UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

[Check one]

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **October 31, 2017** Commission File Number **1-14446**

THE TORONTO-DOMINION BANK
(Exact name of Registrant as specified in its charter)

Canada
(Province or other jurisdiction of incorporation or organization)

6029
(Primary Standard Industrial Classification Code Number (if applicable))

13-5640479
(I.R.S. Employer Identification Number (if applicable))

c/o General Counsel's Office
P.O. Box 1
Toronto-Dominion Centre
Toronto, Ontario M5K 1A2
(416) 308-6963
(Address and telephone number of Registrant's principal executive offices)

Glenn Gibson, The Toronto-Dominion Bank
31 West 52nd Street
New York, NY
10019-6101
(212) 827-7000
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Shares	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

Not Applicable
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Not Applicable
(Title of Class)

For annual reports, indicate by check mark the information filed with this form:

☒ Annual information form ☒ Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Common Shares	1,842,469,582
Non-Cumulative 5-Year Rate Reset Preferred Shares, Series S	5,387,491
Non-Cumulative Floating Rate Preferred Shares, Series T	4,612,509
Non-Cumulative 5-Year Rate Reset Preferred Shares, Series Y	5,481,853
Non-Cumulative Floating Rate Preferred Shares, Series Z	4,518,147
Non-Cumulative 5-Year Rate Reset Preferred Shares, Series 1 (Non-Viability Contingent Capital)	20,000,000
Non-Cumulative 5-Year Rate Reset Preferred Shares, Series 3 (Non-Viability Contingent Capital)	20,000,000
Non-Cumulative 5-Year Rate Reset Preferred Shares, Series 5 (Non-Viability Contingent Capital)	20,000,000
Non-Cumulative 5-Year Rate Reset Preferred Shares, Series 7 (Non-Viability Contingent Capital)	14,000,000
Non-Cumulative 5-Year Rate Reset Preferred Shares, Series 9 (Non-Viability Contingent Capital)	8,000,000
Non-Cumulative Fixed Rate Class A First Preferred Shares, Series 11 (Non-Viability Contingent Capital)	6,000,000
Non-Cumulative 5-Year Rate Reset Preferred Shares, Series 12 (Non-Viability Contingent Capital)	28,000,000
Non-Cumulative 5-Year Rate Reset Preferred Shares, Series 14 (Non-Viability Contingent Capital)	40,000,000
Non-Cumulative 5-Year Rate Reset Preferred Shares, Series 16 (Non-Viability Contingent Capital)	14,000,000

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the Registrant in connection with such Rule.

Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes ☐ No ☐

Indicate by check mark whether the Registrant is an emerging growth company, as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Disclosure Controls and Procedures

The disclosure provided under the heading *Accounting Standards and Policies – Controls and Procedures – Disclosure Controls and Procedures* included in Exhibit 99.2: Management's Discussion and Analysis is incorporated by reference herein.

Management's Annual Report on Internal Control Over Financial Reporting

The disclosure provided under the heading *Accounting Standards and Policies – Controls and Procedures* - *Management's Report on Internal Control Over Financial Reporting* included in Exhibit 99.2: Management's Discussion and Analysis is incorporated by reference herein.

Attestation Report of the Registered Public Accounting Firm

The disclosure provided under the heading *Independent Auditors' Report of Registered Public Accounting Firm to Shareholders – Report on Internal Control under Standards of the Public Company Accounting Oversight Board (United States)* included in Exhibit 99.3: 2017 Annual Financial Statements is incorporated by reference herein.

Changes in Internal Control Over Financial Reporting

The disclosure provided under the heading *Accounting Standards and Policies – Controls and Procedures* - *Changes in Internal Control Over Financial Reporting* included in Exhibit 99.2: Management's Discussion and Analysis is incorporated by reference herein.

Audit Committee Financial Expert

The disclosure provided under the heading *Directors and Executive Officers* - *Audit Committee* included in Exhibit 99.1**:** Annual Information Form dated November 29, 2017 is incorporated by reference herein.

Code of Ethics

The Registrant has adopted the *Code of Conduct and Ethics for Employees and Directors* (the "Code") as its code of ethics applicable to all its employees and directors, including the Registrant's Group President and Chief Executive Officer, Group Head and Chief Financial Officer, and Senior Vice President Finance, Controller & Chief Accountant. The Registrant posts the Code on its website at www.td.com and also undertakes to provide a copy of its code of ethics to any person without charge upon request. Such request may be made by mail, telephone, facsimile or e-mail to:

The Toronto-Dominion Bank
TD Shareholder Relations
P.O. Box 1, Toronto-Dominion Centre
Toronto, Ontario, Canada M5K 1A2
Telephone: 1-866-756-8936
Facsimile: 416-982-6166
E-mail: tdshinfo@td.com

On May 2, 2017, an amended version of the Code was filed with the SEC on Form 6-K and made available on the Registrant's website.

The key amendments made to the Code at that time, included the addition of new wording at: a) Section 4 – *Protecting TD Information* – to clarify that in the U.S., employees are entitled to disclose trade secrets to certain government authorities in certain circumstances; b) Section 7B – *Reporting Violations* – added language to highlight TD's Whistleblower Hotline program and reinforce the protections afforded to whistleblowers; c) Section 2J – *TD's Expense Control Framework and Reasonable Expenses* – added language to clarify that personal use of corporate credit cards is prohibited; Section 2C) *Alcohol and Substance Abuse* - adjusted language to address legislative changes around legalization of marijuana. In addition to these changes, certain other editorial, technical, administrative and non-substantive amendments were made to the Code.

No waivers from the provisions of the Code were granted in the fiscal year ended October 31, 2017 to the Registrant's Group President and Chief Executive Officer, Group Head and Chief Financial Officer, and Senior Vice President Finance, Controller & Chief Accountant.

Principal Accountant Fees and Services

The disclosure regarding Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees provided under the heading *Directors and Executive Officers – Pre-Approval Policies and Shareholders' Auditor Service Fees* included in Exhibit 99.1: Annual Information Form dated November 29, 2017 is incorporated by reference herein.

Pre-Approval Policy for Audit and Non-Audit Services

The disclosure provided under the heading *Directors and Executive Officers – Pre-Approval Policies and Shareholders' Auditor Service Fees* included in Exhibit 99.1: Annual Information Form dated November 29, 2017 is incorporated by reference herein.

During the fiscal year ended October 31, 2017, the waiver of pre-approval provisions set forth in the applicable rules of the SEC were not utilized for any services related to Audit-Related Fees, Tax Fees or All Other Fees and the Audit Committee did not approve any such fees subject to the waiver of pre-approval provisions.

Hours Expended on Audit Attributed to Persons Other than the Principal Accountant's Employees

Not Applicable

Off-balance Sheet Arrangements

The disclosure provided under the heading *Group Financial Condition – Securitization and Off-Balance Sheet Arrangements* included in Exhibit 99.2: Management's Discussion and Analysis is incorporated by reference herein.

Tabular Disclosure of Contractual Obligations

The disclosure provided in Exhibit 99.5 *Contractual Obligations by Remaining Maturity* is incorporated by reference herein.

Identification of the Audit Committee

The disclosure provided under the heading *Directors and Executive Officers – Audit Committee* included in Exhibit 99.1: Annual Information Form dated November 29, 2017 identifying the Registrant's Audit Committee is incorporated by reference herein.

Mine Safety Disclosure

Not Applicable

Undertaking

Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

Comparison of NYSE Corporate Governance Rules

A Comparison of NYSE Corporate Governance Rules Required to be followed by U.S. Domestic Issuers and the Corporate Governance Practices of The Toronto-Dominion Bank (Disclosure Required by Section 303A.11 of the NYSE Listed Company Manual) is available on the Corporate Governance section of the Registrant's website www.td.com/governance.

Signatures

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Registrant:	THE TORONTO-DOMINION BANK
By:	*/s/ Ellen Patterson*
Name:	Ellen Patterson
Title:	Group Head, General Counsel
Date:	November 30, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

ANNUAL REPORT PURSUANT TO
SECTION 13(a) or 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

THE TORONTO-DOMINION BANK

EXHIBITS

INDEX TO EXHIBITS

Exhibit 99.1

The Toronto-Dominion Bank

ANNUAL INFORMATION FORM

November 29, 2017

Documents Incorporated by Reference

Portions of this Annual Information Form ("AIF") are disclosed in the annual consolidated financial statements (the "Annual Financial Statements") and management's discussion and analysis of the Bank (as defined below) for the year ended October 31, 2017 (the "2017 MD&A") and are incorporated by reference into this AIF.

Unless otherwise specified, this AIF presents information as at October 31, 2017.

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") 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, risk-based 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.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Toronto-Dominion Bank (the "Bank" or "TD") and its subsidiaries are collectively known as "TD Bank Group". The Bank, a Schedule 1 chartered bank subject to the provisions of the Bank Act (Canada) (the "Bank Act"), was formed on February 1, 1955 through the amalgamation of The Bank of Toronto (chartered in 1855) and The Dominion Bank (chartered in 1869). The Bank's head office is located at Toronto-Dominion Centre, King Street West and Bay Street, Toronto, Ontario, M5K 1A2.

Intercorporate Relationships

Information about the intercorporate relationships among the Bank and its principal subsidiaries is provided in Appendix "A" to this AIF.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

As at October 31, 2017, TD was the second largest Canadian bank in terms of market capitalization. TD Bank Group 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, including TD Canada Trust, TD Auto Finance Canada, TD Wealth (Canada), TD Direct Investing, and TD Insurance; U.S. Retail, including TD Bank, America's Most Convenient Bank, TD Auto Finance U.S., TD Wealth (U.S.) and an investment in TD Ameritrade; and Wholesale Banking, including TD Securities. TD also ranks among the world's leading online financial services firms, with approximately 11.5 million active online and mobile customers. TD had CDN$1.3 trillion in assets on October 31, 2017. The Toronto-Dominion Bank trades under the symbol "TD" on the Toronto and New York Stock Exchanges.

TD Bank, N.A., operating under the brand name TD Bank, America's Most Convenient Bank®, is one of the 10 largest banks in the U.S. and provides customers with a full range of financial products and services at more than 1,200 convenient locations located from Maine to Florida. TD Bank, N.A. is a wholly owned subsidiary of the Bank.

For additional information on TD's businesses, see the descriptions provided below and on pages 10 to 22 of the 2017 MD&A.

Effective February 24, 2015, TD Bank USA, N.A., a wholly owned subsidiary of the Bank, extended its program agreement with Target Corporation ("Target") under which it will continue to be the exclusive issuer of Target co-branded and private label consumer credit cards to Target's U.S. customers until March 2025.

On October 1, 2015, the Bank, through TD Bank USA, N.A., acquired substantially all of Nordstrom Inc.'s ("Nordstrom") existing U.S. Visa and private label credit card portfolios, with a gross outstanding balance of US$2.2 billion. TD Bank USA, N.A. also entered into an agreement under which it became the exclusive issuer of Nordstrom-branded Visa and private label consumer credit cards to Nordstrom's U.S. customers.

On January 3, 2017, TD Securities U.S. completed its acquisition of Albert Fried & Company, an established New York-based broker-dealer.

On June 2, 2017, the Bank completed the sale of its European direct investing business, though the sale of shares of TD Wealth Holdings (UK) Limited and TD Bank International S.A. (Luxembourg) to Interactive Investor plc.

The Bank completed the final phase of its internal reorganization to comply with the rule adopted by the U.S. Board of Governors of the Federal Reserve System requiring large foreign banking organizations with U.S. subsidiaries to organize their U.S. subsidiaries under a single U.S. intermediate holding company. Effective July 1, 2017, all of the Bank's ownership interests in its U.S. subsidiaries (subject to limited exceptions and exclusions), including its investment in TD Ameritrade Holding Corporation ("TD Ameritrade"), were held by TD Group US Holdings LLC, the Bank's U.S. intermediate holding company.

On September 18, 2017, TD Bank, N.A. completed its acquisition of Scottrade Bank, a federal savings bank wholly owned by Scottrade Financial Services, Inc. ("Scottrade"), for cash consideration equal to approximately US$1.4 billion. Scottrade Bank merged with TD Bank, N.A. On the same day, TD Ameritrade acquired Scottrade for cash and TD Ameritrade shares. Concurrently with the closing of the TD Ameritrade / Scottrade transaction, the Bank purchased, pursuant to its pre-emptive rights, approximately US$400 million in new common equity (approximately 11.1 million shares) from TD Ameritrade.

DESCRIPTION OF THE BUSINESS

Descriptions of TD’s significant business segments and related information are provided on pages 2 and 10 to 22 of the 2017 MD&A.

Investment in TD Ameritrade

The Bank has an investment in TD Ameritrade, a leading provider of securities brokerage services and related technology-based financial services to retail investors, traders and independent registered investment advisors. TD Ameritrade provides its services predominantly through the Internet, a national branch network and relationships with independent registered investment advisors. TD Ameritrade is a U.S. publicly-traded company and its common shares are listed on the Nasdaq Global Select Market. As of October 31, 2017, the Bank owned approximately 41.27% of the outstanding voting securities of TD Ameritrade. Additional information concerning TD Ameritrade may be found on the U.S. Securities and Exchange Commission’s EDGAR system (“EDGAR”) at www.sec.gov. The Bank’s investment in TD Ameritrade is subject to a Stockholders Agreement that contains provisions relating to governance, board composition, stock ownership, transfers of shares, voting and other matters.

Average Number of Employees

TD had an average of 83,160 full-time equivalent employees for fiscal 2017.

Risk Factors

The Bank considers it critical to regularly assess its operating environment and highlight top and emerging risks, which are risks with a potential to have a material effect on the Bank and where the attention of senior leaders is focused due to the potential magnitude or immediacy of their impact. An explanation of the types of risks facing the Bank and its businesses and the ways in which the Bank manages them can be found under the heading “Risk Factors and Management” on pages 51 to 86 of the 2017 MD&A, which is incorporated by reference.

CAPITAL STRUCTURE

The following summary of the Bank's share capital is qualified in its entirety by the Bank's by-laws and the actual terms and conditions of such shares.

In accordance with capital adequacy requirements adopted by the Office of the Superintendent of Financial Institutions (Canada) ("OSFI"), in order to qualify as Tier 1 or Tier 2 Capital under Basel III, non-common capital instruments issued by the Bank after January 1, 2013, including Preferred Shares and Subordinated Debentures (Medium Term Notes with NVCC Provisions, defined below), must include a non-viability contingent capital feature (the "NVCC Provisions"), under which they could be converted into a variable number of common shares of the Bank if OSFI announces that the Bank has ceased, or is about to cease, to be viable or if the Bank has accepted or agreed to accept a capital injection or equivalent support from a federal or provincial government in Canada (each, a "trigger event").

Common Shares

The authorized common share capital of the Bank consists of an unlimited number of common shares without nominal or par value. Subject to the restrictions set out under "Constraints" below, holders of common shares are entitled to vote at all meetings of the shareholders of the Bank, except meetings at which only holders of a specified class or series of shares are entitled to vote. The holders of common shares are entitled to receive dividends as and when declared by the Board of Directors of the Bank, subject to the preference of the holders of the preferred shares of the Bank. After payment to the holders of the preferred shares of the Bank of the amount or amounts to which they may be entitled, and after payment of all outstanding debts, the holders of common shares shall be entitled to receive the remaining property of the Bank upon the liquidation, dissolution or winding-up thereof.

Preferred Shares

The Class A First Preferred Shares (the "Preferred Shares") of the Bank may be issued from time to time, in one or more series, with such rights, privileges, restrictions and conditions as the Board of Directors of the Bank may determine.

The Preferred Shares of each series rank on a parity with every other series of Preferred Shares, and all Preferred Shares rank prior to the common shares and to any other shares of the Bank ranking junior to the Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Bank, provided that a trigger event has not occurred as contemplated under the NVCC Provisions applicable to a series of Preferred Shares. In the event of a trigger event occurring under the NVCC Provisions, the existing priority of the Preferred Shares of the affected series will not be relevant as all Preferred Shares of such series will be converted into common shares of the Bank and, upon conversion, will rank on a parity with all other common shares of the Bank.

There are no voting rights attaching to the Preferred Shares except to the extent provided in any series or by the Bank Act. The Bank may not, without the prior approval of the holders of the Preferred Shares, create or issue (i) any shares ranking in priority to or on a parity with the Preferred Shares, or (ii) any additional series of Preferred Shares, unless at the date of such creation or issuance all cumulative dividends and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment in respect of each series of Preferred Shares then issued and outstanding.

Approval of amendments to the provisions of the Preferred Shares as a class may be given in writing by the holders of all the outstanding Preferred Shares or by a resolution carried by an affirmative vote of at least two-thirds of the votes cast at a meeting at which the holders of a majority of the then outstanding Preferred Shares are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the shareholders then present or represented by proxy may transact the business for which the meeting was originally called.

In the event of the liquidation, dissolution or winding-up of the Bank, provided that a trigger event has not occurred as contemplated under the NVCC Provisions applicable to a series of Preferred Shares, before any amounts shall be paid to or any assets distributed among the holders of the common shares or shares of any other class of the Bank ranking junior to the Preferred Shares, the holder of a Preferred Share of a series shall be entitled to receive, to the extent provided for with respect to such Preferred Shares by the conditions attaching to such series: (i) an amount equal to the amount paid up thereon; (ii) such premium, if any, as has been provided for with respect to the Preferred Shares of such series; and (iii) all unpaid cumulative dividends, if any, on such Preferred Shares and, in the case of non-cumulative Preferred Shares, all declared and unpaid non-cumulative dividends. After payment to the holders of the Preferred Shares of the amounts so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Bank.

Constraints

There are no constraints imposed on the ownership of securities of the Bank to ensure that the Bank has a required level of Canadian ownership. However, the Bank Act contains restrictions on the issue, transfer, acquisition, beneficial ownership and voting of all shares of a chartered bank. For example, no person shall be a major shareholder of a bank if the bank has equity of $12 billion or more. A person is a major shareholder of a bank where: (i) the aggregate of shares of any class of voting shares beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 20% of that class of voting shares; or (ii) the aggregate of shares of any class of non-voting shares beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 30% of that class of non-voting shares. No person shall have a significant interest in any class of shares of a bank, including the Bank, unless the person first receives the approval of the Minister of Finance (Canada). For purposes of the Bank Act, a person has a significant interest in a class of shares of a Canadian chartered bank where the aggregate of any shares of the class beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person exceeds 10% of all of the outstanding shares of that class of shares of such bank.

The Bank Act also prohibits the registration of a transfer or issue of any share of the Bank to, and the exercise in person or by proxy of any voting rights attached to any share of the Bank that is beneficially owned by, Her Majesty in right of Canada or of a province or any agent or agency of Her Majesty, in either of those rights, or to the government of a foreign country or any political subdivision thereof, or any agent or agency of a foreign government. Notwithstanding the foregoing, the Minister of Finance of Canada may approve the issue of shares of a bank, including the Bank, to an agent that is an "eligible agent", which is defined as an agent or agency of Her Majesty in right of Canada or of a province or an agent or agency of a government of a foreign country or any political subdivision of a foreign country: (i) whose mandate is publicly available; (ii) that controls the assets of an investment fund in a manner intended to maximize long-term risk-adjusted returns and Her Majesty in right of Canada or of a province or an agent or agency of a government of a foreign country or any political subdivision of a foreign country contributes to the fund or the fund is established to provide compensation, hospitalization, medical care, annuities, pensions or similar benefits to natural persons; and (iii) whose decisions with respect to the assets of the fund referred to in (ii) above are not influenced in any significant way by Her Majesty in right of Canada or of the province or the government of the foreign country or the political subdivision. The application for this approval would be made jointly by the Bank and the eligible agent.

Ratings

Credit ratings are important to the Bank's borrowing costs and ability to raise funds. Rating downgrades could potentially result in higher financing costs and increased collateral pledging requirements for the Bank and reduced access to capital markets. Rating downgrades may also affect the Bank's ability to enter into normal course derivative transactions. The Bank regularly reviews the level of increased collateral that would be required in the event of rating downgrades and holds liquid assets to cover additional collateral required in the event of a three-notch downgrade in the Bank's senior long-term credit ratings. Additional information relating to credit ratings is provided under the heading "Liquidity Risk" in the "Managing Risk" section starting on page 73 of the 2017 MD&A.

As at October 31, 2017

<table>
<tr><th></th><th>DBRS</th><th>Moody's Investors Service</th><th>S&P Global Ratings</th></tr>
<tr><td>Long Term Debt (deposits)</td><td>AA</td><td>Aa2</td><td>AA-</td></tr>
<tr><td>Short Term Debt (deposits)</td><td>R-1 (high)</td><td>P-1</td><td>A-1+</td></tr>
<tr><td>Tier 2B Subordinated Debt</td><td rowspan="2">AA (low)</td><td>A2</td><td>A</td></tr>
<tr><td>Tier 2A Subordinated Debt</td><td>A3</td><td>A-</td></tr>
<tr><td>Tier 2 Subordinated Debt (NVCC)</td><td>A (low)</td><td>A3 (hyb)</td><td>A-</td></tr>
<tr><td>Preferred Shares</td><td>Pfd-2 (high)</td><td>Baa1 (hyb)</td><td>BBB+</td></tr>
<tr><td>Preferred Shares (NVCC)</td><td>Pfd-2</td><td>Baa1 (hyb)</td><td>BBB</td></tr>
<tr><td>Outlook</td><td>Stable</td><td>Negative</td><td>Stable</td></tr>
</table>

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 agency. Credit ratings and outlooks provided by the 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 the rating agencies and conditions affecting the financial services industry generally.

The Bank has made payments in the ordinary course to the rating agencies listed above in connection with the assignment of ratings on the securities of the Bank. In addition, the Bank has made customary payments in respect of certain other services provided to the Bank by the applicable rating agencies during the last two years.

We note that the following descriptions of the ratings categories prepared by the respective rating agencies are provided solely in order to satisfy requirements of Canadian law and do not constitute an endorsement by the Bank of the ratings categories or of the application by the respective rating agencies of their criteria and analyses. A description of the rating categories of each of the rating agencies, obtained from the respective rating agency's public website, is set out below.

Description of ratings, as disclosed by DBRS on its public website

The DBRS® long-term rating scale provides an opinion on the risk of default. That is, the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligations has been issued. Ratings are based on quantitative and qualitative considerations relevant to the issuer, and the relative ranking of claims. All rating categories other than AAA and D also contain subcategories "(high)" and "(low)". The absence of either a "(high)" or "(low)" designation indicates the rating is in the middle of the category. AA: Superior credit quality. The capacity for the payment of financial obligations is considered high. Credit quality differs from AAA only to a small degree. Unlikely to be significantly vulnerable to future events. A: Good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser credit quality than AA. May be vulnerable to future events, but qualifying negative factors are considered manageable.

The DBRS® short-term debt rating scale provides an opinion on the risk that an issuer will not meet its short-term financial obligations in a timely manner. R-1 (high): Highest credit quality. The capacity for the payment of short-term financial obligations as they fall due is exceptionally high. Unlikely to be adversely affected by future events.

The DBRS® preferred share rating scale is used in the Canadian securities market and is meant to give an indication of the risk that a borrower will not fulfill its full obligations in a timely manner, with respect to both dividend and principal commitments. Each rating category is denoted by the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the middle of the category. Preferred shares rated Pfd-2 are of satisfactory credit quality. Protection of dividends and principal is still substantial, but earnings, the balance sheet and coverage ratios are not as strong as Pfd-1 rated companies. Generally, Pfd-2 ratings correspond with companies whose senior bonds are rated in the A category.

Description of ratings, as disclosed by Moody's Investors Service on its public website

Moody's long-term ratings are assigned to issuers or obligations with an original maturity of one year or more and reflect both on the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default. Obligations rated Aa are judged to be of high quality and are subject to very low credit risk. Obligations rated A are judged to be upper-medium grade and are subject to low credit risk. Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firm. By their terms, hybrid securities allow for the omission of scheduled dividends, interest, or principal payments, which can potentially result in impairment if such an omission occurs. Hybrid securities may also be subject to contractually allowable write-downs of principal that could result in impairment. Together with the hybrid indicator, the long-term obligation rating assigned to a hybrid security is an expression of the relative credit risk associated with that security.

Moody's assigns provisional ratings to medium-term note (MTN) programs and definitive ratings to the individual debt securities issued from them (referred to as drawdowns or notes). MTN program ratings are intended to reflect the ratings likely to be assigned to drawdowns issued from the program with the specified priority of claim (e.g. senior or subordinated). To capture the contingent nature of a program rating, Moody's assigns provisional ratings to MTN programs. A provisional rating is denoted by a (P) in front of the rating.

Moody's short-term ratings are assigned to obligations with an original maturity of thirteen months or less and reflect both on the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default. P-1 Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

Description of ratings, as disclosed by S&P Global Ratings on its public website
An S&P Global Ratings issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). A long-term obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitments on the obligation is very strong. A long-term obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitments on the obligation is still strong. A long-term obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation. The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. A short-term obligation rated 'A-1' is rated in the highest category by S&P Global Ratings. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong. The S&P Global Ratings Canadian preferred share rating scale serves issuers, investors, and intermediaries in the Canadian financial markets by expressing preferred share ratings (determined in accordance with global rating criteria) in terms of rating symbols that have been actively used in the Canadian market over a number of years. An S&P Global Ratings preferred share rating on the Canadian scale is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific preferred share obligation issued in the Canadian market, relative to preferred shares issued by other issuers in the Canadian market. There is a direct correspondence between the specific ratings assigned on the Canadian preferred share scale and the various rating levels on the global debt rating scale of S&P Global Ratings. A Canadian preferred share rating of P-2(high) and P-2 corresponds to global scale preferred share rating of BBB+ and BBB, respectively.

MARKET FOR SECURITIES OF THE BANK

Market Listings

The Bank's common shares are listed on the Toronto Stock Exchange and the New York Stock Exchange. The Bank's preferred shares are listed on the Toronto Stock Exchange.

Trading Price and Volume

Trading price and volume of the Bank's securities on the Toronto Stock Exchange in the past year is set out in the tables below:

	Nov. 2016	Dec. 2016	Jan. 2017	Feb. 2017	March 2017	April 2017	May 2017	June 2017	July 2017	Aug. 2017	Sept. 2017	Oct. 2017
COMMON SHARES												
High ($)	64.59	67.40	68.6	71.31	70.67	67.65	64.71	66.18	66.05	67.20	70.61	73.59
Low ($)	59.6	62.63	66.08	67.00	64.22	63.86	61.50	64.06	63.57	63.13	66.10	70.15
Vol.('000)	57,694	79,448	55,031	63,456	124,497	120,128	102,617	88,026	52,659	54,414	68,738	60,438

	Nov. 2016	Dec. 2016	Jan. 2017	Feb. 2017	March 2017	April 2017	May 2017	June 2017	July 2017	Aug. 2017	Sept. 2017	Oct. 2017
PREFERRED SHARES												
Series S												
High ($)	24.55	24.94	25.03	25.02	24.84	24.87	24.99	25.14	25.03	24.91	25.08	25.12
Low ($)	23.77	23.49	24.35	24.65	24.42	24.53	24.71	24.63	24.70	24.63	24.76	24.85
Vol.('000)	82	115	255	101	110	130	75	134	261	22	223	143
Series T												
High ($)	23.88	23.42	23.98	24.16	24.14	24.28	24.33	24.69	24.60	24.58	24.78	24.88
Low ($)	23.20	23.04	23.40	23.68	23.82	23.93	24.18	24.28	24.43	24.31	24.50	24.27
Vol.('000)	243	53	158	158	126	198	160	194	85	157	272	58
Series Y												
High ($)	24.67	25.06	25.06	25.00	24.85	24.94	25.00	25.44	25.04	24.99	25.10	25.13
Low ($)	24.05	23.83	24.70	24.32	24.38	24.63	24.71	24.73	24.56	24.71	24.84	24.85
Vol.('000)	125	110	138	105	111	104	114	65	125	28	123	343
Series Z												
High ($)	23.74	23.35	23.99	24.01	24.01	24.20	24.24	24.45	24.54	24.57	24.72	24.81
Low ($)	23.02	22.90	23.23	23.50	23.57	23.85	23.94	24.18	24.31	24.39	24.43	24.58
Vol.('000)	151	45	150	180	167	128	100	80	17	910	137	41
Series 1[1]												
High ($)	19.54	19.88	21.17	22.12	22.76	22.80	21.96	21.96	22.25	22.30	22.55	23.85
Low ($)	18.60	18.76	19.81	21.00	21.90	21.82	20.86	20.49	21.77	21.38	21.72	22.54
Vol.('000)	405	716	602	445	562	268	603	657	329	395	359	435
Series 3[1]												
High ($)	19.29	19.57	20.99	22.00	22.62	22.80	21.85	21.86	22.16	22.24	22.50	23.77
Low ($)	18.26	18.45	19.39	20.88	21.80	21.75	20.68	20.36	21.63	21.33	21.83	22.47
Vol.('000)	622	770	589	288	316	317	208	422	1,000	283	127	357
Series 5[1]												
High ($)	19.42	19.54	20.89	21.94	22.60	22.66	21.65	21.75	22.10	22.21	22.52	23.72
Low ($)	18.49	18.56	19.38	20.75	21.71	20.66	20.59	20.20	21.58	21.22	21.82	22.50
Vol.('000)	545	759	774	659	394	506	614	794	705	291	251	646
Series 7[1]												
High ($)	21.59	22.32	23.44	23.81	23.77	23.99	23.25	24.00	24.15	24.13	24.69	25.00
Low ($)	20.09	20.72	22.31	23.18	23.09	23.11	22.19	22.05	23.69	23.21	23.78	24.59
Vol.('000)	450	347	436	314	301	493	256	232	216	92	158	315

	Nov. 2016	Dec. 2016	Jan. 2017	Feb. 2017	March 2017	April 2017	May 2017	June 2017	July 2017	Aug. 2017	Sept. 2017	Oct. 2017
Series 9[1]												
High ($)	22.20	22.70	24.40	24.63	24.39	24.62	23.57	24.16	24.36	24.30	24.77	25.17
Low ($)	21.03	21.35	22.77	23.96	23.65	23.48	22.75	22.48	23.97	23.50	24.03	24.76
Vol.('000)	242	158	157	104	325	302	80	120	925	69	315	229
Series 11[1]												
High ($)	25.35	25.15	25.29	25.38	26.25	25.80	26.00	26.08	25.69	25.47	25.30	25.51
Low ($)	24.24	24.50	24.68	25.10	25.20	25.39	25.42	25.52	25.18	24.90	24.95	25.09
Vol.('000)	95	92	112	72	78	54	99	71	68	50	193	86
Series 12[1]												
High ($)	27.04	27.40	27.15	27.20	27.37	27.39	27.32	27.46	27.13	26.94	26.93	27.00
Low ($)	25.99	26.40	26.35	26.75	26.95	27.04	26.87	26.85	26.58	26.58	26.79	26.51
Vol.('000)	443	643	275	192	427	786	391	385	435	189	646	401
Series 14[1]												
High ($)	25.90	25.85	26.10	26.11	26.39	26.62	26.45	26.35	26.40	26.34	26.30	26.40
Low ($)	25.24	25.41	25.52	25.84	25.91	26.23	26.05	26.01	25.92	25.02	26.00	25.94
Vol.('000)	3,741	1,625	2,905	1,072	498	830	516	1,206	670	414	2,027	600
Series 16[1,2]												
High ($)	-	-	-	-	-	-	-	-	25.15	25.39	26.09	26.27
Low ($)									24.97	25.01	25.20	25.50
Vol.('000)									1,534	280	490	728

Notes:
1 Non-viability contingent capital (NVCC)
2 On July 14, 2017, the Bank issued 14 million Non-Cumulative 5-Year Rate Reset Preferred Shares, Series 16.

Prior Sales

In the most recently completed financial year, the Bank did not issue any shares that are not listed or quoted on a marketplace. For more information on the Bank's subordinated debentures, please see Note 19 of the Annual Financial Statements for the year ended October 31, 2017, which note is incorporated by reference in this AIF.

DIVIDENDS

Dividends per Share for the Bank (October 31st year-end)

Type of Shares	2017	2016	2015
Common Shares	$2.35	$2.16	$2.00
Preferred Shares			
Series P[1]	-	-	$0.33
Series Q[2]	-	-	$0.35
Series R[3]	-	-	$0.70
Series S[4]	$0.84	$0.84	$0.84
Series T[4]	$0.54	$0.52	$0.58
Series Y[5]	$0.89	$0.89	$0.89
Series Z[5]	$0.56	$0.54	$0.60
Series 1[6]	$0.98	$0.98	$0.98
Series 3[6]	$0.95	$0.95	$0.95
Series 5[6]	$0.94	$0.94	$0.82
Series 7[6]	$0.90	$0.90	$0.58
Series 9[6]	$0.93	$0.93	$0.48
Series 11[6]	$1.23	$1.23	$0.34
Series 12[6]	$1.38	$1.09	-
Series 14[6]	$1.21	$0.18	-
Series 16[6,7]	$0.34	-	-

Notes:

1 On March 2, 2015, the Bank redeemed all of its 10 million outstanding Class A First Preferred Shares, Series P.

2 On March 2, 2015 the Bank redeemed all of its 8 million outstanding Class A First Preferred Shares, Series Q.

3 On May 1, 2015, the Bank redeemed all of its 10 million outstanding Class A First Preferred Shares, Series R.

4 On July 31, 2013, 4.6 million of the Bank's 10 million Non-Cumulative 5-Year Rate Reset Preferred Shares, Series S were converted on a one-for-one basis into Non-Cumulative Floating Rate Preferred Shares, Series T of the Bank.

5 On October 31, 2013, 4.5 million of the Bank's 10 million Non-Cumulative 5-Year Rate Reset Preferred Shares, Series Y, were converted on a one-for-one basis, into Non-Cumulative Floating Rate Preferred Shares, Series Z of the Bank.

6 Non-viability contingent capital (NVCC).

7 On July 14, 2017, the Bank issued 14 million Non-Cumulative 5-Year Rate Reset Preferred Shares, Series 16.

Dividends for TD Ameritrade (September 30th year-end)

TD Ameritrade declared a US$0.18 per share quarterly cash dividend on its common stock during each quarter of its 2017 fiscal year. On October 24, 2017, TD Ameritrade declared a US$0.21 per share quarterly cash dividend on its common stock for the first quarter of its 2018 fiscal year, payable on November 21, 2017 to all holders of record of TD Ameritrade common stock as of November 7, 2017. The payment of any future dividends will be at the discretion of TD Ameritrade's board of directors and will depend upon a number of factors that its board of directors deems relevant, including future earnings, the success of TD Ameritrade's business activities, capital requirements, the general financial condition and future prospects of its business, and general business conditions.

DIRECTORS AND EXECUTIVE OFFICERS

Directors and Board Committees of the Bank

The following table sets forth, as at November 29, 2017, the directors of the Bank, their present principal occupation and business, municipality of residence and the date each became a director of the Bank.

Director Name Principal Occupation & Municipality of Residence	Director Since
William E. Bennett Corporate Director, and former President and Chief Executive Officer, Draper & Kramer, Inc. Chicago, Illinois, U.S.A.	May 2004
Amy W. Brinkley Consultant, AWB Consulting, LLC (executive advising and risk management consulting firm) Charlotte, North Carolina, U.S.A.	September 2010
Brian C. Ferguson Corporate Director, and former President & Chief Executive Officer, Cenovus Energy Inc. Calgary, Alberta, Canada	March 2015
Colleen A. Goggins Corporate Director, and retired Worldwide Chairman, Consumer Group, Johnson & Johnson Princeton, New Jersey, U.S.A.	March 2012
Mary Jo Haddad Corporate Director, and retired President and Chief Executive Officer The Hospital for Sick Children Oakville, Ontario, Canada	December 2014
Jean-René Halde Corporate Director, and retired President and Chief Executive Officer Business Development Bank of Canada Saint-Laurent, Québec, Canada	December 2015
David E. Kepler Corporate Director, and retired Executive Vice President, The Dow Chemical Company Sanford, Michigan, U.S.A.	December 2013
Brian M. Levitt Chairman of the Board, The Toronto-Dominion Bank Lac Brome, Quebec, Canada	December 2008
Alan N. MacGibbon Corporate Director, and non-executive Vice-Chair, Osler, Hoskin & Harcourt LLP (law firm) Oakville, Ontario, Canada	April 2014

Director Name Principal Occupation & Municipality of Residence	Director Since
Karen E. Maidment Corporate Director, and former Chief Financial and Administrative Officer, BMO Financial Group Cambridge, Ontario, Canada	September 2011
Bharat B. Masrani Group President and Chief Executive Officer, TD Bank Group Toronto, Ontario, Canada	April 2014
Irene R. Miller Chief Executive Officer, Akim, Inc. (U.S. investment management and consulting firm) New York, New York, U.S.A.	May 2006
Nadir H. Mohamed Corporate Director, and former President and Chief Executive Officer, Rogers Communications Inc. Toronto, Ontario, Canada	April 2008
Claude Mongeau Corporate Director, and former President and Chief Executive Officer, Canadian National Railway Company Montreal, Quebec, Canada	March 2015

Except as disclosed below, all directors have had the same principal occupation for the past five years.

Mr. Ferguson was President & Chief Executive Officer of Cenovus Energy Inc. prior to November 3, 2017. Ms. Haddad was the President and Chief Executive Officer of The Hospital for Sick Children prior to January 2014. Mr. Halde was President and Chief Executive Officer of the Business Development Bank of Canada prior to July 2015. Mr. Kepler was Executive Vice President at the Dow Chemical Company from October 2014 to January 2015 and Executive Vice President, Business Services, Chief Sustainability Officer and Chief Information Officer at The Dow Chemical Company prior to October 2014. Mr. Levitt served in various executive and non-executive leadership positions at Osler, Hoskin & Harcourt LLP prior to December 2015. Prior to becoming non-executive Vice-Chair of Osler, Hoskin & Harcourt LLP in July 2014, Mr. MacGibbon was Senior Counsel to Deloitte LLP (Canada) from June 2012 to December 2013, and Managing Partner and Chief Executive of Deloitte LLP (Canada) prior to June 2012; Mr. MacGibbon was also Global Managing Director, Quality, Strategy and Communications of Deloitte Touche Tohmatsu Limited from June 2011 to September 2013. Prior to commencing his current role as Group President and Chief Executive Officer of the Bank on November 1, 2014, Mr. Masrani was Chief Operating Officer of the Bank from July 2013 to October 31, 2014, and Group Head, U.S. Personal and Commercial Banking of the Bank and President and Chief Executive Officer, TD Bank US Holding Company and TD Bank, N.A. prior to July 2013. Mr. Mohamed was President and Chief Executive Officer of Rogers Communications Inc. prior to December 2013. Mr. Mongeau was President and Chief Executive Officer of Canadian National Railway Company prior to July 2016.

Each director will hold office until the next annual meeting of shareholders of the Bank, which is scheduled for March 29, 2018. Information concerning the nominees proposed for election as directors at the meeting will be contained in the management proxy circular of the Bank in respect of the meeting.

The following table sets forth the Committees of the Bank's Board, the members of each Committee as at November 29, 2017 and each Committee's key responsibilities.

Committee	Members	Key Responsibilities
Corporate Governance Committee	Brian M. Levitt (Chair) William E. Bennett Karen E. Maidment Alan N. MacGibbon	**Responsibility for corporate governance of TD:** • Set the criteria for selecting new directors and the Board's approach to director independence; • Identify individuals qualified to become Board members and recommend to the Board the director nominees for the next annual meeting of shareholders and recommend candidates to fill vacancies on the Board that occur between meetings of the shareholders; • Develop and recommend to the Board a set of corporate governance principles, including a code of conduct and ethics, aimed at fostering a healthy governance culture at TD; • Review and recommend the compensation of the non-management directors of TD; • Satisfy itself that TD communicates effectively with its shareholders, other interested parties and the public through a responsive communication policy; • Facilitate the evaluation of the Board and Committees; • Oversee an orientation program for new directors and continuing education for directors; and • Monitor the functions of the Ombudsman, including by reviewing with the Ombudsman periodic reports on the activities of the Office of the Ombudsman.
Human Resources Committee	Karen E. Maidment (Chair) Amy W. Brinkley Mary Jo Haddad Brian M. Levitt Nadir H. Mohamed	**Responsibility for management's performance evaluation, compensation and succession planning:** • Discharge, and assist the Board in discharging, the responsibility of the Board relating to leadership, human resource planning and compensation as set out in this Committee's charter; • Set performance objectives for the CEO, which encourage TD's long-term financial success and regularly measure the CEO's performance against these objectives; • Recommend compensation for the CEO to the Board for approval, and determine compensation for certain senior officers; • Oversee a robust talent planning and development process, including review and approval of the succession plans for the senior officer positions and heads of control functions. • Review and recommend the CEO succession plan to the Board for approval; • Produce a report on compensation which is published in TD's annual proxy circular, and review, as appropriate, any other related major public disclosures concerning compensation; and • Oversee the strategy, design and management of the Bank's employee pension, retirement savings and benefits plans.

Committee	Members	Key Responsibilities
Risk Committee	William E. Bennett (Chair) Amy W. Brinkley Colleen A. Goggins David E. Kepler Alan N. MacGibbon Karen E. Maidment	**Supervising the management of risk of TD:** • Approve the Enterprise Risk Framework and related risk category frameworks and policies that establish the appropriate approval levels for decisions and other measures to manage risk to which TD is exposed; • Review and recommend TD's Enterprise Risk Appetite Statement and related measures for approval by the Board and oversee TD's major risks as set out in the Enterprise Risk Framework; • Review TD's risk profile against Risk Appetite measures; and • Provide a forum for "big-picture" analysis of an enterprise view of risk including considering trends and emerging risks.
Audit Committee	Alan N. MacGibbon* (Chair) William E. Bennett* Brian C. Ferguson* Jean-René Halde Irene R. Miller* Claude Mongeau*	**Supervising the quality and integrity of TD's financial reporting:** • Oversee reliable, accurate and clear financial reporting to shareholders; • Oversee effectiveness of internal controls, including internal controls over financial reporting; • Be directly responsible for the selection, compensation, retention and oversight of the work of the shareholders' auditor – the shareholders' auditor reports directly to this Committee; • Receive reports from the shareholders' auditor, chief financial officer, chief auditor, chief compliance officer, chief anti-money laundering officer and bank secrecy act officer, and evaluate the effectiveness and independence of each; • Oversee the establishment and maintenance of processes that ensure TD is in compliance with the laws and regulations that apply to it as well as its own policies; • Act as the Audit Committee and Conduct Review Committee for certain subsidiaries of TD that are federally-regulated financial institutions and insurance companies; and • Receive reports on and approve, if appropriate, certain transactions with related parties.

** Designated Audit Committee Financial Expert*

Audit Committee

The Audit Committee of the Board of Directors of the Bank operates under a written charter that sets out its responsibilities and composition requirements. A copy of the charter is attached to this AIF as Appendix "B". The Committee charter requires all members to be financially literate or be willing and able to acquire the necessary knowledge quickly. "Financially literate" means the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Bank's financial statements.

In addition, the Committee charter contains independence requirements applicable to each member and each member currently meets those requirements. Specifically, the charter provides that no member of the Committee may be an officer or retired officer of the Bank and every member shall be independent of the Bank within the meaning of all applicable laws, rules and regulations, including those particularly applicable to Audit Committee members and any other relevant consideration as determined by the Board of Directors, including the Bank's Director Independence Policy (a copy of which is available on the Bank's website at www.td.com).

As indicated in the table above, the members of the Committee are: Alan N. MacGibbon (chair), William E. Bennett, Brian C. Ferguson, Jean-René Halde, Irene R. Miller and Claude Mongeau. The members of the Bank's Audit Committee bring significant skill and experience to their responsibilities, including academic and professional experience in accounting, business and finance. The Board has determined that each of Messrs. Bennett, Ferguson, MacGibbon and Mongeau and Ms. Miller has the attributes of an Audit Committee financial expert as defined in the U.S. Sarbanes-Oxley Act; all committee members are financially literate and independent under the applicable listing standards of the New York Stock Exchange, the Committee charter, the Bank's Director Independence Policy and the corporate governance guidelines of the Canadian Securities Administrators.

The following sets out the education and experience of each director relevant to the performance of his or her duties as a member of the Committee:

William E. Bennett is a Corporate Director. He is the former President and Chief Executive Officer of Draper & Kramer, Inc., a Chicago-based financial services and real estate company. He also previously served as Executive Vice President and Chief Credit Officer of First Chicago Corp. and its principal subsidiary, the First National Bank of Chicago. Mr. Bennett previously served as chair of the audit committee of each of the Bank, TD Bank US Holding Company (the holding company of TD Bank, N.A. and TD Bank USA, N.A.), Capital Power Corporation, and Nuveen Investments Bond and Mutual Funds. He holds an undergraduate degree in economics from Kenyon College and a master's degree in business administration from the University of Chicago. Mr. Bennett is one of the Bank's Audit Committee financial experts.

Brian C. Ferguson is a Corporate Director. He is the former President & Chief Executive Officer of Cenovus Energy Inc. Prior to leading Cenovus Energy Inc., Mr. Ferguson was the Executive Vice-President and Chief Financial Officer of Encana Corporation. Mr. Ferguson holds a Bachelor of Commerce degree from the University of Alberta, and is a Fellow of Chartered Professional Accountants Alberta. Mr. Ferguson is one of the Bank's Audit Committee financial experts.

Jean-René Halde is a Corporate Director. He was the President and Chief Executive Officer of the Business Development Bank of Canada from June 2005 to June 2015. Prior to June 2005, Mr. Halde held Chief Executive Officer positions at several leading companies, including Metro-Richelieu Inc., Culinar Inc., and Livingston Group Inc. Mr. Halde holds a master's degree in Economics from the University of Western Ontario and a master's degree in business administration from the Harvard Business School.

Alan N. MacGibbon is Chair of the Bank's Audit Committee. Mr. MacGibbon is a Corporate Director and is Vice-Chair of Osler, Hoskin & Harcourt, LLP. Previously he was the Global Managing Director, Quality, Strategy and Communications for Deloitte Touche Tohmatsu Limited from June 2011 to September 2013. He was also the Managing Partner and Chief Executive of Deloitte LLP (Canada) from 2004 to June 2012, and Senior Counsel to Deloitte LLP (Canada) from June 2012 to December 2013. Mr. MacGibbon currently serves as chair of the audit committee of each of TD Bank US Holding Company (the holding company of TD Bank, N.A. and TD Bank USA, N.A.), and CAE, Inc. Mr. MacGibbon holds an undergraduate degree in business administration and an honorary doctorate degree from the University of New Brunswick. He is a Chartered Professional Accountant, a Chartered Accountant, and a Fellow of the Chartered Professional Accountants Ontario. Mr. MacGibbon is one of the Bank's Audit Committee financial experts.

Irene R. Miller is the Chief Executive Officer of Akim, Inc. Until June 1997, Ms. Miller was Vice Chairman and Chief Financial Officer of Barnes & Noble, Inc. Prior to joining Barnes & Noble, Inc. in 1991, she held senior investment banking and corporate finance positions with Morgan Stanley & Co. and Rothschild Inc., respectively. Ms. Miller is a member of the audit committee of TD Ameritrade and previously served as chair of the audit committee of the boards of Inditex, S.A., Coach, Inc., Oakley, Inc., The Body Shop International plc, and Benckiser N.V. Ms. Miller holds an undergraduate degree in science from the University of Toronto and a master's of science degree in chemistry and chemical engineering from Cornell University. Ms. Miller is one of the Bank's Audit Committee financial experts.

Claude Mongeau is a Corporate Director. He is the former President and Chief Executive Officer of Canadian National Railway Company. Prior to leading Canadian National Railway Company, Mr. Mongeau was the company's Executive Vice-President and Chief Financial Officer. Mr. Mongeau is a member of the audit committees of Cenovus Energy Inc., and Telus Corporation. Mr. Mongeau holds an undergraduate degree in psychology from the University of Quebec and a master’s degree in business administration from McGill University. Mr. Mongeau is one of the Bank's Audit Committee financial experts.

Additional Information Regarding the Audit Committee and Shareholders' Auditor

The Audit Committee oversees the financial reporting process at the Bank, including the work of the shareholder's independent external auditor, currently Ernst & Young LLP (“EY”). EY is responsible for planning and carrying out, in accordance with professional standards, an audit of the Bank's annual financial statements and reviews of the Bank's quarterly financial statements.

The Audit Committee is responsible for the annual recommendation of the appointment and oversight of the shareholders’ independent external auditor. The Audit Committee assesses the performance and qualification of the shareholders' auditor and submits its recommendation for appointment, or reappointment, to the Board of Directors for recommendation to the shareholders. The shareholders' auditor is then appointed by the shareholders, who vote on this matter at the Annual General Meeting.

At least annually, the Audit Committee evaluates the performance, qualifications, skills, resources (amount and type), and independence of the shareholders' auditor, including the lead partner, in order to support the Board of Directors in reaching its recommendation to appoint the shareholders' auditor. This annual evaluation includes an assessment of audit quality and service considerations such as: auditor independence, objectivity and professional skepticism; quality of the engagement team; and, quality of the communication and service provided by the shareholders' auditor. In the evaluation, the Audit Committee considers the nature and extent of communications received from the shareholders' auditor during the year, the responses from management and the Audit Committee to an annual questionnaire regarding the performance of, and interactions with, the shareholders' auditor.

EY was appointed as the shareholders' independent external auditor for the year ended October 31, 2017, in accordance with the Bank Act and the recommendation by the Audit Committee, and has been the Bank’s sole independent external auditor beginning with the year ended October 31, 2006. Prior to 2006, EY acted as joint auditors of the Bank.

Executive Officers of the Bank

The following individuals are executive officers of the Bank:

Executive Officer	Principal Occupation	Municipality of Residence
Riaz Ahmed	Group Head and Chief Financial Officer, TD Bank Group	Oakville, Ontario, Canada
Greg Braca	Group Head, U.S. Banking, TD Bank Group and President and Chief Executive Officer, TD Bank, America's Most Convenient Bank®	Orangeburg, New York, U.S.A.
Norie C. Campbell	Group Head, Customer and Colleague Experience, TD Bank Group	Toronto, Ontario, Canada
Mark R. Chauvin	Group Head and Chief Risk Officer, TD Bank Group	Burlington, Ontario, Canada
Theresa L. Currie	Group Head, Canadian Personal Banking, TD Bank Group	Toronto, Ontario, Canada
Robert E. Dorrance	Group Head, Wholesale Banking, TD Bank Group and Chairman, CEO and President, TD Securities	Toronto, Ontario, Canada
Paul C. Douglas	Group Head, Canadian Business Banking, TD Bank Group	Burlington, Ontario, Canada
Colleen M. Johnston	Special Advisor, TD Bank Group	Toronto, Ontario, Canada
Bharat B. Masrani	Group President and Chief Executive Officer, TD Bank Group	Toronto, Ontario, Canada
Frank J. McKenna	Deputy Chair, TD Bank Group	Toronto, Ontario, Canada
Ellen R. Patterson	Group Head, General Counsel, TD Bank Group	Haddonfield, NJ, U.S.A.
Michael G. Rhodes	Group Head, Innovation, Technology and Shared Services, TD Bank Group	Wilmington, Delaware, U.S.A.
Leovigildo Salom	Group Head, Wealth Management and TD Insurance, TD Bank Group	Toronto, Ontario, Canada

Except as disclosed below, all executive officers have had the same principal occupation for the past five years.

Prior to commencing his current Group Head role on January 2, 2016, Mr. Ahmed was Group Head, Insurance, Credit Cards, and Enterprise Strategy, TD Bank Group from July 1, 2013 to January 2, 2016, and Group Head, Corporate Development, Enterprise Strategy and Treasury, Corporate Office, TD Bank Group from May 27, 2010 to July 1, 2013.

Prior to commencing his current role as Group Head, U.S. Banking, TD Bank Group and President and Chief Executive Officer, TD Bank, America's Most Convenient Bank® on November 1, 2017, Mr. Braca was Executive Vice President, TD Bank Group and President and Chief Executive Officer, TD Bank, America's Most Convenient Bank® from June 1, 2017 to October 31, 2017, Executive Vice President, TD Bank Group and Chief Operating Officer, TD Bank, America's Most Convenient Bank® from November 1, 2016 to May 31, 2017, and Executive Vice President, TD Bank Group and Head of Corporate and Specialty Banking, TD Bank, America's Most Convenient Bank® from October 25, 2012 to October 31, 2016.

Prior to commencing her current role as Group Head, Customer and Colleague Experience, TD Bank Group on November 1, 2017, Ms. Campbell was Group Head and Chief General Counsel, TD Bank Group from December 12, 2016 to October 31, 2017, Group Head and General Counsel (formerly known as Group Head Legal, Compliance, Anti-Money Laundering, Financial Crimes and Fraud Management, Enterprise Projects and General Counsel, TD Bank Group) from November 1, 2014 to December 11, 2016, Group Head, Legal, Compliance and Anti-Money Laundering, and General Counsel, TD Bank Group from April 15, 2013 to October 31, 2014, Executive Vice President, and General Counsel, Legal, Corporate Office, TD Bank Group from November 1, 2011 to April 14, 2013, and Senior Vice President, Legal, Corporate Office and Assistant General Counsel, TD Bank Financial Group prior to November 1, 2011.

Prior to commencing her current Group Head role on January 2, 2016, Ms. Currie was Group Head, Direct Channels, Technology, Marketing and People Strategies, TD Bank Group from November 1, 2014 to January 1, 2016, Group Head, Direct Channels, Marketing, Corporate Shared Services and People Strategies, TD Bank Group from April 15, 2013 to October 31, 2014, and Group Head, Direct Channels, Corporate and People Strategies, Corporate Office, TD Bank Group from July 4, 2011 to April 14, 2013.

Prior to commencing her Special Advisor role on November 1, 2017, Ms. Johnston was Group Head, Direct Channels, Technology, Marketing, and Corporate Communications, TD Bank Group from June 23, 2016 to October 31, 2017, Group Head, Direct Channels, Technology, Marketing and Real Estate, TD Bank Group from January 2, 2016 to June 22, 2016, Group Head Finance, Sourcing and Corporate Communications, and Chief Financial Officer, TD Bank Group from April 15, 2013 to January 1, 2016 and Group Head, Finance and Chief Financial Officer, Corporate Office, TD Bank Group prior to April 15, 2013.

Prior to commencing his current role as Group President and Chief Executive Officer of the Bank on November 1, 2014, Mr. Masrani was Chief Operating Officer of the Bank from July 1, 2013 to October 31, 2014, and Group Head, U.S. Personal and Commercial Banking of the Bank and President and Chief Executive Officer, TD Bank US Holding Company and TD Bank, N.A. prior to July 1, 2013.

Prior to commencing her current role as Group Head, General Counsel, TD Bank Group on November 1, 2017, Ms. Patterson was Executive Vice President and General Counsel, TD Bank Group from December 12, 2016 to October 31, 2017, Senior Vice President, TD Bank Group and Head of Legal, Compliance, AML and General Counsel, TD Bank, America's Most Convenient Bank® from December 20, 2013 to December 11, 2016, and Senior Vice President, TD Bank Group and General Counsel, TD Bank, America's Most Convenient Bank® from October 8, 2012 to December 19, 2013.

Prior to commencing his current role as Group Head, Innovation, Technology and Shared Services, TD Bank Group on November 1, 2017, Mr. Rhodes was Executive Vice President, TD Bank Group and Head of Consumer Banking, TD Bank, America's Most Convenient Bank® from July 6, 2015 to October 31, 2017 and Executive Vice President, North American Cards and Merchant Services, TD Bank Group from October 3, 2011 to July 5, 2015.

Prior to commencing his current role as Group Head, Wealth Management and TD Insurance, TD Bank Group on November 1, 2017, Mr. Salom was Executive Vice President, Wealth Management, TD Bank Group from August 2, 2011 to October 31, 2017.

Shareholdings of Directors and Executive Officers

To the knowledge of the Bank, as at October 31, 2017, the directors and executive officers of the Bank as a group beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 2,040,483 of the Bank’s common shares, representing approximately 0.11% of the Bank’s issued and outstanding common shares on that date.

Additional Disclosure for Directors and Executive Officers

To the best of our knowledge, having made due inquiry, the Bank confirms that, as at November 29, 2017, except as set out below:

(i) no director or executive officer of the Bank is, or was within the last ten years, a director or officer of a company (including the Bank) that:

  (a) was subject to an order (including a cease trade order or an order similar to a cease trade or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer;

  (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or

  (c) within a year of the person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

(ii) in the last ten years, no director or executive officer of the Bank has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer; and

(iii) no director or executive officer of the Bank has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Mr. Mongeau was, prior to August 10, 2009, a director of Nortel Networks Corporation and Nortel Networks Limited, each of which initiated creditor protection proceedings under the Companies' Creditors Arrangement Act (Canada) on January 14, 2009. Certain U.S. subsidiaries filed voluntary petitions in the United States under Chapter 11 of the U.S. Bankruptcy Code, and certain Europe, Middle East and Africa subsidiaries made consequential filings in Europe and the Middle East.

Ms. Goggins was, prior to June 14 2016, a director of Valeant Pharmaceuticals International, Inc. ("Valeant"). Management cease trade orders were issued for directors and officers of Valeant by the Autorité des marchés financiers (Quebec) while Ms. Goggins was a director of Valeant. These orders were effective from March 31, 2016 to April 29, 2016, and from May 17, 2016 to June 8, 2016.

Pre-Approval Policies and Shareholders' Auditor Service Fees

The Bank's Audit Committee has implemented a policy restricting the services that may be performed by the shareholders' independent external auditor. The policy provides detailed guidance to management as to the specific services that are eligible for Audit Committee pre-approval. By law, the shareholders' auditor may not provide certain services to the Bank or its subsidiaries.

The types of services to be performed by the shareholders' auditor, together with the maximum amount of fees that may be paid for such services, must be annually pre-approved by the Audit Committee pursuant to the policy. The policy also provides that the Audit Committee will, on a quarterly basis, receive a year-to-date report of fees paid or payable to the shareholders' auditor for services performed, as well as details of any proposed engagements for consideration and, if necessary pre-approval, by the Audit Committee. In making its determination regarding the services to be performed by the shareholders' auditor, the Audit Committee considers compliance with applicable legal and regulatory requirements and guidance and with the policy, as well as whether the provision of the services could negatively impact auditor independence. This includes considering whether the provision of the services would place the auditor in a position to audit its own work, place the auditor in an advocacy role on behalf of the Bank, or result in the auditor acting in the role of the Bank's management.

