



TD Bank Group Reports First Quarter 2018 Results

Report to Shareholders • Three months ended January 31, 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.

FIRST QUARTER FINANCIAL HIGHLIGHTS, compared with the first quarter last year:

- Reported diluted earnings per share were \$1.24, compared with \$1.32.
- Adjusted diluted earnings per share were \$1.56, compared with \$1.33.
- Reported net income was \$2,353 million, compared with \$2,533 million.
- Adjusted net income was \$2,946 million, compared with \$2,558 million.

FIRST QUARTER ADJUSTMENTS (ITEMS OF NOTE)

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

- Amortization of intangibles of \$85 million (\$68 million after tax or 4 cents per share), compared with \$80 million (\$59 million after tax or 3 cents per share) in the first quarter last year.
- Charges associated with the Scottrade transaction of \$73 million (\$72 million after tax or 4 cents per share).
- Net write-down of investments of \$48 million and tax charges of \$405 million related to U.S. tax reform (\$453 million after tax or 24 cents per share).

TORONTO, March 1, 2018 – TD Bank Group ("TD" or the "Bank") today announced its financial results for the first quarter ended January 31, 2018. First quarter reported earnings were \$2.4 billion, down 7% primarily due to a one-time impact as a result of U.S. tax reform. Adjusted earnings were \$2.9 billion, up 15% compared with the same quarter last year, reflecting growth across all business segments.

"Our businesses continued to deliver good revenue growth this quarter and we further accelerated our innovation agenda by investing in capabilities to make the Bank successful well into the future," said Bharat Masrani, Group President and Chief Executive Officer.

The Bank also announced a dividend increase of seven cents per common share for the quarter ending in April, an increase of 11.7%.

Canadian Retail

Canadian Retail net income was \$1,757 million, an increase of 12% compared with the same quarter last year. Revenue growth was 7% reflecting continued loan and deposit volume growth as well as strong client trading levels and net asset accumulation in our wealth business. We continued to make progress extending our legendary service levels into the digital channel, introducing a tool to personalize new account openings and attaining the leading market share in e-transfers.

U.S. Retail

U.S. Retail reported net income was \$952 million (US\$751 million) and adjusted net income was \$1,024 million (US\$809 million), an increase of 19% (25% in U.S. dollars) on a reported basis and 28% (35% in U.S. dollars) on an adjusted basis, compared with the first quarter last year.

The U.S. Retail Bank, which excludes the Bank's investment in TD Ameritrade, reported net income of \$846 million (US\$669 million) and adjusted net income of \$850 million (US\$672 million), an increase of 23% (29% in U.S. dollars) on a reported basis and 23% (30% in U.S. dollars) on an adjusted basis, compared with the first quarter last year. Earnings reflect loan and deposit volume growth, higher margins and a lower corporate income tax rate.

TD Ameritrade contributed \$106 million (US\$82 million) in reported earnings to the segment and \$174 million (US\$137 million) in adjusted earnings.

Wholesale Banking

Wholesale Banking net income was \$278 million, an increase of 4% compared with the first quarter last year, reflecting revenue growth from corporate lending, partially offset by lower equity underwriting activity. Wholesale Banking continues to invest in client-facing employees to support the global rollout of its U.S. dollar strategy.

Capital

TD's Common Equity Tier 1 Capital ratio on a Basel III fully phased-in basis was 10.6%, compared to 10.7% last quarter.

Conclusion

"We are pleased with our results this quarter," said Masrani. "All of our businesses are performing well and the operating environment remains favourable. While there are risks on the horizon, if these positive conditions persist, adjusted earnings growth for the full year may exceed our medium-term targets. Looking ahead, we remain focused on operational excellence and delivering legendary customer experiences to help those we serve feel confident about their financial future."

The foregoing contains forward-looking statements. Please refer to the "Caution Regarding Forward-Looking Statements" on page 3.

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 first 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 first 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 First Quarter 2018 | SFI First Quarter 2018 | SRCD First 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. | 25, 39 | | | 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. | 30 | | | 58, 76, 84, 101 |
| Capital Adequacy and Risk Weighted Assets | 9 | Pillar 1 capital requirements and the impact for global systemically important banks. | 23-25, 78 | | 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. | 30 | | 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. | 26-27 | | | 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. | 32-34, 36-37 | | | 91-93 |
| Funding | 19 | Encumbered and unencumbered assets in a table by balance sheet category. | 35 | | | 94, 190 |
| | 20 | Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity at the balance sheet date. | 39-41 | | | 98-100 |
| | 21 | Discussion of the bank's funding sources and the bank's funding strategy. | 35-36, 38-39 | | | 97-98 |
| Market Risk | 22 | Linkage of market risk measures for trading and non-trading portfolio and balance sheet. | 29 | | | 82 |
| | 23 | Breakdown of significant trading and non-trading market risk factors. | 29-32 | | | 82, 84-87 |
| | 24 | Significant market risk measurement model limitations and validation procedures. | 30 | | | 83-87, 89-90 |
| | 25 | Primary risk management techniques beyond reported risk measures and parameters. | 30 | | | 83-87 |
| Credit Risk | 26 | Provide information that facilitates users' understanding of the bank's credit risk profile, including any significant credit risk concentrations. | 19-22, 64-70 | 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. | 51-52, 56-57, 69 | | | 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. | 19, 67-69 | 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. | 76 | | | 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 months ended January 31, 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 February 28, 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 | | |
|--|-------------------------------------|--------------------|--------------------|
| | January 31 2018 | October 31 2017 | January 31 2017 |
| Results of operations | | | |
| Total revenue | \$ 9,360 | \$ 9,270 | \$ 9,120 |
| Provision for credit losses ¹ | 693 | 578 | 633 |
| Insurance claims and related expenses | 575 | 615 | 574 |
| Non-interest expenses | 4,846 | 4,828 | 4,897 |
| Net income – reported | 2,353 | 2,712 | 2,533 |
| Net income – adjusted ² | 2,946 | 2,603 | 2,558 |
| Financial position (billions of Canadian dollars) | | | |
| Total loans net of allowance for loan losses | \$ 607.1 | \$ 612.6 | \$ 584.7 |
| Total assets | 1,261.3 | 1,279.0 | 1,186.9 |
| Total deposits | 813.4 | 832.8 | 774.5 |
| Total equity | 73.2 | 75.2 | 73.3 |
| Total Common Equity Tier 1 Capital risk-weighted assets ³ | 441.3 | 435.8 | 402.2 |
| Financial ratios | | | |
| Return on common equity – reported | 13.2 % | 15.4 % | 14.4 % |
| Return on common equity – adjusted ⁴ | 16.6 | 14.7 | 14.5 |
| Efficiency ratio – reported | 51.8 | 52.1 | 53.7 |
| Efficiency ratio – adjusted ² | 50.6 | 52.3 | 53.2 |
| Provision for credit losses as a % of net average loans and acceptances ⁵ | 0.45 | 0.39 | 0.42 |
| Common share information – reported (dollars) | | | |
| Per share earnings | | | |
| Basic | \$ 1.24 | \$ 1.42 | \$ 1.32 |
| Diluted | 1.24 | 1.42 | 1.32 |
| Dividends per share | 0.60 | 0.60 | 0.55 |
| Book value per share | 36.58 | 37.76 | 36.25 |
| Closing share price ⁶ | 74.82 | 73.34 | 67.41 |
| Shares outstanding (millions) | | | |
| Average basic | 1,841.7 | 1,845.8 | 1,855.8 |
| Average diluted | 1,846.2 | 1,849.9 | 1,860.3 |
| End of period | 1,843.7 | 1,839.6 | 1,856.4 |
| Market capitalization (billions of Canadian dollars) | \$ 137.9 | \$ 134.9 | \$ 125.1 |
| Dividend yield ⁷ | 3.3 % | 3.5 % | 3.4 % |
| Dividend payout ratio | 48.3 | 42.1 | 41.6 |
| Price-earnings ratio | 13.8 | 13.3 | 14.0 |
| Total shareholder return (1 year) ⁸ | 14.9 | 24.8 | 31.7 |
| Common share information – adjusted (dollars) ² | | | |
| Per share earnings | | | |
| Basic | \$ 1.56 | \$ 1.36 | \$ 1.34 |
| Diluted | 1.56 | 1.36 | 1.33 |
| Dividend payout ratio | 38.3 % | 43.9 % | 41.2 % |
| Price-earnings ratio | 13.0 | 13.2 | 13.4 |
| Capital ratios | | | |
| Common Equity Tier 1 Capital ratio ³ | 10.6 % | 10.7 % | 10.9 % |
| Tier 1 Capital ratio ³ | 12.1 | 12.3 | 12.6 |
| Total Capital ratio ³ | 14.2 | 14.9 | 15.1 |
| Leverage ratio | 4.0 | 3.9 | 4.0 |

¹ Amounts for the three months ended January 31, 2018 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%. As the Bank is constrained by the Basel I regulatory floor, the RWA as it relates to the regulatory floor is 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 Dividend yield is calculated as the annualized dividend per common share paid during the quarter divided by daily average closing stock price during the quarter.

⁸ 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 January 31, 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 has resulted in a one-time adjustment 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 of \$453 million (US\$365 million). This one-time impact has also reduced the Bank's CET1 ratio by approximately 12 basis points (bps).

The lower corporate tax rate had and will have a positive effect on TD's first quarter 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 | | |
|--|----------------------------|--------------------|--------------------|
| | January 31 2018 | October 31 2017 | January 31 2017 |
| Net interest income | \$ 5,430 | \$ 5,330 | \$ 5,141 |
| Non-interest income | 3,930 | 3,940 | 3,979 |
| Total revenue | 9,360 | 9,270 | 9,120 |
| Provision for credit losses | 693 | 578 | 633 |
| Insurance claims and related expenses | 575 | 615 | 574 |
| Non-interest expenses | 4,846 | 4,828 | 4,897 |
| Income before income taxes and equity in net income of an investment in TD Ameritrade | 3,246 | 3,249 | 3,016 |
| Provision for income taxes | 1,040 | 640 | 596 |
| Equity in net income of an investment in TD Ameritrade | 147 | 103 | 113 |
| Net income – reported | 2,353 | 2,712 | 2,533 |
| Preferred dividends | 52 | 50 | 48 |
| Net income available to common shareholders and non-controlling interests in subsidiaries | \$ 2,301 | \$ 2,662 | \$ 2,485 |
| Attributable to: | | | |
| Common shareholders | \$ 2,283 | \$ 2,627 | \$ 2,456 |
| Non-controlling interests | 18 | 35 | 29 |

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)

| | <i>For the three months ended</i> | | |
|---|-----------------------------------|--------------------|--------------------|
| | January 31 2018 | October 31 2017 | January 31 2017 |
| Operating results – adjusted | | | |
| Net interest income | \$ 5,430 | \$ 5,330 | \$ 5,141 |
| Non-interest income ¹ | 4,019 | 3,736 | 3,938 |
| Total revenue | 9,449 | 9,066 | 9,079 |
| Provision for credit losses | 693 | 578 | 633 |
| Insurance claims and related expenses | 575 | 615 | 574 |
| Non-interest expenses ² | 4,778 | 4,739 | 4,833 |
| Income before income taxes and equity in net income of an investment in TD Ameritrade | 3,403 | 3,134 | 3,039 |
| Provision for income taxes | 653 | 669 | 610 |
| Equity in net income of an investment in TD Ameritrade ³ | 196 | 138 | 129 |
| Net income – adjusted | 2,946 | 2,603 | 2,558 |
| Preferred dividends | 52 | 50 | 48 |
| Net income available to common shareholders and non-controlling interests in subsidiaries – adjusted | 2,894 | 2,553 | 2,510 |
| Attributable to: | | | |
| Non-controlling interests in subsidiaries, net of income taxes | 18 | 35 | 29 |
| Net income available to common shareholders – adjusted | 2,876 | 2,518 | 2,481 |
| Pre-tax adjustments of items of note | | | |
| Amortization of intangibles ⁴ | (85) | (78) | (80) |
| Charges associated with the Scottrade transaction ⁵ | (73) | (46) | – |
| Impact from U.S. tax reform ⁶ | (48) | – | – |
| Dilution gain on the Scottrade transaction ⁷ | – | 204 | – |
| Fair value of derivatives hedging the reclassified available-for-sale securities portfolio ⁸ | – | – | 41 |
| Provision for (recovery of) income taxes for items of note | | | |
| Amortization of intangibles ⁹ | (17) | (19) | (21) |
| Charges associated with the Scottrade transaction | (1) | (10) | – |
| Impact from U.S. tax reform | 405 | – | – |
| Dilution gain on the Scottrade transaction | – | – | – |
| Fair value of derivatives hedging the reclassified available-for-sale securities portfolio | – | – | 7 |
| Total adjustments for items of note | (593) | 109 | (25) |
| Net income available to common shareholders – reported | \$ 2,283 | \$ 2,627 | \$ 2,456 |

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. Dilution gain on Scottrade transaction, as explained in footnote 7 – fourth quarter 2017 – \$204 million. Gain on fair value of derivatives hedging the reclassified available-for-sale (AFS) securities portfolio, as explained in footnote 8 – 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 – first quarter 2018 – \$63 million, fourth 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 – first quarter 2018 – \$5 million, fourth quarter 2017 – \$26 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 – first quarter 2018 – \$22 million, fourth 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 were 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 – first quarter 2018 – \$68 million; fourth quarter 2017 – \$20 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. 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 the following: charges associated with the Bank's acquisition of Scottrade Bank in the first quarter 2018 – \$5 million (\$4 million after tax) and fourth quarter 2017 – \$26 million (\$16 million after tax) and the Bank's share of charges associated with TD Ameritrade's acquisition of Scottrade in the first quarter 2018 – \$68 million after tax and fourth quarter 2017 – \$20 million after tax. 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 has resulted in a one-time net charge to earnings 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 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 (together with the Bank's acquisition of Scottrade Bank and TD Ameritrade acquisition of Scottrade, the "Scottrade transaction"). 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.

⁸ The Bank changed its trading strategy with respect to certain trading debt securities and reclassified these securities from trading to the available-for-sale category effective August 1, 2008. These debt securities are economically hedged, primarily with credit default swap (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.

⁹ The amount reported in the first quarter of 2018 excludes \$31 million relating to the one-time adjustment of associated deferred tax liability balances as a result of the U.S. Tax Act. The impact of this adjustment is included in the Impact from U.S. tax reform item of note.

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

(Canadian dollars)

| | For the three months ended | | |
|--|----------------------------|--------------------|--------------------|
| | January 31 2018 | October 31 2017 | January 31 2017 |
| Basic earnings per share – reported | \$ 1.24 | \$ 1.42 | \$ 1.32 |
| Adjustments for items of note ² | 0.32 | (0.06) | 0.02 |
| Basic earnings per share – adjusted | \$ 1.56 | \$ 1.36 | \$ 1.34 |
| Diluted earnings per share – reported | \$ 1.24 | \$ 1.42 | \$ 1.32 |
| Adjustments for items of note ² | 0.32 | (0.06) | 0.01 |
| Diluted earnings per share – adjusted | \$ 1.56 | \$ 1.36 | \$ 1.33 |

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 | | |
|--|----------------------------|--------------------|--------------------|
| | January 31 2018 | October 31 2017 | January 31 2017 |
| TD Bank, National Association (TD Bank, N.A.) | \$ 22 | \$ 20 | \$ 25 |
| TD Ameritrade Holding Corporation (TD Ameritrade) ³ | 22 | 15 | 16 |
| MBNA Canada | 15 | 15 | 9 |
| Aeroplan | 4 | 4 | 5 |
| Other | 5 | 5 | 4 |
| | 68 | 59 | 59 |
| Software and asset servicing rights | 105 | 96 | 82 |
| Amortization of intangibles, net of income taxes | \$ 173 | \$ 155 | \$ 141 |

¹ The amount reported in the first quarter of 2018 excludes \$31 million relating to the one-time adjustment of associated deferred tax liability balances as a result of the U.S. Tax Act. The impact of this adjustment is included in the Impact from U.S. tax reform item of note.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 | | |
|---|----------------------------|--------------------|--------------------|
| | January 31 2018 | October 31 2017 | January 31 2017 |
| Average common equity | \$ 68,614 | \$ 67,859 | \$ 67,697 |
| Net income available to common shareholders – reported | 2,283 | 2,627 | 2,456 |
| Items of note, net of income taxes ¹ | 593 | (109) | 25 |
| Net income available to common shareholders – adjusted | 2,876 | 2,518 | 2,481 |
| Return on common equity – reported | 13.2 % | 15.4 % | 14.4 % |
| Return on common equity – adjusted | 16.6 | 14.7 | 14.5 |

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 first 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 three months ended January 31, 2018, increased 17% 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 three months ended January 31, 2018, was 16.6%.
- For the twelve months ended January 31, 2018, the total shareholder return was 14.9% compared to the Canadian peer¹ average of 12.0%.

Net Income

Quarterly comparison – Q1 2018 vs. Q1 2017

Reported net income for the quarter was \$2,353 million, a decrease of \$180 million, or 7%, compared with the first quarter last year. The decrease reflects the impact of U.S. tax reform in the current quarter and a higher provision for credit losses, now reflecting the Bank's adoption of IFRS 9, partially offset by higher pre-provision earnings. Adjusted net income for the quarter was \$2,946 million, an increase of \$388 million, or 15%.

