time net charge to earnings for the three months ended January 31, 2018, and the six months ended April 30, 2018, of \$453 million (US\$365 million).

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

TABLE 2: OPERATING RESULTS – Reported

(millions of Canadian dollars)

	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	April 30 2018	April 30 2017
Net interest income	\$ 5,398	\$ 5,430	\$ 5,109	\$ 10,828	\$ 10,250
Non-interest income	4,069	3,930	3,364	7,999	7,343
Total revenue	9,467	9,360	8,473	18,827	17,593
Provision for credit losses	556	693	500	1,249	1,133
Insurance claims and related expenses	558	575	538	1,133	1,112
Non-interest expenses	4,822	4,846	4,786	9,668	9,683
Income before income taxes and equity in net income of an investment in TD Ameritrade	3,531	3,246	2,649	6,777	5,665
Provision for income taxes	746	1,040	257	1,786	853
Equity in net income of an investment in TD Ameritrade	131	147	111	278	224
Net income – reported	2,916	2,353	2,503	5,269	5,036
Preferred dividends	52	52	48	104	96
Net income available to common shareholders and non-controlling interests in subsidiaries	\$ 2,864	\$ 2,301	\$ 2,455	\$ 5,165	\$ 4,940
Attributable to:					
Common shareholders	\$ 2,846	\$ 2,283	\$ 2,427	\$ 5,129	\$ 4,883
Non-controlling interests	18	18	28	36	57

The following table provides a reconciliation between the Bank's adjusted and reported results.

TABLE 3: NON-GAAP FINANCIAL MEASURES – Reconciliation of Adjusted to Reported Net Income

(millions of Canadian dollars)

	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	April 30 2018	April 30 2017
Operating results – adjusted					
Net interest income	\$ 5,398	\$ 5,430	\$ 5,109	\$ 10,828	\$ 10,250
Non-interest income ¹	4,069	4,019	3,364	8,088	7,302
Total revenue	9,467	9,449	8,473	18,916	17,552
Provision for credit losses	556	693	500	1,249	1,133
Insurance claims and related expenses	558	575	538	1,133	1,112
Non-interest expenses ²	4,744	4,778	4,723	9,522	9,556
Income before income taxes and equity in net income of an investment in TD Ameritrade	3,609	3,403	2,712	7,012	5,751
Provision for income taxes	763	653	277	1,416	887
Equity in net income of an investment in TD Ameritrade ³	216	196	126	412	255
Net income – adjusted	3,062	2,946	2,561	6,008	5,119
Preferred dividends	52	52	48	104	96
Net income available to common shareholders and non-controlling interests in subsidiaries – adjusted	3,010	2,894	2,513	5,904	5,023
Attributable to:					
Non-controlling interests in subsidiaries, net of income taxes	18	18	28	36	57
Net income available to common shareholders – adjusted	2,992	2,876	2,485	5,868	4,966
Pre-tax adjustments of items of note					
Amortization of intangibles ⁴	(86)	(85)	(78)	(171)	(158)
Charges associated with the Scottrade transaction ⁵	(77)	(73)	–	(150)	–
Impact from U.S. tax reform ⁶	–	(48)	–	(48)	–
Fair value of derivatives hedging the reclassified available-for-sale securities portfolio ⁷	–	–	–	–	41
Provision for (recovery of) income taxes for items of note					
Amortization of intangibles ⁸	(13)	(17)	(20)	(30)	(41)
Charges associated with the Scottrade transaction	(4)	(1)	–	(5)	–
Impact from U.S. tax reform	–	405	–	405	–
Fair value of derivatives hedging the reclassified available-for-sale securities portfolio	–	–	–	–	7
Total adjustments for items of note	(146)	(593)	(58)	(739)	(83)
Net income available to common shareholders – reported	\$ 2,846	\$ 2,283	\$ 2,427	\$ 5,129	\$ 4,883

¹ Adjusted Non-interest income excludes the following items of note: Adjustment to the carrying balances of certain tax credit-related investments, as explained in footnote 6 – first quarter 2018 – \$(89) million. Gain on fair value of derivatives hedging the reclassified available-for-sale (AFS) securities portfolio, as explained in footnote 7 – first quarter 2017 – \$41 million. These amounts were reported in the Corporate segment.

² Adjusted Non-interest expenses excludes the following items of note: Amortization of intangibles, as explained in footnote 4 – second quarter 2018 – \$62 million, first quarter 2018 – \$63 million, second quarter 2017 – \$63 million, and first quarter 2017 – \$64 million; these amounts were reported in the Corporate segment. Charges associated with Scottrade transaction, as explained in footnote 5 – second quarter 2018 – \$16 million and first quarter 2018 – \$5 million; these amounts were reported in the U.S. Retail segment.

³ Adjusted Equity in net income of an investment in TD Ameritrade excludes the following items of note: Amortization of intangibles, as explained in footnote 4 – second quarter 2018 – \$24 million, first quarter 2018 – \$22 million, second quarter 2017 – \$15 million, and first quarter 2017 – \$16 million; and the Bank's share of TD Ameritrade's deferred tax balances adjustment, as explained in footnote 6 – first quarter 2018 – \$(41) million. The earnings impact of both of these items was reported in the Corporate segment. The Bank's share of charges associated with TD Ameritrade's acquisition of Scottrade Financial Services Inc. (Scottrade), as explained in footnote 5 – second quarter 2018 – \$61 million and first quarter 2018 – \$68 million. This item was reported in the U.S. Retail segment.

⁴ Amortization of intangibles relates to intangibles acquired as a result of asset acquisitions and business combinations, including the after tax amounts for amortization of intangibles relating to the Equity in net income of the investment in TD Ameritrade. Although the amortization of software and asset servicing rights are recorded in amortization of intangibles, they are not included for purposes of the items of note.

⁵ On September 18, 2017, the Bank acquired Scottrade Bank and TD Ameritrade acquired Scottrade, together with the Bank's purchase of TD Ameritrade shares issued in connection with TD Ameritrade's acquisition of Scottrade (the "Scottrade transaction"). Scottrade Bank merged with TD Bank, N.A. The Bank and TD Ameritrade incurred acquisition related charges including employee severance, contract termination fees, direct transaction costs, and other one-time charges. These amounts have been recorded as an adjustment to net income and include charges associated with the Bank's acquisition of Scottrade Bank and the after tax amounts for the Bank's share of charges associated with TD Ameritrade's acquisition of Scottrade. These amounts are reported in the U.S. Retail segment.

⁶ The reduction of the U.S. federal corporate tax rate enacted by the U.S. Tax Act resulted in a one-time net charge to earnings during the first quarter of 2018 of \$453 million, comprising a net \$48 million pre-tax charge related to the write-down of certain tax credit-related investments, partially offset by the favourable impact of the Bank's share of TD Ameritrade's remeasurement of its deferred income tax balances, and a \$405 million income tax expense resulting from the remeasurement of the Bank's deferred tax assets and liabilities to the lower base rate of 21% and other related tax adjustments. The earnings impact was reported in the Corporate segment.

⁷ The Bank changed its trading strategy with respect to certain trading debt securities and reclassified these securities from trading to available-for-sale under IAS 39 (classified as fair value through other comprehensive income (FVOCI) under IFRS 9) effective August 1, 2008. These debt securities are economically hedged, primarily with credit default swap (CDS) and interest rate swap contracts which are recorded on a fair value basis with changes in fair value recorded in the period's earnings. As a result the derivatives were accounted for on an accrual basis in Wholesale Banking and the gains and losses related to the derivatives in excess of the accrued amounts were reported in the Corporate segment. Adjusted results of the Bank in prior periods exclude the gains and losses of the derivatives in excess of the accrued amount. Effective February 1, 2017, the total gains and losses as a result of changes in fair value of these derivatives are recorded in Wholesale Banking.

⁸ The amounts reported for the three months ended January 31, 2018, and the six months ended April 30, 2018, exclude \$31 million relating to the one-time adjustment of associated deferred tax liability balances as a result of the U.S. Tax Act. The impact of this adjustment is included in the impact from U.S. tax reform item of note.

TABLE 4: RECONCILIATION OF REPORTED TO ADJUSTED EARNINGS PER SHARE (EPS)¹

(Canadian dollars)

	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	April 30 2018	April 30 2017
Basic earnings per share – reported	\$ 1.54	\$ 1.24	\$ 1.31	\$ 2.78	\$ 2.63
Adjustments for items of note ²	0.08	0.32	0.03	0.40	0.05
Basic earnings per share – adjusted	\$ 1.62	\$ 1.56	\$ 1.34	\$ 3.18	\$ 2.68
Diluted earnings per share – reported	\$ 1.54	\$ 1.24	\$ 1.31	\$ 2.78	\$ 2.63
Adjustments for items of note ²	0.08	0.32	0.03	0.40	0.04
Diluted earnings per share – adjusted	\$ 1.62	\$ 1.56	\$ 1.34	\$ 3.18	\$ 2.67

¹ EPS is computed by dividing net income available to common shareholders by the weighted-average number of shares outstanding during the period.² For explanations of items of note, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "How We Performed" section of this document.**TABLE 5: AMORTIZATION OF INTANGIBLES, NET OF INCOME TAXES^{1,2}**

(millions of Canadian dollars)

	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	April 30 2018	April 30 2017
TD Bank, National Association (TD Bank, N.A.)	\$ 24	\$ 22	\$ 24	\$ 46	\$ 49
TD Ameritrade Holding Corporation (TD Ameritrade) ³	24	22	15	46	31
MBNA Canada	14	15	9	29	18
Aeroplan	5	4	4	9	9
Other	6	5	6	11	10
Software and asset servicing rights	73	68	58	141	117
Amortization of intangibles, net of income taxes	\$ 196	\$ 173	\$ 143	\$ 369	\$ 284

¹ The amounts reported for the three months ended January 31, 2018, and the six months ended April 30, 2018, exclude \$31 million relating to the one-time adjustment of associated deferred tax liability balances as a result of the U.S. Tax Act. The impact of this adjustment is included in the impact from U.S. tax reform item of note.² 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 "How We Performed" section of this document.³ 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% 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 6: RETURN ON COMMON EQUITY

(millions of Canadian dollars, except as noted)

	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	April 30 2018	April 30 2017
Average common equity	\$ 69,579	\$ 68,614	\$ 68,956	\$ 69,332	\$ 68,475
Net income available to common shareholders – reported	2,846	2,283	2,427	5,129	4,883
Items of note, net of income taxes ¹	146	593	58	739	83
Net income available to common shareholders – adjusted	2,992	2,876	2,485	5,868	4,966
Return on common equity – reported	16.8 %	13.2 %	14.4 %	14.9 %	14.4 %
Return on common equity – adjusted	17.6	16.6	14.8	17.1	14.6

¹ For explanations of items of note, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "How We Performed" section of this document.

FINANCIAL RESULTS OVERVIEW

Performance Summary

Outlined below is an overview of the Bank's performance on an adjusted basis for the second quarter of 2018. Shareholder performance indicators help guide and benchmark the Bank's accomplishments. For the purposes of this analysis, the Bank utilizes adjusted earnings, which excludes items of note from the reported results that are prepared in accordance with IFRS. Reported and adjusted results and items of note are explained in the "How the Bank Reports" section of this document.

- Adjusted diluted earnings per share for the six months ended April 30, 2018, increased 19% from the same period last year reflecting higher earnings across all segments. The Bank's goal is to achieve 7 to 10% adjusted earnings per share growth over the medium term.
- Adjusted return on common equity for the six months ended April 30, 2018, was 17.1%.
- For the twelve months ended April 30, 2018, the total shareholder return was 16.3% compared to the Canadian peer² average of 6.9%.

Net Income

Quarterly comparison – Q2 2018 vs. Q2 2017

Reported net income for the quarter was \$2,916 million, an increase of \$413 million, or 17%, compared with the second quarter last year. The increase reflects higher pre-provision earnings, partially offset by a higher provision for credit losses, now reflecting the Bank's adoption of IFRS 9, and a lower

² Canadian peers include Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, and The Bank of Nova Scotia.

effective tax rate reflecting a change in business mix in Wholesale Banking in the second quarter last year. Adjusted net income for the quarter was \$3,062 million, an increase of \$501 million, or 20%.

By segment, the increase in reported net income was due to an increase in Canadian Retail of \$263 million, or 17%, an increase in U.S. Retail of \$134 million, or 16%, and an increase in Wholesale Banking of \$19 million, or 8%, partially offset by a higher net loss in the Corporate segment of \$3 million, or 2%.

Quarterly comparison – Q2 2018 vs. Q1 2018

Reported net income for the quarter increased \$563 million, or 24%, compared with the prior quarter. The increase reflects the impact of U.S. tax reform in the prior quarter, higher pre-provision earnings, and a lower provision for credit losses. Adjusted net income for the quarter increased \$116 million, or 4%.

By segment, the increase in reported net income was due to a lower net loss in the Corporate segment of \$471 million, or 74%, an increase in Canadian Retail of \$76 million, or 4%, an increase in U.S. Retail of \$27 million, or 3%, partially offset by a decrease in Wholesale Banking of \$11 million, or 4%.

Year-to-date comparison – Q2 2018 vs. Q2 2017

Reported net income of \$5,269 million increased \$233 million, or 5%, compared with the same period last year. The increase reflects higher pre-provision earnings, partially offset by a lower effective tax rate reflecting a change in business mix in Wholesale Banking in the prior year, and a higher provision for credit losses, now reflecting the Bank's adoption of IFRS 9. Adjusted net income was \$6,008 million, an increase of \$889 million, or 17%, compared with the same period last year.

By segment, the increase in reported net income was due to an increase in Canadian Retail of \$454 million, or 14%, an increase in U.S. Retail of \$286 million, or 17%, and an increase in Wholesale Banking of \$30 million, or 6%, partially offset by a higher net loss in the Corporate segment of \$537 million.

Net Interest Income

Quarterly comparison – Q2 2018 vs. Q2 2017

Net interest income for the quarter was \$5,398 million, an increase of \$289 million, or 6%, compared with the second quarter last year. The increase reflects higher margins and loan and deposit volume growth in both the Canadian and U.S. Retail segments, and the benefit of the Scottrade transaction, partially offset by the impact of foreign currency translation.

By segment, the increase in net interest income was due to an increase in the Corporate segment of \$448 million, an increase in Canadian Retail of \$248 million, or 10%, and an increase in U.S. Retail of \$126 million, or 7%, partially offset by a decrease in Wholesale Banking of \$533 million, or 66%. The decrease in net interest income on a tax equivalent basis (TEB) in Wholesale Banking reflects a change in business mix in the second quarter last year as a result of an increase in client activity in equity trading. The TEB adjustment is offset in Corporate segment.

Quarterly comparison – Q2 2018 vs. Q1 2018

Net interest income for the quarter decreased \$32 million, or 1%, compared with the prior quarter primarily due the effect of fewer days in the current quarter, partially offset by higher margins in both the Canadian and U.S. Retail segments.

By segment, the decrease in net interest income was due to a decrease in Wholesale Banking of \$57 million, or 17%, a decrease in Canadian Retail of \$44 million, or 2%, partially offset by an increase in U.S. Retail of \$37 million, or 2%, and an increase in the Corporate segment of \$32 million, or 10%.

Year-to-date comparison – Q2 2018 vs. Q2 2017

Net interest income was \$10,828 million, an increase of \$578 million, or 6%, compared with the same period last year. The increase was primarily due to loan and deposit volume growth and higher margins in the Canadian and U.S. Retail segments, and the benefit of the Scottrade transaction, partially offset by the impact of foreign currency translation.

By segment, the increase in net interest income was due to an increase in the Corporate segment of \$488 million, an increase in Canadian Retail of \$460 million, or 9%, and an increase in U.S. Retail of \$227 million, or 6%, partially offset by a decrease in Wholesale Banking of \$597 million, or 50%. The decrease in net interest income on a TEB in Wholesale Banking reflects a change in business mix in the second quarter last year as a result of an increase in client activity in equity trading. The TEB adjustment is offset in Corporate segment.

Non-Interest Income

Quarterly comparison – Q2 2018 vs. Q2 2017

Reported non-interest income for the quarter was \$4,069 million, an increase of \$705 million, or 21%, compared with the second quarter last year. The increase reflects higher trading income, higher fee-based income, and higher reinsurance premiums assumed, partially offset by changes in the fair value of investments supporting claims liabilities which resulted in a similar decrease to insurance claims.

By segment, the increase in reported non-interest income was due to an increase in Wholesale Banking of \$587 million, an increase in Canadian Retail of \$132 million, or 5%, partially offset by a decrease in U.S. Retail of \$10 million, or 2%, and a decrease in the Corporate segment of \$4 million, or 5%. The increase in Wholesale Banking reflects a change in business mix in the second quarter last year, offset in net interest income (TEB).

Quarterly comparison – Q2 2018 vs. Q1 2018

Reported non-interest income for the quarter increased \$139 million, or 4%, compared with the prior quarter. The increase reflects higher reinsurance premiums assumed, and the write down of certain tax credit-related investments in the previous quarter due to U.S. tax reform, partially offset by lower fee income. Adjusted non-interest income for the quarter increased \$50 million, or 1%.

By segment, the increase in reported non-interest income was due to an increase in the Corporate segment of \$128 million, an increase in Wholesale Banking of \$54 million, or 10%, an increase in Canadian Retail of \$6 million, partially offset by a decrease in U.S. Retail of \$49 million, or 7%.

Year-to-date comparison – Q2 2018 vs. Q2 2017

Reported non-interest income was \$7,999 million, an increase of \$656 million, or 9%, compared with the same period last year. The increase reflects higher trading income, higher fee-based income, and higher reinsurance premiums assumed, partially offset by the write down of certain tax credit-related investments due to U.S. tax reform, and the impact of foreign currency translation.

By segment, the increase in reported non-interest income was due to an increase in Wholesale Banking of \$669 million, an increase in Canadian Retail of \$267 million, or 5%, and an increase in U.S. Retail of \$6 million, partially offset by a decrease in Corporate of \$286 million, or 88%. The increase in Wholesale Banking reflects a change in business mix in the second quarter last year, offset in net interest income (TEB).

Provision for Credit Losses

Quarterly comparison – Q2 2018 vs. Q2 2017

PCL for the quarter was \$556 million, an increase of \$56 million, or 11%, compared with the second quarter last year. PCL – impaired for the quarter was \$520 million, an increase of \$87 million, or 20%. The increase primarily reflects volume growth, seasoning and mix in the U.S. credit card and U.S. auto portfolios, coupled with favourable parameter changes to the U.S. retail portfolio in the prior year. PCL – performing for the quarter was \$36 million, a decrease of \$31 million, or 46%. The decrease primarily reflects lower volume growth in the U.S. commercial portfolio, partially offset by credit migration in the Wholesale portfolio. Total PCL as an annualized percentage of credit volume was 0.36%.

By segment, the increase in PCL was due to an increase in U.S. Retail of \$52 million, or 34%, and an increase in Wholesale Banking of \$20 million, partially offset by a decrease in Canadian Retail of \$16 million, or 7%.

Quarterly comparison – Q2 2018 vs. Q1 2018

PCL for the quarter decreased \$137 million, or 20%, compared with the prior quarter. PCL – impaired for the quarter was \$520 million, a decrease of \$37 million, or 7%. The decrease reflects continued strong credit performance in the Canadian Retail segment and seasonal trends in the U.S. credit card and U.S. auto portfolios. PCL – performing for the quarter was \$36 million, a decrease of \$100 million, or 74%, primarily reflecting seasonal trends in the U.S. credit card and U.S. auto portfolios. Total PCL as an annualized percentage of credit volume was 0.36%.

By segment, the decrease in PCL was due to a decrease in the Corporate segment of \$66 million, or 36% (largely reflecting PCL for the U.S. strategic cards portfolio, which is offset in Corporate segment non-interest expenses), a decrease in Canadian Retail of \$51 million or 19%, and a decrease in U.S. Retail of \$43 million, or 17%, partially offset by an increase in Wholesale Banking of \$23 million.

Year-to-date comparison – Q2 2018 vs. Q2 2017

PCL was \$1,249 million, an increase of \$116 million, or 10%, compared with the same period last year. PCL – impaired was \$1,077 million, an increase of \$142 million, or 15%, primarily reflecting volume growth, seasoning and mix in the U.S. credit card and U.S. auto portfolios, coupled with favourable parameter changes to the U.S. retail portfolio in the prior year. PCL – performing was \$172 million, a decrease of \$26 million, or 13%, primarily reflecting lower volume growth in the U.S. commercial portfolio, partially offset by increases in Canadian Retail, reflecting the impact of forward-looking macroeconomic assumptions under the expected credit loss methodology, and an increase in Wholesale Banking. Total PCL as an annualized percentage of credit volume was 0.41%.

By segment, the increase in PCL was due to an increase in the Corporate segment of \$52 million, or 21% (largely reflecting PCL for the U.S. strategic cards portfolio, which is offset in Corporate segment non-interest expenses), an increase in U.S. Retail of \$42 million or 10%, and an increase in Wholesale Banking of \$37 million, partially offset by a decrease in Canadian Retail of \$15 million or 3%.

TABLE 7: PROVISION FOR CREDIT LOSSES UNDER IFRS 9

(millions of Canadian dollars)

	For the three months ended		For the six months ended	
	April 30 2018	January 31 2018	April 30 2018	April 30 2018
Provision for credit losses – Stage 3 (impaired)				
Canadian Retail	\$ 219	\$ 237	\$ 456	
U.S. Retail	199	187	386	
Wholesale Banking	(8)	–	(8)	
Corporate ¹	110	133	243	
Total provision for credit losses – Stage 3	520	557	1,077	
Provision for credit losses – Stage 1 and Stage 2 (performing)²				
Canadian Retail	–	33	33	
U.S. Retail	5	60	65	
Wholesale Banking	24	(7)	17	
Corporate ¹	7	50	57	
Total provision for credit losses – Stage 1 and Stage 2	36	136	172	
Provision for credit losses – reported	\$ 556	\$ 693	\$ 1,249	

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

² Includes financial assets, loan commitments, and financial guarantees.