Fees paid to Ernst & Young LLP, the Bank's current shareholders' independent external auditor, for services provided during the three most recently completed fiscal years are detailed in the table below.

	Fees paid to Ernst & Young LLP		
(thousands of Canadian dollars)	**2017**	**2016**	**2015**
Audit fees[1]	$24,203	$22,230	$22,242
Audit-related fees[2]	1,622	1,614	2,570
Tax fees[3]	2,438	2,563	2,775
All other fees[4]	2,033	1,511	852
Total	**$30,296**	**$27,918**	**$28,439**

Notes:

1. Audit fees are fees for the professional services in connection with the audit of the Bank's financial statements and the audit of its subsidiaries, other services that are normally provided by the shareholders' auditor in connection with statutory and regulatory filings or engagements, and the performance of specified procedures with respect to qualified intermediary requirements for reporting to the Internal Revenue Service, United States.
2. Audit-related fees are fees for assurance and related services that are performed by the shareholders' auditor. These services include: employee benefit plan audits; audit of charitable organizations; audit services for certain special purpose entities administered by the Bank; accounting and tax consultation in connection with mergers, acquisitions, divestitures and restructurings; attest services in connection with mergers and acquisitions including audit procedures related to opening balance sheet and purchase price allocation; application and general controls reviews; interpretation of accounting, tax and reporting standards; attest services that are not required by statute or regulation; translation of financial statements and reports in connection with the audit or review; and information technology advisory services.
3. Tax fees comprise: general tax planning and advice related to mergers and acquisitions and financing structures; electronic and paper-based tax knowledge publications; income and commodity tax compliance and advisory services; and transfer pricing services and customs and duties issues.
4. All other fees include fees for insolvency and viability matters, limited to cases in which the Bank is a minority syndicate participant and not in a position to influence or select the external audit firm to use. In these instances, the shareholders' auditor is retained to provide assistance on operational business reviews, lender negotiations, business plan assessments, debt restructuring and asset recovery. Also included in this category are fees for: reports on control procedures at a service organization; audit and tax services for SEC-registered funds, subject to the SEC investment company complexes rules; database for tax compliance; benchmark studies; regulatory advisory services; and performance and process improvement services.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

A description of certain legal proceedings to which the Bank is a party is set out under the heading "Litigation" in Note 27 of the Annual Financial Statements for the year ended October 31, 2017, which note is incorporated by reference in this AIF.

Regulatory Actions

From time to time, in the ordinary course of business, the Bank and its subsidiaries are assessed fees or fines by securities regulatory authorities in relation to administrative matters, including late filings or reporting, which may be considered penalties or sanctions pursuant to Canadian securities regulations but which are not, individually or in the aggregate, material to the Bank. In addition, the Bank and its subsidiaries are subject to numerous regulatory authorities around the world, and fees, administrative penalties, settlement agreements and sanctions may be categorized differently by each regulator. During the past financial year, Primmum Insurance Company paid administrative filing fees relating to late filings to the Autorité des marchés financier in the aggregate amount of $1,650, Security National Insurance Company paid administrative filing fees relating to late filings to the Autorité des marchés financier in the aggregate amount of $3,300, TD Home and Auto Insurance Company paid administrative filing fees relating to late filings to the Autorité des marchés financier in the aggregate amount of $1,650, TD Asset Management Inc. paid administrative filing fees relating to late filings to the Ontario Securities Commission in the aggregate amount of $3,300, TD Investment Services Inc. paid administrative filing fees relating to late filings to the Ontario Securities Commission in the aggregate amount of $5,000, and the Bank paid administrative filing fees relating to late filings to the Ontario Securities Commission in the aggregate amount of $17,000.[1]

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the best of our knowledge, the Bank confirms that, as at November 29, 2017, there were no directors or executive officers of the Bank, nor any associate or affiliate of a director or executive officer of the Bank, with a material interest in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Bank.

TRANSFER AGENTS AND REGISTRARS

Transfer Agent

AST Trust Company (Canada)
P.O. Box 700, Station B
Montréal, Québec H3B 3K3

Telephone: 416-682-3860 or toll-free at 1-800-387-0825 (Canada and U.S. only)
Fax: 1-888-249-6189
Email: inquiries@astfinancial.com
Website: www.astfinancial.com/ca-en

Co-transfer Agent and Registrar

Computershare
P.O. Box 505000
Louisville, KY 40233

or

462 South 4th Street, Suite 1600
Louisville, KY 40202

Telephone: 1-866-233-4836
TDD for hearing impaired: 1-800-231-5469
Shareholders outside of U.S.: 201-680-6578
TDD shareholders outside of U.S.: 201-680-6610
Website: www.computershare.com

[1] National Instrument 14-101 *Definitions* limits the meaning of "securities legislation" to Canadian provincial and territorial legislation and "securities regulatory authority" to Canadian provincial and territorial securities regulatory authorities.

INTERESTS OF EXPERTS

The Consolidated Financial Statements of the Bank for the year ended October 31, 2017 filed under National Instrument 51-102 – Continuous Disclosure Obligations, portions of which are incorporated by reference in this AIF, have been audited by Ernst & Young LLP, Chartered Professional Accountants, Licensed Public Accountants, Toronto, Ontario. EY is the external auditor who prepared the Independent Auditors' Report of Registered Public Accounting Firm to Shareholders - Report on Financial Statements and Report on Internal Control Under Standards of the Public Company Accounting Oversight Board (United States). EY is independent with respect to the Bank within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario. EY is also independent with respect to the Bank within the meaning of United States federal securities laws and the rules and regulations thereunder, including the independence rules adopted by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002; and in compliance with Rule 3520 of the Public Company Accounting Oversight Board.

ADDITIONAL INFORMATION

Additional information concerning the Bank may be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Bank's securities and options to purchase securities, in each case if applicable, is contained in the Bank's management proxy circular for its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in the Bank's comparative financial statements and management's discussion and analysis for its most recently completed financial year, which at the date hereof was the year ended October 31, 2017.

Appendix "A"

Intercorporate Relationships

The following is a list of the directly or indirectly held significant subsidiaries.

SIGNIFICANT SUBSIDIARIES[1]

(millions of Canadian dollars)			As at October 31, 2017
North America	**Address of Head or Principal Office**[2]	**Description**	**Carrying value of shares owned by the Bank**
Meloche Monnex Inc.	Montreal, Québec	Holding Company	$ 1,387
Security National Insurance Company	Montreal, Québec	Insurance Company	
Primmum Insurance Company	Toronto, Ontario	Insurance Company	
TD Direct Insurance Inc.	Toronto, Ontario	Insurance Company	
TD General Insurance Company	Toronto, Ontario	Insurance Company	
TD Home and Auto Insurance Company	Toronto, Ontario	Insurance Company	
TD Asset Management Inc.	Toronto, Ontario	Investment Counselling and Portfolio Management	403
TD Waterhouse Private Investment Counsel Inc.	Toronto, Ontario	Investment Counselling and Portfolio Management	
TD Auto Finance (Canada) Inc.	Toronto, Ontario	Automotive Finance Entity	2,224
TD Auto Finance Services Inc.	Toronto, Ontario	Automotive Finance Entity	1,332
TD Financing Services Home Inc.	Toronto, Ontario	Mortgage Lender	46
TD Financing Services Inc.	Toronto, Ontario	Financial Services Entity	165
TD Group US Holdings LLC	Wilmington, Delaware	Holding Company	65,717
Toronto Dominion Holdings (U.S.A.), Inc.	New York, New York	Holding Company	
TD Prime Services LLC	New York, New York	Securities Dealer	
TD Securities (USA) LLC	New York, New York	Securities Dealer	
Toronto Dominion (Texas) LLC	New York, New York	Financial Services Entity	
Toronto Dominion (New York) LLC	New York, New York	Financial Services Entity	
Toronto Dominion Capital (U.S.A.), Inc.	New York, New York	Small Business Investment Company	
TD Bank US Holding Company	Cherry Hill, New Jersey	Holding Company	
Epoch Investment Partners, Inc.	New York, New York	Investment Counselling and Portfolio Management	
TDAM USA Inc.	New York, New York	Investment Counselling and Portfolio Management	
TD Bank USA, National Association	Cherry Hill, New Jersey	U.S. National Bank	
TD Bank, National Association	Cherry Hill, New Jersey	U.S. National Bank	
TD Auto Finance LLC	Farmington Hills, Michigan	Automotive Finance Entity	
TD Equipment Finance, Inc.	Cherry Hill, New Jersey	Financial Services Entity	
TD Private Client Wealth LLC	New York, New York	Broker-dealer and Registered Investment Advisor	
TD Wealth Management Services Inc.	Cherry Hill, New Jersey	Insurance Agency	
TD Luxembourg International Holdings	Luxembourg, Luxembourg	Holding Company	
TD Ameritrade Holding Corporation[3]	Omaha, Nebraska	Securities Dealer	
TD Investment Services Inc.	Toronto, Ontario	Mutual Fund Dealer	40
TD Life Insurance Company	Toronto, Ontario	Insurance Company	67
TD Mortgage Corporation	Toronto, Ontario	Deposit Taking Entity	12,605
TD Pacific Mortgage Corporation	Vancouver, British Columbia	Deposit Taking Entity	
The Canada Trust Company	Toronto, Ontario	Trust, Loans and Deposits Entity	
TD Securities Inc.	Toronto, Ontario	Investment Dealer and Broker	2,223
TD Vermillion Holdings ULC	Vancouver, British Columbia	Holding Company	21,133
TD Financial International Ltd.	Hamilton, Bermuda	Holding Company	
TD Reinsurance (Barbados) Inc.	St. James, Barbados	Reinsurance Company	
Toronto Dominion International Inc.	St. James, Barbados	Intragroup Lending Company	
TD Waterhouse Canada Inc.	Toronto, Ontario	Investment Dealer	2,417
International			
TD Bank N.V.	Amsterdam, The Netherlands	Dutch Bank	719
TD Ireland Unlimited Company	Dublin, Ireland	Holding Company	1,068
TD Global Finance Unlimited Company	Dublin, Ireland	Securities Dealer	
TD Securities (Japan) Co. Ltd.	Tokyo, Japan	Securities Dealer	7
Toronto Dominion Australia Limited	Sydney, Australia	Securities Dealer	232
Toronto Dominion Investments B.V.	London, England	Holding Company	1,079
TD Bank Europe Limited	London, England	UK Bank	
Toronto Dominion Holdings (U.K.) Limited	London, England	Holding Company	
TD Securities Limited	London, England	Securities Dealer	
Toronto Dominion (South East Asia) Limited	Singapore, Singapore	Financial Institution	1,399

1 Unless otherwise noted, The Toronto-Dominion Bank, either directly or through its subsidiaries, owns 100% of the entity and/or 100% of any issued and outstanding voting securities and non-voting securities of the entities listed.

2 Each subsidiary is incorporated or organized in the country in which its head or principal office is located, with the exception of Toronto Dominion Investments B.V., a company incorporated in The Netherlands, but with its principal office in the United Kingdom.

3 As at October 31, 2017, the Bank's reported investment in TD Ameritrade Holding Corporation was 41.27% (October 31, 2016 – 42.38%) of the outstanding shares of TD Ameritrade Holding Corporation. TD Luxembourg International Holdings and its ownership of TD Ameritrade Holding Corporation is included given the significance of the Bank's investment in TD Ameritrade Holding Corporation.

Appendix "B"

**AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF THE TORONTO-DOMINION BANK**

CHARTER

~ ~ Supervising the Quality and Integrity of the Bank's Financial Reporting ~ ~

Main Responsibilities:

- overseeing reliable, accurate and clear financial reporting to shareholders
- overseeing the effectiveness of internal controls, including internal controls over financial reporting
- directly responsible for the selection, compensation, retention and oversight of the work of the shareholders' auditor – the shareholders' auditor reports directly to the Committee
- Receive reports from the shareholders' auditor, chief financial officer, chief auditor, chief compliance officer, chief anti-money laundering officer, and bank secrecy act officer, and evaluating the effectiveness and independence of each
- overseeing the establishment and maintenance of processes that ensure the Bank is in compliance with the laws and regulations that apply to it as well as its own policies
- acting as the audit committee and conduct review committee for certain subsidiaries of the Bank that are federally-regulated financial institutions and insurance companies
- receiving reports on and approving, if appropriate, certain transactions with related parties

Independence is Key:

- the Committee is composed entirely of independent directors
- the Committee meets regularly without management present
- the Committee has the authority to engage independent advisors, paid for by the Bank, to help it make the best possible decisions on the financial reporting, accounting policies and practices, disclosure practices, and internal controls of the Bank

Composition and Independence, Financial Literacy and Authority

The Committee shall be composed of members of the Board of Directors in such number as is determined by the Board with regard to the by-laws of the Bank, applicable laws, rules and regulations and any other relevant consideration, subject to a minimum requirement of three directors.

In this Charter, "Bank" means The Toronto-Dominion Bank on a consolidated basis.

No member of the Committee may be an officer or retired officer of the Bank. Every member of the Committee shall be independent of the Bank within the meaning of all applicable laws, rules and regulations including those particularly applicable to audit committee members and any other relevant consideration as determined by the Board of Directors, including the Bank's Director Independence Policy. No member of the Committee may serve on more than three public company audit committees without the consent of the Corporate Governance Committee and the Board.

The members of the Committee shall be appointed by the Board and each shall serve until his or her successor is duly appointed, unless the member resigns, is removed, or ceases to be a director. A Chair will be appointed by the Board upon recommendation of the Corporate Governance Committee, failing which the members of the Committee may designate a Chair by majority vote. The Committee may from time to time delegate to its Chair certain powers or responsibilities that the Committee itself may have hereunder.

In addition to the qualities set out in the Position Description for Directors, all members of the Committee should be financially literate or be willing and able to acquire the necessary knowledge quickly. Financially literate means the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Bank's financial statements. At least one member of the Committee shall have a background in accounting or related financial management experience which would include any experience or background which results in the individual's financial sophistication, including being or having been an auditor, a chief executive officer or other senior officer with financial oversight responsibilities.

In fulfilling the responsibilities set out in this Charter, the Committee has the authority to conduct any investigation it deems appropriate to, and access any officer, employee or agent of the Bank for the purpose of fulfilling its responsibilities, including the shareholders' auditor. The Audit Committee may obtain advice and assistance from outside legal, accounting or other advisors as the Committee deems necessary to carry out its duties, and may retain and determine the compensation to be paid by the Bank for such independent counsel or outside advisor in its sole discretion without seeking Board approval.

Committee members will enhance their familiarity with financial, accounting and other areas relevant to their responsibilities by participating in educational sessions or other opportunities for development.

Meetings

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Committee shall meet with the shareholders' auditor and management quarterly to review the Bank's financial statements consistent with the section entitled "Financial Reporting" below. The Committee shall dedicate a portion of each of its regularly scheduled quarterly meetings to meeting separately with each of the Chief Financial Officer, the Chief Auditor, the Chief Compliance Officer, the Chief Anti-Money Laundering Officer and the Bank Secrecy Act Officer and the shareholders' auditor and to meeting on its own without members of management or the shareholders' auditor. Any member of the Committee may make a request to the Chair for a Committee meeting or any part thereof to be held without management present. The Committee shall also meet with the Office of the Superintendent of Financial Institutions Canada ("OSFI") to review and discuss the results of OSFI's annual supervisory examination of the Bank in the event OSFI directs that it meet with the Committee instead of the full Board.

To facilitate open communication between this Committee and the Risk Committee, and where the Chair of the Risk Committee is not a member of this Committee, he or she shall receive notice of and attend by invitation of this Committee, as a non-voting observer, each meeting of this Committee and receive the materials for each such meeting. In addition, this Committee shall meet with the Risk Committee at least two times annually to discuss topics relevant to both Committees.

All non-management directors who are not members of the Committee have a standing invitation to attend meetings of the Committee but may not vote. Additionally, the Committee may invite to its meetings any director, member of management of the Bank or such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

Specific Duties and Responsibilities

Financial Reporting

The Committee shall be responsible for the oversight of reliable, accurate and clear financial reporting to shareholders, including reviewing and discussing the Bank's annual and interim financial statements and management's discussion and analysis and reviewing the shareholders' auditor opinion on the annual financial statements and on the Bank's internal controls over financial reporting, prior to approval by the Board and release to the public, and reviewing, as appropriate, releases to the public of significant material non-public financial information of the Bank. Such review of the financial reports of the Bank shall include, when appropriate but at least annually, discussion with management, the internal audit division and the shareholders' auditor of significant issues regarding accounting principles, practices, and significant management estimates and judgments.

The Committee shall review earnings news releases and satisfy itself that adequate procedures are in place for the review of the Bank's public disclosure of financial information extracted or derived from the Bank's financial statements, other than the public disclosure in the Bank's annual and interim financial statements and MD&A, and must periodically assess the adequacy of those procedures.

Financial Reporting Process

The Committee shall support the Board in its oversight of the financial reporting process of the Bank including:

- working with management, the shareholders' auditor and the internal audit division to review the integrity of the Bank's financial reporting processes;
- reviewing the process relating to and the certifications of the Chief Executive Officer and the Chief Financial Officer on the integrity of the Bank's quarterly and annual consolidated financial statements and other disclosure documents as required;
- considering the key accounting policies of the Bank and reviewing in appropriate detail the basis for significant estimates and judgments including but not limited to actuarial reserves, allowances for loan losses and other valuation allowances and discussing such matters with management and/or the shareholders' auditor;
- keeping abreast of trends and best practices in financial reporting including considering, as they arise, topical issues and their application to the Bank;
- reviewing with management and the shareholders' auditor significant accounting principles and policies and all critical accounting policies and practices used and any significant audit adjustments made;
- considering and approving, if appropriate, substantive changes to the Bank's accounting and financial reporting policies as suggested by management, the shareholders' auditor, or the internal audit division;
- establishing regular systems of reporting to the Committee by each of management, the shareholders' auditor and the internal audit division regarding any significant judgments made in management's preparation of the financial statements and any significant difficulties encountered during the course of the review or audit, including any restrictions on the scope of work or access to required information; and
- reviewing tax and tax planning matters that are material to the financial statements.

The Audit Committee's Role in the Financial Reporting Process

The shareholders' auditor is responsible for planning and carrying out, in accordance with professional standards, an audit of the Bank's annual financial statements and reviews of the Bank's quarterly financial information. Management of the Bank is responsible for the Bank's financial reporting process which includes the preparation, presentation and integrity of the Bank's financial statements and maintenance of appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. The Audit Committee oversees the financial reporting process at the Bank and receives quarterly reporting regarding the process undertaken by management and the results of the review by the shareholders' auditor. It is not the duty of the Audit Committee to plan or conduct audits, or to determine that the Bank's financial statements are complete, accurate and in accordance with International Financial Reporting Standards.

Internal Controls

The Committee shall be responsible for overseeing the establishment of the internal control framework and monitoring its effectiveness including:

- reviewing management's reports related to the establishment and maintenance of an adequate and effective internal control system and processes (including controls related to the prevention, identification and detection of fraud) that are designed to provide assurance in areas including reporting (financial, operational, risk), efficiency and effectiveness of operations and safeguarding assets, monitoring compliance with laws, regulations and guidance, and internal policies, including compliance with section 404 of the U.S. Sarbanes-Oxley Act and similar rules of the Canadian Securities Administrators;
- meeting with management, the Chief Auditor and the shareholders' auditor to assess the adequacy and effectiveness of the Bank's internal controls, including controls related to the prevention, identification and detection of fraud;
- overseeing that there are adequate governance structures and control processes for all financial instruments that are measured at fair value for financial reporting purposes;
- receiving reports from the Risk Committee as considered necessary or desirable with respect to any issues relating to internal control procedures considered by that Committee in the course of undertaking its responsibilities; and
- reviewing reporting by the Bank to its shareholders regarding internal control over financial reporting.

Internal Audit Division

The Committee shall oversee the internal audit division of the Bank and any aspects of the internal audit function that are outsourced to a third party. The Committee shall satisfy itself that the internal audit division is sufficiently independent to perform its responsibilities. In addition, the Committee shall:

- review and approve the annual audit plan (including the risk assessment methodology), and any significant changes thereto and satisfy itself that the plan is appropriate, risk-based and addresses all the relevant activities and significant risks over a measurable cycle;
- review and approve the annual financial budget and resource plan and review significant updates;
- review and approve the mandates of the internal audit division, and the Chief Auditor at least annually;
- confirm the appointment and dismissal of the Chief Auditor;

- annually convey its view of the performance of the Chief Auditor to the Chief Executive Officer as input into the compensation approval process;
- at least annually assess the effectiveness and operational adequacy of the internal audit division;
- review the results of the independent quality assurance review report on the internal audit division conducted on a five-year cycle;
- review and discuss regular reports prepared by the Chief Auditor, including all information outlined in regulatory guidance, together with management's response and follow-up on outstanding issues, and proactively consider thematic issues across the Bank;
- provide a forum for the Chief Auditor to have unfettered access to the Committee to raise any internal audit, organizational or industry issues or issues with respect to the relationship and interaction between the internal audit division, management, the shareholders' auditor and/or regulators and;
- review reports of deficiencies identified by supervisory authorities related to the internal audit division, including information to demonstrate progress of necessary correction action and remediation, by management, within an appropriate time frame.

Oversight of Shareholders' Auditor

The Committee shall annually review and evaluate the performance, qualifications, skills, resources (amount and type) and independence of the shareholders' auditor and recommend to the Board for recommendation to the shareholders, the appointment of the shareholders' auditor. The Committee shall be responsible for approving the auditor's remuneration and shall satisfy itself that the level of audit fees is commensurate with the scope of work to ensure a quality audit. The Committee shall also make recommendations to the Board for approval regarding, if appropriate, termination of the shareholders' auditor. The shareholders' auditor shall be accountable to the Committee and the entire Board, as representatives of the shareholders, for its review of the financial statements and controls of the Bank. In addition, the Committee shall:

- review and approve the annual audit plans and engagement letters of the shareholders' auditor and satisfy itself that the plans are appropriate, risk-based and address all the relevant activities over a measurable cycle;
- at least annually, review the shareholders' auditor's processes for assuring the quality of their audit services including ensuring their independence and any other matters that may affect the audit firm's ability to serve as shareholders' auditor;
- discuss those matters that are required to be communicated by the shareholders' auditor to the Committee in accordance with the standards established by the Chartered Professional Accountants of Canada and the Public Company Accounting Oversight Board and the requirements of the *Bank Act (Canada)* and of the Bank's regulators, including its primary regulator OSFI, as such matters are applicable to the Bank from time to time;
- review with the shareholders' auditor any issues that may be brought forward by it, including any audit problems or difficulties, such as restrictions on its audit activities or access to requested information, and management's responses;
- request management to take the necessary corrective actions to address any findings and recommendations of the shareholders' auditor in a timely manner;
- review with the shareholders' auditor concerns, if any, about the quality, not just acceptability, of the Bank's accounting principles and policies as applied in its financial reporting;
- provide a forum for management and the internal and/or shareholders' auditor to raise issues regarding their relationship and interaction. To the extent disagreements regarding financial reporting are not resolved, be responsible for the resolution of such disagreements between management and the internal and/or shareholders' auditor;

- at least annually, review and evaluate the qualifications, performance and independence of the lead partner of the shareholders' auditor, and as required upon rotation of the lead partner, obtain confirmation from the shareholders' auditor that they are in compliance with the requirements for the qualifications for auditors pursuant to the *Bank Act (Canada)*;
- at least every five years, conduct a comprehensive review of the shareholders' auditor; and
- annually review and discuss the Canadian Public Accountability Board's (CPAB) public report with the shareholders' auditor, and as necessary discuss any CPAB findings specific to the inspection of the Bank's audit.

Independence of Shareholders' Auditor

The Committee shall monitor and assess the independence of the shareholders' auditor through various mechanisms, including:

- reviewing and approving (or recommending to the Board for approval) the audit engagement terms and fees and other legally permissible services to be performed by the shareholders' auditor for the Bank, with such approval to be given either specifically or pursuant to pre-approval procedures adopted by the Committee;
- receiving from the shareholders' auditor, at least annually, a formal written statement confirming independence and delineating all relationships between the shareholders' auditor and the Bank consistent with the rules of professional conduct of the Canadian provincial chartered accountants institutes or other regulatory bodies, as applicable;
- reviewing and discussing with the Board, annually and otherwise as necessary, and the shareholders' auditor, any relationships or services between the shareholders' auditor and the Bank or any factors that may impact the objectivity and independence of the shareholders' auditor;
- reviewing, approving and monitoring policies and procedures for the employment of past or present partners, or employees of the shareholders' auditor as required by applicable laws; and
- reviewing, approving and monitoring other policies and procedures put in place to facilitate auditor independence, such as the criteria for tendering the shareholders' auditor contract and the rotation of members of the audit engagement team, as applicable.

Finance Department

The Committee shall oversee the Finance Department of the Bank, including:

- reviewing and approving the mandate of the Finance Department and the mandate of the Chief Financial Officer at least annually;
- reviewing and approving, at least annually, the Finance Department budget and resource plan, including receiving reports from management on resource adequacy;
- annually assessing the effectiveness of the Finance Department;
- reviewing the results of an independent assessment of the Finance Department effectiveness conducted periodically;
- periodically reviewing the results of a benchmarking of the Finance Department conducted with the assistance of an independent third party;

- annually conveying its view of the performance of the Chief Financial Officer to the Chief Executive Officer as input into the compensation approval process;
- confirming the appointment and dismissal of the Chief Financial Officer; and
- providing a forum for the Chief Financial Officer to have unfettered access to the Committee to raise any financial reporting issues or issues with respect to the relationship and interaction among the Finance Department, management, the shareholders' auditor and/or regulators.

Conduct Review and Related Party Transactions

The Committee shall be responsible for conduct review and oversight of related party transactions, including satisfying itself that procedures and practices are established by management as required by the *Bank Act* (Canada)*, Trust and Loans Companies Act (Canada), the Insurance Companies Act (Canada)*, and *the International Financial Reporting Standards (specifically, IAS 24 – Related Party Disclosures),* relating to conduct review and related party transactions and monitoring compliance with those procedures and their effectiveness from time to time.

Business Conduct and Ethical Behaviour

The Committee shall monitor compliance with policies in respect of ethical, personal and business conduct, including the Bank's Complaint-Handling and Disclosure of Information to Customers Policy; Anti-Bribery and Anti-Corruption Policy; and Code of Conduct and Ethics and the conflicts of interest procedures included therein, including approving, where appropriate, any waiver from the Bank's Code of Conduct and Ethics to be granted for the benefit of any director or executive officer of the Bank.

Compliance

The Committee shall oversee the establishment and maintenance of processes and policies that ensure the Bank is in compliance with the laws and regulations that apply to it as well as its own policies, including:

- reviewing with management the Bank's compliance with applicable regulatory requirements and the Regulatory Compliance Management (RCM) Program;
- establishing procedures in accordance with regulatory requirements for the receipt, retention and treatment of complaints received by the Bank on accounting, internal accounting controls or auditing matters, and receiving reports on such complaints and submissions as required under the applicable policy;
- reviewing professional pronouncements and changes to key regulatory requirements relating to accounting rules to the extent they apply to the financial reporting process of the Bank; and
- acting as the Board's compliance oversight committee in respect of the Volcker Rule within the Dodd-Frank Wall Street Reform and Consumer Protection Act (U.S.), including receiving reports, at least annually, from senior management and control functions on the effectiveness of and compliance with matters relating to the TDBG Enterprise Written Volcker Compliance Program.

Compliance Department

The Committee shall oversee the Compliance Department of the Bank and the execution of its mandate, and shall satisfy itself that the Compliance Department is sufficiently independent to perform its responsibilities. In addition, the Committee shall:

- review and approve its annual plan, including its budget and resources, and any significant changes to the annual plan and/or methodology;
- annually review and approve the mandate of the Compliance Department and the mandate of the Chief Compliance Officer;

- at least annually assess the effectiveness of the Compliance function;
- review the results of an independent assessment of the Compliance Department conducted periodically;
- periodically review the results of a benchmarking of the Compliance Department conducted with the assistance of an independent third party;
- confirm the appointment and dismissal of the Chief Compliance Officer;
- annually convey its view of the performance of the Chief Compliance Officer to the Chief Executive Officer as input into the compensation approval process;
- regularly review and discuss reports prepared by the Chief Compliance Officer for the Audit Committee, including with regard to reports by supervisory authorities related to the Compliance Department, and follow-up on any outstanding issues including proactive consideration of whether deficiencies in one area may be present in other areas;
- at least annually review the assessment by the Chief Compliance Officer on the adequacy and effectiveness of, and adherence to, the Bank's day-to-day RCM controls, as well as the opinion of the Chief Compliance Officer as to whether the RCM controls are sufficiently robust to achieve compliance with the applicable regulatory requirements; and
- provide a forum for the Chief Compliance Officer to have unfettered access to the Committee to raise any compliance issues or issues with respect to the relationship and interaction among the Compliance Department, management and/or regulators.

Anti-Money Laundering ("AML" / Anti-Terrorist Financing ("ATF")

The Committee shall oversee and monitor the establishment, maintenance and ongoing effectiveness of the Anti-Money Laundering / Anti-Terrorist Financing / Economic Sanctions / Anti-Bribery and Anti-Corruption ("AML Program") that is designed to ensure the Bank is in compliance with the laws and regulations that apply to it as well as its own policies, including:

- reviewing with management the Bank's compliance with applicable regulatory requirements;
- reviewing an annual report from the Chief Anti-Money Laundering Officer and the Bank Secrecy Act Officer regarding the assessment of the effectiveness of the AML Program, and following up with management on the status of recommendations and suggestions, as appropriate; and
- reviewing the opinion of the Chief Auditor on the effectiveness of the AML Program every two years, and following up with management on the status of recommendations and suggestions, as appropriate.

Global Anti-Money Laundering Department

The Committee shall oversee the Global Anti-Money Laundering Department of the Bank and the execution of its mandate, and shall satisfy itself that the Global AML Department is sufficiently independent to perform its responsibilities. The oversight and monitoring will be provided in the following manner:

- review and approve the Global AML Department's annual plan, including its budget and resources, and any significant changes to the annual plan;
- consider and approve the AML Program, its design and any significant AML/ATF policies, including the TD Global Sanctions Policy;
- at least annually assess the effectiveness of the AML/ATF function;
- review the results of an independent assessment of the AML Program conducted periodically;

- periodically review the results of a benchmarking of the AML Department conducted with the assistance of an independent third party;
- annually review and approve the mandate of the Global AML Department and each of the mandates of the Chief Anti-Money Laundering Officer and the Bank Secrecy Act Officer;
- confirm the appointment and dismissal of the Chief Anti-Money Laundering Officer and the Bank Secrecy Act Officer;
- annually convey its view of the performance of the Chief Anti-Money Laundering Officer and the Bank Secrecy Act Officer to the Chief Executive Officer as input into the compensation approval process;
- regularly review and discuss reports prepared by the Chief Anti-Money Laundering Officer and the Bank Secrecy Act Officer for the Audit Committee, including with regard to reports by supervisory authorities related to the AML Program, and on the design and operation of the AML Program, the adequacy of resources (people, systems, budget), and any recommendations thereto, and follow-up on any outstanding issues including proactive consideration of whether deficiencies in one area may be present in other areas; and
- provide a forum for the Chief Anti-Money Laundering Officer and the Bank Secrecy Act Officer to have unfettered access to the Committee to raise any compliance issues or issues with respect to the relationship and interaction among the Global AML Department, management and/or regulators.

General

The Committee shall have the following additional general duties and responsibilities:

- acting as the audit committee and conduct review committee for certain Canadian subsidiaries of the Bank that are federally-regulated financial institutions and insurance companies, including meeting on an annual basis, without management present, with the appointed actuaries of the subsidiaries of the Bank that are federally-regulated insurance companies;
- establishing procedures in accordance with regulatory requirements for confidential, anonymous submissions of concerns regarding questionable accounting or auditing matters, and receiving reports on such complaints and submissions as required under the applicable policy;
- reviewing with the Bank’s general counsel any legal matter arising from litigation, asserted claims or regulatory noncompliance that could have a material impact on the Bank’s financial condition and provide a forum for the General Counsel to have unfettered access to the Committee to raise any legal issues;
- performing such other functions and tasks as may be mandated by regulatory requirements applicable to audit committees and conduct review committees or delegated by the Board;
- conducting an annual evaluation of the Committee to assess its contribution and effectiveness in fulfilling its mandate;
- reviewing and assessing the adequacy of this Charter at least annually and submitting this Charter to the Corporate Governance Committee for review and recommendation to the Board for approval upon amendment;
- maintaining minutes or other records of meetings and activities of the Committee; and
- reporting to the Board on material matters arising at Audit Committee meetings following each meeting of the Committee and reporting as required to the Risk Committee on issues of relevance to it.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) is presented to enable readers to assess material changes in the financial condition and operating results of TD Bank Group ("TD" or the "Bank") for the year ended October 31, 2017, compared with the corresponding period in the prior years. This MD&A should be read in conjunction with the audited Consolidated Financial Statements and related Notes for the year ended October 31, 2017. This MD&A is dated November 29, 2017. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from the Bank's annual Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Note that certain comparative amounts have been restated/reclassified to conform with the presentation adopted in the current period.

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

Caution Regarding Forward-Looking Statements

From time to time, the Bank (as defined in this document) makes written and/or oral forward-looking statements, including in this document, in other filings with Canadian regulators or the United States (U.S.) Securities and Exchange Commission (SEC), and in other communications. In addition, representatives of the Bank may make forward-looking statements orally to analysts, investors, the media, and others. All such statements are made pursuant to the "safe harbour" provisions of, and are intended to be forward-looking statements under, applicable Canadian and U.S. securities legislation, including the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements made in this document, the Management's Discussion and Analysis ("2017 MD&A") 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, risk-based 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.

FINANCIAL RESULTS OVERVIEW

CORPORATE OVERVIEW

The Toronto-Dominion Bank and its subsidiaries are collectively known as TD Bank Group ("TD" or the "Bank"). TD is the sixth largest bank in North America by branches and serves more than 25 million customers in three key businesses operating in a number of locations in financial centres around the globe: Canadian Retail, including TD Canada Trust, TD Auto Finance Canada, TD Wealth (Canada), TD Direct Investing, and TD Insurance; U.S. Retail, including TD Bank, America's Most Convenient Bank®, TD Auto Finance U.S., TD Wealth (U.S.), and an investment in TD Ameritrade; and Wholesale Banking, including TD Securities. TD also ranks among the world's leading online financial services firms, with approximately 11.5 million active online and mobile customers. TD had $1.3 trillion in assets on October 31, 2017. The Toronto-Dominion Bank trades under the symbol "TD" on the Toronto and New York Stock Exchanges.

HOW THE BANK REPORTS

The Bank prepares its Consolidated Financial Statements in accordance with IFRS, the current generally accepted accounting principles (GAAP), and refers to results prepared in accordance with IFRS as "reported" results. The Bank also utilizes non-GAAP financial measures referred to as "adjusted" results to assess each of its businesses and to measure the Bank's overall performance. To arrive at adjusted results, the Bank removes "items of note", from reported results. The items of note relate to items which management does not believe are indicative of underlying business performance. The Bank believes that adjusted results provide the reader with a better understanding of how management views the Bank's performance. The items of note are disclosed in Table 2. As explained, adjusted results differ from reported results determined in accordance with IFRS. Adjusted results, items of note, and related terms used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.

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

TABLE 1: OPERATING RESULTS – Reported

(millions of Canadian dollars)	**2017**	2016	2015
Net interest income	**$ 20,847**	$ 19,923	$ 18,724
Non-interest income	**15,302**	14,392	12,702
Total revenue	**36,149**	34,315	31,426
Provision for credit losses	**2,216**	2,330	1,683
Insurance claims and related expenses	**2,246**	2,462	2,500
Non-interest expenses	**19,366**	18,877	18,073
Income before income taxes and equity in net income of an investment in TD Ameritrade	**12,321**	10,646	9,170
Provision for income taxes	**2,253**	2,143	1,523
Equity in net income of an investment in TD Ameritrade	**449**	433	377
Net income – reported	**10,517**	8,936	8,024
Preferred dividends	**193**	141	99
Net income available to common shareholders and non-controlling interests in subsidiaries	**$ 10,324**	$ 8,795	$ 7,925
Attributable to:			
Common shareholders	**$ 10,203**	$ 8,680	$ 7,813
Non-controlling interests	**121**	115	112

TABLE 2 : NON-GAAP FINANCIAL MEASURES – Reconciliation of Adjusted to Reported Net Income			
(millions of Canadian dollars)	**2017**	2016	2015
Operating results – adjusted			
Net interest income	**$ 20,847**	$ 19,923	$ 18,724
Non-interest income[1]	**15,099**	14,385	12,713
Total revenue	**35,946**	34,308	31,437
Provision for credit losses	**2,216**	2,330	1,683
Insurance claims and related expenses	**2,246**	2,462	2,500
Non-interest expenses[2]	**19,092**	18,496	17,076
Income before income taxes and equity in net income of an investment in TD Ameritrade	**12,392**	11,020	10,178
Provision for (recovery of) income taxes	**2,336**	2,226	1,862
Equity in net income of an investment in TD Ameritrade[3]	**531**	498	438
Net income – adjusted	**10,587**	9,292	8,754
Preferred dividends	**193**	141	99
Net income available to common shareholders and non-controlling interests in subsidiaries – adjusted	**10,394**	9,151	8,655
Attributable to:			
Non-controlling interests in subsidiaries, net of income taxes	**121**	115	112
Net income available to common shareholders – adjusted	**10,273**	9,036	8,543
Pre-tax adjustments of items of note			
Amortization of intangibles[4]	**(310)**	(335)	(350)
Charges associated with the Scottrade transaction[5]	**(46)**	–	–
Dilution gain on the Scottrade transaction[6]	**204**	–	–
Loss on sale of the Direct Investing business in Europe[7]	**(42)**	–	–
Fair value of derivatives hedging the reclassified available-for-sale securities portfolio[8]	**41**	7	62
Impairment of goodwill, non-financial assets, and other charges[9]	**–**	(111)	–
Restructuring charges[10]	**–**	–	(686)
Charge related to the acquisition in U.S. strategic cards portfolio and related integration costs[11]	**–**	–	(82)
Litigation and litigation-related charge(s)/reserve(s)[12]	**–**	–	(13)
Provision for (recovery of) income taxes for items of note			
Amortization of intangibles	**(78)**	(89)	(95)
Charges associated with the Scottrade transaction	**(10)**	–	–
Dilution gain on the Scottrade transaction	**–**	–	–
Loss on sale of the Direct Investing business in Europe	**(2)**	–	–
Fair value of derivatives hedging the reclassified available-for-sale securities portfolio	**7**	1	7
Impairment of goodwill, non-financial assets, and other charges	**–**	5	–
Restructuring charges	**–**	–	(215)
Charge related to the acquisition in U.S. strategic cards portfolio and related integration costs	**–**	–	(31)
Litigation and litigation-related charge(s)/reserve(s)	**–**	–	(5)
Total adjustments for items of note	**(70)**	(356)	(730)
Net income available to common shareholders – reported	**$ 10,203**	$ 8,680	$ 7,813

1 Adjusted non-interest income excludes the following items of note: Dilution gain on the Scottrade transaction, as explained in footnote 6 - 2017 – $204 million. Loss on sale of the Direct Investing business in Europe, as explained in footnote 7 - 2017 – $42 million. Gain on fair value of derivatives hedging the reclassified available-for-sale securities portfolio, as explained in footnote 8 - 2017 – $41 million, 2016 – $7 million, and 2015 – $62 million. These amounts were reported in the Corporate segment. Charges related to the acquisition in the U.S. strategic cards portfolio, as explained in footnote 11 - 2015 – $73 million. This amount was reported in the U.S. Retail segment.

2 Adjusted non-interest expenses exclude the following items of note: Amortization of intangibles, as explained in footnote 4 - 2017 – $248 million, 2016 – $270 million, and 2015 – $289 million, reported in the Corporate segment. Charges associated with the Bank's acquisition of Scottrade Bank, as explained in footnote 5 - 2017 – $26 million, reported in the U.S. Retail segment. Impairment of goodwill, non-financial assets, and other charges as explained in footnote 9 - 2016 – $111 million, and initiatives to reduce costs, as explained in footnote 10 - 2015 – $686 million, reported in Corporate segment. Integration costs related to the acquisition in U.S. strategic cards portfolio, as explained in footnote 11 - 2015 – $9 million, and litigation charges and recovery of litigation losses as explained in footnote 12 - 2015 – $52 million and $39 million, respectively, 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 - 2017 – $62 million, 2016 – $65 million, and 2015 – $61 million. These amounts 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 - 2017 – $20 million. This amount 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 including $26 million ($16 million after tax) relating to the charges associated with the Bank's acquisition of Scottrade Bank and $20 million after tax amounts relating to the Bank's share of charges associated with TD Ameritrade's acquisition of Scottrade reported in the U.S. Retail segment.

6 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's 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.

7 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, which remains subject to the final purchase price adjustment, 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.

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 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 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.

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

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

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

TABLE 3: RECONCILIATION OF REPORTED TO ADJUSTED EARNINGS PER SHARE (EPS)[1]			
(Canadian dollars)	**2017**	2016	2015
Basic earnings per share – reported	**$ 5.51**	$ 4.68	$ 4.22
Adjustments for items of note[2]	**0.04**	0.20	0.40
Basic earnings per share – adjusted	**$ 5.55**	$ 4.88	$ 4.62
Diluted earnings per share – reported	**$ 5.50**	$ 4.67	$ 4.21
Adjustments for items of note[2]	**0.04**	0.20	0.40
Diluted earnings per share – adjusted	**$ 5.54**	$ 4.87	$ 4.61

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 "Financial Results Overview" section of this document.

TABLE 4: AMORTIZATION OF INTANGIBLES, NET OF INCOME TAXES[1]			
(millions of Canadian dollars)	**2017**	2016	2015
TD Bank, National Association (TD Bank, N.A.)	**$ 91**	$ 108	$ 116
TD Ameritrade Holding Corporation (TD Ameritrade)[2]	**62**	65	61
MBNA Canada	**42**	36	37
Aeroplan	**17**	17	17
Other	**20**	20	24
	232	246	255
Software and asset servicing rights	**351**	340	289
Amortization of intangibles, net of income taxes	**$ 583**	$ 586	$ 544

1 Amortization of intangibles, with the exception of software and asset servicing rights, are included as items of note. For explanations of items of note, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "Financial Results Overview" section of this document.
2 Included in equity in net income of an investment in TD Ameritrade.

RETURN ON COMMON EQUITY

The Bank's methodology for allocating capital to its business segments is aligned with the common equity capital requirements under Basel III. The capital allocated to the business segments is based on 9% Common Equity Tier 1 (CET1) Capital.

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

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

TABLE 5: RETURN ON COMMON EQUITY			
(millions of Canadian dollars, except as noted)	**2017**	2016	2015
Average common equity	**$ 68,349**	$ 65,121	$ 58,178
Net income available to common shareholders – reported	**10,203**	8,680	7,813
Items of note, net of income taxes[1]	**70**	356	730
Net income available to common shareholders – adjusted	**10,273**	9,036	8,543
Return on common equity – reported	**14.9 %**	13.3 %	13.4 %
Return on common equity – adjusted	**15.0**	13.9	14.7

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

SIGNIFICANT EVENTS IN 2017

On September 18, 2017, the Bank acquired 100% of the outstanding equity of Scottrade Bank, a federal savings bank wholly-owned by Scottrade, for cash consideration of approximately $1.6 billion (US$1.4 billion). Scottrade Bank merged with TD Bank, N.A. In connection with the acquisition, TD has agreed to accept sweep deposits from Scottrade clients, expanding the Bank's sweep deposit activities. The acquisition is consistent with the Bank's U.S. strategy and is accounted for as a business combination under the purchase method.

The acquisition contributed $15 billion of investment securities, $5 billion of loans, and $19 billion of deposit liabilities. Goodwill of $34 million reflects the excess of the consideration paid over the fair value of the identifiable net assets acquired. The results of the acquired business have been consolidated from the date of close and are included in the U.S. Retail segment.

TD Ameritrade also concurrently completed its acquisition of Scottrade on September 18, 2017 for cash and TD Ameritrade shares. Pursuant to its pre-emptive rights, the Bank purchased 11.1 million new common shares in TD Ameritrade. As a result of the share issuance, the Bank's common stock ownership percentage in TD Ameritrade decreased and the Bank realized a dilution gain of $204 million.

Net Income

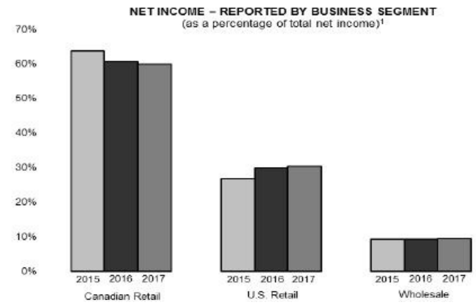
Reported net income for the year was $10,517 million, an increase of $1,581 million, or 18%, compared with last year. The increase reflects revenue growth, lower insurance claims, and PCL, partially offset by higher non-interest expenses. The reported ROE for the year was 14.9%, compared with 13.3% last year. Adjusted net income of $10,587 million increased $1,295 million, or 14%, compared with last year.

By segment, the increase in reported net income was due to an increase in Canadian Retail of $537 million, or 9%, an increase in U.S. Retail of $363 million, or 12%, an increase in Wholesale Banking[2] of $119 million, or 13% and a lower net loss in the Corporate segment of $562 million, or 60%.

Reported diluted EPS for the year was $5.50, an increase of 18%, compared with $4.67 last year. Adjusted diluted EPS for the year was $5.54, a 14% increase, compared with $4.87 last year.

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

U.S. Retail segment earnings, including the contribution from the Bank's investment in TD Ameritrade, reflect fluctuations in the U.S. dollar to Canadian dollar exchange rate compared with last year. Appreciation of the Canadian dollar had an unfavourable impact on the U.S. Retail segment earnings for the year ended October 31, 2017, compared with last year, as shown in the following table.



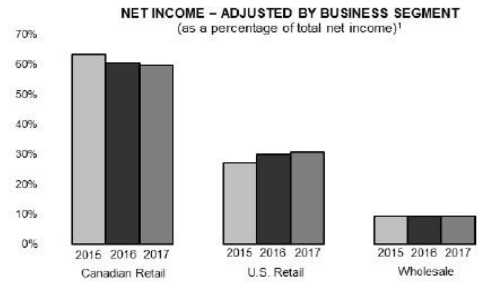


TABLE 6: IMPACT OF FOREIGN EXCHANGE RATE ON U.S. RETAIL SEGMENT TRANSLATED EARNINGS

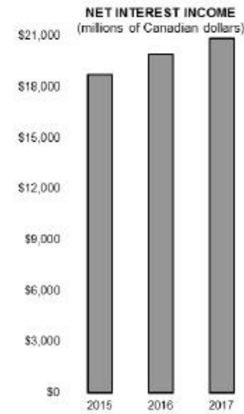
(millions of Canadian dollars, except as noted)	**2017 vs. 2016 Increase (Decrease)**	2016 vs. 2015 Increase (Decrease)
U.S. Retail Bank		
Total revenue	**$ (151)**	$ 581
Non-interest expenses – reported	**(90)**	344
Non-interest expenses – adjusted	**(89)**	344
Net income – reported, after tax	**(39)**	157
Net income – adjusted, after tax	**(40)**	157
Equity in net income of an investment in TD Ameritrade – reported	**(4)**	33
Equity in net income of an investment in TD Ameritrade – adjusted	**(7)**	33
U.S. Retail segment increased net income – reported, after tax	**(43)**	190
U.S. Retail segment increased net income – adjusted, after tax	**(47)**	190
Earnings per share (Canadian dollars)		
Basic – reported	**$ (0.02)**	$ 0.10
Basic – adjusted	**(0.03)**	0.10
Diluted – reported	**(0.02)**	$ 0.10
Diluted – adjusted	**(0.03)**	0.10

On a trailing twelve month basis, a one cent appreciation/depreciation in the U.S. dollar to Canadian dollar average exchange rate would have increased/decreased U.S. Retail segment net income by approximately $44 million.

1 Amounts exclude Corporate Segment.
2 Net interest income within Wholesale Banking is calculated on a tax equivalent basis (TEB). Refer to the "Business Segment Analysis" section in this document for additional details.

Revenue

Reported revenue was $36,149 million, an increase of $1,834 million, or 5%, compared with last year. Adjusted revenue was $35,946 million, an increase of $1,638 million, or 5%, compared with last year.



NET INTEREST INCOME

Net interest income for the year was $20,847 million, an increase of $924 million, or 5%, compared with last year. The increase reflects loan and deposit volume growth in the Canadian and U.S. Retail segments, and a more favourable interest rate environment. The increase was partially offset by a favourable accounting impact from balance sheet management activities in the prior year, which was largely offset in non-interest income.

By segment, the increase in reported net interest income was due to an increase in Canadian Retail of $632 million, or 6%, an increase in U.S. Retail of $393 million, or 6%, and an increase in Wholesale Banking of $119 million, or 7%, partially offset by a decrease in the Corporate segment of $220 million, or 19%.

NET INTEREST MARGIN

Net interest margin declined by 5 basis points (bps) during the year to 1.96%, compared with 2.01% last year, primarily due to a change in non-retail product mix and a favourable accounting impact from balance sheet management activities in the prior year, the latter of which was largely offset in non-interest income.

NON-INTEREST INCOME

Reported non-interest income for the year was $15,302 million, an increase of $910 million, or 6%, compared with last year. The increase reflects fee growth in the Canadian and U.S. Retail segments, a dilution gain on the Scottrade transaction, an unfavourable accounting impact from balance sheet management activities in the prior year, which was largely offset in net interest income, and increased corporate lending fees in Wholesale Banking, partially offset by changes in the fair value of investments supporting claims liabilities which resulted in a similar decrease to insurance claims. Adjusted non-interest income for the year was $15,099 million, an increase of $714 million, or 5%, compared with last year.

By segment, the increase in reported non-interest income was due to an increase in U.S. Retail of $369 million, or 16%, an increase in Canadian Retail of $221 million, or 2%, an increase in the Corporate segment of $198 million, or 44%, and an increase in Wholesale Banking of $122 million, or 9%.

TABLE 7: NON-INTEREST INCOME

(millions of Canadian dollars, except as noted)	2017	2016	2015	2017 vs. 2016 % change
Investment and securities services				
Broker dealer fees and commissions	**$ 493**	$ 463	$ 430	**6**
Full-service brokerage and other securities services	**960**	853	760	**13**
Underwriting and advisory	**589**	546	443	**8**
Investment management fees	**534**	505	481	**6**
Mutual fund management	**1,738**	1,623	1,569	**7**
Trust fees	**145**	153	150	**(5)**
Total investment and securities services	**4,459**	4,143	3,833	**8**
Credit fees	**1,130**	1,048	925	**8**
Net securities gains (losses)	**128**	54	79	**137**
Trading income (losses)	**303**	395	(223)	**(23)**
Service charges	**2,648**	2,571	2,376	**3**
Card services	**2,388**	2,313	1,766	**3**
Insurance revenue	**3,760**	3,796	3,758	**(1)**
Other income (loss)	**486**	72	188	**575**
Total	**$ 15,302**	$ 14,392	$ 12,702	**6**

TRADING-RELATED INCOME

Trading-related income is the total of net interest income on trading positions, trading income (loss), and income from financial instruments designated at fair value through profit or loss that are managed within a trading portfolio. Net interest income arises from interest and dividends related to trading assets and liabilities, and is reported net of interest expense and income associated with funding these assets and liabilities in the following table. Trading income (loss) includes realized and unrealized gains and losses on trading assets and liabilities. Trading-related income excludes underwriting fees and commissions on securities transactions. Management believes that the total trading-related income is the appropriate measure of trading performance.

Trading-related income for the year was $1,084 million, a decrease of $251 million, or 19%, compared with last year. The decrease in trading-related income over last year reflected lower equity trading (excluding TEB) and lower fixed income, partially offset by foreign exchange trading.

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

TABLE 8: TRADING-RELATED INCOME			
(millions of Canadian dollars)		*For the years ended October 31*	
	2017	2016	2015
Net interest income (loss)[1]	**$ 770**	$ 934	$ 1,380
Trading income (loss)	**303**	395	(223)
Financial instruments designated at fair value through profit or loss[2]	**11**	6	(5)
Total	**1,084**	1,335	1,152
By product			
Interest rate and credit	**668**	742	636
Foreign exchange	**673**	622	467
Equity and other[1]	**(268)**	(35)	54
Financial instruments designated at fair value through profit or loss[2]	**11**	6	(5)
Total	**$ 1,084**	$ 1,335	$ 1,152

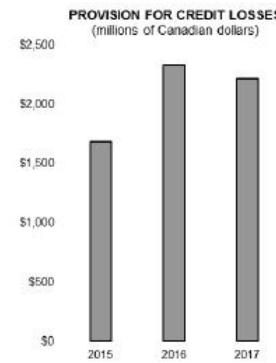
1 Excludes TEB.
2 Excludes amounts related to securities designated at fair value through profit or loss that are not managed within a trading portfolio, but which have been combined with derivatives to form economic hedging relationships.

FINANCIAL RESULTS OVERVIEW

Provision for Credit Losses

PCL for the year was $2,216 million, a decrease of $114 million, or 5%, compared with last year. The decrease primarily reflects higher provisions for incurred but not identified credit losses recognized in the prior year, the recovery of specific provisions in the oil and gas sector, and lower provisions in the Canadian Retail segment. The decrease is partially offset by higher provisions in the U.S. Retail segment due to volume growth, mix change in auto loans and credit cards, and seasoning in credit cards.

By segment, the decrease in PCL was due to a decrease in Wholesale Banking of $102 million, a decrease in the Corporate segment of $35 million, or 7%, and a decrease in Canadian Retail of $25 million, or 2%, partially offset by an increase in U.S. Retail of $48 million, or 6%.



FINANCIAL RESULTS OVERVIEW

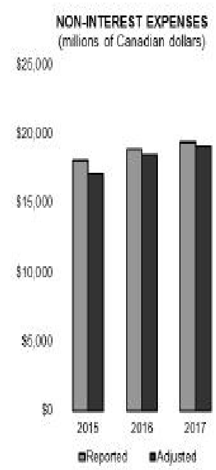
Expenses

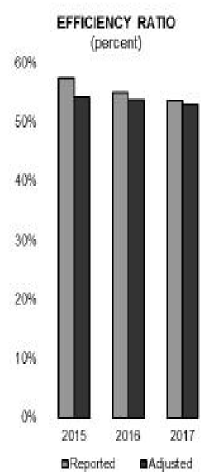
NON-INTEREST EXPENSES

Reported non-interest expenses for the year were $19,366 million, an increase of $489 million, or 3%, compared with last year. The increase was primarily due to higher employee-related expenses including variable compensation, and investments in technology modernization and customer-focused initiatives. These increases were partially offset by productivity savings and the positive impact of tax adjustments in the current year.

By segment, the increase in reported non-interest expenses was due to an increase in Canadian Retail of $377 million, or 4%, an increase in Wholesale Banking of $190 million, or 11%, and an increase in U.S. Retail of $185 million, or 3%, partially offset by a decrease in the Corporate segment of $263 million, or 9%.

Adjusted non-interest expenses were $19,092 million, an increase of $596 million, or 3%, compared with last year.





INSURANCE CLAIMS AND RELATED EXPENSES
Insurance claims and related expenses were $2,246 million, a decrease of $216 million, or 9%, compared with last year, reflecting changes in the fair value of investments supporting claims liabilities which resulted in a similar decrease in non-interest income, less weather related events, and more favourable prior years' claims development, partially offset by higher current year claims.

EFFICIENCY RATIO
The efficiency ratio measures operating efficiency and is calculated by taking the non-interest expenses as a percentage of total revenue. A lower ratio indicates a more efficient business operation.
The reported efficiency ratio was 53.6%, compared with 55.0% last year.

TABLE 9: NON-INTEREST EXPENSES AND EFFICIENCY RATIO

(millions of Canadian dollars, except as noted)	2017	2016	2015	2017 vs. 2016 % change
Salaries and employee benefits				
Salaries	$ 5,839	$ 5,576	$ 5,452	5
Incentive compensation	2,454	2,170	2,057	13
Pension and other employee benefits	1,725	1,552	1,534	11
Total salaries and employee benefits	10,018	9,298	9,043	8
Occupancy				
Rent	917	915	887	–
Depreciation and impairment losses	402	427	376	(6)
Other	475	483	456	(2)
Total occupancy	1,794	1,825	1,719	(2)
Equipment				
Rent	184	182	172	1
Depreciation and impairment losses	201	202	212	–
Other	607	560	508	8
Total equipment	992	944	892	5
Amortization of other intangibles	704	708	662	(1)
Marketing and business development	726	743	728	(2)
Restructuring charges	2	(18)	686	111
Brokerage-related fees	314	316	324	(1)
Professional and advisory services	1,165	1,232	1,032	(5)
Other expenses				
Capital and business taxes	140	176	139	(20)
Postage	222	225	222	(1)
Travel and relocation	171	191	175	(10)
Other	3,118	3,237	2,451	(4)
Total other expenses	3,651	3,829	2,987	(5)
Total expenses	$ 19,366	$ 18,877	$ 18,073	3
Efficiency ratio – reported	53.6 %	55.0 %	57.5 %	(140) bps
Efficiency ratio – adjusted[1]	53.1	53.9	54.3	(80)

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

FINANCIAL RESULTS OVERVIEW

Taxes

Reported total income and other taxes increased $92 million, or 3%, compared with last year, reflecting an increase in income tax expense of $110 million, or 5%, and a decrease in other taxes of $18 million, or 1%. Adjusted total income and other taxes were up $92 million from last year, reflecting an increase in income tax expense of $110 million, or 5%.

The Bank's reported effective tax rate was 18.3% for 2017, compared with 20.1% last year. The year-over-year decrease was largely due to higher tax-exempt dividend income, and a non-taxable dilution gain on the Scottrade transaction. For a reconciliation of the Bank's effective income tax rate with the Canadian statutory income tax rate, refer to Note 25 of the 2017 Consolidated Financial Statements.

The Bank's adjusted effective income tax rate for 2017 was 18.9%, compared with 20.2% last year. The year-over-year decrease was largely due to higher tax-exempt dividend income.