¹ Canadian peers include Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, and The Bank of Nova Scotia.

By segment, the decrease in reported net income was due to a higher net loss in the Corporate segment of \$534 million, partially offset by an increase in Canadian Retail of \$191 million, or 12%, an increase in U.S. Retail of \$152 million, or 19%, and an increase in Wholesale Banking of \$11 million, or 4%.

Quarterly comparison – Q1 2018 vs. Q4 2017

Reported net income for the quarter decreased \$359 million, or 13%, compared with the prior quarter. The decrease reflects the impact of U.S. tax reform in the current quarter, the dilution gain on the Scottrade transaction in the prior quarter, a higher provision for credit losses, now reflecting the Bank's adoption of IFRS 9, and higher non-interest expenses, partially offset by higher pre-provision earnings. Adjusted net income for the quarter increased \$343 million, or 13%.

By segment, the decrease in reported net income was due to a higher net loss in the Corporate segment of \$675 million, partially offset by an increase in U.S. Retail of \$176 million, or 23%, an increase in Canadian Retail of \$93 million, or 6%, and an increase in Wholesale Banking of \$47 million, or 20%.

Net Interest Income

Quarterly comparison – Q1 2018 vs. Q1 2017

Net interest income for the quarter was \$5,430 million, an increase of \$289 million, or 6%, compared with the first quarter last year. The increase reflects loan and deposit volume growth, higher margins in both the Canadian and U.S. Retail segments, and the benefit of the Scottrade transaction, partially offset by the impact of foreign exchange translation.

By segment, the increase in net interest income was due to an increase in Canadian Retail of \$212 million, or 8%, an increase in U.S. Retail of \$101 million, or 5%, and an increase in the Corporate segment of \$40 million, or 14%, partially offset by a decrease in Wholesale Banking of \$64 million, or 16%.

Quarterly comparison – Q1 2018 vs. Q4 2017

Net interest income for the quarter increased \$100 million, or 2%, compared with the prior quarter primarily due to loan and deposit volume growth, higher margins in both the Canadian and U.S. Retail segments, and an increase in trading-related revenue in Wholesale Banking.

By segment, the increase in net interest income was due to an increase in U.S. Retail of \$68 million, or 4%, an increase in Canadian Retail of \$52 million, or 2%, and an increase in Wholesale Banking of \$52 million, or 19%, partially offset by a decrease in the Corporate segment of \$72 million, or 18%.

Non-Interest Income

Quarterly comparison – Q1 2018 vs. Q1 2017

Reported non-interest income for the quarter was \$3,930 million, a decrease of \$49 million, compared with the first quarter last year. The decrease reflects the write-down of certain tax-credit related investments in the current quarter due to U.S. tax reform, a gain on fair value of derivatives hedging the reclassified available-for-sale securities portfolio in the prior year, and the impact of foreign currency translation, partially offset by higher fee-based revenue in the Canadian and U.S. Retail segments, higher corporate lending in Wholesale Banking, and an increase in the fair value of investments supporting claims liabilities, which resulted in a similar increase in claims and related expenses. Adjusted non-interest income for the quarter was \$4,019 million, an increase of \$81 million, or 2%.

By segment, the decrease in reported non-interest income was due to a decrease in the Corporate segment of \$282 million, partially offset by an increase in Canadian Retail of \$135 million, or 5%, an increase in Wholesale Banking of \$82 million, or 18%, and an increase in U.S. Retail of \$16 million, or 2%.

Quarterly comparison – Q1 2018 vs. Q4 2017

Reported non-interest income for the quarter decreased \$10 million, compared with the prior quarter. The decrease reflects the dilution gain on the Scottrade transaction in the prior quarter, and the write-down of certain tax-credit related investments in the current quarter due to U.S. tax reform, partially offset by higher trading-related revenue in Wholesale Banking and higher fee-based revenue in the Canadian and U.S. Retail segments. Adjusted non-interest income for the quarter increased \$283 million, or 8%.

By segment, the decrease in reported non-interest income was due to a decrease in the Corporate segment of \$273 million, partially offset by an increase in Wholesale Banking of \$129 million, or 31%, an increase in Canadian Retail of \$100 million, or 4%, and an increase in U.S. Retail of \$34 million, or 5%.

Provision for Credit Losses

Quarterly comparison – Q1 2018 vs. Q1 2017

PCL for the quarter was \$693 million, an increase of \$60 million, or 9%, compared with the first quarter last year. PCL for the current quarter reflects IFRS 9 methodology which replaces the guidance in IAS 39. PCL – impaired for the quarter was \$557 million, an increase of \$55 million, or 11%. The increase reflects volume growth, seasoning and mix in the U.S. credit card and U.S. indirect auto portfolios, and a prior year recovery in the Wholesale portfolio, partially offset by reduced impaired losses in the Canadian indirect auto portfolio due to a change in policy regarding loss recognition timing. PCL – performing for the quarter was \$136 million, an increase of \$5 million, or 4%. The increase reflects Stage 2 migration and the impact of forward-looking macroeconomic assumptions under the expected credit loss methodology, and volume growth, partially offset by a higher U.S. commercial allowance increase in the prior year. Total PCL as an annualized percentage of credit volume was 0.44%.

By segment, the increase in PCL was due to an increase in the Corporate segment of \$52 million, or 40% (largely reflecting PCL for the U.S. strategic card portfolio, which is offset in Corporate segment non-interest expenses), a lower recovery in Wholesale Banking of \$17 million, and an increase in Canadian Retail of \$1 million, partially offset by a decrease in U.S. Retail of \$10 million, or 4%.

Quarterly comparison – Q1 2018 vs. Q4 2017

PCL for the quarter increased \$115 million, or 20%, compared with the prior quarter. PCL for the current quarter reflects IFRS 9 methodology, which replaces the guidance in IAS 39. PCL – impaired for the quarter was \$557 million, an increase of \$10 million, or 2%. The increase reflects seasonal trends in the U.S. credit card portfolio, partially offset by a change in policy regarding the timing of loss recognition in the Canadian indirect auto portfolio, and lower provisions in the U.S. commercial portfolios. PCL – performing for the quarter was \$136 million, an increase of \$105 million, reflecting seasonal trends in the U.S. credit card and U.S. indirect auto portfolios, elevated by balances migrating to Stage 2 where they are measured based on lifetime expected credit loss, and the impact of forward-looking macroeconomic assumptions under the expected credit loss methodology. The increase is partially offset by a net recovery in the Wholesale segment reflective of credit risk improvement. Total PCL as an annualized percentage of credit volume was 0.44%.

By segment, the increase in PCL was due to an increase in the Corporate segment of \$52 million, or 40% (largely reflecting PCL for the U.S. strategic card portfolio, which is offset in Corporate segment non-interest expenses), an increase in U.S. Retail of \$44 million, or 22%, and an increase in Canadian Retail of \$26 million, or 11%, partially offset by a recovery in Wholesale Banking of \$7 million.

| TABLE 7: PROVISION FOR CREDIT LOSSES UNDER IFRS 9 (millions of Canadian dollars) | For the three months ended | |
|---|----------------------------|------------|
| | January 31 2018 | |
| Provision for credit losses – Stage 3 (impaired) | | |
| Canadian Retail | \$ | 237 |
| U.S. Retail | | 187 |
| Wholesale Banking | | – |
| Corporate ¹ | | 133 |
| Total provision for credit losses – Stage 3 | | 557 |
| Provision for credit losses – Stage 1 and Stage 2 (performing)² | | |
| Canadian Retail | | 33 |
| U.S. Retail | | 60 |
| Wholesale Banking | | (7) |
| Corporate ¹ | | 50 |
| Total provision for credit losses – Stage 1 and Stage 2 | | 136 |
| Provision for credit losses – reported | \$ | 693 |

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 | |
|--|----------------------------|--------------------|
| | October 31 2017 | January 31 2017 |
| Provision for credit losses – counterparty-specific and individually insignificant | | |
| Counterparty-specific | \$ 23 | \$ (10) |
| Individually insignificant | 665 | 676 |
| Recoveries | (141) | (164) |
| Total provision for credit losses for counterparty-specific and individually insignificant | 547 | 502 |
| Provision for credit losses – incurred but not identified | | |
| Canadian Retail and Wholesale Banking ¹ | – | – |
| U.S. Retail | 4 | 102 |
| Corporate ² | 27 | 29 |
| Total provision for credit losses – incurred but not identified | 31 | 131 |
| Provision for credit losses – reported | \$ 578 | \$ 633 |

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 – Q1 2018 vs. Q1 2017

Insurance claims and related expenses for the quarter were \$575 million, an increase of \$1 million, compared with the first quarter last year, reflecting higher current year claims and changes in the fair value of investments supporting claims liabilities which resulted in a similar increase to non-interest income, partially offset by more favourable prior years' claims development.

Quarterly comparison – Q1 2018 vs. Q4 2017

Insurance claims and related expenses for the quarter decreased \$40 million, or 7%, compared with the prior quarter, reflecting lower current year claims and changes in the fair value of investments supporting claims liabilities which resulted in a similar decrease to non-interest income, partially offset by less favourable prior years' claims development.

Non-Interest Expenses and Efficiency Ratio

Quarterly comparison – Q1 2018 vs. Q1 2017

Reported non-interest expenses were \$4,846 million, a decrease of \$51 million, or 1%, compared with the first quarter last year primarily due to a revaluation of certain liabilities for post-retirement benefits, and productivity savings, partially offset by volume related expenses including variable compensation, higher restructuring costs, and investments in business initiatives. Adjusted non-interest expenses were \$4,778 million, a decrease of \$55 million, or 1%.

By segment, the decrease in reported non-interest expenses was due to a decrease in the Corporate segment of \$137 million, or 19%, and a decrease in Wholesale Banking of \$13 million, or 2%, partially offset by an increase in Canadian Retail of \$86 million, or 4%, and an increase in U.S. Retail of \$13 million, or 1%.

The Bank's reported efficiency ratio was 51.8%, compared with 53.7% in the first quarter last year. The Bank's adjusted efficiency ratio was 50.6%, compared with 53.2% in the first quarter last year.

Quarterly comparison – Q1 2018 vs. Q4 2017

Reported non-interest expenses for the quarter increased \$18 million, compared with the prior quarter primarily reflecting higher volume related expenses including variable compensation, and higher restructuring costs, partially offset by higher seasonal charges in the prior quarter and the revaluation of certain liabilities for post-retirement benefits. Adjusted non-interest expenses decreased \$40 million, or 1%.

By segment, the increase in reported non-interest expenses was due to an increase in Wholesale Banking of \$91 million, or 22%, and an increase in Canadian Retail of \$39 million, or 2%, partially offset by a decrease in U.S. Retail of \$82 million, or 5%, and a decrease in the Corporate segment of \$30 million, or 5%.

The Bank's reported efficiency ratio was 51.8%, compared with 52.1% in the prior quarter. The Bank's adjusted efficiency ratio was 50.6%, compared with 52.3% in the prior quarter.

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 32.0% for the first quarter, compared with 19.8% in the first quarter last year and 19.7% in the prior quarter. The year-over-year increase was largely due to the one-time tax adjustments associated with the remeasurement of the Bank's U.S. deferred tax assets and liabilities to the lower base rate of 21% enacted by the U.S. Tax Act, partially offset by the lower U.S. federal corporate tax rate. The quarter-over-quarter increase was mainly due to the one-time adjustments associated with the remeasurement of the Bank's U.S. deferred tax assets and liabilities and the tax impact in the prior quarter from a non-taxable dilution gain on the Scottrade transaction, partially offset by the lower U.S. federal corporate tax rate and higher tax-exempt dividend income in the current quarter.

TABLE 9: INCOME TAXES

(millions of Canadian dollars, except as noted)

| | January 31 2018 | | For the three months ended | | | |
|--|--------------------|---------------|----------------------------|---------------|--------------------|---------------|
| | | | October 31 2017 | | January 31 2017 | |
| Income taxes at Canadian statutory income tax rate | \$ 861 | 26.5 % | \$ 860 | 26.5 % | \$ 798 | 26.5 % |
| Increase (decrease) resulting from: | | | | | | |
| Dividends received | (80) | (2.5) | (26) | (0.8) | (87) | (2.9) |
| Rate differentials on international operations | 254 | 7.8 | (189) | (5.8) | (129) | (4.3) |
| Other | 5 | 0.2 | (5) | (0.2) | 14 | 0.5 |
| Provision for income taxes and effective income tax rate – reported | \$ 1,040 | 32.0 % | \$ 640 | 19.7 % | \$ 596 | 19.8 % |
| Total adjustments for items of note¹ | (387) | | 29 | | 14 | |
| Provision for income taxes and effective income tax rate – adjusted^{2,3} | \$ 653 | 19.2 % | \$ 669 | 21.3 % | \$ 610 | 20.1 % |

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 19.2% for the quarter, lower than 20.1% in the first quarter last year and 21.3% in the prior quarter. The year-over-year decrease was largely due to the lower U.S. federal corporate tax rate enacted by the U.S. Tax Act. The quarter-over-quarter decrease was largely due to the lower U.S. federal corporate tax rate enacted by the U.S. Tax Act and higher tax-exempt dividend income.

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 months ended January 31, 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)

| | For the three months ended | |
|---|---|-------------|
| | January 31, 2018 vs. January 31, 2017 Increase (Decrease) | |
| U.S. Retail Bank | | |
| Total revenue | \$ | (139) |
| Non-interest expenses – reported | | (76) |
| Non-interest expenses – adjusted | | (76) |
| Net income – reported, after tax | | (44) |
| Net income – adjusted, after tax | | (45) |
| Equity in net income on an investment in TD Ameritrade – reported | | (5) |
| Equity in net income on an investment in TD Ameritrade – adjusted | | (9) |
| U.S. Retail segment decreased net income – reported, after tax | | (49) |
| U.S. Retail segment decreased net income – adjusted, after tax | | (54) |
| Earnings per share (Canadian dollars) | | |
| Basic – reported | \$ | (0.03) |
| Basic – adjusted | | (0.03) |
| Diluted – reported | | (0.03) |
| Diluted – adjusted | | (0.03) |

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 \$46 million.

Economic Summary and Outlook

Global economic growth remains solid. Particular upward momentum is being exhibited in the United States and the Eurozone, both of which recorded advances in real Gross Domestic Product (GDP) of more than 2.5% in the second half of calendar 2017. Near-term prospects remain favourable, with the pace of global expansion projected to accelerate to a 10-year high of 3.8% in calendar 2018, followed by only a slight moderation to 3.7% in 2019. Strong performances are expected to be recorded by G7 nations², while China's economy likely remains resilient despite measures by authorities to rein in excess credit growth.

With unemployment rates reaching new cyclical lows and wages 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 advance at a measured pace, which is the expectation, major central banks will likewise scale back stimulus at a measured rate.

² Consists of Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.

In the United States, real GDP growth for the October to December 2017 period was estimated at 2.6%. Consumer spending was the largest contributor to growth, reflecting a rebound in motor vehicle sales in the wake of hurricane activity earlier in the year. Fueled in part by a growing scarcity of workers, businesses accelerated investment in productivity-enhancing capital in the final quarter of 2017.

Over the 2018 to 2019 calendar years, real GDP gains are expected to average 2.5%. Rising incomes generated by a tight labour market suggest that consumer spending should remain a key driver of U.S. economic growth. The U.S. Tax Act is expected to add 0.1 and 0.3 percentage points to real GDP growth in calendar 2018 and 2019, respectively. Spending measures from the Bipartisan Budget Act of 2018 offer additional upside to the growth outlook in those years.

Consistent with ongoing above-trend growth and the potential for inflation to rise, the Federal Reserve is forecasted to continue increasing its policy interest rate. This interest rate is expected to be increased from its current range of 1.25% to 1.5%, to 2.0% to 2.25% by December 2018.

After experiencing a negative oil price shock in the 2015 and early 2016 calendar years, Canada's economy enjoyed a period of strong economic growth in 2017. It is estimated that the economy expanded by 3%, which would mark the best annual performance since 2011. Hiring demand was robust. Canadian labour markets added more than 280,000 net full-time positions in 2017, the strongest gain since 2007.

Canada's economy is expected to expand at a more moderate 2% pace this year and next. Economic slack has been largely absorbed, which implies a pace of growth going forward that is more aligned with the longer-term fundamentals. This, in part, captures more moderate housing activity, which had acted as a significant engine of growth through much of the current cycle. The updated mortgage underwriting procedures implemented by the OSFI in January 2018, together with recent increases in residential mortgage rates, are projected to put a moderate damper on housing demand and home prices this year, particularly in higher-priced markets such as the Greater Toronto Area. This headwind is expected to be counterbalanced by continued gains in consumer and government spending as well as an ongoing recovery in business investment. In Ontario's job market, the unemployment rate could face some upward pressure in the near term as employers adjust to the impact of the significant increase to the province's minimum wage in January 2018.

After increasing its short-term policy interest rate by a total of 75 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 at or 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 2018.

A likely widening in U.S.-Canada short-term interest rate differentials in the months ahead is expected to limit the upside to the Canadian dollar. The currency is forecast to remain in a trading range of US78 to US81 cents in calendar 2018.