TABLE 8: PROVISION FOR CREDIT LOSSES UNDER IAS 39

(millions of Canadian dollars)

	For the three months ended		For the six months ended	
	April 30 2017	April 30 2017	April 30 2017	April 30 2017
Provision for credit losses – counterparty-specific and individually insignificant				
Counterparty-specific	\$ 2	\$ (8)		
Individually insignificant	596	1,272		
Recoveries	(165)	(329)		
Total provision for credit losses for counterparty-specific and individually insignificant	433	935		
Provision for credit losses – incurred but not identified				
Canadian Retail and Wholesale Banking ¹	–	–		
U.S. Retail	34	136		
Corporate ²	33	62		
Total provision for credit losses – incurred but not identified	67	198		
Provision for credit losses – reported	\$ 500	\$ 1,133		

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

² Primarily the retailer program partners' share of the U.S. strategic cards portfolio.

Insurance claims and related expenses

Quarterly comparison – Q2 2018 vs. Q2 2017

Insurance claims and related expenses for the quarter were \$558 million, an increase of \$20 million, or 4%, compared with the second quarter last year, reflecting an increase in reinsurance claims assumed, higher current year claims, and more severe weather-related events. This increase was partially offset by more favourable prior years' claims development and changes in the fair value of investments supporting claims liabilities which resulted in a similar decrease to non-interest income.

Quarterly comparison – Q2 2018 vs. Q1 2018

Insurance claims and related expenses for the quarter decreased \$17 million, or 3%, compared with the prior quarter. The decrease reflects more favourable prior years' claims development and seasonality of claims, partially offset by an increase in reinsurance claims assumed, and more severe weather-related events.

Year-to-date comparison – Q2 2018 vs. Q2 2017

Insurance claims and related expenses were \$1,133 million, an increase of \$21 million, or 2%, compared with the same period last year. The increase reflects higher current year claims, an increase in reinsurance claims assumed, and more severe weather-related events, partially offset by more favourable prior years' claims development.

Non-Interest Expenses and Efficiency Ratio

Quarterly comparison – Q2 2018 vs. Q2 2017

Reported non-interest expenses were \$4,822 million, an increase of \$36 million, or 1%, compared with the second quarter last year primarily due to volume related expenses including variable compensation, partially offset by the impact of foreign currency translation, and productivity savings. Adjusted non-interest expenses were \$4,744 million, an increase of \$20 million.

By segment, the increase in reported non-interest expenses was due to an increase in U.S. Retail of \$39 million, or 3%, an increase in Wholesale Banking of \$20 million, or 4%, and an increase in Canadian Retail of \$14 million, or 1%, partially offset by a decrease in the Corporate segment of \$37 million, or 6%.

The Bank's reported efficiency ratio was 50.9%, compared with 56.5% in the second quarter last year. The Bank's adjusted efficiency ratio was 50.1%, compared with 55.8% in the second quarter last year.

Quarterly comparison – Q2 2018 vs. Q1 2018

Reported non-interest expenses for the quarter decreased \$24 million, compared with the prior quarter primarily reflecting restructuring costs in the prior quarter, and the effect of fewer days in the current quarter, partially offset by the revaluation of certain liabilities for post-retirement benefits in the prior quarter. Adjusted non-interest expenses decreased \$34 million, or 1%.

By segment, the decrease in reported non-interest expenses was due to a decrease in Canadian Retail of \$79 million, or 3%, and a decrease in Wholesale Banking of \$10 million, or 2%, partially offset by an increase in U.S. Retail of \$41 million, or 3%, and an increase in the Corporate segment of \$24 million, or 4%.

The Bank's reported efficiency ratio was 50.9%, compared with 51.8% in the prior quarter. The Bank's adjusted efficiency ratio was 50.1%, compared with 50.6% in the prior quarter.

Year-to-date comparison – Q2 2018 vs. Q2 2017

Reported non-interest expenses of \$9,668 million decreased \$15 million, compared with the same period last year, primarily reflecting the impact of foreign currency translation, the revaluation of certain liabilities for post-retirement benefits, and productivity savings, partially offset by higher volume related expenses including variable compensation, and higher restructuring costs in the current year. Adjusted non-interest expenses were \$9,520 million, a decrease of \$34 million.

By segment, the decrease in reported non-interest expenses was due to a decrease in the Corporate segment of \$174 million, or 13%, partially offset by an increase in Canadian Retail of \$100 million, or 2%, an increase in U.S. Retail of \$52 million, or 2%, and an increase in Wholesale Banking of \$7 million, or 1%.

The Bank's reported efficiency ratio was 51.4%, compared with 55.0% in the same period last year. The Bank's adjusted efficiency ratio was 50.3%, compared with 54.4% in the same period last year.

Income Taxes

As discussed in the "How the Bank Reports" section of this document, the Bank adjusts its reported results to assess each of its businesses and to measure overall Bank performance. As such, the provision for income taxes is stated on a reported and an adjusted basis.

The Bank's effective income tax rate on a reported basis was 21.1% for the second quarter, compared with 9.7% in the second quarter last year and 32% in the prior quarter. The year-over-year increase was largely due to increased client activity in equity trading in the prior year, partially offset by the lower U.S. federal corporate tax rate enacted through U.S. tax reform on December 22, 2017. The quarter-over-quarter decrease was mainly due to the impact of one-time adjustments associated with the remeasurement of the Bank's U.S. deferred tax assets and liabilities in the prior quarter, partially offset by higher tax-exempt dividend income in the prior quarter.

TABLE 9: INCOME TAXES

(millions of Canadian dollars, except as noted)

	<i>For the three months ended</i>						<i>For the six months ended</i>			
	April 30 2018		January 31 2018		April 30 2017		April 30 2018		April 30 2017	
Income taxes at Canadian statutory income tax rate	\$ 934	26.5 %	\$ 861	26.5 %	\$ 702	26.5 %	\$ 1,795	26.5 %	\$ 1,500	26.5 %
Increase (decrease) resulting from:										
Dividends received	(17)	(0.5)	(80)	(2.5)	(341)	(12.9)	(97)	(1.4)	(428)	(7.6)
Rate differentials on international operations	(180)	(5.1)	254	7.8	(99)	(3.7)	74	1.1	(228)	(4.0)
Other	9	0.2	5	0.2	(5)	(0.2)	14	0.2	9	0.2
Provision for income taxes and effective income tax rate – reported	\$ 746	21.1 %	\$ 1,040	32.0 %	\$ 257	9.7 %	\$ 1,786	26.4 %	\$ 853	15.1 %
Total adjustments for items of note¹	17		(387)		20		(370)		34	
Provision for income taxes and effective income tax rate – adjusted^{2,3}	\$ 763	21.1 %	\$ 653	19.2 %	\$ 277	10.2 %	\$ 1,416	20.2 %	\$ 887	15.4 %

¹ For explanations of items of note, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "How We Performed" section of this document.

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

³ Adjusted effective income tax rate is the adjusted provision for income taxes before other taxes as a percentage of adjusted net income before taxes.

The Bank's adjusted effective tax rate was 21.1% for the quarter, higher than 10.2% in the second quarter last year and 19.2% in the prior quarter. The year-over-year increase was largely due to increased client activity in equity trading in the prior period, partially offset by the lower U.S. federal corporate tax rate associated with U.S. tax reform. The quarter-over-quarter increase was largely due to higher tax-exempt dividend income in the prior period.

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 the same period last year. The changes in the value of the Canadian dollar had an unfavourable impact on U.S. Retail segment earnings for the three and six months ended April 30, 2018, compared with the same period last year, as shown in the following table.

TABLE 10: IMPACT OF FOREIGN EXCHANGE RATE ON U.S. RETAIL SEGMENT TRANSLATED EARNINGS

(millions of Canadian dollars, except as noted)

	<i>For the three months ended</i>		<i>For the six months ended</i>	
	April 30, 2018 vs. April 30, 2017 Increase (Decrease)		April 30, 2018 vs. April 30, 2017 Increase (Decrease)	
U.S. Retail Bank				
Total revenue	\$	(116)	\$	(255)
Non-interest expenses – reported		(66)		(142)
Non-interest expenses – adjusted		(65)		(141)
Net income – reported, after tax		(38)		(82)
Net income – adjusted, after tax		(38)		(83)
Equity in net income on an investment in TD Ameritrade – reported		(6)		(11)
Equity in net income on an investment in TD Ameritrade – adjusted		(9)		(18)
U.S. Retail segment decreased net income – reported, after tax		(43)		(93)
U.S. Retail segment decreased net income – adjusted, after tax		(47)		(100)
Earnings per share (Canadian dollars)				
Basic – reported	\$	(0.02)	\$	(0.05)
Basic – adjusted		(0.03)		(0.05)
Diluted – reported		(0.02)		(0.05)
Diluted – adjusted		(0.03)		(0.05)

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 \$48 million.

Economic Summary and Outlook

Global economic growth has continued to meet expectations and near-term prospects remain favourable. The pace of global expansion is projected to hold at close to last year's estimated rate of 3.7% in both calendar years 2018 and 2019. European economies are expected to regain some traction following a soft start to calendar year 2018, while China's economy will likely remain resilient despite measures by authorities to slow down excess credit growth.

With unemployment rates reaching new cyclical lows and inflation starting to pick up, a number of central banks are faced with the challenge of reducing the emergency monetary stimulus that has been in place since the 2008-09 financial crisis. Provided that inflation continues to accelerate gradually, major central banks will likewise scale back stimulus at a measured rate.

The U.S. advanced estimate of real gross domestic product (GDP) for the January to March 2018 period was 2.3% (quarter-on-quarter, annualized). Consumer spending and housing construction moderated following a robust end to calendar year 2017, when activity had been spurred by hurricane-related rebuilding. In contrast, businesses continued to invest and rebuild inventories. Incentives to invest are being created by the need to add capacity, alongside the tax reductions included in the U.S. Tax Act and the spending measures under the Bipartisan Budget Act of 2018 (Bipartisan Budget Act).

Over the 2018 to 2019 calendar years, U.S. real GDP is expected to remain close to 3%, an improvement from the 2.3% pace recorded in 2017. Rising incomes generated by a tight labour market suggest that consumer spending should be a key driver of economic growth. More broadly, the U.S. economy is expected to further reap the immediate benefits of the U.S. Tax Act and the Bipartisan Budget Act, which are expected to add about 0.6 percentage points per year to growth this calendar year and next. Consistent with the economic outlook and building inflationary dynamics, the Federal Reserve is forecasted to increase its policy interest rate from its current range of 1.5% to 1.75%, to 2.75% to 3% by December 2019.

Canada experienced economic growth of 3% in the 2017 calendar year, its best annual performance since 2011. Importantly, business investment rose in every calendar quarter of the year for the first time since 2014. Widespread employment gains were also recorded, with more than 280,000 net full-time positions added – the strongest gain since calendar year 2007. However, the economy is now on a slower growth trajectory, with real GDP growth expected to moderate to roughly a 2% pace in calendar years 2018 and 2019.

With economic slack largely absorbed, this pace of growth is more aligned with longer-term fundamentals. One of these underpinnings is a more modest pace of housing activity, which acted as a significant engine of growth through much of the current economic cycle. Mortgage underwriting changes implemented at the start of the 2018 calendar year have had a marked impact on housing activity, with both national sales and prices falling in January and February on a month-to-month basis. The impact has been particularly notable in higher-priced markets, such as the Greater Toronto and Vancouver areas. Tentative signs of stabilization were observed in the March data. Going forward, wage and employment gains are expected to limit further downside in housing and help maintain modest gains in consumer spending. Meanwhile, capacity pressures, low unemployment and positive sentiment indicators all suggest that business investment will continue to expand.

After increasing its short-term policy interest rate by a total of 75 basis points (bps) between July 2017 and January 2018, the Bank of Canada has indicated that it will remain cautious in considering future policy changes. Although the Bank of Canada estimates that the economy is running near capacity, it is concerned about the negative effect on Canadian investment arising from uncertainties surrounding the North American Free Trade Agreement (NAFTA), as well as the increased sensitivity of highly-indebted households to rising interest rates. This caution is expected to translate into a modest pace of tightening, with only one additional 25 bps increase in its policy rate by the end of calendar year 2018.

Central bank policy interest rates are likely to move higher at a faster pace in the U.S. than in Canada, thereby limiting the upside to the Canadian dollar. The currency is forecast to remain in a trading range of US77 to US80 cents in calendar year 2018, rising to a range of US78 to US81 cents in 2019.

Embedded in the Canadian outlook are a number of key downside risks, including the possibility of a more prolonged slowdown in housing activity and a period of household deleveraging. In addition, NAFTA negotiations remain unresolved, leaving on the table the risk of a U.S. withdrawal from the agreement. The risk of such an outcome also presents a downside to the U.S. outlook. There is also the risk that the boost to U.S. growth from fiscal stimulus may prove smaller than expected due to capacity limitations and an extended business cycle. Trade risks also extend beyond North America as trade tensions build between China and the United States, with the potential to disrupt globally integrated supply chains. Lastly, a number of issues remain unresolved including negotiations over the United Kingdom's exit from the European Union, ongoing tensions in the Middle East, and populist threats to established political and economic systems. These all keep global uncertainty elevated and can drive periods of financial market volatility.

HOW OUR BUSINESSES PERFORMED

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, wealth, and insurance businesses; U.S. Retail, which includes the results of the U.S. personal and business banking operations, wealth management services, and the Bank's investment in TD Ameritrade; and Wholesale Banking. The Bank's other activities are grouped into the Corporate segment.

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. For further details, refer to the "How the Bank Reports" section of this document, the "Business Focus" section in the Bank's 2017 MD&A, and Note 29 Segmented Information of the Bank's Consolidated Financial Statements for the year ended October 31, 2017. For information concerning the Bank's measure of ROE, which is a non-GAAP financial measure, refer to the "How We Performed" section of this document.

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

The reduction of the U.S. federal corporate tax rate enacted by the U.S. Tax Act resulted in a one-time adjustment during the first quarter of 2018 to the Bank's U.S. deferred tax assets and liabilities to the lower base rate of 21% as well as an adjustment to the Bank's carrying balances of certain tax credit-related investments and its investment in TD Ameritrade. The earnings impact of the one-time adjustment was reported in the Corporate segment. The lower corporate tax rate had and will have a positive effect on TD's current and future earnings, which are and will be reflected in the results of the affected segments. The amount of the benefit may vary due to, among other things, changes in interpretations and assumptions the Bank has made, guidance that may be issued by applicable regulatory authorities, and actions the Bank may take to reinvest some of the savings in its operations. The effective tax rate for the U.S. Retail Bank declined in proportion to the reduction in the federal rate and is expected to remain near this level for the balance of 2018. For additional details, refer to "How the Bank Reports" and "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "How We Performed" section of this document.

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 certain dividends, is adjusted to its equivalent before-tax value. Using TEB allows the Bank to measure income from all securities and loans consistently and makes for a more meaningful comparison of net interest income with similar institutions. The TEB increase to net interest income and provision for income taxes reflected in Wholesale Banking's results are reversed in the Corporate segment. The TEB adjustment for the quarter was \$17 million, compared with \$457 million in the second quarter last year and \$105 million in the prior quarter.

TABLE 11: CANADIAN RETAIL

(millions of Canadian dollars, except as noted)

	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	April 30 2018	April 30 2017
Net interest income	\$ 2,781	\$ 2,825	\$ 2,533	\$ 5,606	\$ 5,146
Non-interest income	2,731	2,725	2,599	5,456	5,189
Total revenue	5,512	5,550	5,132	11,062	10,335
Provision for credit losses – impaired ¹	219	237	235	456	504
Provision for credit losses – performing ²	–	33	–	33	–
Total provision for credit losses ³	219	270	235	489	504
Insurance claims and related expenses	558	575	538	1,133	1,112
Non-interest expenses	2,232	2,311	2,218	4,543	4,443
Provision for (recovery of) income taxes	670	637	571	1,307	1,140
Net income	\$ 1,833	\$ 1,757	\$ 1,570	\$ 3,590	\$ 3,136

Selected volumes and ratios

Return on common equity	50.6 %	47.2 %	45.0 %	48.9 %	44.0 %
Net interest margin (including on securitized assets)	2.91	2.88	2.81	2.89	2.81
Efficiency ratio	40.5	41.6	43.2	41.1	43.0
Assets under administration (billions of Canadian dollars)	\$ 392	\$ 397	\$ 404	\$ 392	\$ 404
Assets under management (billions of Canadian dollars)	289	289	279	289	279
Number of Canadian retail branches	1,121	1,129	1,153	1,121	1,153
Average number of full-time equivalent staff	38,051	38,050	39,227	38,050	39,288

¹ PCL – impaired represents Stage 3 PCL under IFRS 9 and counterparty-specific and individually insignificant PCL under IAS 39 on financial assets.² PCL – performing represents Stage 1 and Stage 2 PCL under IFRS 9 and incurred but not identified PCL under IAS 39 on financial assets, loan commitments, and financial guarantees.³ Effective November 1, 2017, the PCL related to the allowances for credit losses for all three stages are recorded within the respective segment. Under IAS 39 and prior to November 1, 2017, the PCL related to the incurred but not identified allowance for credit losses related to products in the Canadian Retail segment was recorded in the Corporate segment.Quarterly comparison – Q2 2018 vs. Q2 2017

Canadian Retail net income for the quarter was \$1,833 million, an increase of \$263 million, or 17%, compared with the second quarter last year. The increase in earnings reflects revenue growth and lower PCL, partially offset by higher insurance claims and non-interest expenses. The annualized ROE for the quarter was 50.6%, compared with 45.0% in the second quarter last year.

Canadian Retail revenue is derived from Canadian personal and commercial banking, wealth, and insurance businesses. Revenue for the quarter was \$5,512 million, an increase of \$380 million, or 7%, compared with the second quarter last year.

Net interest income increased \$248 million, or 10%, reflecting volume growth and higher margins. Average loan volumes increased \$23 billion, or 6%, reflecting 5% growth in personal loan volumes and 10% growth in business loan volumes. Average deposit volumes increased \$18 billion, or 6%, reflecting 11% growth in business deposit volumes and 4% growth in personal deposit volumes. Net interest margin was 2.91%, an increase of 10 basis points (bps), reflecting rising interest rates, partially offset by competitive pricing of loans.

Non-interest income increased \$132 million, or 5%, reflecting higher reinsurance premiums assumed, wealth asset growth, higher fee-based revenue in the banking businesses, and higher insurance premiums, partially offset by changes in the fair value of investments supporting claims liabilities which resulted in a similar decrease to insurance claims.

Assets under administration (AUA) were \$392 billion as at April 30, 2018, a decrease of \$12 billion, or 3%, compared with the second quarter last year, reflecting the impact of the sale of the Direct Investing business in Europe in the third quarter last year, partially offset by new asset growth. Assets under management (AUM) were \$289 billion as at April 30, 2018, an increase of \$10 billion, or 4%, compared with the second quarter last year, reflecting new asset growth.

PCL was \$219 million, a decrease of \$16 million, or 7%, compared with the second quarter last year. PCL – impaired for the quarter was \$219 million, a decrease of \$16 million, or 7%, reflecting strong credit performance in personal and business banking. PCL – performing (recorded in the Corporate segment in the second quarter last year as incurred but not identified credit losses under IAS 39) was nil reflecting volume growth offset by generally favourable risk migration in personal banking. Total PCL as an annualized percentage of credit volume was 0.23%, or a decrease of 3 bps, remaining at cyclical lows. Net impaired loans decreased \$147 million, or 22%. Net impaired loans as a percentage of total loans was 0.13%, compared with 0.18%, in the second quarter last year.

Insurance claims and related expenses for the quarter were \$558 million, an increase of \$20 million, or 4%, compared with the second quarter last year, reflecting an increase in reinsurance claims assumed, higher current year claims, and more severe weather-related events. This increase was partially offset by more favourable prior years' claims development and changes in the fair value of investments supporting claims liabilities which resulted in a similar decrease to non-interest income.

Non-interest expenses for the quarter were \$2,232 million, an increase of \$14 million, or 1%, compared with the second quarter last year.

The efficiency ratio for the quarter was 40.5%, compared with 43.2% in the second quarter last year.

Quarterly comparison – Q2 2018 vs. Q1 2018

Canadian Retail net income for the quarter increased \$76 million, or 4%, compared with the prior quarter. The increase in earnings reflects lower non-interest expenses, PCL, and insurance claims, partially offset by lower revenue due to the effects of fewer days in the second quarter. The annualized ROE for the quarter was 50.6%, compared with 47.2% in the prior quarter.

Revenue decreased \$38 million, or 1%, compared with the prior quarter. Net interest income decreased \$44 million, or 2%, reflecting the effects of fewer days in the second quarter, partially offset by higher margins. Average loan volumes increased \$4 billion, or 1%, reflecting 3% growth in business loan volumes. Average deposit volumes were relatively flat. Net interest margin was 2.91%, or an increase of 3 bps, reflecting rising interest rates.

Non-interest income increased \$6 million, reflecting higher reinsurance premiums assumed and higher insurance premiums, partially offset by the effects of fewer days in the second quarter, lower fee-based revenue in the personal banking business, and lower trading volumes in the direct investing business.

AUA decreased \$5 billion, or 1%, compared with the prior quarter, reflecting decreases in market value, partially offset by new asset growth. AUM remained relatively flat.