The Bank reports its investment in TD Ameritrade using the equity method of accounting. TD Ameritrade's tax expense of $268 million in 2017, compared with $214 million last year, was not part of the Bank's effective tax rate.

TABLE 10: NON-GAAP FINANCIAL MEASURES – Reconciliation of Reported to Adjusted Provision for Income Taxes[1]			
(millions of Canadian dollars, except as noted)	**2017**	2016	2015
Provision for income taxes – reported	**$ 2,253**	$ 2,143	$ 1,523
Total adjustments for items of note[2,3]	**83**	83	339
Provision for income taxes – adjusted	**2,336**	2,226	1,862
Other taxes			
Payroll	**517**	502	485
Capital and premium	**136**	169	135
GST, HST, and provincial sales[4]	**462**	461	428
Municipal and business	**202**	203	181
Total other taxes	**1,317**	1,335	1,229
Total taxes – adjusted	**$ 3,653**	$ 3,561	$ 3,091
Effective income tax rate – reported	**18.3 %**	20.1 %	16.6 %
Effective income tax rate – adjusted[5]	**18.9**	20.2	18.3

1 Certain comparative amounts have been restated to conform with the presentation adopted in the current 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 "Financial Results Overview" section of this document.
3 The tax effect for each item of note is calculated using the statutory income tax rate of the applicable legal entity.
4 Goods and services tax (GST) and Harmonized sales tax (HST).
5 Adjusted effective income tax rate is the adjusted provision for income taxes before other taxes as a percentage of adjusted net income before taxes.

FINANCIAL RESULTS OVERVIEW

Quarterly Financial Information

FOURTH QUARTER 2017 PERFORMANCE SUMMARY

Reported net income for the quarter was $2,712 million, an increase of $409 million, or 18%, compared with fourth quarter last year. The increase reflects revenue growth and lower non-interest expenses, partially offset by higher insurance claims and higher PCL. Adjusted net income for the quarter was $2,603 million, an increase of $256 million, or 11%, compared with the fourth quarter last year. Reported diluted EPS for the quarter was $1.42, an increase of 18%, compared with $1.20 in the fourth quarter of last year. Adjusted diluted EPS for the quarter was $1.36, an increase of 11%, compared with $1.22 in the fourth quarter of last year.

Reported revenue for the quarter was $9,270 million, an increase of $525 million, or 6%, compared with the fourth quarter last year.

Net interest income for the quarter was $5,330 million, an increase of $258 million, or 5%, primarily due to higher loan and deposit volume growth, and higher deposit margins in the Canadian and U.S. Retail segments, partially offset by lower trading-related net interest income. By segment, the increase in reported net interest income was due to an increase in Canadian Retail of $222 million, or 9%, an increase in the Corporate segment of $115 million, or 39%, and an increase in U.S. Retail of $40 million, or 2%, partially offset by a decrease in Wholesale Banking of $119 million, or 30%. Adjusted net interest income for the quarter was $5,330 million, an increase of $258 million, or 5%.

Non-interest income for the quarter was $3,940 million, an increase of $267 million, or 7% reflecting the dilution gain on the Scottrade transaction reported as an item of note, higher wealth fee-based revenue, trading and advisory fee revenue in the Wholesale Banking, and lower revenue from treasury and balance sheet management activities in the Corporate segment. By segment, the increase in reported non-interest income was due to increase in the Corporate segment of $92 million, or 67%, an increase in U.S. Retail of $77 million, or 13%, an increase in Wholesale Banking of $72 million, or 21%, and an increase in Canadian Retail of $26 million, or 1%. Adjusted non-interest income for the quarter was $3,736 million, an increase of $82 million, or 2%.

PCL for the quarter was $578 million, an increase of $30 million, or 5%, compared with the fourth quarter last year. The increase was primarily due to higher provisions related to growth and mix in auto lending and credit cards in the U.S. Retail segment, partially offset by a higher prior year increase in commercial allowance in the U.S. Retail segment. By segment, the increase in PCL was due to increase in the Corporate Segment of $40 million, or 44%, an increase in U.S. Retail of $10 million, or 5%, partially offset by a decrease in Canadian Retail of $19 million, or 7%, and a decrease in Wholesale Banking of $1 million.

Insurance claims and related expenses for the quarter were $615 million, an increase of $30 million, or 5%, compared with the fourth quarter last year, reflecting higher current year claims, partially offset by less weather related events, and more favourable prior years' claims development.

Reported non-interest expenses for the quarter were $4,828 million, a decrease of $20 million, compared with the fourth quarter last year, reflecting productivity savings, the positive impact of tax adjustments in the current quarter, and the sale of the Direct Investing business in Europe. The decrease was partially offset by higher employee-related expenses, and higher investment in technology initiatives. By segment, the decrease in reported non-interest expenses was due to a decrease in the Corporate segment of $60 million, or 9%, a decrease in Wholesale Banking of $12 million, or 3%, partially offset by an increase in U.S. Retail of $30 million, or 2%, and an increase in Canadian Retail of $22 million, or 1%. Adjusted non-interest expenses for the quarter were $4,739 million, a decrease of $45 million, or 1%, compared with fourth quarter last year.

The Bank's reported effective tax rate was 19.7% for the quarter, compared with 20.1% in the same quarter last year. The decrease was largely due to a non-taxable dilution gain on the Scottrade transaction, partially offset by lower tax-exempt dividend income. The Bank's adjusted effective tax rate was 21.3% for the quarter, compared with 20.4% in the same quarter last year. The increase was largely due to lower tax-exempt dividend income.

QUARTERLY TREND ANALYSIS

Subject to the impact of seasonal trends and items of note, the Bank has increased reported earnings over the past eight quarters reflecting a consistent strategy, revenue growth, expense discipline, and investments to support future growth. The Bank's earnings reflect increasing revenue from loan and deposit volume growth, increasing margins, and wealth asset growth in the Canadian and U.S. Retail segments, as well as growth in trading revenue, underwriting, and corporate lending volumes in the Wholesale Banking segment. Revenue growth is partially offset by moderate expense growth in all business segments. The Bank's quarterly earnings are impacted by seasonality, the number of days in a quarter, the economic environment in Canada and the U.S., and foreign currency translation.

TABLE 11: QUARTERLY RESULTS

(millions of Canadian dollars, except as noted)								*For the three months ended*
				2017				2016
	Oct. 31	**Jul. 31**	**Apr. 30**	**Jan. 31**	Oct. 31	Jul. 31	Apr. 30	Jan. 31
Net interest income	**$ 5,330**	**$ 5,267**	**$ 5,109**	**$ 5,141**	$ 5,072	$ 4,924	$ 4,880	$ 5,047
Non-interest income	**3,940**	**4,019**	**3,364**	**3,979**	3,673	3,777	3,379	3,563
Total revenue	**9,270**	**9,286**	**8,473**	**9,120**	8,745	8,701	8,259	8,610
Provision for credit losses	**578**	**505**	**500**	**633**	548	556	584	642
Insurance claims and related expenses	**615**	**519**	**538**	**574**	585	692	530	655
Non-interest expenses	**4,828**	**4,855**	**4,786**	**4,897**	4,848	4,640	4,736	4,653
Provision for (recovery of) income taxes	**640**	**760**	**257**	**596**	555	576	466	546
Equity in net income of an investment in TD Ameritrade	**103**	**122**	**111**	**113**	94	121	109	109
Net income – reported	**2,712**	**2,769**	**2,503**	**2,533**	2,303	2,358	2,052	2,223
Pre-tax adjustments for items of note[1]								
Amortization of intangibles	**78**	**74**	**78**	**80**	80	79	86	90
Charges associated with the Scottrade transaction	**46**	**–**	**–**	**–**	–	–	–	–
Dilution gain on the Scottrade transaction	**(204)**	**–**	**–**	**–**	–	–	–	–
Loss on sale of TD Direct Investment business in Europe	**–**	**42**	**–**	**–**	–	–	–	–
Fair value of derivatives hedging the reclassified available-for-sale securities portfolio	**–**	**–**	**–**	**(41)**	(19)	–	58	(46)
Impairment of goodwill, non-financial assets, and other charges	**–**	**–**	**–**	**–**	–	–	111	–
Total pre-tax adjustments for items of note	**(80)**	**116**	**78**	**39**	61	79	255	44
Provision for (recovery of) income taxes items of note	**29**	**20**	**20**	**14**	17	21	25	20
Net income – adjusted	**2,603**	**2,865**	**2,561**	**2,558**	2,347	2,416	2,282	2,247
Preferred dividends	**50**	**47**	**48**	**48**	43	36	37	25
Net income available to common shareholders and non-controlling interests in subsidiaries – adjusted	**2,553**	**2,818**	**2,513**	**2,510**	2,304	2,380	2,245	2,222
Attributable to:								
Common shareholders – adjusted	**2,518**	**2,789**	**2,485**	**2,481**	2,275	2,351	2,217	2,193
Non-controlling interests – adjusted	**$ 35**	**$ 29**	**$ 28**	**$ 29**	$ 29	$ 29	$ 28	$ 29
(Canadian dollars, except as noted)								
Basic earnings per share								
Reported	**$ 1.42**	**$ 1.46**	**$ 1.31**	**$ 1.32**	$ 1.20	$ 1.24	$ 1.07	$ 1.17
Adjusted	**1.36**	**1.51**	**1.34**	**1.34**	1.23	1.27	1.20	1.18
Diluted earnings per share								
Reported	**1.42**	**1.46**	**1.31**	**1.32**	1.20	1.24	1.07	1.17
Adjusted	**1.36**	**1.51**	**1.34**	**1.33**	1.22	1.27	1.20	1.18
Return on common equity – reported	**15.4 %**	**15.5 %**	**14.4 %**	**14.4 %**	13.3 %	14.1 %	12.5 %	13.3 %
Return on common equity – adjusted	**14.7**	**16.1**	**14.8**	**14.5**	13.6	14.5	14.0	13.5
(billions of Canadian dollars, except as noted)								
Average earning assets	**$ 1,077**	**$ 1,077**	**$ 1,056**	**$ 1,041**	$ 1,031	$ 989	$ 969	$ 975
Net interest margin as a percentage of average earning assets	**1.96 %**	**1.94 %**	**1.98 %**	**1.96 %**	1.96 %	1.98 %	2.05 %	2.06 %

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

BUSINESS SEGMENT ANALYSIS

Business Focus

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

Canadian Retail provides a full range of financial products and services to over 15 million customers in the Canadian personal and commercial banking, wealth, and insurance businesses. Under the TD Canada Trust brand, personal banking provides a full range of financial products and services through its network of 1,128 branches, 3,157 automated teller machines (ATM), telephone, internet, and mobile banking. Business Banking serves the needs of small, medium, and large Canadian businesses by offering a broad range of customized products and services to help business owners meet their financing, investment, cash management, international trade, and day-to-day banking needs. Auto Finance provides flexible financing options to customers at point of sale for automotive and recreational vehicle purchases through our dealer network. The credit card business provides a comprehensive line-up of credit cards including proprietary, co-branded, and affinity credit card programs. The wealth business offers a wide range of wealth products and services to a large and diverse set of retail and institutional clients in Canada through the direct investing, advice-based, and asset management businesses. The insurance business offers property and casualty insurance, as well as life and health insurance products in Canada.

U.S. Retail comprises the Bank's personal and business banking operations under the brand TD Bank, America's Most Convenient Bank®, and wealth management in the U.S. Personal banking provides a full range of financial products and services to over 8 million retail customers through multiple delivery channels, including a network of 1,270 stores located along the east coast from Maine to Florida, mobile and internet banking, ATM, and telephone. Business banking serves the needs of businesses, through a diversified range of products and services to meet their financing, investment, cash management, international trade, and day-to-day banking needs. Wealth management offers a range of wealth products and services to retail and institutional clients. U.S. Retail works with TD Ameritrade to refer mass affluent clients to TD Ameritrade for their direct investing needs. The results of the Bank's equity investment in TD Ameritrade are included in U.S. Retail and reported as equity in net income of an investment in TD Ameritrade.

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

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

Results of each business segment reflect revenue, expenses, assets, and liabilities generated by the businesses in that segment. Where applicable, the Bank measures and evaluates the performance of each segment based on adjusted results and ROE, and for those segments the Bank indicates that the measure is adjusted. Net income for the operating business segments is presented before any items of note not attributed to the operating segments. For further details, refer to the "How the Bank Reports" section of this document and Note 29 of the 2017 Consolidated Financial Statements. For information concerning the Bank's measure of ROE, which is a non-GAAP financial measure, refer to the "Return on Common Equity" section.

Net interest income within Wholesale Banking is calculated on a taxable equivalent basis (TEB), which means that the value of non-taxable or tax-exempt income, including dividends, is adjusted to its equivalent before-tax value. Using TEB allows the Bank to measure income from all securities and loans consistently and makes for a more meaningful comparison of net interest income with similar institutions. The TEB increase to net interest income and provision for income taxes reflected in Wholesale Banking results is reversed in the Corporate segment. The TEB adjustment for the year was $654 million, compared with $312 million last year.

The "Business Outlook and Focus for 2018" section for each business segment, provided on the following pages, is based on the Bank's views and the assumptions set out in the "Economic Summary and Outlook" section and the actual outcome may be materially different. For more information, refer to the "Caution Regarding Forward-Looking Statements" section and the "Risk Factors That May Affect Future Results" section.

TABLE 12: RESULTS BY SEGMENT[1]

(millions of Canadian dollars)	Canadian Retail		U.S. Retail		Wholesale Banking[2,3]		Corporate[2,3]		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Net interest income (loss)	**$ 10,611**	$ 9,979	**$ 7,486**	$ 7,093	**$ 1,804**	$ 1,685	**$ 946**	$ 1,166	**$ 20,847**	$ 19,923
Non-interest income (loss)	**10,451**	10,230	**2,735**	2,366	**1,467**	1,345	**649**	451	**15,302**	14,392
Total revenue[4]	**21,062**	20,209	**10,221**	9,459	**3,271**	3,030	**1,595**	1,617	**36,149**	34,315
Provision for (recovery of) credit losses	**986**	1,011	**792**	744	**(28)**	74	**466**	501	**2,216**	2,330
Insurance claims and related expenses	**2,246**	2,462	**–**	–	**–**	–	**–**	–	**2,246**	2,462
Non-interest expenses	**8,934**	8,557	**5,878**	5,693	**1,929**	1,739	**2,625**	2,888	**19,366**	18,877
Income (loss) before income taxes	**8,896**	8,179	**3,551**	3,022	**1,370**	1,217	**(1,496)**	(1,772)	**12,321**	10,646
Provision for (recovery of) income taxes	**2,371**	2,191	**671**	498	**331**	297	**(1,120)**	(843)	**2,253**	2,143
Equity in net income of an investment in TD Ameritrade	**–**	–	**442**	435	**–**	–	**7**	(2)	**449**	433
Net income (loss) – reported	**6,525**	5,988	**3,322**	2,959	**1,039**	920	**(369)**	(931)	**10,517**	8,936
Pre-tax adjustments for items of note[5]										
Amortization of intangibles	**–**	–	**–**	–	**–**	–	**310**	335	**310**	335
Charges associated with the Scottrade transaction	**–**	–	**46**	–	**–**	–	**–**	–	**46**	–
Dilution gain on the Scottrade transaction	**–**	–	**–**	–	**–**	–	**(204)**	–	**(204)**	–
Loss on sale of the Direct Investing business in Europe	**–**	–	**–**	–	**–**	–	**42**	–	**42**	–
Fair value of derivatives hedging the reclassified available-for-sale securities portfolio	**–**	–	**–**	–	**–**	–	**(41)**	(7)	**(41)**	(7)
Impairment of goodwill, non-financial assets, and other charges	**–**	–	**–**	–	**–**	–	**–**	111	**–**	111
Total pre-tax adjustments for items of note	**–**	–	**46**	–	**–**	–	**107**	439	**153**	439
Provision for (recovery of) income taxes for items of note	**–**	–	**10**	–	**–**	–	**73**	83	**83**	83
Net income (loss) – adjusted	**$ 6,525**	$ 5,988	**$ 3,358**	$ 2,959	**$ 1,039**	$ 920	**$ (335)**	$ (575)	**$ 10,587**	$ 9,292
Average common equity	**$ 14,434**	$ 14,291	**$ 34,278**	$ 33,687	**$ 5,979**	$ 5,952	**$ 13,658**	$ 11,191	**$ 68,349**	$ 65,121
CET1 Capital risk-weighted assets[6]	**99,693**	99,025	**227,671**	222,995	**62,428**	67,416	**45,958**	16,408	**435,750**	405,844

1 The presentation of the U.S. strategic cards portfolio revenues, provision for credit losses, and expenses in the U.S. Retail segment includes only the Bank's agreed portion of the U.S. strategic cards portfolio, while the Corporate segment includes the retailer program partners' share.

2 Net interest income within Wholesale Banking is calculated on a taxable equivalent basis (TEB). The TEB adjustment reflected in Wholesale Banking is reversed in the Corporate segment.

3 Effective February 1, 2017, the total gains and losses as a result of changes in fair value of the credit default swap (CDS) and interest rate swap contracts hedging the reclassified available-for-sale securities portfolio are recorded in Wholesale Banking. Previously, these derivatives were accounted for on an accrual basis in Wholesale Banking and the gains and losses related to the derivatives, in excess of the accrued costs were reported in Corporate Segment.

4 Effective fiscal 2017, the impact from certain treasury and balance sheet management activities relating to the U.S. Retail segment is recorded in the Corporate segment.

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

6 Each capital ratio has its own risk-weighted assets (RWA) measure due to the Office of the Superintendent of Financial Institutions Canada's (OSFI)-prescribed scalar for inclusion of the Credit Valuation Adjustment (CVA). For fiscal 2016, the scalars for inclusion of CVA for CET1, Tier 1 and Total Capital RWA were 64%, 71%, and 77%, respectively. For fiscal 2017, the scalars are 72%, 77%, and 81%, respectively. As the Bank is constrained by the Basel 1 regulatory floor, the RWA as it relates to the regulatory floor is calculated based on the Basel 1 risk weights which are the same for all capital ratios.

Economic Summary and Outlook

The pace of global expansion in recent quarters has surpassed expectations in a number of regions, particularly for the United States and Eurozone. Global real Gross Domestic Product (GDP) is expected to run at a 3.6% average pace over the 2017-19 calendar period. Accommodative monetary policy in advanced economies will continue to play a supporting role, particularly for domestic demand. Rebounding global trade volumes have also been a welcome development, which together with rising domestic demand is evidence of an ongoing, self-sustaining expansion.

In the United States, the initial release of real GDP for the July to September 2017 period revealed a brisk 3% rate of growth, despite the negative impacts of hurricane damage. Post-hurricane rebuilding efforts are expected to further support activity in the closing months of calendar 2017, lifting auto sales in particular. Consumer spending is expected to remain a key driver of U.S. economic growth, supported by ongoing employment and aggregate income gains.

As time goes by, a moderation of U.S. growth to around 2% to 2.5% is expected, consistent with an economy that is in the mature phase of the business cycle. Our outlook does not incorporate any evolving federal budget developments around taxes or spending. Still, solid labour markets and modest inflationary pressures are forecast to be sufficient to stir the Federal Reserve to action at its upcoming meeting on December 12^{th} and 13^{th}, where a further 25 bps hike in the overnight rate is expected. An additional 50 bps of tightening is anticipated in each calendar year, 2018 and 2019. A continuation of tepid inflation, which has been running well below the Federal Reserve's 2% target, remains the key downside risk to this outlook. Central bank officials point to transitory shocks as working to hold back inflation, but also acknowledge that more persistent factors, such as the emergence of e-commerce, may also be at play. In addition, outcomes related to government policy, both trade-related and domestic, could work to delay or hasten the Fed's efforts to normalize monetary policy in the coming years.

After experiencing a negative oil price shock in the 2015 and early 2016 calendar years, Canada's economy bounced back this year. In the second calendar quarter of 2017, the economy expanded at a robust 4.5% rate (annualized), bringing the year-over-year rate to 3.7%. Broad-based gains have been recorded across sectors. A key exception was a government policy-induced retreat in residential investment over the April to June period. Despite a pull-back in the housing sector, the Canadian job market has added more than 340,000 net full-time positions in the ten months ending October 2017 – the strongest 10-month pace amount since 1999.

However, the economic performance in the first half of the year was unsustainable and the Canadian economy has moved into a normalization phase that is more consistent with underlying fundamentals. The economic data released since this autumn point to a moderation of growth to around the 2% mark in the second half of the calendar year. Recent data have revealed several months of weak or declining exports, while households have been slowing their spending to a more sustainable rate. Measures undertaken by governments and regulators to both cool housing markets and support longer-term financial stability are expected to remain a near-term headwind on residential investment activity, with recently-announced changes to underwriting requirements by OSFI set to come into effect in January 2018. Similar to the U.S., Canada appears to be entering the mature phase of the economic cycle, as evidenced by the Bank of Canada's willingness to raise interest rates. As such, economic growth in Canada is expected to fall within a more sustainable range of 1.5-2% in the 2018 and 2019 calendar years.

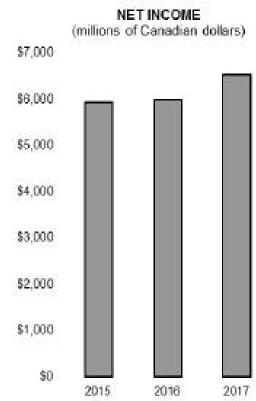
Regionally, convergence in economic growth is ongoing, with commodity producers leading the way. Following two difficult years, Alberta is expected to record the fastest provincial growth rate in the 2017 calendar year of close to 4%. Meanwhile, the pace of expansion in British Columbia and Ontario likely eased somewhat, to slightly below 3%. Elsewhere, economic growth has remained modest but steady this year. Alberta and other energy-driven economies are expected to remain on the recovery track.

After increasing its short-term policy interest rate in both July and September, the Bank of Canada has shifted the tone of its communications, signalling that it is likely to proceed at a slower pace going forward within a more risk-management focused framework. Although the Bank of Canada estimates that the economy is running at or near capacity, it continues to see persistent labour market slack as a mitigating force on inflation. The caution is expected to translate into a moderate pace of tightening, with an additional 50 bps increase in its policy rate anticipated by the end of calendar 2018. Consistent with this, the Canadian dollar is expected to remain in the US78 to US81 cent range through the end of 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. Another risk relates to the outcome of the North American Free Trade Agreement (NAFTA) negotiations. Although recent developments have revealed heightened tensions surrounding the possibility of U.S. withdrawal from the treaty, even if this risk doesn't materialize, prolonged uncertainty may delay or discourage investment intentions among Canadian and U.S. firms. In addition, a number of geo-political risks, including heightened tensions surrounding North Korea, negotiations over the United Kingdom's (U.K.) exit from the European Union (E.U.), and the ongoing populist threat to established political and economic systems may keep global uncertainty elevated and drive bouts of financial market volatility.

Canadian Retail

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



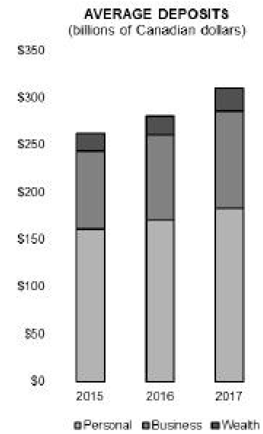


TABLE 13: REVENUE						
(millions of Canadian dollars)		2017		2016		2015
Personal banking	$	10,706	$	10,157	$	9,993
Business banking		2,702		2,454		2,323
Wealth		3,838		3,640		3,436
Insurance		3,816		3,958		3,933
Total	$	21,062	$	20,209	$	19,685

BUSINESS HIGHLIGHTS

- **Continued to focus on customer service and convenience by optimizing our branch network, investing in our digital channel experience, and enhancing the value proposition of our products, including waiving fees for withdrawals at non-TD ATMs across Canada.**
- **Ranked first among the Big 5 Canadian Retail Banks[3] for "Customer Service Excellence"[4], "Online Banking Excellence"[5], "Mobile Banking Excellence"[6] and "ATM Banking Excellence"[7], according to Ipsos.**
- **TD mobile banking app ranked as the #1 Canadian banking app according to Silicon Valley-based firm App Annie[8].**
- **Ranked first in Canadian mobile banking with the highest number of mobile unique visitors according to Comscore[9].**
- **Continued to generate strong volume growth across key businesses:**
  - **Record originations in real estate secured lending and auto finance;**
  - **Personal Banking recorded strong chequing and savings deposit volume growth of 9%;**
  - **Strong retail sales on TD credit cards with year-over-year growth of 8%;**
  - **Business Banking generated strong loan volume growth of 9%;**
  - **TD Asset Management (TDAM) accumulated record assets under management; and**
  - **TD Wealth Private Investment Advice had record net asset acquisition and record assets under administration.**
- **TD Insurance remained the largest direct distribution insurer[10] and leader in the affinity market[10] in Canada.**

3 Big 5 Canadian Retail Banks include Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Scotiabank, and The Toronto-Dominion Bank.
4 Ipsos 2017 Best Banking Awards are based on ongoing quarterly Customer Service Index (CSI) survey results. Sample size for the total 2017 CSI program year ended with the August 2017 survey wave was 47,813 completed surveys yielding 68,744 financial institution ratings nationally. Leadership is defined as either a statistically significant lead over the other Big 5 Canadian Retail Banks (at a 95% confidence interval) or a statistically equal tie with one or more of the Big 5 Canadian Retail Banks.
5 TD Canada Trust has won the Online Banking Excellence award among the Big 5 Canadian retail banks in the proprietary Ipsos 2005-2017 Best Banking Studies[SM].
6 TD Canada Trust has won the Mobile Banking Excellence award among the Big 5 Canadian retail banks in the proprietary Ipsos 2013-2017 Best Banking Studies[SM]. The Mobile Banking Excellence award was introduced in 2013.
7 TD Canada Trust has won the ATM Banking Excellence award among the Big 5 Canadian retail banks in the proprietary Ipsos 2005-2017 Best Banking Studies[SM].
8 TD ranked first according to 2017 App Annie report, which measured Monthly Active Users, Downloads, Average Sessions per User, Open Rate, and Average Review Score.
9 Source: comScore, Inc., Mobile Metrix, Canada, Home & Work, Persons:18+, November 2016 – September 2017. TD had the highest number of mobile unique visitors accessing financial services over the full fiscal year to date (November 2016 to September 2017).
10 Based on Gross Written Premiums for Property and Casualty business. Ranks based on data available from OSFI, Insurers, Insurance Bureau of Canada, and Provincial Regulators as at December 31, 2016.

- **TD has maintained strong Canadian market share[11] in key products:**
  - **#1 in personal deposit, credit card, and Direct Investing market share; and**
  - **#2 in real estate secured lending, personal loan, mutual funds and Business Banking deposit and loan market share.**

CHALLENGES IN 2017

- **Relatively low interest rate environment contributed to lower margins on lending products.**
- **Strong competition for new and existing customers from the major Canadian banks and non-bank competitors.**
- **Housing market was impacted by federal and provincial measures aimed at cooling excessive growth.**
- **Heightened level of investment across all businesses to respond to evolving customer needs and intense competition.**

INDUSTRY PROFILE

The personal and business banking environment in Canada is comprised of large chartered banks with sizeable regional banks and a number of niche competitors providing strong competition in specific products and markets. Continued success depends upon delivering outstanding customer service and convenience, maintaining disciplined risk management practices, and prudent expense management. The Canadian wealth management industry includes banks, insurance companies, independent mutual fund companies, brokers and independent asset management companies. Business growth in the wealth management industry lies in the ability to differentiate by providing the right products, services, tools and solutions to serve our clients' needs. The property and casualty industry in Canada is fragmented and competitive, consisting of personal and commercial lines writers, whereas the life and health insurance industry is made up of several large competitors. Success in the insurance business depends on offering a range of products that provide protection at competitive prices that properly reflect the level of risk assumed. These industries also include non-traditional competitors ranging from start-ups to established non-financial companies expanding into financial services.

OVERALL BUSINESS STRATEGY

The strategy for Canadian Retail is to:

- Consistently deliver legendary personal connected customer experiences across all channels and provide trusted advice to help our customers feel confident about their financial future.
- Deepen customer relationships by delivering One TD and growing in underrepresented products and markets.
- Execute with speed and impact, taking only those risks we can understand and manage.
- Innovate with purpose for our customers and colleagues, simplifying to make it easier to get things done.
- Be recognized as an extraordinary place to work where diversity and inclusiveness are valued.
- Contribute to the well-being of our communities.

TABLE 14: CANADIAN RETAIL

(millions of Canadian dollars, except as noted)	**2017**	2016	2015
Net interest income	**$ 10,611**	$ 9,979	$ 9,781
Non-interest income	**10,451**	10,230	9,904
Total revenue	**21,062**	20,209	19,685
Provision for credit losses	**986**	1,011	887
Insurance claims and related expenses	**2,246**	2,462	2,500
Non-interest expenses	**8,934**	8,557	8,407
Provision for (recovery of) income taxes	**2,371**	2,191	1,953
Net income	**6,525**	5,988	5,938
Selected volumes and ratios			
Return on common equity[1]	**45.2 %**	41.9 %	42.8 %
Margin on average earning assets (including securitized assets)	**2.83**	2.78	2.87
Efficiency ratio	**42.4**	42.3	42.7
Assets under administration (billions of Canadian dollars)[2]	**$ 387**	$ 379	$ 347
Assets under management (billions of Canadian dollars)[2]	**283**	271	246
Number of Canadian retail branches	**1,128**	1,156	1,165
Average number of full-time equivalent staff	**38,880**	38,575	39,218

1 Capital allocated to the business segment was based on 9% CET1 Capital in 2017, 2016, and 2015.

2 Effective the first quarter of 2017, the Bank changed the framework for classifying assets under administration (AUA) and assets under management (AUM). The primary change is to recognize mutual funds sold through the branch network as part of AUA. In addition, AUA has been updated to reflect a change in the measurement of certain business activities within Canadian Retail. Comparative amounts have been recast to conform with the revised presentation.

REVIEW OF FINANCIAL PERFORMANCE

Canadian Retail net income for the year was $6,525 million, an increase of $537 million, or 9%, compared with last year. The increase in earnings reflected revenue growth, lower insurance claims and PCL, partially offset by higher non-interest expenses. The ROE for the year was 45.2%, compared with 41.9% last year.

Canadian Retail revenue is derived from the Canadian personal and commercial banking, wealth, and insurance businesses. Revenue for the year was $21,062 million, an increase of $853 million, or 4%, compared with last year.

Net interest income increased $632 million, or 6%, reflecting deposit and loan volume growth. Average loan volumes increased $16 billion, or 5%, compared with last year, comprised of 4% growth in personal loan volumes and 9% growth in business loan volumes. Average deposit volumes increased $29 billion, or 10%, compared with last year, comprised of 7% growth in personal deposit volumes, 15% growth in business deposit volumes and 15% growth in wealth deposit volumes. Margin on average earning assets was 2.83%, a 5 bps increase, primarily due to rising interest rates and favourable balance sheet mix.

Non-interest income increased $221 million, or 2%, reflecting higher fee-based revenue in the banking businesses and wealth asset growth, partially offset by changes in the fair value of investments supporting claims liabilities which resulted in a similar decrease in insurance claims and higher liabilities associated with increased customer engagement in credit card loyalty programs.

11 Market share ranking is based on most current data available from OSFI for personal deposits and loans as at August 2017, from public financial disclosures for average credit card balances as at March 2017, from the Canadian Bankers Association for Real Estate Secured Lending as at June 2017, from the Canadian Bankers Association for business deposits and loans as at March 2017, from Strategic Insight for Direct Investing asset, trades, and revenue metrics as at June 2017, and from Investment Funds Institute of Canada for mutual funds as at August 2017.

AUA were $387 billion as at October 31, 2017, an increase of $8 billion, or 2%, and AUM were $283 billion as at October 31, 2017, an increase of $12 billion, or 4%, compared with last year, both reflecting new asset growth and increases in market value.

PCL for the year was $986 million, a decrease of $25 million, or 2% compared with last year. Personal banking PCL was $952 million, a decrease of $18 million, or 2%. Business banking PCL was $34 million, a decrease of $7 million. Annualized PCL as a percentage of credit volume was 0.26%, or a decrease of 2 bps, compared with last year. Net impaired loans were $555 million, a decrease of $150 million, or 21%, compared with last year.

Insurance claims and related expenses for the year were $2,246 million, a decrease of $216 million, or 9%, compared with last year, reflecting changes in the fair value of investments supporting claims liabilities which resulted in a similar decrease in non-interest income, less weather related events, and more favourable prior years' claims development, partially offset by higher current year claims.

Non-interest expenses for the year were $8,934 million, an increase of $377 million, or 4%, compared with last year. The increase reflected higher employee-related expenses including revenue-based variable expenses in the wealth business, and higher investment in technology initiatives, partially offset by productivity savings and the sale of the Direct Investing business in Europe.

The efficiency ratio was 42.4%, compared with 42.3% last year.

KEY PRODUCT GROUPS

Personal Banking

- Personal Deposits – offers a comprehensive line-up of chequing, savings, and investment products to retail clients across Canada.
- Consumer Lending – offers a diverse range of financing products to suit the needs of retail clients across Canada.
- Credit Cards and Merchant Solutions – offers a range of credit card products including proprietary, co-branded, and affinity credit card programs, as well as point-of-sale technology and payment solutions for large and small businesses.
- Auto Finance – offers retail automotive and recreational vehicle financing through an extensive network of dealers across Canada.

Business Banking

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

Wealth

- Direct Investing – offers a comprehensive suite of products and services to self-directed retail investors.
- Advice-based business – offers financial planning and private wealth services to help clients protect, grow, and transition their wealth. The advice-based wealth business has a strong partnership with the Canadian personal and commercial banking businesses.
- Asset Management – TDAM is a leading investment manager with deep retail and institutional capabilities. TD Mutual Funds is a leading mutual fund business, providing a broadly diversified range of mutual funds and professionally managed portfolios. All asset management units work in close partnership with other TD businesses.

Insurance

- Property and Casualty – TD is the largest direct distribution insurer[12] and the fourth largest personal insurer[12] in Canada. It is also the national leader in the affinity market[12] offering home and auto insurance to members of affinity groups such as professional associations, universities and employer groups, and other customers, through direct channels.
- Life and Health – offers credit protection through TD Canada Trust Branches. Other simple life and health insurance products, credit card balance protection and travel insurance products are distributed through direct channels.

BUSINESS OUTLOOK AND FOCUS FOR 2018

Economic growth in Canada is expected to moderate somewhat in 2018 compared to 2017. While many factors affect margins and they will fluctuate from quarter to quarter, the current economic environment and the possibility of further interest rate increases is expected to support a positive trend for margins on a full year basis. We expect regulatory changes to continue, which combined with the high level of competition, including from market disruptors, will require continued investment in our products, channels and infrastructure. We will maintain our disciplined approach to risk management, but credit losses may be impacted by volume growth, adoption of IFRS 9, and possible normalization of credit conditions. Overall, absent significant changes in the economic and operating environment, we expect to deliver strong results in 2018.

Our key priorities for 2018 are as follows:

- **Enhance digital and multi-channel capabilities across key customer journeys, enabling a simple, intuitive and legendary customer experience.**
- **Grow our market share by providing best-in-class products and services when and where our customers need them with an emphasis on underrepresented products and markets.**
- **Accelerate growth and distribution capabilities in the Wealth Advice channels, enrich the client offering in the Direct Investing business, and innovate for leadership in Asset Management.**
- **Continue to invest in our insurance products and services, ensuring that they are competitive, easy to understand, and provide the protection our clients need.**
- **Invest in our business and infrastructure to keep pace with evolving customer expectations, offering advice that helps our customers understand their financial needs and feel confident about their financial future.**
- **Continue to evolve our brand as an employer of choice, where colleagues achieve their full potential and where diversity and inclusiveness are valued.**

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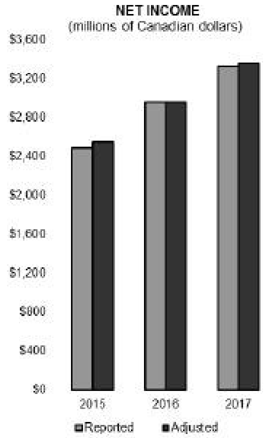
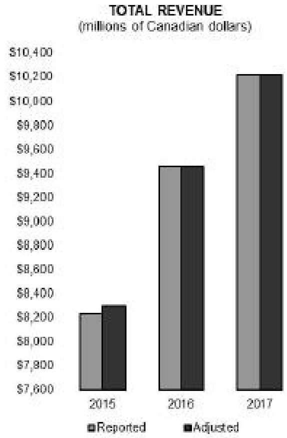
12 Based on Gross Written Premiums for Property and Casualty business. Ranks based on data available from OSFI, Insurers, Insurance Bureau of Canada, and Provincial Regulators as at December 31, 2016.

BUSINESS SEGMENT ANALYSIS

U.S. Retail

Operating under the brand name, TD Bank, America's Most Convenient Bank®, the U.S. Retail Bank offers a full range of financial products and services to over 9 million customers in the bank's U.S. personal and business banking operations, including wealth management. U.S. Retail includes an equity investment in TD Ameritrade; it also refers mass affluent clients to TD Ameritrade for their direct investing needs.





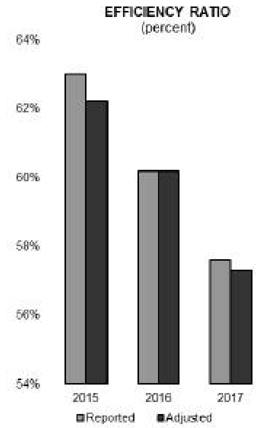


TABLE 15: REVENUE – Reported[1]

(millions of dollars)			Canadian dollars			U.S. dollars
	2017	2016	2015	**2017**	2016	2015
Personal Banking	**$ 5,599**	$ 5,153	$ 4,354	**$ 4,283**	$ 3,884	$ 3,498
Business Banking	**3,399**	3,173	2,804	**2,600**	2,391	2,253
Wealth	**504**	455	411	**386**	343	330
Other[2]	**719**	678	660	**549**	512	533
Total	**$ 10,221**	$ 9,459	$ 8,229	**$ 7,818**	$ 7,130	$ 6,614

1 Excludes equity in net income of an investment in TD Ameritrade.
2 Other revenue consists primarily of revenue from investing activities.

BUSINESS HIGHLIGHTS

- **Record performance in:**
  - **Reported earnings of US$2,536 million, an increase of 14%, compared with last year;**
  - **Reported return on equity of 9.7%, an increase of 90 bps, compared with last year; and**
  - **Reported efficiency ratio of 57.6%, an improvement of 260 bps, compared with last year.**
- **Continued to provide legendary customer service and convenience:**
  - **"Ranked Highest in Dealer Satisfaction among Non-Captive Lenders With Retail Credit by J.D. Power"[13]; and**
  - **"Ranked Highest in Small Business Banking in the South Region by J.D. Power"[14].**
- **Recognized as an extraordinary and inclusive place to work:**
  - **Named to DiversityInc.'s Top 50 Companies in the U.S. for diversity for the fifth year in a row; and**
  - **Recognized by Great Place to Work® as a certified "Great Place to Work" for 2018.**
- **Outperformed our peers in loan and deposit growth, as well as household acquisition.**
- **Deepened relationships with new and existing customers.**
- **Continued to invest in digital and in our omni-channel experience.**
- **Acquired Scottrade Bank in September 2017.**

13 TD Auto Finance received the highest numerical score among 17 non-captive leaders in the J.D. Power 2017 Dealer Financing Satisfaction Study based on 13,537 total responses, measuring the perceptions and experiences of dealerships with their financing providers, surveyed April-May 2017. Your experiences may vary. Visit www.jdpower.com.

14 TD Bank ranked highest in Small Business Banking in the South Region for the first time in the 2017 J.D. Power Small Business Banking Satisfaction Study℠. J.D. Power's 2017 Small Business Satisfaction Study℠ surveyed more than 8,300 small business owners or financial decision makers who use business banking services. Visit www.jdpower.com for more information.

CHALLENGES IN 2017

- **Moderating corporate loan growth.**
- **Reduced residential real estate loan originations in the rising rate environment.**
- **Normalizing retail credit conditions resulted in a moderate earnings headwind.**
- **Competition from U.S. banks and non-bank competitors.**

INDUSTRY PROFILE

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

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

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

OVERALL BUSINESS STRATEGY

The strategy for U.S. Retail is to:

- Deliver legendary omni-channel service and convenience.
- Grow and deepen customer relationships.
- Leverage our differentiated brand as the "human" bank.
- Deliver productivity initiatives that enhance both customer and employee experience.
- Build upon our unique employee culture.
- Maintain our conservative risk appetite.
- Actively support the communities where we operate.

TABLE 16: U.S. RETAIL			
(millions of dollars, except as noted)			
Canadian Dollars	**2017**	2016	2015
Net interest income	**$ 7,486**	$ 7,093	$ 6,131
Non-interest income	**2,735**	2,366	2,098
Total revenue – reported[1]	**10,221**	9,459	8,229
Total revenue – adjusted[1,2]	**10,221**	9,459	8,302
Provisions for credit losses	**792**	744	535
Non-interest expenses – reported	**5,878**	5,693	5,188
Non-interest expenses – adjusted[3]	**5,852**	5,693	5,166
Provisions for (recovery of) income taxes – reported	**671**	498	394
Provisions for (recovery of) income taxes – adjusted	**681**	498	430
U.S. Retail Bank net income – reported	**2,880**	2,524	2,112
U.S. Retail Bank net income – adjusted	**2,896**	2,524	2,171
Equity in net income of an investment in TD Ameritrade – reported	**442**	435	376
Equity in net income of an investment in TD Ameritrade – adjusted[4]	**462**	435	376
Net income – reported	**3,322**	2,959	2,488
Net income – adjusted	**$ 3,358**	$ 2,959	$ 2,547
U.S. Dollars			
Net interest income	**$ 5,727**	$ 5,346	$ 4,925
Non-interest income	**2,091**	1,784	1,689
Total revenue – reported[1]	**7,818**	7,130	6,614
Total revenue – adjusted[1,2]	**7,818**	7,130	6,670
Provision for credit losses	**607**	559	430
Non-interest expenses – reported	**4,500**	4,289	4,165
Non-interest expenses – adjusted[3]	**4,479**	4,289	4,146
Provisions for (recovery of) income taxes – reported	**511**	376	318
Provisions for (recovery of) income taxes – adjusted	**519**	376	347
U.S. Retail Bank net income – reported	**2,200**	1,906	1,701
U.S. Retail Bank net income – adjusted	**2,213**	1,906	1,747
Equity in net income of an investment in TD Ameritrade – reported	**336**	328	306
Equity in net income of an investment in TD Ameritrade – adjusted[4]	**352**	328	306
Net income – reported	**2,536**	2,234	2,007
Net income – adjusted	**$ 2,565**	$ 2,234	$ 2,053
Selected volumes and ratios			
Return on common equity – reported[5]	**9.7 %**	8.8 %	8.0 %
Return on common equity – adjusted[5]	**9.8**	8.8	8.2
Margin on average earning assets[1,6]	**3.11**	3.12	3.12
Efficiency ratio – reported	**57.6**	60.2	63.0
Efficiency ratio – adjusted	**57.3**	60.2	62.2
Assets under administration (billions of U.S. dollars)[7]	**$ 18**	$ 17	$ 16
Assets under management (billions of U.S. dollars)[7]	**63**	66	79
Number of U.S. retail stores	**1,270**	1,278	1,298
Average number of full-time equivalent staff	**25,923**	25,732	25,647

1 Effective the first quarter of 2017, the impact from certain treasury and balance sheet management activities relating to the U.S. Retail segment is recorded in the Corporate segment.
2 Adjusted revenue excludes the following item of note: Charges related to the acquisition in the U.S. strategic cards portfolio – 2015 – $73 million ($45 million after tax) or US$56 million (US$35 million after tax). For explanations of items of note, refer to the "Non-GAAP Financial Measures − Reconciliation of Adjusted to Reported Net Income" table in the "Financial Results Overview" section of this document.
3 Adjusted non-interest expense excludes the following items of note: Charges associated with the Bank's acquisition of Scottrade Bank – 2017 – $26 million ($16 million after tax) or US$21 million (US$13 million after tax). Integration costs related to the acquisition in U.S. strategic cards portfolio – 2015 – $9 million ($6 million after tax) or US$7 million (US$4 million after tax). Litigation charges and recovery of litigation losses – 2015 – $13 million ($8 million after tax) or US$12 million (US$7 million after tax). For explanations of items of note, refer to the "Non-GAAP Financial Measures − Reconciliation of Adjusted to Reported Net Income" table in the "Financial Results Overview" section of this document.
4 Adjusted equity in net income of an investment in TD Ameritrade excludes the following item of note: The Bank's share of charges associated with TD Ameritrade's acquisition of Scottrade – 2017 – $20 million or US$16 million, after tax amounts. For explanations of items of note, refer to the "Non-GAAP Financial Measures − Reconciliation of Adjusted to Reported Net Income" table in the "Financial Results Overview" section of this document.
5 Capital allocated to the business segments was based on 9% CET1 Capital in fiscal 2017, 2016, and 2015.
6 The margin on average earning assets excludes the impact related to the TD Ameritrade IDA and the impact of intercompany deposits and cash collateral. In addition, the value of tax-exempt interest income is adjusted to its equivalent before-tax value.
7 Effective the first quarter of 2017, the Bank changed the framework for classifying AUA and AUM. The primary change is to include a portion of the AUM balance administered by the Bank in AUA. Comparative amounts have been recast to conform with the revised presentation.

REVIEW OF FINANCIAL PERFORMANCE

U.S. Retail reported net income for the year was $3,322 million (US$2,536 million), an increase of $363 million (US$302 million), or 12% (14% in U.S. dollars), compared with last year. On an adjusted basis, net income for the year was $3,358 million (US$2,565 million), an increase of $399 million (US$331 million), or 13% (15% in U.S. dollars). The reported and adjusted ROE for the year was 9.7% and 9.8%, respectively, compared with 8.8% in the prior year.

U.S. Retail net income includes contributions from the U.S. Retail Bank and the Bank's investment in TD Ameritrade. Reported net income for the year from the U.S. Retail Bank and the Bank's investment in TD Ameritrade were $2,880 million (US$2,200 million) and $442 million (US$336 million), respectively. On an adjusted basis for the year, the U.S. Retail Bank and the Bank's investment in TD Ameritrade contributed net income of $2,896 million (US$2,213 million) and $462 million (US$352 million), respectively.

The reported contribution from TD Ameritrade of US$336 million increased US$8 million, or 2%, compared with last year, primarily due to higher asset-based revenue, partially offset by higher operating expenses and charges associated with the Scottrade transaction. On an adjusted basis, the contribution from TD Ameritrade increased US$24 million, or 7%.

U.S. Retail Bank reported net income for the year was US$2,200 million, an increase of US$294 million, or 15%, compared with last year, primarily due to a more favourable interest rate environment, higher loan and deposit volumes, and fee income growth, partially offset by higher expenses. U.S. Retail Bank adjusted net income increased US$307 million, or 16%.

U.S. Retail Bank revenue is derived from personal and business banking, and wealth management. Revenue for the year was US$7,818 million, an increase of US$688 million, or 10%, compared with last year. Net interest income increased US$381 million, or 7%, primarily due to a more favourable interest rate environment and growth in loan and deposit volumes, partially offset by the prior year accounting impact from balance sheet management activities, which was largely offset in non-interest income. Margin on average earning assets was 3.11%, a 1 basis point decrease due to the same prior year accounting impact. Excluding this impact, margin increased 8 bps, primarily due to higher interest rates. Non-interest income increased US$307 million, or 17%, reflecting fee income growth in personal banking and wealth management, and the prior year accounting impact from balance sheet management activities.

Average loan volumes increased US$8 billion, or 6%, compared with last year, due to growth in personal and business loans of 5% and 7%, respectively. Average deposit volumes increased US$19 billion, or 9%, reflecting 5% growth in business deposit volumes, 8% growth in personal deposit volumes and a 12% increase in sweep deposit volume from TD Ameritrade.

AUA were US$18 billion as at October 31, 2017, an increase of 5%, compared with last year, primarily due to higher private banking balances. AUM were US$63 billion as at October 31, 2017, a decrease of 5%, primarily due to the previously disclosed outflow from an institutional account, partially offset by positive market returns.

PCL was US$607 million, an increase of US$48 million, or 9%, compared with last year. Personal banking PCL was US$536 million, an increase of US$146 million, or 37%, primarily due to volume growth, mix change in auto loans and credit cards, and seasoning in credit cards, coupled with the prior year benefit related to the release of special reserves held for South Carolina flood (the "South Carolina flood release"). Business banking PCL was US$81 million, a decrease of US$84 million, primarily due to slower growth in business loans, and an allowance increase in the prior year, partially offset by the prior year benefit related to the South Carolina flood release. PCL associated with debt securities classified as loans was a benefit of US$10 million, a decrease of US$14 million, due to a recovery in the second quarter and improvement in cash flows associated with underlying mortgage assets. Annualized PCL as a percentage of credit volume for loans, excluding debt securities classified as loans, was relatively flat at 0.41%. Net impaired loans, excluding ACI loans and debt securities classified as loans, were US$1.4 billion, a decrease of US$54 million, or 4%. Excluding ACI loans and debt securities classified as loans, net impaired loans as a percentage of total loans were 0.9% as at October 31, 2017, a decrease of 0.1% compared with last year.

Reported non-interest expenses for the year were US$4,500 million, an increase of US$211 million, or 5%, compared with last year, reflecting higher employee costs, volume growth, and investments in technology modernization and customer-focused initiatives, partially offset by productivity savings. On an adjusted basis, non-interest expenses for the year were US$4,479 million, an increase of US$190 million, or 4%.

The reported and adjusted efficiency ratios for the year were 57.6% and 57.3%, respectively, compared with 60.2%, last year.

KEY PRODUCT GROUPS

Personal Banking

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

Business Banking

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

Wealth

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

BUSINESS OUTLOOK AND FOCUS FOR 2018

We anticipate the operating environment to remain relatively stable in 2018, characterized by solid economic growth, rising interest rates, and fierce competition. This bodes well for solid loan and deposit growth and improving net interest margin. Volume growth, continued normalizing of credit conditions, and the adoption of IFRS 9 may lead to an increase in credit losses in 2018, with higher volatility. We expect to maintain a disciplined expense management approach, using the benefits from on-going productivity initiatives to partially fund strategic business investments. We expect to generate positive operating leverage for the year and see further improvements in the efficiency ratio.

Our key priorities for 2018 are as follows:

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

TD AMERITRADE HOLDING CORPORATION

Refer to Note 12 of the 2017 Consolidated Financial Statements for further information on TD Ameritrade.

Wholesale Banking

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

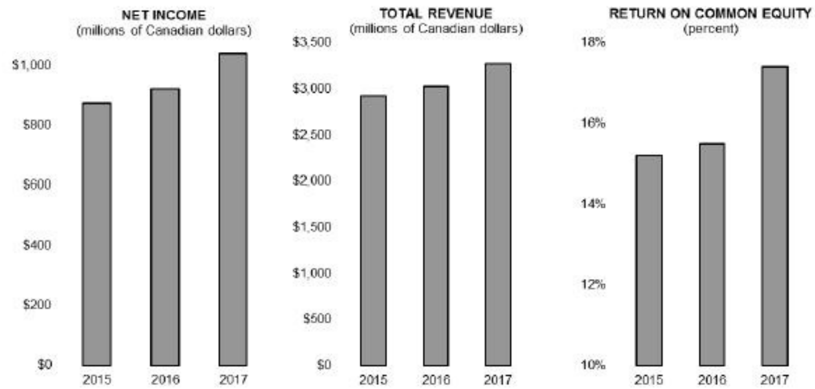


TABLE 17: REVENUE[1]

(millions of Canadian dollars)		2017		2016		2015
Global markets	$	**2,348**	$	2,239	$	2,202
Corporate and investment banking		**860**		767		692
Other		**63**		24		32
Total	$	**3,271**	$	3,030	$	2,926

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

BUSINESS HIGHLIGHTS

- **Earnings of $1,039 million and an ROE of 17.4%.**
- **Higher revenue, reflecting the strength in our business in Canada and the continued growth in the U.S.**
- **Notable deals in the year:**
  - **Reinforcing our leadership position in the core Canadian market, TD Securities acted as the sole underwriter and book-runner on Canadian Natural Resources' $11.1 billion acquisition of Royal Dutch Shell's oil sands assets, and served as co-lead underwriter on TransCanada Corporation's $4.5 billion equity underwritings.**
  - **Continuing to win significant cross-border mandates, TD Securities was the joint book-runner on Canadian Natural Resources' bond offerings in the third quarter that were the largest concurrent cross-border multi-tranche U.S. dollar and Canadian dollar debt offerings ever completed, acted as the joint book-runner on AltaGas' $2.6 billion subscription receipt offering, and served as the exclusive financial advisor to Shaw Communications Inc. on the sale of ViaWest, Inc. to Peak 10 Holding Corporation for US$1.675 billion.**
  - **TD completed the issuance of a US$1 billion green bond, its first in U.S. dollars and one of the largest green bonds ever issued by a bank. This transaction demonstrates TD's continuing commitment to environmental leadership in Canada's transition to cleaner energy. Since 2010, TD Securities has participated in underwriting over $10.8 billion in green bonds, with a record year in 2017 of $6.4 billion.**
- **Continued to make investments to build our U.S. dollar business, adding people to our investment banking, debt underwriting and trading teams, and enhancing our product offerings.**
- **Successfully completed the acquisition and integration of TD Prime Services (formerly Albert Fried & Company), our new prime brokerage business based in New York.**
- **Top-two dealer status in Canada (for the nine-month period ended September 30, 2017)[15]:**
  - **#1 in equity block trading and equity options block trading;**
  - **#1 in government debt and corporate debt underwriting;**
  - **#1 in syndicated loans (on a rolling twelve-month basis);**
  - **#1 in M&A announced and completed (on a rolling twelve-month basis); and**
  - **#2 in equity underwriting.**

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

- **Recognized by Global Finance magazine as a winner of the 2017 Innovators Award in the Foreign Exchange category – underscoring our commitment to process and product innovation[16].**

CHALLENGES IN 2017

- **Sustained low interest rates for most of the year, tight credit spreads, and high equity valuations resulted in weaker trading activity in the second half of the year.**
- **Higher levels of competition in the industry increased pressure on margins and demand for talent.**
- **Global political environment contributed to investor uncertainty.**
- **Investments and capital required to meet regulatory changes.**

INDUSTRY PROFILE

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

OVERALL BUSINESS STRATEGY

- Be a leading North American dealer with global reach by expanding our client-focused business through organic growth.
- Strengthen our position as a top investment dealer in Canada and grow our U.S. dollar business.
- Provide superior advice and execution to meet clients' needs.
- Leverage TD's franchise.
- Maintain a prudent risk profile by focusing on high quality clients, counterparties, and products.
- Adapt to rapid industry and regulatory changes.
- Be an extraordinary and inclusive place to work by attracting, developing, and retaining top talent.

TABLE 18: WHOLESALE BANKING

(millions of Canadian dollars, except as noted)	**2017**	2016	2015
Net interest income (TEB)	**$ 1,804**	$ 1,685	$ 2,295
Non-interest income[1]	**1,467**	1,345	631
Total revenue	**3,271**	3,030	2,926
Provision for (recovery of) credit losses[2]	**(28)**	74	18
Non-interest expenses	**1,929**	1,739	1,701
Provision for (recovery of) income taxes (TEB)	**331**	297	334
Net income	**$ 1,039**	$ 920	$ 873
Selected volumes and ratios			
Trading-related revenue (TEB)	**$ 1,714**	$ 1,636	$ 1,545
Gross drawn (billions of Canadian dollars)[3]	**20.3**	20.7	16.1
Return on common equity[4]	**17.4 %**	15.5 %	15.2 %
Efficiency ratio	**59.0**	57.4	58.1
Average number of full-time equivalent staff	**3,989**	3,766	3,748

1 Effective February 1, 2017, the total gains and losses on derivatives hedging the reclassified available-for-sale securities portfolio are recorded in Wholesale Banking, previously reported in the Corporate segment and treated as an item of note. Refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "Financial Results Overview" section of this document.
2 PCL is comprised of specific provisions for credit losses and accrual costs for credit protection. The change in market value of the credit protection, in excess of the accrual cost, is reported in the Corporate segment. Refer to Note 29 for further details.
3 Includes gross loans and bankers' acceptances, excluding letters of credit, cash collateral, credit default swaps, and reserves for the corporate lending business.
4 Capital allocated to the business segments was based on 9% CET1 Capital in 2017, 2016, and 2015.

REVIEW OF FINANCIAL PERFORMANCE

Wholesale Banking net income for the year was $1,039 million, an increase of $119 million, or 13%, compared with the prior year. The increase in earnings was due to higher revenue and a net recovery of credit losses, partially offset by higher non-interest expenses. The ROE for the year was 17.4%, compared with 15.5% in the prior year.

Revenue for the year was $3,271 million, an increase of $241 million, or 8%, compared with the prior year reflecting increased client activity in equity trading, corporate lending fees, and underwriting.

PCL is comprised of specific provisions for credit losses and accrual costs for credit protection. PCL for the year was a net recovery of $28 million as compared with a charge of $74 million in the prior year, reflecting the recovery of specific provisions in the oil and gas sector.

Non-interest expenses for the year were $1,929 million, an increase of $190 million, or 11%, compared with the prior year reflecting higher variable compensation and higher technology costs as well as focused investments made in our U.S. businesses, including in client facing employees, enhanced product offerings, e-trading capabilities, and TD Prime Services.

LINES OF BUSINESS

- ***Global Markets*** includes sales, trading and research, debt and equity underwriting, client securitization, trade finance, cash management, prime services, and trade execution services[17].
- ***Corporate and Investment Banking*** includes corporate lending and syndications, debt and equity underwriting, and advisory services[17].
- ***Other*** includes the investment portfolio and other accounting adjustments.

16 Every year, Global Finance recognizes financial institutions that have devised breakthrough products and services in Corporate Finance, Islamic Finance, Trade Finance, Transaction Services, and Foreign Exchange. The Foreign Exchange category recognizes groundbreaking organizations that are transforming how companies implement complex foreign exchange strategies and limit currency risk.
17 Revenue is shared between Global Markets and Corporate and Investment Banking lines of business in accordance with an established agreement.