Key downside risks to the Canadian economy relate to the possibility of a more pronounced than expected slowdown in Canadian housing activity and a period of household deleveraging. The uncertain outcome of NAFTA negotiations and the possibility of a U.S. withdrawal from the agreement remain top external risks. Globally, a number of geo-political risks, including heightened tensions surrounding North Korea, negotiations over the United Kingdom's exit from the European Union, and the ongoing populist threat to established political and economic systems, may keep global uncertainty elevated and 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 has resulted in a one-time adjustment 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 first quarter 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. For the current quarter, 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 \$105 million, compared with \$112 million in the first quarter last year and \$26 million in the prior quarter.

TABLE 11: CANADIAN RETAIL

(millions of Canadian dollars, except as noted)

| | <i>For the three months ended</i> | | |
|---|-----------------------------------|--------------------|--------------------|
| | January 31 2018 | October 31 2017 | January 31 2017 |
| Net interest income | \$ 2,825 | \$ 2,773 | \$ 2,613 |
| Non-interest income | 2,725 | 2,625 | 2,590 |
| Total revenue | 5,550 | 5,398 | 5,203 |
| Provision for credit losses – impaired ¹ | 237 | 244 | 269 |
| Provision for credit losses – performing ² | 33 | – | – |
| Total provision for credit losses ³ | 270 | 244 | 269 |
| Insurance claims and related expenses | 575 | 615 | 574 |
| Non-interest expenses | 2,311 | 2,272 | 2,225 |
| Provision for (recovery of) income taxes | 637 | 603 | 569 |
| Net income | \$ 1,757 | \$ 1,664 | \$ 1,566 |

Selected volumes and ratios

| | | | |
|--|--------|--------|--------|
| Return on common equity | 47.2 % | 45.7 % | 43.2 % |
| Net interest margin (including on securitized assets) | 2.88 | 2.86 | 2.82 |
| Efficiency ratio | 41.6 | 42.1 | 42.8 |
| Assets under administration (billions of Canadian dollars) | \$ 397 | \$ 387 | \$ 390 |
| Assets under management (billions of Canadian dollars) | 289 | 283 | 266 |
| Number of Canadian retail branches | 1,129 | 1,128 | 1,154 |
| Average number of full-time equivalent staff | 38,050 | 38,222 | 39,347 |

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 – Q1 2018 vs. Q1 2017**

Canadian Retail net income for the quarter was \$1,757 million, an increase of \$191 million, or 12%, compared with the first quarter last year. The increase in earnings reflects revenue growth, partially offset by higher non-interest expenses. The annualized ROE for the quarter was 47.2%, compared with 43.2% in the first quarter last year.

Canadian Retail revenue is derived from Canadian personal and commercial banking, wealth, and insurance businesses. Revenue for the quarter was \$5,550 million, an increase of \$347 million, or 7%, compared with the first quarter last year.

Net interest income increased \$212 million, or 8%, reflecting loan and deposit 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 \$20 billion, or 7%, reflecting 10% growth in business deposit volumes and 5% growth in personal deposit volumes. Net interest margin was 2.88%, an increase of 6 bps reflecting rising interest rates, partially offset by competitive pricing mainly in the real estate secured lending portfolio.

Non-interest income increased \$135 million, or 5%, reflecting wealth asset growth, higher fee-based revenue in the banking and wealth businesses, and changes in the fair value of investments supporting claims liabilities which resulted in a similar increase to insurance claims. Higher fee based revenue reflects increased consumer spending in the credit card business and higher trading volumes in the direct investing business.

Assets under administration (AUA) were \$397 billion as at January 31, 2018, an increase of \$7 billion, or 2%, compared with the first quarter last year, reflecting new asset growth and increases in market value, partially offset by the impact of the sale of the Direct Investing business in Europe in the third quarter last year. Assets under management (AUM) were \$289 billion as at January 31, 2018, an increase of \$23 billion, or 9%, compared with the first quarter last year, reflecting increases in market value.

PCL was \$270 million, an increase of \$1 million compared with the first quarter last year. PCL – impaired for the quarter was \$237 million, a decrease of \$32 million, or 12%. PCL – impaired in personal banking was \$234 million, a decrease of \$24 million, or 9%, primarily a reflection of a change in policy regarding the timing of loss recognition in the indirect auto portfolio, and \$3 million in business banking, a decrease of \$8 million reflecting strong credit performance this quarter. PCL – performing (previously recorded in the Corporate segment as incurred but not identified credit losses under IAS 39) 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 0.27% or a decrease of 2 bps, remaining at cyclical lows. Net impaired loans decreased \$154 million, or 22%. Net impaired loans as a percentage of total loans was 0.14%, compared with 0.19%, in the first quarter last year.

Insurance claims and related expenses for the quarter were \$575 million, an increase of \$1 million, compared with the first quarter last year, reflecting higher current year claims and changes in the fair value of investments supporting claims liabilities which resulted in a similar increase to non-interest income, partially offset by more favourable prior years' claims development.

Non-interest expenses for the quarter were \$2,311 million, an increase of \$86 million, or 4%, compared with the first quarter 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 business growth, 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 quarter was 41.6%, compared with 42.8% in the first quarter last year.

Quarterly comparison – Q1 2018 vs. Q4 2017

Canadian Retail net income for the quarter increased \$93 million, or 6%, compared with the prior quarter. The increase in earnings reflects revenue growth and lower insurance claims, partially offset by higher non-interest expenses and increased PCL. The annualized ROE for the quarter was 47.2%, compared with 45.7% in the prior quarter.

Revenue increased \$152 million, or 3%, compared with the prior quarter.

Net interest income increased \$52 million, or 2%, reflecting loan and deposit volume growth, and higher margins. Average loan volumes increased \$6 billion, reflecting 1% growth in personal loan volumes and 2% growth in business loan volumes. Average deposit volumes increased \$6 billion, or 2%, reflecting 2% growth in personal deposit volumes, 2% growth in business deposit volumes and 4% growth in wealth deposit volumes. Net interest margin was 2.88%, or an increase of 2 bps, reflecting rising interest rates.

Non-interest income increased \$100 million, or 4%, reflecting higher fee-based revenue in the banking and wealth businesses and wealth asset growth.

AUA increased \$10 billion, or 3%, and AUM increased \$6 billion, or 2%, compared with the prior quarter, reflecting new asset growth and increases in market value.

PCL increased \$26 million, or 11%, compared with the prior quarter. PCL – impaired decreased by \$7 million, or 3%, in personal banking primarily a reflection of a change in policy regarding the timing of loss recognition in the indirect auto portfolio. PCL – performing (previously recorded in the Corporate segment as incurred but not identified credit losses under IAS 39) was \$33 million, primarily due to the impact of forward-looking macroeconomic assumptions under the expected credit loss methodology. Total PCL as an annualized percentage of credit volume was 0.27%, or an increase of 2 bps, remaining at cyclical lows. Net impaired loans increased \$6 million, or 1%. Net impaired loans as a percentage of total loans was 0.14%, compared with 0.14%, in the prior quarter.

Insurance claims and related expenses for the quarter decreased \$40 million, or 7%, compared with the prior quarter, reflecting lower current year claims and changes in the fair value of investments supporting claims liabilities which resulted in a similar decrease to non-interest income, partially offset by less favourable prior years' claims development.

Non-interest expenses increased \$39 million, or 2%, reflecting higher restructuring costs across a number of businesses.

The efficiency ratio for the quarter was 41.6%, compared with 42.1% in the prior quarter.

TABLE 12: U.S. RETAIL

(millions of dollars, except as noted)

| | <i>For the three months ended</i> | | | |
|--|-----------------------------------|--------------|--------------------|------------|
| | January 31 2018 | | October 31 2017 | |
| Canadian Dollars | | | | |
| Net interest income | \$ | 1,940 | \$ | 1,872 |
| Non-interest income ¹ | | 703 | | 669 |
| Total revenue | | 2,643 | | 2,541 |
| Provision for credit losses – impaired ² | | 187 | | 199 |
| Provision for credit losses – performing ³ | | 60 | | 4 |
| Total provision for credit losses | | 247 | | 203 |
| Non-interest expenses – reported | | 1,447 | | 1,529 |
| Non-interest expenses – adjusted | | 1,442 | | 1,503 |
| Provision for (recovery of) income taxes – reported ¹ | | 103 | | 138 |
| Provision for (recovery of) income taxes – adjusted ¹ | | 104 | | 148 |
| U.S. Retail Bank net income – reported | | 846 | | 671 |
| U.S. Retail Bank net income – adjusted⁴ | | 850 | | 687 |
| Equity in net income of an investment in TD Ameritrade – reported ¹ | | 106 | | 105 |
| Equity in net income of an investment in TD Ameritrade – adjusted ^{1,5} | | 174 | | 125 |
| Net income – reported | \$ | 952 | \$ | 776 |
| Net income – adjusted | | 1,024 | | 812 |
| U.S. Dollars | | | | |
| Net interest income | \$ | 1,533 | \$ | 1,498 |
| Non-interest income ¹ | | 555 | | 534 |
| Total revenue – reported | | 2,088 | | 2,032 |
| Provision for credit losses – impaired ² | | 148 | | 160 |
| Provision for credit losses – performing ³ | | 47 | | 3 |
| Total provision for credit losses | | 195 | | 163 |
| Non-interest expenses – reported | | 1,144 | | 1,222 |
| Non-interest expenses – adjusted | | 1,140 | | 1,201 |
| Provision for (recovery of) income taxes – reported ¹ | | 80 | | 109 |
| Provision for (recovery of) income taxes – adjusted ¹ | | 81 | | 117 |
| U.S. Retail Bank net income – reported | | 669 | | 538 |
| U.S. Retail Bank net income – adjusted⁴ | | 672 | | 551 |
| Equity in net income of an investment in TD Ameritrade – reported ¹ | | 82 | | 83 |
| Equity in net income of an investment in TD Ameritrade – adjusted ^{1,5} | | 137 | | 99 |
| Net income – reported | \$ | 751 | \$ | 621 |
| Net income – adjusted | | 809 | | 650 |
| Selected volumes and ratios | | | | |
| Return on common equity – reported | | 11.2 % | | 9.3 % |
| Return on common equity – adjusted | | 12.0 | | 9.7 |
| Net interest margin ⁶ | | 3.19 | | 3.18 |
| Efficiency ratio – reported | | 54.8 | | 60.1 |
| Efficiency ratio – adjusted | | 54.6 | | 59.1 |
| Assets under administration (billions of dollars) | \$ | 19 | \$ | 18 |
| Assets under management (billions of dollars) | | 65 | | 63 |
| Number of U.S. retail stores | | 1,244 | | 1,270 |
| Average number of full-time equivalent staff | | 26,168 | | 26,094 |

¹ The reduction of the U.S. federal corporate tax rate enacted by the U.S. Tax Act has resulted in a one-time adjustment 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 first quarter 2018 – \$5 million (\$4 million after tax) or US\$4 million (US\$3 million after tax) and in the fourth quarter 2017 – \$26 million (\$16 million after tax) or US\$21 million (US\$13 million after tax). For explanations of items of note, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "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 first quarter 2018 – \$68 million or US\$55 million after tax and in the fourth quarter 2017 – \$20 million or US\$16 million after tax. For explanations of items of note, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "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 – Q1 2018 vs. Q1 2017

U.S. Retail reported net income for the quarter was \$952 million (US\$751 million), an increase of \$152 million (US\$150 million), or 19% (25% in U.S. dollars), compared with the first quarter last year. On an adjusted basis, net income for the quarter was \$1,024 million (US\$809 million), an increase of \$224 million (US\$208 million), or 28% (35% in U.S. dollars). The reported and adjusted annualized ROE for the quarter was 11.2% and 12.0% respectively, compared with 9.1% in the first 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 were \$846 million (US\$669 million) and \$106 million (US\$82 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 \$850 million (US\$672 million) and \$174 million (US\$137 million), respectively.

The reported contribution from TD Ameritrade of US\$82 million decreased US\$1 million, or 1% compared with the first quarter last year, primarily due to higher operating expenses and charges associated with the Scottrade transaction, offset by higher asset-based revenue and trading volumes. Adjusted contribution from TD Ameritrade was US\$137 million, an increase of US\$54 million, or 65%.

U.S. Retail Bank reported net income of US\$669 million for the quarter increased US\$151 million, or 29%, due to higher loan and deposit volumes, higher interest rates, fee income growth, the benefit of the Scottrade transaction, and a lower corporate tax rate. U.S. Retail Bank adjusted net income of US\$672 million increased US\$154 million, or 30%.

U.S. Retail Bank revenue is derived from personal and business banking, and wealth management. Revenue for the quarter was US\$2,088 million, an increase of US\$190 million, or 10%, compared with the first quarter last year. Net interest income increased US\$152 million, or 11%, due to higher interest rates, growth in loan and deposit volumes, and the benefit of the Scottrade transaction. Net interest margin was 3.19%, an increase of 16 bps, primarily due to higher deposit margins. Non-interest income increased US\$38 million, or 7%, reflecting fee income growth in personal banking and wealth management.

Average loan volumes increased US\$7 billion, or 5%, compared with the first quarter last year due to growth in business and personal loans of 3% and 8%, respectively. Average deposit volumes increased US\$19 billion, or 8%, reflecting 6% growth in personal deposit volumes, a 1% decline in business deposit volumes, and a 15% increase in sweep deposit volume primarily driven by the Scottrade transaction.

AUA were US\$19 billion as at January 31, 2018, relatively flat compared with the first quarter last year. AUM were US\$65 billion as at January 31, 2018, an increase of 8%, primarily due to positive market returns.

PCL for the quarter was US\$195 million, an increase of US\$2 million, or 1%, compared with the first quarter last year. PCL – impaired was US\$148 million, an increase of US\$32 million, or 28%, primarily reflecting volume growth, seasoning, and mix in the credit card and auto portfolios. PCL – performing was US\$47 million, a decrease of US\$30 million, or 39%, primarily reflecting a higher commercial allowance increase in the prior year.

U.S. Retail PCL including only the Bank's contractual portion of credit losses in the U.S. strategic cards portfolio, as an annualized percentage of credit volume was 0.52% or a decrease of 2 bps. Net impaired loans, excluding ACI loans, were US\$1.4 billion, a decrease of US\$52 million, or 4%. Excluding ACI loans, net impaired loans as a percentage of total loans were 1.0% as at January 31, 2018, a decrease of 0.1% compared with the first quarter last year.

Reported non-interest expenses for the quarter were US\$1,144 million, an increase of US\$67 million, or 6%, compared with the first quarter last year, reflecting higher investments in business initiatives, volume growth, and employee related costs, partially offset by productivity savings. On an adjusted basis, non-interest expenses increased US\$63 million, or 6%.

The reported and adjusted efficiency ratios for the quarter were 54.8% and 54.6% respectively, compared with 56.7%, in the first quarter last year.

Quarterly comparison – Q1 2018 vs. Q4 2017

U.S. Retail reported net income of US\$751 million increased US\$130 million, or 21%, compared with the prior quarter, while adjusted net income of US\$809 million increased US\$159 million, or 24%. U.S. Retail Canadian dollar reported net income of \$952 million increased \$176 million, or 23%, while adjusted net income of \$1,024 million increased by \$212 million, or 26%. The reported and adjusted annualized ROE for the quarter was 11.2% and 12.0% respectively, compared to 9.3% and 9.7% in the prior quarter.

The reported contribution from TD Ameritrade of US\$82 million decreased US\$1 million, or 1%, compared with the prior quarter, primarily due to higher operating expenses and charges associated with the Scottrade transaction, offset by higher asset-based revenue and trading volumes. Adjusted contribution from TD Ameritrade was US\$137 million, an increase of US\$38 million, or 38%.

U.S. Retail Bank reported net income of US\$669 million for the quarter increased US\$131 million, or 24%, compared with the prior quarter, due to higher loan volumes and interest rates, fee income growth, lower expenses, and a lower corporate tax rate, partially offset by higher PCL. U.S. Retail Bank adjusted net income of US\$672 million for the quarter increased US\$121 million, or 22%.

Revenue for the quarter increased US\$56 million, or 3%, compared with the prior quarter. Net interest income increased US\$35 million, or 2%, due to higher deposit margins and growth in loan volumes. Net interest margin was 3.19%, an increase of 1 basis point, primarily due to higher deposit margins, partially offset by lower tax equivalent revenue due to U.S. tax reform. Non-interest income increased US\$21 million, or 4%, primarily reflecting fee income growth in personal banking and wealth management.

Average loan volumes increased US\$3 billion, or 2%, compared with the prior quarter, due to growth in business and personal loans of 1% and 2%, respectively. Average deposit volumes increased US\$11 billion, or 4%, reflecting 2% growth in personal deposit volumes, a 1% decline in business deposit volumes, and a 10% increase in sweep deposit volume primarily driven by the Scottrade transaction.

AUA were US\$19 billion as at January 31, 2018, relatively flat compared with the prior quarter. AUM were US\$65 billion as at January 31, 2018, an increase of 4%, primarily due to positive market returns.