PCL decreased by \$51 million, or 19%, compared with the prior quarter. PCL – impaired decreased by \$18 million, or 8%, reflecting strong credit performance in personal and business banking. PCL – performing was nil, a decrease of \$33 million, reflecting the impact of forward looking macroeconomic assumptions in the prior quarter and favourable risk migration, partially offset by volume growth. Total PCL as an annualized percentage of credit volume was 0.23%, or a decrease of

4 bps, remaining at cyclical lows. Net impaired loans decreased \$47 million, or 8%. Net impaired loans as a percentage of total loans was 0.13%, compared with 0.14%, in the prior quarter.

Insurance claims and related expenses for the quarter decreased \$17 million, or 3%, compared with the prior quarter. The decrease reflects more favourable prior years' claims development and seasonality of claims, partially offset by an increase in reinsurance claims assumed and more severe weather-related events.

Non-interest expenses decreased \$79 million, or 3%, compared with the prior quarter, reflecting restructuring costs across a number of businesses in the prior quarter and lower employee-related expenses.

The efficiency ratio for the quarter was 40.5%, compared with 41.6% in the prior quarter.

Year-to-date comparison – Q2 2018 vs. Q2 2017

Canadian Retail net income for the six months ended April 30, 2018, was \$3,590 million, an increase of \$454 million, or 14%, compared with same period last year. The increase in earnings reflects revenue growth and lower PCL, partially offset by higher non-interest expenses and insurance claims. The annualized ROE for the period was 48.9%, compared with 44.0% in the same period last year.

Revenue for the period was \$11,062 million, an increase of \$727 million, or 7%, compared with same period last year. Net interest income increased \$460 million, or 9%, reflecting volume growth and higher margins. Average loan volumes increased \$22 billion, or 6%, reflecting 5% growth in personal loan volumes and 9% growth in business loan volumes. Average deposit volumes increased \$19 billion, or 6%, reflecting 10% growth in business deposit volumes and 5% growth in personal deposit volume. Net interest margin was 2.89%, an increase of 8 bps, reflecting rising interest rates, partially offset by competitive pricing of loans.

Non-interest income increased \$267 million, or 5%, reflecting wealth asset growth, higher reinsurance premiums assumed, higher fee-based revenue in the personal banking business, and higher trading volumes in the direct investing business.

PCL was \$489 million, a decrease of \$15 million, or 3%, compared with the same period last year. PCL – impaired was \$456 million, a decrease of \$48 million, or 10%. PCL – performing was \$33 million, reflecting the impact of forward-looking macroeconomic assumptions under the expected credit loss methodology and volume growth. Total PCL as an annualized percentage of credit volume was 0.25%, or a decrease of 2 bps.

Insurance claims and related expenses were \$1,133 million, an increase of \$21 million, or 2%, compared with the same period last year. The increase reflects higher current year claims, an increase in reinsurance claims assumed, and more severe weather-related events, partially offset by more favourable prior years' claims development.

Non-interest expenses were \$4,543 million, an increase of \$100 million, or 2%, compared with the same period last year. The increase reflects restructuring costs across a number of businesses, higher employee-related expenses including revenue-based variable expenses in the wealth business, and higher investment in strategic technology initiatives, partially offset by the impact of the sale of the Direct Investing business in Europe in the third quarter last year.

The efficiency ratio for the period was 41.1%, compared with 43.0% for the same period last year.

TABLE 12: U.S. RETAIL

(millions of dollars, except as noted)

	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	April 30 2018	April 30 2017
Canadian Dollars					
Net interest income	\$ 1,977	\$ 1,940	\$ 1,851	\$ 3,917	\$ 3,690
Non-interest income ¹	654	703	664	1,357	1,351
Total revenue	2,631	2,643	2,515	5,274	5,041
Provision for credit losses – impaired ²	199	187	118	386	273
Provision for credit losses – performing ³	5	60	34	65	136
Total provision for credit losses	204	247	152	451	409
Non-interest expenses – reported	1,488	1,447	1,449	2,935	2,883
Non-interest expenses – adjusted	1,472	1,442	1,449	2,914	2,883
Provision for (recovery of) income taxes – reported ¹	94	103	177	197	323
Provision for (recovery of) income taxes – adjusted ¹	98	104	177	202	323
U.S. Retail Bank net income – reported	845	846	737	1,691	1,426
U.S. Retail Bank net income – adjusted⁴	857	850	737	1,707	1,426
Equity in net income of an investment in TD Ameritrade – reported ¹	134	106	108	240	219
Equity in net income of an investment in TD Ameritrade – adjusted ^{1,5}	195	174	108	369	219
Net income – reported	\$ 979	\$ 952	\$ 845	\$ 1,931	\$ 1,645
Net income – adjusted	1,052	1,024	845	2,076	1,645
U.S. Dollars					
Net interest income	\$ 1,551	\$ 1,533	\$ 1,391	\$ 3,084	\$ 2,772
Non-interest income ¹	513	555	498	1,068	1,015
Total revenue – reported	2,064	2,088	1,889	4,152	3,787
Provision for credit losses – impaired ²	158	148	88	306	204
Provision for credit losses – performing ³	3	47	26	50	103
Total provision for credit losses	161	195	114	356	307
Non-interest expenses – reported	1,167	1,144	1,088	2,311	2,165
Non-interest expenses – adjusted	1,154	1,140	1,088	2,294	2,165
Provision for (recovery of) income taxes – reported ¹	73	80	133	153	243
Provision for (recovery of) income taxes – adjusted ¹	76	81	133	157	243
U.S. Retail Bank net income – reported	663	669	554	1,332	1,072
U.S. Retail Bank net income – adjusted⁴	673	672	554	1,345	1,072
Equity in net income of an investment in TD Ameritrade – reported ¹	107	82	82	189	165
Equity in net income of an investment in TD Ameritrade – adjusted ^{1,5}	154	137	82	291	165
Net income – reported	\$ 770	\$ 751	\$ 636	\$ 1,521	\$ 1,237
Net income – adjusted	827	809	636	1,636	1,237
Selected volumes and ratios					
Return on common equity – reported	11.9 %	11.2 %	10.0 %	11.5 %	9.6 %
Return on common equity – adjusted	12.7	12.0	10.0	12.4	9.6
Net interest margin ⁶	3.23	3.19	3.05	3.21	3.04
Efficiency ratio – reported	56.5	54.8	57.6	55.6	57.2
Efficiency ratio – adjusted	55.9	54.6	57.6	55.3	57.2
Assets under administration (billions of dollars)	\$ 19	\$ 19	\$ 18	\$ 19	\$ 18
Assets under management (billions of dollars)	59	65	60	59	60
Number of U.S. retail stores	1,244	1,244	1,260	1,244	1,260
Average number of full-time equivalent staff	26,382	26,168	25,745	26,273	25,893

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

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

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

⁴ Adjusted U.S. Retail Bank net income excludes the following items of note: Charges associated with the Bank's acquisition of Scottrade Bank in the second quarter 2018 – \$16 million (\$12 million after tax) or US\$13 million (US\$10 million after tax) and first quarter 2018 – \$5 million (\$4 million after tax) or US\$4 million (US\$3 million after tax). For explanations of items of note, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "How We Performed" section of this document.

⁵ Adjusted Equity in net income of an investment in TD Ameritrade excludes the following items of note: the Bank's share of charges associated with TD Ameritrade's acquisition of Scottrade in the second quarter 2018 – \$61 million or US\$47 million after tax and first quarter 2018 – \$68 million or US\$55 million after tax. For explanations of items of note, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "How We Performed" section of this document.

⁶ Net interest margin excludes the impact related to the TD Ameritrade insured deposit accounts (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.

Quarterly comparison – Q2 2018 vs. Q2 2017

U.S. Retail reported net income for the quarter was \$979 million (US\$770 million), an increase of \$134 million (US\$134 million), or 16% (21% in U.S. dollars), compared with the second quarter last year. On an adjusted basis, net income for the quarter was \$1,052 million (US\$827 million), an increase of \$207 million (US\$191 million), or 24% (30% in U.S. dollars). The reported and adjusted annualized ROE for the quarter was 11.9% and 12.7% respectively, compared with 10.0% in the second quarter last year.

U.S. Retail net income includes contributions from the U.S. Retail Bank and the Bank's investment in TD Ameritrade. Reported net income for the quarter from the U.S. Retail Bank and the Bank's investment in TD Ameritrade was \$845 million (US\$663 million) and \$134 million (US\$107 million), respectively. On an adjusted basis for the quarter, the U.S. Retail Bank and the Bank's investment in TD Ameritrade contributed net income of \$857 million (US\$673 million) and \$195 million (US\$154 million), respectively.

The reported contribution from TD Ameritrade of US\$107 million increased US\$25 million, or 30%, compared with the second quarter last year, primarily due to the Scottrade transaction, higher interest rates, and higher client trading activity, partially offset by charges associated with the Scottrade transaction and higher operating expenses. Adjusted contribution from TD Ameritrade was US\$154 million, an increase of US\$72 million, or 88%.

U.S. Retail Bank reported net income of US\$663 million for the quarter increased US\$109 million, or 20%, due to higher loan and deposit volumes, higher deposit margins, fee income growth, the benefit of the Scottrade transaction, and a lower corporate tax rate, partially offset by higher expenses and PCL. U.S. Retail Bank adjusted net income of US\$673 million increased US\$119 million, or 21%.

U.S. Retail Bank revenue is derived from personal and business banking, and wealth management. Revenue for the quarter was US\$2,064 million, an increase of US\$175 million, or 9%, compared with the second quarter last year. Net interest income increased US\$160 million, or 12%, due to higher deposit margins, growth in loan and deposit volumes, and the benefit of the Scottrade transaction. Net interest margin was 3.23%, an increase of 18 bps, primarily due to higher deposit margins. Non-interest income increased US\$15 million, or 3%, reflecting fee income growth in personal and commercial banking, and wealth management, partially offset by additional losses on certain tax credit-related investments.

Average loan volumes increased US\$7 billion, or 5%, compared with the second quarter last year due to growth in business and personal loans of 3% and 7%, respectively. Average deposit volumes increased US\$20 billion, or 8%, reflecting 4% growth in personal deposit volumes, 1% growth in business deposit volumes, and a 17% increase in sweep deposit volume reflecting the Scottrade transaction.

AUA were US\$19 billion as at April 30, 2018, relatively flat compared with the second quarter last year. AUM were US\$59 billion as at April 30, 2018, a decrease of 1%, compared with the second quarter last year reflecting net fund outflows, offset by market appreciation.

PCL for the quarter was US\$161 million, an increase of US\$47 million, or 41%, compared with the second quarter last year. PCL – impaired was US\$158 million, an increase of US\$70 million, or 80%, primarily reflecting volume growth, seasoning, and mix in the credit card and auto portfolios, coupled with favourable parameter changes to the retail portfolio in the prior year. PCL – performing was US\$3 million, a decrease of US\$23 million, or 88%, primarily reflecting lower volume growth in the U.S. commercial portfolios. U.S. Retail PCL including only the Bank's contractual portion of credit losses in the U.S. strategic cards portfolio, as an annualized percentage of credit volume, was 0.45% or an increase of 12 bps. Net impaired loans, excluding ACI loans, were US\$1.4 billion, a decrease of US\$32 million, or 2%. Excluding ACI loans, net impaired loans as a percentage of total loans were 1% as at April 30, 2018.

Reported non-interest expenses for the quarter were US\$1,167 million, an increase of US\$79 million, or 7%, compared with the second quarter last year, reflecting higher investments in business initiatives, business volume growth, higher employee related costs, and charges associated with the Scottrade transaction, partially offset by productivity savings. On an adjusted basis, non-interest expenses increased US\$66 million, or 6%.

The reported and adjusted efficiency ratios for the quarter were 56.5% and 55.9% respectively, compared with 57.6%, in the second quarter last year.

Quarterly comparison – Q2 2018 vs. Q1 2018

U.S. Retail reported net income of \$979 million (US\$770 million) increased \$27 million (US\$19 million), or 3% (3% in U.S. dollars), compared with the prior quarter, while adjusted net income of \$1,052 million (US\$827 million) increased \$28 million (US\$18 million), or 3% (2% in U.S. dollars). The reported and adjusted annualized ROE for the quarter was 11.9% and 12.7% respectively, compared to 11.2% and 12.0% in the prior quarter.

The reported contribution from TD Ameritrade of US\$107 million increased US\$25 million, or 30%, compared with the prior quarter, primarily due to higher trading volumes and asset-based revenue, partially offset by higher operating expenses. Adjusted contribution from TD Ameritrade was US\$154 million, an increase of US\$17 million, or 12%.

U.S. Retail Bank reported net income of US\$663 million for the quarter decreased US\$6 million, or 1%, compared with the prior quarter. U.S. Retail Bank adjusted net income of US\$673 million for the quarter increased US\$1 million.

Revenue for the quarter decreased US\$24 million, or 1%, compared with the prior quarter. Net interest income increased US\$18 million, or 1%, due to higher deposit margins, partially offset by the effect of fewer days in the quarter. Net interest margin was 3.23%, an increase of 4 bps, primarily due to higher deposit margins, partially offset by balance sheet mix. Non-interest income decreased US\$42 million, or 8%, primarily reflecting a seasonal decline in personal banking fees and additional losses on certain tax credit-related investments.

Average loan volumes decreased US\$1 billion, or 1%, compared with the prior quarter, due to decline in personal loans. Average deposit volumes increased US\$4 billion, or 1%, reflecting 2% growth in personal deposit volumes, 2% growth in business deposit volumes, and a 1% increase in sweep deposit volume.

AUA were US\$19 billion as at April 30, 2018, relatively flat compared with the prior quarter. AUM were US\$59 billion as at April 30, 2018, a decrease of 9%, reflecting market declines and net fund outflows in the current quarter.

PCL for the quarter decreased US\$34 million, or 17%, compared with the prior quarter. PCL – impaired was US\$158 million, an increase of US\$10 million, or 7%. PCL – performing was US\$3 million, a decrease of US\$44 million, primarily reflecting seasonal trends in the credit card and auto portfolios, coupled with lower volume growth in the U.S. commercial portfolios. U.S. Retail PCL including only the Bank's contractual portion of credit losses in the U.S. strategic cards portfolio, as an annualized percentage of credit volume, was 0.45% or a decrease of 7 bps. Net impaired loans, excluding ACI loans, were US\$1.4 billion, a decrease of US\$51 million, or 4%. Excluding ACI loans, net impaired loans as a percentage of total loans were 1% as at April 30, 2018.

Reported non-interest expenses for the quarter increased US\$23 million, or 2%, compared with the prior quarter, reflecting higher investments in business initiatives, higher employee related costs, and charges associated with the Scottrade transaction, partially offset by the effect of fewer days in the quarter. On an adjusted basis, non-interest expenses increased US\$14 million, or 1%.

The reported and adjusted efficiency ratios for the quarter were 56.5% and 55.9% respectively, compared with 54.8% and 54.6% in the prior quarter.

Year-to-date comparison – Q2 2018 vs. Q2 2017

U.S. Retail reported net income for the six months ended April 30, 2018, was \$1,931 million (US\$1,521 million), an increase of \$286 million (US\$284 million), or 17% (23% in U.S. dollars), compared with the same period last year. On an adjusted basis, net income for the period, was \$2,076 million (US\$1,636 million), an increase of \$431 million (US\$399 million), or 26% (32% in U.S. dollars). The reported and adjusted annualized ROE for the period was 11.5% and 12.4%, respectively, compared with 9.6% in the same period last year.

Reported net income for the period from the U.S. Retail Bank and the Bank's investment in TD Ameritrade was \$1,691 million (US\$1,332 million) and \$240 million (US\$189 million), respectively. On an adjusted basis for the period, the U.S. Retail Bank and the Bank's investment in TD Ameritrade contributed net income of \$1,707 million (US\$1,345 million) and \$369 million (US\$291 million), respectively.

The reported contribution from TD Ameritrade of US\$189 million increased US\$24 million, or 15%, compared with the same period last year, primarily due to the Scottrade transaction, higher interest rates, and higher client trading activity, partially offset by charges associated with the Scottrade transaction and higher operating expenses. Adjusted contribution from TD Ameritrade was US\$291 million, an increase of US\$126 million, or 76%.

U.S. Retail Bank reported net income for the period was US\$1,332 million, an increase of US\$260 million, or 24%, compared with the same period last year, primarily due to higher loan and deposit volumes, higher deposit margins, fee income growth, the benefit of the Scottrade transaction, and a lower corporate tax rate, partially offset by higher expenses and PCL. U.S. Retail Bank adjusted net income of US\$1,345 million increased US\$273 million, or 25%.

Revenue for the period was US\$4,152 million, an increase of US\$365 million, or 10%, compared with same period last year. Net interest income increased US\$312 million, or 11%, primarily due to higher deposit margins, growth in loan and deposit volumes, and the benefit of the Scottrade transaction. Net interest margin was 3.21%, a 17 bps increase primarily due to higher deposit margins. Non-interest income increased US\$53 million, or

5%, reflecting fee income growth in personal and commercial banking, and wealth management, partially offset by additional losses on certain tax credit-related investments.

Average loan volumes increased US\$7 billion, or 5%, compared with the same period last year, due to growth in personal loans of 7% and business loans of 3%. Average deposit volumes increased US\$19 billion, or 8%, reflecting 5% growth in personal deposit volumes, and a 16% increase in sweep deposit volume primarily reflecting the Scottrade transaction.

PCL was US\$356 million, an increase of US\$49 million, or 16%, compared with the same period last year. PCL – impaired was US\$306 million, an increase of US\$102 million, or 50%, primarily reflecting volume growth, seasoning, and mix in the credit card and auto portfolios, coupled with favourable parameter changes to the retail portfolio in the prior year. PCL – performing was US\$50 million, a decrease of US\$53 million, or 51%, primarily reflecting lower volume growth in the U.S. commercial portfolios. U.S. Retail PCL including only the Bank's contractual portion of credit losses in the U.S. strategic cards portfolio, as an annualized percentage of credit volume, was 0.48%, an increase of 4 bps.

Reported non-interest expenses for the period were US\$2,311 million, an increase of US\$146 million, or 7%, compared with same period last year, reflecting higher investments in business initiatives, business and volume growth, higher employee related costs, and charges associated with the Scottrade transaction, partially offset by productivity savings. On an adjusted basis, non-interest expenses increased US\$129 million, or 6%.

The reported and adjusted efficiency ratios for the period were 55.6% and 55.3% respectively, compared with 57.2%, for the same period last year.

TD AMERITRADE HOLDING CORPORATION

Refer to Note 7, Investment in Associates and Joint Ventures of the Bank's Interim Consolidated Financial Statements for further information on TD Ameritrade.

TABLE 13: WHOLESALE BANKING

(millions of Canadian dollars, except as noted)

	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	April 30 2018	April 30 2017
Net interest income (TEB)	\$ 272	\$ 329	\$ 805	\$ 601	\$ 1,198
Non-interest income ^{1,2}	600	546	13	1,146	477
Total revenue	872	875	818	1,747	1,675
Provision for (recovery of) credit losses – impaired ^{2,3}	(8)	–	(4)	(8)	(28)
Provision for (recovery of) credit losses – performing ⁴	24	(7)	–	17	–
Total provision for (recovery of) credit losses ⁵	16	(7)	(4)	9	(28)
Non-interest expenses	501	511	481	1,012	1,005
Provision for (recovery of) income taxes (TEB) ⁶	88	93	93	181	183
Net income	\$ 267	\$ 278	\$ 248	\$ 545	\$ 515
Selected volumes and ratios					
Trading-related revenue (TEB)	\$ 475	\$ 515	\$ 425	\$ 990	\$ 940
Gross drawn (billions of Canadian dollars) ⁷	22.1	19.5	20.2	22.1	20.2
Return on common equity	18.7 %	20.1 %	16.4 %	19.4 %	16.9 %
Efficiency ratio	57.5	58.4	58.8	57.9	60.0
Average number of full-time equivalent staff	4,053	4,027	3,969	4,040	3,949

¹ Effective February 1, 2017, the total gains and losses on derivatives hedging the reclassified securities portfolio (classified as FVOCI under IFRS 9 and available-for-sale under IAS 39) are recorded in Wholesale Banking, previously reported in the Corporate segment and treated as an item of note. Refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "How We Performed" section of this document.

² Effective November 1, 2017, the accrual costs related to CDS used to manage Wholesale Banking's corporate lending exposure are recorded in non-interest income, previously reported as a component of PCL. The change in market value of the CDS, in excess of the accrual cost, continues to be reported in the Corporate segment.

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

⁴ PCL – performing represents Stage 1 and Stage 2 PCL under IFRS 9 and incurred but not identified PCL under IAS 39 on financial assets, loan commitments, and financial guarantees.

⁵ Effective November 1, 2017, the PCL related to the allowances for credit losses for all three stages are recorded within the respective segment. Under IAS 39 and prior to November 1, 2017, the PCL related to the incurred but not identified allowance for credit losses related to products in Wholesale Banking was recorded in the Corporate segment.

⁶ The reduction of the U.S. federal corporate tax rate enacted by the U.S. Tax Act resulted in a one-time adjustment to Wholesale Banking's U.S. deferred tax assets and liabilities to the lower base rate of 21% in the first quarter of 2018. The earnings impact was reported in the Corporate segment. For additional details, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "How We Performed" section of this document.

⁷ Includes gross loans and bankers' acceptances, excluding letters of credit, cash collateral, CDS, and allowance for credit losses relating to the corporate lending business.

Quarterly comparison – Q2 2018 vs. Q2 2017

Wholesale Banking net income for the quarter was \$267 million, an increase of \$19 million, or 8%, compared with the second quarter last year reflecting higher revenue, partially offset by higher PCL and higher non-interest expenses. The annualized ROE for the quarter was 18.7%, compared with 16.4% in the second quarter last year.