BUSINESS OUTLOOK AND FOCUS FOR 2018

Looking ahead to fiscal 2018, we are cautiously optimistic that capital markets activity may improve given robust markets. However, we remain watchful of market sentiment as a combination of global market events, uncertainty over the outlook for interest rates, increased competition, and evolving capital and regulatory requirements, including IFRS 9, may continue to impact our business. While these factors may affect corporate and investor sentiment in the near term, we expect that our diversified, integrated, client-focused business model will continue to deliver solid results and grow our business.

Our key priorities for 2018 are as follows:

- **Continue to be a top ranked investment dealer in Canada by deepening client relationships.**
- **Grow our U.S. business in partnership with U.S. Retail.**
- **Expand the TD Prime Services platform for the U.S. market including self-clearing.**
- **Invest in an efficient and agile infrastructure to support growth and adapt to industry and regulatory changes.**
- **Maintain our focus on managing risks, capital, and productivity.**
- **Continue to be an extraordinary place to work with a focus on inclusion and diversity.**

BUSINESS SEGMENT ANALYSIS

Corporate

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

TABLE 19: CORPORATE			
(millions of Canadian dollars)	**2017**	2016	2015
Net income (loss) – reported[1,2]	**$ (369)**	$ (931)	$ (1,275)
Pre-tax adjustments for items of note[3]			
Amortization of intangibles	**310**	335	350
Dilution gain on the Scottrade transaction[4]	**(204)**	–	–
Loss on sale of the Direct Investing business in Europe	**42**	–	–
Fair value of derivatives hedging the reclassified available-for-sale securities portfolio[2]	**(41)**	(7)	(62)
Impairment of goodwill, non-financial assets, and other charges	**–**	111	–
Restructuring charges	**–**	–	686
Total pre-tax adjustments for items of note	**107**	439	974
Provision for (recovery of) income taxes for items of note	**73**	83	303
Net income (loss) – adjusted	**$ (335)**	$ (575)	$ (604)
Decomposition of items included in net income (loss) – adjusted			
Net corporate expenses	**$ (767)**	$ (836)	$ (734)
Other	**311**	146	18
Non-controlling interests	**121**	115	112
Net income (loss) – adjusted	**$ (335)**	$ (575)	$ (604)
Selected volumes			
Average number of full-time equivalent staff	**14,368**	13,160	12,870

1 Effective the first quarter of 2017, the impact from certain treasury and balance sheet management activities relating to the U.S. Retail segment is recorded in the Corporate segment.
2 Effective February 1, 2017, the total gains and losses on derivatives hedging the reclassified available-for-sale securities portfolio are recorded in Wholesale Banking. Refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "Financial Results Overview" section of this document.
3 For explanations of items of note, refer to the "Non-GAAP Financial Measures – Reconciliation of Adjusted to Reported Net Income" table in the "Financial Results Overview" section of this document.
4 In connection with TD Ameritrade's acquisition of Scottrade on September 18, 2017, TD Ameritrade issued 38.8 million shares, of which the Bank purchased 11.1 million pursuant to its pre-emptive rights. As a result of the share issuance, the Bank's common stock ownership percentage in TD Ameritrade decreased and the Bank realized the above dilution gain.

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

The Corporate segment reported net loss for the year was $369 million, compared with a reported net loss of $931 million last year. The year-over-year decrease in reported net loss was attributable to the dilution gain on the Scottrade transaction this year, impairment of goodwill, non-financial assets, and other charges in the prior year net of the loss on sale of the Direct Investing business in Europe this year, gain on fair value of derivatives hedging the reclassified available-for-sale securities portfolio this year, higher contribution from other items and lower net corporate expenses. Higher contribution from Other items was primarily due to provisions for incurred but not identified credit losses recognized in the prior year and higher revenue from treasury and balance sheet management activities this year. Net corporate expenses decreased primarily reflecting the positive impact of tax adjustments this year. The adjusted net loss for the year was $335 million, compared with an adjusted net loss of $575 million last year.

FOCUS FOR 2018

We continue to focus on enterprise and regulatory initiatives and manage the Bank's balance sheet and funding activities. We continue to address the complexities and challenges from changing demands and expectations of our customers, shareholders, employees, governments, regulators, and the community at large. We maintain constant focus on the design, development, and implementation of processes, systems, technologies, enterprise and regulatory controls and initiatives to enable the Bank's key businesses to operate efficiently, reliably, and in compliance with all applicable regulatory requirements.

2016 FINANCIAL RESULTS OVERVIEW

Summary of 2016 Performance

TABLE 20: REVIEW OF 2016 FINANCIAL PERFORMANCE[1]

(millions of Canadian dollars)	Canadian Retail	U.S. Retail	Wholesale Banking	Corporate	Total
Net interest income	$ 9,979	$ 7,093	$ 1,685	$ 1,166	$ 19,923
Non-interest income	10,230	2,366	1,345	451	14,392
Total revenue	20,209	9,459	3,030	1,617	34,315
Provision for (recovery of) credit losses	1,011	744	74	501	2,330
Insurance claims and related expenses	2,462	–	–	–	2,462
Non-interest expenses	8,557	5,693	1,739	2,888	18,877
Net income (loss) before provision for income taxes	8,179	3,022	1,217	(1,772)	10,646
Provision for (recovery of) income taxes	2,191	498	297	(843)	2,143
Equity in net income of an investment in TD Ameritrade	–	435	–	(2)	433
Net income (loss) – reported	5,988	2,959	920	(931)	8,936
Adjustments for items of note, net of income taxes	–	–	–	356	356
Net income (loss) – adjusted	$ 5,988	$ 2,959	$ 920	$ (575)	$ 9,292

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

NET INCOME

Reported net income for the year was $8,936 million, an increase of $912 million, or 11%, compared with the prior year. The increase reflects revenue growth and lower insurance claims, partially offset by higher non-interest expenses and higher PCL. Adjusted net income for the year was $9,292 million, an increase of $538 million or 6%, compared with $8,754 million in the prior year. Reported diluted EPS for the year were $4.67, an increase of 11%, compared with $4.21 in the prior year. Adjusted diluted EPS for the year were $4.87, an increase of 6%, compared with $4.61 in the prior year.

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

NET INTEREST INCOME

Net interest income for the year was $19,923 million, an increase of $1,199 million, or 6%, compared with the prior year. The increase was primarily due to higher loan and deposit volume growth, the benefit of an acquisition in the U.S. strategic cards portfolio, and a more favourable interest rate environment in the U.S., partially offset by lower trading-related net interest income in the Wholesale Banking segment. By segment, the increase in net interest income was due to an increase in the U.S. Retail segment of $962 million, or 16%, an increase in the Corporate segment of $649 million, and an increase in the Canadian Retail segment of $198 million, or 2%, partially offset by a decrease in the Wholesale Banking segment of $610 million, or 27%.

NON-INTEREST INCOME

Reported non-interest income for the year was $14,392 million, an increase of $1,690 million, or 13%, compared with the prior year reflecting higher trading and fee revenue in Wholesale Banking, the contribution from an acquisition in the strategic cards portfolio, higher personal and business banking fee-based revenue, and wealth asset growth. By segment, the increase in reported non-interest income was due to an increase in Wholesale Banking of $714 million, an increase in the Corporate segment of $382 million, an increase in the Canadian Retail segment of $326 million, or 3%, and an increase in the U.S. Retail segment of $268 million, or 13%. Adjusted non-interest income for the year was $14,385 million, an increase of $1,672 million, or 13%, compared with the prior year.

PROVISION FOR CREDIT LOSSES

PCL for the year was $2,330 million, an increase of $647 million, or 38%, compared with the prior year. All segments experienced increases in PCL. The increase was primarily due to higher provisions in the auto lending portfolio, higher provisions for identified but not incurred credit losses in the Corporate segment, higher provisions due to an acquisition in the strategic cards portfolio, higher Commercial allowance in the U.S. Retail segment, and higher specific provisions in the oil and gas sector in Wholesale Banking. The increase is partially offset by the release of the South Carolina flooding reserve, and improvements on residential mortgages and home equity loans. By segment, the increase in PCL was due to an increase in the Corporate segment of $258 million, an increase in the U.S. Retail segment of $209 million, or 39%, an increase in the Canadian Retail segment of $124 million, or 14%, and an increase in Wholesale Banking of $56 million.

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

NON-INTEREST EXPENSES
Reported non-interest expenses for the year were $18,877 million, an increase of $804 million, or 4%, compared with the prior year, reflecting the expenses related to an acquisition in the strategic cards portfolio, higher employee-related expenses including variable compensation, and higher investment in technology initiatives, partially offset by productivity savings. By segment, the increase in reported non-interest expenses were due to an increase in the U.S. Retail segment of $505 million, or 10%, an increase in the Canadian Retail segment of $150 million, or 2%, an increase in the Corporate segment of $111 million, or 4%, and an increase in Wholesale Banking of $38 million, or 2%. Adjusted non-interest expenses for the year were $18,496 million, an increase of $1,420 million, or 8%, compared with the prior year.

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

The Bank's reported effective tax rate was 20.1% for 2016, compared with 16.6% in the prior year. The year-over-year increase was largely due to an increase in taxes associated with the Bank's insurance business, lower tax-exempt dividend income, changes in business mix, and the tax impact associated with the restructuring charges recorded in the prior year. For a reconciliation of the Bank's effective income tax rate with the Canadian statutory income tax rate, refer to Note 26 of the 2016 Consolidated Financial Statements.

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

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

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

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

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

2016 FINANCIAL RESULTS OVERVIEW

2016 Financial Performance by Business Line

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

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

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

AUA were $345 billion as at October 31, 2016, an increase of $35 billion, or 11%, and AUM were $268 billion as at October 31, 2016, an increase of $23 billion, or 9%, compared with the prior year, both reflecting new asset growth and increases in market value.

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

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

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

The efficiency ratio was 42.3%, compared with 42.7% in the prior year.

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

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

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

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

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

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

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

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

The reported and adjusted efficiency ratios for the year were 60.2%, compared with 63.0% and 62.2%, respectively, in the prior year.

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

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

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

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

Corporate segment reported net loss for the year was $931 million, compared with a reported net loss of $1,275 million in the prior year. The year-over-year decrease in reported net loss was attributable to restructuring charges of $471 million after tax in the prior year and higher contribution from Other items in the current year, partially offset by impairment of goodwill, non-financial assets, and other charges of $116 million after tax, an increase in net corporate expenses, and lower gain due to change in fair value of derivatives hedging the reclassified available-for-sale securities portfolio in the current year. Higher contribution from Other items was primarily due to higher revenue from treasury and balance sheet management activities and favourable impact of tax items, partially offset by higher provisions for incurred but not identified credit losses. Net corporate expenses increased primarily due to ongoing investments in enterprise and regulatory projects. The adjusted net loss for the year was $575 million, compared with an adjusted net loss of $604 million in the prior year.

GROUP FINANCIAL CONDITION

Balance Sheet Review

AT A GLANCE OVERVIEW

Total assets were $1,279 billion as at October 31, 2017, an increase of $102 billion, or 9%, compared with October 31, 2016.

TABLE 21: CONDENSED CONSOLIDATED BALANCE SHEET ITEMS[1]

(millions of Canadian dollars)		*As at*
	October 31, 2017	October 31, 2016
Assets		
Cash and Interest-bearing deposits with banks	**$ 55,156**	$ 57,621
Trading loans, securities, and other	**103,918**	99,257
Derivatives	**56,195**	72,242
Available-for-sale securities	**146,411**	107,571
Held-to-maturity securities	**71,363**	84,395
Securities purchased under reverse repurchase agreements	**134,429**	86,052
Loans, net of allowance for loan losses	**612,591**	585,656
Other	**98,932**	84,173
Total assets	**$ 1,278,995**	$ 1,176,967
Liabilities		
Trading deposits	**$ 79,940**	$ 79,786
Derivatives	**51,214**	65,425
Deposits	**832,824**	773,660
Obligations related to securities sold under repurchase agreements	**88,591**	48,973
Subordinated notes and debentures	**9,528**	10,891
Other	**141,708**	124,018
Total liabilities	**1,203,805**	1,102,753
Total equity	**75,190**	74,214
Total liabilities and equity	**$ 1,278,995**	$ 1,176,967

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

Total assets were $1,279 billion as at October 31, 2017, an increase of $102 billion, or 9%, from October 31, 2016. The increase was primarily in securities purchased under reverse repurchase agreements of $48 billion, available-for-sale securities of $39 billion, loans net of allowances for loan losses of $27 billion, other amounts received from brokers, dealers and clients of $13 billion, trading loans, securities and other of $5 billion, partially offset by a decrease in derivatives of $16 billion and held-to-maturity securities of $13 billion. The foreign currency translation impact on total assets as at October 31, 2017, primarily in the U.S. Retail segment, was a decrease of approximately $20 billion, or 2%.

Trading loans, securities and other increased by $5 billion primarily due to higher trading volumes, partially offset by lower market value of equity derivatives.

Derivatives decreased $16 billion primarily due to the current interest rate and foreign exchange environment.

Available-for-sale securities increased $39 billion primarily due to new investments, including from the acquisition of Scottrade Bank, partially offset by maturities and foreign currency translation.

Held-to-maturity securities decreased $13 billion primarily due to maturities and foreign currency translation, partially offset by new investments.

Securities purchased under reverse repurchase agreements increased $48 billion primarily due to an increase in trading volumes and the impact of the acquisition of TD Prime Services (formerly Albert Fried & Company).

Loans (net of allowance for loan losses) increased $27 billion primarily due to growth in the Canadian Retail segment, the U.S. Retail segment, including from the acquisition of Scottrade Bank, and Wholesale Banking. The increase was primarily due to growth in personal, business and government loans, partially offset by foreign currency translation.

Other amounts received from brokers, dealers and clients increased by $13 billion primarily due to unsettled trades.

Total liabilities were $1,204 billion as at October 31, 2017, an increase of $101 billion, or 9%, from October 31, 2016. The increase was primarily due to an increase in deposits of $59 billion, obligations related to securities sold under repurchase agreements of $40 billion, amounts payable to brokers, dealers and clients of $15 billion, partially offset by a decrease in derivatives of $14 billion. The foreign currency translation impact on total liabilities as at October 31, 2017, primarily in the U.S. Retail segment, was a decrease of approximately $20 billion, or 2%.

Derivatives decreased $14 billion primarily due to the current interest rate and foreign exchange environment.

Deposits increased $59 billion largely driven by growth in Wholesale Banking, the Canadian Retail segment and the U.S. Retail segment, including from the acquisition of Scottrade Bank. The increase was primarily due to growth in personal, business and government deposits, partially offset by foreign currency translation.

Obligations related to securities sold under repurchase agreements increased $40 billion primarily due to higher financing and trading volumes.

Amounts payable to brokers, dealers and clients increased $15 billion primarily due to unsettled trades and higher trading volumes.

Equity was $75 billion as at October 31, 2017, an increase of $1 billion, or 1%, from October 31, 2016. The increase was primarily due to higher retained earnings, partially offset by a decrease in other comprehensive income due to losses on cash flow hedges and foreign exchange translation.

Credit Portfolio Quality

AT A GLANCE OVERVIEW

- **Loans and acceptances net of allowance for loan losses were $630 billion, an increase of $29 billion compared with last year.**
- **Impaired loans net of counterparty-specific and individually insignificant allowances were $2,398 million, a decrease of $387 million compared with last year.**
- **Provision for credit losses was $2,216 million, compared with $2,330 million last year.**
- **Total allowance for loan losses decreased by $90 million to $3,783 million.**

LOAN PORTFOLIO

Overall in 2017, the Bank's credit quality remained strong. During 2017, the Bank increased its credit portfolio by $29 billion, or 5%, from the prior year, largely due to volume growth in the Canadian and U.S. Retail segments and partially offset by the impact of foreign exchange.

While the majority of the credit risk exposure is related to loans and acceptances, the Bank also engaged in activities that have off-balance sheet credit risk. These include credit instruments and derivative financial instruments, as explained in Note 31 of the 2017 Consolidated Financial Statements.

CONCENTRATION OF CREDIT RISK

The Bank's loan portfolio continued to be dominated by Canadian and U.S. residential mortgages, consumer instalment and other personal loans, and credit card loans, representing 65% of total loans net of counterparty-specific and individually insignificant allowances, consistent with 2016. During the year, these portfolios increased by $19 billion, or 5%, and totalled $411 billion at year end. Residential mortgages represented 35% of the portfolio in 2017, down from 36% in 2016. Consumer instalment and other personal loans, and credit card loans were 30% of total loans net of counterparty-specific and individually insignificant allowances in 2017, up from 29% in 2016.

The Bank's business and government credit exposure was 34% of total loans net of counterparty-specific and individually insignificant allowances, down from 35% in 2016. The largest business and government sector concentrations in Canada were the real estate and financial sectors, which comprised 5% and 2%, respectively. Real estate and the Government, public sector entities and education sector were the leading U.S. sectors of concentration in 2017 representing 5% and 2% of net loans respectively.

Geographically, the credit portfolio remained concentrated in Canada. In 2017, the percentage of loans held in Canada was 66%, consistent with 2016. The largest Canadian regional exposure was in Ontario, which represented 39% of total loans net of counterparty-specific and individually insignificant allowance for loan losses for 2017, consistent with 2016.

The balance of the credit portfolio was predominantly in the U.S., which represented 33% of the portfolio, consistent with 2016. Exposures to debt securities classified as loans, ACI loans, and other geographic regions were relatively small. The largest U.S. regional exposures were in New England, New York, and New Jersey which represented 6%, 6%, and 5% of total loans net of counterparty-specific and individually insignificant allowances, respectively, compared with 6%, 5% and 6%, respectively, in the prior year.

TABLE 22: LOANS AND ACCEPTANCES, NET OF COUNTERPARTY-SPECIFIC AND INDIVIDUALLY INSIGNIFICANT ALLOWANCES BY INDUSTRY SECTOR[1]

(millions of Canadian dollars, except as noted)

					As at			*Percentage of total*
			October 31 2017	October 31 2016	October 31 2015	**October 31 2017**	October 31 2016	October 31 2015
	Gross loans	**Counterparty-specific and individually insignificant allowances**	**Net loans**	Net loans	Net loans			
Canada								
Residential mortgages	**$ 190,325**	**$ 17**	**$ 190,308**	$ 189,284	$ 184,992	**30.1 %**	31.3 %	32.8 %
Consumer instalment and other personal								
HELOC	**74,937**	**6**	**74,931**	65,059	61,303	**11.8**	10.8	10.9
Indirect Auto	**22,282**	**37**	**22,245**	20,537	19,008	**3.5**	3.4	3.4
Other	**17,355**	**29**	**17,326**	16,424	16,042	**2.7**	2.7	2.8
Credit card	**18,028**	**93**	**17,935**	18,120	17,833	**2.8**	3.0	3.2
Total personal	**322,927**	**182**	**322,745**	309,424	299,178	**51.0**	51.2	53.1
Real estate								
Residential	**17,981**	**7**	**17,974**	15,994	14,855	**2.8**	2.7	2.6
Non-residential	**12,832**	**2**	**12,830**	12,778	11,327	**2.0**	2.1	2.0
Total real estate	**30,813**	**9**	**30,804**	28,772	26,182	**4.8**	4.8	4.6
Agriculture	**6,676**	**2**	**6,674**	6,015	5,409	**1.1**	1.0	1.0
Automotive	**6,657**	**–**	**6,657**	5,481	4,048	**1.1**	0.9	0.7
Financial	**13,102**	**–**	**13,102**	10,198	10,590	**2.1**	1.7	1.9
Food, beverage, and tobacco	**1,969**	**1**	**1,968**	2,076	1,452	**0.3**	0.3	0.3
Forestry	**500**	**–**	**500**	523	492	**0.1**	0.1	0.1
Government, public sector entities, and education	**4,251**	**–**	**4,251**	6,589	5,851	**0.7**	1.1	1.0
Health and social services	**5,841**	**4**	**5,837**	5,476	4,926	**0.9**	0.9	0.9
Industrial construction and trade contractors	**2,946**	**15**	**2,931**	2,464	2,121	**0.5**	0.4	0.4
Metals and mining	**1,406**	**6**	**1,400**	1,378	1,252	**0.2**	0.2	0.2
Pipelines, oil, and gas	**3,998**	**23**	**3,975**	3,835	3,384	**0.6**	0.6	0.6
Power and utilities	**2,010**	**–**	**2,010**	1,792	1,549	**0.3**	0.3	0.3
Professional and other services	**3,870**	**5**	**3,865**	4,057	3,726	**0.6**	0.7	0.7
Retail sector	**2,793**	**11**	**2,782**	2,506	2,215	**0.4**	0.4	0.4
Sundry manufacturing and wholesale	**2,755**	**13**	**2,742**	2,289	2,300	**0.4**	0.4	0.4
Telecommunications, cable, and media	**1,966**	**–**	**1,966**	2,083	2,427	**0.3**	0.4	0.4
Transportation	**1,672**	**1**	**1,671**	1,632	1,386	**0.3**	0.3	0.2
Other	**3,808**	**3**	**3,805**	3,773	4,747	**0.6**	0.6	0.8
Total business and government	**97,033**	**93**	**96,940**	90,939	84,057	**15.3**	15.1	14.9
Total Canada	**419,960**	**275**	**419,685**	400,363	383,235	**66.3**	66.3	68.0
United States								
Residential mortgages	**31,460**	**25**	**31,435**	27,628	26,892	**5.0**	4.6	4.8
Consumer instalment and other personal								
HELOC	**12,434**	**52**	**12,382**	13,132	13,285	**2.0**	2.2	2.3
Indirect Auto	**29,182**	**20**	**29,162**	28,364	24,855	**4.6**	4.7	4.4
Other	**846**	**3**	**843**	742	690	**0.1**	0.1	0.1
Credit card	**14,972**	**242**	**14,730**	13,496	12,165	**2.3**	2.2	2.2
Total personal	**88,894**	**342**	**88,552**	83,362	77,887	**14.0**	13.8	13.8
Real estate								
Residential	**7,316**	**7**	**7,309**	6,845	5,680	**1.2**	1.1	1.0
Non-residential	**22,163**	**10**	**22,153**	21,663	18,303	**3.5**	3.6	3.3
Total real estate	**29,479**	**17**	**29,462**	28,508	23,983	**4.7**	4.7	4.3
Agriculture	**710**	**–**	**710**	570	467	**0.1**	0.1	0.1
Automotive	**7,335**	**3**	**7,332**	5,756	3,025	**1.2**	1.0	0.5
Financial	**7,137**	**7**	**7,130**	4,716	5,877	**1.1**	0.8	1.0
Food, beverage, and tobacco	**3,191**	**2**	**3,189**	3,739	2,534	**0.5**	0.6	0.4
Forestry	**567**	**–**	**567**	587	562	**0.1**	0.1	0.1
Government, public sector entities, and education	**12,429**	**1**	**12,428**	11,387	9,088	**2.0**	1.9	1.6
Health and social services	**11,410**	**2**	**11,408**	10,787	9,716	**1.8**	1.8	1.7
Industrial construction and trade contractors	**1,852**	**6**	**1,846**	1,830	1,491	**0.3**	0.3	0.3
Metals and mining	**1,675**	**1**	**1,674**	1,486	1,160	**0.3**	0.2	0.2
Pipelines, oil, and gas	**2,078**	**8**	**2,070**	2,981	1,485	**0.3**	0.5	0.3
Power and utilities	**3,221**	**–**	**3,221**	2,642	1,797	**0.5**	0.4	0.3
Professional and other services	**10,391**	**7**	**10,384**	11,207	8,663	**1.6**	1.9	1.5
Retail sector	**4,915**	**6**	**4,909**	4,545	4,207	**0.8**	0.8	0.7
Sundry manufacturing and wholesale	**7,023**	**4**	**7,019**	7,389	7,002	**1.1**	1.2	1.3
Telecommunications, cable, and media	**3,800**	**1**	**3,799**	4,818	4,068	**0.6**	0.8	0.7
Transportation	**9,997**	**2**	**9,995**	11,647	11,115	**1.6**	1.9	2.0
Other	**2,140**	**3**	**2,137**	2,014	891	**0.3**	0.3	0.2
Total business and government	**119,350**	**70**	**119,280**	116,609	97,131	**18.9**	19.3	17.2
Total United States	**208,244**	**412**	**207,832**	199,971	175,018	**32.9**	33.1	31.0
International								
Personal	**14**	**–**	**14**	16	5	**–**	–	–
Business and government	**1,579**	**–**	**1,579**	1,513	1,978	**0.2**	0.2	0.4
Total international	**1,593**	**–**	**1,593**	1,529	1,983	**0.2**	0.2	0.4
Total excluding other loans	**629,797**	**687**	**629,110**	601,863	560,236	**99.4**	99.6	99.4
Other loans								
Debt securities classified as loans	**3,209**	**126**	**3,083**	1,468	1,980	**0.5**	0.2	0.4
Acquired credit-impaired loans[2]	**665**	**35**	**630**	912	1,331	**0.1**	0.2	0.2
Total other loans	**3,874**	**161**	**3,713**	2,380	3,311	**0.6**	0.4	0.6
Total	**$ 633,671**	**$ 848**	**$ 632,823**	$ 604,243	$ 563,547	**100.0 %**	100.0 %	100.0 %
Incurred but not identified allowance								
Personal, business and government			**2,915**	2,826	2,503			
Debt securities classified as loans			**20**	55	57			
Total incurred but not identified allowance			**2,935**	2,881	2,560			
Total, net of allowance			**$ 629,888**	$ 601,362	$ 560,987			
Percentage change over previous year – loans and acceptances, net of counterparty-specific and individually insignificant allowances			**4.7 %**	7.2 %	14.0 %			
Percentage change over previous year – loans and acceptances, net of allowance			**4.7**	7.2	14.0			

1 Primarily based on the geographic location of the customer's address.

2 Includes all Federal Deposit Insurance Corporation (FDIC) covered loans and other ACI loans.

TABLE 23: LOANS AND ACCEPTANCES, NET OF COUNTERPARTY-SPECIFIC AND INDIVIDUALLY INSIGNIFICANT ALLOWANCES BY GEOGRAPHY[1]

(millions of Canadian dollars, except as noted)					*As at*			*Percentage of total*
			October 31 2017	October 31 2016	October 31 2015	**October 31 2017**	October 31 2016	October 31 2015
	Gross loans	**Counterparty-specific and individually insignificant allowances**	**Net loans**	Net loans	Net loans			
Canada								
Atlantic provinces	**$ 11,389**	**$ 11**	**$ 11,378**	$ 10,895	$ 10,706	**1.8 %**	1.8 %	1.9 %
British Columbia[2]	**57,945**	**21**	**57,924**	54,169	51,979	**9.2**	9.0	9.2
Ontario[2]	**249,656**	**148**	**249,508**	236,508	224,532	**39.4**	39.1	39.9
Prairies[2]	**68,948**	**69**	**68,879**	67,498	66,083	**10.9**	11.2	11.7
Québec	**32,022**	**26**	**31,996**	31,293	29,935	**5.0**	5.2	5.3
Total Canada	**419,960**	**275**	**419,685**	400,363	383,235	**66.3**	66.3	68.0
United States								
Carolinas (North and South)	**10,829**	**16**	**10,813**	9,788	8,293	**1.7**	1.6	1.5
Florida	**15,832**	**26**	**15,806**	13,870	12,015	**2.5**	2.3	2.1
New England[3]	**38,627**	**63**	**38,564**	38,744	36,781	**6.1**	6.4	6.5
New Jersey	**34,068**	**44**	**34,024**	33,910	31,749	**5.4**	5.6	5.6
New York	**35,180**	**62**	**35,118**	31,323	26,363	**5.6**	5.2	4.7
Pennsylvania	**11,618**	**24**	**11,594**	13,144	14,008	**1.8**	2.2	2.5
Other	**62,090**	**177**	**61,913**	59,192	45,809	**9.8**	9.8	8.1
Total United States	**208,244**	**412**	**207,832**	199,971	175,018	**32.9**	33.1	31.0
International								
Europe	**678**	**–**	**678**	500	196	**0.1**	–	–
Other	**915**	**–**	**915**	1,029	1,787	**0.1**	0.2	0.4
Total international	**1,593**	**–**	**1,593**	1,529	1,983	**0.2**	0.2	0.4
Total excluding other loans	**629,797**	**687**	**629,110**	601,863	560,236	**99.4**	99.6	99.4
Other loans	**3,874**	**161**	**3,713**	2,380	3,311	**0.6**	0.4	0.6
Total	**$ 633,671**	**$ 848**	**$ 632,823**	$ 604,243	$ 563,547	**100.0 %**	100.0 %	100.0 %
Incurred but not identified allowance			**2,935**	2,881	2,560			
Total, net of allowance			**$ 629,888**	$ 601,362	$ 560,987			

Percentage change over previous year – loans and acceptances, net of counterparty-specific and individually insignificant allowances for loan losses	**2017**	2016	2015
Canada	**4.8 %**	4.5 %	7.4 %
United States	**3.9**	14.3	33.3
International	**4.2**	(22.9)	(7.0)
Other loans	**56.0**	(28.1)	(19.2)
Total	**4.7 %**	7.2 %	14.0 %

1 Primarily based on the geographic location of the customer's address.
2 The territories are included as follows: Yukon is included in British Columbia; Nunavut is included in Ontario; and Northwest Territories is included in the Prairies region.
3 The states included in New England are as follows: Connecticut, Maine, Massachusetts, New Hampshire, and Vermont.

REAL ESTATE SECURED LENDING

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

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

TABLE 24: REAL ESTATE SECURED LENDING[1,2]

(millions of Canadian dollars, except as noted)

	Residential mortgages				Home equity lines of credit				Total			
	Insured[3]		Uninsured		Insured[3]		Uninsured		Insured[3]		Uninsured	
As at October 31, 2017												
Canada												
Atlantic provinces	**$ 3,749**	**2.0 %**	**$ 2,225**	**1.2 %**	**$ 487**	**0.6 %**	**$ 1,187**	**1.6 %**	**$ 4,236**	**1.6 %**	**$ 3,412**	**1.3 %**
British Columbia[4]	**14,561**	**7.7**	**19,774**	**10.4**	**2,329**	**3.1**	**11,386**	**15.2**	**16,890**	**6.4**	**31,160**	**11.7**
Ontario[4]	**41,319**	**21.7**	**50,882**	**26.5**	**8,052**	**10.7**	**32,474**	**43.3**	**49,371**	**18.6**	**83,356**	**31.5**
Prairies[4]	**25,421**	**13.4**	**14,080**	**7.4**	**3,861**	**5.2**	**9,640**	**12.9**	**29,282**	**11.0**	**23,720**	**8.9**
Québec	**10,576**	**5.6**	**7,738**	**4.1**	**1,286**	**1.7**	**4,235**	**5.7**	**11,862**	**4.5**	**11,973**	**4.5**
Total Canada	**95,626**	**50.4 %**	**94,699**	**49.6 %**	**16,015**	**21.3 %**	**58,922**	**78.7 %**	**111,641**	**42.1 %**	**153,621**	**57.9 %**
United States	**859**		**30,895**		**10**		**12,472**		**869**		**43,367**	
Total	**$ 96,485**		**$ 125,594**		**$ 16,025**		**$ 71,394**		**$ 112,510**		**$ 196,988**	
October 31, 2016												
Canada												
Atlantic provinces	$ 4,007	2.1 %	$ 1,940	1.0 %	$ 515	0.8 %	$ 1,052	1.6 %	$ 4,522	1.8 %	$ 2,992	1.2 %
British Columbia[4]	17,134	9.1	16,789	8.9	2,639	4.1	9,211	14.2	19,773	7.8	26,000	10.2
Ontario[4]	48,307	25.5	42,234	22.3	9,053	13.9	25,181	38.6	57,360	22.6	67,415	26.4
Prairies[4]	27,236	14.4	12,999	6.9	4,100	6.3	8,321	12.8	31,336	12.3	21,320	8.4
Québec	11,750	6.2	6,903	3.6	1,595	2.5	3,401	5.2	13,345	5.2	10,304	4.1
Total Canada	108,434	57.3 %	80,865	42.7 %	17,902	27.6 %	47,166	72.4 %	126,336	49.7 %	128,031	50.3 %
United States	917		27,120		10		13,280		927		40,400	
Total	$ 109,351		$ 107,985		$ 17,912		$ 60,446		$ 127,263		$ 168,431	

1 Geographic location is based on the address of the property mortgaged.
2 Excludes loans classified as trading as the Bank intends to sell the loans immediately or in the near term, and loans designated at fair value through profit or loss for which no allowance is recorded.
3 Default insurance is contractual coverage for the life of eligible facilities whereby the Bank's exposure to real estate secured lending, all or in part, is protected against potential losses caused by borrower default. It is provided by either government-backed entities or other approved private mortgage insurers.
4 The territories are included as follows: Yukon is included in British Columbia; Nunavut is included in Ontario; and the Northwest Territories is included in the Prairies region.

The following table provides a summary of the Bank's residential mortgages by remaining amortization period. All figures are calculated based on current customer payment behaviour in order to properly reflect the propensity to prepay by borrowers. The current customer payment basis accounts for any accelerated payments made to-date and projects remaining amortization based on existing balance outstanding and current payment terms.

TABLE 25: RESIDENTIAL MORTGAGES BY REMAINING AMORTIZATION[1,2]

As at	<5 years	5– <10 years	10– <15 years	15– <20 years	20– <25 years	25– <30 years	30– <35 years	>=35 years	Total
October 31, 2017									
Canada	**1.1 %**	**4.0 %**	**7.3 %**	**14.3 %**	**41.8 %**	**30.4 %**	**1.1 %**	**– %**	**100.0 %**
United States	**4.3**	**7.3**	**7.6**	**5.2**	**20.7**	**53.8**	**0.8**	**0.3**	**100.0**
Total	**1.6 %**	**4.5 %**	**7.3 %**	**13.0 %**	**38.9 %**	**33.7 %**	**1.0 %**	**– %**	**100.0 %**
October 31, 2016									
Canada	1.1 %	4.2 %	7.7 %	14.3 %	39.4 %	31.7 %	1.6 %	– %	100.0 %
United States	3.7	4.8	12.1	4.7	14.7	58.5	1.2	0.3	100.0
Total	1.5 %	4.2 %	8.2 %	13.1 %	36.3 %	35.2 %	1.5 %	– %	100.0 %

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 26: UNINSURED AVERAGE LOAN-TO-VALUE – Newly Originated and Newly Acquired[1,2,3]						
	For the 12 months ended October 31, 2017			For the 12 months ended October 31, 2016		
	Residential mortgages	Home equity lines of credit[4,5]	Total	Residential mortgages	Home equity lines of credit[4,5]	Total
Canada						
Atlantic provinces	**73 %**	**70 %**	**72 %**	73 %	69 %	72 %
British Columbia[6]	**67**	**62**	**65**	67	62	65
Ontario[6]	**68**	**65**	**66**	69	65	67
Prairies[6]	**73**	**71**	**72**	73	69	71
Québec	**72**	**73**	**73**	72	71	72
Total Canada	**69**	**66**	**67**	69	65	68
United States	**67**	**62**	**64**	67	62	65
Total	**68 %**	**65 %**	**67 %**	69 %	64 %	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 Home equity lines of credit 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.

IMPAIRED LOANS

A loan is considered impaired when there is objective evidence that there has been a deterioration of credit quality to the extent that the Bank no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. Excluding debt securities classified as loans, FDIC covered loans, and other ACI loans, gross impaired loans decreased $424 million, or 12%, compared with the prior year, due to resolutions outpacing formations and the impact of foreign exchange.

In Canada, net impaired loans decreased by $183 million, or 25% in 2017. Residential mortgages, consumer instalment and other personal loans, and credit cards, had impaired loans net of counterparty-specific and individually insignificant allowances of $462 million, a decrease of $138 million, or 23%, compared with the prior year, primarily due to resolutions outpacing formations in the real estate secured lending portfolio. Business and government loans had $92 million in net impaired loans, a decrease of $45 million, or 33%, compared with the prior year, largely due to resolutions in the pipelines, oil and gas sector.

In the U.S., net impaired loans decreased by $204 million, or 10% in 2017. Residential mortgages, consumer instalment and other personal loans, and credit cards, had net impaired loans of $1,500 million, a decrease of $13 million, or 1%, compared with the prior year due to the impact of foreign exchange, offset by increased impaired loans in the credit card and indirect auto portfolios. Business and government loans had $344 million in net impaired loans, a decrease of $191 million, or 36%, compared with the prior year primarily due to decreases in the pipelines, oil and gas, real estate, and professional and other services sectors and the impact of foreign exchange.

Geographically, 23% of total impaired loans net of counterparty-specific and individually insignificant allowances were generated in Canada and 77% in the U.S. The largest regional concentration of net impaired loans in Canada was in Ontario, which represented 8% of total net impaired loans, down from 10% in the prior year. The largest regional concentration of net impaired loans in the U.S. was in New England representing 18% of total net impaired loans, compared with 20% in the prior year.

TABLE 27: CHANGES IN GROSS IMPAIRED LOANS AND ACCEPTANCES			
(millions of Canadian dollars)	**2017**	2016	2015
Personal, Business and Government Loans[1,2]			
Impaired loans as at beginning of period	**$ 3,509**	$ 3,244	$ 2,731
Classified as impaired during the period	**4,724**	5,621	4,836
Transferred to not impaired during the period	**(966)**	(1,521)	(1,179)
Net repayments	**(1,556)**	(1,523)	(1,257)
Disposals of loans	**–**	(4)	(8)
Amounts written off	**(2,538)**	(2,350)	(2,141)
Recoveries of loans and advances previously written off	**–**	–	–
Exchange and other movements	**(88)**	42	262
Impaired loans as at end of year	**$ 3,085**	$ 3,509	$ 3,244

1 Excludes debt securities classified as loans. For additional information refer to the "Exposure to Non-Agency Collateralized Mortgage Obligations" section of this document and Note 8 of the 2017 Consolidated Financial Statements.
2 Excludes FDIC covered loans and other ACI loans. For additional information refer to the "Exposure to Acquired Credit-Impaired Loans" discussion and table in this section of the document and Note 8 of the 2017 Consolidated Financial Statements.

TABLE 28: IMPAIRED LOANS NET OF COUNTERPARTY-SPECIFIC AND INDIVIDUALLY INSIGNIFICANT ALLOWANCES BY INDUSTRY SECTOR[1,2,3]

(millions of Canadian dollars, except as noted)							As at					Percentage of total
			Oct. 31 2017	Oct. 31 2016	Oct. 31 2015	Oct. 31 2014	Oct. 31 2013	**Oct. 31 2017**	Oct. 31 2016	Oct. 31 2015	Oct. 31 2014	Oct. 31 2013
	Gross impaired loans	**Counterparty-specific and individually insignificant allowances**	**Net impaired loans**	Net impaired loans	Net impaired loans	Net impaired loans	Net impaired loans					
Canada												
Residential mortgages	**$ 296**	**$ 17**	**$ 279**	$ 385	$ 378	$ 427	$ 434	**11.6 %**	13.9 %	14.2 %	19.0 %	19.3 %
Consumer instalment and other personal												
HELOC	**108**	**6**	**102**	140	166	249	301	**4.3**	5.0	6.2	11.1	13.4
Indirect Auto	**48**	**37**	**11**	9	17	17	16	**0.5**	0.3	0.7	0.8	0.7
Other	**48**	**29**	**19**	20	19	20	21	**0.8**	0.7	0.7	0.9	0.9
Credit card	**144**	**93**	**51**	46	45	66	43	**2.1**	1.7	1.7	2.9	2.0
Total personal	**644**	**182**	**462**	600	625	779	815	**19.3**	21.6	23.5	34.7	36.3
Real estate												
Residential	**10**	**7**	**3**	3	6	10	13	**0.1**	0.1	0.2	0.4	0.6
Non-residential	**5**	**2**	**3**	7	7	4	5	**0.1**	0.3	0.3	0.2	0.2
Total real estate	**15**	**9**	**6**	10	13	14	18	**0.2**	0.4	0.5	0.6	0.8
Agriculture	**7**	**2**	**5**	9	3	5	5	**0.2**	0.3	0.1	0.3	0.2
Automotive	**2**	**–**	**2**	1	1	1	–	**0.1**	–	–	–	–
Financial	**–**	**–**	**–**	2	1	1	1	**–**	0.1	–	–	0.1
Food, beverage, and tobacco	**2**	**1**	**1**	2	1	–	3	**–**	0.1	–	–	0.1
Forestry	**–**	**–**	**–**	–	–	2	1	**–**	–	–	0.1	0.1
Government, public sector entities, and education	**–**	**–**	**–**	–	1	3	4	**–**	–	–	0.1	0.2
Health and social services	**15**	**4**	**11**	11	3	5	2	**0.5**	0.4	0.1	0.3	0.1
Industrial construction and trade contractors	**17**	**15**	**2**	11	2	1	6	**0.1**	0.4	0.1	–	0.2
Metals and mining	**21**	**6**	**15**	18	6	1	9	**0.7**	0.7	0.2	–	0.4
Pipelines, oil, and gas	**45**	**23**	**22**	51	68	1	20	**0.9**	1.8	2.6	–	0.9
Power and utilities	**–**	**–**	**–**	–	–	–	–	**–**	–	–	–	–
Professional and other services	**11**	**5**	**6**	4	4	4	3	**0.2**	0.1	0.2	0.2	0.1
Retail sector	**19**	**11**	**8**	11	9	7	18	**0.3**	0.4	0.3	0.4	0.8
Sundry manufacturing and wholesale	**20**	**13**	**7**	3	2	2	7	**0.3**	0.1	0.1	0.1	0.3
Telecommunications, cable, and media	**–**	**–**	**–**	–	2	1	–	**–**	–	0.1	–	–
Transportation	**6**	**1**	**5**	–	2	1	1	**0.2**	–	0.1	–	0.1
Other	**5**	**3**	**2**	4	3	5	2	**0.1**	0.1	0.1	0.3	0.1
Total business and government	**185**	**93**	**92**	137	121	54	100	**3.8**	4.9	4.5	2.4	4.5
Total Canada	**829**	**275**	**554**	737	746	833	915	**23.1**	26.5	28.0	37.1	40.8
United States												
Residential mortgages	**454**	**25**	**429**	418	361	303	250	**17.9**	15.0	13.6	13.5	11.1
Consumer instalment and other personal												
HELOC	**847**	**52**	**795**	863	780	325	204	**33.1**	31.0	29.3	14.5	9.1
Indirect Auto	**254**	**20**	**234**	190	155	128	76	**9.8**	6.8	5.8	5.7	3.4
Other	**7**	**3**	**4**	4	5	4	1	**0.2**	0.1	0.2	0.2	0.1
Credit card	**280**	**242**	**38**	38	44	29	98	**1.6**	1.4	1.7	1.3	4.3
Total personal	**1,842**	**342**	**1,500**	1,513	1,345	789	629	**62.6**	54.3	50.6	35.2	28.0
Real estate												
Residential	**34**	**7**	**27**	54	68	79	98	**1.1**	1.9	2.6	3.5	4.4
Non-residential	**83**	**10**	**73**	87	133	154	205	**3.1**	3.1	5.0	6.9	9.1
Total real estate	**117**	**17**	**100**	141	201	233	303	**4.2**	5.0	7.6	10.4	13.5
Agriculture	**2**	**–**	**2**	1	1	1	1	**0.1**	–	–	–	0.1
Automotive	**15**	**3**	**12**	14	11	14	12	**0.5**	0.5	0.4	0.6	0.5
Financial	**46**	**7**	**39**	24	26	25	8	**1.6**	0.9	1.0	1.1	0.4
Food, beverage, and tobacco	**11**	**2**	**9**	4	7	9	10	**0.4**	0.1	0.3	0.4	0.4
Forestry	**1**	**–**	**1**	12	–	1	1	**–**	0.4	–	–	0.1
Government, public sector entities, and education	**10**	**1**	**9**	8	8	16	19	**0.4**	0.3	0.3	0.7	0.8
Health and social services	**13**	**2**	**11**	29	38	49	23	**0.5**	1.1	1.4	2.2	1.0
Industrial construction and trade contractors	**26**	**6**	**20**	22	30	26	46	**0.8**	0.8	1.1	1.2	2.1
Metals and mining	**5**	**1**	**4**	4	13	9	18	**0.2**	0.1	0.5	0.4	0.8
Pipelines, oil, and gas	**25**	**8**	**17**	77	6	–	–	**0.7**	2.8	0.2	–	–
Power and utilities	**1**	**–**	**1**	–	–	–	–	**–**	–	–	–	–
Professional and other services	**53**	**7**	**46**	75	74	84	68	**1.9**	2.7	2.8	3.7	3.0
Retail sector	**43**	**6**	**37**	43	65	80	99	**1.6**	1.6	2.4	3.6	4.4
Sundry manufacturing and wholesale	**30**	**4**	**26**	41	40	39	28	**1.1**	1.5	1.5	1.7	1.3
Telecommunications, cable, and media	**2**	**1**	**1**	9	13	16	12	**–**	0.3	0.5	0.7	0.5
Transportation	**8**	**2**	**6**	25	31	15	39	**0.2**	0.9	1.2	0.7	1.8
Other	**6**	**3**	**3**	6	5	5	12	**0.1**	0.2	0.2	0.3	0.5
Total business and government	**414**	**70**	**344**	535	569	622	699	**14.3**	19.2	21.4	27.7	31.2
Total United States	**2,256**	**412**	**1,844**	2,048	1,914	1,411	1,328	**76.9**	73.5	72.0	62.9	59.2
International												
Business and government	**–**	**–**	**–**	–	–	–	–	**–**	–	–	–	–
Total international	**–**	**–**	**–**	–	–	–	–	**–**	–	–	–	–
Total	**$ 3,085**	**$ 687**	**$ 2,398**	$ 2,785	$ 2,660	$ 2,244	$ 2,243	**100.0 %**	100.0 %	100.0 %	100.0 %	100.0 %
Net impaired loans as a % of common equity			**3.45 %**	4.09 %	4.24 %	4.28 %	4.83 %					

1 Primarily based on the geographic location of the customer's address.

2 Excludes FDIC covered loans and other ACI loans. For additional information refer to the "Exposure to Acquired Credit-Impaired Loans" discussion and table in this section of the document and Note 8 of the 2017 Consolidated Financial Statements.

3 Excludes debt securities classified as loans. For additional information refer to the "Exposure to Non-Agency Collateralized Mortgage Obligations" section of this document and Note 8 of the 2017 Consolidated Financial Statements.

TABLE 29: IMPAIRED LOANS NET OF COUNTERPARTY-SPECIFIC AND INDIVIDUALLY INSIGNIFICANT ALLOWANCES FOR LOAN LOSSES BY GEOGRAPHY[1,2,3]

(millions of Canadian dollars, except as noted)					As at			Percentage of total
			October 31 2017	October 31 2016	October 31 2015	**October 31 2017**	October 31 2016	October 31 2015
	Gross impaired loans	**Counterparty-specific and individually insignificant allowances**	**Net impaired loans**	Net impaired loans	Net impaired loans			
Canada								
Atlantic provinces	**$ 40**	**$ 11**	**$ 29**	$ 32	$ 34	**1.2 %**	1.2 %	1.3 %
British Columbia[4]	**78**	**21**	**57**	85	109	**2.4**	3.1	4.1
Ontario[4]	**344**	**148**	**196**	277	318	**8.2**	9.9	11.9
Prairies[4]	**260**	**69**	**191**	231	156	**7.9**	8.3	5.9
Québec	**107**	**26**	**81**	112	129	**3.4**	4.0	4.8
Total Canada	**829**	**275**	**554**	737	746	**23.1**	26.5	28.0
United States								
Carolinas (North and South)	**113**	**16**	**97**	98	110	**4.0**	3.5	4.1
Florida	**174**	**26**	**148**	154	163	**6.2**	5.5	6.1
New England[5]	**504**	**63**	**441**	564	524	**18.4**	20.2	19.7
New Jersey	**380**	**44**	**336**	396	387	**14.0**	14.2	14.6
New York	**428**	**62**	**366**	328	318	**15.3**	11.8	12.0
Pennsylvania	**150**	**24**	**126**	161	171	**5.2**	5.8	6.4
Other	**507**	**177**	**330**	347	241	**13.8**	12.5	9.1
Total United States	**2,256**	**412**	**1,844**	2,048	1,914	**76.9**	73.5	72.0
Total	**$ 3,085**	**$ 687**	**$ 2,398**	$ 2,785	$ 2,660	**100.0 %**	100.0 %	100.0 %
Net impaired loans as a % of net loans[6]			**0.38 %**	0.46 %	0.48 %			

1 Primarily based on the geographic location of the customer's address.
2 Excludes FDIC covered loans and other ACI loans. For additional information refer to the "Exposure to Acquired Credit-Impaired Loans" discussion and table in this section of the document and Note 8 of the 2017 Consolidated Financial Statements.
3 Excludes debt securities classified as loans. For additional information refer to the "Exposure to Non-Agency Collateralized Mortgage Obligations" section of this document and Note 8 of the 2017 Consolidated Financial Statements.
4 The territories are included as follows: Yukon is included in British Columbia; Nunavut is included in Ontario; and the Northwest Territories is included in the Prairies region.
5 The states included in New England are as follows: Connecticut, Maine, Massachusetts, New Hampshire, and Vermont.
6 Includes customers' liability under acceptances.

ALLOWANCE FOR CREDIT LOSSES

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

Counterparty-specific allowance

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

During 2017, counterparty-specific allowances decreased by $136 million, or 34%, resulting in a total counterparty-specific allowance of $263 million. The decrease is primarily attributable to the debt securities classified as loans portfolio, improved credit quality in the oil and gas sector, and the impact of foreign exchange. Excluding debt securities classified as loans, FDIC covered loans and other ACI loans, counterparty-specific allowances decreased by $55 million, or 29% from the prior year, primarily due to the improved credit quality in the oil and gas sector and the impact of foreign exchange.

Collectively assessed allowance for individually insignificant impaired loans

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

During 2017, the collectively assessed allowance for individually insignificant impaired loans decreased by $8 million, or 1%, resulting in a total of $585 million. Excluding FDIC covered loans and other ACI loans, the collectively assessed allowance for individually insignificant impaired loans increased by $18 million, or 3% from the prior year.

Collectively assessed allowance for incurred but not identified credit losses

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

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

As at October 31, 2017, the collectively assessed allowance for incurred but not identified credit losses was $3,502 million, up from $3,381 million as at October 31, 2016. Excluding debt securities classified as loans, the collectively assessed allowance for incurred but not identified credit losses increased by $156 million, or 5% from the prior year, primarily due to the Business and Government and U.S. Credit Card portfolios, offset by the impact of foreign exchange.

The Bank periodically reviews the input and assumptions for calculating the allowance for incurred but not identified credit losses. As part of this review, certain revisions may be made to reflect updates in statistically derived loss estimates for the Bank's recent loss experience of its credit portfolios, which may cause the Bank to provide or release amounts from the allowance for incurred but not identified losses. During the year ended October 31, 2017, certain refinements were made, the cumulative effect of which was not material. Allowance for credit losses are further described in Note 8 of the 2017 Consolidated Financial Statements.

PROVISION FOR CREDIT LOSSES

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

The Bank recorded a total PCL of $2,216 million in 2017, compared with a total PCL of $2,330 million in 2016. This amount comprised $1,990 million of counterparty-specific and individually insignificant provisions and $226 million of collectively assessed incurred but not identified provisions. Total PCL as a percentage of net average loans and acceptances decreased to 0.36% from 0.40%.

In Canada, residential mortgages, consumer instalment and other personal loans, and credit card loans, required counterparty-specific and individually insignificant provisions of $931 million, a decrease of $14 million, or 1%, compared to 2016. Business and government loans required counterparty-specific and individually insignificant provisions of $35 million, a decrease of $68 million, or 66%, compared to 2016 primarily due to improved credit quality in the oil and gas sector.

In the U.S., residential mortgages, consumer instalment and other personal loans, and credit card loans, required counterparty-specific and individually insignificant provisions of $1,059 million, an increase of $252 million, or 31%, compared to 2016, primarily due to an increase in provisions for the credit card and indirect auto loan portfolios. Business and government loans required counterparty-specific and individually insignificant provisions of $5 million, a decrease of $34 million, or 87%, compared to 2016 primarily due to improved credit quality in the oil and gas sector.

Geographically, 49% of counterparty-specific and individually insignificant provisions were attributed to Canada and 51% to the U.S. when accounting for recoveries in the debt securities classified as loans and acquired credit-impaired loan portfolios. The largest regional concentration of counterparty-specific and individually insignificant provisions in Canada were concentrated in Ontario, which represented 19% of total counterparty-specific and individually insignificant provisions, down from 21% in 2016. The largest regional concentration of counterparty-specific and individually insignificant provisions in the U.S. were concentrated in New York, representing 7% of total counterparty-specific and individually insignificant provisions, up from 5% in the prior year.

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

TABLE 30: PROVISION FOR CREDIT LOSSES

(millions of Canadian dollars)	**2017**	2016	2015
Provision for credit losses – counterparty-specific and individually insignificant			
Counterparty-specific	**$ 40**	$ 139	$ 76
Individually insignificant	**2,575**	2,334	2,062
Recoveries	**(625)**	(602)	(601)
Total provision for credit losses for counterparty-specific and individually insignificant	**1,990**	1,871	1,537
Provision for credit losses – incurred but not identified			
Canadian Retail and Wholesale Banking[1]	**–**	165	44
U.S. Retail	**144**	210	76
Corporate[2]	**82**	84	26
Total provision for credit losses – incurred but not identified	**226**	459	146
Provision for credit losses	**$ 2,216**	$ 2,330	$ 1,683

1 The incurred but not identified PCL is included in the Corporate segment results for management reporting.
2 The retailer program partners' share of the U.S. strategic cards portfolio.

TABLE 31: PROVISION FOR CREDIT LOSSES BY INDUSTRY SECTOR[1]

(millions of Canadian dollars, except as noted)	*For the years ended*			*Percentage of total*		
	October 31 2017	October 31 2016	October 31 2015	**October 31 2017**	October 31 2016	October 31 2015
Provision for credit losses – counterparty-specific and individually insignificant						
Canada						
Residential mortgages	**$ 22**	$ 15	$ 25	**1.1 %**	0.8 %	1.6 %
Consumer instalment and other personal						
HELOC	**7**	5	7	**0.4**	0.3	0.4
Indirect auto	**245**	253	153	**12.3**	13.5	10.0
Other	**172**	169	148	**8.6**	9.0	9.6
Credit card	**485**	503	495	**24.4**	26.9	32.2
Total personal	**931**	945	828	**46.8**	50.5	53.8
Real estate						
Residential	**–**	–	(3)	**–**	–	(0.2)
Non-residential	**1**	–	3	**0.1**	–	0.2
Total real estate	**1**	–	–	**0.1**	–	–
Agriculture	**–**	–	2	**–**	–	0.1
Automotive	**–**	1	2	**–**	0.1	0.1
Financial	**–**	–	–	**–**	–	–
Food, beverage, and tobacco	**–**	(3)	11	**–**	(0.2)	0.7
Forestry	**1**	–	–	**0.1**	–	–
Government, public sector entities, and education	**–**	(1)	–	**–**	(0.1)	–
Health and social services	**4**	4	–	**0.2**	0.2	–
Industrial construction and trade contractors	**9**	11	21	**0.4**	0.6	1.4
Metals and mining	**5**	1	(1)	**0.2**	0.1	(0.1)
Pipelines, oil, and gas	**(11)**	43	21	**(0.5)**	2.3	1.4
Power and utilities	**–**	–	–	**–**	–	–
Professional and other services	**6**	9	(18)	**0.3**	0.5	(1.1)
Retail sector	**11**	12	9	**0.5**	0.6	0.6
Sundry manufacturing and wholesale	**1**	14	–	**0.1**	0.7	–
Telecommunications, cable, and media	**1**	1	–	**0.1**	0.1	–
Transportation	**2**	4	4	**0.1**	0.2	0.3
Other	**5**	7	11	**0.2**	0.4	0.7
Total business and government	**35**	103	62	**1.8**	5.5	4.1
Total Canada	**966**	1,048	890	**48.6**	56.0	57.9
United States						
Residential mortgages	**7**	16	24	**0.4**	0.9	1.6
Consumer instalment and other personal						
HELOC	**7**	58	69	**0.4**	3.1	4.5
Indirect auto	**229**	146	123	**11.5**	7.8	8.0
Other	**128**	96	77	**6.4**	5.1	5.0
Credit card	**688**	491	337	**34.5**	26.2	21.9
Total personal	**1,059**	807	630	**53.2**	43.1	41.0
Real estate						
Residential	**1**	(5)	–	**0.1**	(0.3)	–
Non-residential	**(3)**	6	15	**(0.2)**	0.4	1.0
Total real estate	**(2)**	1	15	**(0.1)**	0.1	1.0
Agriculture	**–**	–	–	**–**	–	–
Automotive	**(1)**	1	4	**(0.1)**	0.1	0.3
Financial	**19**	(3)	1	**1.0**	(0.2)	0.1
Food, beverage, and tobacco	**1**	1	4	**0.1**	0.1	0.3
Forestry	**(7)**	7	–	**(0.4)**	0.4	–
Government, public sector entities, and education	**(2)**	(6)	2	**(0.1)**	(0.4)	0.1
Health and social services	**(6)**	2	2	**(0.3)**	0.1	0.1
Industrial construction and trade contractors	**7**	(1)	9	**0.4**	(0.1)	0.6
Metals and mining	**(1)**	3	–	**(0.1)**	0.2	–
Pipelines, oil, and gas	**(15)**	25	–	**(0.8)**	1.2	–
Power and utilities	**(1)**	1	–	**(0.1)**	0.1	–
Professional and other services	**3**	(2)	8	**0.2**	(0.1)	0.5
Retail sector	**–**	(4)	11	**–**	(0.2)	0.7
Sundry manufacturing and wholesale	**(6)**	(4)	18	**(0.3)**	(0.2)	1.1
Telecommunications, cable, and media	**(1)**	3	2	**(0.1)**	0.2	0.1
Transportation	**1**	1	–	**0.1**	0.1	–
Other	**16**	14	4	**0.8**	0.7	0.3
Total business and government	**5**	39	80	**0.2**	2.1	5.2
Total United States	**1,064**	846	710	**53.4**	45.2	46.2
Total excluding other loans	**2,030**	1,894	1,600	**102.0**	101.2	104.1
Other loans						
Debt securities classified as loans	**(2)**	8	(27)	**(0.1)**	0.4	(1.8)
Acquired credit-impaired loans[2]	**(38)**	(31)	(36)	**(1.9)**	(1.6)	(2.3)
Total other loans	**(40)**	(23)	(63)	**(2.0)**	(1.2)	(4.1)
Total provision for credit losses – counterparty-specific and individually insignificant	**$ 1,990**	$ 1,871	$ 1,537	**100.0 %**	100.0 %	100.0 %
Provision for credit losses – incurred but not identified						
Personal, business and government	**237**	463	157			
Debt securities classified as loans	**(11)**	(4)	(11)			
Total provision for credit losses – incurred but not identified	**226**	459	146			
Total provision for credit losses	**$ 2,216**	$ 2,330	$ 1,683			

1 Primarily based on the geographic location of the customer's address.

2 Includes all FDIC covered loans and other ACI loans.

TABLE 32: PROVISION FOR CREDIT LOSSES BY GEOGRAPHY[1]

(millions of Canadian dollars, except as noted)

	For the years ended			Percentage of total		
	October 31 2017	October 31 2016	October 31 2015	**October 31 2017**	October 31 2016	October 31 2015
Canada						
Atlantic provinces	**$ 75**	$ 69	$ 53	**3.4 %**	3.0 %	3.1 %
British Columbia[2]	**109**	120	112	**4.9**	5.1	6.7
Ontario[2]	**374**	400	415	**16.9**	17.2	24.7
Prairies[2]	**258**	310	174	**11.6**	13.3	10.3
Québec	**150**	149	136	**6.8**	6.4	8.1
Total Canada	**966**	1,048	890	**43.6**	45.0	52.9
United States						
Carolinas (North and South)	**42**	33	26	**1.9**	1.4	1.5
Florida	**77**	53	43	**3.5**	2.3	2.6
New England[3]	**112**	112	135	**5.1**	4.8	8.0
New Jersey	**95**	81	87	**4.3**	3.4	5.2
New York	**143**	98	84	**6.4**	4.2	5.0
Pennsylvania	**52**	41	41	**2.3**	1.8	2.4
Other[4]	**543**	428	294	**24.5**	18.4	17.5
Total United States	**1,064**	846	710	**48.0**	36.3	42.2
Total excluding other loans	**2,030**	1,894	1,600	**91.6**	81.3	95.1
Other loans	**(40)**	(23)	(63)	**(1.8)**	(1.0)	(3.8)
Total counterparty-specific and individually insignificant provision	**1,990**	1,871	1,537	**89.8**	80.3	91.3
Incurred but not identified provision	**226**	459	146	**10.2**	19.7	8.7
Total provision for credit losses	**$ 2,216**	$ 2,330	$ 1,683	**100.0 %**	100.0 %	100.0 %

Provision for credit losses as a % of average net loans and acceptances[5]	**October 31 2017**	October 31 2016	October 31 2015
Canada			
Residential mortgages	**0.01 %**	0.01 %	0.01 %
Credit card, consumer instalment and other personal	**0.73**	0.81	0.72
Business and government	**0.04**	0.12	0.08
Total Canada	**0.24**	0.27	0.24
United States			
Residential mortgages	**0.03**	0.06	0.09
Credit card, consumer instalment and other personal	**1.92**	1.50	1.38
Business and government	**–**	0.04	0.10
Total United States	**0.55**	0.46	0.46
International	**–**	–	–
Total excluding other loans	**0.34**	0.33	0.31
Other loans	**(1.47)**	(0.84)	(1.69)
Total counterparty-specific and individually insignificant provision	**0.33**	0.32	0.29
Incurred but not identified provision	**0.04**	0.08	0.03
Total provision for credit losses as a % of average net loans and acceptances	**0.36 %**	0.40 %	0.32 %

1 Primarily based on the geographic location of the customer's address.
2 The territories are included as follows: Yukon is included in British Columbia; Nunavut is included in Ontario; and Northwest Territories is included in the Prairies region.
3 The states included in New England are as follows: Connecticut, Maine, Massachusetts, New Hampshire, and Vermont.
4 Other includes PCL attributable to other states/regions including those outside TD's core U.S. geographic footprint.
5 Includes customers' liability under acceptances.