PCL for the quarter increased US\$32 million, or 20%, compared with the prior quarter. PCL – impaired was US\$148 million, a decrease of US\$12 million due to lower provisions in the U.S. commercial portfolios. PCL – performing was US\$47 million, an increase of US\$44 million, primarily reflecting seasonal trends in the credit card and auto portfolios, elevated by balances migrating to Stage 2 where they are measured based on a lifetime expected credit loss. U.S. Retail PCL including only the Bank's contractual portion of credit losses in the U.S. strategic cards portfolio, as an annualized percentage of credit volume was 0.52% or an increase of 6 bps. Net impaired loans, excluding ACI loans, were US\$1.4 billion, an increase of US\$15 million, or 1%. Excluding ACI loans, net impaired loans as a percentage of total loans were relatively flat at 1.0% as at January 31, 2018.

Reported non-interest expenses for the quarter decreased US\$78 million, or 6%, compared with the prior quarter, primarily due to higher seasonal charges in the prior quarter and lower charges associated with the Scottrade transaction. On an adjusted basis, non-interest expenses decreased US\$61 million, or 5%.

The reported and adjusted efficiency ratios for the quarter were 54.8% and 54.6% respectively, compared with 60.1% and 59.1% in the prior quarter.

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)

| | <i>For the three months ended</i> | | |
|---|-----------------------------------|--------------------|--------------------|
| | January 31 2018 | October 31 2017 | January 31 2017 |
| Net interest income (TEB) | \$ 329 | \$ 277 | \$ 393 |
| Non-interest income ^{1,2} | 546 | 417 | 464 |
| Total revenue | 875 | 694 | 857 |
| Provision for (recovery of) credit losses – impaired ^{2,3} | – | – | (24) |
| Provision for (recovery of) credit losses – performing ⁴ | (7) | – | – |
| Total provision for (recovery of) credit losses ⁵ | (7) | – | (24) |
| Non-interest expenses | 511 | 420 | 524 |
| Provision for (recovery of) income taxes (TEB) ⁶ | 93 | 43 | 90 |
| Net income | \$ 278 | \$ 231 | \$ 267 |
| Selected volumes and ratios | | | |
| Trading-related revenue (TEB) | \$ 515 | \$ 311 | \$ 515 |
| Gross drawn (billions of Canadian dollars) ⁷ | 19.5 | 20.3 | 18.6 |
| Return on common equity | 20.1 % | 16.0 % | 17.5 % |
| Efficiency ratio | 58.4 | 60.5 | 61.1 |
| Average number of full-time equivalent staff | 4,027 | 4,043 | 3,929 |

¹ Effective February 1, 2017, the total gains and losses on derivatives hedging the reclassified available-for-sale securities portfolio under IAS 39 were 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 has resulted in a one-time adjustment to Wholesale Banking's U.S. deferred tax assets and liabilities to the lower base rate of 21%. The earnings impact was reported in the Corporate segment. For additional details, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "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 – Q1 2018 vs. Q1 2017

Wholesale Banking net income for the quarter was \$278 million, an increase of \$11 million, or 4%, compared with the first quarter last year reflecting higher revenue and lower non-interest expenses, partially offset by a lower net recovery of credit losses. The annualized ROE for the quarter was 20.1%, compared with 17.5% in the first 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 \$875 million, an increase of \$18 million, or 2%, compared with the first quarter last year reflecting higher corporate lending, partially offset by lower equity underwriting.

PCL for the quarter was a net recovery of \$7 million due to credit risk improvement in the oil and gas sector. There was no PCL – impaired in the quarter compared with a net recovery of \$24 million in the first quarter last year related to counterparty-specific provisions in the oil and gas sector.

Non-interest expenses were \$511 million, a decrease of \$13 million, or 2%, compared with the first quarter last year reflecting the revaluation of certain liabilities for post-retirement benefits, partially offset by higher variable compensation as well as continued investments in client facing employees supporting the global rollout of Wholesale Banking's U.S. dollar strategy.

Quarterly comparison – Q1 2018 vs. Q4 2017

Wholesale Banking net income for the quarter increased \$47 million, or 20%, compared with the prior quarter reflecting higher revenue and a reduction in the allowance for credit losses, partially offset by higher non-interest expenses and higher taxes. The annualized ROE for the quarter was 20.1%, compared with 16.0% in the prior quarter.

Revenue for the quarter increased \$181 million, or 26%, compared with the prior quarter primarily reflecting higher trading-related revenue.

Non-interest expenses for the quarter increased \$91 million, or 22%, compared with the prior quarter reflecting higher variable compensation, partially offset by the revaluation of certain liabilities for post-retirement benefits.

TABLE 14: CORPORATE

(millions of Canadian dollars)

| | <i>For the three months ended</i> | | |
|---|-----------------------------------|--------------------|--------------------|
| | January 31 2018 | October 31 2017 | January 31 2017 |
| Net income (loss) – reported^{1,2,3} | \$ (634) | \$ 41 | \$ (100) |
| Pre-tax adjustments for items of note⁴ | | | |
| Amortization of intangibles | 85 | 78 | 80 |
| Impact from U.S. tax reform ³ | 48 | – | – |
| Dilution gain on the Scottrade transaction | – | (204) | – |
| Fair value of derivatives hedging the reclassified available-for-sale securities portfolio ¹ | – | – | (41) |
| Total pre-tax adjustments for items of note | 133 | (126) | 39 |
| Provision for (recovery of) income taxes for items of note ³ | (388) | 19 | 14 |
| Net income (loss) – adjusted | \$ (113) | \$ (104) | \$ (75) |
| Decomposition of items included in net income (loss) – adjusted | | | |
| Net corporate expenses | \$ (198) | \$ (182) | \$ (233) |
| Other | 67 | 43 | 129 |
| Non-controlling interests | 18 | 35 | 29 |
| Net income (loss) – adjusted | \$ (113) | \$ (104) | \$ (75) |

Selected volumes

| | | | |
|--|--------|--------|--------|
| Average number of full-time equivalent staff | 14,336 | 14,212 | 14,195 |
|--|--------|--------|--------|

¹ Effective February 1, 2017, the total gains and losses on derivatives hedging the reclassified available-for-sale securities portfolio under IAS 39 were 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 has resulted in a one-time net charge to earnings 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 – Q1 2018 vs. Q1 2017

Corporate segment's reported net loss for the quarter was \$634 million, compared with a reported net loss of \$100 million in the first quarter last year. Reported net loss increased primarily due to the impact from U.S. tax reform in the current quarter, gain on fair value of derivatives hedging the reclassified available-for-sale securities portfolio in the prior year, and lower Other items and non-controlling interests in the current quarter, partially offset by lower net corporate expenses in the current quarter. The lower contribution from Other items was largely due to higher revenue from treasury and balance sheet management activities in the first quarter last year. Net corporate expenses were lower largely due to timing of certain expenses in the first quarter this year. Adjusted net loss was \$113 million, compared with an adjusted net loss of \$75 million in the first quarter last year.

Quarterly comparison – Q1 2018 vs. Q4 2017

Corporate segment's reported net loss for the quarter was \$634 million, compared with a reported net income of \$41 million in the prior quarter. Reported net loss increased primarily due to the impact from U.S. tax reform in the current quarter, the dilution gain on the Scottrade transaction in the prior quarter, and lower non-controlling interests and higher net corporate expenses in the current quarter, partially offset by higher Other items 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 were higher largely due to the positive impact of tax adjustments in the prior quarter. Adjusted net loss was \$113 million, compared with an adjusted net loss of \$104 million in the prior quarter.

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)

| | <i>For the three months ended</i> | | | | | | | |
|---|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2018 | | | | 2017 | | | |
| | Jan. 31 | Oct. 31 | Jul. 31 | Apr. 30 | Jan. 31 | Oct. 31 | Jul. 31 | Apr. 30 |
| Net interest income | \$ 5,430 | \$ 5,330 | \$ 5,267 | \$ 5,109 | \$ 5,141 | \$ 5,072 | \$ 4,924 | \$ 4,880 |
| Non-interest income | 3,930 | 3,940 | 4,019 | 3,364 | 3,979 | 3,673 | 3,777 | 3,379 |
| Total revenue | 9,360 | 9,270 | 9,286 | 8,473 | 9,120 | 8,745 | 8,701 | 8,259 |
| Provision for credit losses | 693 | 578 | 505 | 500 | 633 | 548 | 556 | 584 |
| Insurance claims and related expenses | 575 | 615 | 519 | 538 | 574 | 585 | 692 | 530 |
| Non-interest expenses | 4,846 | 4,828 | 4,855 | 4,786 | 4,897 | 4,848 | 4,640 | 4,736 |
| Provision for (recovery of) income taxes | 1,040 | 640 | 760 | 257 | 596 | 555 | 576 | 466 |
| Equity in net income of an investment in TD Ameritrade | 147 | 103 | 122 | 111 | 113 | 94 | 121 | 109 |
| Net income – reported | 2,353 | 2,712 | 2,769 | 2,503 | 2,533 | 2,303 | 2,358 | 2,052 |
| Pre-tax adjustments for items of note | | | | | | | | |
| Amortization of intangibles ¹ | 85 | 78 | 74 | 78 | 80 | 80 | 79 | 86 |
| Charges associated with the Scottrade transaction ¹ | 73 | 46 | – | – | – | – | – | – |
| Impact from U.S. tax reform ¹ | 48 | – | – | – | – | – | – | – |
| Dilution gain on the Scottrade transaction ¹ | – | (204) | – | – | – | – | – | – |
| Loss on sale of TD Direct Investing business in Europe ² | – | – | 42 | – | – | – | – | – |
| Fair value of derivatives hedging the reclassified available-for-sale securities portfolio ¹ | – | – | – | – | (41) | (19) | – | 58 |
| Impairment of goodwill, non-financial assets, and other charges ³ | – | – | – | – | – | – | – | 111 |
| Total pre-tax adjustments for items of note | 206 | (80) | 116 | 78 | 39 | 61 | 79 | 255 |
| Provision for (recovery of) income taxes for items of note | (387) | 29 | 20 | 20 | 14 | 17 | 21 | 25 |
| Net income – adjusted | 2,946 | 2,603 | 2,865 | 2,561 | 2,558 | 2,347 | 2,416 | 2,282 |
| Preferred dividends | 52 | 50 | 47 | 48 | 48 | 43 | 36 | 37 |
| Net income available to common shareholders and non-controlling interests in subsidiaries – adjusted | 2,894 | 2,553 | 2,818 | 2,513 | 2,510 | 2,304 | 2,380 | 2,245 |
| Attributable to: | | | | | | | | |
| Common shareholders – adjusted | 2,876 | 2,518 | 2,789 | 2,485 | 2,481 | 2,275 | 2,351 | 2,217 |
| Non-controlling interests – adjusted | \$ 18 | \$ 35 | \$ 29 | \$ 28 | \$ 29 | \$ 29 | \$ 29 | \$ 28 |

(Canadian dollars, except as noted)

| Basic earnings per share | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Reported | \$ 1.24 | \$ 1.42 | \$ 1.46 | \$ 1.31 | \$ 1.32 | \$ 1.20 | \$ 1.24 | \$ 1.07 |
| Adjusted | 1.56 | 1.36 | 1.51 | 1.34 | 1.34 | 1.23 | 1.27 | 1.20 |
| Diluted earnings per share | | | | | | | | |
| Reported | 1.24 | 1.42 | 1.46 | 1.31 | 1.32 | 1.20 | 1.24 | 1.07 |
| Adjusted | 1.56 | 1.36 | 1.51 | 1.34 | 1.33 | 1.22 | 1.27 | 1.20 |
| Return on common equity – reported | 13.2 % | 15.4 % | 15.5 % | 14.4 % | 14.4 % | 13.3 % | 14.1 % | 12.5 % |
| Return on common equity – adjusted | 16.6 | 14.7 | 16.1 | 14.8 | 14.5 | 13.6 | 14.5 | 14.0 |

(billions of Canadian dollars, except as noted)

| | | | | | | | | |
|------------------------|----------|----------|----------|----------|----------|----------|--------|--------|
| Average earning assets | \$ 1,116 | \$ 1,077 | \$ 1,077 | \$ 1,056 | \$ 1,041 | \$ 1,031 | \$ 989 | \$ 969 |
| Net interest margin | 1.93 % | 1.96 % | 1.94 % | 1.98 % | 1.96 % | 1.96 % | 1.98 % | 2.05 % |

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 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.

³ In the second quarter of 2016, the Bank recorded impairment losses on goodwill, certain intangibles, other non-financial assets and deferred tax assets, as well as other charges relating to the Direct Investing business in Europe that had been experiencing continued losses. These amounts are reported in the Corporate segment.

BALANCE SHEET REVIEW

TABLE 16: SELECTED INTERIM CONSOLIDATED BALANCE SHEET ITEMS¹

(millions of Canadian dollars)

| | As at | | |
|---|------------------|------------------|------------------|
| | January 31, 2018 | November 1, 2017 | October 31, 2017 |
| Assets | | | |
| Cash and interest-bearing deposits with banks | \$ 48,789 | \$ 55,156 | \$ 55,156 |
| Trading loans, securities, and other | 111,875 | 103,832 | 103,918 |
| Non-trading financial assets at fair value through profit or loss | 4,504 | 9,272 | n/a ² |
| Derivatives | 60,557 | 56,195 | 56,195 |
| Financial assets designated at fair value through profit or loss | 3,305 | 3,150 | 4,032 |
| Financial assets at fair value through other comprehensive income | 135,262 | 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 | 81,695 | 76,157 | n/a |
| Held-to-maturity securities | n/a | n/a | 71,363 |
| Securities purchased under reverse repurchase agreements | 124,600 | 134,429 | 134,429 |
| Loans, net of allowance for loan losses | 607,129 | 603,041 | 612,591 |
| Other | 83,600 | 94,882 | 94,900 |
| Total assets | \$ 1,261,316 | \$ 1,279,221 | \$ 1,278,995 |
| Liabilities | | | |
| Trading deposits | \$ 93,827 | \$ 79,940 | \$ 79,940 |
| Derivatives | 58,578 | 51,214 | 51,214 |
| Deposits | 813,444 | 832,824 | 832,824 |
| Obligations related to securities sold under repurchase agreements | 83,948 | 88,591 | 88,591 |
| Subordinated notes and debentures | 7,518 | 9,528 | 9,528 |
| Other | 130,827 | 141,958 | 141,708 |
| Total liabilities | 1,188,142 | 1,204,055 | 1,203,805 |
| Total equity | 73,174 | 75,166 | 75,190 |
| Total liabilities and equity | \$ 1,261,316 | \$ 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 \$1,261 billion as at January 31, 2018, a decrease of \$18 billion, or 1%, from November 1, 2017. The decrease was primarily due to securities purchased under reverse repurchase agreements of \$10 billion, financial assets at fair value through other comprehensive income (FVOCI) of \$8 billion, cash and interest-bearing deposits with banks of \$6 billion, non-trading financial assets at fair value through profit and loss of \$5 billion, and other assets of \$11 billion. The decrease was partially offset by increases in trading loans, securities, and other of \$8 billion, debt securities at amortized cost net of allowance for credit losses of \$6 billion, derivatives of \$4 billion, and loans net of allowances for loan losses of \$4 billion. The foreign currency translation impact on total assets, primarily in the U.S. Retail segment, was a decrease of approximately \$23 billion, or 2%.

Cash and interest-bearing deposits with banks decreased \$6 billion primarily due to lower volumes.

Trading loans, securities, and other increased \$8 billion primarily due to higher market value of commodities and equity securities, and higher trading volumes.

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

Derivatives increased \$4 billion primarily due to the current interest rate and foreign exchange environment, partially offset by netting of positions.

Financial assets at fair value through other comprehensive income decreased \$8 billion primarily due to foreign currency translation and maturities, partially offset by new investments.

Debt securities at amortized cost (net of allowance for credit losses) increased \$6 billion due to new investments, partially offset by foreign currency translation and maturities.

Securities purchased under reverse repurchase agreements decreased \$10 billion primarily due to a decrease in trading volumes.

Loans (net of allowance for loan losses) increased \$4 billion primarily due to growth in the Canadian Retail and Wholesale Banking segments. The increase was primarily due to growth in personal, business and government loans, partially offset by a decrease in the U.S. Retail segment due to the impact of foreign currency translation.

Other assets decreased \$11 billion primarily due to other amounts receivable from brokers, dealers and clients due to unsettled and pending trades

Total liabilities were \$1,188 billion as at January 31, 2018, a decrease of \$16 billion, or 1%, from November 1, 2017. The decrease was primarily due to deposits of \$19 billion, obligations related to securities sold under repurchase agreements of \$5 billion, subordinated notes and debentures of \$2 billion, and other liabilities of \$11 billion, partially offset by increases in trading deposits of \$14 billion, and derivatives of \$7 billion. The foreign currency translation impact on total liabilities, primarily in the U.S. Retail segment, was a decrease of approximately \$22 billion, or 2%.

Trading deposits increased \$14 billion primarily due to higher issuance of certificates of deposit and commercial paper.

Derivatives increased \$7 billion primarily due to the current interest rate and foreign exchange environment, partially offset by netting of positions.

Deposits decreased \$19 billion primarily due to the impact of foreign currency translation in the U.S. Retail segment and decrease in the banks and government deposits in the Wholesale Banking segment. The decrease is partially offset by growth in the Canadian Retail segment.