Wholesale Banking revenue is derived primarily from capital markets and corporate and investment banking services provided to corporate, government, and institutional clients. Wholesale Banking generates revenue from corporate lending, advisory, underwriting, sales, trading and research, client securitization, trade finance, cash management, prime services, and trade execution services. Revenue for the quarter was \$872 million, an increase of \$54 million, or 7%, compared with the second quarter last year reflecting higher trading-related revenue. Changes in net interest income (TEB) and non-interest income were impacted by business mix due to increased client activity in equity trading in the second quarter last year.

PCL for the quarter was \$16 million as compared with a net recovery of \$4 million in the second quarter last year. PCL – impaired was a net recovery of \$8 million, an increase of \$4 million, compared with the second quarter last year reflecting a higher recovery of provisions in the oil and gas sector. PCL – performing (recorded in the Corporate segment in the second quarter last year as incurred but not identified credit losses under IAS 39) for the quarter was \$24 million primarily reflecting credit migration.

Non-interest expenses were \$501 million, an increase of \$20 million, or 4%, compared with the second quarter last year reflecting continued investments in client facing employees supporting the global expansion of Wholesale Banking's U.S. dollar strategy.

Quarterly comparison – Q2 2018 vs. Q1 2018

Wholesale Banking net income for the quarter decreased \$11 million, or 4%, compared with the prior quarter reflecting higher PCL, partially offset by lower non-interest expenses. The annualized ROE for the quarter was 18.7%, compared with 20.1% in the prior quarter.

Revenue for the quarter decreased \$3 million compared with the prior quarter primarily reflecting lower trading-related revenue, partially offset by higher corporate lending.

PCL for the quarter increased \$23 million compared with the prior quarter. PCL – impaired for the quarter was a net recovery of \$8 million reflecting the recovery of provisions in the oil and gas sector. PCL – performing was \$24 million, an increase of \$31 million, compared with the prior quarter primarily reflecting credit migration and a release of provisions in the prior quarter.

Non-interest expenses for the quarter decreased \$10 million, or 2%, compared with the prior quarter reflecting lower variable compensation, partially offset by the revaluation of certain liabilities for post-retirement benefits in the prior quarter.

Year-to-date comparison – Q2 2018 vs. Q2 2017

Wholesale Banking net income for the six months ended April 30, 2018, was \$545 million, an increase of \$30 million, or 6%, compared with the same period last year reflecting higher revenue, partially offset by higher PCL and higher non-interest expenses. The annualized ROE was 19.4%, compared with 16.9% in the same period last year.

Revenue was \$1,747 million, an increase of \$72 million, or 4%, compared with the same period last year reflecting higher corporate lending and higher trading-related revenue, partially offset by lower equity underwriting. Changes in net interest income (TEB) and non-interest income were impacted by business mix due to increased client activity in equity trading in the same period last year.

PCL was \$9 million as compared with a net recovery of \$28 million in the same period last year. PCL – impaired was a net recovery of \$8 million, a decrease of \$20 million, compared with the same period last year reflecting a lower recovery of provisions in the oil and gas sector. PCL – performing (recorded in the Corporate segment in the same period last year as incurred but not identified credit losses under IAS 39) for the period was \$17 million primarily reflecting credit migration.

Non-interest expenses were \$1,012 million, an increase of \$7 million, or 1%, compared with the same period last year reflecting higher variable compensation and continued investments in client facing employees supporting the global expansion of Wholesale Banking's U.S. dollar strategy, partially offset by the revaluation of certain liabilities for post-retirement benefits.

TABLE 14: CORPORATE

(millions of Canadian dollars)

	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	April 30 2018	April 30 2017
Net income (loss) – reported^{1,2,3}	\$ (163)	\$ (634)	\$ (160)	\$ (797)	\$ (260)
Pre-tax adjustments for items of note⁴					
Amortization of intangibles	86	85	78	171	158
Impact from U.S. tax reform ³	–	48	–	48	–
Fair value of derivatives hedging the reclassified available-for-sale securities portfolio ¹	–	–	–	–	(41)
Total pre-tax adjustments for items of note	86	133	78	219	117
Provision for (recovery of) income taxes for items of note ³	13	(388)	20	(375)	34
Net income (loss) – adjusted	\$ (90)	\$ (113)	\$ (102)	\$ (203)	\$ (177)
Decomposition of items included in net income (loss) – adjusted					
Net corporate expenses	\$ (189)	\$ (198)	\$ (186)	\$ (387)	\$ (419)
Other	81	67	56	148	185
Non-controlling interests	18	18	28	36	57
Net income (loss) – adjusted	\$ (90)	\$ (113)	\$ (102)	\$ (203)	\$ (177)

Selected volumes

Average number of full-time equivalent staff	14,574	14,336	14,540	14,454	14,364
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¹ Effective February 1, 2017, the total gains and losses on derivatives hedging the reclassified securities portfolio (classified as FVOCI under IFRS 9 and available-for-sale under IAS 39) are recorded in Wholesale Banking, previously reported in the Corporate segment and treated as an item of note. Refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "How We Performed" section of this document.

² Effective November 1, 2017, the PCL related to the allowances for credit losses for all three stages are recorded within the respective segment. Under IAS 39 and prior to November 1, 2017, the PCL related to the incurred but not identified allowance for credit losses related to products in the Canadian Retail and Wholesale Banking segments were recorded in the Corporate segment.

³ The reduction of the U.S. federal corporate tax rate enacted by the U.S. Tax Act resulted in a one-time net charge to earnings during the first quarter of 2018 of \$453 million, comprising a net \$48 million pre-tax charge related to the write down of certain tax credit-related investments, partially offset by the favourable impact of the Bank's share of TD Ameritrade's remeasurement of its deferred income tax balances and a \$405 million income tax expense resulting from the remeasurement of the Bank's deferred tax assets and liabilities to the lower base rate of 21% and other related tax adjustments.

⁴ For explanations of items of note, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "How We Performed" section of this document.

Quarterly comparison – Q2 2018 vs. Q2 2017

Corporate segment's reported net loss for the quarter was \$163 million, compared with a reported net loss of \$160 million in the second quarter last year. Reported net loss increased primarily due to higher amortization of intangibles and lower non-controlling interests in the current quarter, partially offset by higher Other items in the current quarter. The higher contribution from Other items was largely due to higher revenue from treasury and balance sheet management activities in the current quarter. Adjusted net loss was \$90 million, compared with an adjusted net loss of \$102 million in the second quarter last year.

Quarterly comparison – Q2 2018 vs. Q1 2018

Corporate segment's reported net loss for the quarter was \$163 million, compared with a reported net loss of \$634 million in the prior quarter. Reported net loss decreased primarily due to the impact from U.S. tax reform in the previous quarter, and higher Other items and lower net corporate expenses in the current quarter. Higher contribution from Other items was primarily due to higher revenue from treasury and balance sheet management activities this quarter. Net corporate expenses decreased largely due to higher regulatory fees in the prior quarter. Adjusted net loss was \$90 million, compared with an adjusted net loss of \$113 million in the prior quarter.

Year-to-date comparison – Q2 2018 vs. Q2 2017

Corporate segment's reported net loss for the six months ended April 30, 2018, was \$797 million, compared with a reported net loss of \$260 million in the same period last year. The increase in reported net loss is primarily due to the impact from U.S. tax reform in the current period, gains on change in fair value of derivatives hedging the reclassified available-for-sale securities portfolio in the same period last year, and lower contribution from Other items and non-controlling interests, partially offset by lower net corporate expenses in the current period. Lower contribution from Other items was primarily due to lower revenue from

treasury and balance sheet management activities in the current period. Net corporate expenses decreased primarily due to lower investments in enterprise and regulatory projects in the current period. Adjusted net loss for the six months ended April 30, 2018, was \$203 million, compared with an adjusted net loss of \$177 million in the same period last year.

QUARTERLY RESULTS

The following table provides summary information related to the Bank's eight most recently completed quarters.

TABLE 15: QUARTERLY RESULTS

(millions of Canadian dollars, except as noted)

	For the three months ended							
	2018				2017			
	Apr. 30	Jan. 31	Oct. 31	Jul. 31	Apr. 30	Jan. 31	Oct. 31	Jul. 31
Net interest income	\$ 5,398	\$ 5,430	\$ 5,330	\$ 5,267	\$ 5,109	\$ 5,141	\$ 5,072	\$ 4,924
Non-interest income	4,069	3,930	3,940	4,019	3,364	3,979	3,673	3,777
Total revenue	9,467	9,360	9,270	9,286	8,473	9,120	8,745	8,701
Provision for credit losses	556	693	578	505	500	633	548	556
Insurance claims and related expenses	558	575	615	519	538	574	585	692
Non-interest expenses	4,822	4,846	4,828	4,855	4,786	4,897	4,848	4,640
Provision for (recovery of) income taxes	746	1,040	640	760	257	596	555	576
Equity in net income of an investment in TD Ameritrade	131	147	103	122	111	113	94	121
Net income – reported	2,916	2,353	2,712	2,769	2,503	2,533	2,303	2,358
Pre-tax adjustments for items of note								
Amortization of intangibles ¹	86	85	78	74	78	80	80	79
Charges associated with the Scottrade transaction ¹	77	73	46	–	–	–	–	–
Impact from U.S. tax reform ¹	–	48	–	–	–	–	–	–
Dilution gain on the Scottrade transaction ²	–	–	(204)	–	–	–	–	–
Loss on sale of TD Direct Investing business in Europe ³	–	–	–	42	–	–	–	–
Fair value of derivatives hedging the reclassified available-for-sale securities portfolio ¹	–	–	–	–	–	(41)	(19)	–
Total pre-tax adjustments for items of note	163	206	(80)	116	78	39	61	79
Provision for (recovery of) income taxes for items of note	17	(387)	29	20	20	14	17	21
Net income – adjusted	3,062	2,946	2,603	2,865	2,561	2,558	2,347	2,416
Preferred dividends	52	52	50	47	48	48	43	36
Net income available to common shareholders and non-controlling interests in subsidiaries – adjusted	3,010	2,894	2,553	2,818	2,513	2,510	2,304	2,380
Attributable to:								
Common shareholders – adjusted	2,992	2,876	2,518	2,789	2,485	2,481	2,275	2,351
Non-controlling interests – adjusted	\$ 18	\$ 18	\$ 35	\$ 29	\$ 28	\$ 29	\$ 29	\$ 29

(Canadian dollars, except as noted)

Basic earnings per share								
Reported	\$ 1.54	\$ 1.24	\$ 1.42	\$ 1.46	\$ 1.31	\$ 1.32	\$ 1.20	\$ 1.24
Adjusted	1.62	1.56	1.36	1.51	1.34	1.34	1.23	1.27
Diluted earnings per share								
Reported	1.54	1.24	1.42	1.46	1.31	1.32	1.20	1.24
Adjusted	1.62	1.56	1.36	1.51	1.34	1.33	1.22	1.27
Return on common equity – reported	16.8 %	13.2 %	15.4 %	15.5 %	14.4 %	14.4 %	13.3 %	14.1 %
Return on common equity – adjusted	17.6	16.6	14.7	16.1	14.8	14.5	13.6	14.5

(billions of Canadian dollars, except as noted)

Average earning assets	\$ 1,124	\$ 1,116	\$ 1,077	\$ 1,077	\$ 1,056	\$ 1,041	\$ 1,031	\$ 989
Net interest margin	1.97 %	1.93 %	1.96 %	1.94 %	1.98 %	1.96 %	1.96 %	1.98 %

¹ For explanations of items of note, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "How We Performed" section of this document.

² In connection with TD Ameritrade's acquisition of Scottrade on September 18, 2017, TD Ameritrade issued 38.8 million shares, of which the Bank purchased 11.1 million pursuant to its pre-emptive rights. As a result of the share issuances, the Bank's common stock ownership percentage in TD Ameritrade decreased and the Bank realized a dilution gain of \$204 million reported in the Corporate segment.

³ On June 2, 2017, the Bank completed the sale of its Direct Investing business in Europe to Interactive Investor PLC. A loss of \$40 million after tax was recorded in the Corporate segment in other income (loss). The loss is not considered to be in the normal course of business for the Bank.

BALANCE SHEET REVIEW

TABLE 16: SELECTED INTERIM CONSOLIDATED BALANCE SHEET ITEMS¹

(millions of Canadian dollars)

	As at		
	April 30, 2018	November 1, 2017	October 31, 2017
Assets			
Cash and interest-bearing deposits with banks	\$ 40,584	\$ 55,156	\$ 55,156
Trading loans, securities, and other	114,017	103,832	103,918
Non-trading financial assets at fair value through profit or loss	4,087	9,272	n/a ²
Derivatives	55,098	56,195	56,195
Financial assets designated at fair value through profit or loss	3,442	3,150	4,032
Financial assets at fair value through other comprehensive income	134,011	143,107	n/a
Available-for-sale securities	n/a	n/a	146,411
Debt securities at amortized cost, net of allowance for credit losses	90,106	76,157	n/a
Held-to-maturity securities	n/a	n/a	71,363
Securities purchased under reverse repurchase agreements	140,914	134,429	134,429
Loans, net of allowance for loan losses	621,999	603,041	612,591
Other	79,578	94,882	94,900
Total assets	\$ 1,283,836	\$ 1,279,221	\$ 1,278,995
Liabilities			
Trading deposits	\$ 103,393	\$ 79,940	\$ 79,940
Derivatives	47,905	51,214	51,214
Deposits	829,801	832,824	832,824
Obligations related to securities sold under repurchase agreements	96,177	88,591	88,591
Subordinated notes and debentures	7,631	9,528	9,528
Other	122,267	141,958	141,708
Total liabilities	1,207,174	1,204,055	1,203,805
Total equity	76,662	75,166	75,190
Total liabilities and equity	\$ 1,283,836	\$ 1,279,221	\$ 1,278,995

¹ Refer to Note 2 of the Interim Consolidated Financial Statements for explanation of changes to the balance sheet between October 31, 2017 and November 1, 2017.

² Not applicable.

Total assets were \$1,284 billion as at April 30, 2018, an increase of \$5 billion from November 1, 2017. The increase was primarily due to loans, net of allowances for loan losses of \$19 billion, debt securities at amortized cost net of allowance for credit losses of \$14 billion, trading loans, securities, and other of \$10 billion, and securities purchased under reverse repurchase agreements of \$6 billion. The increase was partially offset by decreases in cash and interest-bearing deposits with banks of \$15 billion, financial assets at FVOCI of \$9 billion, non-trading financial assets at fair value through profit and loss of \$5 billion, and other assets of \$15 billion. The foreign currency translation impact on total assets, primarily in the U.S. Retail segment, was a decrease of approximately \$2 billion.

Cash and interest-bearing deposits with banks decreased \$15 billion primarily due to lower volumes.

Trading loans, securities, and other increased \$10 billion primarily due to higher securities positions.

Non-trading financial assets at fair value through profit or loss decreased \$5 billion primarily due to maturities and sale of investments.

Financial assets at fair value through other comprehensive income decreased \$9 billion primarily due to maturities, partially offset by new investments.

Debt securities at amortized cost (net of allowance for credit losses) increased \$14 billion due to new investments, partially offset by maturities.

Securities purchased under reverse repurchase agreements increased \$6 billion primarily due to an increase in trading positions.

Loans (net of allowance for loan losses) increased \$19 billion primarily due to business and government loans, and consumer instalment and other personal loans.

Other assets decreased \$15 billion primarily due to other amounts receivable from brokers, dealers and clients due to unsettled and pending trades.

Total liabilities were \$1,207 billion as at April 30, 2018, an increase of \$3 billion from November 1, 2017. The increase was primarily due to trading deposits of \$23 billion, and obligations related to securities sold under repurchase agreements of \$8 billion. The increase was partially offset by decreases in deposits of \$3 billion, derivatives of \$3 billion, subordinated notes and debentures of \$2 billion, and other liabilities of \$20 billion. The foreign currency translation impact on total liabilities, primarily in the U.S. Retail segment, was a decrease of approximately \$2 billion.

Trading deposits increased \$23 billion primarily due to higher issuance of commercial paper and certificates of deposit.

Derivatives decreased \$3 billion primarily due to netting of positions, partially offset by the current interest rate environment.

Deposits decreased \$3 billion primarily due to a decrease in banks and government deposits, partially offset by growth in personal deposits.

Obligations related to securities sold under repurchase agreements increased \$8 billion primarily due to higher trading positions.

Subordinated notes and debentures decreased \$2 billion primarily due to the Bank's redemption of all of its outstanding \$1.8 billion 5.763% subordinated debentures.

Other liabilities decreased \$20 billion primarily due to amounts payable to brokers, dealers and clients due to unsettled and pending trades.

Equity was \$77 billion as at April 30, 2018, an increase of \$1 billion, or 2%, from November 1, 2017. The increase was primarily due to higher retained earnings, partially offset by a decrease in other comprehensive income due to losses on cash flow hedges.

CREDIT PORTFOLIO QUALITY

Quarterly comparison – Q2 2018 vs. Q2 2017

Gross impaired loans excluding Federal Deposit Insurance Corporation (FDIC) covered loans and other ACI loans were \$2,993 million as at April 30, 2018, a decrease of \$297 million, or 9%, compared with the second quarter last year. Canadian Retail gross impaired loans decreased \$151 million, or 16%, compared with the second quarter last year driven by resolutions outpacing formations in the Canadian real estate secured lending portfolio, reflecting continued strong credit performance. U.S. Retail gross impaired loans decreased \$87 million, or 4%, compared with the second quarter last year reflecting the impact of foreign exchange, partially offset by volume growth, seasoning and mix in the U.S. credit card and indirect auto portfolios. Wholesale gross impaired loans were nil, a decrease of \$59 million compared with the second quarter last year reflecting resolutions in the oil and gas sector. Net impaired loans were \$2,285 million as at April 30, 2018, a decrease of \$339 million, or 13%, compared with the second quarter last year, primarily reflecting resolutions outpacing new credit-impaired formations in the Canadian Retail and Wholesale portfolios, and the impact of foreign exchange.

The allowance for loan losses including off-balance sheet positions of \$4,414 million as at April 30, 2018, was comprised of Stage 3 allowance for impaired loans of \$732 million, Stage 2 allowance of \$1,627 million, and Stage 1 allowance of \$2,055 million collectively for performing loans and off-balance sheet positions.

The Stage 3 allowance for loan losses decreased \$122 million, or 14%, compared with the counterparty-specific and individually insignificant allowances under IAS 39 in the second quarter last year primarily due to certain debt securities classified as loans under IAS 39 now classified as debt securities at amortized cost as a result of the adoption of IFRS 9. The Stage 1 and Stage 2 allowance increased \$85 million, or 2%, compared with the allowance for incurred but not identified credit losses under IAS 39 in the second quarter last year.

Effective November 1, 2017, the Bank adopted IFRS 9, which replaces the guidance in IAS 39. The Bank periodically reviews the methodology for assessing significant increase in credit risk and ECLs. Forward-looking information is incorporated as appropriate where macroeconomic scenarios and associated probability weights are updated quarterly and incorporated to determine the probability-weighted ECLs. Refer to Notes 2 and 3 of the Interim Consolidated Financial Statements for a summary of the Bank's accounting policies and significant accounting judgments, estimates, and assumptions as it relates to IFRS 9. As part of periodic review and quarterly updates, certain revisions may be made to reflect updates in statistically derived loss estimates for the Bank's recent loss experience of its credit portfolios and forward-looking views, which may cause a change to the allowance for ECLs. During the second quarter of 2018, certain refinements were made to the methodology, the cumulative effect of which was not material and was included in the change for the quarter.

Under IFRS 9, the Bank now calculates allowances for expected credit losses on debt securities measured at amortized cost and FVOCI. The Bank has \$219.7 billion in such debt securities of which \$219.3 billion are performing securities (Stage 1 and 2) and \$0.4 billion are impaired (Stage 3). The allowance for credit losses on debt securities at amortized cost and debt securities at FVOCI was \$115 million and \$25 million, respectively.

Quarterly comparison – Q2 2018 vs. Q1 2018

Gross impaired loans excluding FDIC covered loans and other ACI loans decreased \$55 million, or 2%, compared with the prior quarter reflecting continued strong credit performance across the Bank's portfolios, partially offset by the impact of foreign exchange. Impaired loans net of allowance decreased \$51 million, or 2%, compared with the prior quarter.

The Stage 3 allowance decreased \$6 million, or 1%, compared with the prior quarter. The Stage 1 and Stage 2 allowance increased \$108 million, or 3%, compared with the prior quarter primarily reflecting the impact of foreign exchange.

TABLE 17: CHANGES IN GROSS IMPAIRED LOANS AND ACCEPTANCES

(millions of Canadian dollars)

	April 30 2018	For the three months ended		For the six months ended	
		January 31 2018	April 30 2017	April 30 2018	April 30 2017
Personal, Business, and Government Loans¹					
Impaired loans as at beginning of period	\$ 3,048	\$ 3,085	\$ 3,399	\$ 3,085	\$ 3,509
Classified as impaired during the period	1,149	1,257	1,154	2,406	2,435
Transferred to performing during the period	(250)	(189)	(340)	(439)	(560)
Net repayments	(357)	(340)	(392)	(697)	(866)
Disposals of loans	(4)	(9)	–	(13)	–
Amounts written off	(696)	(648)	(648)	(1,344)	(1,271)
Recoveries of loans and advances previously written off	–	–	–	–	–
Exchange and other movements	103	(108)	117	(5)	43
Impaired loans as at end of period	\$ 2,993	\$ 3,048	\$ 3,290	\$ 2,993	\$ 3,290

¹ Excludes FDIC covered loans, other ACI loans, and prior to November 1, 2017 certain DSCL. DSCL are reclassified as DSAC under IFRS 9.