NON-PRIME LOANS

As at October 31, 2017, the Bank had approximately $2.5 billion (October 31, 2016 – $2.6 billion), gross exposure to non-prime loans, which primarily consist of automotive loans originated in Canada. The credit loss rate, an indicator of credit quality, and defined as annual PCL divided by the average month-end loan balance was approximately 5.25% on an annual basis (October 31, 2016 – 6.79%). PCL primarily declined due to lower provisions for individually insignificant impaired loans, reflecting the economic recovery in oil and gas impacted regions. These loans are recorded at amortized cost.

SOVEREIGN RISK

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

TABLE 33: EXPOSURE TO EUROPE – Total Net Exposure by Country and Counterparty[1]

(millions of Canadian dollars) *As at*

	Loans and commitments[2]				Derivatives, repos, and securities lending[3]				Trading and investment portfolio[4,5]				Total
Country	Corporate	Sovereign	Financial	Total	Corporate	Sovereign	Financial	Total	Corporate	Sovereign	Financial	Total	Exposure[6]
													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
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	5	–	263	193	153	187	533	42	372	11	425	1,221
Total Rest of Europe	6,159	4,650	495	11,304	1,937	3,688	15,009	20,634	761	23,123	3,743	27,627	59,565
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
Country													October 31, 2016
GIIPS													
Greece	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Italy	–	168	6	174	–	–	9	9	22	36	1	59	242
Ireland	–	–	–	–	45	–	592	637	–	–	–	–	637
Portugal	–	–	–	–	–	–	26	26	1	–	–	1	27
Spain	–	105	48	153	–	–	52	52	2	–	–	2	207
Total GIIPS	–	273	54	327	45	–	679	724	25	36	1	62	1,113
Rest of Europe													
Austria	–	–	–	–	–	17	8	25	–	737	182	919	944
Finland	7	64	13	84	–	21	100	121	–	1,379	–	1,379	1,584
France	437	765	169	1,371	96	863	1,582	2,541	108	6,734	262	7,104	11,016
Germany	1,037	644	55	1,736	464	738	709	1,911	186	10,779	19	10,984	14,631
Luxembourg	–	–	–	–	59	–	445	504	–	75	57	132	636
Netherlands	588	555	271	1,414	604	240	367	1,211	16	4,271	506	4,793	7,418
Norway	–	4	4	8	1	95	34	130	7	305	272	584	722
Sweden	–	64	222	286	–	247	76	323	7	1,359	451	1,817	2,426
Switzerland	1,125	58	125	1,308	75	–	802	877	51	–	168	219	2,404
United Kingdom	1,787	3,009	37	4,833	1,000	550	4,823	6,373	158	1,765	3,429	5,352	16,558
Other[7]	268	–	8	276	166	250	217	633	5	343	60	408	1,317
Total Rest of Europe	5,249	5,163	904	11,316	2,465	3,021	9,163	14,649	538	27,747	5,406	33,691	59,656
Total Europe	$ 5,249	$ 5,436	$ 958	$ 11,643	$ 2,510	$ 3,021	$ 9,842	$ 15,373	$ 563	$ 27,783	$ 5,407	$ 33,753	$ 60,769

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 October 31, 2017, or October 31, 2016.
3 Exposures are calculated on a fair value basis and are net of collateral. Total market value of pledged collateral is $1.5 billion (October 31, 2016 – $6.9 billion) for GIIPS and $67.4 billion (October 31, 2016 – $24.7 billion) for the rest of Europe. 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 October 31, 2017, and October 31, 2016.
6 The reported exposures do not include $0.2 billion of protection the Bank purchased through credit default swaps (October 31, 2016 – $0.3 billion).
7 Other European exposure is distributed across 7 countries (October 31, 2016 – 7 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 October 31, 2017.

Of the Bank's European exposure, approximately 96% (October 31, 2016 – 98%) 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 $9.5 billion (October 31, 2016 – $8.9 billion) of exposure to supranational entities with European sponsorship and $2.3 billion (October 31, 2016 – $0.2 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.

EXPOSURE TO ACQUIRED CREDIT-IMPAIRED LOANS

ACI loans are generally loans with evidence of incurred credit loss where it is probable at the purchase date that the Bank will be unable to collect all contractually required principal and interest payments. Evidence of credit quality deterioration as of the acquisition date may include statistics such as past due status and credit scores. ACI loans are initially recorded at fair value, and as a result, no allowance for credit losses is recorded on the date of acquisition.

ACI loans originated from FDIC-assisted transactions, including covered loans subject to loss sharing agreements with the FDIC and The South Financial Group acquisition. The following table presents the unpaid principal balance, carrying value, counterparty-specific allowance, allowance for individually insignificant impaired loans, and the net carrying value as a percentage of the unpaid principal balance for ACI loans.

TABLE 34: ACQUIRED CREDIT-IMPAIRED LOAN PORTFOLIO

(millions of Canadian dollars, except as noted)	Unpaid principal balance[1]	Carrying value	Counterparty-specific allowance[2]	Allowance for individually insignificant impaired loans	Carrying value net of allowances	Percentage of unpaid principal balance (As at)
						October 31, 2017
FDIC-assisted acquisitions[3]	**$ 362**	**$ 335**	**$ 1**	**$ 19**	**$ 315**	**87.0 %**
South Financial	**359**	**330**	**2**	**13**	**315**	**87.7**
Total ACI loan portfolio	**$ 721**	**$ 665**	**$ 3**	**$ 32**	**$ 630**	**87.4 %**
						October 31, 2016
FDIC-assisted acquisitions[3]	$ 508	$ 480	$ 1	$ 35	$ 444	87.4 %
South Financial	529	494	3	23	468	88.5
Total ACI loan portfolio	$ 1,037	$ 974	$ 4	$ 58	$ 912	87.9 %

1 Represents contractual amount owed net of charge-offs since acquisition of the loan.
2 Management concluded as part of the Bank's assessment of the ACI loans that it was probable that higher than estimated principal credit losses would result in a decrease in expected cash flows subsequent to acquisition. As a result, counterparty-specific and individually insignificant allowances have been recognized.
3 Carrying value does not include the effect of the FDIC loss sharing agreement.

During the year ended October 31, 2017, the Bank recorded a recovery of $38 million in PCL on ACI loans (2016 – $31 million, 2015 – $36 million). The following table provides key credit statistics by past due contractual status and geographic concentrations based on ACI loans unpaid principal balance.

TABLE 35: ACQUIRED CREDIT-IMPAIRED LOANS – Key Credit Statistics

(millions of Canadian dollars, except as noted)	**October 31, 2017**		October 31, 2016 (As at)	
	Unpaid principal balance[1]		Unpaid principal balance[1]	
Past due contractual status				
Current and less than 30 days past due	**$ 650**	**90.1 %**	$ 912	88.0 %
30-89 days past due	**15**	**2.1**	24	2.3
90 or more days past due	**56**	**7.8**	101	9.7
Total ACI loans	**$ 721**	**100.0 %**	$ 1,037	100.0 %
Geographic region				
Florida	**$ 481**	**66.7 %**	$ 691	66.6 %
South Carolina	**183**	**25.4**	260	25.1
North Carolina	**54**	**7.5**	83	8.0
Other U.S. and Canada	**3**	**0.4**	3	0.3
Total ACI loans	**$ 721**	**100.0 %**	$ 1,037	100.0 %

1 Represents contractual amount owed net of charge-offs since acquisition of the loan.

EXPOSURE TO NON-AGENCY COLLATERALIZED MORTGAGE OBLIGATIONS

As a result of the acquisition of Commerce Bancorp Inc., the Bank has exposure to non-agency collateralized mortgage obligations (CMO) collateralized primarily by Alt-A and Prime Jumbo mortgages, most of which are pre-payable fixed-rate mortgages without rate reset features. At the time of acquisition, the portfolio was recorded at fair value, which became the new cost basis for this portfolio. Refer to the "Exposure to Non-Agency Collateralized Mortgage Obligations" section of the 2016 Annual Report for further details on CMOs.

The allowance for losses that are incurred but not identified as at October 31, 2017, was US$16 million (October 31, 2016 – US$41 million).

The following table presents the par value, carrying value, allowance for loan losses, and the net carrying value as a percentage of the par value for the non-agency CMO portfolio as at October 31, 2017, and October 31, 2016. As at October 31, 2017, the balance of the remaining acquisition-related incurred loss was US$115 million (October 31, 2016 – US$160 million). This amount is reflected in the following table as a component of the discount from par to carrying value.

TABLE 36: NON-AGENCY CMO LOANS PORTFOLIO

(millions of U.S. dollars, except as noted)	Par value	Carrying value	Allowance for loan losses	Carrying value net of allowance	Percentage of par value (As at)
					October 31, 2017
Non-agency CMOs	**$ 613**	**$ 542**	**$ 114**	**$ 428**	**69.8 %**
					October 31, 2016
Non-agency CMOs	$ 1,158	$ 1,020	$ 195	$ 825	71.2 %

During the second quarter of 2009, the Bank re-securitized a portion of the non-agency CMO portfolio. As part of the on-balance sheet re-securitization, new credit ratings were obtained for the re-securitized securities that better reflected the discount on acquisition and the Bank's risk inherent on the entire portfolio, resulting in a net capital benefit. The net capital benefit expired on October 31, 2016. During the first quarter of 2017, the Bank unwound the re-securitizations and sold a portion of the non-agency CMO portfolio resulting in a gain on sale, recognized in other income within the Corporate segment. The impact of the sale on the portfolio and related allowance for loan losses is reflected in the table above.

TABLE 37: NON-AGENCY ALT-A AND PRIME JUMBO CMO PORTFOLIO BY VINTAGE YEAR

(millions of U.S. dollars)						*As at*
	Alt-A		Prime Jumbo		Total	
	Amortized cost	Fair value	Amortized cost	Fair value	Amortized cost	Fair value
						October 31, 2017
2003	**$ 16**	**$ 18**	**$ 9**	**$ 10**	**$ 25**	**$ 28**
2004	**40**	**44**	**12**	**13**	**52**	**57**
2005	**50**	**68**	**7**	**7**	**57**	**75**
2006	**93**	**107**	**32**	**36**	**125**	**143**
2007	**152**	**173**	**33**	**39**	**185**	**212**
Total portfolio net of counterparty-specific and individually insignificant credit losses	**$ 351**	**$ 410**	**$ 93**	**$ 105**	**$ 444**	**$ 515**
Less: allowance for incurred but not identified credit losses					**16**	
Total					**$ 428**	
						October 31, 2016
2003	$ 20	$ 23	$ 20	$ 21	$ 40	$ 44
2004	49	55	15	17	64	72
2005	204	248	14	16	218	264
2006	157	187	73	84	230	271
2007	226	270	88	99	314	369
Total portfolio net of counterparty-specific and individually insignificant credit losses	$ 656	$ 783	$ 210	$ 237	$ 866	$ 1,020
Less: allowance for incurred but not identified credit losses					41	
Total					$ 825	

Capital Position

TABLE 38: CAPITAL STRUCTURE AND RATIOS – Basel III[1]

(millions of Canadian dollars, except as noted)	2017	2016
Common Equity Tier 1 Capital		
Common shares plus related contributed surplus	**$ 20,967**	$ 20,881
Retained earnings	**40,489**	35,452
Accumulated other comprehensive income	**8,006**	11,834
Common Equity Tier 1 Capital before regulatory adjustments	**69,462**	68,167
Common Equity Tier 1 Capital regulatory adjustments		
Goodwill (net of related tax liability)	**(18,820)**	(19,517)
Intangibles (net of related tax liability)	**(2,310)**	(2,241)
Deferred tax assets excluding those arising from temporary differences	**(113)**	(172)
Cash flow hedge reserve	**506**	(1,690)
Shortfall of provisions to expected losses	**(805)**	(906)
Gains and losses due to changes in own credit risk on fair valued liabilities	**(73)**	(166)
Defined benefit pension fund net assets (net of related tax liability)	**(13)**	(11)
Investment in own shares	**–**	(72)
Significant investments in the common stock of banking, financial, and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	**(1,206)**	(1,064)
Total regulatory adjustments to Common Equity Tier 1 Capital	**(22,834)**	(25,839)
Common Equity Tier 1 Capital	**46,628**	42,328
Additional Tier 1 Capital instruments		
Directly issued qualifying Additional Tier 1 instruments plus stock surplus	**4,247**	3,899
Directly issued capital instruments subject to phase out from Additional Tier 1	**3,229**	3,236
Additional Tier 1 instruments issued by subsidiaries and held by third parties subject to phase out	**–**	286
Additional Tier 1 Capital instruments before regulatory adjustments	**7,476**	7,421
Additional Tier 1 Capital instruments regulatory adjustments		
Investment in own Additional Tier 1 instruments	**(1)**	–
Significant investments in the capital of banking, financial, and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	**(352)**	(352)
Total regulatory adjustments to Additional Tier 1 Capital	**(353)**	(352)
Additional Tier 1 Capital	**7,123**	7,069
Tier 1 Capital	**53,751**	49,397
Tier 2 Capital instruments and provisions		
Directly issued qualifying Tier 2 instruments plus related stock surplus	**7,156**	5,760
Directly issued capital instruments subject to phase out from Tier 2	**2,648**	4,899
Tier 2 instruments issued by subsidiaries and held by third parties subject to phase out	**–**	270
Collective allowances	**1,668**	1,660
Tier 2 Capital before regulatory adjustments	**11,472**	12,589
Tier 2 regulatory adjustments		
Investments in own Tier 2 instruments	**(25)**	–
Significant investments in the capital of banking, financial, and insurance entities that are outside consolidation, net of eligible short positions	**(160)**	(170)
Total regulatory adjustments to Tier 2 Capital	**(185)**	(170)
Tier 2 Capital	**11,287**	12,419
Total Capital	**65,038**	61,816
Risk-weighted assets[2]		
Common Equity Tier 1 Capital	**$ 435,750**	$ 405,844
Tier 1 Capital	**435,750**	405,844
Total Capital	**435,750**	405,844
Capital Ratios and Multiples		
Common Equity Tier 1 Capital (as percentage of CET1 Capital risk-weighted assets)	**10.7 %**	10.4 %
Tier 1 Capital (as percentage of Tier 1 Capital risk-weighted assets)	**12.3**	12.2
Total Capital (as percentage of Total Capital risk-weighted assets)	**14.9**	15.2
Leverage ratio[3]	**3.9**	4.0

[1] Capital position has been calculated using the "all-in" basis.
[2] Each capital ratio has its own RWA measure due to the OSFI-prescribed scalar for inclusion of the CVA. For fiscal 2016, the scalars for inclusion of CVA for CET1, Tier 1, and Total Capital RWA were 64%, 71%, and 77% respectively. For fiscal 2017, the scalars are 72%, 77%, and 81%, respectively. As the Bank is constrained by the Basel 1 regulatory floor, the RWA as it relates to the regulatory floor is calculated based on the Basel 1 risk weights which are the same for all capital ratios.
[3] The leverage ratio is calculated as Tier 1 Capital divided by leverage exposure, as defined.

THE BANK'S CAPITAL MANAGEMENT OBJECTIVES

The Bank's capital management objectives are:

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

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

CAPITAL SOURCES

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

CAPITAL MANAGEMENT

Enterprise Capital Management manages capital for the Bank and is responsible for forecasting and monitoring compliance with capital targets. The Board of Directors (the "Board") oversees capital adequacy risk management.

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

ECONOMIC CAPITAL

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

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

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

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

REGULATORY CAPITAL

Capital requirements of the Basel Committee on Banking and Supervision (BCBS) are commonly referred to as Basel III. Under Basel III, Total Capital consists of three components, namely CET1, Additional Tier 1, and Tier 2 Capital. Risk sensitive regulatory capital ratios are calculated by dividing CET1, Tier 1, and Total Capital by their respective RWA, 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 ratio exposure which is primarily comprised of on-balance sheet assets with adjustments made to derivative and securities financing transaction exposures, and credit equivalent amounts of off-balance sheet exposures.

OSFI's Capital Requirements under Basel III

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

Effective January 1, 2014, the CVA capital charge is to be phased in over a five year period based on a scalar approach. For fiscal 2017, the scalars for inclusion of the CVA for CET1, Tier 1, and Total Capital RWA are 72%, 77%, and 81%. This scalar increases to 80% in 2018 and 100% in 2019 for the CET1 calculation. A similar set of scalar phase-in percentages apply to the Tier 1 and Total Capital ratio calculations.

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

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

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% could 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 the first quarter of 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 will be capped at 1.25% of total RWA in the first quarter of 2017 and increase each subsequent year by an additional 0.625%, to reach its final maximum of 2.5% of total RWA in the first quarter of 2019. As at October 31, 2017, 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 October 31, 2017.

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

Capital Position and Capital Ratios

The Basel framework allows qualifying banks to determine capital levels consistent with the way they measure, manage, and mitigate risks. It specifies methodologies for the measurement of credit, market, and operational risks. The Bank uses the advanced approaches for the majority of its portfolios. Effective the third quarter of 2016, OSFI approved the Bank to calculate the majority of the retail portfolio credit RWA in the U.S. Retail segment using the Advanced Internal Ratings Based (AIRB) approach. The remaining assets in the U.S. Retail segment continue to use the standardized approach for credit risk.

For accounting purposes, IFRS is followed for consolidation of subsidiaries and joint ventures. For regulatory capital purposes, insurance subsidiaries are deconsolidated and reported as a deduction from capital. Insurance subsidiaries are subject to their own capital adequacy reporting, such as OSFI's Minimum Continuing Capital Surplus Requirements and Minimum Capital Test. Currently, for regulatory capital purposes, all the entities of the Bank are either consolidated or deducted from capital and there are no entities from which surplus capital is recognized.

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

As at October 31, 2017, the Bank's CET1, Tier 1, and Total Capital ratios were 10.7%, 12.3%, and 14.9%, respectively. Compared with the Bank's CET1 Capital ratio of 10.4% at October 31, 2016, the CET1 Capital ratio, as at October 31, 2017, increased due to organic capital growth, actuarial gains on employee benefit plans primarily due to an increase in long term interest rates, unrealized gains in AOCI from available-for-sale securities portfolio due to tightening of the credit spreads, partially offset by an increase in RWA attributable to the Basel I regulatory floor, RWA growth across all segments, common shares repurchased, and the impact of the Scottrade transaction.

As at October 31, 2017, the Bank's leverage ratio was 3.9%. Compared with the Bank's leverage ratio of 4.0% at October 31, 2016, the leverage ratio, as at October 31, 2017, decreased as capital generation and preferred share issuances were more than offset by business growth in all segments.

Common Equity Tier 1 Capital

CET1 Capital was $46.6 billion as at October 31, 2017. Strong earnings growth contributed the majority of CET1 Capital growth in the year. Capital management funding activities during the year included the common share issuance of $477 million under the dividend reinvestment plan and from stock option exercises.

Tier 1 and Tier 2 Capital

Tier 1 Capital was $54 billion as at October 31, 2017, consisting of CET1 Capital and Additional Tier 1 Capital of $47 billion and $7 billion, respectively. Tier 1 Capital management activities during the year consisted of the issuance of $350 million non-cumulative Rate Reset Preferred Shares, Series 16, which included NVCC Provisions to ensure loss absorbency at the point of non-viability, and the redemption, by TD's indirect subsidiary Northgroup Preferred Capital Corporation, of US$500 million Fixed-to-Floating Rate Exchangeable Non-Cumulative Perpetual Preferred Stock, Series A.

Tier 2 Capital was $11 billion as at October 31, 2017. Tier 2 Capital management activities during the year consisted of the issuance of $1.5 billion 3.224% subordinated debentures due July 25, 2029, which included NVCC Provisions to ensure loss absorbency at the point of non-viability, and the redemption of $2.25 billion 4.779% subordinated debentures due December 14, 2105 and the redemption, by TD's indirect subsidiary TD Bank, N.A., of $270 million 4.644% Fixed Rate/Floating Rate Subordinated Notes due September 20, 2022. On November 7, 2017, the Bank announced its intention to redeem $1.8 billion 5.763% subordinated debentures due December 18, 2106 on December 18, 2017.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

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

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

DIVIDENDS

At October 31, 2017, the quarterly dividend was $0.60 per share, consistent with the Bank's current target payout range of 40% to 50% of adjusted earnings. Cash dividends declared and paid during the year totalled $2.35 per share (2016 – $2.16). For cash dividends payable on the Bank's preferred shares, refer to Note 21 of the 2017 Consolidated Financial Statements. As at October 31, 2017, 1,840 million common shares were outstanding (2016 – 1,857 million). The Bank's ability to pay dividends is subject to the requirements of the *Bank Act* (Canada) (the "*Bank Act*") and OSFI. Refer to Note 21 of the 2017 Consolidated Financial Statements for further information on dividend restrictions.

NORMAL COURSE ISSUER BID

On September 18, 2017, the Bank announced that the Toronto Stock Exchange (TSX) and OSFI approved the Bank's amended normal course issuer bid (NCIB) to repurchase for cancellation up to an additional 20 million of the Bank's common shares. On October 4, 2017, in connection with its amended NCIB, the Bank announced its intention to purchase for cancellation up to 7.98 million of its common shares pursuant to specific share repurchase programs. During the quarter ended October 31, 2017, the Bank completed the purchase of common shares pursuant to the specific share repurchase programs, which shares were purchased at a discount to the prevailing market price of the Bank's common shares on the TSX at the time of purchase. During the three months ended October 31, 2017, the Bank repurchased 7.98 million common shares under its amended NCIB at an average price of $64.80 per share for a total amount of $517 million.

On March 16, 2017, the Bank announced that the TSX and OSFI approved the Bank's previously announced NCIB to repurchase for cancellation up to 15 million of the Bank's common shares. On March 28, 2017, in connection with its NCIB, the Bank announced its intention to purchase for cancellation up to 14.5 million of its common shares pursuant to a specific share repurchase program. During the quarter ended April 30, 2017, the Bank completed the purchase of common shares pursuant to the specific share repurchase program, which shares were purchased at a discount to the prevailing market price of the Bank's common shares on the TSX at the time of purchase. During the three months ended April 30, 2017, the Bank repurchased 15 million common shares under its NCIB at an average price of $58.65 per share for a total amount of $880 million.

On December 9, 2015, the Bank announced that the TSX and OSFI approved the Bank's previously announced NCIB to repurchase for cancellation up to 9.5 million of the Bank's common shares. On January 11, 2016, in connection with its NCIB, the Bank announced its intention to purchase for cancellation up to 3 million of its common shares pursuant to private agreements between the Bank and an arm's length third party seller. During the quarter ended January 31, 2016, the Bank completed the purchase of common shares by way of private agreements, which shares were purchased at a discount to the prevailing market price of the Bank's common shares on the TSX at the time of purchase. During the three months ended January 31, 2016, the Bank repurchased 9.5 million common shares under its NCIB at an average price of $51.23 per share for a total amount of $487 million.

RISK-WEIGHTED ASSETS

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

TABLE 39: COMMON EQUITY TIER 1 CAPITAL RISK-WEIGHTED ASSETS[1]

(millions of Canadian dollars)		*As at*
	October 31, 2017	October 31, 2016
Credit risk		
Retail		
Residential secured	**$ 30,500**	$ 29,563
Qualifying revolving retail	**19,432**	18,965
Other retail	**45,300**	43,288
Non-retail		
Corporate	**168,119**	169,559
Sovereign	**7,618**	5,139
Bank	**8,275**	9,087
Securitization exposures	**14,442**	16,161
Equity exposures	**805**	789
Exposures subject to standardized or Internal Ratings Based (IRB) approaches	**294,491**	292,551
Adjustment to IRB RWA for scaling factor	**8,615**	8,515
Other assets not included in standardized or IRB approaches	**36,687**	39,230
Total credit risk	**339,793**	340,296
Market risk	**14,020**	12,211
Operational risk	**48,392**	48,001
Regulatory floor	**33,545**	5,336
Total	**$ 435,750**	$ 405,844

1 Each capital ratio has its own RWA measure due to the OSFI-prescribed scalar for inclusion of the CVA. For fiscal 2016, the scalars for inclusion of CVA for CET1, Tier 1 and Total Capital RWA were 64%, 71%, and 77%, respectively. For fiscal 2017, the scalars are 72%, 77%, and 81%, respectively. As the Bank is constrained by the Basel 1 regulatory floor, the RWA as it relates to the regulatory floor is calculated based on the Basel 1 risk weights which are the same for all capital ratios.

TABLE 40: 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)				*For the years ended*
		October 31, 2017		October 31, 2016
	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	**$ 324,335**	**$ 15,961**	$ 308,164	$ 20,423
Book size	**10,087**	**(4,292)**	18,589	(527)
Book quality	**(6,724)**	**(651)**	2,556	(223)
Model updates	**(1,291)**	**–**	(11,195)	(4,144)
Methodology and policy	**4,948**	**578**	–	–
Acquisitions and disposals	**4,018**	**–**	(318)	–
Foreign exchange movements	**(8,019)**	**(338)**	5,124	432
Other	**1,181**	**–**	1,415	–
Total RWA movement	**4,200**	**(4,703)**	16,171	(4,462)
Common Equity Tier 1 Capital RWA, balance at end of period	**$ 328,535**	**$ 11,258**	$ 324,335	$ 15,961

Counterparty credit risk is comprised of over-the-counter derivatives, repo-style transactions, trades cleared through central counterparties, and CVA RWA which was phased in at 72% for fiscal 2017 (2016 – 64%). 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, buildings, equipment, and other depreciable property.

The Book size category consists of organic changes in book size and composition (including new business and maturing loans), and for fiscal 2017, is mainly due to growth in various retail portfolios and commercial exposures 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, and for fiscal 2017, decreased mainly due to savings from the annual update of non-retail credit risk parameters.

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, and for fiscal 2017, increased mainly due to a change in treatment for certain securitization exposures in the U.S. Retail segment.

The Acquisitions and disposals category impact, for fiscal 2017, is mainly due to the Scottrade Bank acquisition.

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, buildings, equipment and other depreciable property, and other assets.

TABLE 41: FLOW STATEMENT FOR RISK-WEIGHTED ASSETS – Disclosure for Market Risk Risk-Weighted Assets Movement by Key Driver

(millions of Canadian dollars)		*For the years ended*
	October 31, 2017	October 31, 2016
RWA, balance at beginning of period	**$ 12,211**	$ 12,655
Movement in risk levels	**1,782**	548
Model updates	**–**	–
Methodology and policy	**–**	(992)
Acquisitions and disposals	**–**	–
Foreign exchange movements and other	**n/m[1]**	n/m[1]
Total RWA movement	**1,782**	(444)
RWA, balance at end of period	**$ 13,993**	$ 12,211

1 Not meaningful.

The Movement in risk levels category reflects changes in risk due to position changes and market movements. An increase in interest rate risk drove the increase in RWA. The Model updates category reflects updates to the model to reflect recent experience and changes in model scope. The Methodology and policy category reflects methodology changes to the calculations driven by regulatory policy changes. 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 42: FLOW STATEMENT FOR RISK-WEIGHTED ASSETS – Disclosure for Operational Risk Risk-Weighted Assets Movement by Key Driver[1]

(millions of Canadian dollars)		*For the years ended*
	October 31, 2017	October 31, 2016
RWA, balance at beginning of period	**$ 48,001**	$ 41,118
Revenue generation	**643**	2,291
Movement in risk levels	**705**	324
Model updates	**–**	–
Methodology and policy	**–**	3,648
Acquisitions and disposals	**–**	–
Foreign exchange movements and other	**(957)**	620
RWA, balance at end of period	**$ 48,392**	$ 48,001

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

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. Effective the third quarter of 2016, OSFI approved the Bank to use the Advanced Measurement Approach (AMA) to calculate operational risk-weighted assets.

ECONOMIC CAPITAL AND RISK-WEIGHTED ASSETS BY SEGMENT

The following chart provides a breakdown of the Bank's RWA and economic capital as at October 31, 2017. RWA reflects capital requirements assessed based on regulatory prescribed rules for credit risk, trading market risk, and operational risk. Economic capital reflects the Bank's internal view of capital requirements for these risks as well as risks not captured within the assessment of RWA as described in the "Economic Capital" section of this document. The results shown in the chart do not reflect attribution of goodwill and intangibles. For additional information on the risks highlighted below, refer to the "Managing Risk" section of this document.

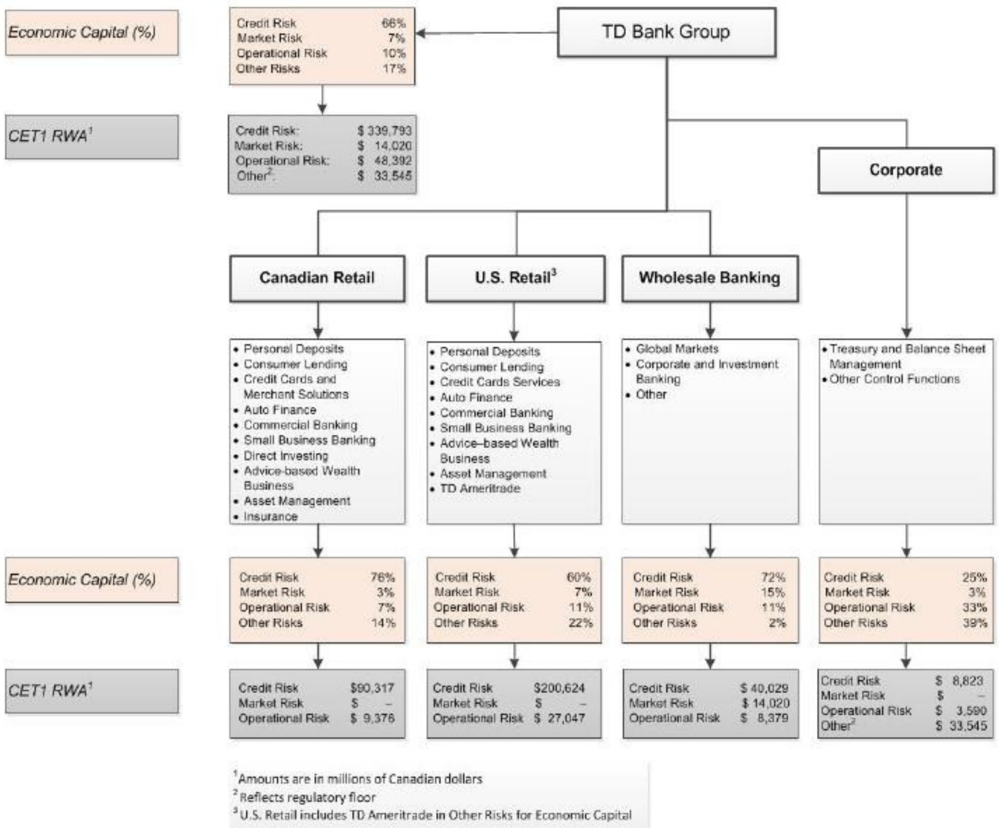


TABLE 43: OUTSTANDING EQUITY AND SECURITIES EXCHANGEABLE/CONVERTIBLE INTO EQUITY[1]		
(millions of shares/units, except as noted)		*As at*
	October 31, 2017	October 31, 2016
	Number of shares/units	Number of shares/units
Common shares outstanding	**1,842.5**	1,857.6
Treasury shares – common	**(2.9)**	(0.4)
Total common shares	**1,839.6**	1,857.2
Stock options		
Vested	**5.4**	5.5
Non-vested	**8.9**	9.9
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[2]	**20.0**	20.0
Series 3[2]	**20.0**	20.0
Series 5[2]	**20.0**	20.0
Series 7[2]	**14.0**	14.0
Series 9[2]	**8.0**	8.0
Series 11[2]	**6.0**	6.0
Series 12[2]	**28.0**	28.0
Series 14[2]	**40.0**	40.0
Series 16[2,3]	**14.0**	–
Total preferred shares – equity	**190.0**	176.0
Treasury shares – preferred	**(0.3)**	(0.2)
Total preferred shares	**189.7**	175.8
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

1 For further details, including the principal amount, conversion and exchange features, and distributions, refer to Note 21 of the 2017 Consolidated Financial Statements.
2 NVCC Series 1, 3, 5, 7, 9, 11, 12, 14, and 16 Preferred Shares qualify as regulatory capital under OSFI's CAR guideline. If a NVCC conversion were to occur in accordance with the NVCC Provisions, the maximum number of common shares that could be issued based on the formula for conversion set out in the respective terms and conditions applicable to each Series of shares, assuming there are no declared and unpaid dividends on the respective Series of shares at the time of conversion, as applicable, would be 100 million, 100 million, 100 million, 70 million, 40 million, 30 million, 140 million, 200 million, and 70 million, respectively.
3 Issued by the Bank on July 14, 2017, with quarterly non-cumulative cash dividends on these shares, if declared, payable at a per annum rate of 4.50% for the initial period ending October 31, 2022. Thereafter, the dividend rate will reset every five years equal to the then five-year Government of Canada bond yield plus 3.01%. Holders of these shares will have the right to convert their shares into non-cumulative NVCC Floating Rate Preferred Shares, Series 17, subject to certain conditions, on October 31, 2022, and on October 31 every five years thereafter. Holders of the Series 17 Shares will be entitled to receive quarterly floating rate dividends, if declared, at a rate equal to the then average three-month Government of Canada Treasury Bills yield plus 3.01%. The Series 16 Shares are redeemable by the Bank, subject to regulatory consent, at $25 per share on October 31, 2022, and on October 31 every five years thereafter.

Future Regulatory Capital Developments

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

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

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

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

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

In March 2016, BCBS also released the consultative paper on a new Standardized Measurement Approach (SMA) to replace the AMA to measure operational risk. The SMA framework is a standardized approach that incorporates risk-sensitive elements of an advanced approach.

In April 2016, BCBS issued a consultative document on revisions to the Basel III Leverage Ratio Framework. The proposal reaffirms the 3% minimum leverage ratio requirement, and seeks views on a higher requirement for global systemically important banks (G-SIBs). Proposed revisions to the design and calibration of the framework include changes to the measurement of derivative exposures, equalization of trade date and settlement date accounting methodologies, treatment of provisions and alignment of the credit conversion factors for off-balance sheet items with those proposed in the revised standardized approach for credit risk.

In October 2016, BCBS issued a discussion paper on the options for the long-term regulatory treatment of accounting provisions, given the upcoming changes in accounting provisioning standards under IFRS 9 that require the use of expected credit loss (ECL) models instead of incurred loss models. In March 2017, BCBS issued the final standard "Regulatory treatment of accounting provisions – interim approach and transitional arrangements". The standard retains, for an interim period, the current regulatory treatment of accounting provisions under the standardized and internal rating-based approaches. The BCBS has determined that jurisdictions may introduce a transitional arrangement for the impact on regulatory capital from the implementation of IFRS 9 and outlines the requirements for jurisdictions choosing to adopt a transitional arrangement. Based on the current regulatory requirements, the expected impact to CET1 capital is a decrease of 15 bps almost exclusively due to the Basel I regulatory floor. The IFRS 9 impact from the adoption of the expected credit loss methodology is offset by the decrease in the shortfall deduction and by the IFRS 9 classification and measurement impact. Refer to the section on "Future Changes in Accounting Policy" in this document for additional details on IFRS 9. The Bank is awaiting final guidance from OSFI related to the BCBS standard. In August 2017, OSFI released for public consultation revisions to the CAR guideline for implementation in the first quarter of 2018.

In March 2017, BCBS issued the final standard on Phase 2 of the Pillar 3 Disclosure Requirements. The final standard consolidates all existing and prospective BCBS disclosure requirements into the Pillar 3 framework, prescribes enhanced disclosure of key prudential metrics, and for banks which record prudent valuation adjustments, a new disclosure requirement for a granular breakdown of how the adjustments are calculated. The standard also includes new disclosure requirements for the total loss-absorbing capital regime for G-SIBs and revised disclosure requirements for market risk. The implementation date for these disclosure requirements will be determined when OSFI issues Phase 2 of the Pillar 3 Disclosure Requirements.

The BCBS has commenced Phase 3, the final phase of the Pillar 3 review. The objectives of Phase 3 is to develop disclosure requirements for standardized RWA to benchmark internally modelled capital requirements, asset encumbrances, operational risk, and ongoing policy reforms.

In April 2017, OSFI issued the final guidelines on Phase 1 of the Pillar 3 Disclosure Requirements. This guideline clarifies OSFI's expectations regarding domestic implementation by federally regulated deposit-taking institutions of the Revised Pillar 3 Disclosure Requirements (Revised Basel Pillar 3 standard) issued by the BCBS in January 2015. The revised standard requires disclosure of fixed format tables and templates to provide comparability and consistency of capital and risk disclosures amongst banks with the focus on improving the transparency of the internal model-based approaches that banks use to calculate RWA. The guideline replaces OSFI's November 2007 Advisory on Pillar 3 Disclosure Requirements. D-SIBs are expected to prospectively disclose the reporting requirements under the Revised Basel Pillar 3 standard by the fourth quarter of 2018.

In June 2017, OSFI issued for comment a draft guideline on Total Loss Absorbing Capacity (TLAC). The guideline establishes two minimum standards, the risk-based TLAC ratio and the TLAC leverage ratio, which form part of the framework for assessing whether D-SIBs maintain minimum capacity to absorb losses. OSFI anticipates that D-SIBs will be expected to maintain a minimum risk-based TLAC ratio of at least 21.5% of risk-weighted assets and a minimum TLAC leverage ratio of at least 6.75%, effective the first quarter of 2022. D-SIBs will also be expected to hold buffers above the minimum TLAC ratios.

In July 2017, BCBS and Board of the International Organization of Securities Commissions released a consultative document on the criteria for "simple, transparent, and comparable" (STC) securitizations. In July 2017, BCBS also released a consultative document related to the capital treatment for STC short-term securitizations. These two documents set out a proposed approach to incorporate short-term STC criteria into the revised securitization framework issued in July 2016. Short-term securitization exposures that meet the STC criteria qualify for reduced minimum capital requirements. The revised securitization framework is expected to be effective for the Bank in the first quarter of 2019.

In July 2017, OSFI extended the timeline for Canadian implementation for the adoption of the Minimum capital requirements for market risk (Fundamental Review of the Trading Book) rules, by at least one year, to no earlier than the first quarter of 2021. The timeline was extended due to complexities and uncertainties associated with implementation of the requirements.

In October 2017, BCBS issued final guidelines on Identification and management of step-in risk. Step-in risk is the risk that the bank decides to provide financial support to an unconsolidated entity that is facing stress, in the absence of, or in excess of, any contractual obligations. The guideline requires banks to define the scope of entities to be evaluated, self-assess step-in risk within the scope, and report to supervisor. For step-in risk identified, banks need to estimate the potential impact on liquidity and capital positions and determine the appropriate internal risk management actions. The framework entails no automatic Pillar 1 capital or liquidity charge additional to the existing Basel standards. The guidelines are expected to be implemented by 2020.

Global Systemically Important Banks

In July 2013, the BCBS issued an update to the final rules on G-SIBs and outlined the G-SIB assessment methodology, which is based on the submissions of the largest global banks. Twelve indicators are used in the G-SIB assessment methodology to determine systemic importance. The indicators relate to cross-jurisdictional activity, size, interconnectedness, sustainability/financial institution infrastructure, and complexity. 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.

Based on 2016 fiscal year indicators, the Bank was not designated a G-SIB in November 2017. Public disclosure of financial year-end indicators is required annually and the Bank's 2017 fiscal year indicators will be published by the Bank in the first quarter of 2018. 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 TLAC and related requirements for U.S. bank holding companies designated as G-SIBs and 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 intermediate holding company (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.

Securitization and Off-Balance Sheet Arrangements

In the normal course of operations, the Bank engages in a variety of financial transactions that, under IFRS, are either not recorded on the Bank's Consolidated Balance Sheet or are recorded in amounts that differ from the full contract or notional amounts. These off-balance sheet arrangements involve, among other risks, varying elements of market, credit, and liquidity risks which are discussed in the "Managing Risk" section of this document. Off-balance sheet arrangements are generally undertaken for risk management, capital management, and funding management purposes and include securitizations, contractual obligations, and certain commitments and guarantees.

STRUCTURED ENTITIES

TD carries out certain business activities through arrangements with structured entities, including special purpose entities (SPEs). The Bank uses SPEs to raise capital, obtain sources of liquidity by securitizing certain of the Bank's financial assets, to assist TD's clients in securitizing their financial assets, and to create investment products for the Bank's clients. Securitizations are an important part of the financial markets, providing liquidity by facilitating investor access to specific portfolios of assets and risks. Refer to Note 2 and Note 10 of the 2017 Consolidated Financial Statements for further information regarding the Bank's involvement with SPEs.

Securitization of Bank-Originated Assets

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

The Bank securitizes residential mortgages under the National Housing Act Mortgage-Backed Securities (NHA MBS) program sponsored by the Canada Mortgage and Housing Corporation (CMHC). The securitization of the residential mortgages with the CMHC does not qualify for derecognition and remain on the Bank's Consolidated Balance Sheet. Additionally, the Bank securitizes credit card and personal loans by selling them to Bank-sponsored SPEs that are consolidated by the Bank. The Bank also securitizes U.S. residential mortgages with U.S. government-sponsored entities which qualify for derecognition and are removed from the Bank's Consolidated Balance Sheet. Refer to Notes 9 and 10 of the 2017 Consolidated Financial Statements for further information.

TABLE 44: EXPOSURES SECURITIZED BY THE BANK AS ORIGINATOR[1]

(millions of Canadian dollars)					*As at*
	Significant unconsolidated SPEs		Significant consolidated SPEs	Non-SPE third-parties	
	Securitized assets	Carrying value of retained interests	Securitized assets	Securitized assets	Carrying value of retained interests
					October 31, 2017
Residential mortgage loans	**$ 22,733**	**$ –**	**$ –**	**$ 2,252**	**$ –**
Consumer instalment and other personal loans[2]	**–**	**–**	**2,481**	**–**	**–**
Credit card loans	**–**	**–**	**3,354**	**–**	**–**
Business and government loans	**–**	**–**	**–**	**1,428**	**32**
Total exposure	**$ 22,733**	**$ –**	**$ 5,835**	**$ 3,680**	**$ 32**
					October 31, 2016
Residential mortgage loans	$ 23,081	$ –	$ –	$ 3,661	$ –
Consumer instalment and other personal loans[2]	–	–	3,642	–	–
Credit card loans	–	–	2,012	–	–
Business and government loans	–	–	–	1,664	31
Total exposure	$ 23,081	$ –	$ 5,654	$ 5,325	$ 31

1 Includes all assets securitized by the Bank, irrespective of whether they are on-balance or off-balance sheet for accounting purposes, except for securitizations through U.S. government-sponsored entities.
2 In securitization transactions that the Bank has undertaken for its own assets it has acted as an originating bank and retained securitization exposure from a capital perspective.

Residential Mortgage Loans

The Bank securitizes residential mortgage loans through significant unconsolidated 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. As at October 31, 2017, the Bank has not recognized any retained interests due to the securitization of residential mortgage loans on its Consolidated Balance Sheet.

Consumer Instalment and Other Personal Loans

The Bank securitizes consumer instalment and other personal loans through consolidated 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. As at October 31, 2017, the SPE had $2 billion of issued notes outstanding (October 31, 2016 – $4 billion). As at October 31, 2017, the Bank's maximum potential exposure to loss for these conduits was $2 billion (October 31, 2016 – $4 billion) with a fair value of $2 billion (October 31, 2016 – $4 billion).

Credit Card Loans

The Bank securitizes credit card loans through an 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. As at October 31, 2017, the Bank had $3 billion of securitized credit card receivables outstanding (October 31, 2016 – $2 billion). As at October 31, 2017, the consolidated SPE had US$2.6 billion variable rate notes outstanding (October 31, 2016 – US$1.5 billion). The notes are issued to third party investors and have fair value of US$2.6 billion as at October 31, 2017 (October 31, 2016 – US$1.5 billion). Due to the nature of the credit card receivables, their carrying amounts approximate fair value.

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

Securitization of Third Party-Originated Assets
Significant Unconsolidated Special Purpose Entities
Multi-Seller Conduits
The Bank administers multi-seller conduits and provides liquidity facilities as well as securities distribution services; it may also provide credit enhancements. Third party-originated assets are securitized through Bank-sponsored SPEs, which are not consolidated by the Bank. The Bank's maximum potential exposure to loss due to its ownership interest in commercial paper and through the provision of liquidity facilities for multi-seller conduits was $13.2 billion as at October 31, 2017 (October 31, 2016 – $14.5 billion). Further, as at October 31, 2017, the Bank had committed to provide an additional $2.9 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, 2016 – $3.5 billion).

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

TABLE 45: EXPOSURE TO THIRD PARTY-ORIGINATED ASSETS SECURITIZED BY BANK-SPONSORED UNCONSOLIDATED CONDUITS

(millions of Canadian dollars, except as noted)				*As at*
	October 31, 2017		October 31, 2016	
	Exposure and ratings profile of unconsolidated SPEs	**Expected weighted-average life**	Exposure and ratings profile of unconsolidated SPEs	Expected weighted-average life
	AAA[1]	**(years)**[2]	AAA[1]	(years)[2]
Residential mortgage loans	**$ 8,294**	**2.5**	$ 9,826	3.0
Automobile loans and leases	**3,306**	**1.6**	2,637	1.3
Equipment leases	**168**	**1.8**	–	–
Trade receivables	**1,465**	**0.2**	1,989	2.3
Total exposure	**$ 13,233**	**2.0**	$ 14,452	2.6

1 The Bank's total liquidity facility exposure only relates to 'AAA' rated assets.
2 Expected weighted-average life for each asset type is based upon each of the conduit's remaining purchase commitment for revolving pools and the expected weighted-average life of the assets for amortizing pools.

As at October 31, 2017, the Bank held $1.0 billion of ABCP issued by Bank-sponsored multi-seller conduits within the Available-for-sale securities and Trading loans, securities, and other categories on its Consolidated Balance Sheet (October 31, 2016 – $1.1 billion).

OFF-BALANCE SHEET EXPOSURE TO THIRD PARTY-SPONSORED CONDUITS
The Bank has off-balance sheet exposure to third party-sponsored conduits arising from providing liquidity facilities and funding commitments of $1.5 billion as at October 31, 2017 (October 31, 2016 – $1.8 billion). The assets within these conduits are comprised of individual notes backed by automotive loan receivables, credit card receivables and trade receivables. As at October 31, 2017, these assets have maintained ratings from various credit rating agencies, with a minimum rating of A. On-balance sheet exposure to third party-sponsored conduits have been included in the financial statements.

COMMITMENTS
The Bank enters into various commitments to meet the financing needs of the Bank's clients and to earn fee income. Significant commitments of the Bank include financial and performance standby letters of credit, documentary and commercial letters of credit, and commitments to extend credit. These products may expose the Bank to liquidity, credit and reputational risks. There are adequate risk management and control processes in place to mitigate these risks. Certain commitments still remain off-balance sheet. Note 27 of the 2017 Consolidated Financial Statements provides detailed information about the maximum amount of additional credit the Bank could be obligated to extend.

Leveraged Finance Credit Commitments
Also included in "Commitments to extend credit" in Note 27 of the 2017 Consolidated Financial Statements are leveraged finance credit commitments. Leveraged finance credit commitments are agreements that provide funding to a borrower with higher leverage ratio, relative to the industry in which it operates, and for the purposes of acquisitions, buyouts or capital distributions. As at October 31, 2017, the Bank's exposure to leveraged finance credit commitments, including funded and unfunded amounts, was $22.7 billion (October 31, 2016 – $24.9 billion).

GUARANTEES
In the normal course of business, the Bank enters into various guarantee contracts to support its clients. The Bank's significant types of guarantee products are financial and performance standby letters of credit, assets sold with recourse, credit enhancements, and indemnification agreements. Certain guarantees remain off-balance sheet. Refer to Note 27 of the 2017 Consolidated Financial Statements for further information.

GROUP FINANCIAL CONDITION

Related-Party Transactions

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

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

In addition, the Bank offers deferred share and other plans to non-employee directors, executives, and certain other key employees. Refer to Note 23 of the 2017 Consolidated Financial Statements for more details.

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

TRANSACTIONS WITH SUBSIDIARIES, TD AMERITRADE, AND SYMCOR INC.

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

Transactions between the Bank, TD Ameritrade, and Symcor Inc. (Symcor) also qualify as related party transactions. There were no significant transactions between the Bank, TD Ameritrade, and Symcor during the year ended October 31, 2017, other than as described in the following sections and in Note 12 of the 2017 Consolidated Financial Statements.

Other Transactions with TD Ameritrade and Symcor

(1) TD AMERITRADE HOLDING CORPORATION

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

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

The Bank is party to an IDA agreement with TD Ameritrade, pursuant to which the Bank makes available to clients of TD Ameritrade and Scottrade, FDIC-insured money market deposit accounts as either designed sweep vehicles or non-sweep deposit accounts. TD Ameritrade provides marketing and support services with respect to the IDA. The Bank paid $1.5 billion in 2017 (2016 – $1.2 billion; 2015 – $1.1 billion) to TD Ameritrade related to deposit accounts. The amount paid by the Bank is based on the average insured deposit balance of $124 billion in 2017 (2016 – $112 billion; 2015 – $95 billion) with a portion of the amount tied to the actual yield earned by the Bank on the investments, less the actual interest paid to clients of TD Ameritrade and Scottrade, with the balance based on an agreed rate of return. The Bank earns a servicing fee of 25 bps on the aggregate average daily balance in the sweep accounts (subject to adjustment based on a specified formula).

As at October 31, 2017, amounts receivable from TD Ameritrade were $68 million (October 31, 2016 – $72 million). As at October 31, 2017, amounts payable to TD Ameritrade were $167 million (October 31, 2016 – $141 million).

(2) TRANSACTIONS WITH SYMCOR

The Bank has one-third ownership in Symcor, a Canadian provider of business process outsourcing services offering a diverse portfolio of integrated solutions in item processing, statement processing and production, and cash management services. The Bank accounts for Symcor's results using the equity method of accounting. During the year ended October 31, 2017, the Bank paid $93 million (October 31, 2016 – $97 million; October 31, 2015 – $124 million) for these services. As at October 31, 2017, the amount payable to Symcor was $15 million (October 31, 2016 – $16 million).

The Bank and two other shareholder banks have also provided a $100 million unsecured loan facility to Symcor which was undrawn as at October 31, 2017, and October 31, 2016.

GROUP FINANCIAL CONDITION

Financial Instruments

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

The Bank uses financial instruments for both trading and non-trading activities. The Bank typically engages in trading activities by the purchase and sale of securities to provide liquidity and meet the needs of clients and, less frequently, by taking trading positions with the objective of earning a profit. Trading financial instruments include, but are not limited to, trading securities, trading deposits, and trading derivatives. Non-trading financial instruments include the majority of the Bank's lending portfolio, non-trading securities, hedging derivatives, and financial liabilities. In accordance with accounting standards related to financial instruments, financial assets or liabilities classified as trading loans and securities, and financial instruments designated at fair value through profit or loss, securities classified as available-for-sale, and all derivatives are measured at fair value in the Bank's Consolidated Financial Statements, with the exception of certain available-for-sale securities recorded at cost. Financial instruments classified as held-to-maturity, loans and receivables, and other liabilities are carried at amortized cost using the effective interest rate method. For details on how fair values of financial instruments are determined, refer to the "Accounting Judgements, Estimates, and Assumptions" – "Fair Value Measurement" section of this document. The use of financial instruments allows the Bank to earn profits in trading, interest, and fee income. Financial instruments also create a variety of risks which the Bank manages with its extensive risk management policies and procedures. The key risks include interest rate, credit, liquidity, market, and foreign exchange risks. For a more detailed description on how the Bank manages its risk, refer to the "Managing Risk" section of this document.

Risk Factors That May Affect Future Results

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

TOP AND EMERGING RISKS

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

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

General Business and Economic Conditions

TD and its customers operate in Canada, the U.S., and to a lesser extent other countries. As a result, the Bank's earnings are significantly affected by the general business and economic conditions in these regions. These conditions include short-term and long-term interest rates, inflation, fluctuations in the debt, commodity and capital markets, and related market liquidity, real estate prices, employment levels, consumer spending and debt levels, business investment, government spending, exchange rates, sovereign debt risks, the strength of the economy, threats of terrorism, civil unrest, geopolitical risk associated with political unrest, reputational risk associated with increased regulatory, public, and media focus, the effects of public health emergencies, the effects of disruptions to public infrastructure, natural disasters, and the level of business conducted in a specific region. Management maintains an ongoing awareness of the macroeconomic environment in which it operates and incorporates potential material changes into its business plans and strategies; it also incorporates potential material changes into the portfolio stress tests that are conducted. As a result, the Bank is better able to understand the likely impact of many of these negative scenarios and better manage the potential risks.

Executing on Key Priorities and Strategies

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

In respect of acquisitions, the Bank undertakes deal assessments and due diligence before completing a merger or an acquisition and closely monitors integration activities and performance post acquisition. However, there is no assurance that TD will achieve its objectives, including anticipated cost savings or revenue synergies following acquisitions and integration. In general, while significant management attention is placed on the governance, oversight, methodology, tools, and resources needed to manage our priorities and strategies, our ability to execute on them is dependent on a number of assumptions and factors. These include those set out in the "Business Outlook and Focus for 2018", "Focus for 2018", and "Managing Risk" sections of this document, as well as disciplined resource and expense management and our ability to implement (and the costs associated with the implementation of) enterprise-wide programs to comply with new or enhanced regulations or regulator demands, all of which may not be in the Bank's control and are difficult to predict.