Obligations related to securities sold under repurchase agreements decreased \$5 billion primarily due to a decrease in customer financing needs and lower maturities, partially offset by higher trading volumes.

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 \$11 billion primarily due to amounts payable to brokers, dealers and clients due to unsettled and pending trades.

Equity was \$73 billion as at January 31, 2018, a decrease of \$2 billion, or 3%, from November 1, 2017. The decrease was primarily due to a decrease in other comprehensive income due to foreign currency translation and losses on cash flow hedges, partially offset by higher retained earnings.

CREDIT PORTFOLIO QUALITY

Quarterly comparison – Q1 2018 vs. Q1 2017

Gross impaired loans excluding Federal Deposit Insurance Corporation (FDIC) covered loans and other ACI loans were \$3,048 million as at January 31, 2018, a decrease of \$351 million, or 10%, compared with the first quarter last year. Canadian Retail gross impaired loans decreased \$169 million, or 17%, compared with the first quarter last year driven by resolutions outpacing formations in the Canadian real estate secured lending portfolio. U.S. Retail gross impaired loans decreased \$140 million, or 6%, compared with the first quarter last year primarily due to impact of foreign exchange. Wholesale gross impaired loans decreased \$42 million, or 58%, compared with the first quarter last year due to resolutions in the oil and gas sector. Net impaired loans were \$2,336 million as at January 31, 2018, a decrease of \$354 million, or 13%, compared with the first quarter last year, primarily due to 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 \$4,312 million as at January 31, 2018, was comprised of Stage 3 allowance for impaired loans of \$738 million, Stage 2 allowance of \$1,616 million, and Stage 1 allowance of \$1,958 million collectively for performing loans and off-balance sheet positions.

The Stage 3 allowance for loan losses decreased \$167 million, or 18%, compared with the counterparty-specific and individually insignificant allowances under IAS 39 in the first 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 \$148 million, or 4%, compared with the allowance for incurred but not identified credit losses under IAS 39 in the first quarter last year primarily due to Stage 2 migration and the inclusion of forward-looking macroeconomic assumptions under the expected credit loss (ECL) methodology, and volume growth, partially offset by the impact of foreign exchange.

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. Since the Bank's adoption of IFRS 9, certain refinements were made to the methodology, the cumulative effect of which was not material and was included in the change for the first quarter of 2018.

Under IFRS 9, the Bank now calculates allowances for expected credit losses on debt securities measured at amortized cost and FVOCI. The Bank has \$212,537 million in such debt securities of which \$212,033 million are performing securities (Stage 1 and 2) and \$504 million are impaired (Stage 3). The allowance for credit losses on debt securities at amortized cost and debt securities at FVOCI was \$137 million and \$9 million, respectively.

Quarterly comparison – Q1 2018 vs. Q4 2017

Gross impaired loans excluding FDIC covered loans and other ACI loans decreased \$37 million, or 1%, compared with the prior quarter. Impaired loans net of allowance decreased \$62 million, or 3%, compared with the prior quarter.

The Stage 3 allowance decreased \$110 million, or 13%, compared with the counterparty-specific and individually insignificant allowances under IAS 39 in the prior quarter 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 and the impact of foreign exchange. The Stage 1 and Stage 2 allowance increased \$72 million, or 2%, compared with the allowance for incurred but not identified credit losses under IAS 39 in the fourth quarter last year reflecting seasonal trends in the U.S. credit card and U.S. indirect auto portfolios, Stage 2 migration under the expected credit loss methodology and the inclusion of forward-looking macroeconomic assumptions, partially offset by the impact of foreign exchange.

TABLE 17: CHANGES IN GROSS IMPAIRED LOANS AND ACCEPTANCES

(millions of Canadian dollars)

| | <i>For the three months ended</i> | | |
|---|-----------------------------------|--------------------|--------------------|
| | January 31 2018 | October 31 2017 | January 31 2017 |
| Personal, Business, and Government Loans¹ | | | |
| Impaired loans as at beginning of period | \$ 3,085 | \$ 2,985 | \$ 3,509 |
| Classified as impaired during the period | 1,257 | 1,189 | 1,281 |
| Transferred to performing during the period | (189) | (184) | (220) |
| Net repayments | (340) | (328) | (474) |
| Disposals of loans | (9) | – | – |
| Amounts written off | (648) | (652) | (623) |
| Recoveries of loans and advances previously written off | – | – | – |
| Exchange and other movements | (108) | 75 | (74) |
| Impaired loans as at end of period | \$ 3,048 | \$ 3,085 | \$ 3,399 |

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

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 20: RESIDENTIAL MORTGAGES BY REMAINING AMORTIZATION^{1,2}

| | <i>As at</i> | | | | | | | | Total |
|---------------|-------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|--------------------------|--------------|
| | <5 years | 5– <10 years | 10– <15 years | 15– <20 years | 20– <25 years | 25– <30 years | 30– <35 years | >=35 years | |
| | January 31, 2018 | | | | | | | | |
| Canada | 1.1 % | 3.9 % | 7.2 % | 14.6 % | 42.0 % | 30.3 % | 0.9 % | – % | 100 % |
| United States | 4.3 | 7.9 | 6.7 | 5.3 | 23.3 | 51.5 | 0.7 | 0.3 | 100 |
| Total | 1.5 % | 4.4 % | 7.1 % | 13.4 % | 39.7 % | 33.0 % | 0.9 % | – % | 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 21: UNINSURED AVERAGE LOAN-TO-VALUE – Newly Originated and Newly Acquired^{1,2,3}

| | <i>For the three months ended</i> | | | | | |
|-------------------------------|-----------------------------------|--|--------------|--|--|--------------|
| | Residential mortgages | | | Home equity lines of credit^{4,5} | | |
| | Residential mortgages | Home equity lines of credit^{4,5} | Total | Residential mortgages | Home equity lines of credit^{4,5} | Total |
| | January 31, 2018 | | | October 31, 2017 | | |
| Canada | | | | | | |
| Atlantic provinces | 74 % | 70 % | 73 % | 73 % | 69 % | 72 % |
| British Columbia ⁶ | 67 | 63 | 65 | 66 | 62 | 64 |
| Ontario ⁶ | 68 | 66 | 67 | 68 | 66 | 67 |
| Prairies ⁶ | 73 | 71 | 72 | 73 | 72 | 72 |
| Québec | 73 | 74 | 74 | 73 | 73 | 73 |
| Total Canada | 69 | 66 | 67 | 69 | 66 | 67 |
| United States | 68 | 62 | 64 | 69 | 62 | 65 |
| Total | 69 % | 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 January 31, 2018, the Bank had approximately \$2.5 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 3.55% on an annual basis (October 31, 2017 – 5.25%). PCL primarily declined due to a change in policy regarding loss recognition timing which resulted in a one-time reduction in loss rate in the first quarter. 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 22: EXPOSURE TO EUROPE – Total Net Exposure by Country and Counterparty¹

(millions of Canadian dollars)

| Country | As at | | | | | | | | | | | | Total Exposure ⁶ | |
|-----------------------------|------------------------------------|-----------|-----------|-----------|---|-----------|-----------|-----------|---|-----------|-----------|-----------|-----------------------------|-----------|
| | Loans and commitments ² | | | | Derivatives, repos, and securities lending ³ | | | | Trading and investment portfolio ^{4,5} | | | | | |
| | Corporate | Sovereign | Financial | Total | Corporate | Sovereign | Financial | Total | Corporate | Sovereign | Financial | Total | | |
| January 31, 2018 | | | | | | | | | | | | | | |
| GIIPS | | | | | | | | | | | | | | |
| Greece | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – |
| Italy | – | 160 | 2 | 162 | – | – | 3 | 3 | 18 | 33 | – | 51 | – | 216 |
| Ireland | – | – | 185 | 185 | 10 | – | 446 | 456 | – | – | – | – | – | 641 |
| Portugal | – | – | – | – | – | – | 2 | 2 | 12 | – | – | 12 | – | 14 |
| Spain | – | 69 | 47 | 116 | – | – | 28 | 28 | 10 | 1,604 | 4 | 1,618 | – | 1,762 |
| Total GIIPS | – | 229 | 234 | 463 | 10 | – | 479 | 489 | 40 | 1,637 | 4 | 1,681 | – | 2,633 |
| Rest of Europe | | | | | | | | | | | | | | |
| Austria | – | – | – | – | 6 | 3 | 16 | 25 | 2 | 1,119 | 11 | 1,132 | – | 1,157 |
| Denmark | – | 5 | – | 5 | – | 104 | 514 | 618 | – | 380 | 10 | 390 | – | 1,013 |
| Finland | 6 | 133 | – | 139 | – | 14 | 2 | 16 | – | 1,066 | – | 1,066 | – | 1,221 |
| France | 574 | 549 | 120 | 1,243 | 123 | 480 | 2,455 | 3,058 | 180 | 5,457 | 191 | 5,828 | – | 10,129 |
| Germany | 1,341 | 579 | 208 | 2,128 | 357 | 803 | 1,179 | 2,339 | 250 | 8,581 | 42 | 8,873 | – | 13,340 |
| Luxembourg | – | – | – | – | 34 | – | 1,184 | 1,218 | 4 | – | – | 4 | – | 1,222 |
| Netherlands | 507 | 311 | 197 | 1,015 | 236 | 596 | 441 | 1,273 | 67 | 4,038 | 295 | 4,400 | – | 6,688 |
| Norway | – | 102 | 4 | 106 | 21 | 217 | 53 | 291 | 1 | 483 | 456 | 940 | – | 1,337 |
| Sweden | – | 104 | 126 | 230 | – | 343 | 261 | 604 | 8 | 1,234 | 827 | 2,069 | – | 2,903 |
| Switzerland | 933 | 58 | 30 | 1,021 | 31 | – | 878 | 909 | 63 | – | 18 | 81 | – | 2,011 |
| United Kingdom | 2,483 | 4,726 | 20 | 7,229 | 935 | 623 | 9,627 | 11,185 | 285 | 1,546 | 1,806 | 3,637 | – | 22,051 |
| Other ⁷ | 246 | – | – | 246 | 201 | 122 | 37 | 360 | 41 | 103 | 1 | 145 | – | 751 |
| Total Rest of Europe | 6,090 | 6,567 | 705 | 13,362 | 1,944 | 3,305 | 16,647 | 21,896 | 901 | 24,007 | 3,657 | 28,565 | – | 63,823 |
| Total Europe | \$ 6,090 | \$ 6,796 | \$ 939 | \$ 13,825 | \$ 1,954 | \$ 3,305 | \$ 17,126 | \$ 22,385 | \$ 941 | \$ 25,644 | \$ 3,661 | \$ 30,246 | \$ – | \$ 66,456 |
| October 31, 2017 | | | | | | | | | | | | | | |
| GIIPS | | | | | | | | | | | | | | |
| Greece | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – |
| Italy | – | 168 | 3 | 171 | – | – | 3 | 3 | 29 | 35 | 2 | 66 | – | 240 |
| Ireland | – | – | 194 | 194 | 11 | – | 274 | 285 | – | – | – | – | – | 479 |
| Portugal | – | – | – | – | – | – | 16 | 16 | 7 | – | – | 7 | – | 23 |
| Spain | – | 99 | 47 | 146 | – | – | 35 | 35 | 9 | 1,277 | 3 | 1,289 | – | 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 | 51 | 1,124 | – | 1,148 |
| Denmark | – | 5 | – | 5 | – | 72 | 178 | 250 | – | 279 | 11 | 290 | – | 545 |
| Finland | 6 | 134 | 1 | 141 | – | 40 | 1 | 41 | – | 1,066 | – | 1,066 | – | 1,248 |
| France | 602 | 636 | 117 | 1,355 | 66 | 604 | 2,532 | 3,202 | 78 | 5,337 | 275 | 5,690 | – | 10,247 |
| Germany | 1,259 | 522 | 28 | 1,809 | 419 | 901 | 873 | 2,193 | 233 | 7,568 | 45 | 7,846 | – | 11,848 |
| Luxembourg | – | – | – | – | 35 | – | 1,138 | 1,173 | 6 | – | – | 6 | – | 1,179 |
| Netherlands | 548 | 339 | 161 | 1,048 | 320 | 727 | 323 | 1,370 | 72 | 4,109 | 313 | 4,494 | – | 6,912 |
| Norway | – | 67 | 4 | 71 | 22 | 311 | 22 | 355 | 1 | 327 | 457 | 785 | – | 1,211 |
| Sweden | – | 105 | 122 | 227 | – | 361 | 245 | 606 | 5 | 1,189 | 788 | 1,982 | – | 2,815 |
| Switzerland | 975 | 58 | 42 | 1,075 | 34 | – | 601 | 635 | 55 | – | 59 | 114 | – | 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 |
| Other ⁷ | 258 | – | – | 258 | 193 | 81 | 9 | 283 | 42 | 93 | – | 135 | – | 676 |
| 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 |
| 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 |

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 January 31, 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 \$4.4 billion (October 31, 2017 – \$1.5 billion) for GIIPS and \$60.7 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 January 31, 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 8 countries (October 31, 2017 – 8 countries), each of which has a net exposure including loans and commitments, derivatives, repos and securities lending, and trading and investment portfolio below \$1.0 billion as at January 31, 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), with the majority of this exposure to the sovereigns themselves and to well-rated, systemically important banks in these countries. Derivatives and securities repurchase transactions are completed on a collateralized basis. The vast majority of derivatives exposure is offset by cash collateral while the repurchase transactions are backed largely by government securities rated A+ or better, and cash. The Bank also takes a limited amount of exposure to well-rated corporate issuers in Europe where the Bank also does business with their related entities in North America.

In addition to the European exposure identified above, the Bank also has \$10.2 billion (October 31, 2017 – \$9.5 billion) of exposure to supranational entities with European sponsorship and \$3.3 billion (October 31, 2017 – \$2.3 billion) of indirect exposure to European collateral from non-European counterparties related to repurchase and securities lending transactions that are margined daily.

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

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 Basel I 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 January 31, 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 January 31, 2018.

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

Global Systemically Important Banks Disclosures

In July 2013, the BCBS issued an update to the final rules on Global Systemically Important Banks (G-SIBs) and outlined the G-SIB assessment methodology which is based on the submissions of the largest global banks. Twelve indicators are used in the G-SIB assessment methodology to determine systemic importance. The score for a particular indicator is calculated by dividing the individual bank value by the aggregate amount for the indicator summed across all banks included in the assessment. Accordingly, an individual bank's ranking is reliant on the results and submissions of other global banks. The update also provided clarity on the public disclosure requirements of the twelve indicators used in the assessment methodology. As per OSFI's revised Advisory issued September 2015, the Canadian banks that have been designated as D-SIBs are also required by OSFI to publish, at a minimum, the twelve indicators used in the G-SIB indicator-based assessment framework. Public disclosure of financial year-end data is required annually, no later than the date of a bank's first quarter public disclosure of shareholder financial data in the following year.

The indicator based measurement approach divides the twelve indicators into five categories, with each category yielding a 20% weight to a bank's total score on the G-SIB scale as per the following table.

| Category (and weighting) | Individual indicator (and weighting) | Category background |
|---|--|---|
| Cross-jurisdictional activity (20%) | 1. Cross-jurisdictional claims (10%) 2. Cross-jurisdictional liabilities (10%) | This category measures the importance of the bank's activities outside its home jurisdiction, relative to overall activity of other banks. The two indicators account for an understanding that the international impact of a bank's distress or failure would vary in line with its share of cross-jurisdictional assets and liabilities. |
| Size (20%) | 3. Total exposures as defined for use in the Basel III leverage ratio (20%) | This category measures the size of the bank. The larger the bank, the more difficult it is for its activities to be quickly replaced by other banks and therefore the greater the chance that its distress or failure would cause disruption to the financial markets in which it operates. The distress or failure of a large bank is also more likely to damage confidence in the financial system as a whole. Size is therefore a key measure of systemic importance. |
| Interconnectedness (20%) | 4. Intra-financial system assets (6.67%) 5. Intra-financial system liabilities (6.67%) 6. Securities outstanding (6.67%) | This category measures the magnitude of dependence amongst banks. Given the network of contractual obligations in which the banks operate, financial distress at one institution can materially increase the likelihood of distress at other institutions. A bank's systemic impact is likely to be positively related to its interconnectedness vis-à-vis other financial institutions. |
| Substitutability / financial institution infrastructure (20%) | 7. Assets under custody (6.67%) 8. Payments activity (6.67%) 9. Underwritten transactions in debt and equity markets (6.67%) | This category measures the extent to which other institutions could provide the same service (such as availability of substitutes) of the failed bank. The three indicators also measures the bank's dominance in the financial institution infrastructure in which it operates. The greater a bank's role in a particular business line, or as a service provider in underlying market infrastructure (for example, payment systems), the larger the disruption will likely be following its failure, in terms of both service gaps and reduced flow of market and infrastructure liquidity. At the same time, the cost to the failed bank's customers in having to seek the same service from another institution is likely to be higher for a failed bank with relatively greater market share in providing the service. |
| Complexity (20%) | 10. Notional amount of over-the-counter (OTC) derivatives (6.67%) 11. Trading and available-for-sale securities (6.67%) 12. Level 3 assets (6.67%) | This category measures the complexity of the bank. The systemic impact of a bank's distress or failure is expected to be positively related to its overall complexity – that is, its business, structural, and operational complexity. The more complex a bank is, the greater are the costs and time needed to resolve the bank. |

The Bank's fiscal 2017 G-SIB score has not yet been determined, however based on 2016 fiscal year indicators, the Bank was not designated a G-SIB in November 2017. If the Bank were designated a G-SIB in the future, the Bank's capital ratio requirements would include the higher of the D-SIB and G-SIB surcharges, both of which are currently 1%, as per the draft OSFI CAR guideline released for public consultation in August 2017. Additionally, the Bank's minimum leverage ratio requirement would be the current OSFI and BCBS stipulated 3%. The D-SIB and G-SIB surcharges, and leverage ratio requirements, are subject to change at the discretion of the regulators. On December 15, 2016, the Federal Reserve Board adopted a final rule establishing total loss absorbing capacity (TLAC) and related requirements for U.S. bank holding companies designated as G-SIBs and intermediate holding companies (IHCs) of foreign banking organizations designated as G-SIBs. The rule requires that covered institutions maintain a minimum amount of loss-absorbing capital, long term debt and imposes other limits and requirements so that, in the event of the covered institution's failure, there will be sufficient internal loss-absorbing capacity available to allow for an orderly resolution. If the Bank should be designated as a G-SIB in the future, the rule will be applicable to the Bank's IHC, TD Group US Holding LLC (TDGUS), with a phase-in period.