TABLE 18: ALLOWANCE FOR LOAN LOSSES¹

(millions of Canadian dollars, except as noted)

	<i>As at</i>		
	April 30 2018	January 31 2018	April 30 2017
Allowance for loan losses for on-balance sheet loans			
Stage 1 allowance for loan losses	\$ 1,567	\$ 1,495	\$ n/a
Stage 2 allowance for loan losses	1,250	1,232	n/a
Stage 3 allowance for loan losses	732	738	n/a
Total allowance for loan losses for on-balance sheet loans under IFRS 9	3,549	3,465	n/a
Counterparty-specific	n/a	n/a	280
Individually insignificant	n/a	n/a	574
Incurred but not identified credit losses	n/a	n/a	3,038
Total allowance for loan losses for on-balance sheet loans under IAS 39	n/a	n/a	3,892
Allowance for off-balance sheet positions			
Stage 1 allowance for loan losses	488	463	n/a
Stage 2 allowance for loan losses	377	384	n/a
Incurred but not identified credit losses	n/a	n/a	559
Total allowance for off-balance sheet positions	865	847	559
Allowance for loan losses	\$ 4,414	\$ 4,312	\$ 4,451
Impaired loans, net of allowance ^{2,3}	\$ 2,285	\$ 2,336	\$ 2,624
Net impaired loans as a percentage of net loans ^{2,3}	0.36 %	0.37 %	0.43 %
Provision for loan losses as a percentage of net average loans and acceptances	0.35	0.44	0.34

¹ Effective November 1, 2017 amounts were prepared in accordance with IFRS 9. Prior period comparatives were prepared in accordance with IAS 39. Line items in which the standards do not apply are shown as not applicable.

² Excludes FDIC covered loans and other ACL loans.

³ Credit cards are considered impaired when they are 90 days past due and written off at 180 days past due.

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 borrowers' default. The Bank also purchases default insurance on lower loan-to-value ratio loans. The insurance is provided by either government-backed entities or approved private mortgage insurers. In the U.S., for residential mortgage originations, mortgage insurance is usually obtained from either government-backed entities or approved private mortgage insurers when the loan-to-value exceeds 80% of the collateral value at origination.

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

TABLE 19: CANADIAN REAL ESTATE SECURED LENDING¹

(millions of Canadian dollars)

	<i>As at</i>				
	Residential Mortgages	Home equity lines of credit	Amortizing Total amortizing real estate secured lending	Non-amortizing Home equity lines of credit	Total real estate secured lending
	April 30, 2018				
Total	\$ 190,066	\$ 43,378	\$ 233,444	\$ 35,972	\$ 269,416
	October 31, 2017				
Total	\$ 190,325	\$ 38,792	\$ 229,117	\$ 36,145	\$ 265,262

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

TABLE 20: REAL ESTATE SECURED LENDING^{1,2}

(millions of Canadian dollars, except as noted)

											As at							
	Residential mortgages					Home equity lines of credit					Total							
	Insured ³		Uninsured			Insured ³		Uninsured			Insured ³		Uninsured					
												April 30, 2018						
Canada																		
Atlantic provinces	\$	3,594	1.9 %	\$	2,324	1.2 %	\$	459	0.6 %	\$	1,221	1.5 %	\$	4,053	1.5 %	\$	3,545	1.3 %
British Columbia ⁴		13,431	7.1		21,226	11.2		2,168	2.7		12,665	16.0		15,599	5.8		33,891	12.6
Ontario ⁴		38,263	20.1		54,453	28.6		7,545	9.5		35,578	44.9		45,808	17.0		90,031	33.5
Prairies ⁴		24,449	12.9		14,408	7.6		3,647	4.6		10,148	12.8		28,096	10.4		24,556	9.1
Québec		9,954	5.2		7,964	4.2		1,203	1.5		4,716	5.9		11,157	4.1		12,680	4.7
Total Canada		89,691	47.2 %		100,375	52.8 %		15,022	18.9 %		64,328	81.1 %		104,713	38.8 %		164,703	61.2 %
United States		858			28,228			10			12,243			868			40,471	
Total	\$	90,549		\$	128,603		\$	15,032		\$	76,571		\$	105,581		\$	205,174	

October 31, 2017

Canada																		
Atlantic provinces	\$	3,749	2.0 %	\$	2,225	1.2 %	\$	487	0.6 %	\$	1,187	1.6 %	\$	4,236	1.6 %	\$	3,412	1.3 %
British Columbia ⁴		14,561	7.7		19,774	10.4		2,329	3.1		11,386	15.2		16,890	6.4		31,160	11.7
Ontario ⁴		41,319	21.7		50,882	26.5		8,052	10.7		32,474	43.3		49,371	18.6		83,356	31.5
Prairies ⁴		25,421	13.4		14,080	7.4		3,861	5.2		9,640	12.9		29,282	11.0		23,720	8.9
Québec		10,576	5.6		7,738	4.1		1,286	1.7		4,235	5.7		11,862	4.5		11,973	4.5
Total Canada		95,626	50.4 %		94,699	49.6 %		16,015	21.3 %		58,922	78.7 %		111,641	42.1 %		153,621	57.9 %
United States		859			30,895			10			12,472			869			43,367	
Total	\$	96,485		\$	125,594		\$	16,025		\$	71,394		\$	112,510		\$	196,988	

¹ Geographic location is based on the address of the property mortgaged.² 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.³ 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.⁴ 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 21: RESIDENTIAL MORTGAGES BY REMAINING AMORTIZATION^{1,2}

									As at	
	<5 years	5- <10 years	10- <15 years	15- <20 years	20- <25 years	25- <30 years	30- <35 years	>=35 years	Total	
	April 30, 2018									
Canada	1.1 %	3.9 %	7.1 %	14.7 %	42.5 %	30.0 %	0.7 %	- %	100 %	
United States	4.4	8.3	5.9	5.2	26.4	48.7	0.7	0.4	100	
Total	1.5 %	4.5 %	7.0 %	13.5 %	40.3 %	32.5 %	0.7 %	- %	100 %	
October 31, 2017										
Canada	1.1 %	4.0 %	7.3 %	14.3 %	41.8 %	30.4 %	1.1 %	- %	100 %	
United States	4.3	7.3	7.6	5.2	20.7	53.8	0.8	0.3	100	
Total	1.6 %	4.5 %	7.3 %	13.0 %	38.9 %	33.7 %	1.0 %	- %	100 %	

¹ 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.² Percentage based on outstanding balance.**TABLE 22: UNINSURED AVERAGE LOAN-TO-VALUE – Newly Originated and Newly Acquired^{1,2,3}**

	For the three months ended					
	Residential mortgages	Home equity lines of credit ^{4,5}	Total	Residential mortgages	Home equity lines of credit ^{4,5}	Total
	April 30, 2018			October 31, 2017		
Canada						
Atlantic provinces	74 %	70 %	72 %	73 %	69 %	72 %
British Columbia ⁶	66	62	64	66	62	64
Ontario ⁶	68	65	67	68	66	67
Prairies ⁶	73	71	72	73	72	72
Québec	73	73	73	73	73	73
Total Canada	68	66	67	69	66	67
United States	69	62	65	69	62	65
Total	68 %	65 %	67 %	69 %	66 %	67 %

¹ Geographic location is based on the address of the property mortgaged.² 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.³ Based on house price at origination.⁴ Home equity lines of credit (HELOC) loan-to-value includes first position collateral mortgage if applicable.⁵ HELOC fixed rate advantage option is included in loan-to-value calculation.⁶ 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.

Non-Prime Loans

As at April 30, 2018, the Bank had approximately \$2.6 billion (October 31, 2017 – \$2.5 billion) gross exposure to non-prime loans, which primarily consists of automotive loans originated in Canada. The credit loss rate, an indicator of credit quality, and defined as the quarterly PCL divided by average month-end loan balances, was approximately 3.7% on an annual basis (October 31, 2017 – 5.25%), remaining at cyclically low levels in the second quarter of 2018. 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 23: EXPOSURE TO EUROPE – Total Net Exposure by Country and Counterparty¹

(millions of Canadian dollars)

Country	Loans and commitments ²												Derivatives, repos, and securities lending ³				Trading and investment portfolio ^{4,5}				As at																																				
	Corporate				Sovereign				Financial				Total				Corporate				Sovereign				Financial				Total				Total Exposure ⁶																								
	Corporate	Sovereign	Financial	Total	Corporate	Sovereign	Financial	Total	Corporate	Sovereign	Financial	Total	Corporate	Sovereign	Financial	Total	Corporate	Sovereign	Financial	Total	Corporate	Sovereign	Financial	Total	Corporate	Sovereign	Financial	Total																													
GIIPS																													April 30, 2018																												
Greece	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–																							
Italy	–	–	167	2	169	–	–	–	16	16	–	–	8	24	2	34	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	219																								
Ireland	–	–	–	193	193	–	–	–	14	–	–	1,154	1,168	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,361																								
Portugal	–	–	–	–	–	–	–	–	–	–	–	14	14	2	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2																								
Spain	–	–	53	49	102	–	–	–	62	62	–	–	17	810	1	828	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	992																								
Total GIIPS	–	–	220	244	464	–	–	–	14	–	–	1,246	1,260	27	834	3	864	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,588																								
Rest of Europe																																																									
Austria	–	–	–	–	–	8	5	18	31	–	–	–	1,252	1	1,253	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,284																								
Finland	–	–	118	–	118	–	–	40	3	43	–	–	1,161	–	1,161	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,322																								
France	593	11	624	1,228	93	415	1,862	2,370	142	5,975	161	6,278	9,876	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	9,876																							
Germany	1,412	553	203	2,168	401	768	1,033	2,202	291	8,101	92	8,484	12,854	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	12,854																							
Luxembourg	–	–	–	–	–	32	–	1,197	1,229	4	–	4	1,233	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,233																							
Netherlands	615	519	184	1,318	216	590	408	1,214	79	3,855	240	4,174	6,706	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	6,706																							
Norway	125	87	4	216	37	323	84	444	–	524	424	948	1,608	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,608																							
Sweden	–	91	117	208	–	249	313	562	10	1,396	915	2,321	3,091	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,091																							
Switzerland	940	58	72	1,070	39	–	945	984	42	–	64	106	2,160	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,160																							
United Kingdom	2,875	2,285	22	5,182	1,197	633	8,155	9,985	342	1,346	1,740	3,428	18,595	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	18,595																							
Other ⁷	257	5	164	426	280	126	341	747	61	306	26	393	1,566	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,566																							
Total Rest of Europe	6,817	3,727	1,390	11,934	2,303	3,149	14,359	19,811	971	23,916	3,663	28,550	60,295	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	60,295																							
Total Europe	\$	6,817	\$	3,947	\$	1,634	\$	12,398	\$	2,317	\$	3,149	\$	15,605	\$	21,071	\$	998	\$	24,750	\$	3,666	\$	29,414	\$	62,883	–	–	–	–	–	–	–	62,883																							
October 31, 2017																																																									
GIIPS																																																									
Greece	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–	\$	–																							
Italy	–	–	168	3	171	–	–	–	3	3	29	35	240	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	240																							
Ireland	–	–	–	194	194	11	–	274	285	–	–	–	479	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	479																						
Portugal	–	–	–	–	–	–	–	16	16	7	–	7	23	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	23																							
Spain	–	–	99	47	146	–	–	–	35	35	9	1,289	1,470	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,470																							
Total GIIPS	–	–	267	244	511	11	–	328	339	45	1,312	5	1,362	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,212																							
Rest of Europe																																																									
Austria	–	–	–	–	–	12	11	1	24	–	–	1,073	1,124	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,148																							
Finland	6	134	1	141	–	40	1	41	–	1,066	–	1,066	1,248	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,248																							
France	602	636	117	1,355	66	604	2,532	3,202	78	5,337	275	5,690	10,247	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	10,247																						
Germany	1,259	522	28	1,809	419	901	873	2,193	233	7,568	45	7,846	11,848	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	11,848																						
Luxembourg	–	–	–	–	–	35	–	1,138	1,173	6	–	6	1,179	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,179																						
Netherlands	548	339	161	1,048	320	727	323	1,370	72	4,109	313	4,494	6,912	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	6,912																						
Norway	–	67	4	71	22	311	22	355	1	327	457	785	1,211	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,211																						
Sweden	–	105	122	227	–	361	245	606	5	1,189	788	1,982	2,815	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,815																						
Switzerland	975	58	42	1,075	34	–	601	635	55	–	59	114	1,824	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,824																						
United Kingdom	2,511	2,784	20	5,315	836	580	9,086	10,502	269	2,082	1,744	4,095	19,912	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	19,912																						
Other ⁷	258	5	–	263	193	153	187	533	42	372	11	425	1,221	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,221																						
Total Rest of Europe	6,159	4,650	495	11,304	1,937	3,688	15,009	20,634	761	23,123	3,743	27,627	59,565	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	59,565																						
Total Europe	\$	6,159	\$	4,917	\$	739	\$	11,815	\$	1,948	\$	3,688	\$	15,337	\$	20,973	\$	806	\$	24,435	\$	3,748	\$	28,989	\$	61,777	–	–	–	–	–	–	–	–	61,777																						

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

² 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 April 30, 2018, or October 31, 2017.

³ Exposures are calculated on a fair value basis and are net of collateral. Total market value of pledged collateral is \$15.6 billion (October 31, 2017 – \$1.5 billion) for GIIPS and \$53.5 billion for the rest of Europe (October 31, 2017 – \$67.4 billion). Derivatives are presented as net exposures where there is an International Swaps and Derivatives Association (ISDA) master netting agreement.

⁴ Trading and investment portfolio includes deposits and trading exposures are net of eligible short positions.

⁵ The fair values of the GIIPS exposures in Level 3 in the trading and investment portfolio were not significant as at April 30, 2018, and October 31, 2017.

⁶ The reported exposures do not include \$0.2 billion of protection the Bank purchased through credit default swaps (October 31, 2017 – \$0.2 billion).

⁷ Other European exposure is distributed across 9 countries (October 31, 2017 – 9 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 April 30, 2018.

Of the Bank's European exposure, approximately 96% (October 31, 2017 – 96%) is to counterparties in countries rated AA or better by either Moody's Investor Services (Moody's) or Standard & Poor's (S&P

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.

CAPITAL POSITION

REGULATORY CAPITAL

Capital requirements of the Basel Committee on Banking Supervision (BCBS) are commonly referred to as Basel III. Under Basel III, Total Capital consists of three components, namely CET1, Additional Tier 1, and Tier 2 Capital. Risk sensitive regulatory capital ratios are calculated by dividing CET1, Tier 1, and Total Capital by their respective RWA, inclusive of any minimum requirements outlined under the regulatory floor. In 2015, Basel III implemented a non-risk sensitive leverage ratio to act as a supplementary measure to the risk-sensitive capital requirements. The objective of the leverage ratio is to constrain the build-up of excess leverage in the banking sector. The leverage ratio is calculated by dividing Tier 1 Capital by leverage exposure which is primarily comprised of on-balance sheet assets with adjustments made to derivative and securities financing transaction exposures, and credit equivalent amounts of off-balance sheet exposures. TD continues to manage its regulatory capital in accordance with the Basel III Capital Framework as discussed in the "Capital Position" section of the Bank's 2017 Annual Report.

OSFI's Capital Requirements under Basel III

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

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 2018, the scalars for inclusion of the CVA for CET1, Tier 1, and Total Capital RWA are 80%, 83%, and 86%. All of the above scalars will increase to 100% in 2019 for the CET1, 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.

In March 2013, OSFI designated the six major Canadian banks as domestic systemically important banks (D-SIBs), for which a 1% common equity capital surcharge is in effect from January 1, 2016. As a result, the six Canadian banks designated as D-SIBs, including TD, are required to meet an "all-in" Pillar 1 target CET1, Tier 1, and Total Capital ratios of 8%, 9.5%, and 11.5%, respectively.

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

Effective November 1, 2017, OSFI required D-SIBs and foreign bank subsidiaries in Canada to comply with the CCB regime, phased-in according to the transitional arrangements. As a result, the maximum countercyclical buffer relating to foreign private sector credit exposures was capped at 1.25% of total RWA in the first quarter of 2017 and increases each subsequent year by an additional 0.625%, to reach its final maximum of 2.5% of total RWA in the first quarter of 2019. As at April 30, 2018, the CCB is only applicable to private sector credit exposures located in Hong Kong, Sweden, Norway, and the United Kingdom. Based on the allocation of exposures and buffers currently in place in Hong Kong, Sweden, Norway, and the United Kingdom, the Bank's countercyclical buffer requirement is 0% as at April 30, 2018.

Effective in the second quarter of 2018, OSFI implemented a revised methodology for calculating the regulatory capital floor. The revised floor is based on the Basel II standardized approach, with the floor factor transitioned in over three quarters. The factor increases from 70% in the current quarter, to 72.5% in the third quarter, and 75% in the fourth quarter. Under the revised methodology, the Bank is no longer constrained by the capital floor, contributing a 120 bps increase to the CET1 Capital ratio in the second quarter of 2018.

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

The following table provides details of TD's regulatory capital position.

TABLE 24: REGULATORY CAPITAL POSITION

(millions of Canadian dollars, except as noted)

	April 30 2018		October 31 2017		As at April 30 2017
Capital					
Common Equity Tier 1 Capital	\$	49,485	\$	46,628	\$ 45,417
Tier 1 Capital		56,434		53,751	52,337
Total Capital		65,970		65,038	62,542
Common Equity Tier 1 Capital risk-weighted assets for:					
Credit risk ¹	\$	352,179	\$	339,793	\$ 350,018
Market risk		15,248		14,020	13,781
Operational risk		50,392		48,392	50,920
Regulatory floor		–		33,545	5,334
Total	\$	417,819	\$	435,750	\$ 420,053
Capital and leverage ratios					
Common Equity Tier 1 Capital ratio ¹		11.8 %		10.7 %	10.8 %
Tier 1 Capital ratio ¹		13.5		12.3	12.5
Total Capital ratio ¹		15.8		14.9	14.9
Leverage ratio		4.1		3.9	3.9

¹ Each capital ratio has its own RWA measure due to the OSFI-prescribed scalar for inclusion of the CVA. For fiscal 2017, the scalars for inclusion of CVA for CET1, Tier 1, and Total Capital RWA were 72%, 77%, and 81%. For fiscal 2018, the scalars are 80%, 83%, and 86%.

As at April 30, 2018, the Bank's CET1, Tier 1, and Total Capital ratios were 11.8%, 13.5%, and 15.8%, respectively. Compared with the Bank's CET1 Capital ratio of 10.7% at October 31, 2017, the CET1 Capital ratio, as at April 30, 2018, increased due to implementation of the revised regulatory capital floor in the current quarter and organic capital growth, partially offset by RWA growth across all segments, the impact of U.S. tax reform, and unrealized losses in accumulated other comprehensive income (AOCI) related to the FVOCI debt securities portfolio.

As at April 30, 2018, the Bank's Leverage ratio was 4.1%, compared with the Bank's Leverage ratio of 3.9% at October 31, 2017. The Leverage ratio, as at April 30, 2018, increased due to capital generation and preferred share issuances, partially offset by business growth in Canadian Retail segment.

Future Regulatory Capital Developments

Future regulatory capital developments, in addition to those described in the "Future Regulatory Capital Developments" section of the Bank's 2017 Annual Report, are noted below.

In April 2018, OSFI issued the final guideline on total loss absorbing capacity (TLAC). The guideline establishes two minimum standards, the risk-based TLAC ratio and the TLAC leverage ratio. Beginning the first quarter of 2022, D-SIBs will be required to maintain a minimum risk-based TLAC ratio and a minimum TLAC leverage ratio. D-SIBs will also be expected to hold buffers above the minimum TLAC ratios. Investments in TLAC issued by global systematically important banks (G-SIBs) or Canadian D-SIBs may be required to be deducted from Total Capital. In March 2018, OSFI issued a consultative document on disclosure requirements for TLAC. Public disclosure of TLAC information is expected to begin the first quarter of 2019.

In March 2018, BCBS issued a consultative document on revisions to the minimum capital requirements for market risk. The key aspects of the proposal include changes to the measurement of the standardized approach, and recalibration of standardized approach risk weights for general interest rate risk, equity risk, and foreign exchange risk. The proposal also includes revisions to the assessment process to determine whether internal risk management models appropriately reflect the risks of trading desks.

In February 2018, BCBS issued a consultative document "Pillar 3 disclosure requirements – updated framework". Proposed disclosure changes arising from the finalization of the Basel III reforms include credit risk, operational risk, the leverage ratio, key metrics, and benchmarking RWA internal model outcomes. The proposal also contains new disclosure requirements on asset encumbrance and capital distribution constraints. The proposal seeks views on the scope of application of the disclosure requirement on the composition of regulatory capital that was introduced in the final standard on Phase 2 of the Pillar 3 Disclosure Requirements. Together with the first phase and second phase of the revised Pillar 3 disclosure requirements, the proposed disclosure requirements would comprise the single Pillar 3 framework.

In December 2017, BCBS issued the finalized Basel III reforms. The reforms include: i) a revised internal ratings-based approach for credit risk where the use of the internal models are constrained by placing limits on certain inputs and the option to use advanced internal ratings based (AIRB) for certain asset classes has been removed; ii) a revised standardized approach for credit risk that is more granular and risk-sensitive; iii) replacement of the CVA framework with new standardized and basic approaches; iv) stream-lining the existing operational risk framework to a risk-sensitive standardized approach which will replace existing methodologies; v) revisions to the measurement of the leverage ratio and introduction of a leverage ratio buffer for G-SIBs; and vi) an aggregate output floor based on the revised Basel III standardized approaches, at a factor of 72.5% of total RWAs. The reforms are effective the first quarter of 2022, with the standardized output floor having an added five-year phased implementation period until 2027.