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

Technology and Information Security Risk

Technology and information security risks for large financial institutions like the Bank have increased in recent years. This is due, in part, to the proliferation, sophistication and constant evolution of new technologies and attack methodologies used by sociopolitical entities, organized criminals, hackers and other external parties. The increased risks are also a factor of our size and scale of operations, our geographic footprint, the complexity of our technology infrastructure, and our use of internet and telecommunications technologies to conduct financial transactions, such as our continued development of mobile and internet banking platforms. The Bank's technologies, systems and networks, and those of our customers (including their own devices) and the third parties providing services to us, may be subject to attacks, disruption of services, breaches or other compromises. These may include cyber-attacks such as targeted and automated online attacks on banking systems and applications, introduction of malicious software, denial of service attacks, and phishing attacks which could result in the fraudulent use or theft of data or amounts that customers hold with the Bank as reflected in data, and may involve attempts to fraudulently induce employees, customers, third party service providers or other users of the Bank's systems to disclose sensitive information in order to gain access to the Bank's or its customers' data or amounts that the Bank or that its customers hold with the Bank as reflected in data. In addition, the Bank's customers often use their own devices, such as computers, smart phones and tablets, to make payments and manage their accounts, and the Bank has limited ability to assure the safety and security of its customers' transactions with the Bank to the extent they are using their own devices. The Bank actively monitors, manages, and continues to enhance its ability to mitigate these technology and information security risks through enterprise-wide programs, using industry leading practices, and robust threat and vulnerability assessments and responses. The Bank also invests in projects to continually review and enhance its information technology infrastructure. It is possible that the Bank, or those with whom the Bank does business, may not anticipate or implement effective measures against all such information and technology related risks, particularly because the techniques used change frequently and risks can originate from a wide variety of sources that have also become increasingly sophisticated. As such, with any attack, breach or compromise of technology or information systems, hardware or related processes, or any significant issues caused by weakness in information technology infrastructure, the Bank may experience, among other things, financial loss; a loss of customers or business opportunities; disruption to operations; misappropriation or unauthorized release of confidential, financial or personal information; damage to computers or systems of the Bank and those of its customers and counterparties; violations of applicable privacy and other laws; litigation; regulatory penalties or intervention, remediation, investigation or restoration cost; increased costs to maintain and update our operational and security systems and infrastructure; and reputational damage.

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

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

Introduction of New and Changes to Current Laws and Regulations
The financial services industry is highly regulated. TD's operations, profitability and reputation could be adversely affected by the introduction of new laws and regulations, changes to, or changes in interpretation or application of current laws and regulations, and issuance of judicial decisions. These adverse effects could also result from the fiscal, economic, and monetary policies of various regulatory agencies and governments in Canada, the U.S., the United Kingdom, and other countries, and changes in the interpretation or implementation of those policies. Such adverse effects may include incurring additional costs and resources to address initial and ongoing compliance; limiting the types or nature of products and services the Bank can provide and fees it can charge; unfavourably impacting the pricing and delivery of products and services the Bank provides; increasing the ability of new and existing competitors to compete with their pricing, products and services (including, in jurisdictions outside Canada, the favouring of certain domestic institutions); and increasing risks associated with potential non-compliance. In addition to the adverse impacts described above, the Bank's failure to comply with applicable laws and regulations could result in sanctions and financial penalties that could adversely impact its earnings and its operations and damage its reputation. The global privacy landscape continues to experience regulatory change, with significant new legislation anticipated to come into force in the jurisdictions in which TD does business in the short- and medium-term. In Europe, there are a number of uncertainties in connection with the future of the United Kingdom and its relationship with the European Union, and reforms implemented through the European Market Infrastructure Regulation and the review of Markets in Financial Instruments Directive and accompanying Regulation could result in higher operational and system costs and potential changes in the types of products and services the Bank can offer to clients in the region. Finally, in Canada, there are a number of government initiatives underway that could impact financial institutions, including regulatory initiatives with respect to payments evolution and modernization, consumer protection, and the Canadian housing market and an industry review of sales practices. In addition, potential changes relating to interchange could impact the Bank's credit card businesses.

Dodd-Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), a U.S. federal law, was signed into law on July 21, 2010. It has required significant structural reform to the U.S. financial services industry and affects every banking organization operating in the U.S., including the Bank. In general, in connection with Dodd-Frank the Bank could be negatively impacted by loss of revenue, limitations on the products or services it offers, and additional operational and compliance costs. Due to certain aspects with extraterritorial effect, Dodd-Frank also impacts the Bank's operations outside the U.S., including in Canada. Many parts of Dodd-Frank are in effect and others are in the implementation stage. Certain rules under Dodd-Frank and other regulatory requirements that impact the Bank include:

- *The "Volcker Rule"* – The Bank and its affiliates are subject to the Volcker Rule, which restricts banking entities from engaging, as principal, in proprietary trading and from sponsoring or holding ownership interests in or having certain relationships with certain hedge funds and private equity funds, subject to certain exceptions and exclusions.
- *Capital Planning and Stress Testing* – The Bank is required to submit an annual capital plan, as well as annual and semi-annual stress test results for our top-tier U.S. bank holding company (TD Group US Holdings LLC), on a consolidated basis, to the U.S. Board of Governors of the Federal Reserve System (Federal Reserve). TD Bank, N.A. and TD Bank USA, N.A. are also required to submit prescribed stress testing results to the U.S. Office of the Comptroller of the Currency (OCC). Any issues arising from U.S. regulators' review of such submissions may negatively impact the Bank's operations and/or reputation and lead to increased costs.
- *Enhanced Prudential Standards* – The Bank is subject to certain "enhanced prudential standards" as adopted by the Federal Reserve. Such standards include enhanced capital and liquidity requirements, stress testing obligations and risk management standards, as well as additional reporting, recordkeeping and disclosure obligations. For certain large non-U.S. banking organizations, such as the Bank, the Federal Reserve has required the establishment of a separately capitalized top-tier U.S. IHC to hold the ownership interests in all U.S. subsidiaries, subject to limited exceptions and exclusions. On July 1, 2016, TD Group US Holdings LLC was officially designated as the Bank's IHC and now holds the Bank's ownership interests in its U.S. subsidiaries (subject to limited exceptions and exclusions), including its investment in TD Ameritrade Holding Corporation. TD has incurred, and will continue to incur, operational, capital, liquidity, and compliance costs, and compliance with these standards may impact TD's businesses, operations, and results in the U.S. and overall. The current U.S. regulatory environment for banking organizations may be impacted by future legislative developments, including changes to the Volcker Rule, capital requirements, stress testing and other key aspects of Dodd-Frank, and post-crisis related rulemakings. The scope of the new administration's short-term legislative agenda is not yet known, but it may include certain deregulatory measures for the U.S. financial services industry.

Bank Recapitalization "Bail-In" Regime

In 2016, legislation to amend the Bank Act, the Canada Deposit Insurance Corporation Act (the CDIC Act) and certain other federal statutes pertaining to banks to create a bank recapitalization or bail-in regime for domestic systemically important banks (D-SIBs), which include the Bank, was approved. The legislation is to come into force on a date to be determined by the Government of Canada (GOC).

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

On June 16, 2017, the GOC published in draft for comment regulations under the CDIC Act and the Bank Act (the Bail-in Regulations) setting forth further details in respect of the bail-in regime. The Bail-in Regulations prescribe the types of shares and liabilities that will be subject to a Bail-in Conversion. In general, any senior debt securities with an initial or amended term to maturity greater than 400 days that are unsecured or partially secured and have been assigned a CUSIP or ISIN or similar identification number would be subject to a Bail-in Conversion. Shares, other than common shares, and subordinated debt, would also be subject to a Bail-in Conversion, unless they are NVCC instruments. However, certain other debt obligations of the Bank such as structured notes (as defined in the Bail-in Regulations), covered bonds, and certain derivatives would not be subject to a Bail-in Conversion. There is no assurance that the Bail-in Regulations will be adopted as proposed.

The Bail-in Regulations will come into force 180 days following the publication of the final version of the Bail-in Regulations.

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

Regulatory Oversight and Compliance Risk

Our businesses are subject to extensive regulation and oversight. Regulatory change is occurring in all of the geographies where TD operates. Regulators have demonstrated an increased focus on conduct risk. As well, they have continued the trends towards establishing new standards and best practice expectations and a willingness to use public enforcement with substantial fines and penalties when compliance breaches occur. TD continually monitors and evaluates the potential impact of rules, proposals, consent orders, and regulatory guidance relevant within all of its business segments. However, while the Bank devotes substantial compliance, legal, and operational business resources to facilitate compliance with these rules by their respective effective dates and consideration of regulator expectations, it is possible that TD may not be able to accurately predict the impact of final versions of rules or the interpretation or enforcement actions taken by regulators. This could require the Bank to take further actions or incur more costs than expected. In addition, if regulators take formal enforcement action, rather than taking informal/supervisory actions, then, despite the Bank's prudence and management efforts, its operations, business strategies and product and service offerings may be adversely impacted, therefore impacting financial results. Also, it may be determined that the Bank has not successfully addressed new rules, orders or enforcement actions to which it is subject, in a manner which meets regulator expectations. As such, the Bank may continue to face a greater number or wider scope of investigations, enforcement actions, and litigation. The Bank may incur greater than expected costs associated with enhancing its compliance, or may incur fines, penalties or judgments not in its favour associated with non-compliance, all of which could also lead to negative impacts on the Bank's financial performance and its reputation.

Level of Competition and Disruptive Technology

The Bank operates in a highly competitive industry and its performance is impacted by the level of competition. Customer retention and attraction of new customers can be influenced by many factors, including the experience, pricing and variety of products and services offered, as well as an institution's reputation and ability to differentiate. Ongoing or increased competition in the digital space may impact the Bank's pricing of products and services and may cause us to lose market share. Increased competition also may require us to make additional short and long-term investments in order to remain competitive, which may increase expenses. In addition, the Bank operates in environments where laws and regulations that apply to it may not universally apply to its current competitors, which include domestic institutions in jurisdictions outside of Canada or non-traditional providers (such as Fintech) of financial products and services. Non-depository or non-financial institutions are often able to offer products and services that were traditionally banking products and to compete with banks in the provision of electronic and internet-based financial solutions, without facing the same regulatory requirements or oversight. These evolving distribution methods by such competitors can also increase fraud and privacy risks for customers and financial institutions in general. The nature of disruption is such that it can be difficult to anticipate and/or respond to adequately or quickly, representing inherent risks to certain Bank businesses, including payments. As such, this type of competition could also adversely impact the Bank's earnings by reducing revenue. Each of the business segments of the Bank monitors the competitive environment including reviewing and amending customer acquisition and management strategies as appropriate. The Bank continues to invest in differentiated experiences for our customers, enabling them to transact across all of our channels seamlessly, with a particular emphasis on mobile technologies. In addition, the Bank continues to accelerate innovation by engaging with Fintech through strategic investments and partnerships.

OTHER RISK FACTORS

Legal Proceedings

The Bank or its subsidiaries are from time to time named as defendants or are otherwise involved in various class actions and other litigation or disputes with third parties, including regulatory investigations and enforcement proceedings, related to its businesses and operations. The Bank manages and mitigates the risks associated with these proceedings through a robust litigation management function. The Bank's material litigation and regulatory enforcement proceedings are disclosed in its Consolidated Financial Statements. There is no assurance that the volume of claims and the amount of damages and penalties claimed in litigation, arbitration and regulatory proceedings will not increase in the future. Actions currently pending against the Bank may result in judgments, settlements, fines, penalties, disgorgements, injunctions, business improvement orders or other results adverse to the Bank, which could materially adversely affect the Bank's business, financial condition, results of operations, cash flows, capital and credit ratings; require material changes in the Bank's operations; result in loss of customers; or cause serious reputational harm to the Bank. Moreover, some claims asserted against the Bank may be highly complex, and include novel or untested legal theories. The outcome of such proceedings may be difficult to predict or estimate until late in the proceedings, which may last several years. In addition, settlement or other resolution of certain types of matters are subject to external approval, which may or may not be granted. Although the Bank establishes reserves for these matters according to accounting requirements, the amount of loss ultimately incurred in relation to those matters may substantially differ from the amounts accrued. As a participant in the financial services industry, the Bank will likely continue to experience the possibility of significant litigation and regulatory investigations and enforcement proceedings related to its businesses and operations. Regulators and other government agencies examine the operations of the Bank and its subsidiaries on both a routine- and targeted-exam basis, and there is no assurance that they will not pursue regulatory settlements or other enforcement actions against the Bank in the future. For additional information relating to the Bank's material legal proceedings, refer to Note 27 of the Consolidated Financial Statements.

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

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

Foreign Exchange Rates, Interest Rates and Credit Spreads
Foreign exchange rate, interest rate, and credit spread movements in Canada, the U.S., and other jurisdictions in which the Bank does business impact the Bank's financial position (as a result of foreign currency translation adjustments) and its future earnings. Changes in the value of the Canadian dollar relative to the U.S. dollar may also affect the earnings of the Bank's small business, commercial, and corporate clients in Canada. A change in the level of interest rates or a prolonged low interest rate environment affects the interest spread between the Bank's deposits and loans, and as a result, impacts the Bank's net interest income. A change in the level of credit spreads affects the relative valuation of assets and liabilities, and as a result, impacts the Bank's earnings. The Bank manages its structural foreign exchange rate, interest rate, and credit spread risk exposures in accordance with policies established by the Risk Committee through its Asset Liability Management framework, which is further discussed in the "Managing Risk" section of this document.

Accounting Policies and Methods Used by the Bank
The Bank's accounting policies and estimates are essential to understanding its results of operations and financial condition. Some of the Bank's policies require subjective, complex judgments and estimates as they relate to matters that are inherently uncertain. Changes in these judgments or estimates and changes to accounting standards and policies could have a materially adverse impact on the Bank's Consolidated Financial Statements, and therefore its reputation. The Bank has established procedures designed to ensure that accounting policies are applied consistently and that the processes for changing methodologies, determining estimates and adopting new accounting standards are well controlled and occur in an appropriate and systematic manner. Significant accounting policies as well as current and future changes in accounting policies are described in Note 2 and Note 4, respectively, of the Consolidated Financial Statements.

RISK FACTORS AND MANAGEMENT
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 meet its future strategic objectives.
The Bank's Enterprise Risk Framework (ERF) reinforces TD's risk culture, which emphasizes transparency and accountability, and supports a common understanding among stakeholders of how the Bank manages risk. The ERF addresses: (1) the nature of risks to the Bank's strategy and operations; (2) how the Bank defines the types of risk it is exposed to; (3) risk management governance and organization; and (4) how the Bank manages risk through processes that identify and assess, measure, control, and monitor and report risk. The Bank's risk management resources and processes are designed to both challenge and enable all its businesses to understand the risks they face and to manage them within TD's risk appetite.

RISKS INVOLVED IN TD'S BUSINESSES
TD's Risk Inventory describes the major risk categories and related subcategories to which the Bank's businesses and operations could be exposed. The Risk Inventory facilitates consistent risk identification and is the starting point in developing risk management strategies and processes. TD's major risk categories are: Strategic Risk, Credit Risk, Market Risk, Operational Risk, Model Risk, Insurance Risk, Liquidity Risk, Capital Adequacy Risk, Legal and Regulatory Compliance Risk, and Reputational Risk.

RISK APPETITE

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

The Bank takes risks required to build its business, but only if those risks:
1. Fit the business strategy, and can be understood and managed.
2. Do not expose the enterprise to any significant single loss events; TD does not 'bet the Bank' on any single acquisition, business, or product.
3. Do not risk harming the TD brand.

TD considers current operating conditions and the impact of emerging risks in developing and applying its risk appetite. Adherence to enterprise risk appetite is managed and monitored across the Bank and is informed by the RAS and a broad collection of principles, policies, processes, and tools. TD's RAS describes, by major risk category, the Bank's risk principles and establishes both qualitative and quantitative measures with key indicators, thresholds, and limits, as appropriate. RAS measures consider both normal and stress scenarios and include those that can be aggregated at the enterprise level and disaggregated at the business segment level.

Risk Management is responsible for establishing practices and processes to formulate, monitor, and report on TD's RAS measures. The function also monitors and evaluates the effectiveness of these practices and measures. RAS measures are reported regularly to senior management, the Board, and the Risk Committee; other measures are tracked on an ongoing basis by management, and escalated to senior management and the Board, as required. Risk Management regularly assesses management's performance against TD's RAS measures.

RISK CULTURE

The Bank's risk culture embodies the "tone at the top" set by the Board, Chief Executive Officer (CEO), and the Senior Executive Team (SET), which informs TD's vision, purpose and shared commitments. These governing objectives describe the behaviours that the Bank seeks to foster, among its employees, in building a culture where the only risks taken are those that can be understood and managed. TD's risk culture promotes accountability, learning from past experiences, and encourages open communication and transparency on all aspects of risk taking. TD employees are encouraged to challenge and escalate when they believe the Bank is operating outside of its risk appetite.

Ethical behaviour is a key component of TD's risk culture. TD's Code of Conduct and Ethics guides employees and Directors to make decisions that meet the highest standards of integrity, professionalism, and ethical behaviour. Every TD employee and Director is expected and required to assess business decisions and actions on behalf of the organization in light of whether it is right, legal, and fair. TD's desired risk culture is reinforced by linking compensation to management's performance against the Bank's risk appetite. Performance against risk appetite is a key consideration in determining compensation for executives, including adjustments to incentive awards both at the time of award and again at maturity for deferred compensation. An annual consolidated assessment of management's performance against the RAS is prepared by Risk Management, reviewed by the Risk Committee and is used by the Human Resources Committee as a key input into compensation decisions. All executives are individually assessed against objectives that include consideration of risk and control behaviours. This comprehensive approach allows the Bank to consider whether the actions of executive management resulted in risk and control events within their area of responsibility.

In addition, governance, risk, and oversight functions operate independently from business segments supported by an organizational structure that provides independent oversight and objective challenge. Governance, risk, and oversight function heads, including the Chief Risk Officer (CRO), have unfettered access to respective Board Committees to raise risk, compliance, and other issues. Lastly, awareness and communication of TD's RAS and the ERF take place across the organization through enterprise risk communication programs, employee orientation and training, and participation in internal risk management conferences. These activities further strengthen TD's risk culture by increasing the knowledge and understanding of the Bank's expectations for risk taking.

WHO MANAGES RISK

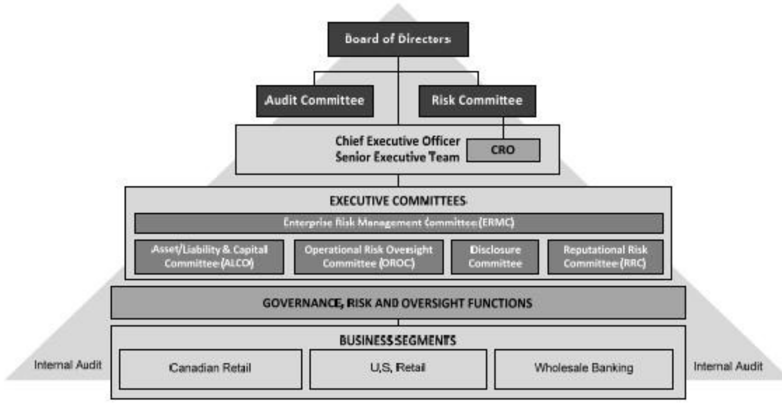
TD's risk governance structure emphasizes and balances strong independent oversight with clear ownership for risk control within each business segment. Under the Bank's approach to risk governance, a "three lines of defence" model is employed, in which the first line of defence are the "Risk Owners", the second line provides "Risk Oversight", and the third line is Internal Audit.

The Bank's risk governance model includes a senior management committee structure that is designed to support transparent risk reporting and discussions. TD's overall risk and control oversight is provided by the Board and its committees (primarily the Audit and Risk Committees). The CEO and SET determine TD's long-term direction within the Bank's risk appetite and apply it to the businesses. Risk Management, headed by the Group Head and CRO, sets enterprise risk strategy and policy and provides independent oversight to support a comprehensive and proactive risk management approach. The CRO, who is also a member of the SET, has unfettered access to the Risk Committee.

The Bank has a robust subsidiary governance framework to support its overall risk governance structure, including boards of directors, and committees for various subsidiary entities where appropriate. Within the U.S. Retail business segment, risk and control oversight is provided by a separate and distinct Board of Directors which includes a fully independent Board Risk Committee and Board Audit Committee. The U.S. Chief Risk Officer (U.S. CRO) has unfettered access to the Board Risk Committee.

The following section provides an overview of the key roles and responsibilities involved in risk management. The Bank's risk governance structure is illustrated in the following figure.

RISK GOVERNANCE STRUCTURE



The Board of Directors
The Board oversees the Bank's strategic direction, the implementation of an effective risk culture, and the internal control framework across the enterprise. It accomplishes its risk management mandate both directly and indirectly through its four committees, primarily the Audit Committee and Risk Committee, as well as the Human Resources and Corporate Governance Committees. The Board reviews and approves TD's RAS and related measures annually, and monitors the Bank's risk profile and performance against Risk Appetite measures.

The Audit Committee
The Audit Committee oversees financial reporting, the adequacy and effectiveness of internal controls, including internal controls over financial reporting, and the activities of the Bank's Global Anti-Money Laundering (AML) group, Compliance group, and Internal Audit. The Committee monitors compliance with policies in respect of ethical personal and business conduct, including the Bank's Code of Conduct and Ethics and the Whistleblower Policy.

The Risk Committee
The Risk Committee is responsible for reviewing and recommending TD's RAS for approval by the Board annually. The Risk Committee oversees the management of TD's risk profile and performance against its risk appetite. In support of this oversight, the Committee reviews and approves certain enterprise-wide risk management frameworks and policies that support compliance with TD's risk appetite, and monitors the management of risks and risk trends.

The Human Resources Committee
The Human Resources Committee, in addition to its other responsibilities, satisfies itself that Human Resources risks are appropriately identified, assessed, and managed in a manner consistent with the risk programs within the Bank, and with the sustainable achievement of the Bank's business objectives.

The Corporate Governance Committee
The Corporate Governance Committee, in addition to its other responsibilities, develops and where appropriate recommends to the Board for approval corporate governance guidelines aimed at fostering high standards for corporate governance.

Chief Executive Officer and Senior Executive Team
The CEO and the SET develop and recommend to the Board the Bank's long-term strategic plan and direction and also develop and recommend for Board approval TD's risk appetite. The SET manages risk in accordance with TD's risk appetite and considers the impact of emerging risks on the Bank's strategy and risk profile. This accountability includes identifying and reporting significant risks to the Risk Committee.

Executive Committees
The CEO, in consultation with the CRO determines TD's Executive Committees, which are chaired by SET members. The committees meet regularly to oversee governance, risk, and control activities and to review and monitor risk strategies and associated risk activities and practices.

The Enterprise Risk Management Committee (ERMC), chaired by the CEO, oversees the management of major enterprise governance, risk, and control activities and promotes an integrated and effective risk management culture. The following Executive Committees have been established to manage specific major risks based on the nature of the risk and related business activity:

- ALCO – chaired by the Group Head and Chief Financial Officer, the Asset/Liability and Capital Committee (ALCO) oversees directly and through its standing subcommittees (the Risk Capital Committee (RCC) and Global Liquidity Forum (GLF)) the management of TD's consolidated non-trading market risk and each of its consolidated liquidity, funding, investments, and capital positions.
- OROC – chaired by the Group Head and CRO, the Operational Risk Oversight Committee (OROC) oversees the identification, monitoring, and control of key risks within TD's operational risk profile.

- Disclosure Committee – chaired by the Group Head and Chief Financial Officer, the Disclosure Committee oversees that appropriate controls and procedures are in place and operating to permit timely, accurate, balanced, and compliant disclosure to regulators with respect to public disclosure, shareholders, and the market.
- RRC – chaired by the Group Head and CRO, the Reputational Risk Committee (RRC) oversees the management of reputational risk within the Bank's risk appetite.

Risk Management
The Risk Management function, headed by the CRO, provides independent oversight of enterprise-wide risk management, risk governance, and control including the setting of risk strategy and policy to manage risk in alignment with the Bank's risk appetite and business strategy. Risk Management's primary objective is to support a comprehensive and proactive approach to risk management that promotes a strong risk culture. Risk Management works with the business segments and other corporate oversight functions to establish policies, standards, and limits that align with TD's risk appetite and monitors and reports on existing and emerging risks and compliance with TD's risk appetite. The CRO is supported by a dedicated team of risk management professionals organized to oversee risks arising from each of the Bank's major risk categories. There is an established process in place for the identification and assessment of top and emerging risks. In addition, the Bank has clear procedures governing when and how risk events and issues are brought to the attention of senior management and the Risk Committee.

Business Segments
Each business segment has a dedicated risk management function that reports directly to a senior risk executive, who, in turn, reports to the CRO. This structure supports an appropriate level of independent oversight while emphasizing accountability for risk within the business segment. Business management is responsible for setting the business-level risk appetite and measures, which are reviewed and challenged by Risk Management, endorsed by the ERMC and approved by the CEO, to align with TD's risk appetite and manage risk within approved risk limits.

Internal Audit
TD's internal audit function provides independent and objective assurance to the Board regarding the reliability and effectiveness of key elements of the Bank's risk management, internal control, and governance processes.

Compliance
The Compliance Department is responsible for fostering a culture of integrity and compliance throughout TD, to protect TD's Brand and to operate within risk appetite; delivering independent regulatory compliance risk management and oversight of compliance management and program controls throughout TD globally; and assessing the adequacy of, adherence to and effectiveness of TD's day-to-day Regulatory Compliance Management controls.

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

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

Three Lines of Defence
In order to further the understanding of responsibilities for risk management, the Bank employs the following "three lines of defence" model that describes the respective accountabilities of each line of defence in managing risk across the Bank.

THREE LINES OF DEFENCE	
FIRST LINE	**RISK OWNER**
IDENTIFY AND CONTROL	• Manage and identify risk in day-to-day activities. • Manage activities within TD's risk appetite and risk management policies. • Design, implement, and maintain effective internal controls. • Implement risk based approval processes for all new products, activities, processes, and systems. • Deliver training, tools, and advice to support its accountabilities. • Monitor and report on risk profile.
SECOND LINE	**RISK OVERSIGHT**
SET STANDARDS AND CHALLENGE	• Establish and communicate enterprise governance, risk, and control strategies and policies. • Provide oversight and independent challenge to the first line through review, inquiry, and discussion. • Provide training, tools, and advice to support the first line in carrying out its accountabilities. • Monitor and report on compliance with risk appetite and policies.
THIRD LINE	**INTERNAL AUDIT**
INDEPENDENT ASSURANCE	• Verify independently that TD's ERF is operating effectively. • Validate the effectiveness of the first and second lines in fulfilling their mandates and managing risk.

In support of a strong risk culture, TD applies the following principles in governing how it manages risks:

- **Enterprise-Wide in Scope** – Risk Management will span all areas of TD, including third-party alliances and joint venture undertakings to the extent they may impact TD, and all boundaries both geographic and regulatory.
- **Transparent and Effective Communication** – Matters relating to risk will be communicated and escalated in a timely, accurate, and forthright manner.
- **Enhanced Accountability** – Risks will be explicitly owned, understood, and actively managed by business management and all employees, individually and collectively.
- **Independent Oversight** – Risk policies, monitoring, and reporting will be established and conducted independently and objectively.
- **Integrated Risk and Control Culture** – Risk management disciplines will be integrated into TD's daily routines, decision-making, and strategy formulation.
- **Strategic Balance** – Risk will be managed to an acceptable level of exposure, recognizing the need to protect and grow shareholder value.

APPROACH TO RISK MANAGEMENT PROCESSES

TD's comprehensive and proactive approach to risk management is comprised of four basic processes: risk identification and assessment, measurement, control, and monitoring and reporting.

Risk Identification and Assessment

Risk identification and assessment is focused on recognizing and understanding existing risks, risks that may arise from new or evolving business initiatives, aggregate risks, and emerging risks from the changing environment. The Bank's objective is to establish and maintain integrated risk identification and assessment processes that enhance the understanding of risk interdependencies, consider how risk types intersect, and support the identification of emerging risk. To that end, TD's Enterprise-Wide Stress Testing (EWST) program enables senior management, the Board, and its committees to identify and articulate enterprise-wide risks and understand potential vulnerabilities for the Bank.

Risk Measurement

The ability to quantify risks is a key component of the Bank's risk management process. TD's risk measurement process aligns with regulatory requirements such as capital adequacy, leverage ratios, liquidity measures, stress testing, and maximum credit exposure guidelines established by its regulators. Additionally, the Bank has a process in place to quantify risks to provide accurate and timely measurements of the risks it assumes.

In quantifying risk, the Bank uses various risk measurement methodologies, including Value-at-Risk (VaR) analysis, scenario analysis, stress testing, and limits. Other examples of risk measurements include credit exposures, PCL, peer comparisons, trending analysis, liquidity coverage, leverage ratios, capital adequacy metrics, and operational risk event notification metrics. The Bank also requires significant business segments and corporate oversight functions to assess their own key risks and internal controls annually through a structured Risk and Control Self-Assessment (RCSA) program. Internal and external risk events are monitored to assess whether the Bank's internal controls are effective. This allows the Bank to identify, escalate, and monitor significant risk issues as needed.

Risk Control

TD's risk control processes are established and communicated through Risk Committee and Management approved policies, and associated management approved procedures, control limits, and delegated authorities which reflect TD's risk appetite and risk tolerances.

The Bank's approach to risk control also includes risk and capital assessments to appropriately capture key risks in TD's measurement and management of capital adequacy. This involves the review, challenge, and endorsement by senior management committees of the ICAAP and related economic capital practices. At TD, performance is measured based on the allocation of risk-based capital to businesses and the cost charged against that capital.

Risk Monitoring and Reporting

The Bank monitors and reports on risk levels on a regular basis against TD's risk appetite and Risk Management reports on its risk monitoring activities to senior management, the Board and its Committees, and appropriate executive and management committees. The ERMC, the Risk Committee, and the Board also receive annual and periodic reporting on EWST and an annual update on the Bank's ICAAP. Complementing regular risk monitoring and reporting, ad hoc risk reporting is provided to senior management, the Risk Committee, and the Board, as appropriate, for new and emerging risks or any significant changes to the Bank's risk profile.

Enterprise-Wide Stress Testing

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

As part of its 2017 program, the Bank evaluated two internally generated macroeconomic stress scenarios covering a range of severities as described below. The scenarios were constructed to cover a wide variety of risk factors meaningful to TD's risk profile in both the North American and global economies. Stressed macroeconomic variables such as unemployment, GDP, resale home prices, and interest rates were forecasted over the stress horizon which drives the assessment of impacts. In the scenarios evaluated in the 2017 program, the Bank had sufficient capital to withstand severe, but plausible, stress conditions. Results of the scenarios were reviewed by senior executives, incorporated in the Bank's planning process, and presented to the Risk Committee and the Board.

Enterprise-Wide Stress Scenarios	
Severe Scenario	**Extreme Scenario**
• The scenario is benchmarked against historical recessions that have taken place in the U.S. and Canada. The recession extends four consecutive quarters followed by a modest recovery. • The scenario incorporates deterioration in key macroeconomic variables such as GDP, resale home prices, and unemployment that align with historically observed recessions. • TD Economics maintains a risk index that measures current vulnerabilities to a number of key risk factors. This risk index is then leveraged to scale the severity of the above mentioned indicators.	• The scenario features a marked slowdown in global growth prospects leading to a prolonged recession and heightened uncertainty in global financial markets. Protectionist political pressures mount worldwide leading countries to raise tariffs in a series of retaliatory trade measures, curtailing global trade. Global growth prospects deteriorate significantly, raising the risk of financial distress in China's domestic debt and property markets. A robust recovery in the E.U. fails to take hold amid uncertainty surrounding unproductive negotiations on trade and financial linkages with the U.K. and rising populism sentiment across E.U. countries. Contagion spreads beyond periphery countries through large cross-border debt and bank lending exposures. Risk appetite retrenches and financial markets worldwide are destabilized. The monetary policy response is limited in countries where policy rates are at, or close to, the lower bound and where quantitative easing programs approach constraints. A prolonged global economic slowdown erodes investor confidence, leading to a sharp decline in global equity prices and heightened market volatility. • External shocks to the Canadian economy trigger an unwinding of household imbalances. Unemployment rises sharply as home prices deteriorate significantly. Extremely low oil prices lead to a disproportionate impact on the Canadian economy relative to the U.S.

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

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

Strategic Risk

Strategic risk is the potential for financial loss or reputational damage arising from the choice of sub-optimal or ineffective strategies, the improper implementation of chosen strategies, choosing not to pursue certain strategies, or a lack of responsiveness to changes in the business environment. Strategies include merger and acquisition activities.

WHO MANAGES STRATEGIC RISK

The CEO manages strategic risk supported by the members of the SET and the ERMC. The CEO, together with the SET, defines the overall strategy, in consultation with, and subject to approval by the Board. The Enterprise Strategy and Decision Support group, under the leadership of the Group Head and Chief Financial Officer, is charged with developing the Bank's overall long-term and shorter-term strategies with input and support from senior executives across TD. In addition, each member of the SET is responsible for establishing and managing long-term and shorter-term strategies for their business areas (organic and through acquisitions), and for ensuring such strategies are aligned with the overall enterprise strategy and risk appetite. Each SET member is also accountable to the CEO for identifying, assessing, measuring, controlling, monitoring, and reporting on the effectiveness and risks of their business strategies. The ERMC oversees the identification and monitoring of significant and emerging risks related to TD's strategies and seeks to ensure that mitigating actions are taken where appropriate. The CEO, SET members, and other senior executives report to the Board on the implementation of the Bank's strategies, identifying the risks within those strategies and explaining how they are managed.

HOW TD MANAGES STRATEGIC RISK

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

The shaded areas of this MD&A represent a discussion on risk management policies and procedures relating to credit, market, and liquidity risks as required under IFRS 7, *Financial Instruments: Disclosures*, which permits these specific disclosures to be included in the MD&A. Therefore, the shaded areas which include Credit Risk, Market Risk, and Liquidity Risk, form an integral part of the audited Consolidated Financial Statements for the years ended October 31, 2017 and 2016.

Credit Risk

Credit risk is the risk of loss if a borrower or counterparty in a transaction fails to meet its agreed payment obligations.

Credit risk is one of the most significant and pervasive risks in banking. Every loan, extension of credit, or transaction that involves the transfer of payments between the Bank and other parties or financial institutions exposes the Bank to some degree of credit risk.

The Bank's primary objective is to be methodical in its credit risk assessment so that the Bank can better understand, select, and manage its exposures to reduce significant fluctuations in earnings.

The Bank's strategy is to include central oversight of credit risk in each business, and reinforce a culture of transparency, accountability, independence, and balance.

WHO MANAGES CREDIT RISK

The responsibility for credit risk management is enterprise-wide. To reinforce ownership of credit risk, credit risk control functions are integrated into each business, but each credit risk control unit separately reports to Risk Management to ensure objectivity and accountability.

Each business segment's credit risk control unit is responsible for its credit decisions and must comply with established policies, exposure guidelines, credit approval limits, and policy/limit exception procedures. It must also adhere to established enterprise-wide standards of credit assessment and obtain Risk Management's approval for credit decisions beyond their discretionary authority.

Risk Management is accountable for oversight of credit risk by developing policies that govern and control portfolio risks, and approval of product-specific policies, as required.

The Risk Committee oversees the management of credit risk and annually approves certain significant credit risk policies.

HOW TD MANAGES CREDIT RISK

The Bank's Credit Risk Management Framework outlines the internal risk and control structure to manage credit risk and includes risk appetite, policies, processes, limits and governance. The Credit Risk Management Framework is maintained by Risk Management and supports alignment with the Bank's risk appetite for credit risk.

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

Limits are established to monitor and control country, industry, product, geographic, and group exposure risks in the portfolios in accordance with enterprise-wide policies.

In TD's Retail businesses, the Bank uses established underwriting guidelines (which include collateral and loan-to-value constraints) along with approved scoring techniques and standards in extending, monitoring, and reporting personal credit. Credit scores and decision strategies are used in the origination and ongoing management of new and existing retail credit exposures. Scoring models and decision strategies utilize a combination of borrower attributes, including employment status, existing loan exposure and performance, and size of total bank relationship, as well as external data such as credit bureau information, to determine the amount of credit the Bank is prepared to extend to retail customers and to estimate future credit performance. Established policies and procedures are in place to govern the use and ongoing monitoring and assessment of the performance of scoring models and decision strategies to ensure alignment with expected performance results. Retail credit exposures approved within the regional credit centres are subject to ongoing Retail Risk Management review to assess the effectiveness of credit decisions and risk controls, as well as identify emerging or systemic issues and trends. Larger dollar exposures and material exceptions to policy are escalated to Retail Risk Management. Material policy exceptions are tracked and reported to monitor portfolio trends and identify potential weaknesses in underwriting guidelines and strategies. Where unfavourable trends are identified, remedial actions are taken to address those weaknesses.

The Bank's Commercial Banking and Wholesale Banking businesses use credit risk models and policies to establish borrower and facility risk ratings, quantify and monitor the level of risk, and facilitate its management. The businesses also use risk ratings to determine the amount of credit exposure it is willing to extend to a particular borrower. Management processes are used to monitor country, industry, and borrower or counterparty risk ratings, which include daily, monthly, quarterly, and annual review requirements for credit exposures. The key parameters used in the Bank's credit risk models are monitored on an ongoing basis.

Unanticipated economic or political changes in a foreign country could affect cross-border payments for goods and services, loans, dividends, and trade-related finance, as well as repatriation of the Bank's capital in that country. The Bank currently has credit exposure in a number of countries, with the majority of the exposure in North America. The Bank measures country risk using approved risk rating models and qualitative factors that are also used to establish country exposure limits covering all aspects of credit exposure across all businesses. Country risk ratings are managed on an ongoing basis and are subject to a detailed review at least annually.

As part of the Bank's credit risk strategy, the Bank sets limits on the amount of credit it is prepared to extend to specific industry sectors. The Bank monitors its concentration to any given industry to ensure that the loan portfolio is diversified. The Bank manages its risk using limits based on an internal risk rating score that combines TD's industry risk rating model and industry analysis, and regularly reviews industry risk ratings to ensure that those ratings properly reflect the risk of the industry. The Bank assigns a maximum exposure limit or a concentration limit to each major industry segment which is a percentage of its total wholesale and commercial private sector exposure.

The Bank may also set limits on the amount of credit it is prepared to extend to a particular entity or group of entities, also referred to as "entity risk". All entity risk is approved by the appropriate decision-making authority using limits based on the entity's borrower risk rating (BRR) and, for certain portfolios, the risk rating of the industry in which the entity operates. This exposure is monitored on a regular basis.

The Bank may also use credit derivatives to mitigate borrower-specific exposure as part of its portfolio risk management techniques.

The Basel Framework

The objective of the Basel Framework is to improve the consistency of capital requirements internationally and make required regulatory capital more risk-sensitive. The Basel Framework sets out several options which represent increasingly more risk-sensitive approaches for calculating credit, market, and operational RWA.

Credit Risk and the Basel Framework
The Bank received approval from OSFI to use the Basel AIRB Approach for credit risk, effective November 1, 2007. The Bank uses the AIRB Approach for all material portfolios, except in the following areas:
- TD has approved exemptions to use the Standardized Approach for some small credit exposures in North America. Risk Management reconfirms annually that this approach remains appropriate.
- Effective the third quarter of 2016, OSFI approved the Bank to calculate the majority of the retail portfolio credit RWA in the U.S. Retail segment using the AIRB Approach. The non-retail portfolio in the U.S. retail segment continues to use the Standardized approach while working to achieve regulatory approval to transition to the AIRB Approach.

To continue to qualify using the AIRB Approach for credit risk, the Bank must meet the ongoing conditions and requirements established by OSFI and the Basel Framework. The Bank regularly assesses its compliance with these requirements.

Credit Risk Exposures Subject to the AIRB Approach
Banks that adopt the AIRB Approach to credit risk must report credit risk exposures by counterparty type, each having different underlying risk characteristics. These counterparty types may differ from the presentation in the Bank's Consolidated Financial Statements. The Bank's credit risk exposures are divided into two main portfolios, retail and non-retail.

Risk Parameters
Under the AIRB Approach, credit risk is measured using the following risk parameters:
- PD – the likelihood that the borrower will not be able to meet its scheduled repayments within a one year time horizon.
- LGD – the amount of loss the Bank would likely incur when a borrower defaults on a loan, which is expressed as a percentage of EAD.
- EAD – the total amount the Bank is exposed to at the time of default.

By applying these risk parameters, TD can measure and monitor its credit risk to ensure it remains within pre-determined thresholds.

Retail Exposures
In the retail portfolio, including individuals and small businesses, the Bank manages exposures on a pooled basis, using predictive credit scoring techniques. There are three sub-types of retail exposures: residential secured (for example, individual mortgages and home equity lines of credit), qualifying revolving retail (for example, individual credit cards, unsecured lines of credit, and overdraft protection products), and other retail (for example, personal loans, including secured automobile loans, student lines of credit, and small business banking credit products).

The Bank calculates RWA for its retail exposures using the AIRB Approach. All retail PD, LGD, and EAD parameter models are based exclusively on the internal default and loss performance history for each of the three retail exposure sub-types.

Account-level PD, LGD, and EAD models are built for each product portfolio and calibrated based on the observed account-level default and loss performance for the portfolio.

Consistent with the AIRB Approach, the Bank defines default for exposures as delinquency of 90 days or more for the majority of retail credit portfolios. LGD estimates used in the RWA calculations reflect economic losses, such as, direct and indirect costs as well as any appropriate discount to account for time between default and ultimate recovery. EAD estimates reflect the historically observed utilization of undrawn credit limit prior to default. PD, LGD and EAD models are calibrated using logistic and linear regression techniques. Predictive attributes in the models may include account attributes, such as loan size, interest rate, and collateral, where applicable; an account's previous history and current status; an account's age on books; a customer's credit bureau attributes; and a customer's other holdings with the Bank. For secured products such as residential mortgages, property characteristics, loan-to-value ratios, and a customer's equity in the property, play a significant role in PD as well as in LGD models.

All risk parameter estimates are updated on a quarterly basis based on the refreshed model inputs. Parameter estimation is fully automated based on approved formulas and is not subject to manual overrides.

Exposures are then assigned to one of nine pre-defined PD segments based on their estimated long-run average one-year PD.

The risk discriminative and predictive power of the Bank's retail credit models is assessed against the most recently available one-year default and loss performance on a quarterly basis. All models are also subject to a comprehensive independent validation prior to implementation and on an annual basis as outlined in the "Model Risk Management" section of this disclosure.

Long-run PD estimates are generated by including key economic indicators, such as interest rates and unemployment rates, and using their long-run average over the credit cycle to estimate PD.

LGD estimates are required to reflect a downturn scenario. Downturn LGD estimates are generated by using macroeconomic inputs, such as changes in housing prices and unemployment rates expected in an appropriately severe downturn scenario.

For unsecured products, downturn LGD estimates reflect the observed lower recoveries for exposures defaulted during the 2008 to 2009 recession. For products secured by residential real estate, such as mortgages and home equity lines of credit, downturn LGD reflects the potential impact of a severe housing downturn. EAD estimates similarly reflect a downturn scenario.

The following table maps PD ranges to risk levels:

Risk Assessment	PD Segment	PD Range
Low Risk	1	0.00 to 0.15%
Normal Risk	2	0.16 to 0.41
	3	0.42 to 1.10
Medium Risk	4	1.11 to 2.93
	5	2.94 to 4.74
High Risk	6	4.75 to 7.59
	7	7.60 to 18.20
	8	18.21 to 99.99
Default	9	100.00

Non-Retail Exposures
In the non-retail portfolio, the Bank manages exposures on an individual borrower basis, using industry and sector-specific credit risk models, and expert judgment. The Bank has categorized non-retail credit risk exposures according to the following Basel counterparty types: corporate, including wholesale and commercial customers, sovereign, and bank. Under the AIRB Approach, CMHC-insured mortgages are considered sovereign risk and are therefore classified as non-retail.

The Bank evaluates credit risk for non-retail exposures by using both a BRR and facility risk rating (FRR). The Bank uses this system for all corporate, sovereign, and bank exposures. The Bank determines the risk ratings using industry and sector-specific credit risk models that are based on internal historical data for the years of 1994-2016, covering both wholesale and commercial lending experience. All borrowers and facilities are assigned an internal risk rating that must be reviewed at least once each year. External data such as rating agency default rates or loss databases are used to validate the parameters.

Internal risk ratings (BRR and FRR) are key to portfolio monitoring and management, and are used to set exposure limits and loan pricing. Internal risk ratings are also used in the calculation of regulatory capital, economic capital, and incurred but not identified allowance for credit losses. Consistent with the AIRB Approach to measure capital adequacy at a one-year risk horizon, the parameters are estimated to a twelve-month forward time horizon.

Borrower Risk Rating and PD
Each borrower is assigned a BRR that reflects the PD of the borrower using proprietary models and expert judgment. In assessing borrower risk, the Bank reviews the borrower's competitive position, financial performance, economic, and industry trends, management quality, and access to funds. Under the AIRB Approach, borrowers are grouped into BRR grades that have similar PD. Use of projections for model implied risk ratings is not permitted and BRRs may not incorporate a projected reversal, stabilization of negative trends, or the acceleration of existing positive trends. Historic financial results can however be sensitized to account for events that have occurred, or are about to occur, such as additional debt incurred by a borrower since the date of the last set of financial statements. In conducting an assessment of the BRR, all relevant and material information must be taken into account and the information being used must be current. Quantitative rating models are used to rank the expected through-the-cycle PD, and these models are segmented into categories based on industry and borrower size. The quantitative model output can be modified in some cases by expert judgement, as prescribed within the Bank's credit policies.

To calibrate PDs for each BRR band, the Bank computes yearly transition matrices based on annual cohorts and then estimates the average annual PD for each BRR. The PD is set at the average estimation level plus an appropriate adjustment to cover statistical and model uncertainty. The calibration process for PD is a through-the-cycle approach.

TD's 21-point BRR scale broadly aligns to external ratings as follows:

Description	Rating Category	Standard & Poor's	Moody's Investor Services
Investment grade	0 to 1C	AAA to AA-	Aaa to Aa3
	2A to 2C	A+ to A-	A1 to A3
	3A to 3C	BBB+ to BBB-	Baa1 to Baa3
Non-investment grade	4A to 4C	BB+ to BB-	Ba1 to Ba3
	5A to 5C	B+ to B-	B1 to B3
Watch and classified	6 to 8	CCC+ to CC and below	Caa1 to Ca and below
Impaired/default	9A to 9B	Default	Default

Facility Risk Rating and LGD
The FRR maps to LGD and takes into account facility-specific characteristics such as collateral, seniority ranking of debt, and loan structure.

Different FRR models are used based on industry and obligor size. Where an appropriate level of historical defaults is available per model, this data is used in the LGD estimation process. Data considered in the calibration of the LGD model includes variables such as collateral coverage, debt structure, and borrower enterprise value. Average LGD and the statistical uncertainty of LGD are estimated for each FRR grade. In some FRR models, lack of historical data requires the model to output a rank-ordering which is then mapped through expert judgement to the quantitative LGD scale.

The AIRB Approach stipulates the use of downturn LGD, where the downturn period, as determined by internal and/or external experience, suggests higher than average loss rates or lower than average recovery, such as during an economic recession. To reflect this, average calibrated LGDs take into account both the statistical estimation uncertainty and the higher than average LGDs experienced during downturn periods.

Exposure at Default
The Bank calculates non-retail EAD by first measuring the drawn amount of a facility and then adding a potential increased utilization at default from the undrawn portion, if any. Usage Given Default (UGD) is measured as the percentage of Committed Undrawn exposure that would be expected to be drawn by a borrower defaulting in the next year, in addition to the amount that already has been drawn by the borrower. In the absence of credit mitigation effects or other details, the EAD is set at the drawn amount plus (UGD x Committed Undrawn), where UGD is a percentage between 0% and 100%.

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

Historical UGD experience is studied for any downturn impacts, similar to the LGD downturn analysis. The Bank has not found downturn UGD to be significantly different than average UGD, therefore the UGDs are set at the average calibrated level, per BRR grade, plus an appropriate adjustment for statistical and model uncertainty.

Credit Risk Exposures Subject to the Standardized Approach
Currently the Standardized Approach to credit risk is used primarily for assets in the U.S. non-retail credit portfolio. The Bank is currently in the process of transitioning this portfolio to the AIRB Approach. Under the Standardized Approach, the assets are multiplied by risk weights prescribed by OSFI to determine RWA. These risk weights are assigned according to certain factors including counterparty type, product type, and the nature/extent of credit risk mitigation. TD uses external credit ratings, including Moody's and S&P to determine the appropriate risk weight for its exposures to sovereigns (governments, central banks, and certain public sector entities) and banks (regulated deposit-taking institutions, securities firms, and certain public sector entities).

The Bank applies the following risk weights to on-balance sheet exposures under the Standardized Approach:

Sovereign	0%[1]
Bank	20%[1]
Corporate	100%

1 The risk weight may vary according to the external risk rating.

Lower risk weights apply where approved credit risk mitigants exist. Non-retail loans that are more than 90 days past due receive a risk weight of 150%. For off-balance sheet exposures, specified credit conversion factors are used to convert the notional amount of the exposure into a credit equivalent amount.

Derivative Exposures

Credit risk on derivative financial instruments, also known as counterparty credit risk, is the risk of a financial loss occurring as a result of the failure of a counterparty to meet its obligation to TD. The Bank uses the Current Exposure Method to calculate the credit equivalent amount, which is defined by OSFI as the replacement cost plus an amount for potential future exposure, to estimate the risk and determine regulatory capital requirements for derivative exposures. The Global Counterparty Control group within Capital Markets Risk Management is responsible for estimating and managing counterparty credit risk in accordance with credit policies established by Risk Management.

The Bank uses various qualitative and quantitative methods to measure and manage counterparty credit risk. These include statistical methods to measure the current and future potential risk, as well as conduct stress tests to identify and quantify exposure to extreme events. The Bank establishes various limits, including gross notional limits, to manage business volumes and concentrations. TD regularly assesses market conditions and the valuation of underlying financial instruments. Counterparty credit risk may increase during periods of receding market liquidity for certain instruments. Capital Markets Risk Management meets regularly with Market and Credit Risk Management and Trading businesses to discuss how evolving market conditions may impact the Bank's market risk and counterparty credit risk.

The Bank actively engages in risk mitigation strategies through the use of multi-product derivative master netting agreements, collateral pledging and other credit risk mitigation techniques. The Bank also executes certain derivatives through a central clearing house which reduces counterparty credit risk due to the ability to net offsetting positions amongst counterparty participants that settle within clearing houses. Derivative-related credit risks are subject to the same credit approval, limit, monitoring, and exposure guideline standards that the Bank uses for managing other transactions that create credit risk exposure. These standards include evaluating the creditworthiness of counterparties, measuring and monitoring exposures, including wrong-way risk exposures, and managing the size, diversification, and maturity structure of the portfolios.

There are two types of wrong-way risk exposures, namely general and specific. General wrong-way risk arises when the PD of the counterparties moves in the same direction as a given market risk factor. Specific wrong-way risk arises when the exposure to a particular counterparty moves in the same direction as the PD of the counterparty due to the nature of the transactions entered into with that counterparty. These exposures require specific approval within the credit approval process. The Bank measures and manages specific wrong-way risk exposures in the same manner as direct loan obligations and controls them by way of approved credit facility limits.

As part of the credit risk monitoring process, management meets on a periodic basis to review all exposures, including exposures resulting from derivative financial instruments to higher risk counterparties. As at October 31, 2017, after taking into account risk mitigation strategies, TD does not have material derivative exposure to any counterparty considered higher risk as defined by the Bank's credit policies. In addition, the Bank does not have a material credit risk valuation adjustment to any specific counterparty.

Validation of the Credit Risk Rating System

Credit risk rating systems and methodologies are independently validated on a regular basis to verify that they remain accurate predictors of risk. The validation process includes the following considerations:

- Risk parameter estimates – PDs, LGDs, and EADs are reviewed and updated against actual loss experience to ensure estimates continue to be reasonable predictors of potential loss.
- Model performance – Estimates continue to be discriminatory, stable, and predictive.
- Data quality – Data used in the risk rating system is accurate, appropriate, and sufficient.
- Assumptions – Key assumptions underlying the development of the model remain valid for the current portfolio and environment.

Risk Management ensures that the credit risk rating system complies with the Bank's Model Risk Policy. At least annually, the Risk Committee is informed of the performance of the credit risk rating system. The Risk Committee must approve any material changes to the Bank's credit risk rating system.

Stress Testing

To determine the potential loss that could be incurred under a range of adverse scenarios, the Bank subjects its credit portfolios to stress tests. Stress tests assess vulnerability of the portfolios to the effects of severe but plausible situations, such as an economic downturn or a material market disruption.

Credit Risk Mitigation

The techniques the Bank uses to reduce or mitigate credit risk include written policies and procedures to value and manage financial and non-financial security (collateral) and to review and negotiate netting agreements. The amount and type of collateral, and other credit risk mitigation techniques required, are based on the Bank's own assessment of the borrower's or counterparty's credit quality and capacity to pay.

In the retail and commercial banking businesses, security for loans is primarily non-financial and includes residential real estate, real estate under development, commercial real estate, automobiles, and other business assets, such as accounts receivable, inventory, and fixed assets. In the Wholesale Banking business, a large portion of loans is to investment grade borrowers where no security is pledged. Non-investment grade borrowers typically pledge business assets in the same manner as commercial borrowers. Common standards across the Bank are used to value collateral, determine frequency of recalculation, and to document, register, perfect, and monitor collateral.

The Bank also uses collateral and master netting agreements to mitigate derivative counterparty exposure. Security for derivative exposures is primarily financial and includes cash and negotiable securities issued by highly rated governments and investment grade issuers. This approach includes pre-defined discounts and procedures for the receipt, safekeeping, and release of pledged securities.

In all but exceptional situations, the Bank secures collateral by taking possession and controlling it in a jurisdiction where it can legally enforce its collateral rights. In exceptional situations and when demanded by TD's counterparty, the Bank holds or pledges collateral with an acceptable third-party custodian. The Bank documents all such third-party arrangements with industry standard agreements.

Occasionally, the Bank may take guarantees to reduce the risk in credit exposures. For credit risk exposures subject to AIRB, the Bank only recognizes irrevocable guarantees for Commercial Banking and Wholesale Banking credit exposures that are provided by entities with a better risk rating than that of the borrower or counterparty to the transaction.

The Bank makes use of credit derivatives to mitigate credit risk. The credit, legal, and other risks associated with these transactions are controlled through well-established procedures. The Bank's policy is to enter into these transactions with investment grade financial institutions and transact on a collateralized basis. Credit risk to these counterparties is managed through the same approval, limit, and monitoring processes the Bank uses for all counterparties for which it has credit exposure.

The Bank uses appraisals and automated valuation models (AVMs) to support property values when adjudicating loans collateralized by residential real property. AVMs are computer-based tools used to estimate or validate the market value of residential real property using market comparables and price trends for local market areas. The primary risk associated with the use of these tools is that the value of an individual property may vary significantly from the average for the market area. The Bank has specific risk management guidelines addressing the circumstances when they may be used, and processes to periodically validate AVMs including obtaining third party appraisals.

Gross Credit Risk Exposure

Gross credit risk exposure, also referred to as EAD, is the total amount the Bank is exposed to at the time of default of a loan and is measured before counterparty-specific provisions or write-offs. Gross credit risk exposure does not reflect the effects of credit risk mitigation and includes both on-balance sheet and off-balance sheet exposures. On-balance sheet exposures consist primarily of outstanding loans, acceptances, non-trading securities, derivatives, and certain other repo-style transactions. Off-balance sheet exposures consist primarily of undrawn commitments, guarantees, and certain other repo-style transactions.

Gross credit risk exposures for the two approaches the Bank uses to measure credit risk are included in the following table.

TABLE 46: GROSS CREDIT RISK EXPOSURES – Standardized and Advanced Internal Ratings Based Approaches[1]

(millions of Canadian dollars)						*As at*
			October 31, 2017			October 31, 2016
	Standardized	**AIRB**	**Total**	Standardized	AIRB	Total
Retail						
Residential secured	**$ 5,862**	**$ 349,749**	**$ 355,611**	$ 1,334	$ 334,878	$ 336,212
Qualifying revolving retail	**–**	**93,527**	**93,527**	–	90,778	90,778
Other retail	**19,011**	**75,566**	**94,577**	18,894	71,940	90,834
Total retail	**24,873**	**518,842**	**543,715**	20,228	497,596	517,824
Non-retail						
Corporate	**125,621**	**305,867**	**431,488**	127,399	252,616	380,015
Sovereign	**91,567**	**157,947**	**249,514**	77,166	139,367	216,533
Bank	**18,195**	**94,181**	**112,376**	17,721	66,432	84,153
Total non-retail	**235,383**	**557,995**	**793,378**	222,286	458,415	680,701
Gross credit risk exposures	**$ 260,256**	**$ 1,076,837**	**$ 1,337,093**	$ 242,514	$ 956,011	$ 1,198,525

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.

Other Credit Risk Exposures

Non-trading Equity Exposures

TD's non-trading equity exposures are at a level that represents less than 5% of the Bank's combined Tier 1 and Tier 2 Capital. As a result, the Bank uses OSFI prescribed risk weights to calculate RWA on non-trading equity exposures.

Securitization Exposures

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

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

Under the IAA, the Bank considers all relevant risk factors in assessing the credit quality of these exposures, including those published by the Moody's and S&P rating agencies. The Bank also uses loss coverage models and policies to quantify and monitor the level of risk, and facilitate its management. The Bank's IAA process includes an assessment of the extent by which the enhancement available for loss protection provides coverage of expected losses. The levels of stressed coverage the Bank requires for each internal risk rating are consistent with the rating agencies' published stressed factor requirements for equivalent external ratings by asset class.

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

The Bank's IAA process is subject to all of the key elements and principles of the Bank's risk governance structure, and is managed in the same way as outlined in this "Credit Risk" section.

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

Market Risk

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

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

The Bank is exposed to market risk in its trading and investment portfolios, as well as through its non-trading activities. In the Bank's trading and investment portfolios, it is an active participant in the market, seeking to realize returns for TD through careful management of its positions and inventories. In the Bank's non-trading activities, it is exposed to market risk through the everyday banking transactions that the Bank's customers execute with TD.

The Bank complied with the Basel III market risk requirements as at October 31, 2017, using the Internal Models Approach.

MARKET RISK LINKAGE TO THE BALANCE SHEET

The following table provides a breakdown of the Bank's balance sheet into assets and liabilities exposed to trading and non-trading market risks. Market risk of assets and liabilities included in the calculation of VaR and other metrics used for regulatory market risk capital purposes is classified as trading market risk.