Failure to meet the Bank's capital ratios and TLAC requirements, including any applicable surcharge if the Bank were designated a G-SIB in the future, could result in limitations on the Bank's ability to distribute capital and make certain discretionary compensation payments, and may negatively impact TD's reputation in the market.

The increase in notional amount of OTC derivatives is due to interest rate swaps and foreign exchange forwards. The increase in trading and available-for-sale securities is mainly as a result of an increase in available-for-sale securities in the investment portfolio. The following table provides the results of the twelve indicators for the Bank.

TABLE 23: G-SIB INDICATORS

(millions of Canadian dollars)

| Category (and weighting) | Individual Indicator | As at | |
|---|--|-----------------|-----------------|
| | | October 31 2017 | October 31 2016 |
| Cross-jurisdictional activity (20%) | Cross-jurisdictional claims | \$ 580,509 | \$ 525,276 |
| | Cross-jurisdictional liabilities | 457,379 | 430,191 |
| Size (20%) | Total exposures as defined for use in the Basel III leverage ratio | 1,366,804 | 1,244,414 |
| Interconnectedness (20%) | Intra-financial system assets | 81,564 | 81,716 |
| | Intra-financial system liabilities | 37,990 | 41,040 |
| | Securities outstanding | 330,694 | 296,359 |
| Substitutability / financial institution infrastructure (20%) | Assets under custody | 410,462 | 400,885 |
| | Payments activity | 27,109,728 | 24,526,857 |
| | Underwritten transactions in debt and equity markets | 134,448 | 133,495 |
| Complexity (20%) | Notional amount of OTC derivatives | 10,266,636 | 8,590,066 |
| | Trading and available-for-sale securities | 92,689 | 72,298 |
| | Level 3 assets | 3,586 | 3,264 |

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

TABLE 24: REGULATORY CAPITAL POSITION

(millions of Canadian dollars, except as noted)

| | As at | | |
|---|-----------------|-----------------|-----------------|
| | January 31 2018 | October 31 2017 | January 31 2017 |
| Capital | | | |
| Common Equity Tier 1 Capital | \$ 46,809 | \$ 46,628 | \$ 43,721 |
| Tier 1 Capital | 53,403 | 53,751 | 50,644 |
| Total Capital | 62,769 | 65,038 | 60,670 |
| Common Equity Tier 1 Capital risk-weighted assets for: | | | |
| Credit risk ¹ | \$ 335,600 | \$ 339,793 | \$ 334,483 |
| Market risk | 11,303 | 14,020 | 13,587 |
| Operational risk | 49,416 | 48,392 | 48,796 |
| Regulatory floor | 44,954 | 33,545 | 5,302 |
| Total | \$ 441,273 | \$ 435,750 | \$ 402,168 |
| Capital and leverage ratios | | | |
| Common Equity Tier 1 Capital ratio ¹ | 10.6 % | 10.7 % | 10.9 % |
| Tier 1 Capital ratio ¹ | 12.1 | 12.3 | 12.6 |
| Total Capital ratio ¹ | 14.2 | 14.9 | 15.1 |
| Leverage ratio | 4.0 | 3.9 | 4.0 |

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 January 31, 2018, the Bank's CET1, Tier 1, and Total Capital ratios were 10.6%, 12.1%, and 14.2%, respectively. Compared with the Bank's CET1 Capital ratio of 10.7% at October 31, 2017, the CET1 Capital ratio, as at January 31, 2018, decreased due to an increase in RWA attributable to the Basel I regulatory floor primarily reflecting the implementation of IFRS 9, RWA growth across all segments, and the impact of U.S. tax reform, partially offset by organic capital growth. As disclosed in the Future Regulatory Capital Developments section below, OSFI announced the implementation of a revised capital floor, effective in the second quarter of 2018. The Bank does not expect to be constrained by the capital floor under the revised methodology for some time. Pro forma CET1 capital ratio as at January 31, 2018, adjusted for the methodology change, would be approximately 11.8%.

As at January 31, 2018, the Bank's Leverage ratio was 4.0%, compared with the Bank's Leverage ratio of 3.9% at October 31, 2017. The Leverage ratio, as at January 31, 2018, increased due to capital generation, 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 January 2018, OSFI announced the implementation of a revised capital floor for banks using internal models. The revised floor is based on the Basel II standardized approach and will replace the current Basel I based floor. The floor is effective in the second quarter of 2018, with the floor factor transitioned in over three quarters. The factor increases from 70% in the second quarter of 2018, to 72.5% in the third quarter, and 75% in the fourth quarter.

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> | |
|---|---------------------------|---------------------------|
| | January 31, 2018 | October 31, 2017 |
| | Number of shares/units | Number of shares/units |
| Common shares outstanding | 1,845.2 | 1,842.5 |
| Treasury shares – common | (1.5) | (2.9) |
| Total common shares | 1,843.7 | 1,839.6 |
| Stock options | | |
| Vested | 6.2 | 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 |
| | 190.0 | 190.0 |
| Treasury shares – preferred | (0.4) | (0.3) |
| Total preferred shares | 189.6 | 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, and 16 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 850 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> | | | |
|---|-----------------------------------|-----------------------------|---------------------------------|-----------------------------|
| | January 31, 2018 | | October 31, 2017 | |
| | 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 | \$ 328,535 | \$ 11,258 | \$ 313,495 | \$ 12,594 |
| Book size | 4,309 | 1,207 | 3,612 | (1,500) |
| Book quality | 246 | (18) | (596) | (95) |
| Model updates | 78 | – | (601) | – |
| Methodology and policy | – | 346 | – | – |
| Acquisitions and disposals | 6 | – | 4,637 | – |
| Foreign exchange movements | (10,228) | (264) | 7,405 | 259 |
| Other | 125 | – | 583 | – |
| Total RWA movement | (5,464) | 1,271 | 15,040 | (1,336) |
| Common Equity Tier 1 Capital RWA, balance at end of period | \$ 323,071 | \$ 12,529 | \$ 328,535 | \$ 11,258 |

Counterparty credit risk is comprised of OTC derivatives, repo-style transactions, trades cleared through central counterparties, and CVA RWA which is phased in at 72% for fiscal 2017 and 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 first quarter of 2018, increased due to growth in derivatives and corporate lending in the Wholesale Banking segment and various portfolios in the U.S. Retail and Canadian Retail segments.

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 Driver¹

| | For the three months ended | |
|--|----------------------------|------------------|
| | January 31, 2018 | October 31, 2017 |
| (millions of Canadian dollars) | | |
| RWA, balance at beginning of period | \$ 14,020 | \$ 13,842 |
| Movement in risk levels | (1,720) | 178 |
| Model updates | – | – |
| Methodology and policy | (997) | – |
| Acquisitions and disposals | – | – |
| Foreign exchange movements and other | n/m ² | n/m ² |
| Total RWA movement | (2,717) | 178 |
| RWA, balance at end of period | \$ 11,303 | \$ 14,020 |

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

² Not meaningful.

The Movement in risk levels category reflects changes in risk due to position changes and market movements. Reduction in equity and credit risks contributed to the decrease in 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. Base metal exposures were captured in the Internal Models Approach for the first time this quarter, driving the decrease in RWA. Foreign exchange movements and other are deemed not meaningful since RWA exposure measures are calculated in Canadian dollars. Therefore, no foreign exchange translation is required.

TABLE 28: FLOW STATEMENT FOR RISK-WEIGHTED ASSETS – Disclosure for Operational Risk
Risk-Weighted Assets Movement by Key Driver

| | For the three months ended | |
|--|----------------------------|------------------|
| | January 31, 2018 | October 31, 2017 |
| (millions of Canadian dollars) | | |
| RWA, balance at beginning of period | \$ 48,392 | \$ 47,327 |
| Revenue generation | 152 | 156 |
| Movement in risk levels | 1,949 | 73 |
| Model updates | – | – |
| Methodology and policy | – | – |
| Acquisitions and disposals | – | – |
| Foreign exchange movements and other | (1,077) | 836 |
| RWA, balance at end of period | \$ 49,416 | \$ 48,392 |

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 January 31, 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.

| | January 31, 2018 | | | October 31, 2017 | | |
|------------------------------------|-------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| | Standardized | AIRB | Total | Standardized | AIRB | Total |
| Retail | | | | | | |
| Residential secured | \$ 2,725 | \$ 350,455 | \$ 353,180 | \$ 5,862 | \$ 349,749 | \$ 355,611 |
| Qualifying revolving retail | – | 92,678 | 92,678 | – | 93,527 | 93,527 |
| Other retail | 19,220 | 75,176 | 94,396 | 19,011 | 75,566 | 94,577 |
| Total retail | 21,945 | 518,309 | 540,254 | 24,873 | 518,842 | 543,715 |
| Non-retail | | | | | | |
| Corporate | 120,573 | 313,261 | 433,834 | 125,621 | 305,867 | 431,488 |
| Sovereign | 88,799 | 155,184 | 243,983 | 91,567 | 157,947 | 249,514 |
| Bank | 17,297 | 104,183 | 121,480 | 18,195 | 94,181 | 112,376 |
| Total non-retail | 226,669 | 572,628 | 799,297 | 235,383 | 557,995 | 793,378 |
| Gross credit risk exposures | \$ 248,614 | \$ 1,090,937 | \$ 1,339,551 | \$ 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)

| | January 31, 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 | \$ 44,893 | \$ 91 | \$ 44,802 | \$ – | \$ 51,185 | \$ 194 | \$ 50,991 | \$ – | Interest rate |
| Trading loans, securities, and other | 111,875 | 108,532 | 3,343 | – | 103,918 | 99,168 | 4,750 | – | Interest rate |
| Non-trading financial assets at fair value through profit or loss | 4,504 | – | 4,504 | – | n/a | n/a | n/a | n/a | Equity, foreign exchange, interest rate |
| Derivatives | 60,557 | 56,639 | 3,918 | – | 56,195 | 51,492 | 4,703 | – | Equity, foreign exchange, interest rate |
| Financial assets designated at fair value through profit or loss | 3,305 | – | 3,305 | – | 4,032 | – | 4,032 | – | Interest rate |
| Financial assets at fair value through other comprehensive income | 135,262 | – | 135,262 | – | n/a | n/a | n/a | n/a | Equity, foreign exchange, interest rate |
| Available-for-sale securities | 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 | 81,832 | – | 81,832 | – | n/a | n/a | n/a | n/a | Foreign exchange, interest rate |
| Held-to-maturity securities | n/a | n/a | n/a | – | 71,363 | – | 71,363 | – | Foreign exchange, interest rate |
| Securities purchased under reverse repurchase agreements | 124,600 | 2,497 | 122,103 | – | 134,429 | 1,345 | 133,084 | – | Interest rate |
| Loans | 607,129 | – | 607,129 | – | 616,374 | – | 616,374 | – | Interest rate |
| Customers' liability under acceptances | 14,817 | – | 14,817 | – | 17,297 | – | 17,297 | – | Interest rate |
| Investment in TD Ameritrade | 7,505 | – | 7,505 | – | 7,784 | – | 7,784 | – | Equity |
| Other assets ¹ | 1,519 | – | 1,519 | – | 1,549 | – | 1,549 | – | Interest rate |
| Assets not exposed to market risk | 63,518 | – | – | 63,518 | 68,458 | – | – | 68,458 | |
| Total Assets | 1,261,316 | 167,759 | 1,030,039 | 63,518 | 1,278,995 | 152,199 | 1,058,338 | 68,458 | |
| Liabilities subject to market risk | | | | | | | | | |
| Trading deposits | 93,827 | 4,108 | 89,719 | – | 79,940 | 3,539 | 76,401 | – | Interest rate |
| Derivatives | 58,578 | 53,373 | 5,205 | – | 51,214 | 46,206 | 5,008 | – | Foreign exchange, interest rate |
| Securitization liabilities at fair value | 11,840 | 11,840 | – | – | 12,757 | 12,757 | – | – | Interest rate |
| Deposits | 813,444 | – | 813,444 | – | 832,824 | – | 832,824 | – | Equity, interest rate |
| Acceptances | 14,817 | – | 14,817 | – | 17,297 | – | 17,297 | – | Interest rate |
| Obligations related to securities sold short | 37,167 | 35,332 | 1,835 | – | 35,482 | 32,124 | 3,358 | – | Interest rate |
| Obligations related to securities sold under repurchase agreements | 83,948 | 2,850 | 81,098 | – | 88,591 | 2,064 | 86,527 | – | Interest rate |
| Securitization liabilities at amortized cost | 15,773 | – | 15,773 | – | 16,076 | – | 16,076 | – | Interest rate |
| Subordinated notes and debentures | 7,518 | – | 7,518 | – | 9,528 | – | 9,528 | – | Interest rate |
| Other liabilities ¹ | 14,758 | 1 | 14,757 | – | 15,081 | 1 | 15,080 | – | Interest rate |
| Liabilities and Equity not exposed to market risk | 109,646 | – | – | 109,646 | 120,205 | – | – | 120,205 | |
| Total Liabilities and Equity | \$ 1,261,316 | \$ 107,503 | \$ 1,044,167 | \$ 109,646 | \$ 1,278,995 | \$ 96,691 | \$ 1,062,099 | \$ 120,205 | |

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

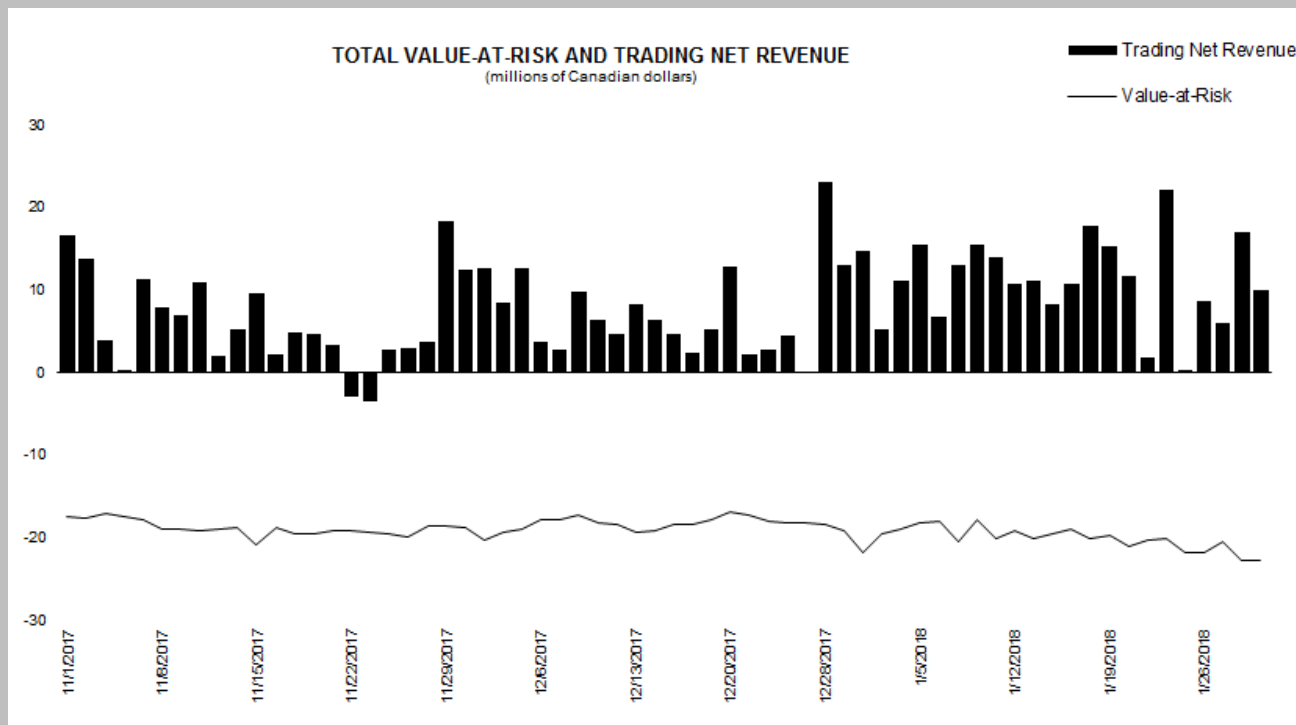
Calculating VaR

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 January 31, 2018, there were 3 days of trading losses and trading net revenue was positive for 95% 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 first 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 | | | | | |
|---|----------------------------|-----------------|------------------|------------------|-----------------|-----------------|
| | As at | | January 31 2018 | | October 31 2017 | January 31 2017 |
| | | Average | High | Low | Average | Average |
| Interest rate risk | \$ 11.3 | \$ 9.0 | \$ 14.0 | \$ 5.3 | \$ 10.2 | \$ 14.8 |
| Credit spread risk | 9.1 | 9.2 | 10.9 | 7.7 | 8.4 | 8.0 |
| Equity risk | 9.9 | 7.6 | 9.9 | 6.6 | 9.2 | 7.7 |
| Foreign exchange risk | 3.8 | 3.7 | 5.2 | 2.2 | 4.5 | 3.7 |
| Commodity risk | 2.3 | 2.7 | 4.7 | 1.3 | 1.3 | 1.5 |
| Idiosyncratic debt specific risk | 16.8 | 14.2 | 16.8 | 11.3 | 14.3 | 13.1 |
| Diversification effect ¹ | (30.4) | (27.2) | n/m ² | n/m ² | (28.5) | (27.3) |
| Total Value-at-Risk (one-day) | 22.8 | 19.2 | 22.9 | 16.9 | 19.4 | 21.5 |
| Stressed Value-at-Risk (one-day) | 35.5 | 39.0 | 46.7 | 28.8 | 43.8 | 36.5 |
| Incremental Risk Capital Charge (one-year) | \$ 197.0 | \$ 207.3 | \$ 266.6 | \$ 176.8 | \$ 252.4 | \$ 260.9 |

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 was relatively unchanged compared to the prior quarter. Year-over-year, there was a decrease in both average VaR and average interest rate VaR driven by U.S. interest rate risk positions. Average Stressed VaR decreased over the quarter driven by a decrease in equity risk positions.