In December 2017, BCBS issued a discussion paper on the regulatory treatment of sovereign exposures. The purpose of the discussion paper is to seek views of stakeholders to inform the BCBS analysis on the treatment of sovereign exposures. The discussion paper clarifies the definitions of different sovereign entities, addresses inherent sovereign risk, and presents various ideas related to the treatment of sovereign exposures. The BCBS has not reached a consensus on the changes to the treatment of sovereign exposures and has therefore not issued a consultative document at this time.

TABLE 25: EQUITY AND OTHER SECURITIES

(millions of shares/units, except as noted)

	<i>As at</i>	
	April 30, 2018	October 31, 2017
	Number of shares/units	Number of shares/units
Common shares outstanding	1,846.3	1,842.5
Treasury shares – common	(1.7)	(2.9)
Total common shares	1,844.6	1,839.6
Stock options		
Vested	5.7	5.4
Non-vested	8.4	8.9
Preferred shares – Class A		
Series S	5.4	5.4
Series T	4.6	4.6
Series Y	5.5	5.5
Series Z	4.5	4.5
Series 1	20.0	20.0
Series 3	20.0	20.0
Series 5	20.0	20.0
Series 7	14.0	14.0
Series 9	8.0	8.0
Series 11	6.0	6.0
Series 12	28.0	28.0
Series 14	40.0	40.0
Series 16	14.0	14.0
Series 18	14.0	–
	204.0	190.0
Treasury shares – preferred	(0.2)	(0.3)
Total preferred shares	203.8	189.7
Capital Trust Securities (thousands of shares)		
Trust units issued by TD Capital Trust III:		
TD Capital Trust III Securities – Series 2008	1,000.0	1,000.0
Debt issued by TD Capital Trust IV:		
TD Capital Trust IV Notes – Series 1	550.0	550.0
TD Capital Trust IV Notes – Series 2	450.0	450.0
TD Capital Trust IV Notes – Series 3	750.0	750.0

Preferred shares Series 1, 3, 5, 7, 9, 11, 12, 14, 16, and 18 include NVCC provisions. If a NVCC trigger event were to occur, the maximum number of common shares that could be issued, assuming there are no declared and unpaid dividends on the respective series of preferred shares at the time of conversion, would be 920 million in aggregate.

For NVCC subordinated notes and debentures, if a NVCC trigger event were to occur, the maximum number of common shares that could be issued, assuming there is no accrued and unpaid interest on the respective subordinated notes and debentures, would be 2,025 million in aggregate. The following subordinated debentures contain NVCC provisions: the 2.692% subordinated debentures due June 24, 2025, 2.982% subordinated debentures due September 30, 2025, 3.224% subordinated debentures due July 25, 2029, 4.859% subordinated debentures due March 4, 2031, and the 3.625% subordinated debentures due September 15, 2031. Refer to Note 12 of the Interim Consolidated Financial Statements and Note 19 of the Bank's 2017 Consolidated Financial Statements for additional details.

TABLE 26: 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)

	<i>For the three months ended</i>			
	April 30, 2018		January 31, 2018	
	Non-counterparty credit risk	Counterparty credit risk	Non-counterparty credit risk	Counterparty credit risk
Common Equity Tier 1 Capital RWA, balance at beginning of period	\$ 323,071	\$ 12,529	\$ 328,535	\$ 11,258
Book size	4,776	859	4,309	1,207
Book quality	1,342	(40)	246	(18)
Model updates	(215)	–	78	–
Methodology and policy	–	–	–	346
Acquisitions and disposals	–	–	6	–
Foreign exchange movements	9,281	308	(10,228)	(264)
Other	268	–	125	–
Total RWA movement	15,452	1,127	(5,464)	1,271
Common Equity Tier 1 Capital RWA, balance at end of period	\$ 338,523	\$ 13,656	\$ 323,071	\$ 12,529

Counterparty credit risk is comprised of over-the-counter (OTC) derivatives, repo-style transactions, trades cleared through central counterparties, and CVA RWA which is phased in at 80% for fiscal 2018.

Non-counterparty credit risk includes loans and advances to individuals and small business retail customers, wholesale and commercial corporate customers, and banks and governments, as well as holdings of debt, equity securities, and other assets including prepaid expenses, 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 the second quarter of 2018, increased due to growth in corporate lending in the Wholesale Banking segment and 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.

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

Foreign exchange movements are mainly due to a change in the U.S. dollar foreign exchange rate for the U.S. portfolios in the U.S. Retail and Wholesale Banking segments.

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, deferred income taxes, land, building, equipment and other depreciable property, and other assets.

TABLE 27: FLOW STATEMENT FOR RISK-WEIGHTED ASSETS – Disclosure for Market Risk
Risk-Weighted Assets Movement by Key Driver

	For the three months ended	
	April 30, 2018	January 31, 2018
(millions of Canadian dollars)		
RWA, balance at beginning of period	\$ 11,303	\$ 14,020
Movement in risk levels	3,945	(1,720)
Model updates	–	–
Methodology and policy	–	(997)
Acquisitions and disposals	–	–
Foreign exchange movements and other	n/m ¹	n/m ¹
Total RWA movement	3,945	(2,717)
RWA, balance at end of period	\$ 15,248	\$ 11,303

¹ Not meaningful.

The Movement in risk levels category reflects changes in risk due to position changes and market movements. An increase in the interest rate risk contributed to the increase in the RWA. The Model updates category reflects updates to the model to reflect recent experience and change in model scope. The Methodology and policy category reflects newly adopted methodology changes to the calculations driven by regulatory policy changes. 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 28: FLOW STATEMENT FOR RISK-WEIGHTED ASSETS – Disclosure for Operational Risk
Risk-Weighted Assets Movement by Key Driver

	For the three months ended	
	April 30, 2018	January 31, 2018
(millions of Canadian dollars)		
RWA, balance at beginning of period	\$ 49,416	\$ 48,392
Revenue generation	31	152
Movement in risk levels	14	1,949
Model updates	–	–
Methodology and policy	–	–
Acquisitions and disposals	–	–
Foreign exchange movements and other	931	(1,077)
RWA, balance at end of period	\$ 50,392	\$ 49,416

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, internal control factors, and scenario analysis. 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. Foreign exchange movements are mainly due to a change in the U.S. dollar foreign exchange rate for the U.S. portfolios in the U.S. Retail segment.

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.

TD's businesses and operations are exposed to a broad number of risks that have been identified and defined in the Enterprise Risk Framework. The Bank's tolerance to those risks is defined in the Enterprise Risk Appetite which has been developed within a comprehensive framework that takes into consideration current conditions in which the Bank operates and the impact that emerging risks will have on TD's strategy and risk profile. The Bank's risk appetite states that it 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; and (3) do not risk harming the TD brand. Each business is responsible for setting and aligning its individual risk appetites with that of the enterprise based on a thorough examination of the specific risks to which it is exposed.

TD considers it critical to assess regularly the operating environment and highlight top and emerging risks within the individual business and enterprise that could have a significant impact on the Bank. These risks can be internal or external, impacting the financial results, reputation, or sustainability of the business. They may also represent exposures or potential events which may or may not materialize. These risks are identified, discussed, and actioned by senior risk 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.

The Bank's risk governance structure and risk management approach have not substantially changed from that described in the Bank's 2017 Annual Report. Additional information on risk factors can be found in the 2017 MD&A under the heading "Risk Factors and Management". For a complete discussion of the risk governance structure and the risk management approach, refer to the "Managing Risk" section in the Bank's 2017 Annual Report.

The shaded sections of this MD&A represent a discussion relating to market and liquidity risks and form an integral part of the Interim Consolidated Financial Statements for the period ended April 30, 2018.

CREDIT RISK

Gross credit risk exposure, also referred to as exposure at default (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.

	April 30, 2018			October 31, 2017		
	Standardized	AIRB	Total	Standardized	AIRB	Total
Retail						
Residential secured	\$ 2,795	\$ 355,504	\$ 358,299	\$ 5,862	\$ 349,749	\$ 355,611
Qualifying revolving retail	–	91,883	91,883	–	93,527	93,527
Other retail	18,902	77,170	96,072	19,011	75,566	94,577
Total retail	21,697	524,557	546,254	24,873	518,842	543,715
Non-retail						
Corporate	126,435	337,332	463,767	125,621	305,867	431,488
Sovereign	98,434	139,963	238,397	91,567	157,947	249,514
Bank	17,566	98,622	116,188	18,195	94,181	112,376
Total non-retail	242,435	575,917	818,352	235,383	557,995	793,378
Gross credit risk exposures	\$ 264,132	\$ 1,100,474	\$ 1,364,606	\$ 260,256	\$ 1,076,837	\$ 1,337,093

¹ Gross credit risk exposures represent EAD and are before the effects of credit risk mitigation. This table excludes securitization, equity, and other credit RWA.

MARKET RISK

Market risk capital is calculated using internal models and comprises three components: (1) Value-at-Risk (VaR); (2) Stressed VaR; and (3) Incremental Risk Charge (IRC). In addition, the Bank calculates market risk capital using the Standardized approach for a limited number of portfolios.

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 30: MARKET RISK LINKAGE TO THE BALANCE SHEET

(millions of Canadian dollars)

	April 30, 2018				October 31, 2017				As at
	Balance sheet	Trading market risk	Non-trading market risk	Other	Balance sheet	Trading market risk	Non-trading market risk	Other	Non-trading market risk – primary risk sensitivity
Assets subject to market risk									
Interest-bearing deposits with banks	\$ 36,387	\$ 129	\$ 36,258	\$ –	\$ 51,185	\$ 194	\$ 50,991	\$ –	Interest rate
Trading loans, securities, and other	114,017	111,800	2,217	–	103,918	99,168	4,750	–	Interest rate
Non-trading financial assets at fair value through profit or loss	4,087	–	4,087	–	n/a	n/a	n/a	n/a	Equity, foreign exchange, interest rate
Derivatives	55,098	50,775	4,323	–	56,195	51,492	4,703	–	Equity, foreign exchange, interest rate
Financial assets designated at fair value through profit or loss	3,442	–	3,442	–	4,032	–	4,032	–	Interest rate
Financial assets at fair value through other comprehensive income	134,011	–	134,011	–	n/a	n/a	n/a	n/a	Equity, foreign exchange, interest rate
Available-for-sale securities	n/a	n/a	n/a	n/a	146,411	–	146,411	–	Foreign exchange, interest rate
Debt securities at amortized cost, net of allowance for credit losses	90,106	–	90,106	–	n/a	n/a	n/a	n/a	Foreign exchange, interest rate
Held-to-maturity securities	n/a	n/a	n/a	n/a	71,363	–	71,363	–	Foreign exchange, interest rate
Securities purchased under reverse repurchase agreements	140,914	2,733	138,181	–	134,429	1,345	133,084	–	Interest rate
Loans, net of allowance for loan losses	621,999	–	621,999	–	616,374	–	616,374	–	Interest rate
Customers' liability under acceptances	14,913	–	14,913	–	17,297	–	17,297	–	Interest rate
Investment in TD Ameritrade	7,904	–	7,904	–	7,784	–	7,784	–	Equity
Other assets ¹	1,479	–	1,479	–	1,549	–	1,549	–	Interest rate
Assets not exposed to market risk	59,479	–	–	59,479	68,458	–	–	68,458	
Total Assets	1,283,836	165,437	1,058,920	59,479	1,278,995	152,199	1,058,338	68,458	
Liabilities subject to market risk									
Trading deposits	103,393	5,426	97,967	–	79,940	3,539	76,401	–	Interest rate
Derivatives	47,905	43,541	4,364	–	51,214	46,206	5,008	–	Foreign exchange, interest rate
Securitization liabilities at fair value	12,240	12,240	–	–	12,757	12,757	–	–	Interest rate
Deposits	829,801	–	829,801	–	832,824	–	832,824	–	Equity, interest rate
Acceptances	14,934	–	14,934	–	17,297	–	17,297	–	Interest rate
Obligations related to securities sold short	37,405	36,288	1,117	–	35,482	32,124	3,358	–	Interest rate
Obligations related to securities sold under repurchase agreements	96,177	2,783	93,394	–	88,591	2,064	86,527	–	Interest rate
Securitization liabilities at amortized cost	15,389	–	15,389	–	16,076	–	16,076	–	Interest rate
Subordinated notes and debentures	7,631	–	7,631	–	9,528	–	9,528	–	Interest rate
Other liabilities ¹	14,158	1	14,157	–	15,081	1	15,080	–	Interest rate
Liabilities and Equity not exposed to market risk	104,803	–	–	104,803	120,205	–	–	120,205	
Total Liabilities and Equity	\$ 1,283,836	\$ 100,279	\$ 1,078,754	\$ 104,803	\$ 1,278,995	\$ 96,691	\$ 1,062,099	\$ 120,205	

¹ Relates to retirement benefits, insurance, and structured entity liabilities.

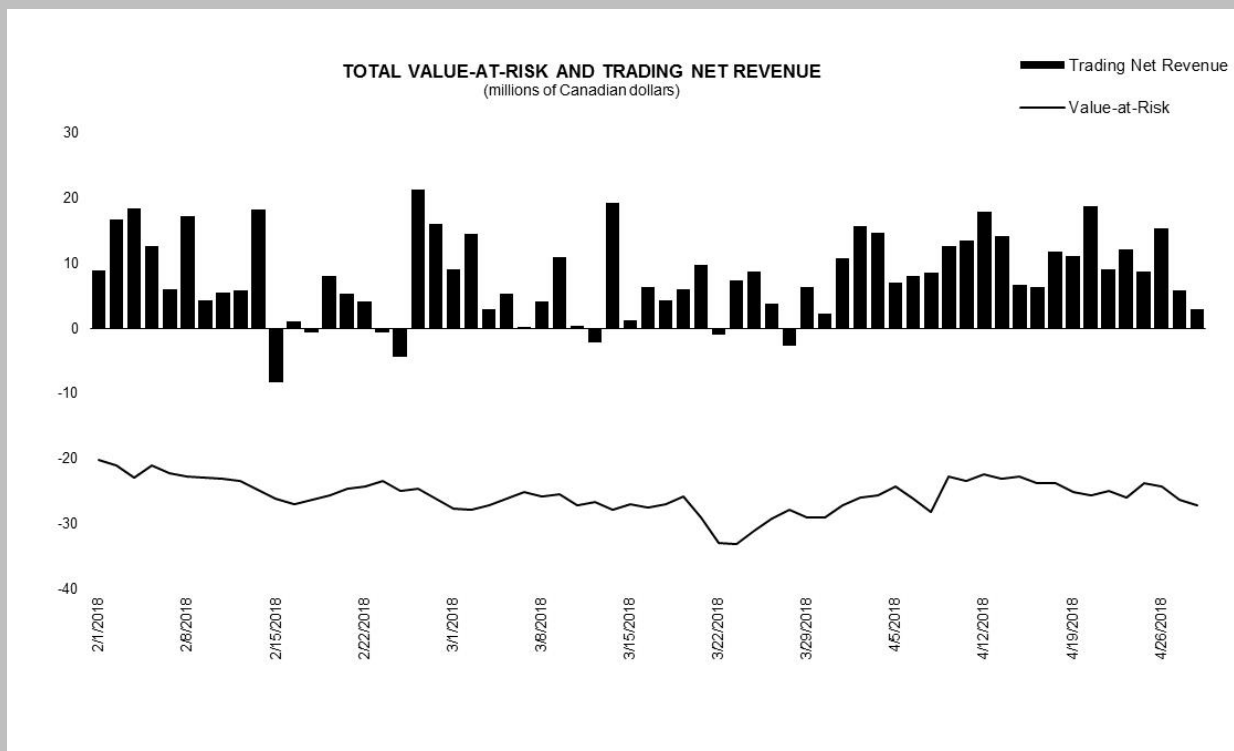
Calculating VaR

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 net revenue, reported on a taxable equivalent basis, within Wholesale Banking. Trading net revenue includes trading income and net interest income related to positions within the Bank's market risk capital trading books. For the quarter ended April 30, 2018, there were 7 days of trading losses and trading net revenue was positive for 89% of the trading days, reflecting normal trading activity. Losses in the quarter 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 second quarter of 2018, 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 quarter, average, high, and low usage of TD's portfolio metrics.

TABLE 31: PORTFOLIO MARKET RISK MEASURES

(millions of Canadian dollars)

				For the three months ended			For the six months ended		
				April 30	January 31	April 30	April 30	April 30	
	As at	Average	High	2018	2018	2017	2018	2017	
Interest rate risk	\$ 21.3	\$ 17.0	\$ 24.1	\$ 10.6	\$ 9.0	\$ 15.6	\$ 13.0	\$ 15.2	
Credit spread risk	9.5	11.4	14.7	9.0	9.2	8.8	10.3	8.4	
Equity risk	6.8	8.5	12.9	6.6	7.6	8.5	8.1	8.1	
Foreign exchange risk	3.5	4.5	5.9	3.1	3.7	4.2	4.1	3.9	
Commodity risk	1.4	2.2	3.9	1.4	2.7	1.1	2.4	1.3	
Idiosyncratic debt specific risk	17.1	17.3	21.6	14.8	14.2	13.5	15.7	13.3	
Diversification effect ¹	(32.5)	(35.4)	n/m ²	n/m ²	(27.2)	(30.4)	(31.2)	(28.8)	
Total Value-at-Risk (one-day)	27.1	25.5	33.1	20.1	19.2	21.3	22.4	21.4	
Stressed Value-at-Risk (one-day)	52.8	57.7	84.8	44.3	39.0	33.4	48.3	35.0	
Incremental Risk Capital Charge (one-year)	\$ 232.2	\$ 205.4	\$ 269.8	\$ 158.4	\$ 207.3	\$ 226.2	\$ 206.4	\$ 243.6	

¹ The aggregate VaR is less than the sum of the VaR of the different risk types due to risk offsets resulting from portfolio diversification.

² 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 increased marginally year-over-year due to an increase in credit spread exposures. Quarter-over-quarter, there was an increase both in average VaR and average interest rate VaR driven by U.S. interest rate risk positions. The year-over-year and quarter-over-quarter increase in average Stressed VaR was also driven by the U.S. interest rate risk positions.

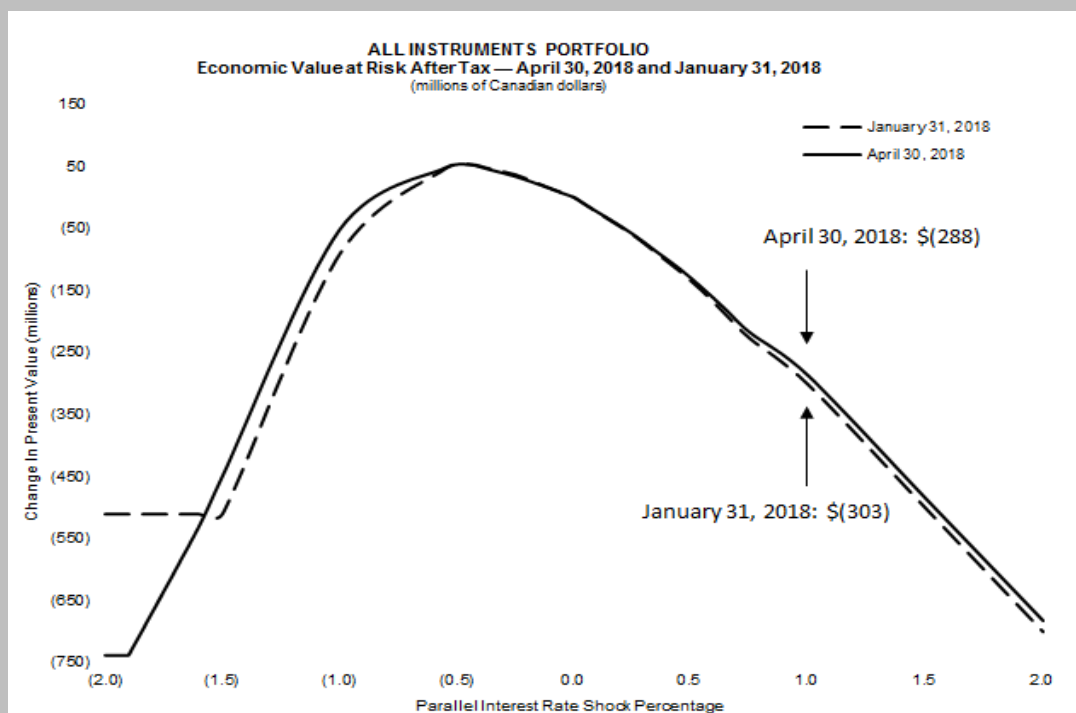
Average IRC decreased year-over-year driven by Canadian bank positions.

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.

Interest Rate Risk

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 structural interest rate management. This reflects the interest rate risk from personal and commercial banking products (loans and deposits) as well as related funding, investments and high quality liquid assets (HQLA). EVaR is defined as the difference between the change in the present value of the Bank's asset portfolio and the change in the present value of the Bank's liability portfolio, including off-balance sheet instruments and assumed profiles for non-rate sensitive products, resulting from an immediate and sustained 100 bps unfavourable interest rate shock. EVaR measures the relative sensitivity of asset and liability cash flow mismatches to changes in interest rates. Closely matching asset and liability cash flows reduces EVaR and mitigates the risk of volatility in future net interest income.



The Bank uses derivative financial instruments, wholesale investments, funding instruments, other capital market alternatives, and, less frequently, product pricing strategies to manage interest rate risk. As at April 30, 2018, an immediate and sustained 100 bps increase in interest rates would have decreased the economic value of shareholders' equity by \$288 million (January 31, 2018 – \$303 million) after tax. An immediate and sustained 100 bps decrease in interest rates would have reduced the economic value of shareholders' equity by \$52 million (January 31, 2018 – \$92 million) after tax.

The interest risk exposure, or EVaR, in the insurance business is not included in the above graph. Interest rate risk in the insurance business is managed using defined exposure limits and processes, as set and governed by the insurance Board of Directors.