TABLE 47: MARKET RISK LINKAGE TO THE BALANCE SHEET

(millions of Canadian dollars)

								As at	
	October 31, 2017				October 31, 2016				
	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	**$ 51,185**	**$ 194**	**$ 50,991**	**$ –**	$ 53,714	$ 258	$ 53,456	$ –	**Interest rate**
Trading loans, securities, and other	**103,918**	**99,168**	**4,750**	**–**	99,257	92,282	6,975	–	**Interest rate**
Derivatives	**56,195**	**51,492**	**4,703**	**–**	72,242	63,931	8,311	–	**Equity, foreign exchange, interest rate**
Financial assets designated at fair value through profit or loss	**4,032**	**–**	**4,032**	**–**	4,283	–	4,283	–	**Interest rate**
Available-for-sale securities	**146,411**	**–**	**146,411**	**–**	107,571	–	107,571	–	**Foreign exchange, interest rate**
Held-to-maturity securities	**71,363**	**–**	**71,363**	**–**	84,395	–	84,395	–	**Foreign exchange, interest rate**
Securities purchased under reverse repurchase agreements	**134,429**	**1,345**	**133,084**	**–**	86,052	1,728	84,324	–	**Interest rate**
Loans	**616,374**	**–**	**616,374**	**–**	589,529	–	589,529	–	**Interest rate**
Customers' liability under acceptances	**17,297**	**–**	**17,297**	**–**	15,706	–	15,706	–	**Interest rate**
Investment in TD Ameritrade	**7,784**	**–**	**7,784**	**–**	7,091	–	7,091	–	**Equity**
Other assets[1]	**1,549**	**–**	**1,549**	**–**	1,769	–	1,769	–	**Interest rate**
Assets not exposed to market risk	**68,458**	**–**	**–**	**68,458**	55,358	–	–	55,358	
Total Assets	**1,278,995**	**152,199**	**1,058,338**	**68,458**	1,176,967	158,199	963,410	55,358	
Liabilities subject to market risk									
Trading deposits	**79,940**	**3,539**	**76,401**	**–**	79,786	3,876	75,910	–	**Interest rate**
Derivatives	**51,214**	**46,206**	**5,008**	**–**	65,425	60,221	5,204	–	**Foreign exchange, interest rate**
Securitization liabilities at fair value	**12,757**	**12,757**	**–**	**–**	12,490	12,490	–	–	**Interest rate**
Other financial liabilities designated at fair value through profit or loss	**8**	**1**	**7**	**–**	190	177	13	–	**Interest rate**
Deposits	**832,824**	**–**	**832,824**	**–**	773,660	–	773,660	–	**Equity, interest rate**
Acceptances	**17,297**	**–**	**17,297**	**–**	15,706	–	15,706	–	**Interest rate**
Obligations related to securities sold short	**35,482**	**32,124**	**3,358**	**–**	33,115	29,973	3,142	–	**Interest rate**
Obligations related to securities sold under repurchase agreements	**88,591**	**2,064**	**86,527**	**–**	48,973	3,657	45,316	–	**Interest rate**
Securitization liabilities at amortized cost	**16,076**	**–**	**16,076**	**–**	17,918	–	17,918	–	**Interest rate**
Subordinated notes and debentures	**9,528**	**–**	**9,528**	**–**	10,891	–	10,891	–	**Interest rate**
Other liabilities[1]	**15,073**	**–**	**15,073**	**–**	15,526	–	15,526	–	**Interest rate**
Liabilities and Equity not exposed to market risk	**120,205**	**–**	**–**	**120,205**	103,287	–	–	103,287	
Total Liabilities and Equity	**$ 1,278,995**	**$ 96,691**	**$ 1,062,099**	**$ 120,205**	$ 1,176,967	$ 110,394	$ 963,286	$ 103,287	

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

MARKET RISK IN TRADING ACTIVITIES

The overall objective of TD's trading businesses is to provide wholesale banking services, including facilitation and liquidity, to clients of the Bank. TD must take on risk in order to provide effective service in markets where its clients trade. In particular, the Bank needs to hold inventory, act as principal to facilitate client transactions, and underwrite new issues. The Bank also trades in order to have in-depth knowledge of market conditions to provide the most efficient and effective pricing and service to clients, while balancing the risks inherent in its dealing activities.

WHO MANAGES MARKET RISK IN TRADING ACTIVITIES

Primary responsibility for managing market risk in trading activities lies with Wholesale Banking, with oversight from Market Risk Control within Risk Management. The Market Risk Control Committee meets regularly to conduct a review of the market risk profile, trading results of the Bank's trading businesses as well as changes to market risk policies. The committee is chaired by the Senior Vice President, Market Risk and Model Development, and includes Wholesale Banking senior management.

There were no significant reclassifications between trading and non-trading books during the year ended October 31, 2017.

HOW TD MANAGES MARKET RISK IN TRADING ACTIVITIES

Market risk plays a key part in the assessment of any trading business strategy. The Bank launches new trading initiatives or expands existing ones only if the risk has been thoroughly assessed, and is judged to be within the Bank's risk appetite and business expertise, and if the appropriate infrastructure is in place to monitor, control, and manage the risk. The Trading Market Risk Framework outlines the management of trading market risk and incorporates risk appetite, risk governance structure, risk identification, measurement, and control. The Trading Market Risk Framework is maintained by Risk Management and supports alignment with TD's Risk Appetite for trading market risk.

Trading Limits

The Bank sets trading limits that are consistent with the approved business strategy for each business and its tolerance for the associated market risk, aligned to its market risk appetite. In setting limits, the Bank takes into account market volatility, market liquidity, organizational experience, and business strategy. Limits are prescribed at the Wholesale Banking level in aggregate, as well as at more granular levels.

The core market risk limits are based on the key risk drivers in the business and includes notional, credit spread, yield curve shift, price, and volatility limits.

Another primary measure of trading limits is VaR, which the Bank uses to monitor and control overall risk levels and to calculate the regulatory capital required for market risk in trading activities. VaR measures the adverse impact that potential changes in market rates and prices could have on the value of a portfolio over a specified period of time.

At the end of each day, risk positions are compared with risk limits, and any excesses are reported in accordance with established market risk policies and procedures.

Calculating VaR

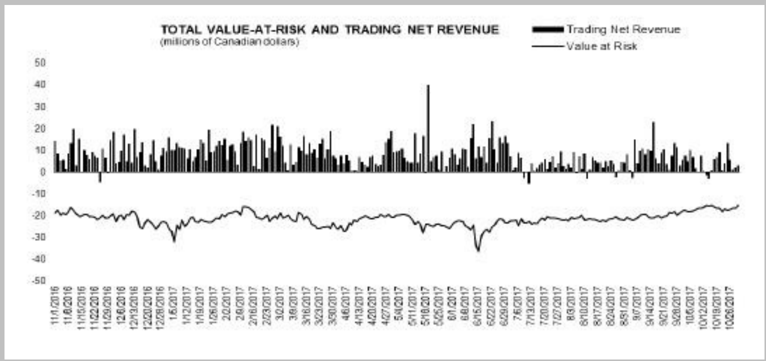
TD computes total VaR on a daily basis by combining the General Market Risk (GMR) and Idiosyncratic Debt Specific Risk (IDSR) associated with the Bank's trading positions.

GMR is determined by creating a distribution of potential changes in the market value of the current portfolio using historical simulation. The Bank values the current portfolio using the market price and rate changes of the most recent 259 trading days for equity, interest rate, foreign exchange, credit, and commodity products. GMR is computed as the threshold level that portfolio losses are not expected to exceed more than one out of every 100 trading days. A one-day holding period is used for GMR calculation, which is scaled up to ten days for regulatory capital calculation purposes.

IDSR measures idiosyncratic (single-name) credit spread risk for credit exposures in the trading portfolio using Monte Carlo simulation. The IDSR model is based on the historical behaviour of five-year idiosyncratic credit spreads. Similar to GMR, IDSR is computed as the threshold level that portfolio losses are not expected to exceed more than one out of every 100 trading days. IDSR is measured for a ten-day holding period.

The following graph discloses daily one-day VaR usage and trading net revenue, reported on a taxable equivalent basis, within Wholesale Banking. Effective August 1, 2017, to better align with the computation of VaR, trading net revenue is used for the purpose of this graph. Trading net revenue includes trading income and net interest income related to positions within the Bank's market risk capital trading books. This change has been applied retroactively to November 1, 2016.

For the year ending October 31, 2017, there were 11 days of trading losses and trading net revenue was positive for 96% of the trading days, reflecting normal trading activity. Losses in the year did not exceed VaR on any trading day.



VaR is a valuable risk measure but it should be used in the context of its limitations, for example:

- VaR uses historical data to estimate future events, which limits its forecasting abilities;
- it does not provide information on losses beyond the selected confidence level; and
- it assumes that all positions can be liquidated during the holding period used for VaR calculation.

The Bank continuously improves its VaR methodologies and incorporates new risk measures in line with market conventions, industry best practices, and regulatory requirements.

To mitigate some of the shortcomings of VaR, the Bank uses additional metrics designed for risk management and capital purposes. These include Stressed VaR, Incremental Risk Charge (IRC), Stress Testing Framework, as well as limits based on the sensitivity to various market risk factors.

Calculating Stressed VaR

In addition to VaR, the Bank also calculates Stressed VaR, which includes Stressed GMR and Stressed IDSR. Stressed VaR is designed to measure the adverse impact that potential changes in market rates and prices could have on the value of a portfolio over a specified period of stressed market conditions. Stressed VaR is determined using similar techniques and assumptions in GMR and IDSR VaR. However, instead of using the most recent 259 trading days (one year), the Bank uses a selected year of stressed market conditions. In the fourth quarter of fiscal 2017, Stressed VaR was calculated using the one-year period that began on February 1, 2008. The appropriate historical one-year period to use for Stressed VaR is determined on a quarterly basis. Stressed VaR is a part of regulatory capital requirements.

Calculating the Incremental Risk Charge
The IRC is applied to all instruments in the trading book subject to migration and default risk. Migration risk represents the risk of changes in the credit ratings of the Bank's exposures. TD applies a Monte Carlo simulation with a one-year horizon and a 99.9% confidence level to determine IRC, which is consistent with regulatory requirements. IRC is based on a "constant level of risk" assumption, which requires banks to assign a liquidity horizon to positions that are subject to IRC. IRC is a part of regulatory capital requirements.

The following table presents the end of year, average, high, and low usage of TD's portfolio metrics.

TABLE 48: PORTFOLIO MARKET RISK MEASURES

(millions of Canadian dollars)				**2017**				2016
	As at	**Average**	**High**	**Low**	As at	Average	High	Low
Interest rate risk	**$ 6.9**	**$ 14.2**	**$ 34.9**	**$ 6.2**	$ 10.1	$ 10.8	$ 21.9	$ 5.4
Credit spread risk	**7.6**	**8.9**	**11.8**	**6.0**	7.2	8.4	15.6	5.1
Equity risk	**8.5**	**8.9**	**12.3**	**5.8**	5.9	8.6	11.2	3.5
Foreign exchange risk	**2.7**	**4.3**	**7.9**	**2.2**	2.7	3.2	7.4	1.4
Commodity risk	**2.3**	**1.3**	**2.5**	**0.7**	1.1	2.1	4.2	1.0
Idiosyncratic debt specific risk	**10.1**	**14.1**	**17.9**	**10.1**	13.5	12.7	22.6	7.9
Diversification effect[1]	**(23.0)**	**(30.3)**	**n/m[2]**	**n/m[2]**	(22.4)	(25.3)	n/m[2]	n/m[2]
Total Value-at-Risk (one-day)	**$ 15.1**	**$ 21.4**	**$ 36.4**	**$ 15.1**	$ 18.1	$ 20.5	$ 33.8	$ 11.7
Stressed Value-at-Risk (one-day)	**40.9**	**39.3**	**51.1**	**28.1**	32.8	34.8	43.6	21.6
Incremental Risk Capital Charge (one-year)	**190.8**	**242.9**	**330.2**	**171.3**	240.6	205.8	287.9	144.9

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 year. Year-over-year, the increase in interest rate VaR was driven by U.S. interest rate risk positions. The year-over-year increase in average Stressed VaR was driven by an increase in government and financial bond positions.

The average IRC increased by $37.1 million over the year due to changes in U.S. Agency and 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 establish that they are consistent with the statistical results of the VaR model. The theoretical profit or loss is generated using the daily price movements on the assumption that there is no change in the composition of the portfolio. Validation of the IRC model must follow a different approach since the one-year horizon and 99.9% confidence level preclude standard back-testing techniques. Instead, key parameters of the IRC model such as transition and correlation matrices are subject to independent validation by benchmarking against external study results or through analysis using internal or external data.

Stress Testing
The Bank's trading business is subject to an overall global stress test limit. In addition, global businesses have stress test limits, and each broad risk class has an overall stress test threshold. Stress scenarios are designed to model extreme economic events, replicate worst-case historical experiences, or introduce severe but plausible hypothetical changes in key market risk factors. The stress testing program includes scenarios developed using actual historical market data during periods of market disruption, in addition to hypothetical scenarios developed by Risk Management. The events the Bank has modeled include the 1987 equity market crash, the 1998 Russian debt default crisis, the aftermath of September 11, 2001, the 2007 ABCP crisis, the credit crisis of Fall 2008 and the Brexit referendum of June 2016.

Stress tests are produced and reviewed regularly with the Market Risk Control Committee.

MARKET RISK IN OTHER WHOLESALE BANKING ACTIVITIES
The Bank is also exposed to market risk arising from a legacy portfolio of bonds and preferred shares held in TD Securities and in its remaining merchant banking investments. Risk Management reviews and approves policies and procedures, which are established to monitor, measure, and mitigate these risks.

Asset/Liability Management

Asset/liability management deals with managing the market risks of TD's traditional banking activities. This generally reflects the market risks arising from personal and commercial banking products (loans and deposits) as well as related funding, investments and high quality liquid assets (HQLA). Such structural market risks primarily include interest rate risk and foreign exchange risk.

WHO IS RESPONSIBLE FOR ASSET/LIABILITY MANAGEMENT
TBSM measures and manages the market risks of the Bank's non-trading banking activities, with oversight from the Asset/Liability and Capital Committee, which is chaired by the Group Head and Chief Financial Officer, and includes other senior executives. The Market Risk Control function provides independent oversight, governance, and control over these market risks. The Risk Committee periodically reviews and approves key asset/liability management and non-trading market risk policies and receives reports on compliance with approved risk limits.

HOW TD MANAGES ITS ASSET AND LIABILITY POSITIONS
Non-trading interest rate risk is viewed as a non-productive risk as it has the potential to increase earnings volatility and incur loss without providing long run expected value. As a result, TBSM's mandate is to structure the asset and liability positions of the balance sheet in order to achieve a target profile that controls the impact of changes in interest rates on the Bank's net interest income and economic value that is consistent with the Bank's RAS.

Managing Interest Rate Risk
Interest rate risk is the impact that changes in interest rates could have on the Bank's margins, earnings, and economic value. Interest rate risk management is designed to ensure that earnings are stable and predictable over time. The Bank has adopted a disciplined hedging approach to manage the net interest income contribution from its asset and liability positions, including an assigned target-modeled maturity profile for non-rate sensitive assets, liabilities, and equity. Key aspects of this approach are:

- Evaluating and managing the impact of rising or falling interest rates on net interest income and economic value, and developing strategies to manage overall sensitivity to rates across varying interest rate scenarios;
- Measuring the contribution of each TD product on a risk-adjusted, fully-hedged basis, including the impact of financial options such as mortgage commitments that are granted to customers; and
- Developing and implementing strategies to stabilize net interest income from all retail and commercial banking products.

The Bank is exposed to interest rate risk when asset and liability principal and interest cash flows, determined using contractual cash-flows and the target-modeled maturity profile for non-maturity products, have different interest payment or maturity dates. These are called "mismatched positions". An interest-sensitive asset or liability is repriced when interest rates change and when there is: a final maturity, normal amortization, or option exercise (such as prepayment, redemption, or conversion).

TD's exposure to interest rate risk depends on the size and direction of interest rate changes, and on the size and maturity of the mismatched positions. It is also affected by new business volumes, renewals of loans or deposits, and how actively customers exercise embedded options, such as prepaying a loan or redeeming a deposit before its maturity date.

Interest rate risk exposure, after economic hedging activities, is measured using various interest rate "shock" scenarios. Two of the measures used are Net Interest Income Sensitivity (NIIS) and Economic Value at Risk (EVaR). NIIS is defined as the change in net interest income over the next twelve months resulting from mismatched positions for an immediate and sustained 100 bps interest rate shock. NIIS measures the extent to which the maturing and repricing asset and liability cash flows are matched over the next twelve-month period and reflects how the Bank's net interest income will change over that period from the effect of the interest rate shock on the mismatched positions. EVaR is defined as the difference between the change in the present value of the Bank's asset portfolio and the change in the present value of the Bank's liability portfolio, including off-balance sheet instruments and assumed profiles for non-rate sensitive products, resulting from an immediate and sustained 100 bps unfavourable interest rate shock. EVaR measures the relative sensitivity of asset and liability cash flow mismatches to changes in long-term interest rates. Closely matching asset and liability cash flows reduces EVaR and mitigates the risk of volatility in future net interest income.

To the extent that interest rates are sufficiently low and it is not feasible to measure the impact of a 100 bps decline in interest rates, EVaR and NIIS exposures will be calculated by measuring the impact of a decline in interest rates where the resultant rates do not become negative.

The methodology used to calculate NIIS and EVaR captures the impact of changes to assumed customer behaviours, such as interest rate sensitive mortgage prepayments, but does not assume any balance sheet growth, change in business mix, product pricing philosophy, or management actions in response to changes in market conditions.

TD's policy as approved by the Risk Committee sets overall limits on EVaR and NIIS which are linked to capital and net interest income, respectively. These limits are consistent with the Bank's enterprise risk appetite and are periodically reviewed and approved by the Risk Committee. Exposures against Board limits are routinely monitored, hedged, and reported, and breaches of these Board limits, if any, are escalated to both the ALCO and the Risk Committee of the Board.

In addition to Board policy limits, book-level risk limits are set for TBSM's management of non-trading interest rate risk by Risk Management. These book-level risk limits are set at a more granular level than Board policy limits for NIIS and EVaR, and developed to be consistent with the overall Board Market Risk policy. Breaches of these book-level risk limits, if any, are escalated to the ALCO in a timely manner.

The interest rate risk exposures from products with closed (non-optioned) fixed-rate cash flows are measured and managed separately from products that offer customers prepayment options. The Bank projects future cash flows by looking at the impact of:

- A target interest sensitivity profile for its non-maturity assets and liabilities;
- A target investment profile on its net equity position; and
- Liquidation assumptions on mortgages other than from embedded pre-payment options.

The Bank also measures its exposure to non-maturity liabilities, such as core deposits, by assessing interest rate elasticity and balance permanence using historical data and business judgement. Fluctuations of non-maturity deposits can occur because of factors such as interest rate movements, equity market movements, and changes to customer liquidity preferences.
The objective of portfolio management within the closed-cash-flow book is to eliminate cash flow mismatches to the extent practically possible, so that net interest income becomes more predictable.

Product options, whether they are freestanding options such as mortgage rate commitments or embedded in loans and deposits, expose TD to a significant financial risk.

- **Rate Commitments**: The Bank measures its exposure from freestanding mortgage rate commitment options using an expected funding profile based on historical experience. Customers' propensity to fund, and their preference for fixed or floating rate mortgage products, is influenced by factors such as market mortgage rates, house prices, and seasonality.
- **Asset Prepayment**: The Bank models its exposure to written options embedded in other products, such as the right to prepay residential mortgage loans, based on analysis of customer behaviour. Econometric models are used to model prepayments and the effects of prepayment behaviour to the Bank. In general mortgage prepayments are also affected by factors, such as mortgage age, house prices, and GDP growth. The combined impacts from these parameters are also assessed to determine a core liquidation speed which is independent of market incentives.

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

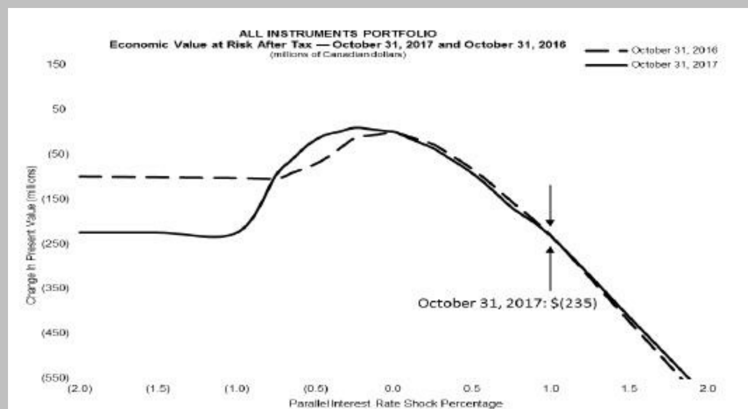
Other Non-Trading Market Risks
Other market risks monitored on a regular basis include:

- **Basis Risk**: The Bank is exposed to risks related to the difference in various market indices.
- **Equity Risk**
  - The Bank is exposed to equity risk through its equity-linked guaranteed investment certificate product offering. The exposure is managed by purchasing options to replicate the equity payoff.

- The Bank is also exposed to non-trading equity price risk primarily from its share-based compensation plans where certain employees are awarded share units equivalent to the Bank's common shares as compensation for services provided to the Bank. These share units are recorded as a liability over the vesting period and revalued at each reporting period until settled in cash. Changes in the Bank's share price can impact non-interest expenses. The Bank uses derivative instruments to manage its non-trading equity price risk.

Interest Rate Risk

The following graph[18] shows the Bank's interest rate risk exposure (as measured by EVaR) on all non-trading assets, liabilities, and derivative instruments used for structural interest rate management. This reflects the interest rate risk from personal and commercial banking products (loans and deposits) as well as related funding, investments and HQLA. EVaR is defined as the difference between the change in the present value of the Bank's asset portfolio and the change in the present value of the Bank's liability portfolio, including off-balance sheet instruments and assumed profiles for non-rate sensitive products, resulting from an immediate and sustained 100 bps unfavourable interest rate shock. EVaR measures the relative sensitivity of asset and liability cash flow mismatches to changes in interest rates. Closely matching asset and liability cash flows reduces EVaR and mitigates the risk of volatility in future net interest income.



The Bank uses derivative financial instruments, wholesale investments, funding instruments, other capital market alternatives, and, less frequently, product pricing strategies to manage interest rate risk. As at October 31, 2017, an immediate and sustained 100 bps increase in interest rates would have decreased the economic value of shareholders' equity by $235 million (October 31, 2016 – $234 million) after tax. An immediate and sustained 100 bps decrease in interest rates would have reduced the economic value of shareholders' equity by $225 million (October 31, 2016 – $103 million) after tax.

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

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

TABLE 49: SENSITIVITY OF AFTER-TAX ECONOMIC VALUE AT RISK BY CURRENCY

(millions of Canadian dollars)	**October 31, 2017**		October 31, 2016	
Currency	**100 bps increase**	**100 bps decrease**	100 bps increase	100 bps decrease
Canadian dollar	**$ (24)**	**$ (43)**	$ 8	$ (64)[1]
U.S. dollar	**(211)**	**(182)**	(242)	(39)[2]
	$ (235)	**$ (225)**	$ (234)	$ (103)

1 Due to the low rate environment EVaR sensitivity has been measured using a 75 bps decline for Canadian interest rates for the year ended October 31, 2016, 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 50 bps decline for U.S. interest rates for the year ended October 31, 2016, corresponding to an interest rate environment that is floored at 0%.

For the NIIS measure (not shown on the graph), a 100 bps increase in interest rates on October 31, 2017, would have increased pre-tax net interest income by $116 million (October 31, 2016 – $131 million increase) in the next twelve months due to the mismatched positions. A 100 bps decrease in interest rates on October 31, 2017, would have decreased pre-tax net interest income by $152 million (October 31, 2016 – $123 million decrease) in the next twelve months due to the mismatched positions. Reported NIIS remains consistent with the Bank's risk appetite and within established Board limits. The net interest income of the Bank is subject to interest rate sensitivity for reasons other than the mismatched positions. Such other interest rate sensitivity is not reflected in the NIIS measure.

18 The footnotes included in Table 51 are also applicable to this graph.

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

TABLE 50: SENSITIVITY OF PRE-TAX NET INTEREST INCOME SENSITIVITY BY CURRENCY

(millions of Canadian dollars)	**October 31, 2017**		October 31, 2016	
Currency	**100 bps increase**	**100 bps decrease**	100 bps increase	100 bps decrease
Canadian dollar	**$ (9)**	**$ 9**	$ 52	$ (65)[1]
U.S. dollar	**125**	**(161)**	79	(58)[2]
	$ 116	**$ (152)**	$ 131	$ (123)

1 NIIS sensitivity has been measured using a 75 bps rate decline for Canadian interest rates for the year ended October 31, 2016, corresponding to an interest rate environment that is floored at 0%.
2 NIIS sensitivity has been measured using a 50 bps rate decline for U.S. interest rates for the year ended October 31, 2016, corresponding to an interest rate environment that is floored at 0%.

Managing Non-trading Foreign Exchange Risk

Foreign exchange risk refers to losses that could result from changes in foreign-currency exchange rates. Assets and liabilities that are denominated in foreign currencies create foreign exchange risk.

The Bank is exposed to non-trading foreign exchange risk primarily from its investments in foreign operations. When the Bank's foreign currency assets are greater or less than its liabilities in that currency, they create a foreign currency open position. An adverse change in foreign exchange rates can impact the Bank's reported net income and shareholders' equity, and also its capital ratios.

Minimizing the impact of an adverse foreign exchange rate change on reported equity will cause some variability in capital ratios, due to the amount of RWA denominated in a foreign currency. If the Canadian dollar weakens, the Canadian dollar equivalent of the Bank's RWA in a foreign currency increases, thereby increasing the Bank's capital requirement. For this reason, the foreign exchange risk arising from the Bank's net investments in foreign operations is hedged to the point where certain capital ratios change by no more than an acceptable amount for a given change in foreign exchange rates.

Managing Investment Portfolios

The Bank manages a securities portfolio that is integrated into the overall asset and liability management process. The securities portfolio is managed using high quality, low risk securities in a manner appropriate to the attainment of the following goals: (1) to generate a targeted credit of funds to deposits balances that are in excess of loan balances; (2) to provide a sufficient pool of liquid assets to meet unanticipated deposit and loan fluctuations and overall liquidity management objectives; (3) to provide eligible securities to meet collateral and cash management requirements; and (4) to manage the target interest rate risk profile of the balance sheet. Strategies for the investment portfolio are managed based on the interest rate environment, balance sheet mix, actual and anticipated loan demand, liquidity risk management objectives and regulatory requirements, funding opportunities, and the overall interest rate sensitivity of the Bank. The Risk Committee reviews and approves the Enterprise Investment Policy that sets out limits for the Bank's investment portfolio.

WHY MARGINS ON AVERAGE EARNING ASSETS FLUCTUATE OVER TIME

As previously noted, the Bank's approach to asset/liability management is to ensure that earnings are stable and predictable over time, regardless of cash flow mismatches and the exercise of embedded options. This approach also creates margin certainty on fixed rate loans and deposits as they are booked. Despite this approach however, the margin on average earning assets is subject to change over time for the following reasons:

- Margins earned on new and renewing fixed-rate products relative to the margin previously earned on matured products will affect the overall portfolio margin;
- The weighted-average margin on average earning assets will shift as the mix of business changes;
- Changes in the basis between the Prime Rate and the Bankers' Acceptance rate, or the Prime Rate and the London Interbank Offered Rate; and/or
- The lag in changing product prices in response to changes in wholesale rates.

The general level of interest rates will affect the return the Bank generates on its modeled maturity profile for core deposits and the investment profile for its net equity position as it evolves over time. The general level of interest rates is also a key driver of some modeled option exposures, and will affect the cost of hedging such exposures.

The Bank's approach tends to moderate the impact of these factors over time, resulting in a more stable and predictable earnings stream.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes or technology or from human activities or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

Operational risk is inherent in all of the Bank's business activities, including the practices and controls used to manage other risks such as credit, market, and liquidity risk. Failure to manage operational risk can result in significant financial loss, reputational harm, or regulatory censure and penalties.

The Bank actively mitigates and manages operational risk in order to create and sustain shareholder value, successfully execute the Bank's business strategies, operate efficiently, and provide reliable, secure, and convenient access to financial services. The Bank maintains a formal enterprise-wide operational risk management framework that emphasizes a strong risk management and internal control culture throughout TD.

In fiscal 2017, operational risk losses remain within the Bank's risk appetite. Refer to Note 27 of the Consolidated Financial Statements for further information on material legal or regulatory actions.

WHO MANAGES OPERATIONAL RISK

Operational Risk Management is an independent function that designs and maintains the Bank's overall operational risk management framework. This framework sets out the enterprise-wide governance processes, policies, and practices to identify and assess, measure, control, monitor, escalate, and report operational risk. Operational Risk Management is designed to ensure that there is appropriate monitoring and reporting of the Bank's operational risk profile and exposures to senior management through the OROC, the ERMC, and the Risk Committee.

In addition to the framework, Operational Risk Management designs and maintains the Bank's operational risk policies. These policies govern the activities of the corporate areas responsible for the management and appropriate oversight of business continuity and incident management, third party management, data management, financial crime and fraud management, project management, and technology, information and cyber security management.

The senior management of individual business units and corporate areas is responsible for the day-to-day management of operational risk following the Bank's established operational risk management policies and three lines of defence model. An independent risk management function supports each business segment and corporate area, and monitors and challenges the implementation and use of the operational risk management framework programs according to the nature and scope of the operational risks inherent in the area. The senior executives in each business unit and corporate area participate in a Risk Management Committee that oversees operational risk management issues and initiatives.

Ultimately, every employee has a role to play in managing operational risk. In addition to policies and procedures guiding employee activities, training is available to all staff regarding specific types of operational risks and their role in helping to protect the interests and assets of the Bank.

HOW TD MANAGES OPERATIONAL RISK

The Operational Risk Management Framework outlines the internal risk and control structure to manage operational risk and includes the risk appetite for operational risk, limits, governance, policies, and processes. The Operational Risk Management Framework is maintained by Risk Management and supports alignment with TD's ERF and risk appetite. The framework incorporates sound industry practices and meets regulatory requirements. Key components of the framework include:

Governance and Policy

Management reporting and organizational structures emphasize accountability, ownership, and effective oversight of each business unit and each corporate area's operational risk exposures. In addition, the expectations of the Risk Committee and senior management for managing operational risk are set out by enterprise-wide policies and practices.

Risk and Control Self-Assessment

Internal controls are one of the primary methods of safeguarding the Bank's employees, customers, assets, and information, and in preventing and detecting errors and fraud. Management undertakes comprehensive assessments of key risk exposures and the internal controls in place to reduce or offset these risks. Senior management reviews the results of these evaluations to determine that risk management and internal controls are effective, appropriate, and compliant with the Bank's policies.

Operational Risk Event Monitoring

In order to reduce the Bank's exposure to future loss, it is critical that the Bank remains aware of and responds to its own and industry operational risks. The Bank's policies and processes require that operational risk events be identified, tracked, and reported to the appropriate level of management to facilitate the Bank's analysis and management of its risks and inform the assessment of suitable corrective and preventative action. The Bank also reviews, analyzes, and benchmarks TD against operational risk losses that have occurred at other financial institutions using information acquired through recognized industry data providers.

Scenario Analysis

Scenario Analysis is a systematic and repeatable process used to assess the likelihood and loss impact for significant operational risk events. The Bank applies this practice to meet risk measurement and risk management objectives. The process includes the use of relevant external operational loss event data that is assessed considering the Bank's operational risk profile and control structure. The program raises awareness and educates business owners regarding existing and emerging risks, which may result in the identification and implementation of risk mitigation action plans to minimize tail risk.

Risk Reporting

Risk Management, in partnership with senior management, regularly monitors risk-related measures and the risk profile throughout the Bank to report to senior business management and the Risk Committee. Operational risk measures are systematically tracked, assessed, and reported to promote management accountability and direct the appropriate level of attention to current and emerging issues.

Insurance

Operational Risk Management includes oversight of the effective use of insurance aligned with the Bank's risk management strategy and risk appetite. To provide additional protection from loss, the Bank manages a comprehensive portfolio of insurance and other risk mitigating arrangements. The insurance terms and provisions, including types and amounts of coverage in the portfolio, are continually assessed so that both the Bank's tolerance for risk and, where applicable, statutory requirements are satisfied. The management process includes conducting regular in-depth risk and financial analysis and identifying opportunities to transfer elements of TD's risk to third parties where appropriate. The Bank transacts with external insurers that satisfy TD's minimum financial rating requirements.

Technology, Information and Cyber Security

Virtually all aspects of the Bank's business and operations use technology and information to create and support new markets, competitive products, delivery channels, as well as other business operations and opportunities. The Bank manages these risks to assure adequate and proper day-to-day operations; and only authorized access of the Bank's technology, infrastructure, systems, information, or data. To achieve this, the Bank actively monitors, manages, and continues to enhance its ability to mitigate these technology and information security risks through enterprise-wide programs using industry leading practices and robust threat and vulnerability assessments and responses. Together with the Bank's operational risk management framework, technology, information and cyber security programs also include enhanced resiliency planning and testing, as well as disciplined change management practices.

Data Asset Management

The Bank's data is an asset with economic and strategic business value that should be appropriately managed and reported. Inconsistent data management practices may compromise TD's critical data and information assets which could result in real financial and reputational impacts. The Bank's Office of the Chief Data Office (OCDO), Corporate and Technology partners develop and implement enterprise wide business and risk management practices that describe how data and information assets are managed, governed, used, and protected.

Business Continuity and Incident Management

The Bank maintains an enterprise-wide Business Continuity and Incident Management Program that supports management's ability to operate TD's businesses and operations (including providing customers access to products and services) in the event of a business disruption incident. All areas of the Bank are required to maintain and regularly test business continuity plans to facilitate the continuity and recovery of business operations. The Bank's Program is supported by an incident management structure so that the appropriate level of leadership, oversight and management is applied to incidents affecting the Bank.

Third Party Management
A third party supplier/vendor is an entity that supplies a particular product or service to or on behalf of the Bank. While these relationships bring benefits to the Bank's businesses and customers, the Bank also needs to manage and minimize any risks related to the activity. The Bank does this through an enterprise-level third-party risk management program that is designed to manage third-party activities throughout the life cycle of an arrangement and ensure the level of risk management and senior management oversight is appropriate to the size, risk, and criticality of the third-party arrangement.

Project Management
The Bank has established a disciplined approach to project management across the enterprise coordinated by the Bank's Enterprise Project Management Office. This approach involves senior management governance and oversight of the Bank's project portfolio and leverages leading industry practices to guide TD's use of standardized project management methodology, defined project management accountabilities and capabilities, and project portfolio reporting and management tools to support successful project delivery.

Financial Crime and Fraud Management
The Financial Crime and Fraud Management Group lead the development and implementation of enterprise-wide financial crime and fraud management strategies, policies, and practices. TD employs prevention, detection and monitoring capabilities to strengthen the Bank's defences and enhance governance, oversight, and collaboration across the enterprise to protect customers, shareholders, and employees from increasingly sophisticated financial crimes and fraud.

Operational Risk Capital Measurement
The Bank's operational risk capital is determined using the Advanced Measurement Approach, a risk-sensitive capital model, along with the Standardized Approach (TSA). Effective the third quarter of 2016, OSFI approved the Bank to use AMA. Entities not reported under AMA, use the TSA methodology.
The Bank's AMA Capital Model uses a Loss Distribution Approach (LDA) and incorporates Internal Loss Data and Scenario Analysis results. External Loss Data is indirectly considered through the identification and assessment of Scenario Analysis estimations. Business, Environment and Internal Control Factors (BEICF) are used as a post-model adjustment to capital estimates to reflect forward-looking indicators of risk exposure.
The Bank's AMA model includes the incorporation of a diversification benefit, which considers correlations across risk types and business lines as extreme loss events may not occur simultaneously across all categories. The capital is estimated at the 99.9% confidence level.
Although the Bank manages a comprehensive portfolio of insurance and other risk mitigating arrangements to provide additional protection from loss, the Bank's AMA model does not consider risk mitigation through insurance.

Model Risk
Model risk is the potential for adverse consequences arising from decisions based on incorrect or misused models and model-like tools, and their outputs. It can lead to financial loss, reputational risk, or incorrect business and strategic decisions.

WHO MANAGES MODEL RISK
Primary accountability for the management of model risk resides with the senior management of individual businesses with respect to the models they use. The Model Risk Governance Committee provides oversight of governance, risk, and control matters, by providing a platform to guide, challenge, and advise decision makers and model owners in model risk related matters. Model Risk Management monitors and reports on existing and emerging model risks, and provides periodic assessments to senior management, Risk Management, the Risk Committee of the Board, and regulators on the state of model risk at TD and alignment with the Bank's Model Risk Appetite. The Risk Committee of the Board approves the Bank's Model Risk Management Framework bi-annually and the Model Risk Policy annually.

HOW TD MANAGES MODEL RISK
The Bank manages model risk in accordance with management approved model risk policies and supervisory guidance which encompass the life cycle of a model, including proof of concept, development, validation, implementation, usage, and ongoing model performance monitoring. The Bank's Model Risk Management Framework also captures key processes that may be partially or wholly qualitative, or based on expert judgment.

Business segments identify the need for a new model or process and are responsible for model development and documentation according to the Bank's policies and standards. During model development, controls with respect to code generation, acceptance testing, and usage are established and documented to a level of detail and comprehensiveness matching the materiality and complexity of the model. Once models are implemented, business owners are responsible for ongoing performance monitoring and usage in accordance with the Bank’s Model Risk Policy. In cases where a model is deemed obsolete or unsuitable for its originally intended purposes, it is decommissioned in accordance with the Bank’s policies.

Model Risk Management and Model Validation provide oversight, maintain a centralized inventory of all models as defined in the Bank’s Model Risk Policy, validate and approve new and existing models on a pre-determined schedule depending on regulatory requirements and materiality, set model performance monitoring standards, and provide training to all stakeholders. The validation process varies in rigour, depending on the model type and use, but at a minimum contains a detailed determination of:
- the conceptual soundness of model methodologies and underlying quantitative and qualitative assumptions;
- the risk associated with a model based on complexity and materiality;
- the sensitivity of a model to model assumptions and changes in data inputs including stress testing; and
- the limitations of a model and the compensating risk mitigation mechanisms in place to address the limitations.

When appropriate, validation includes a benchmarking exercise which may include the building of an independent model based on a similar or alternative validation approach. The results of the benchmark model are compared to the model being assessed to validate the appropriateness of the model’s methodology and its use.

At the conclusion of the validation process, a model will either be approved for use or will be rejected and require redevelopment or other courses of action. Models or processes identified as obsolete or no longer appropriate for use through changes in industry practice, the business environment, or Bank strategies are subject to decommissioning.

Model risk exists on a continuum from the most complex and material models to analytical tools (also broadly referred to as non-models) that may still expose the Bank to risk based on their incorrect use or inaccurate outputs. The Bank has policies and procedures in place designed to ensure that the level of independent challenge and oversight corresponds to the materiality and complexity of both models and non-models.

Insurance Risk

Insurance risk is the risk of financial loss due to actual experience emerging differently from expectations in insurance product pricing or reserving. Unfavourable experience could emerge due to adverse fluctuations in timing, actual size, and/or frequency of claims (for example, driven by non-life premium risk, non-life reserving risk, catastrophic risk, mortality risk, morbidity risk, and longevity risk), policyholder behaviour, or associated expenses.

Insurance contracts provide financial protection by transferring insured risks to the issuer in exchange for premiums. The Bank is engaged in insurance businesses relating to property and casualty insurance, life and health insurance, and reinsurance, through various subsidiaries; it is through these businesses that the Bank is exposed to insurance risk.

WHO MANAGES INSURANCE RISK

Senior management within the insurance business units has primary responsibility for managing insurance risk with oversight by the CRO for Insurance, who reports into Risk Management. The Audit Committee of the Board acts as the Audit and Conduct Review Committee for the Canadian insurance company subsidiaries. The insurance company subsidiaries also have their own Boards of Directors who provide additional risk management oversight.

HOW TD MANAGES INSURANCE RISK

The Bank's risk governance practices are designed to support strong independent oversight and control of risk within the insurance business. The TD Insurance Risk Committee and its sub committees provide critical oversight of the risk management activities within the insurance business and monitor compliance with insurance risk policies. The Bank's Insurance Risk Management Framework and Insurance Risk Policy collectively outline the internal risk and control structure to manage insurance risk and include risk appetite, policies, processes, as well as limits and governance. These documents are maintained by Risk Management and support alignment with the Bank's risk appetite for insurance risk.

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

Sound product design is an essential element of managing risk. The Bank's exposure to insurance risk is mostly short-term in nature as the principal underwriting risk relates to automobile and home insurance for individuals.

Insurance market cycles, as well as changes in automobile insurance legislation, the judicial environment, trends in court awards, climate patterns, and the economic environment may impact the performance of the insurance business. Consistent pricing policies and underwriting standards are maintained.

There is also exposure to geographic concentration risk associated with personal property coverage. Exposure to insurance risk concentration is managed through established underwriting guidelines, limits, and authorization levels that govern the acceptance of risk. Concentration of insurance risk is also mitigated through the purchase of reinsurance. The insurance business' reinsurance programs are governed by catastrophe and reinsurance risk management policies.

Strategies are in place to manage the risk to the Bank's reinsurance business. Underwriting risk on business assumed is managed through a policy that limits exposure to certain types of business and countries. The vast majority of reinsurance treaties are annually renewable, which minimizes long term risk. Pandemic exposure is reviewed and estimated annually within the reinsurance business to manage concentration risk.

Liquidity Risk

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

TD'S LIQUIDITY RISK APPETITE

The Bank maintains a prudent and disciplined approach to managing its potential exposure to liquidity risk. The Bank targets a 90-day survival horizon under a combined Bank-specific and market-wide stress scenario, and a minimum buffer over regulatory requirements prescribed by the OSFI Liquidity Adequacy Requirements (LAR) guidelines. Under the LAR guidelines, Canadian banks are required to maintain a Liquidity Coverage Ratio (LCR) at the minimum of 100%. The Bank operates under a prudent funding paradigm with an emphasis on maximizing deposits as a core source of funding, and having ready access to wholesale funding markets across diversified terms, funding types, and currencies that is designed to ensure low exposure to a sudden contraction of wholesale funding capacity and to minimize structural liquidity gaps. The Bank also maintains a comprehensive contingency funding plan to enhance preparedness for recovery from potential liquidity stress events. The resultant management strategies and actions comprise an integrated liquidity risk management program that is designed to ensure low exposure to identified sources of liquidity risk and compliance with regulatory requirements.

LIQUIDITY RISK MANAGEMENT RESPONSIBILITY

The Bank's ALCO oversees the Bank's liquidity risk management program. It is designed to ensure there are effective management structures and policies in place to properly measure and manage liquidity risk. The GLF, a subcommittee of the ALCO comprised of senior management from TBSM, Risk Management, Finance, and Wholesale Banking, identifies and monitors TD's liquidity risks. The management of liquidity risk is the responsibility of the Head of TBSM, while oversight and challenge is provided by the ALCO and independently by Risk Management. The Risk Committee of the Board regularly reviews the Bank's liquidity position and approves the Bank's Liquidity Risk Management Framework annually and the related policies bi-annually.

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

The following areas are responsible for measuring, monitoring, and managing liquidity risks for major business segments:

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

HOW TD MANAGES LIQUIDITY RISK

The Bank's overall liquidity requirement is defined as the amount of liquid assets the Bank needs to hold to be able to cover expected future cash flow requirements, plus a prudent reserve against potential cash outflows in the event of a capital markets disruption or other events that could affect TD's access to funding or destabilize TD's deposit base.

The Bank maintains an internal view for measuring and managing liquidity that uses an assumed "Severe Combined Stress Scenario" (SCSS) lasting for a 90-day period. The SCSS models potential liquidity requirements during a crisis resulting in a loss of confidence in TD's ability to meet obligations as they come due. In addition to this Bank-specific event, the SCSS also incorporates the impact of a stressed market-wide liquidity event that results in a significant reduction in the availability of funding for all institutions, a significant increase in the Bank's funding costs, and a decrease in the marketability of assets. TD's liquidity policy stipulates that the Bank must maintain a sufficient level of liquid assets to cover identified liquidity requirements at all times throughout the SCSS. The Bank calculates liquidity requirements for the SCSS related to the following conditions:

- wholesale funding maturing in the next 90 days. Under SCSS, the Bank assumes loss of access to wholesale funding markets for up to 90 days, as a result, maturing debt will be repaid instead of rolled over;
- accelerated attrition or "run-off" of deposit balances;
- increased utilization of available credit and liquidity facilities to personal, commercial, and corporate lending customers;
- increased collateral requirements associated with downgrades in TD's credit rating and adverse movement in reference rates for derivative contracts; and
- coverage of maturities related to the bankers' acceptances the Bank issues on behalf of clients and ABCP.

The Bank also manages its liquidity to comply with the regulatory liquidity requirements in the OSFI LAR (LCR and the Net Cumulative Cash Flow (NCCF) monitoring tool). The LCR requires that banks maintain a minimum liquidity coverage of 100% over a 30-day stress period. As a result, the Bank's liquidity is managed to the higher of TD's 90-day surplus requirement and the target buffers over the regulatory minimums.

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

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

LIQUID ASSETS

The unencumbered liquid assets TD holds to satisfy its liquidity requirements must be high quality securities that the Bank believes can be monetized quickly in stress conditions with minimum loss in market value. Unencumbered liquid assets are represented in a cumulative liquidity gap framework with adjustments made for estimated market or trading depths, settlement timing, and/or other identified impediments to potential sale or pledging. Overall, the Bank expects any reduction in market value of its liquid asset portfolio to be modest given the underlying high credit quality and demonstrated liquidity.

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

Assets held by TD to satisfy liquidity requirements are summarized in the following tables. The tables do not include assets held within the Bank's insurance businesses due to investment restrictions.

TABLE 51: SUMMARY OF LIQUID ASSETS BY TYPE AND CURRENCY[1]

(millions of Canadian dollars, except as noted)	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]
						As at
						October 31, 2017
Cash and due from banks	**$ 2,202**	**$ –**	**$ 2,202**	**– %**	**$ 421**	**$ 1,781**
Canadian government obligations	**15,524**	**40,637**	**56,161**	**11**	**33,198**	**22,963**
NHA MBS	**37,178**	**45**	**37,223**	**8**	**3,888**	**33,335**
Provincial government obligations	**9,865**	**9,910**	**19,775**	**4**	**12,945**	**6,830**
Corporate issuer obligations	**4,348**	**2,902**	**7,250**	**2**	**576**	**6,674**
Equities	**9,634**	**–**	**9,634**	**2**	**–**	**9,634**
Other marketable securities and/or loans	**1,977**	**220**	**2,197**	**–**	**133**	**2,064**
Total Canadian dollar-denominated	**80,728**	**53,714**	**134,442**	**27**	**51,161**	**83,281**
Cash and due from banks	**44,886**	**–**	**44,886**	**9**	**42**	**44,844**
U.S. government obligations	**30,758**	**29,333**	**60,091**	**12**	**29,826**	**30,265**
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	**43,703**	**494**	**44,197**	**9**	**9,560**	**34,637**
Other sovereign obligations	**55,272**	**62,720**	**117,992**	**23**	**39,233**	**78,759**
Corporate issuer obligations	**62,867**	**1,240**	**64,107**	**13**	**4,823**	**59,284**
Equities	**21,230**	**–**	**21,230**	**4**	**–**	**21,230**
Other marketable securities and/or loans	**12,159**	**2,572**	**14,731**	**3**	**2,119**	**12,612**
Total non-Canadian dollar-denominated	**270,875**	**96,359**	**367,234**	**73**	**85,603**	**281,631**
Total	**$ 351,603**	**$ 150,073**	**$ 501,676**	**100 %**	**$ 136,764**	**$ 364,912**
						October 31, 2016
Cash and due from banks	$ 3,147	$ –	$ 3,147	1 %	$ 349	$ 2,798
Canadian government obligations	15,860	39,156	55,016	12	23,360	31,656
NHA MBS	35,134	211	35,345	8	3,183	32,162
Provincial government obligations	9,230	10,255	19,485	4	10,450	9,035
Corporate issuer obligations	5,279	3,699	8,978	2	1,617	7,361
Equities	22,304	6,049	28,353	6	8,514	19,839
Other marketable securities and/or loans	4,179	1,037	5,216	1	963	4,253
Total Canadian dollar-denominated	95,133	60,407	155,540	34	48,436	107,104
Cash and due from banks	46,035	–	46,035	10	1,093	44,942
U.S. government obligations	26,242	32,914	59,156	13	29,214	29,942
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	33,492	6,091	39,583	8	15,460	24,123
Other sovereign obligations	53,218	20,027	73,245	16	12,979	60,266
Corporate issuer obligations	57,441	9,192	66,633	14	13,046	53,587
Equities	6,828	8,787	15,615	3	3,202	12,413
Other marketable securities and/or loans	6,325	1,027	7,352	2	–	7,352
Total non-Canadian dollar-denominated	229,581	78,038	307,619	66	74,994	232,625
Total	$ 324,714	$ 138,445	$ 463,159	100 %	$ 123,430	$ 339,729

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.

The increase of $25.2 billion in total unencumbered liquid assets from October 31, 2016, was mainly due to regular wholesale business activity and deposit volume growth in the Canadian Retail and U.S. Retail segments. Liquid assets are held in The Toronto-Dominion Bank and multiple domestic and foreign subsidiaries and branches and are summarized in the following table.

TABLE 52: SUMMARY OF UNENCUMBERED LIQUID ASSETS BY BANK, SUBSIDIARIES, AND BRANCHES

(millions of Canadian dollars)		*As at*
	October 31 2017	October 31 2016
The Toronto-Dominion Bank (Parent)	**$ 117,682**	$ 115,816
Bank subsidiaries	**210,757**	201,945
Foreign branches	**36,473**	21,968
Total	**$ 364,912**	$ 339,729

The Bank's monthly average liquid assets (excluding those held in insurance subsidiaries) for the years ended October 31, 2017, and October 31, 2016, are summarized in the following table.

TABLE 53: SUMMARY OF AVERAGE LIQUID ASSETS BY TYPE AND CURRENCY[1]

(millions of Canadian dollars, except as noted)						*Average for the years ended*
	Bank-owned liquid assets	**Securities received as collateral from securities financing and derivative transactions[2]**	**Total liquid assets**		**Encumbered liquid assets**	**Unencumbered liquid assets[2]**
						October 31, 2017
Cash and due from banks	**$ 3,543**	**$ –**	**$ 3,543**	**1 %**	**$ 392**	**$ 3,151**
Canadian government obligations	**16,991**	**39,826**	**56,817**	**11**	**33,096**	**23,721**
NHA MBS	**37,291**	**46**	**37,337**	**7**	**3,637**	**33,700**
Provincial government obligations	**9,804**	**11,282**	**21,086**	**4**	**13,269**	**7,817**
Corporate issuer obligations	**3,636**	**3,059**	**6,695**	**1**	**488**	**6,207**
Equities	**8,896**	**1,171**	**10,067**	**2**	**1,719**	**8,348**
Other marketable securities and/or loans	**2,004**	**245**	**2,249**	**1**	**134**	**2,115**
Total Canadian dollar-denominated	**82,165**	**55,629**	**137,794**	**27**	**52,735**	**85,059**
Cash and due from banks	**43,773**	**–**	**43,773**	**9**	**48**	**43,725**
U.S. government obligations	**29,555**	**38,148**	**67,703**	**13**	**36,493**	**31,210**
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	**40,262**	**478**	**40,740**	**8**	**9,317**	**31,423**
Other sovereign obligations	**53,080**	**61,001**	**114,081**	**23**	**43,041**	**71,040**
Corporate issuer obligations	**60,637**	**1,331**	**61,968**	**12**	**5,384**	**56,584**
Equities	**17,998**	**5,372**	**23,370**	**5**	**4,085**	**19,285**
Other marketable securities and/or loans	**13,864**	**3,366**	**17,230**	**3**	**2,321**	**14,909**
Total non-Canadian dollar-denominated	**259,169**	**109,696**	**368,865**	**73**	**100,689**	**268,176**
Total	**$ 341,334**	**$ 165,325**	**$ 506,659**	**100 %**	**$ 153,424**	**$ 353,235**
						October 31, 2016
Cash and due from banks	$ 2,879	$ –	$ 2,879	1 %	$ 331	$ 2,548
Canadian government obligations	13,905	38,636	52,541	11	21,393	31,148
NHA MBS	34,772	258	35,030	7	3,098	31,932
Provincial government obligations	9,008	10,509	19,517	4	10,671	8,846
Corporate issuer obligations	5,596	3,916	9,512	2	1,573	7,939
Equities	19,686	6,039	25,725	6	8,737	16,988
Other marketable securities and/or loans	4,094	1,020	5,114	1	1,127	3,987
Total Canadian dollar-denominated	89,940	60,378	150,318	32	46,930	103,388
Cash and due from banks	48,113	–	48,113	10	1,123	46,990
U.S. government obligations	24,836	36,415	61,251	13	29,534	31,717
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	33,307	5,768	39,075	8	15,587	23,488
Other sovereign obligations	52,739	25,448	78,187	17	16,102	62,085
Corporate issuer obligations	56,581	10,858	67,439	15	13,601	53,838
Equities	6,140	8,689	14,829	3	3,152	11,677
Other marketable securities and/or loans	6,370	898	7,268	2	–	7,268
Total non-Canadian dollar-denominated	228,086	88,076	316,162	68	79,099	237,063
Total	$ 318,026	$ 148,454	$ 466,480	100 %	$ 126,029	$ 340,451

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 (excluding insurance subsidiaries) and branches are summarized in the following table.

TABLE 54: SUMMARY OF AVERAGE UNENCUMBERED LIQUID ASSETS BY BANK, SUBSIDIARIES, AND BRANCHES

(millions of Canadian dollars)		*Average for the years ended*
	October 31, 2017	October 31, 2016
The Toronto-Dominion Bank (Parent)	**$ 117,477**	$ 116,541
Bank subsidiaries	**206,444**	200,966
Foreign branches	**29,314**	22,944
Total	**$ 353,235**	$ 340,451

ASSET ENCUMBRANCE

In the course of the Bank's day-to-day operations, securities and other assets are pledged to obtain funding, support trading and prime brokerage businesses, and participate in clearing and/or settlement systems. In addition to liquid assets, a summary of encumbered and unencumbered assets (excluding assets held in insurance subsidiaries) is presented in the following table to identify assets that are used or available for potential funding needs.

TABLE 55: ENCUMBERED AND UNENCUMBERED ASSETS[1]

(millions of Canadian dollars, except as noted)

						As at
						October 31, 2017
	Encumbered[2]		**Unencumbered**			
	Pledged as collateral [3]	**Other[4]**	**Available as collateral[5]**	**Other[6]**	**Total assets**	**Encumbered assets as a % of total assets**
Cash and due from banks	**$ –**	**$ –**	**$ –**	**$ 3,971**	**$ 3,971**	**– %**
Interest-bearing deposits with banks	**3,708**	**41**	**43,577**	**3,859**	**51,185**	**0.3**
Securities, trading loans, and other[7]	**62,803**	**12,105**	**243,633**	**7,183**	**325,724**	**5.9**
Derivatives	**–**	**–**	**–**	**56,195**	**56,195**	**–**
Securities purchased under reverse repurchase agreements[8]	**–**	**–**	**–**	**134,429**	**134,429**	**–**
Loans, net of allowance for loan losses	**21,949**	**55,179**	**71,959**	**463,504**	**612,591**	**6.0**
Customers' liability under acceptances	**–**	**–**	**–**	**17,297**	**17,297**	**–**
Investment in TD Ameritrade	**–**	**–**	**–**	**7,784**	**7,784**	**–**
Goodwill	**–**	**–**	**–**	**16,156**	**16,156**	**–**
Other intangibles	**–**	**–**	**–**	**2,618**	**2,618**	**–**
Land, buildings, equipment, and other depreciable assets	**–**	**–**	**–**	**5,313**	**5,313**	**–**
Deferred tax assets	**–**	**–**	**–**	**2,497**	**2,497**	**–**
Other assets[9]	**434**	**–**	**–**	**42,801**	**43,235**	**–**
Total on-balance sheet assets	**$ 88,894**	**$ 67,325**	**$ 359,169**	**$ 763,607**	**$ 1,278,995**	**12.2 %**
Off-balance sheet items[10]						
Securities purchased under reverse repurchase agreements	**106,727**	**–**	**28,973**	**(134,429)**		
Securities borrowing and collateral received	**43,607**	**229**	**13,960**	**–**		
Margin loans and other client activity	**4,451**	**–**	**18,534**	**(11,282)**		
Total off-balance sheet items	**154,785**	**229**	**61,467**	**(145,711)**		
Total	**$ 243,679**	**$ 67,554**	**$ 420,636**	**$ 617,896**		
						October 31, 2016
Total on-balance sheet assets	$ 81,705	$ 66,329	$ 335,959	$ 692,974	$ 1,176,967	12.6 %
Total off-balance sheet items	104,407	569	49,748	(94,799)		
Total	$ 186,112	$ 66,898	$ 385,707	$ 598,175		

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, CMHC insured mortgages that can be securitized into NHA MBS).
7 Securities include trading loans, securities, and other financial assets designated at fair value through profit or loss, available-for-sale securities, and held-to-maturity securities.
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 SCSS, TD also performs liquidity stress testing on multiple alternate scenarios. These scenarios are a mix of TD-specific events, global macroeconomic stress events, and/or regional/subsidiary specific events designed to test the impact from unique drivers. Liquidity assessments are also part of the Bank's enterprise-wide stress testing program. Results from these stress event scenarios are used to inform the establishment of or make enhancements to policy limits and contingency funding plan actions.

The Bank has liquidity contingency funding plans in place at the enterprise level ("Enterprise CFP") and for subsidiaries operating in both domestic and foreign jurisdictions ("Regional CFP"). The Enterprise CFP provides a documented framework for managing unexpected liquidity situations and thus is an integral component of the Bank's overall liquidity risk management program. It outlines different contingency stages based on the severity and duration of the liquidity situation, and identifies recovery actions appropriate for each stage. For each recovery action, it provides key operational steps required to execute the action. Regional CFP recovery actions are aligned to support the Enterprise CFP as well as any identified local liquidity needs during stress. The actions and governance structure proposed in the Enterprise CFP are aligned with the Bank's Crisis Management Recovery Plan.

CREDIT RATINGS

Credit ratings impact TD's borrowing costs and ability to raise funds. Rating downgrades could potentially result in higher financing costs, increased requirement to pledge collateral, reduced access to capital markets, and could also affect the Bank's ability to enter into derivative or hedging transactions.