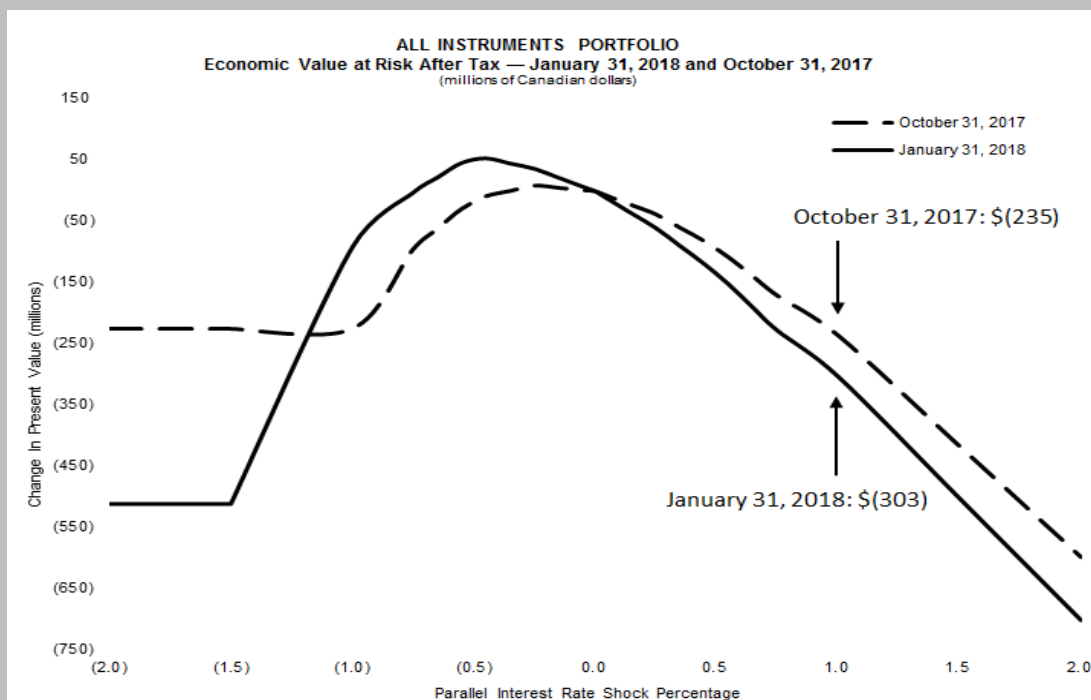
Average IRC decreased both quarter-over-quarter and year-over-year driven by Canadian bank positions.

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 graph³ 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.



³ The footnotes included in Table 32 are also applicable to this graph.

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 January 31, 2018, an immediate and sustained 100 bps increase in interest rates would have decreased the economic value of shareholders' equity by \$303 million (October 31, 2017 – \$235 million) after tax. An immediate and sustained 100 bps decrease in interest rates would have reduced the economic value of shareholders' equity by \$92 million (October 31, 2017 – \$225 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) | January 31, 2018 | | October 31, 2017 | | As at January 31, 2017 | |
|--------------------------------|------------------|------------------|------------------|------------------|------------------------|-------------------|
| | 100 bps increase | 100 bps decrease | 100 bps increase | 100 bps decrease | 100 bps increase | 100 bps decrease |
| | Canadian dollar | \$ (28) | \$ (56) | \$ (24) | \$ (43) | \$ 1 |
| U.S. dollar | (275) | (36) | (211) | (182) | (184) | (10) ² |
| | \$ (303) | \$ (92) | \$ (235) | \$ (225) | \$ (183) | \$ (57) |

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 January 31, 2017, corresponding to an interest rate environment that is floored at 0%.

² Due to the low rate environment EVaR sensitivity has been measured using a 75 bps decline for U.S. interest rates for the quarter ended January 31, 2017, corresponding to an interest rate environment that is floored at 0%.

Liquidity Risk

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

TD'S LIQUIDITY RISK APPETITE

The Bank maintains a prudent and disciplined approach to managing its potential exposure to liquidity risk. The Bank targets a 90-day survival horizon under a combined Bank-specific and market-wide stress scenario, and a minimum buffer over regulatory requirements prescribed by the OSFI Liquidity Adequacy Requirements (LAR) guidelines. Under the LAR guidelines, Canadian banks are required to maintain a Liquidity Coverage Ratio (LCR) at the minimum of 100%. 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 & 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 & 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 is provided by the ALCO and independently by Risk Management. The Risk Committee of the Board regularly reviews the Bank's liquidity position and approves the Bank's Liquidity Risk Management Framework annually and policies bi-annually.

Pursuant to the Enhanced Prudential Standards for Bank Holdings Companies and Foreign Banking Organizations, TD has established TDGUS, as TD's U.S. IHC, and a Combined U.S. Operations (CUSO) reporting unit that consists of the IHC and TD's U.S. branch and agency network. Both TDGUS and CUSO are managed to the U.S. Enhanced Prudential Standards liquidity requirements in addition to the Bank's liquidity management framework.

The 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 CURRENCY^{1,2}

(millions of Canadian dollars, except as noted)

As at

| | Bank-owned liquid assets | Securities received as collateral from securities financing and derivative transactions ³ | Total liquid assets | | Encumbered liquid assets | Unencumbered liquid assets ³ |
|---|-----------------------------|--|------------------------|------------|-----------------------------|--|
| | | | | % | | |
| | | | | | | January 31, 2018 |
| Cash and due from banks | \$ 2,464 | \$ – | \$ 2,464 | – | \$ 311 | \$ 2,153 |
| Canadian government obligations | 16,811 | 51,943 | 68,754 | 13 | 45,598 | 23,156 |
| National Housing Act Mortgage-Backed Securities (NHA MBS) | 43,136 | 45 | 43,181 | 8 | 3,613 | 39,568 |
| Provincial government obligations | 10,279 | 18,871 | 29,150 | 5 | 21,746 | 7,404 |
| Corporate issuer obligations | 6,124 | 3,433 | 9,557 | 2 | 963 | 8,594 |
| Equities | 8,521 | 2,202 | 10,723 | 2 | 6,231 | 4,492 |
| Other marketable securities and/or loans | 2,186 | 292 | 2,478 | – | 147 | 2,331 |
| Total Canadian dollar-denominated | 89,521 | 76,786 | 166,307 | 30 | 78,609 | 87,698 |
| Cash and due from banks | 38,927 | – | 38,927 | 7 | 536 | 38,391 |
| U.S. government obligations | 30,923 | 37,386 | 68,309 | 13 | 34,051 | 34,258 |
| U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations | 41,986 | 404 | 42,390 | 8 | 8,835 | 33,555 |
| Other sovereign obligations | 53,075 | 58,115 | 111,190 | 20 | 37,568 | 73,622 |
| Corporate issuer obligations | 62,367 | 1,288 | 63,655 | 12 | 4,654 | 59,001 |
| Equities | 25,621 | 22,474 | 48,095 | 9 | 15,493 | 32,602 |
| Other marketable securities and/or loans | 5,196 | 9 | 5,205 | 1 | 405 | 4,800 |
| Total non-Canadian dollar-denominated | 258,095 | 119,676 | 377,771 | 70 | 101,542 | 276,229 |
| Total | \$ 347,616 | \$ 196,462 | \$ 544,078 | 100 | % \$ 180,151 | \$ 363,927 |
| | | | | | | 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 Certain comparative amounts have been restated to conform with the presentation adopted in the current period.² Positions stated include gross asset values pertaining to secured borrowing/lending and reverse-repurchase/repurchase businesses.³ 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 BRANCHES¹

(millions of Canadian dollars)

As at

| | January 31 2018 | October 31 2017 |
|------------------------------------|--------------------|--------------------|
| The Toronto-Dominion Bank (Parent) | \$ 116,214 | \$ 111,797 |
| Bank subsidiaries | 212,804 | 217,098 |
| Foreign branches | 34,909 | 36,473 |
| Total | \$ 363,927 | \$ 365,368 |

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

The Bank's monthly average liquid assets (excluding those held in insurance subsidiaries) for the quarters ended January 31, 2018, and October 31, 2017, 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 |
|---|-----------------------------|--|------------------------|-----------------------------|--|
| January 31, 2018 | | | | | |
| Cash and due from banks | \$ 3,212 | \$ – | \$ 3,212 | 1 % \$ | \$ 300 |
| Canadian government obligations | 14,872 | 51,379 | 66,251 | 12 | 23,483 |
| NHA MBS | 41,349 | 45 | 41,394 | 7 | 37,709 |
| Provincial government obligations | 10,708 | 16,388 | 27,096 | 5 | 19,486 |
| Corporate issuer obligations | 5,573 | 3,477 | 9,050 | 2 | 7,699 |
| Equities | 9,507 | 2,401 | 11,908 | 2 | 6,311 |
| Other marketable securities and/or loans | 2,308 | 264 | 2,572 | – | 2,449 |
| Total Canadian dollar-denominated | 87,529 | 73,954 | 161,483 | 29 | 73,310 |
| Cash and due from banks | 40,028 | – | 40,028 | 7 | 39,787 |
| U.S. government obligations | 29,803 | 41,837 | 71,640 | 13 | 31,893 |
| U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations | 43,146 | 469 | 43,615 | 8 | 34,044 |
| Other sovereign obligations | 54,021 | 63,783 | 117,804 | 21 | 77,344 |
| Corporate issuer obligations | 66,015 | 1,528 | 67,543 | 12 | 62,515 |
| Equities | 26,551 | 22,373 | 48,924 | 9 | 32,114 |
| Other marketable securities and/or loans | 5,265 | 8 | 5,273 | 1 | 4,898 |
| Total non-Canadian dollar-denominated | 264,829 | 129,998 | 394,827 | 71 | 112,232 |
| Total | \$ 352,358 | \$ 203,952 | \$ 556,310 | 100 % | \$ 185,542 |
| October 31, 2017 | | | | | |
| Cash and due from banks | \$ 3,543 | \$ – | \$ 3,543 | 1 % \$ | \$ 392 |
| Canadian government obligations | 16,991 | 41,681 | 58,672 | 11 | 24,802 |
| NHA MBS | 37,291 | 46 | 37,337 | 7 | 33,700 |
| Provincial government obligations | 9,804 | 13,094 | 22,898 | 5 | 7,885 |
| Corporate issuer obligations | 3,636 | 3,212 | 6,848 | 1 | 6,161 |
| Equities | 8,896 | 2,010 | 10,906 | 2 | 7,544 |
| Other marketable securities and/or loans | 2,004 | 246 | 2,250 | 1 | 2,116 |
| Total Canadian dollar-denominated | 82,165 | 60,289 | 142,454 | 28 | 57,095 |
| Cash and due from banks | 43,773 | – | 43,773 | 8 | 43,725 |
| U.S. government obligations | 29,555 | 39,400 | 68,955 | 13 | 31,712 |
| U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations | 40,262 | 478 | 40,740 | 8 | 31,423 |
| Other sovereign obligations | 53,080 | 61,001 | 114,081 | 22 | 71,040 |
| Corporate issuer obligations | 60,637 | 1,565 | 62,202 | 12 | 56,392 |
| Equities | 17,998 | 12,413 | 30,411 | 6 | 20,746 |
| Other marketable securities and/or loans | 11,663 | 2,967 | 14,630 | 3 | 12,989 |
| Total non-Canadian dollar-denominated | 256,968 | 117,824 | 374,792 | 72 | 106,765 |
| Total | \$ 339,133 | \$ 178,113 | \$ 517,246 | 100 % | \$ 163,860 |

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

| | January 31 2018 | October 31 2017 |
|------------------------------------|--------------------|--------------------|
| The Toronto-Dominion Bank (Parent) | \$ 113,583 | \$ 115,516 |
| Bank subsidiaries | 215,681 | 208,556 |
| Foreign branches | 41,504 | 29,314 |
| Total | \$ 370,768 | \$ 353,386 |

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 ASSETS¹

(millions of Canadian dollars, except as noted)

As at

| | Encumbered ² | | Unencumbered | | Total assets | Encumbered assets as a % of total assets |
|---|------------------------------------|--------------------|--------------------------------------|--------------------|---------------------|--|
| | Pledged as collateral ³ | Other ⁴ | Available as collateral ⁵ | Other ⁶ | | |
| | | | | | | January 31, 2018 |
| Cash and due from banks | \$ 15 | \$ 7 | \$ – | \$ 3,874 | \$ 3,896 | – % |
| Interest-bearing deposits with banks | 4,935 | – | 30,161 | 9,797 | 44,893 | 0.4 |
| Securities, trading loans, and other ⁷ | 65,679 | 11,756 | 242,450 | 16,755 | 336,640 | 6.1 |
| Derivatives | – | – | – | 60,557 | 60,557 | – |
| Securities purchased under reverse repurchase agreements ⁸ | – | – | – | 124,600 | 124,600 | – |
| Loans, net of allowance for loan losses | 24,061 | 52,386 | 80,099 | 450,583 | 607,129 | 6.1 |
| Customers' liability under acceptances | – | – | – | 14,817 | 14,817 | – |
| Investment in TD Ameritrade | – | – | – | 7,505 | 7,505 | – |
| Goodwill | – | – | – | 15,558 | 15,558 | – |
| Other intangibles | – | – | – | 2,521 | 2,521 | – |
| Land, buildings, equipment, and other depreciable assets | – | – | – | 5,102 | 5,102 | – |
| Deferred tax assets | – | – | – | 2,352 | 2,352 | – |
| Other assets ⁹ | 436 | – | – | 35,310 | 35,746 | – |
| Total on-balance sheet assets | \$ 95,126 | \$ 64,149 | \$ 352,710 | \$ 749,331 | \$ 1,261,316 | 12.6 % |
| Off-balance sheet items¹⁰ | | | | | | |
| Securities purchased under reverse repurchase agreements | 119,594 | – | 26,993 | (124,600) | | |
| Securities borrowing and collateral received | 37,334 | 963 | 16,324 | – | | |
| Margin loans and other client activity | 5,884 | – | 22,674 | (11,282) | | |
| Total off-balance sheet items | 162,812 | 963 | 65,991 | (135,882) | | |
| Total | \$ 257,938 | \$ 65,112 | \$ 418,701 | \$ 613,449 | | |
| | | | | | | 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 Certain comparative amounts have been restated to conform with the presentation adopted in the current period.² 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.³ 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.⁴ 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.⁵ 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.⁶ 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).⁷ 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.⁸ Assets reported in Securities purchased under reverse repurchase agreements represent the value of the loans extended and not the value of the collateral received.⁹ Other assets include amounts receivable from brokers, dealers, and clients.¹⁰ Off-balance sheet items include the collateral value from the securities received under reverse repurchase agreements, securities borrowing, margin loans, and other client activity. The loan value from the reverse repurchase transactions and margin loans/client activity is deducted from the on-balance sheet Unencumbered – Other category.