The following table shows the sensitivity of the economic value of shareholders' equity (after tax) by currency for those currencies where TD has material exposure.

TABLE 32: SENSITIVITY OF AFTER-TAX ECONOMIC VALUE-AT-RISK BY CURRENCY

(millions of Canadian dollars)	April 30, 2018		January 31, 2018		As at April 30, 2017	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
	Canadian dollar	\$ (37)	\$ (41)	\$ (28)	\$ (56)	\$ 16
U.S. dollar	(251)	(11)	(275)	(36)	(206)	(162)
	\$ (288)	\$ (52)	\$ (303)	\$ (92)	\$ (190)	\$ (217)

¹ Due to the low rate environment EVaR sensitivity has been measured using a 75 bps decline for Canadian interest rates for the quarter ended April 30, 2017, corresponding to an interest rate environment that is floored at 0%.

Liquidity Risk

Liquidity risk is the risk of having insufficient cash or collateral to meet financial obligations and an inability to, in a timely manner, raise funding or monetize assets at a non-distressed price. Financial obligations can arise from deposit withdrawals, debt maturities, commitments to provide credit or liquidity support or the need to pledge additional collateral.

TD'S LIQUIDITY RISK APPETITE

The Bank maintains a prudent and disciplined approach to managing its potential exposure to liquidity risk. The Bank targets a 90-day survival horizon under a combined Bank-specific and market-wide stress scenario, and a minimum buffer over regulatory requirements prescribed by the OSFI Liquidity Adequacy Requirements (LAR) guidelines. Under the LAR guidelines, Canadian banks are required to maintain a Liquidity Coverage Ratio (LCR) at the minimum of 100%. 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 detailed 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 Asset/Liability and Capital Committee (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 Global Liquidity and Funding Committee (GLF), a subcommittee of the ALCO comprised of senior management from Treasury and Balance Sheet Management (TBSM), Risk Management, Finance, and Wholesale Banking, identifies and monitors TD's liquidity risks. The management of liquidity risk globally is the responsibility of the Head of TBSM, while oversight and challenge are 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 annually and policies bi-annually.

Pursuant to the Enhanced Prudential Standards for Bank Holdings Companies and Foreign Banking Organizations, TD has established TD Group US Holdings 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 Bank's liquidity risk appetite and liquidity risk management approach have not substantially changed from that described in the Bank's 2017 Annual Report. For a complete discussion of liquidity risk, refer to the "Liquidity Risk" section in the Bank's 2017 Annual Report.

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 generally 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 33: SUMMARY OF LIQUID ASSETS BY TYPE AND CURRENCY¹

(millions of Canadian dollars, except as noted)

As at

	Bank-owned liquid assets	Securities received as collateral from securities financing and derivative transactions ²	Total liquid assets		Encumbered liquid assets	Unencumbered liquid assets ²
						April 30, 2018
Cash and due from banks	\$ 2,869	\$ –	\$ 2,869	1 %	\$ 408	\$ 2,461
Canadian government obligations	15,375	53,415	68,790	13	40,969	27,821
National Housing Act Mortgage-Backed Securities (NHA MBS)	40,633	51	40,684	7	6,915	33,769
Provincial government obligations	10,747	17,841	28,588	5	21,630	6,958
Corporate issuer obligations	5,938	4,015	9,953	2	1,302	8,651
Equities	8,537	1,750	10,287	2	3,584	6,703
Other marketable securities and/or loans	1,251	370	1,621	–	307	1,314
Total Canadian dollar-denominated	85,350	77,442	162,792	30	75,115	87,677
Cash and due from banks	33,594	–	33,594	6	31	33,563
U.S. government obligations	30,152	38,301	68,453	13	36,392	32,061
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	44,445	508	44,953	8	8,367	36,586
Other sovereign obligations	51,418	50,762	102,180	19	31,334	70,846
Corporate issuer obligations	69,415	1,403	70,818	13	6,237	64,581
Equities	25,607	27,115	52,722	10	22,248	30,474
Other marketable securities and/or loans	4,523	7	4,530	1	727	3,803
Total non-Canadian dollar-denominated	259,154	118,096	377,250	70	105,336	271,914
Total	\$ 344,504	\$ 195,538	\$ 540,042	100 %	\$ 180,451	\$ 359,591

October 31, 2017

Cash and due from banks	\$ 2,202	\$ –	\$ 2,202	– %	\$ 421	\$ 1,781
Canadian government obligations	15,524	46,203	61,727	12	35,522	26,205
NHA MBS	37,178	45	37,223	7	3,888	33,335
Provincial government obligations	9,865	15,346	25,211	5	18,177	7,034
Corporate issuer obligations	4,348	3,362	7,710	2	1,173	6,537
Equities	9,634	2,518	12,152	2	4,930	7,222
Other marketable securities and/or loans	1,977	222	2,199	–	133	2,066
Total Canadian dollar-denominated	80,728	67,696	148,424	28	64,244	84,180
Cash and due from banks	44,886	–	44,886	9	42	44,844
U.S. government obligations	30,758	33,090	63,848	12	32,074	31,774
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	43,703	494	44,197	8	9,560	34,637
Other sovereign obligations	55,272	62,720	117,992	22	39,233	78,759
Corporate issuer obligations	62,867	1,945	64,812	12	6,101	58,711
Equities	21,230	21,124	42,354	8	16,741	25,613
Other marketable securities and/or loans	5,556	1,374	6,930	1	80	6,850
Total non-Canadian dollar-denominated	264,272	120,747	385,019	72	103,831	281,188
Total	\$ 345,000	\$ 188,443	\$ 533,443	100 %	\$ 168,075	\$ 365,368

¹ Positions stated include gross asset values pertaining to secured borrowing/lending and reverse-repurchase/repurchase businesses.² Liquid assets include collateral received that can be re-hypothecated or otherwise redeployed.

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 34: SUMMARY OF UNENCUMBERED LIQUID ASSETS BY BANK, SUBSIDIARIES, AND BRANCHES

(millions of Canadian dollars)

As at

	April 30 2018	October 31 2017
The Toronto-Dominion Bank (Parent)	\$ 110,956	\$ 111,797
Bank subsidiaries	217,601	217,098
Foreign branches	31,034	36,473
Total	\$ 359,591	\$ 365,368

The Bank's monthly average liquid assets (excluding those held in insurance subsidiaries) for the quarters ended April 30, 2018, and January 31, 2018, are summarized in the following table.

TABLE 35: SUMMARY OF AVERAGE LIQUID ASSETS BY TYPE AND CURRENCY¹

(millions of Canadian dollars, except as noted)

Average for the three months ended

	Bank-owned liquid assets	Securities received as collateral from securities financing and derivative transactions ²	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets ²
	April 30, 2018				
Cash and due from banks	\$ 2,302	\$ –	\$ 2,302	–	\$ 481
Canadian government obligations	15,778	49,809	65,587	12	40,212
NHA MBS	42,996	51	43,047	8	6,277
Provincial government obligations	10,619	16,738	27,357	5	20,003
Corporate issuer obligations	6,759	3,677	10,436	2	1,661
Equities	8,435	2,226	10,661	2	4,793
Other marketable securities and/or loans	1,944	347	2,291	–	211
Total Canadian dollar-denominated	88,833	72,848	161,681	29	73,638
Cash and due from banks	38,460	–	38,460	7	216
U.S. government obligations	29,765	40,794	70,559	13	38,502
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	44,593	434	45,027	8	9,083
Other sovereign obligations	52,818	54,814	107,632	19	34,660
Corporate issuer obligations	68,820	1,239	70,059	13	5,820
Equities	26,876	28,653	55,529	10	22,948
Other marketable securities and/or loans	4,942	7	4,949	1	639
Total non-Canadian dollar-denominated	266,274	125,941	392,215	71	111,868
Total	\$ 355,107	\$ 198,789	\$ 553,896	100 %	\$ 185,506
	January 31, 2018				
Cash and due from banks	\$ 3,212	\$ –	\$ 3,212	1	\$ 300
Canadian government obligations	14,872	51,379	66,251	12	42,768
NHA MBS	41,349	45	41,394	7	3,685
Provincial government obligations	10,708	16,388	27,096	5	19,486
Corporate issuer obligations	5,573	3,477	9,050	2	1,351
Equities	9,507	2,401	11,908	2	5,597
Other marketable securities and/or loans	2,308	264	2,572	–	123
Total Canadian dollar-denominated	87,529	73,954	161,483	29	73,310
Cash and due from banks	40,028	–	40,028	7	241
U.S. government obligations	29,803	41,837	71,640	13	39,747
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	43,146	469	43,615	8	9,571
Other sovereign obligations	54,021	63,783	117,804	21	40,460
Corporate issuer obligations	66,015	1,528	67,543	12	5,028
Equities	26,551	22,373	48,924	9	16,810
Other marketable securities and/or loans	5,265	8	5,273	1	375
Total non-Canadian dollar-denominated	264,829	129,998	394,827	71	112,232
Total	\$ 352,358	\$ 203,952	\$ 556,310	100 %	\$ 185,542

¹ Positions stated include gross asset values pertaining to secured borrowing/lending and reverse-repurchase/repurchase businesses.

² Liquid assets include collateral received that can be re-hypothecated or otherwise redeployed.

Average liquid assets held in The Toronto-Dominion Bank and multiple domestic and foreign subsidiaries and branches are summarized in the following table.

TABLE 36: SUMMARY OF AVERAGE UNENCUMBERED LIQUID ASSETS BY BANK, SUBSIDIARIES, AND BRANCHES

(millions of Canadian dollars)

Average for the three months ended

	April 30 2018	January 31 2018
The Toronto-Dominion Bank (Parent)	\$ 115,766	\$ 113,583
Bank subsidiaries	219,961	215,681
Foreign branches	32,663	41,504
Total	\$ 368,390	\$ 370,768

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 business, and participate in clearing and settlement systems. In addition to liquid assets, a summary of encumbered and unencumbered assets is presented in the following table to identify assets that are used or available for potential funding needs.

TABLE 37: ENCUMBERED AND UNENCUMBERED ASSETS

(millions of Canadian dollars, except as noted)

As at

	Encumbered ¹		Unencumbered		Total assets	Encumbered assets as a % of total assets
	Pledged as collateral ²	Other ³	Available as collateral ⁴	Other ⁵		
						April 30, 2018
Cash and due from banks	\$ 40	\$ 20	\$ –	\$ 4,137	\$ 4,197	– %
Interest-bearing deposits with banks	3,732	48	29,659	2,948	36,387	0.3
Securities, trading loans, and other ⁶	66,551	11,992	250,847	16,273	345,663	6.1
Derivatives	–	–	–	55,098	55,098	–
Securities purchased under reverse repurchase agreements ⁷	–	–	–	140,914	140,914	–
Loans, net of allowance for loan losses	23,794	54,475	77,399	466,331	621,999	6.1
Customers' liability under acceptances	–	–	–	14,913	14,913	–
Investment in TD Ameritrade	–	–	–	7,904	7,904	–
Goodwill	–	–	–	16,169	16,169	–
Other intangibles	–	–	–	2,509	2,509	–
Land, buildings, equipment, and other depreciable assets	–	–	–	5,187	5,187	–
Deferred tax assets	–	–	–	2,661	2,661	–
Other assets ⁸	468	–	–	29,767	30,235	–
Total on-balance sheet assets	\$ 94,585	\$ 66,535	\$ 357,905	\$ 764,811	\$ 1,283,836	12.5 %
Off-balance sheet items⁹						
Securities purchased under reverse repurchase agreements	117,393	–	35,916	(140,914)		
Securities borrowing and collateral received	33,810	150	11,705	3		
Margin loans and other client activity	6,862	–	21,464	(15,263)		
Total off-balance sheet items	158,065	150	69,085	(156,174)		
Total	\$ 252,650	\$ 66,685	\$ 426,990	\$ 608,637		
						October 31, 2017
Total on-balance sheet assets	\$ 88,894	\$ 65,705	\$ 359,169	\$ 765,227	\$ 1,278,995	12.1 %
Total off-balance sheet items	154,350	229	61,328	(145,711)		
Total	\$ 243,244	\$ 65,934	\$ 420,497	\$ 619,516		

¹ 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.

² Represents assets that have been posted externally to support the Bank's obligations in 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.

³ Assets supporting TD's long-term funding activities, assets pledged against securitization liabilities, and assets held by consolidated securitization vehicles or in pools for covered bond issuance.

⁴ 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.

⁵ 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, Canada Mortgage and Housing Corporation (CMHC) insured mortgages that can be securitized into NHA MBS).

⁶ Securities include trading loans, securities, non-trading financial assets at fair value through profit or loss and other financial assets designated at fair value through profit or loss, securities at FVOCI, and DSAC.

⁷ Assets reported in Securities purchased under reverse repurchase agreements represent the value of the loans extended and not the value of the collateral received.

⁸ Other assets include amounts receivable from brokers, dealers, and clients.

⁹ 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 and global macroeconomic stress 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 Bank's contingency funding plan actions.

The Bank has liquidity contingency funding plans (CFP) 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 levels based on the severity and duration of the liquidity situation, and identifies governance protocols and 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 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 38: CREDIT RATINGS¹

Rating agency	Short-term debt rating	Senior long-term debt rating	As at
			April 30, 2018
Moody's	P-1	Aa2	Negative
S&P	A-1+	AA-	Stable
DBRS ²	R-1 (high)	AA	Stable

¹ 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.

² On April 19, 2018, DBRS downgraded TD's non-NVCC subordinated debt rating (not listed in this table) from AA (low) to A (high), reflecting the publication of the final regulations related to the bail-in regime. DBRS made no other changes to the Bank's existing ratings.

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 downgrades in the Bank's senior long-term credit ratings. Severe downgrades could have an impact on liquidity by requiring the Bank to post additional collateral for the benefit of the Bank's trading counterparties. The following table presents the additional collateral that could have been called at the reporting date in the event of one, two, and three-notch downgrades of the Bank's credit ratings.

TABLE 39: ADDITIONAL COLLATERAL REQUIREMENTS FOR RATING DOWNGRADES¹

(millions of Canadian dollars)

	Average for the three months ended	
	April 30 2018	January 31 2018
One-notch downgrade	\$ 137	\$ 99
Two-notch downgrade	191	120
Three-notch downgrade	428	351

¹ The above collateral requirements are based on trading counterparty Credit Support Annex (CSA) and the Bank's credit rating across rating agencies. Where the CSA calls for multiple ratings, downgrades are determined by the change of the lower credit rating.

LIQUIDITY COVERAGE RATIO

The LCR is a Basel III metric calculated as the ratio of the stock of unencumbered HQLA over the net cash outflow requirements in the next 30 days under a hypothetical liquidity stress event. The stress event incorporates a number of idiosyncratic and market-wide shocks, including deposit run-offs, 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.

The Bank must maintain the LCR above 100% under normal operating conditions in accordance with the OSFI LAR requirement. The Bank's LCR is calculated according to the scenario parameters in the OSFI LAR guideline, including prescribed HQLA eligibility criteria and haircuts, deposit run-off rates, and other outflow and inflow rates. HQLA eligible for the LCR calculation under the OSFI LAR guidelines are primarily central bank reserves, sovereign issued or guaranteed securities, and high quality securities issued by non-financial entities.

The following table summarizes the Bank's average daily LCR position for the quarter ended April 30, 2018.

TABLE 40: AVERAGE BASEL III LIQUIDITY COVERAGE RATIO¹

(millions of Canadian dollars, except as noted)

	<i>Average for the three months ended</i>	
	April 30, 2018	
	Total unweighted value (average)²	Total weighted value (average)³
High-quality liquid assets		
Total high-quality liquid assets	\$ n/a ⁴	\$ 217,290
Cash outflows		
Retail deposits and deposits from small business customers, of which:	\$ 448,784	\$ 31,689
Stable deposits ⁵	188,410	5,652
Less stable deposits	260,374	26,037
Unsecured wholesale funding, of which:	240,651	118,847
Operational deposits (all counterparties) and deposits in networks of cooperative banks ⁶	93,747	22,254
Non-operational deposits (all counterparties)	114,042	63,731
Unsecured debt	32,862	32,862
Secured wholesale funding	n/a ⁴	10,264
Additional requirements, of which:	185,607	52,042
Outflows related to derivative exposures and other collateral requirements	28,182	13,092
Outflows related to loss of funding on debt products	7,342	7,342
Credit and liquidity facilities	150,083	31,608
Other contractual funding obligations	10,854	5,504
Other contingent funding obligations ⁷	548,976	8,576
Total cash outflows	\$ n/a⁴	\$ 226,922
Cash inflows		
Secured lending	\$ 172,880	\$ 17,861
Inflows from fully performing exposures	14,263	6,798
Other cash inflows	24,808	24,808
Total cash inflows	\$ 211,951	\$ 49,467

	<i>Average for the three months ended</i>	
	April 30, 2018	January 31, 2018
	Total adjusted value	Total adjusted value
Total high-quality liquid assets⁸	\$ 217,290	\$ 222,041
Total net cash outflows⁹	177,455	182,565
Liquidity coverage ratio	123 %	122 %

¹ The LCR for the quarter ended April 30, 2018, is calculated as an average of the 61 daily data points in the quarter.

² Unweighted inflow and outflow values are outstanding balances maturing or callable within 30 days.

³ Weighted values are calculated after the application of respective HQLA haircuts or inflow and outflow rates, as prescribed by the OSFI LAR guidelines.

⁴ Not applicable.

⁵ 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.

⁶ 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.

⁷ 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.

⁸ 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).

⁹ 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).

The Bank's average LCR of 123% for quarter ended April 30, 2018, continues to meet the regulatory requirements.

The Bank holds a variety of liquid assets commensurate with liquidity needs in the organization. Many of these assets qualify as HQLA under the OSFI LAR guidelines. The average HQLA of the Bank for the quarter ended April 30, 2018, was \$217 billion (January 31, 2018 – \$222 billion), with Level 1 assets representing 80% (January 31, 2018 – 79%). 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 in the Bank 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.

The Bank manages its LCR position with a target minimum that reflects management's liquidity risk tolerances. As described in the "How TD Manages Liquidity Risk" section of the Bank's 2017 Annual Report, the Bank manages its HQLA and other liquidity buffers to the higher of TD's 90-day surplus requirement and the target buffers over regulatory requirements from the LCR and the Net Cumulative Cash Flow (NCCF) metrics. As a result, the total stock of HQLA is subject to ongoing rebalancing against the projected liquidity requirements.

FUNDING

The Bank has access to a variety of unsecured and secured funding sources. The Bank's funding activities are conducted in accordance with the liquidity management policy that requires assets be funded to the appropriate term and to a prudent diversification profile.

The Bank's primary approach to managing funding activities is to maximize the use of deposits raised through personal and commercial banking channels. The following table illustrates the Bank's large base of personal and commercial, wealth, and TD Ameritrade sweep deposits (collectively, "P&C deposits") that make up over 73% of total funding.

TABLE 41: SUMMARY OF DEPOSIT FUNDING

(millions of Canadian dollars)

	<i>As at</i>	
	April 30 2018	October 31 2017
P&C deposits – Canadian Retail	\$ 354,459	\$ 350,446
P&C deposits – U.S. Retail	339,073	336,302
Other deposits	92	99
Total	\$ 693,624	\$ 686,847

The Bank actively maintains various registered external wholesale term (greater than 1 year) funding programs to provide access to diversified funding sources, including asset securitization, covered bonds, and unsecured wholesale debt. The Bank also raises term funding through Canadian Deposit Notes, Canadian NHA MBS, Canada Mortgage Bonds, debt issued in Australia, and notes backed by credit card receivables (Evergreen Credit Card Trust). The Bank's wholesale funding is diversified by geography, by currency, and by funding types. The Bank raises short-term (1 year and less) funding using certificates of deposit and commercial paper.

The following table summarizes the registered term funding programs by geography, with the related program size.

Canada	United States	Europe
Capital Securities Program (\$10 billion)	U.S. SEC (F-3) Registered Capital and Debt Program (US\$40 billion)	United Kingdom Listing Authority (UKLA) Registered Legislative Covered Bond Program (\$40 billion)
Canadian Senior Medium Term Linked Notes Program (\$2 billion)		UKLA Registered European Medium Term Note Program (US\$20 billion)
HELOC ABS Program (Genesis Trust II) (\$7 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 quarter ended April 30, 2018, was \$105.4 billion (October 31, 2017 – \$109.3 billion).

TABLE 42: LONG-TERM FUNDING

	<i>As at</i>	
	April 30 2018	October 31 2017
Long-term funding by currency		
Canadian dollar	36 %	37 %
U.S. dollar	40	42
Euro	17	14
British pound	4	4
Other	3	3
Total	100 %	100 %
Long-term funding by type		
Senior unsecured medium term notes	51 %	53 %
Covered bonds	29	27
Mortgage securitization ¹	15	15
Term asset-backed securities	5	5
Total	100 %	100 %

¹ Mortgage securitization excludes the residential mortgage trading business.

The Bank maintains depositor concentration limits against short-term wholesale deposits so that it does not depend on small groups of depositors for funding. The Bank further limits short-term wholesale funding maturity concentration in an effort to mitigate exposures to refinancing risk during a stress event.

The following table represents the remaining maturity of various sources of funding outstanding as at April 30, 2018, and October 31, 2017.