LIQUIDITY STRESS TESTING AND CONTINGENCY FUNDING PLANS

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

The Bank has liquidity contingency funding plans (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 | As at | | |
|---------------|------------------------|------------------------------|------------------|
| | Short-term debt rating | Senior long-term debt rating | January 31, 2018 |
| Moody's | P-1 | Aa2 | Negative |
| S&P | A-1+ | AA- | Stable |
| DBRS | 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.

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 | |
|--------------------------------|------------------------------------|-----------------|
| | January 31 2018 | October 31 2017 |
| One-notch downgrade | \$ 99 | \$ 112 |
| Two-notch downgrade | 120 | 140 |
| Three-notch downgrade | 351 | 357 |

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 January 31, 2018.

TABLE 40: AVERAGE BASEL III LIQUIDITY COVERAGE RATIO¹

(millions of Canadian dollars, except as noted)

| | <i>Average for the three months ended</i> | |
|--|---|---|
| | January 31, 2018 | |
| | Total unweighted value (average)² | Total weighted value (average)³ |
| High-quality liquid assets | | |
| Total high-quality liquid assets | \$ n/a ⁴ | \$ 222,041 |
| Cash outflows | | |
| Retail deposits and deposits from small business customers, of which: | 438,622 | 31,035 |
| Stable deposits ⁵ | \$ 183,255 | \$ 5,498 |
| Less stable deposits | 255,367 | 25,537 |
| Unsecured wholesale funding, of which: | 240,130 | 117,834 |
| Operational deposits (all counterparties) and deposits in networks of cooperative banks ⁶ | 92,586 | 21,946 |
| Non-operational deposits (all counterparties) | 115,375 | 63,719 |
| Unsecured debt | 32,169 | 32,169 |
| Secured wholesale funding | n/a ⁴ | 9,306 |
| Additional requirements, of which: | 178,447 | 49,526 |
| Outflows related to derivative exposures and other collateral requirements | 29,238 | 12,755 |
| Outflows related to loss of funding on debt products | 6,778 | 6,778 |
| Credit and liquidity facilities | 142,431 | 29,993 |
| Other contractual funding obligations | 9,026 | 4,144 |
| Other contingent funding obligations ⁷ | 537,923 | 8,398 |
| Total cash outflows | \$ n/a⁴ | \$ 220,243 |
| Cash inflows | | |
| Secured lending | \$ 161,098 | \$ 15,678 |
| Inflows from fully performing exposures | 13,892 | 7,295 |
| Other cash inflows | 14,705 | 14,705 |
| Total cash inflows | \$ 189,695 | \$ 37,678 |

| | <i>Average for the three months ended</i> | |
|---|---|---------------------------------|
| | January 31, 2018 | October 31, 2017 |
| | Total adjusted value | Total adjusted value |
| Total high-quality liquid assets⁸ | \$ 222,041 | \$ 209,086 |
| Total net cash outflows⁹ | 182,565 | 173,936 |
| Liquidity coverage ratio | 122 % | 120 % |

¹ The LCR for the quarter ended January 31, 2018, is calculated as an average of the 62 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 122% for quarter ended January 31, 2018, continues to meet the regulatory requirement. The 2% change over the prior quarter's LCR was mainly due to the increase in HQLA as a result of term wholesale funding activity.

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 January 31, 2018, was \$222 billion (October 31, 2017 – \$209 billion), with Level 1 assets representing 79% (October 31, 2017 – 80%). 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> | |
|--------------------------------|--------------------|--------------------|
| | January 31 2018 | October 31 2017 |
| P&C deposits – Canadian Retail | \$ 353,705 | \$ 350,446 |
| P&C deposits – U.S. Retail | 320,270 | 336,302 |
| Other deposits | 99 | 99 |
| Total | \$ 674,074 | \$ 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) |
| Canadian Senior Medium Term Linked Notes Program (\$2 billion) | | Registered Legislative Covered Bond Program (\$40 billion) |
| HELOC ABS Program (Genesis Trust II) (\$7 billion) | | UKLA Registered European Medium Term Note Program (US\$20 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 January 31, 2018, was \$110.3 billion (October 31, 2017 – \$109.3 billion).

TABLE 42: LONG-TERM FUNDING

| | <i>As at</i> | |
|--------------------------------------|--------------------|--------------------|
| | January 31 2018 | October 31 2017 |
| Long-term funding by currency | | |
| Canadian dollar | 37 % | 37 % |
| U.S. dollar | 41 | 42 |
| Euro | 14 | 14 |
| British pound | 5 | 4 |
| Other | 3 | 3 |
| Total | 100 % | 100 % |
| Long-term funding by type | | |
| Senior unsecured medium term notes | 55 % | 53 % |
| Covered bonds | 26 | 27 |
| Mortgage securitization ¹ | 14 | 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 January 31, 2018, and October 31, 2017.

TABLE 43: WHOLESALE FUNDING

(millions of Canadian dollars)

| | | | | | | | <i>As at</i> | |
|--|----------------------|------------------|------------------|-----------------------|----------------------|------------------|--------------------|--------------------|
| | | | | | | | January 31 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 ¹ | \$ 9,940 | \$ 8,826 | \$ 1,002 | \$ 112 | \$ 75 | \$ – | \$ 19,955 | \$ 17,990 |
| Bearer deposit note | 848 | 730 | 3,518 | 285 | – | – | 5,381 | 3,700 |
| Certificates of deposit | 8,457 | 19,773 | 10,776 | 17,394 | – | – | 56,400 | 65,465 |
| Commercial paper | 9,214 | 8,173 | 6,153 | 14,937 | – | – | 38,477 | 25,281 |
| Covered bonds | – | – | – | – | 833 | 27,516 | 28,349 | 29,319 |
| Mortgage securitization | 70 | 1,020 | 1,402 | 3,345 | 3,874 | 17,902 | 27,613 | 28,833 |
| Senior unsecured medium term notes | – | 8,814 | 2,460 | 9,891 | 11,234 | 27,276 | 59,675 | 57,570 |
| Subordinated notes and debentures ² | – | – | – | – | – | 7,518 | 7,518 | 9,528 |
| Term asset backed securitization | – | 1,230 | – | 1,350 | 1,738 | 1,364 | 5,682 | 5,835 |
| Other ³ | 3,995 | 1,172 | 64 | 348 | – | 155 | 5,734 | 8,443 |
| Total | \$ 32,524 | \$ 49,738 | \$ 25,375 | \$ 47,662 | \$ 17,754 | \$ 81,731 | \$ 254,784 | \$ 251,964 |
| Of which: | | | | | | | | |
| Secured | \$ 4,065 | \$ 3,422 | \$ 1,466 | \$ 5,043 | \$ 6,445 | \$ 46,937 | \$ 67,378 | \$ 72,430 |
| Unsecured | 28,459 | 46,316 | 23,909 | 42,619 | 11,309 | 34,794 | 187,406 | 179,534 |
| Total | \$ 32,524 | \$ 49,738 | \$ 25,375 | \$ 47,662 | \$ 17,754 | \$ 81,731 | \$ 254,784 | \$ 251,964 |

¹ Includes fixed-term deposits from banks.

² Subordinated notes and debentures are not considered wholesale funding as they may be raised primarily for capital management purposes.

³ Includes fixed-term deposits from non-bank institutions (unsecured) of \$5.7 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 months ended January 31, 2018, was \$0.6 billion (three months ended January 31, 2017 – \$0.5 billion). Other asset backed securities issuance for the three months ended January 31, 2018, was nil (three months ended January 31, 2017 – \$0.7 billion). The Bank also issued \$4.6 billion of unsecured medium-term notes for the three months ended January 31, 2018 (three months ended January 31, 2017 – \$2.6 billion) in various currencies and markets. The total covered bonds issuance for the three months ended January 31, 2018, was \$0.9 billion (three months ended January 31, 2017 – \$2.3 billion).

REGULATORY DEVELOPMENTS CONCERNING LIQUIDITY AND FUNDING

On March 22, 2016, the Government of Canada, in its 2016 federal budget, proposed to introduce framework legislation for the bail-in regime along with accompanying enhancements to Canada's bank resolution toolkit. The regime will provide the Canada Deposit Insurance Corporation (CDIC) with a new statutory power to convert specified eligible liabilities of D-SIBs into common shares in the unlikely event such banks become non-viable. 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. TD is monitoring the bail-in developments and expects further details to be included in the regulations and an implementation timeline to be clarified in the near future.

In October 2014, the BCBS released the final standard for "Basel III: the net stable funding ratio" 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 January 31, 2018 | | | | | | | | | |
|--|---------------------------|------------------|------------------|------------------|-----------------------|----------------------|----------------------|-------------------|----------------------------|---------------------|
| | Less than 1 month | 1 to 3 months | 3 to 6 months | 6 to 9 months | 9 months to 1 year | Over 1 to 2 years | Over 2 to 5 years | Over 5 years | No specific maturity | Total |
| Assets | | | | | | | | | | |
| Cash and due from banks | \$ 3,896 | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ – | \$ 3,896 |
| Interest-bearing deposits with banks | 43,614 | 548 | 300 | 6 | 3 | – | – | – | 422 | 44,893 |
| Trading loans, securities, and other ¹ | 1,134 | 3,250 | 4,838 | 2,023 | 3,436 | 6,938 | 24,891 | 20,910 | 44,455 | 111,875 |
| Non-trading financial assets at fair value through profit or loss | 474 | 166 | 11 | 935 | 92 | 1,373 | 115 | 773 | 565 | 4,504 |
| Derivatives | 8,281 | 10,074 | 3,844 | 3,205 | 3,587 | 6,415 | 13,775 | 11,376 | – | 60,557 |
| Financial assets designated at fair value through profit or loss | 134 | 170 | 341 | 113 | 92 | 488 | 1,093 | 874 | – | 3,305 |
| Financial assets at fair value through other comprehensive income | 2,390 | 1,969 | 4,649 | 2,867 | 2,880 | 13,451 | 69,307 | 35,242 | 2,507 | 135,262 |
| Debt securities at amortized cost, net of allowance for credit losses | 425 | 2,906 | 2,873 | 2,099 | 3,188 | 13,636 | 23,319 | 33,386 | (137) | 81,695 |
| Securities purchased under reverse repurchase agreements | 82,294 | 28,997 | 10,110 | 1,608 | 1,577 | 8 | 6 | – | – | 124,600 |
| Loans | | | | | | | | | | |
| Residential mortgages | 617 | 3,897 | 13,982 | 12,730 | 8,616 | 35,828 | 110,963 | 31,238 | – | 217,871 |
| Consumer instalment and other personal | 723 | 1,950 | 3,440 | 3,080 | 3,110 | 13,002 | 46,071 | 25,393 | 60,942 | 157,711 |
| Credit card | – | – | – | – | – | – | – | – | 33,134 | 33,134 |
| Business and government | 24,956 | 5,227 | 5,790 | 8,260 | 7,075 | 13,888 | 59,569 | 57,242 | 19,871 | 201,878 |
| Total loans | 26,296 | 11,074 | 23,212 | 24,070 | 18,801 | 62,718 | 216,603 | 113,873 | 113,947 | 610,594 |
| Allowance for loan losses | – | – | – | – | – | – | – | – | (3,465) | (3,465) |
| Loans, net of allowance for loan losses | 26,296 | 11,074 | 23,212 | 24,070 | 18,801 | 62,718 | 216,603 | 113,873 | 110,482 | 607,129 |
| Customers' liability under acceptances | 12,281 | 2,435 | 100 | 1 | – | – | – | – | – | 14,817 |
| Investment in TD Ameritrade | – | – | – | – | – | – | – | – | 7,505 | 7,505 |
| Goodwill ² | – | – | – | – | – | – | – | – | 15,558 | 15,558 |
| Other intangibles ² | – | – | – | – | – | – | – | – | 2,521 | 2,521 |
| Land, buildings, equipment, and other depreciable assets ² | – | – | – | – | – | – | – | – | 5,102 | 5,102 |
| Deferred tax assets | – | – | – | – | – | – | – | – | 2,352 | 2,352 |
| Amounts receivable from brokers, dealers, and clients | 22,902 | – | – | – | – | – | – | – | – | 22,902 |
| Other assets | 2,730 | 1,181 | 245 | 104 | 121 | 149 | 282 | 108 | 7,923 | 12,843 |
| Total assets | \$ 206,851 | \$ 62,770 | \$ 50,523 | \$ 37,031 | \$ 33,777 | \$ 105,176 | \$ 349,391 | \$ 216,542 | \$ 199,255 | \$ 1,261,316 |
| Liabilities | | | | | | | | | | |
| Trading deposits | \$ 11,552 | \$ 27,771 | \$ 19,020 | \$ 16,994 | \$ 14,939 | \$ 544 | \$ 2,002 | \$ 1,005 | \$ – | \$ 93,827 |
| Derivatives | 10,349 | 10,017 | 3,677 | 2,642 | 3,048 | 6,347 | 11,753 | 10,745 | – | 58,578 |
| Securitization liabilities at fair value | – | 113 | 699 | – | 765 | 1,641 | 6,518 | 2,104 | – | 11,840 |
| Deposits ^{3,4} | | | | | | | | | | |
| Personal | 4,717 | 6,798 | 7,259 | 6,545 | 6,272 | 9,009 | 9,765 | 52 | 406,914 | 457,331 |
| Banks | 9,293 | 5,426 | 443 | 16 | 201 | – | 2 | 8 | 7,570 | 22,959 |
| Business and government | 25,112 | 22,953 | 7,479 | 6,534 | 7,634 | 12,975 | 44,898 | 12,685 | 192,884 | 333,154 |
| Total deposits | 39,122 | 35,177 | 15,181 | 13,095 | 14,107 | 21,984 | 54,665 | 12,745 | 607,368 | 813,444 |
| Acceptances | 12,281 | 2,435 | 100 | 1 | – | – | – | – | – | 14,817 |
| Obligations related to securities sold short ¹ | 1,499 | 1,490 | 1,409 | 383 | 1,118 | 3,832 | 13,587 | 12,707 | 1,142 | 37,167 |
| Obligations related to securities sold under repurchase agreements | 68,966 | 10,869 | 3,920 | 57 | 29 | 73 | 34 | – | – | 83,948 |
| Securitization liabilities at amortized cost | 70 | 907 | 702 | 1,254 | 1,327 | 2,233 | 6,316 | 2,964 | – | 15,773 |
| Amounts payable to brokers, dealers, and clients | 24,996 | – | – | – | – | – | – | – | – | 24,996 |
| Insurance-related liabilities | 128 | 194 | 310 | 357 | 437 | 959 | 1,742 | 977 | 1,609 | 6,713 |
| Other liabilities ⁵ | 4,161 | 2,194 | 407 | 965 | 1,768 | 2,082 | 1,321 | 776 | 5,847 | 19,521 |
| Subordinated notes and debentures | – | – | – | – | – | – | – | 7,518 | – | 7,518 |
| Equity | – | – | – | – | – | – | – | – | 73,174 | 73,174 |
| Total liabilities and equity | \$ 173,124 | \$ 91,167 | \$ 45,425 | \$ 35,748 | \$ 37,538 | \$ 39,695 | \$ 97,938 | \$ 51,541 | \$ 689,140 | \$ 1,261,316 |
| Off-balance sheet commitments | | | | | | | | | | |
| Credit and liquidity commitments ^{6,7} | \$ 14,812 | \$ 18,213 | \$ 15,782 | \$ 8,206 | \$ 13,179 | \$ 22,003 | \$ 85,510 | \$ 2,963 | \$ 2,400 | \$ 183,068 |
| Operating lease commitments | 78 | 156 | 232 | 230 | 226 | 850 | 2,040 | 3,266 | – | 7,078 |
| Other purchase obligations | 21 | 50 | 88 | 59 | 123 | 246 | 242 | – | – | 829 |
| Unconsolidated structured entity commitments | – | 610 | 512 | 110 | 408 | 477 | – | – | – | 2,117 |
| Total off-balance sheet commitments | \$ 14,911 | \$ 19,029 | \$ 16,614 | \$ 8,605 | \$ 13,936 | \$ 23,576 | \$ 87,792 | \$ 6,229 | \$ 2,400 | \$ 193,092 |

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 \$28 billion of covered bonds with remaining contractual maturities of \$1 billion in 'over 1 to 2 years', \$21 billion in 'over 2 to 5 years', and \$6 billion in 'over 5 years'.⁵ Includes \$81 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', \$24 million in 'over 1 to 2 years', \$21 million in 'over 2 to 5 years', and \$8 million in 'over 5 years'.⁶ Includes \$121 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 | 266 | 408 | 724 | — | — | — | 2,816 |
| Total off-balance sheet commitments | \$ 20,007 | \$ 16,715 | \$ 14,945 | \$ 11,095 | \$ 8,626 | \$ 24,252 | \$ 87,616 | \$ 6,733 | \$ 2,325 | \$ 192,314 |

¹ Certain comparative amounts have been reclassified 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 January 31, 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 \$12.5 billion as at January 31, 2018 (October 31, 2017 – \$13.2 billion). Further, as at January 31, 2018, the Bank had committed to provide an additional \$1.8 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 \$2.3 billion as at January 31, 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, and trade receivables. As at January 31, 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 first 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 first 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, 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 standard prospectively. The amendments to IFRS 2 are not expected to have a material impact on 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. Early application is permitted on or before the date of initial application of IFRS 17. The Bank is currently assessing the impact of adopting this standard.

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.