TABLE 43: WHOLESALE FUNDING¹

(millions of Canadian dollars)

							As at	
							April 30 2018	October 31 2017
	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	Over 1 to 2 years	Over 2 years	Total	Total
Deposits from banks ²	\$ 10,653	\$ 6,714	\$ 1,119	\$ 912	\$ –	\$ –	\$ 19,398	\$ 17,990
Bearer deposit note	2,852	921	883	1,150	–	–	5,806	3,700
Certificates of deposit	7,391	16,338	16,243	12,630	–	–	52,602	65,465
Commercial paper	6,962	12,522	11,481	15,111	–	–	46,076	25,281
Covered bonds	–	–	–	–	675	29,307	29,982	29,319
Mortgage securitization	50	1,305	1,237	2,942	4,768	17,327	27,629	28,833
Senior unsecured medium term notes	–	2,568	4,463	8,013	11,656	27,118	53,818	57,570
Subordinated notes and debentures ³	–	–	–	–	–	7,631	7,631	9,528
Term asset-backed securitization	–	–	750	642	2,472	1,412	5,276	5,835
Other ⁴	6,342	3,296	1,052	151	–	457	11,298	8,443
Total	\$ 34,250	\$ 43,664	\$ 37,228	\$ 41,551	\$ 19,571	\$ 83,252	\$ 259,516	\$ 251,964
Of which:								
Secured	\$ 50	\$ 1,305	\$ 1,987	\$ 3,587	\$ 7,915	\$ 48,057	\$ 62,901	\$ 64,003
Unsecured	34,200	42,359	35,241	37,964	11,656	35,195	196,615	187,961
Total	\$ 34,250	\$ 43,664	\$ 37,228	\$ 41,551	\$ 19,571	\$ 83,252	\$ 259,516	\$ 251,964

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

² Includes fixed-term deposits from banks.

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

⁴ Includes fixed-term deposits from non-bank institutions (unsecured) of \$11.3 billion (October 31, 2017 – \$8.4 billion).

Excluding the Wholesale Banking mortgage aggregation business, the Bank's total mortgage-backed securities issuance for the three and six months ended April 30, 2018, was \$0.7 billion and \$1.3 billion, respectively (three and six months ended April 30, 2017 – \$0.7 billion and \$1.2 billion, respectively). Other asset-backed securities issuance for the three and six months ended April 30, 2018, was \$0.8 billion (three and six months ended April 30, 2017 – nil and \$0.7 billion, respectively). The Bank also issued \$1.8 billion and \$6.5 billion, respectively, of unsecured medium-term notes for the three and six months ended April 30, 2018 (three and six months ended April 30, 2017 – \$1.9 billion and \$4.5 billion, respectively) in various currencies and markets. The total covered bonds issuance for the three and six months ended April 30, 2018, was \$1.9 billion and \$2.8 billion, respectively (three and six months ended April 30, 2017 – \$2.3 billion and \$4.6 billion, respectively).

REGULATORY DEVELOPMENTS CONCERNING LIQUIDITY AND FUNDING

On April 18, 2018, the Government of Canada published the final regulations under the Bank Act and the Canada Deposit Insurance Corporation Act (CDIC Act) providing details of the bank recapitalization "bail-in" regime. The issuance regulations under the Bank Act and the conversion regulations under the CDIC Act will come into force on September 23, 2018, while the compensation regulations under the CDIC Act were brought into force immediately upon registration on March 27, 2018. The bail-in regulations represent the final step in the implementation of the bail-in regime which provides the Canada Deposit Insurance Corporation (CDIC) with the power to convert specified eligible liabilities of D-SIBs into common shares in the unlikely event the D-SIB becomes non-viable. The Budget Implementation Act, providing amendments to the CDIC Act, Bank Act and other statutes to allow for bail-in, was passed in June 2016.

In October 2014, the BCBS released the final standard for "Basel III: the net stable funding ratio" with an implementation date of January 1, 2018. 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. Based on implementation progress at the international level, OSFI has determined that it will target a revised NSFR implementation date of January 2020. Relevant areas of the LAR guideline have been updated to reflect the implementation delay.

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 contracts be fully 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 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 degree of maturity transformation or the Bank's exposure to interest rate and liquidity risk. The Bank ensures that assets are appropriately funded to protect against borrowing cost volatility and potential reductions to funding market availability. The Bank utilizes stable P&C non-specific maturity deposits (chequing and savings accounts) and P&C 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 sources. The Bank conducts long-term funding activities based on the projected net growth for non-trading assets after considering such items as new business volumes, renewals of both term loans and term deposits, and how customers exercise options to prepay loans and pre-redeem deposits. The Bank also raises shorter-term unsecured wholesale deposits to fund trading assets based on its internal estimates of liquidity of these assets under stressed market conditions.

TABLE 44: REMAINING CONTRACTUAL MATURITY

(millions of Canadian dollars)

As at

April 30, 2018

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	Over 1 to 2 years	Over 2 to 5 years	Over 5 years	No specific maturity	Total
Assets										
Cash and due from banks	\$ 4,195	\$ 2	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 4,197
Interest-bearing deposits with banks	35,145	674	9	3	1	–	–	–	555	36,387
Trading loans, securities, and other ¹	2,002	2,805	2,702	2,815	1,909	9,805	24,562	22,255	45,162	114,017
Non-trading financial assets at fair value through profit or loss	480	1	803	41	128	1,143	115	796	580	4,087
Derivatives	7,370	7,835	4,033	3,129	2,124	6,354	13,279	10,974	–	55,098
Financial assets designated at fair value through profit or loss	195	174	176	50	388	417	1,176	866	–	3,442
Financial assets at fair value through other comprehensive income	2,008	4,446	3,187	2,954	2,202	16,451	66,926	33,717	2,120	134,011
Debt securities at amortized cost, net of allowance for credit losses	1,275	1,209	2,362	3,252	2,539	13,445	27,662	38,477	(115)	90,106
Securities purchased under reverse repurchase agreements	103,504	25,834	5,753	2,716	3,092	9	6	–	–	140,914
Loans										
Residential mortgages	1,260	6,754	11,590	8,341	7,429	39,138	111,651	32,989	–	219,152
Consumer instalment and other personal	965	1,960	2,855	2,883	3,193	13,911	48,689	25,778	61,772	162,006
Credit card	–	–	–	–	–	–	–	–	33,664	33,664
Business and government	24,661	4,291	8,700	6,948	4,461	16,615	63,669	60,152	21,229	210,726
Total loans	26,886	13,005	23,145	18,172	15,083	69,664	224,009	118,919	116,665	625,548
Allowance for loan losses	–	–	–	–	–	–	–	–	(3,549)	(3,549)
Loans, net of allowance for loan losses	26,886	13,005	23,145	18,172	15,083	69,664	224,009	118,919	113,116	621,999
Customers' liability under acceptances	12,073	2,706	125	4	5	–	–	–	–	14,913
Investment in TD Ameritrade	–	–	–	–	–	–	–	–	7,904	7,904
Goodwill ²	–	–	–	–	–	–	–	–	16,169	16,169
Other intangibles ²	–	–	–	–	–	–	–	–	2,509	2,509
Land, buildings, equipment, and other depreciable assets ²	–	–	–	–	–	–	–	–	5,187	5,187
Deferred tax assets	–	–	–	–	–	–	–	–	2,661	2,661
Amounts receivable from brokers, dealers, and clients	15,826	–	–	–	–	–	–	–	–	15,826
Other assets	2,816	717	251	116	2,025	164	280	103	7,937	14,409
Total assets	\$ 213,775	\$ 59,408	\$ 42,546	\$ 33,252	\$ 29,496	\$ 117,452	\$ 358,015	\$ 226,107	\$ 203,785	\$ 1,283,836
Liabilities										
Trading deposits	\$ 15,198	\$ 27,383	\$ 27,334	\$ 19,234	\$ 9,564	\$ 658	\$ 2,932	\$ 1,090	\$ –	\$ 103,393
Derivatives	6,365	7,301	3,354	3,021	1,972	5,974	9,734	10,184	–	47,905
Securitization liabilities at fair value	–	701	–	797	194	1,884	6,331	2,333	–	12,240
Deposits ^{3,4}										
Personal	4,089	7,415	7,225	6,190	6,474	9,312	9,842	49	421,387	471,983
Banks	9,079	3,529	683	174	84	–	3	8	8,747	22,307
Business and government	22,940	20,798	10,206	8,486	4,102	13,141	46,325	12,741	196,772	335,511
Total deposits	36,108	31,742	18,114	14,850	10,660	22,453	56,170	12,798	626,906	829,801
Acceptances	12,094	2,706	125	4	5	–	–	–	–	14,934
Obligations related to securities sold short ¹	1,030	1,074	1,147	608	1,355	4,030	13,047	13,852	1,262	37,405
Obligations related to securities sold under repurchase agreements	89,588	6,180	209	63	38	63	36	–	–	96,177
Securitization liabilities at amortized cost	50	604	1,237	1,319	632	2,884	5,431	3,232	–	15,389
Amounts payable to brokers, dealers, and clients	17,835	–	–	–	–	–	–	–	–	17,835
Insurance-related liabilities	123	181	286	319	386	947	1,768	945	1,586	6,541
Other liabilities ⁵	2,453	863	1,240	1,786	492	2,876	2,144	126	5,943	17,923
Subordinated notes and debentures	–	–	–	–	–	–	–	7,631	–	7,631
Equity	–	–	–	–	–	–	–	–	76,662	76,662
Total liabilities and equity	\$ 180,844	\$ 78,735	\$ 53,046	\$ 42,001	\$ 25,298	\$ 41,769	\$ 97,593	\$ 52,191	\$ 712,359	\$ 1,283,836
Off-balance sheet commitments										
Credit and liquidity commitments ^{6,7}	\$ 17,317	\$ 20,683	\$ 14,664	\$ 12,480	\$ 11,393	\$ 21,809	\$ 93,165	\$ 3,342	\$ 2,426	\$ 197,279
Operating lease commitments	79	158	236	233	232	890	2,178	3,360	–	7,366
Other purchase obligations	54	75	102	191	97	338	556	4	–	1,417
Unconsolidated structured entity commitments	–	925	538	554	–	–	–	–	–	2,017
Total off-balance sheet commitments	\$ 17,450	\$ 21,841	\$ 15,540	\$ 13,458	\$ 11,722	\$ 23,037	\$ 95,899	\$ 6,706	\$ 2,426	\$ 208,079

¹ Amount has been recorded according to the remaining contractual maturity of the underlying security.² For the purposes of this table, non-financial assets have been recorded as having 'no specific maturity'.³ 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'.⁴ Includes \$30 billion of covered bonds with remaining contractual maturities of \$1 billion in 'over 1 to 2 years', \$23 billion in 'over 2 to 5 years', and \$6 billion in 'over 5 years'.⁵ Includes \$75 million of capital lease commitments with remaining contractual maturities of \$2 million in 'less than 1 month', \$5 million in '1 month to 3 months', \$7 million in '3 months to 6 months', \$7 million in '6 months to 9 months', \$7 million in '9 months to 1 year', \$20 million in 'over 1 to 2 years', \$20 million in 'over 2 to 5 years', and \$7 million in 'over 5 years'.⁶ Includes \$114 million in commitments to extend credit to private equity investments.⁷ 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 44: REMAINING CONTRACTUAL MATURITY (continued)¹

(millions of Canadian dollars)

	As at October 31, 2017									
	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
Assets										
Cash and due from banks	\$ 3,971	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 3,971
Interest-bearing deposits with banks	49,825	742	13	6	7	–	–	–	592	51,185
Trading loans, securities, and other ²	721	3,433	3,178	4,090	4,007	9,092	22,611	17,669	39,117	103,918
Derivatives	6,358	7,744	5,016	2,379	2,657	6,790	13,500	11,751	–	56,195
Financial assets designated at fair value through profit or loss	232	269	402	353	233	370	1,059	897	217	4,032
Available-for-sale securities	652	4,020	1,794	3,867	3,121	15,622	72,964	42,083	2,288	146,411
Held-to-maturity securities	83	824	2,709	2,583	1,874	12,805	22,697	27,788	–	71,363
Securities purchased under reverse repurchase agreements	84,880	33,930	11,433	3,068	1,086	24	8	–	–	134,429
Loans										
Residential mortgages	905	2,677	8,869	16,042	13,264	36,284	109,260	34,778	–	222,079
Consumer instalment and other personal	701	1,342	3,329	3,760	3,315	12,902	44,850	25,651	61,251	157,101
Credit card	–	–	–	–	–	–	–	–	33,007	33,007
Business and government	20,255	7,351	7,079	7,155	9,621	14,623	59,870	59,107	15,917	200,978
Debt securities classified as loans	–	15	–	2	16	31	248	2,897	–	3,209
Total loans	21,861	11,385	19,277	26,959	26,216	63,840	214,228	122,433	110,175	616,374
Allowance for loan losses	–	–	–	–	–	–	–	–	(3,783)	(3,783)
Loans, net of allowance for loan losses	21,861	11,385	19,277	26,959	26,216	63,840	214,228	122,433	106,392	612,591
Customers' liability under acceptances	14,822	2,372	96	5	2	–	–	–	–	17,297
Investment in TD Ameritrade	–	–	–	–	–	–	–	–	7,784	7,784
Goodwill ³	–	–	–	–	–	–	–	–	16,156	16,156
Other intangibles ³	–	–	–	–	–	–	–	–	2,618	2,618
Land, buildings, equipment, and other depreciable assets ³	–	–	–	–	–	–	–	–	5,313	5,313
Deferred tax assets	–	–	–	–	–	–	–	–	2,497	2,497
Amounts receivable from brokers, dealers, and clients	29,971	–	–	–	–	–	–	–	–	29,971
Other assets	2,393	600	1,052	104	99	138	298	140	8,440	13,264
Total assets	\$ 215,769	\$ 65,319	\$ 44,970	\$ 43,414	\$ 39,302	\$ 108,681	\$ 347,365	\$ 222,761	\$ 191,414	\$ 1,278,995
Liabilities										
Trading deposits	\$ 10,349	\$ 20,834	\$ 25,071	\$ 7,192	\$ 12,820	\$ 1,494	\$ 1,469	\$ 711	\$ –	\$ 79,940
Derivatives	5,307	7,230	4,587	2,200	1,981	6,868	11,111	11,930	–	51,214
Securitization liabilities at fair value	4	1,118	139	709	–	1,832	5,966	2,989	–	12,757
Deposits^{4,5}										
Personal	4,538	6,472	6,424	6,619	6,740	9,487	10,162	65	417,648	468,155
Banks	12,375	4,766	1,354	16	91	3	–	11	7,271	25,887
Business and government	23,899	18,868	15,492	4,488	6,392	15,783	43,465	14,555	195,840	338,782
Total deposits	40,812	30,106	23,270	11,123	13,223	25,273	53,627	14,631	620,759	832,824
Acceptances	14,822	2,372	96	5	2	–	–	–	–	17,297
Obligations related to securities sold short ²	1,348	3,003	770	624	765	3,948	11,677	11,921	1,426	35,482
Obligations related to securities sold under repurchase agreements	72,361	11,057	4,826	219	20	64	44	–	–	88,591
Securitization liabilities at amortized cost	48	668	1,062	708	1,264	3,060	6,287	2,979	–	16,076
Amounts payable to brokers, dealers, and clients	32,851	–	–	–	–	–	–	–	–	32,851
Insurance-related liabilities	123	182	294	338	417	926	1,738	1,097	1,660	6,775
Other liabilities ⁶	3,551	2,352	1,826	255	1,290	2,934	1,557	814	5,891	20,470
Subordinated notes and debentures	–	–	–	–	–	–	–	9,528	–	9,528
Equity	–	–	–	–	–	–	–	–	75,190	75,190
Total liabilities and equity	\$ 181,576	\$ 78,922	\$ 61,941	\$ 23,373	\$ 31,782	\$ 46,399	\$ 93,476	\$ 56,600	\$ 704,926	\$ 1,278,995
Off-balance sheet commitments										
Credit and liquidity commitments ^{7,8}	\$ 19,208	\$ 15,961	\$ 14,402	\$ 10,536	\$ 7,934	\$ 22,423	\$ 85,183	\$ 3,228	\$ 2,325	\$ 181,200
Operating lease commitments	79	158	236	234	232	881	2,115	3,505	–	7,440
Other purchase obligations	24	102	79	59	52	224	318	–	–	858
Unconsolidated structured entity commitments	696	494	228	344	408	724	–	–	–	2,894
Total off-balance sheet commitments	\$ 20,007	\$ 16,715	\$ 14,945	\$ 11,173	\$ 8,626	\$ 24,252	\$ 87,616	\$ 6,733	\$ 2,325	\$ 192,392

¹ Certain comparative amounts have been restated to conform with the presentation adopted in the current period.² Amount has been recorded according to the remaining contractual maturity of the underlying security.³ For the purposes of this table, non-financial assets have been recorded as having 'no specific maturity'.⁴ 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'.⁵ Includes \$29 billion of covered bonds with remaining contractual maturities of \$2 billion in 'over 1 to 2 years', \$19 billion in 'over 2 to 5 years', and \$8 billion in 'over 5 years'.⁶ Includes \$89 million of capital lease commitments with remaining contractual maturities of \$2 million in 'less than 1 month', \$5 million in '1 month to 3 months', \$7 million in '3 months to 6 months', \$7 million in '6 months to 9 months', \$7 million in '9 months to 1 year', \$26 million in 'over 1 to 2 years', \$25 million in 'over 2 to 5 years', and \$10 million in 'over 5 years'.⁷ Includes \$123 million in commitments to extend credit to private equity investments.⁸ 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.

SECURITIZATION AND OFF-BALANCE SHEET ARRANGEMENTS

The Bank enters into securitization and off-balance sheet arrangements in the normal course of operations. The Bank is involved with structured entities that it sponsors, as well as entities sponsored by third-parties. Refer to "Securitization and Off-Balance Sheet Arrangements" section, Note 9: Transfer of Financial Assets and Note 10: Structured Entities of the Bank's 2017 Annual Report for further details. There have been no significant changes to the Bank's securitization and off-balance sheet arrangements during the quarter ended April 30, 2018.

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.

Residential Mortgage Loans

The Bank securitizes residential mortgage loans through significant unconsolidated special purpose entities (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.

Consumer Instalment and Other Personal Loans

The Bank securitizes consumer instalment and other personal loans through a consolidated SPE. The Bank consolidates the SPE as it serves as a financing vehicle 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 SPE.

Credit Card Loans

The Bank securitizes credit card loans through a SPE. The Bank consolidates the SPE as it serves as a financing vehicle 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 SPE.

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 ECLs on the retained interests of the securitized business and government loans as the mortgages are all government insured.

Securitization of Third Party-Originated Assets

Significant Unconsolidated 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 \$12.1 billion as at April 30, 2018 (October 31, 2017 – \$13.2 billion). Further, as at April 30, 2018, the Bank had committed to provide an additional \$2 billion in liquidity facilities that can be used to support future asset-backed commercial paper (ABCP) in the purchase of deal-specific assets (October 31, 2017 – \$2.9 billion).

All third-party assets securitized by the Bank's unconsolidated multi-seller conduits were originated in Canada and sold to Canadian securitization structures.

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 \$2.5 billion as at April 30, 2018 (October 31, 2017 – \$1.5 billion). The assets within these conduits are comprised of individual notes backed by automotive loan receivables, credit card receivables, equipment receivables and trade receivables. As at April 30, 2018, 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.

ACCOUNTING POLICIES AND ESTIMATES

The Bank's unaudited Interim Consolidated Financial Statements have been prepared in accordance with IFRS. For details of the Bank's accounting policies under IFRS, refer to Note 2 of the Bank's second quarter 2018 Interim Consolidated Financial Statements and the 2017 Annual Consolidated Financial Statements. For details of the Bank's significant accounting judgments, estimates, and assumptions under IFRS, refer to Note 3 of the Bank's second quarter 2018 Interim Consolidated Financial Statements and the 2017 Annual Consolidated Financial Statements.

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 Interim Consolidated Financial Statements. The Bank is currently assessing the impact of the application of these standards on the Interim Consolidated Financial Statements and will adopt these standards when they become effective.

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. 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. 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 plans to apply the standard on a modified retrospective basis, recognizing the cumulative effect of initially applying the standard as an

adjustment to the opening balance of retained earnings as of November 1, 2018. The Bank is continuing to assess the impact of the new standard on its financial statements, including the presentation of certain revenue and expense items, the timing and measurement of revenue recognition, as well as additional qualitative and quantitative disclosures. The Bank does not currently expect a significant impact as a result of adopting the new standard.

Leases

In January 2016, the IASB issued IFRS 16, *Leases* (IFRS 16), which will replace IAS 17, *Leases* (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 this standard.

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. The Bank plans to apply the amendments prospectively. These amendments will not impact the Bank.

Insurance Contracts

In May 2017, the IASB issued IFRS 17, *Insurance Contracts* (IFRS 17), which replaces the guidance in IFRS 4, *Insurance Contracts* and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. IFRS 17 will be effective for the Bank's annual period beginning November 1, 2021. The Bank is currently assessing the impact of adopting this standard.

Conceptual Framework for Financial Reporting

In March 2018, the IASB issued the revised Conceptual Framework for Financial Reporting (Revised Conceptual Framework), which provides a set of concepts to assist the IASB in developing standards and to help preparers consistently apply accounting policies where specific accounting standards do not exist. The framework is not an accounting standard and does not override the requirements that exist in other IFRS standards. The Revised Conceptual Framework describes that financial information must be relevant and faithfully represented to be useful, provides revised definitions and recognition criteria for assets and liabilities, and confirms that different measurement bases are useful and permitted. The Revised Conceptual Framework is effective for annual periods beginning on or after January 1, 2020, which will be November 1, 2020 for the Bank, with early adoption permitted. The Bank is currently assessing the impact of adopting the revised framework.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the most recent interim period, 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. The Bank adopted IFRS 9, *Financial Instruments*, effective November 1, 2017, and has updated and modified certain internal controls over financial reporting as a result of the new accounting standard. Refer to Note 2 and Note 3 of the Interim Consolidated Financial Statements for further information regarding the Bank's changes to accounting policies, procedures, and estimates.