Credit ratings and outlooks provided by rating agencies reflect their views and are subject to change from time-to-time, based on a number of factors including the Bank's financial strength, competitive position, and liquidity, as well as factors not entirely within the Bank's control, including the methodologies used by rating agencies and conditions affecting the overall financial services industry.

TABLE 56: CREDIT RATINGS[1]			
			As at
			October 31, 2017
Rating agency	**Short-term debt rating**	**Senior long-term debt rating**	**Outlook**
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 designed to ensure TD is able to provide additional collateral required by trading counterparties in the event of a three-notch downgrade in the Bank's credit ratings. Severe downgrades could have an impact on liquidity requirements by requiring the Bank to post additional collateral for the benefit of the Bank's trading counterparties. The following table presents the additional collateral required as of the reporting date in the event of one, two, and three-notch downgrades of the Bank's credit ratings.

TABLE 57: ADDITIONAL COLLATERAL REQUIREMENTS FOR RATING DOWNGRADES[1]		
(millions of Canadian dollars)	*Average for the years ended*	
	October 31, 2017	October 31, 2016
One-notch downgrade	**$ 112**	$ 141
Two-notch downgrade	**141**	168
Three-notch downgrade	**382**	386

1 The above collateral requirements are based on trading counterparty Credit Support Annex (CSA) and the Bank's credit rating across applicable rating agencies.

LIQUIDITY COVERAGE RATIO

The Bank must maintain the LCR above 100% under normal operating conditions in accordance with the OSFI LAR requirement. The Bank's LCR is calculated according to the scenario parameters in the LAR guideline, including prescribed HQLA eligibility criteria and haircuts, deposit run-off rates, and other outflow and inflow rates. HQLA eligible for the LCR calculation under the LAR 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 daily LCR position for the fourth quarter of 2017.

TABLE 58: AVERAGE BASEL III LIQUIDITY COVERAGE RATIO[1]

(millions of Canadian dollars, except as noted)	Average for the three months ended	
	October 31, 2017	
	Total unweighted value (average)[2]	**Total weighted value (average)[3]**
High-quality liquid assets		
Total high-quality liquid assets	$ n/a[4]	$ 209,086
Cash outflows		
Retail deposits and deposits from small business customers, of which:	$ 420,674	$ 29,158
Stable deposits[5]	184,410	5,532
Less stable deposits	236,264	23,626
Unsecured wholesale funding, of which:	233,788	112,631
Operational deposits (all counterparties) and deposits in networks of cooperative banks[6]	94,611	22,465
Non-operational deposits (all counterparties)	108,482	59,471
Unsecured debt	30,695	30,695
Secured wholesale funding	n/a[4]	7,377
Additional requirements, of which:	169,792	44,821
Outflows related to derivative exposures and other collateral requirements	26,852	9,940
Outflows related to loss of funding on debt products	7,518	7,518
Credit and liquidity facilities	135,422	27,363
Other contractual funding obligations	9,292	4,160
Other contingent funding obligations[7]	519,342	8,174
Total cash outflows	$ n/a[4]	$ 206,321
Cash inflows		
Secured lending	$ 149,433	$ 15,575
Inflows from fully performing exposures	14,844	7,499
Other cash inflows	9,311	9,311
Total cash inflows	$ 173,588	$ 32,385

	Average for the three months ended	
	October 31, 2017	July 31, 2017
	Total adjusted value	Total adjusted value
Total high-quality liquid assets[8]	$ 209,086	$ 213,024
Total net cash outflows[9]	173,936	172,984
Liquidity coverage ratio	120 %	124 %

1 The LCR for the quarter ended October 31, 2017, is calculated as an average of the 63 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 OSFI's LAR guideline.
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 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 LAR (inflows are capped at 75% of outflows).

The Bank's average LCR of 120% for quarter ended October 31, 2017, continues to meet the regulatory requirement. The 4% change over the prior quarter's LCR was mainly due to normal balance sheet growth and optimization of the Bank's surplus liquidity

The Bank holds a variety of liquid assets commensurate with the liquidity needs of the organization. Many of these assets qualify as HQLA under the OSFI LAR guidelines. The average HQLA of the Bank for the quarter ended October 31, 2017, was $209 billion (July 31, 2017 – $213 billion), with level 1 assets representing 80% (July 31, 2017 – 84%). The Bank's reported HQLA excludes excess HQLA from the U.S. Retail operations, as required by the OSFI LAR, to reflect liquidity transfer considerations between U.S. Retail and its affiliates as a result of U.S. Federal Reserve Board's regulations. By excluding excess HQLA, the U.S. Retail LCR is effectively capped at 100% prior to total Bank consolidation.

FUNDING

The Bank has access to a variety of unsecured and secured funding sources. The Bank's funding activities are conducted in accordance with the liquidity management policy that requires 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 the Bank's total funding.

TABLE 59: SUMMARY OF DEPOSIT FUNDING

(millions of Canadian dollars)		As at
	October 31, 2017	October 31, 2016
P&C deposits – Canadian Retail	$ 350,446	$ 324,606
P&C deposits – U.S. Retail	336,302	318,503
Other deposits	99	795
Total	$ 686,847	$ 643,904

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) Canadian Senior Medium Term Linked Notes Program ($2 billion) HELOC ABS Program (Genesis Trust II) ($7 billion)	U.S. SEC (F-3) Registered Capital and Debt Program (US$40 billion)	United Kingdom Listing Authority (UKLA) Registered Legislative Covered Bond Program ($40 billion) 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 year ended October 31, 2017, was $109.3 billion (October 31, 2016 – $112.4 billion).

TABLE 60: LONG-TERM FUNDING

		As at
Long-term funding by currency	**October 31, 2017**	October 31, 2016
Canadian dollar	**37 %**	40 %
U.S. dollar	**42**	41
Euro	**14**	13
British pound	**4**	3
Other	**3**	3
Total	**100 %**	100 %
Long-term funding by type		
Senior unsecured medium term notes	**53 %**	53 %
Covered bonds	**27**	26
Mortgage securitization[1]	**15**	16
Term asset backed securities	**5**	5
Total	**100 %**	100 %

1 Mortgage securitization excludes the residential mortgage trading business.

The Bank maintains depositor concentration limits in respect of short-term wholesale deposits so that it is not overly-dependent on large wholesale depositors for funding. The Bank also limits the amount of short-term wholesale funding that can mature within a given time period to mitigate exposures to refinancing risk during a stress event.

The Bank continues to explore all opportunities to access lower-cost funding on a sustainable basis. The following table represents the various sources of funding obtained as at October 31, 2017, and October 31, 2016, based on remaining term to maturity.

TABLE 61: WHOLESALE FUNDING

(millions of Canadian dollars)

									As at
								October 31 2017	October 31 2016
	Less than 1 month	**1 to 3 months**	**3 to 6 months**	**6 months to 1 year**	**Up to 1 year**	**Over 1 to 2 years**	**Over 2 years**	**Total**	Total
Deposits from banks[1]	**$ 11,653**	**$ 4,605**	**$ 1,508**	**$ 224**	**$ 17,990**	**$ –**	**$ –**	**$ 17,990**	$ 13,133
Bearer deposit note	**2,119**	**715**	**786**	**80**	**3,700**	**–**	**–**	**3,700**	2,814
Certificates of deposit	**10,279**	**21,289**	**20,539**	**13,261**	**65,368**	**97**	**–**	**65,465**	54,544
Commercial paper	**5,200**	**5,789**	**6,686**	**6,766**	**24,441**	**840**	**–**	**25,281**	21,411
Asset backed commercial paper[2]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–
Covered bonds	**–**	**–**	**–**	**–**	**–**	**2,399**	**26,920**	**29,319**	28,855
Mortgage securitization	**52**	**1,786**	**1,202**	**2,681**	**5,721**	**4,892**	**18,220**	**28,833**	30,406
Senior unsecured medium term notes	**–**	**857**	**9,016**	**7,026**	**16,899**	**12,407**	**28,264**	**57,570**	60,259
Subordinated notes and debentures[3]	**–**	**–**	**–**	**–**	**–**	**–**	**9,528**	**9,528**	10,891
Term asset backed securitization	**–**	**–**	**1,290**	**731**	**2,021**	**2,419**	**1,395**	**5,835**	5,469
Other[4]	**5,433**	**2,208**	**526**	**262**	**8,429**	**3**	**11**	**8,443**	3,566
Total	**$ 34,736**	**$ 37,249**	**$ 41,553**	**$ 31,031**	**$ 144,569**	**$ 23,057**	**$ 84,338**	**$ 251,964**	$ 231,348
Of which:									
Secured	**$ 5,485**	**$ 3,994**	**$ 3,018**	**$ 3,674**	**$ 16,171**	**$ 9,713**	**$ 46,546**	**$ 72,430**	$ 64,749
Unsecured	**29,251**	**33,255**	**38,535**	**27,357**	**128,398**	**13,344**	**37,792**	**179,534**	166,599
Total	**$ 34,736**	**$ 37,249**	**$ 41,553**	**$ 31,031**	**$ 144,569**	**$ 23,057**	**$ 84,338**	**$ 251,964**	$ 231,348

1 Includes fixed-term deposits with banks.
2 Represents ABCP issued by consolidated bank-sponsored structured entities.
3 Subordinated notes and debentures are not considered wholesale funding as they may be raised primarily for capital management purposes.
4 Includes fixed-term deposits from non-bank institutions (unsecured) of $8.4 billion (October 31, 2016 – $3.5 billion).

Excluding the Wholesale Banking mortgage aggregation business, the Bank's total 2017 mortgage-backed securities issuance was $2.4 billion (2016 – $1.9 billion), and other asset-backed securities was $1.4 billion (2016 – $2 billion). The Bank also issued $8.7 billion of unsecured medium-term notes (2016 – $22.2 billion) and $4.6 billion of covered bonds (2016 – $9.1 billion), in various currencies and markets during the year ended October 31, 2017. This includes unsecured medium-term notes and covered bonds issued but settling subsequent to year end.

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. On June 16, 2017, the Government of Canada published in draft for comment regulations under the CDIC Act and the *Bank Act* (the Bail-in Regulations) setting forth further details in respect of the bail-in regime. The Bail-in Regulations will come into force 180 days following the publication of the final version of the Bail-in Regulations. On June 16, 2017, OSFI published for comment the draft TLAC guideline setting forth its expectations in respect of D-SIB's minimum capacity to absorb losses. The TLAC guideline sets forth requirements for a risk-based TLAC ratio and a TLAC leverage ratio beginning November 1, 2021.

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. In March 2017, OSFI provided notification that due to the uncertainty of implementation in key foreign markets, the timeline of domestic NSFR reporting for Canadian institutions has been extended to January 2019. Relevant areas of the LAR guideline have been updated to reflect the implementation delay, with OSFI planning to meet with industry stakeholders in the coming months to discuss NSFR standards as they relate to the Canadian market.

MATURITY ANALYSIS OF ASSETS, LIABILITIES, AND OFF-BALANCE SHEET COMMITMENTS

The following table summarizes on-balance sheet and off-balance sheet categories by remaining contractual maturity. Off-balance sheet commitments include contractual obligations to make future payments on operating capital lease commitments, certain purchase obligations, and other liabilities. The values of credit instruments reported in the following table represent the maximum amount of additional credit that the Bank could be obligated to extend should such instruments be fully drawn or utilized. Since a significant portion of guarantees and commitments are expected to expire without being drawn upon, the total of the contractual amounts is not representative of expected future liquidity requirements. These contractual obligations have an impact on the Bank's short-term and long-term liquidity and capital resource needs.

The maturity analysis presented does not depict the Bank's asset/liability matching or exposure to interest rate and liquidity risk. The Bank ensures that assets are appropriately funded to protect against borrowing cost volatility and potential reductions to funding market availability. The Bank utilizes stable non- maturity deposits (chequing and savings accounts) and term deposits as the primary source of long-term funding for the Bank's non-trading assets. The Bank also funds the stable balance of revolving lines of credit with long term funding. The Bank issues long-term funding based primarily on the projected net growth of non-trading assets. The Bank raises short term funding primarily to finance trading assets. The liquidity of trading assets under stressed market conditions is considered when determining the appropriate term of the related funding.

TABLE 62: REMAINING CONTRACTUAL MATURITY

(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[1]	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[2]	–	–	–	–	–	–	–	–	16,156	16,156
Other intangibles[2]	–	–	–	–	–	–	–	–	2,618	2,618
Land, buildings, equipment, and other depreciable assets[2]	–	–	–	–	–	–	–	–	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
Other financial liabilities designated at fair value through profit or loss	3	3	1	–	–	–	–	1	–	8
Deposits[3,4]										
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[1]	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[5]	3,548	2,349	1,825	255	1,290	2,934	1,557	813	5,891	20,462
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[6,7]	$ 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 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 $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'.

5 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'.

6 Includes $123 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 62: REMAINING CONTRACTUAL MATURITY (continued)

(millions of Canadian dollars)

As at October 31, 2016

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	Over 1 to 2 years	Over 2 to 5 years	Over 5 years	No specific maturity	Total
Assets										
Cash and due from banks	$ 3,907	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 3,907
Interest-bearing deposits with banks	52,081	617	236	199	–	–	–	–	581	53,714
Trading loans, securities, and other[1]	843	2,466	6,685	5,211	3,421	8,069	19,671	15,589	37,302	99,257
Derivatives	5,577	6,938	5,001	3,821	2,680	10,103	19,780	18,342	–	72,242
Financial assets designated at fair value through profit or loss	41	83	801	353	159	415	1,333	915	183	4,283
Available-for-sale securities	200	1,976	995	1,757	1,593	10,175	48,890	39,916	2,069	107,571
Held-to-maturity securities	560	5,791	3,290	1,065	1,172	8,360	37,182	26,975	–	84,395
Securities purchased under reverse repurchase agreements	56,641	21,541	5,855	1,777	238	–	–	–	–	86,052
Loans										
Residential mortgages	772	2,252	4,483	8,598	9,786	52,123	108,256	31,066	–	217,336
Consumer instalment and other personal	438	881	1,934	2,734	3,401	14,724	35,505	24,058	60,856	144,531
Credit card	–	–	–	–	–	–	–	–	31,914	31,914
Business and government	21,293	4,574	7,006	6,581	5,153	16,402	59,765	59,006	14,294	194,074
Debt securities classified as loans	–	68	16	27	10	66	78	1,409	–	1,674
Total loans	22,503	7,775	13,439	17,940	18,350	83,315	203,604	115,539	107,064	589,529
Allowance for loan losses	–	–	–	–	–	–	–	–	(3,873)	(3,873)
Loans, net of allowance for loan losses	22,503	7,775	13,439	17,940	18,350	83,315	203,604	115,539	103,191	585,656
Customers' liability under acceptances	13,589	2,046	67	3	1	–	–	–	–	15,706
Investment in TD Ameritrade	–	–	–	–	–	–	–	–	7,091	7,091
Goodwill[2]	–	–	–	–	–	–	–	–	16,662	16,662
Other intangibles[2]	–	–	–	–	–	–	–	–	2,639	2,639
Land, buildings, equipment, and other depreciable assets[2]	–	–	–	–	–	–	–	–	5,482	5,482
Deferred tax assets	–	–	–	–	–	–	–	–	2,084	2,084
Amounts receivable from brokers, dealers, and clients	17,436	–	–	–	–	–	–	–	–	17,436
Other assets	2,488	518	686	128	97	150	269	153	8,301	12,790
Total assets	$ 175,866	$ 49,751	$ 37,055	$ 32,254	$ 27,711	$ 120,587	$ 330,729	$ 217,429	$ 185,585	$ 1,176,967
Liabilities										
Trading deposits	$ 13,002	$ 14,604	$ 23,930	$ 13,070	$ 12,071	$ 1,103	$ 1,226	$ 780	$ –	$ 79,786
Derivatives	5,526	6,623	4,890	3,066	1,962	8,106	17,779	17,473	–	65,425
Securitization liabilities at fair value	–	594	334	678	226	1,944	4,989	3,725	–	12,490
Other financial liabilities designated at fair value through profit or loss	73	41	13	25	37	–	–	1	–	190
Deposits[3,4]										
Personal	3,846	6,024	7,794	6,038	5,195	9,236	11,915	132	389,052	439,232
Banks	5,741	3,056	231	77	10	3	3	12	8,068	17,201
Business and government	14,654	15,307	8,064	7,563	2,623	19,927	46,952	12,492	189,645	317,227
Total deposits	24,241	24,387	16,089	13,678	7,828	29,166	58,870	12,636	586,765	773,660
Acceptances	13,589	2,046	67	3	1	–	–	–	–	15,706
Obligations related to securities sold short[1]	1,066	1,118	1,127	1,311	883	3,406	11,239	11,869	1,096	33,115
Obligations related to securities sold under repurchase agreements	39,986	5,315	2,545	540	507	40	40	–	–	48,973
Securitization liabilities at amortized cost	–	141	481	570	1,108	3,989	8,597	3,032	–	17,918
Amounts payable to brokers, dealers, and clients	17,857	–	–	–	–	–	–	–	–	17,857
Insurance-related liabilities	145	216	313	378	372	974	1,891	1,057	1,700	7,046
Other liabilities[5]	2,960	2,247	1,734	276	196	2,535	2,551	808	6,389	19,696
Subordinated notes and debentures	–	–	–	–	–	–	–	10,891	–	10,891
Equity	–	–	–	–	–	–	–	–	74,214	74,214
Total liabilities and equity	$ 118,445	$ 57,332	$ 51,523	$ 33,595	$ 25,191	$ 51,263	$ 107,182	$ 62,272	$ 670,164	$ 1,176,967
Off-balance sheet commitments										
Credit and liquidity commitments[6,7]	$ 17,447	$ 16,756	$ 12,593	$ 9,479	$ 7,409	$ 19,097	$ 82,016	$ 3,484	$ 2,271	$ 170,552
Operating lease commitments	80	159	237	235	232	896	2,173	3,943	–	7,955
Other purchase obligations	31	116	61	61	50	180	123	–	–	622
Unconsolidated structured entity commitments	–	1,180	830	395	923	212	–	–	–	3,540
Total off-balance sheet commitments	$ 17,558	$ 18,211	$ 13,721	$ 10,170	$ 8,614	$ 20,385	$ 84,312	$ 7,427	$ 2,271	$ 182,669

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

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

6 Includes $131 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.

Capital Adequacy Risk

Capital adequacy risk is the risk of insufficient capital being available in relation to the amount of capital required to carry out the Bank's strategy and/or satisfy regulatory and internal capital adequacy requirements.

Capital is held to protect the viability of the Bank in the event of unexpected financial losses. Capital represents the loss-absorbing funding required to provide a cushion to protect depositors and other creditors from unexpected losses.

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

WHO MANAGES CAPITAL ADEQUACY RISK

The Board has the ultimate responsibility for overseeing adequacy of capital and capital management. The Board reviews the adherence to capital targets and approves the annual capital plan and the Global Capital Management Policy. The Risk Committee reviews and approves the Capital Adequacy Risk Management Framework and oversees management's actions to maintain an appropriate ICAAP framework, commensurate with the Bank's risk profile. The CRO works to ensure the Bank's ICAAP is effective in meeting capital adequacy requirements.

The ALCO recommends and maintains the Capital Adequacy Risk Management Framework and the Global Capital Management Policy for effective and prudent management of the Bank's capital position and supports maintenance of adequate capital. It oversees the allocation of capital limits for business segments and reviews adherence to capital targets.

Enterprise Capital Management within TBSM is responsible for forecasting and monitoring compliance with capital targets, on a consolidated basis. Enterprise Capital Management updates the capital forecast and makes recommendations to the ALCO regarding capital issuance, repurchase and redemption. Risk Capital Assessment, within Risk Management, leads the ICAAP and EWST processes. Business segments are responsible for managing to allocated capital limits.

Additionally, regulated subsidiaries of the Bank, including certain insurance subsidiaries and subsidiaries in the U.S. and other jurisdictions, manage their capital adequacy risk in accordance with applicable regulatory requirements. Capital management policies and procedures of these subsidiaries are also required to conform with those of the Bank. U.S.-regulated subsidiaries of the Bank are required to follow several regulatory guidelines, rules and expectations related to capital planning and stress testing including the U.S. Federal Reserve Board's Regulation YY establishing Enhanced Prudential Standards for Foreign Bank Organizations and the stress test rule and capital plan rule both applicable to U.S. Bank Holding Companies. Refer to the sections on "Future Regulatory Capital Developments", "EWST" and "Top and Emerging Risks That May Affect the Bank and Future Results" for further details.

HOW TD MANAGES CAPITAL ADEQUACY RISK

Capital resources are managed in a manner designed to ensure the Bank's capital position can support business strategies under both current and future business operating environments. The Bank manages its operations within the capital constraints defined by both internal and regulatory capital requirements, ensuring that it meets the higher of these requirements.

Regulatory capital requirements represent minimum capital levels. The Board approves capital targets that provide a sufficient buffer under stress conditions so that the Bank exceeds minimum capital requirements. The purpose of these capital targets is to reduce the risk of a breach of minimum capital requirements, due to an unexpected stress event, allowing management the opportunity to react to declining capital levels before minimum capital requirements are breached. Capital targets are defined in the Global Capital Management Policy.

A comprehensive periodic monitoring process is undertaken to plan and forecast capital requirements. As part of the annual planning process, business segments are allocated individual RWA and Leverage exposure limits. Capital generation and usage are monitored and reported to the ALCO.

The Bank assesses the sensitivity of its forecast capital requirements and new capital formations to various economic conditions through its EWST process. The impacts of the EWST are applied to the capital forecast and are considered in the determination of capital targets.

The Bank also determines its internal capital requirements through the ICAAP process using models to measure the risk-based capital required based on its own tolerance for the risk of unexpected losses. This risk tolerance is calibrated to the required confidence level so that the Bank will be able to meet its obligations, even after absorbing worst case unexpected losses over a one-year period.

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

Legal and Regulatory Compliance Risk

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

The Bank is exposed to LRC risk in virtually all of our activities. Failure to meet regulatory and legal requirements poses a risk of censure or penalty, may lead to litigation, and puts our reputation at risk. Financial penalties, reputational damage, and other costs associated with legal proceedings, and unfavourable judicial or regulatory judgments or actions may also adversely affect TD's business, results of operations and financial condition. LRC risk differs from other banking risks, such as credit risk or market risk, in that it is typically not a risk actively or deliberately assumed by management in expectation of a return. LRC risk can occur as part of the normal course of operating TD's businesses.

WHO MANAGES LEGAL AND REGULATORY COMPLIANCE RISK

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

HOW TD MANAGES LEGAL AND REGULATORY COMPLIANCE RISK

Effective management of LRC risk is a result of enterprise-wide collaboration and requires (a) independent and objective identification and assessment of LRC risk, (b) objective guidance and advisory services to identify, assess, control, and monitor LRC risk, and (c) an approved set of frameworks, policies, procedures, guidelines, and practices. Each of the Legal, Compliance, and AML departments plays a critical role in the management of LRC risk at the Bank. Depending on the circumstances, they play different roles at different times: 'trusted advisor', provider of objective guidance, independent challenge, and oversight and control (including 'gatekeeper' or approver).

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

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

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

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

Reputational Risk

Reputational risk is the potential that stakeholder impressions, whether true or not, regarding the Bank's business practices, actions or inactions, will or may cause a significant decline in TD's value, brand, liquidity or customer base, or require costly measures to address.

A company's reputation is a valuable business asset that is essential to optimizing shareholder value and therefore, is constantly at risk. Reputational risk can arise as a consequence of negative impressions about TD's business practices and may involve any aspect of the Bank's operations, but usually involves concerns about business ethics and integrity, competence, or the quality or suitability of products and services. As such, reputational risk is not managed in isolation from TD's other major risk categories, as all risk categories can have an impact on reputation, which in turn can impact TD's brand, earnings, and capital.

WHO MANAGES REPUTATIONAL RISK

Responsibility for managing risks to the Bank's reputation ultimately lies with the SET and the executive committees that examine reputational risk as part of their regular mandate. The RRC is the most senior executive committee for the review of reputational risk matters at TD. The mandate of the RRC is to oversee the management of reputational risk within the Bank's risk appetite. Its main accountability is to review and assess business and corporate initiatives and activities where significant reputational risk profiles have been identified and escalated.

At the same time, every employee and representative of the Bank has a responsibility to contribute in a positive way to the Bank's reputation and the management of reputational risk. This means following ethical practices at all times, complying with applicable policies, legislation, and regulations and supporting positive interactions with the Bank's stakeholders. Reputational risk is most effectively managed when everyone at the Bank works continuously to protect and enhance TD's reputation.

HOW TD MANAGES REPUTATIONAL RISK

TD's approach to the management of reputational risk combines the experience and knowledge of individual business segments, and governance, risk and oversight functions. It is based on enabling TD's businesses to understand their risks and developing the policies, processes, and controls required to manage these risks appropriately in line with the Bank's strategy and reputational risk appetite. TD's Reputational Risk Management Framework provides a comprehensive overview of the Bank's approach to the management of this risk. Amongst other significant policies, TD's Enterprise Reputational Risk Management Policy is approved by the Group Head and CRO. This Policy sets out the requirements under which business segments and corporate shared services are required to manage reputational risk. These include implementing procedures and designating a business-level committee to review reputational risks and escalating as appropriate to the RRC.

The Bank also has an enterprise-wide New Business and Product Approval Policy that is approved by the Risk Committee and establishes standard practices to be used across TD to support consistent processes for approving new businesses, products and services. The policy is supported by business segment specific processes, which involve independent review from oversight functions, and includes consideration of all aspects of a new product, including reputational risk.

Environmental Risk

Environmental risk is the possibility of loss of strategic, financial, operational or reputational value resulting from the impact of environmental issues or concerns, including climate change, and related social risk within the scope of short-term and long-term cycles.

Management of environmental risk is an enterprise-wide priority. Key environmental risks include: (1) direct risks associated with the ownership and operation of the Bank's business, which include management and operation of company-owned or managed real estate, fleet, business operations, and associated services; (2) indirect risks associated with environmental performance or environmental events, such as changing climate patterns that may impact the Bank's retail customers and clients to whom TD provides financing or in which TD invests; (3) identification and management of new or emerging environmental regulatory issues; and (4) failure to understand and appropriately leverage environment-related trends to meet customer and consumer demands for products and services.

WHO MANAGES ENVIRONMENTAL RISK

The Executive Vice President and Chief Marketing Officer holds senior executive accountability for environmental management. The Executive Vice President is supported by the Chief Environment Officer who leads the Corporate Environmental Affairs team. The Corporate Environmental Affairs team is responsible for developing environmental strategy, setting environmental performance standards and targets, and reporting on performance. There is also an enterprise-wide Environmental Steering Committee (ESC) composed of senior executives from TD's main business segments and corporate functions. The ESC is responsible for approving environmental strategy and performance standards, and communicating these throughout the business. TD's business segments are responsible for implementing the environmental strategy and managing associated risks within their units.

HOW TD MANAGES ENVIRONMENTAL RISK

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

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

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

TD applies its Environmental and Social Credit Risk Management Procedures to credit and lending in the wholesale and commercial businesses. These procedures include assessment of TD's clients' policies, procedures, and performance on material environmental and related social issues, such as air, land, and water risk, climate risk, biodiversity, stakeholder engagement, and free prior and informed consent (FPIC) of Indigenous peoples. Within Wholesale and Commercial Banking, sector-specific guidelines have been developed for environmentally-sensitive sectors. The Bank has been a signatory to the Equator Principles since 2007 and reports on Equator Principle projects within its annual Corporate Responsibility Report.

TD is a member of the United Nations Environment Programme-Finance Initiative (UNEP-FI), and is participating in a working group consisting of 16 member banks with the objective of piloting the recommendations put forth by the Financial Stability Board's (FSB) Task-Force on Climate-Related Financial Disclosures (TCFD).

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

The Bank proactively monitors and assesses policy and legislative developments, and maintains an 'open door' approach with environmental and community organizations, industry associations, and responsible investment organizations.

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

TD Ameritrade

HOW RISK IS MANAGED AT TD AMERITRADE

TD Ameritrade's management is primarily responsible for managing risk at TD Ameritrade under the oversight of TD Ameritrade's Board, particularly through the latter's Risk and Audit Committees. TD monitors the risk management process at TD Ameritrade through management governance, protocols and interaction guidelines and also participates in TD Ameritrade's Board.

The terms of the Stockholders Agreement provide for certain information sharing rights in favour of TD to the extent the Bank requires such information from TD Ameritrade to appropriately manage and evaluate its investment and to comply with its legal and regulatory obligations. Accordingly, management processes, protocols and guidelines are aligned between the Bank and TD Ameritrade to coordinate necessary intercompany information flow. The Bank has designated the Group Head and Chief Financial Officer to have responsibility for the TD Ameritrade investment. The Group President and Chief Executive Officer and the Group Head and Chief Financial Officer have regular meetings with TD Ameritrade's Chief Executive Officer and Chief Financial Officer. In addition to regular communication at the Chief Executive Officer and Chief Financial Officer level, regular operating reviews with TD Ameritrade permit TD to examine and discuss TD Ameritrade's operating results and key risks. In addition, certain functions including Internal Audit, Treasury, Finance, and Compliance have relationship protocols that allow for access to and the sharing of information on risk and control issues. TD evaluates risk factors, vendor matters, and business issues as part of TD's oversight of its investment in TD Ameritrade. As with other material risk issues, where required, material risk issues associated with TD Ameritrade are reported up to TD's Board or an appropriate Board committee.

As required pursuant to the Federal Reserve Board's "enhanced prudential standards" under Regulation YY, TD's investment in TD Ameritrade is held by TDGUS, the IHC. The activities and interactions described above are inclusive of those that fulfill TDGUS' risk management responsibilities under Regulation YY.

Pursuant to the Stockholders Agreement in relation to the Bank's equity investment in TD Ameritrade, the Bank has the right to designate five of twelve members of TD Ameritrade's Board of Directors. The Bank's designated directors currently include the Bank's Group President and Chief Executive Officer and four independent directors of TD or TD's U.S. subsidiaries. TD Ameritrade's bylaws, which state that the Chief Executive Officer's appointment requires approval of two-thirds of the Board, ensure the selection of TD Ameritrade's Chief Executive Officer attains the broad support of the TD Ameritrade Board, which currently would require the approval of at least one director designated by TD. The Stockholders Agreement stipulates that the Board committees of TD Ameritrade must include at least two TD designated directors, subject to TD's percentage ownership in TD Ameritrade and certain other exceptions. Currently, the directors the Bank designates serve as members on a number of TD Ameritrade Board committees, including chairing the Audit Committee and the Human Resources and Compensation Committee, as well as serving on the Risk Committee and Corporate Governance Committee.

Critical Accounting Policies and Estimates

The Bank's accounting policies and estimates are essential to understanding its results of operations and financial condition. A summary of the Bank's significant accounting policies and estimates are presented in the Notes of the 2017 Consolidated Financial Statements. Some of the Bank's policies require subjective, complex judgments and estimates as they relate to matters that are inherently uncertain. Changes in these judgments or estimates and changes to accounting standards and policies could have a materially adverse impact on the Bank's Consolidated Financial Statements. The Bank has established procedures to ensure that accounting policies are applied consistently and that the processes for changing methodologies, determining estimates, and adopting new accounting standards are well-controlled and occur in an appropriate and systematic manner. In addition, the Bank's critical accounting policies are reviewed with the Audit Committee on a periodic basis. Critical accounting policies that require management's judgment and estimates include accounting for impairments of financial assets, the determination of fair value of financial instruments, accounting for derecognition, the valuation of goodwill and other intangibles, accounting for employee benefits, accounting for income taxes, accounting for provisions, accounting for insurance, and the consolidation of structured entities.

ACCOUNTING POLICIES AND ESTIMATES

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

ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The estimates used in the Bank's accounting policies are essential to understanding its results of operations and financial condition. Some of the Bank's policies require subjective, complex judgments and estimates as they relate to matters that are inherently uncertain. Changes in these judgments or estimates and changes to accounting standards and policies could have a materially adverse impact on the Bank's Consolidated Financial Statements. The Bank has established procedures to ensure that accounting policies are applied consistently and that the processes for changing methodologies, determining estimates and adopting new accounting standards are well-controlled and occur in an appropriate and systematic manner.

IMPAIRMENT OF FINANCIAL ASSETS

Available-for-Sale Securities

Impairment losses are recognized on available-for-sale securities if there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition and the loss event(s) results in a decrease in the estimated cash flows of the instrument. The Bank individually reviews these securities at least quarterly for the presence of these conditions. For available-for-sale equity securities, a significant or prolonged decline in fair value below cost is considered objective evidence of impairment. For available-for-sale debt securities, a deterioration of credit quality is considered objective evidence of impairment. Other factors considered in the impairment assessment include financial position and key financial indicators of the issuer of the instrument, significant past and continued losses of the issuer, as well as breaches of contract, including default or delinquency in interest payments and loan covenant violations.

Held-to-Maturity Securities

Impairment losses are recognized on held-to-maturity securities if there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition and the loss event(s) results in a decrease in the estimated cash flows of the instrument. The Bank reviews these securities at least quarterly for impairment at the counterparty-specific level. If there is no objective evidence of impairment at the counterparty-specific level then the security is grouped with other held-to-maturity securities with similar credit risk characteristics and collectively assessed for impairment, which considers losses incurred but not identified. A deterioration of credit quality is considered objective evidence of impairment. Other factors considered in the impairment assessment include the financial position and key financial indicators of the issuer, significant past and continued losses of the issuer, as well as breaches of contract, including default or delinquency in interest payments and loan covenant violations.

Loans

A loan, including a debt security classified as a loan, is considered impaired when there is objective evidence that there has been a deterioration of credit quality subsequent to the initial recognition of the loan to the extent the Bank no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. The Bank assesses loans for objective evidence of impairment individually for loans that are individually significant, and collectively for loans that are not individually significant. The allowance for credit losses represents management's best estimate of impairment incurred in the lending portfolios, including any off-balance sheet exposures, at the balance sheet date. Management exercises judgment as to the timing of designating a loan as impaired, the amount of the allowance required, and the amount that will be recovered once the borrower defaults. Changes in the amount that management expects to recover would have a direct impact on the provision for credit losses and may result in a change in the allowance for credit losses.

If there is no objective evidence of impairment for an individual loan, whether significant or not, the loan is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment for losses incurred but not identified. In calculating the probable range of allowance for incurred but not identified credit losses, the Bank employs internally developed models that utilize parameters for probability of default, loss given default and exposure at default. Management's judgment is used to determine the point within the range that is the best estimate of losses, based on an assessment of business and economic conditions, historical loss experience, loan portfolio composition, and other relevant indicators that are not fully incorporated into the model calculation. Changes in these assumptions would have a direct impact on the provision for credit losses and may result in a change in the incurred but not identified allowance for credit losses.

FAIR VALUE MEASUREMENTS

The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market prices. For all other financial instruments not traded in an active market, fair value may be based on other observable current market transactions involving the same or similar instrument, without modification or repackaging, or is based on a valuation technique which maximizes the use of observable market inputs. Observable market inputs may include interest rate yield curves, foreign exchange rates, and option volatilities. Valuation techniques include comparisons with similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants.

For certain complex or illiquid financial instruments, fair value is determined using valuation techniques in which current market transactions or observable market inputs are not available. Determining which valuation technique to apply requires judgment. The valuation techniques themselves also involve some level of estimation and judgment. The judgments include liquidity considerations and model inputs such as volatilities, correlations, spreads, discount rates, pre-payment rates, and prices of underlying instruments. Any imprecision in these estimates can affect the resulting fair value.

Judgment is also used in recording fair value adjustments to model valuations to account for measurement uncertainty when valuing complex and less actively traded financial instruments. If the market for a complex financial instrument develops, the pricing for this instrument may become more transparent, resulting in refinement of valuation models.

An analysis of fair value of financial instruments and further details as to how they are measured are provided in Note 5 of the Bank's 2017 Consolidated Financial Statements.

DERECOGNITION

Certain assets transferred may qualify for derecognition from the Bank's Consolidated Balance Sheet. To qualify for derecognition certain key determinations must be made. A decision must be made as to whether the rights to receive cash flows from the financial assets have been retained or transferred and the extent to which the risks and rewards of ownership of the financial asset have been retained or transferred. If the Bank neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, a decision must be made as to whether the Bank has retained control of the financial asset. Upon derecognition, the Bank will record a gain or loss on sale of those assets which is calculated as the difference between the carrying amount of the asset transferred and the sum of any cash proceeds received, including any financial asset received or financial liability assumed, and any cumulative gain or loss allocated to the transferred asset that had been recognized in accumulated other comprehensive income. In determining the fair value of any financial asset received, the Bank estimates future cash flows by relying on estimates of the amount of interest that will be collected on the securitized assets, the yield to be paid to investors, the portion of the securitized assets that will be prepaid before their scheduled maturity, expected credit losses, the cost of servicing the assets and the rate at which to discount these expected future cash flows. Actual cash flows may differ significantly from those estimated by the Bank. Retained interests are classified as trading securities and are initially recognized at relative fair value on the Bank's Consolidated Balance Sheet. Subsequently, the fair value of retained interests recognized by the Bank is determined by estimating the present value of future expected cash flows. Differences between the actual cash flows and the Bank's estimate of future cash flows are recognized in trading income. These assumptions are subject to periodic review and may change due to significant changes in the economic environment.

GOODWILL AND OTHER INTANGIBLES

The recoverable amount of the Bank's cash-generating units (CGU) is determined from internally developed valuation models that consider various factors and assumptions such as forecasted earnings, growth rates, price-earnings multiples, discount rates, and terminal multiples. Management is required to use judgment in estimating the recoverable amount of CGUs, and the use of different assumptions and estimates in the calculations could influence the determination of the existence of impairment and the valuation of goodwill. Management believes that the assumptions and estimates used are reasonable and supportable. Where possible, fair values generated internally are compared to relevant market information. The carrying amounts of the Bank's CGUs are determined by management using risk based capital models to adjust net assets and liabilities by CGU. These models consider various factors including market risk, credit risk, and operational risk, including investment capital (comprised of goodwill and other intangibles). Any capital not directly attributable to the CGUs is held within the Corporate segment. The Bank's capital oversight committees provide oversight to the Bank's capital allocation methodologies.

EMPLOYEE BENEFITS

The projected benefit obligation and expense related to the Bank's pension and non-pension post-retirement benefit plans are determined using multiple assumptions that may significantly influence the value of these amounts. Actuarial assumptions including discount rates, compensation increases, health care cost trend rates, and mortality rates are management's best estimates and are reviewed annually with the Bank's actuaries. The Bank develops each assumption using relevant historical experience of the Bank in conjunction with market-related data and considers if the market-related data indicates there is any prolonged or significant impact on the assumptions. The discount rate used to value liabilities reflects long-term corporate AA bond yields as of the measurement date. The other assumptions are also long-term estimates. All assumptions are subject to a degree of uncertainty. Differences between actual experiences and the assumptions, as well as changes in the assumptions resulting from changes in future expectations, result in actuarial gains and losses which are recognized in other comprehensive income during the year and also impact expenses in future periods.

INCOME TAXES

The Bank is subject to taxation in numerous jurisdictions. There are many transactions and calculations in the ordinary course of business for which the ultimate tax determination is uncertain. The Bank maintains provisions for uncertain tax positions that it believes appropriately reflect the risk of tax positions under discussion, audit, dispute, or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the Bank's best estimate of the amount expected to be paid based on an assessment of all relevant factors, which are reviewed at the end of each reporting period. However, it is possible that at some future date, an additional liability could result from audits by the relevant taxing authorities.

Deferred tax assets are recognized only when it is probable that sufficient taxable profit will be available in future periods against which deductible temporary differences may be utilized. The amount of the deferred tax asset recognized and considered realizable could, however, be reduced if projected income is not achieved due to various factors, such as unfavourable business conditions. If projected income is not expected to be achieved, the Bank would decrease its deferred tax assets to the amount that it believes can be realized. The magnitude of the decrease is significantly influenced by the Bank's forecast of future profit generation, which determines the extent to which it will be able to utilize the deferred tax assets.

PROVISIONS

Provisions arise when there is some uncertainty in the timing or amount of a loss in the future. Provisions are based on the Bank's best estimate of all expenditures required to settle its present obligations, considering all relevant risks and uncertainties, as well as, when material, the effect of the time value of money.

Many of the Bank's provisions relate to various legal actions that the Bank is involved in during the ordinary course of business. Legal provisions require the involvement of both the Bank's management and legal counsel when assessing the probability of a loss and estimating any monetary impact. Throughout the life of a provision, the Bank's management or legal counsel may learn of additional information that may impact its assessments about the probability of loss or about the estimates of amounts involved. Changes in these assessments may lead to changes in the amount recorded for provisions. In addition, the actual costs of resolving these claims may be substantially higher or lower than the amounts recognized. The Bank reviews its legal provisions on a case-by-case basis after considering, among other factors, the progress of each case, the Bank's experience, the experience of others in similar cases, and the opinions and views of legal counsel.

Certain of the Bank's provisions relate to restructuring initiatives initiated by the Bank. Restructuring provisions require management's best estimate, including forecasts of economic conditions. Throughout the life of a provision, the Bank may become aware of additional information that may impact the assessment of amounts to be incurred. Changes in these assessments may lead to changes in the amount recorded for provisions.

INSURANCE

The assumptions used in establishing the Bank's insurance claims and policy benefit liabilities are based on best estimates of possible outcomes.

For property and casualty insurance, the ultimate cost of claims liabilities is estimated using a range of standard actuarial claims projection techniques in accordance with Canadian accepted actuarial practices. Additional qualitative judgment is used to assess the extent to which past trends may or may not apply in the future, in order to arrive at the estimated ultimate claims cost that present the most likely outcome taking account of all the uncertainties involved.

For life and health insurance, actuarial liabilities consider all future policy cash flows, including premiums, claims, and expenses required to administer the policies. Critical assumptions used in the measurement of life and health insurance contract liabilities are determined by the appointed actuary.

Further information on insurance risk assumptions is provided in Note 22.

ACCOUNTING STANDARDS AND POLICIES

Current and Future Changes in Accounting Policies

FUTURE CHANGES IN ACCOUNTING POLICIES

The following standards have been issued, but are not yet effective on the date of issuance of the Bank's Consolidated Financial Statements. The Bank is currently assessing the impact of the application of these standards on the Consolidated Financial Statements and will adopt these standards when they become effective.

Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* (IFRS 9), which replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39). This final version includes requirements on: (1) Classification and measurement of financial assets and liabilities; (2) Impairment of financial assets; and (3) General hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with certain exceptions. IFRS 9 does not require restatement of comparative period financial statements except in limited circumstances related to aspects of hedge accounting. Entities are permitted to restate comparatives as long as hindsight is not applied. The Bank has made the decision not to restate comparative period financial information and will recognize any measurement difference between the previous carrying amount and the new carrying amount as of the date of adoption, through an adjustment to opening retained earnings. In January 2015, OSFI issued the final version of the Advisory titled "Early adoption of IFRS 9 *Financial Instruments* for Domestic Systemically Important Banks". All D-SIBs, including the Bank, are required to early adopt IFRS 9 for the annual period beginning on November 1, 2017. Consequential amendments were made to IFRS 7, *Financial Instruments: Disclosures* (IFRS 7) introducing expanded qualitative and quantitative disclosures related to IFRS 9, which are required to be adopted for the annual period beginning on November 1, 2017, when the Bank first applies IFRS 9. In December 2015, the BCBS issued "Guidance on credit risk and accounting for expected credit losses" which sets out supervisory guidance on sound credit risk practices associated with the implementation and ongoing application of expected credit loss accounting frameworks. In June 2016, OSFI issued the guideline, "IFRS 9 Financial Instruments and Disclosures", which provides guidance to Federally Regulated Entities on the application of IFRS 9 that is consistent with the BCBS guidance. This guideline, which is effective for the Bank upon adoption of IFRS 9, replaces certain guidelines that were in effect under IAS 39. In October 2017, the IASB published amendments to IFRS 9 relating to prepayment features with negative compensation. The amendments are to be applied retrospectively to annual reporting periods beginning on or after January 1, 2019, which will be November 1, 2019 for the Bank with earlier application permitted. The Bank is continuing to assess the impact of the amendments, however they are not expected to have a material impact.

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

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

The key responsibilities of the project include defining IFRS 9 risk methodology and accounting policy, identifying data and system requirements, and developing an appropriate operating model and governance framework. Controls surrounding IFRS 9 processes continue to be developed and refined. The Bank's implementation plan includes the following phases: (a) Initiation and Planning; (b) Detailed Assessment; (c) Design and Solution Development; and (d) Implementation, with work streams focused on each of the three required sections of IFRS 9 noted above as well as Reporting and Disclosures. Implementation of the impairment solution is substantially complete.

As at October 31, 2017, the Bank's current estimate of the adoption of IFRS 9, subject to refinement, is an overall reduction to Shareholders' Equity of approximately $36 million, of which $96 million is attributable to the adoption of the expected credit loss methodology, partially offset by $60 million due to classification and measurement changes. Based on the current regulatory requirements, the expected impact to CET1 capital is a decrease of 15 bps almost exclusively due to the Basel I regulatory floor.

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

Classification and Measurement

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

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

The Bank has defined its significant business models and has assessed the cash flow characteristics for all financial assets under the scope of IFRS 9. The classification and measurement of financial assets remain largely unchanged under IFRS 9, except for equity securities that are required to be measured at fair value under IFRS 9.

Impairment

Expected Credit Loss Model

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

The expected credit loss model requires the recognition of impairment at an amount equal to the probability-weighted 12-month ECL or lifetime ECL depending on whether there has been a significant increase in credit risk since initial recognition of the financial instrument. If a significant increase in credit risk has occurred since initial recognition, then impairment is measured as lifetime ECL otherwise 12-month ECL are measured, which represent the portion of lifetime ECL that are expected to occur based on default events that are possible within 12 months after the reporting date. IFRS 9 introduces the rebuttable presumption that credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Bank does not expect to rebut this presumption. If credit quality improves in a subsequent period such that the increase in credit risk since initial recognition is no longer considered significant, the loss allowance will revert back to being measured based on 12-month ECL. The movement between 12-month and lifetime ECL and incorporation of forward-looking information may increase the volatility of provisions across the product groups, under IFRS 9 compared to IAS 39. The IFRS 9 model consists of three stages: Stage 1 – 12-month ECL for performing instruments, Stage 2 – Lifetime ECL for performing instruments that have experienced a significant increase in credit risk, and Stage 3 – Lifetime ECL for non-performing financial assets. The Stage 3 population is expected to largely align with the impaired population under IAS 39 and the write-off policy is expected to remain the same.

Measurement of Expected Credit Losses

ECL will be measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument and will consider reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions that impact the Bank's credit risk assessment. Expected life is the maximum contractual period the Bank is exposed to credit risk, including extension options for which the borrower has unilateral right to exercise. For certain financial instruments that include both a loan and an undrawn commitment and the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period, ECL will be measured over the period the Bank is exposed to credit risk. Forward-looking macroeconomic factors are incorporated in the risk parameters as relevant. Examples of relevant macroeconomic factors include unemployment rates, housing price index, interest rates, and gross domestic product.

IFRS 9 requires ECL to be recognized in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes. While entities are not expected to consider every possible scenario, the scenarios considered should reflect a representative sample of possible outcomes. When there is a non-linear relationship between the different forward-looking scenarios and the associated change in ECL, using a single forward-looking scenario will not meet the objectives of IFRS 9. Economic forecasts must consider internal and external information and be consistent with the forward-looking information used for other purposes such as budgeting and forecasting. The scenarios must be representative and not biased to extreme scenarios. Parameter coherence is considered in each scenario so that it is realistic. The scenarios considered must take into account key drivers of ECL, particularly non-linearity and asymmetric sensitivities within portfolios to estimate effects of changes in parameters on ECL.

The Bank will incorporate three forward-looking macroeconomic scenarios from TD Economics in its ECL process: a base scenario, an upside scenario, and a downside scenario. The base scenario will be updated quarterly. Upside and downside scenarios will be generated quarterly using realistically possible outcomes that are statistically derived relative to the base scenario based on historical distribution. TD Economics will apply judgment to determine and recommend probability weights to each scenario on a quarterly basis. The proposed macroeconomic scenarios and probability weightings will be subject to robust management review by the added governance committee overseeing forecasting multiple economic scenarios and associated probabilities mentioned above. ECL calculated under each of the three approved scenarios is applied against the respective probability weightings to determine the probability-weighted ECL.

Assessment of Significant Increase in Credit Risk

For retail exposures, significant increase in credit risk will be assessed based on changes in the 12-month probability of default (PD) since initial recognition, using a combination of individual and collective information that incorporates borrower and account specific attributes and relevant forward-looking macroeconomic variables. Criteria for assessing significant increase in credit risk are defined at the product or portfolio level and vary based on the exposure's origination credit risk. The criteria include relative changes in PD, absolute PD backstop, and delinquency backstop when contractual payments are more than 30 days past due. Credit risk has increased significantly since initial recognition when one of the criteria is met. Exposures are considered credit-impaired when they are 90 days or more past due. ECL will be calculated as the product of PD, loss given default (LGD), and exposure at default (EAD) at each time step over the remaining expected life of the financial instrument and discounted to the reporting date.

For non-retail exposures, significant increase in credit risk will be assessed based on changes in the internal risk rating (borrower risk rating or "BRR") since initial recognition, using a combination of historical, current, and forward-looking information specific to the borrower, industry, and sector. Criteria for assessing significant increase in credit risk are defined at the portfolio level and vary based on the internal risk rating of the exposure at origination. Criteria include relative changes in internal risk rating, absolute risk rating backstop, and delinquency backstop when contractual payments are more than 30 days past due. Credit risk has increased significantly since initial recognition when one of the criteria is met. Default is defined as BRR 9 for non-retail exposures. ECL will be calculated based on the present value of cash shortfalls determined as the difference between contractual cash flows and expected cash flows over the remaining expected life of the financial instrument. Similar to IAS 39, ECL for significant non-retail impaired exposures will be measured individually.

Incorporation of Experienced Credit Judgment

Management will exercise experienced credit judgment in assessing if an exposure has experienced significant increase in credit risk and in determining the amount of expected credit losses at each reporting date by considering reasonable and supportable information that is not already included in the quantitative models.

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

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

Capital Impact
In October 2016, the BCBS issued a discussion paper, "Regulatory treatment of accounting provisions", which provides policy options for long-term regulatory treatment of provisions. In March 2017, the BCBS issued "Regulatory treatment of accounting provisions – interim approach and transitional arrangements". This standard retains, for an interim period, the current regulatory treatment of accounting provisions under the standardized and internal ratings-based approaches and also provides potential transitional arrangements. The Bank is awaiting final guidance from OSFI as it relates to the BCBS standard. In August 2017, OSFI released for public consultation revisions to the CAR guideline for implementation in the first quarter of 2018.

Based on the current regulatory requirements, the expected impact to CET1 capital is a decrease of 15 bps almost exclusively due to the Basel I regulatory floor. The IFRS 9 impact from the adoption of the expected credit loss methodology is offset by the decrease in the shortfall deduction and by the IFRS 9 classification and measurement impact.

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

IFRS 9 Impairment Program
The Bank has defined the functional requirements for the calculation of ECL and has integrated the end-to-end technology solution for tracking credit migration under the new ECL model as well as the impact to forecasting economic variables, risk parameters, and credit risk modelling processes. During fiscal 2017, the Bank developed, tested, and validated its new impairment models and related processes and controls, and assessed the quantitative impact of applying the ECL approach. The Bank also updated its accounting and risk policies, implemented changes to financial reporting systems and processes and is developing its first quarter of 2018 transitional disclosures. The Bank will continue to develop and implement remaining financial and regulatory disclosures related to IFRS 9 in fiscal 2018.

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

Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which establishes the principles for recognizing revenue and cash flows arising from contracts with customers and prescribes the application of a five-step recognition and measurement model. The standard excludes from its scope revenue arising from items such as financial instruments, insurance contracts, and leases. In July 2015, the IASB confirmed a one-year deferral of the effective date to annual periods beginning on or after January 1, 2018, which will be November 1, 2018 for the Bank. In April 2016, the IASB issued amendments to IFRS 15, which provided additional guidance on the identification of performance obligations, on assessing principal versus agent considerations and on licensing revenue. The amendments also provided additional transitional relief upon initial adoption of IFRS 15 and have the same effective date as the IFRS 15 standard. The Bank plans to apply the standard on a modified retrospective basis, recognizing the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings as of November 1, 2018. The Bank is continuing to assess the impact of the new standard on its financial statements, including the presentation of certain revenue and expense items, the timing and measurement of revenue recognition, as well as additional qualitative and quantitative disclosures. The Bank does not currently expect a significant impact as a result of adopting the new standard.

Leases
In January 2016, the IASB issued IFRS 16, *Leases* (IFRS 16), which will replace IAS 17, *Leases* (IAS 17), introducing a single lessee accounting model for all leases by eliminating the distinction between operating and financing leases. IFRS 16 requires lessees to recognize right-of-use assets and lease liabilities for most leases. Lessees will also recognize depreciation expense on the right-of-use asset and interest expense on the lease liability in the statement of income. Short-term leases, which are defined as those that have a lease term of 12 months or less; and leases of low-value assets are exempt. Lessor accounting remains substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, which will be November 1, 2019 for the Bank, and is to be applied retrospectively. Early adoption is permitted only if aligned with or after the adoption of IFRS 15. The Bank is currently assessing the impact of adopting this standard.

Share-based Payment
In June 2016, the IASB published amendments to IFRS 2, *Share-based Payment*, which provide additional guidance on the classification and measurement of share-based payment transactions. The amendments clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features for withholding tax obligations, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments to IFRS 2 are effective for annual periods beginning on or after January 1, 2018, which will be November 1, 2018 for the Bank, and are to be applied prospectively; however, retrospective application is permitted in certain instances. Early adoption is permitted. The amendments to IFRS 2 are not expected to have a material impact on the Bank.

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

ACCOUNTING STANDARDS AND POLICIES

Controls and Procedures

DISCLOSURE CONTROLS AND PROCEDURES
An evaluation was performed under the supervision and with the participation of the Bank's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Bank's disclosure controls and procedures, as defined in the rules of the SEC and Canadian Securities Administrators, as of October 31, 2017. Based on that evaluation, except as outlined in the "Limitation on Scope of Design" below, the Bank's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Bank's disclosure controls and procedures were effective as of October 31, 2017.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
The Bank's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Bank. The Bank's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records, that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of the Bank's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

The Bank's management has used the criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission to assess, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Bank's internal control over financial reporting. Based on this assessment, except as outlined in the "Limitation on Scope of Design" below, management has concluded that as at October 31, 2017, the Bank's internal control over financial reporting was effective based on the applicable criteria. The effectiveness of the Bank's internal control over financial reporting has been audited by the independent auditors, Ernst & Young LLP, a registered public accounting firm that has also audited the Consolidated Financial Statements of the Bank as of and for the year ended October 31, 2017. Their Report on Internal Controls under Standards of the Public Company Accounting Oversight Board (United States), included in the Consolidated Financial Statements, expresses an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting as of October 31, 2017.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING
During the year and quarter ended October 31, 2017, 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.

LIMITATION ON SCOPE OF DESIGN
Management has limited the scope of the design of the Bank’s disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) to exclude the controls, policies and procedures of Scottrade Bank, the results of which are included in the 2017 Consolidated Financial Statements of the Bank since the acquisition date of September 18, 2017. The scope limitation is in accordance with Canadian and U.S. securities laws, which allow an issuer to limit its design of DC&P (in the case of Canadian securities laws) and ICFR to exclude the controls, policies and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates. Scottrade Bank constituted less than 2% of the total consolidated assets as at October 31, 2017 and less than 1% of the total consolidated net income for the year ended October 31, 2017. Additional information relating to Scottrade Bank is provided in the "Significant Events in 2017" section.

Additional Financial Information

Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from the Bank's annual Consolidated Financial Statements, prepared in accordance with IFRS as issued by the IASB.

TABLE 63: INVESTMENT PORTFOLIO – Securities Maturity Schedule[1,2]

(millions of Canadian dollars) *As at*

	Remaining terms to maturities[3]								
	Within 1 year	**Over 1 year to 3 years**	**Over 3 years to 5 years**	**Over 5 years to 10 years**	**Over 10 years**	**With no specific maturity**	**Total October 31 2017**	Total October 31 2016	Total October 31 2015
Available-for-sale securities									
Government and government-related securities									
Canadian government debt									
Federal									
Fair value	$ 3,307	$ 7,712	$ 4,127	$ 595	$ 484	$ –	$ 16,225	$ 14,717	$ 14,431
Amortized cost	3,309	7,685	4,112	590	504	–	16,200	14,671	14,450
Yield	1.72 %	1.80 %	2.07 %	2.47 %	2.67 %	– %	1.91 %	1.79 %	1.48 %
Provinces									
Fair value	946	1,839	1,655	3,473	9	–	7,922	7,851	7,185
Amortized cost	944	1,828	1,637	3,442	8	–	7,859	7,871	7,233
Yield	2.06 %	2.49 %	2.76 %	2.97 %	4.44 %	– %	2.71 %	2.73 %	1.98 %
U.S. federal government debt									
Fair value	–	7,063	17,433	2,762	–	–	27,258	23,892	10,636
Amortized cost	–	7,020	17,312	2,755	–	–	27,087	23,929	10,711
Yield	– %	1.07 %	1.76 %	1.74 %	– %	– %	1.58 %	1.57 %	1.81 %
U.S. states, municipalities and agencies									
Fair value	253	4,109	1,706	2,628	12,326	–	21,022	10,581	11,949
Amortized cost	252	4,045	1,671	2,629	12,398	–	20,995	10,448	11,815
Yield	2.18 %	2.07 %	2.44 %	2.22 %	2.16 %	– %	2.17 %	1.78 %	1.73 %
Other OECD government-guaranteed debt									
Fair value	4,178	7,495	8,889	560	–	–	21,122	15,509	11,655
Amortized cost	4,180	7,473	8,851	563	–	–	21,067	15,574	11,713
Yield	0.07 %	1.38 %	1.87 %	2.26 %	– %	– %	1.35 %	1.48 %	1.26 %
Canadian mortgage-backed securities									
Fair value	1,185	1,935	5,556	136	–	–	8,812	4,949	4,060
Amortized cost	1,179	1,924	5,518	136	–	–	8,757	4,916	4,021
Yield	2.29 %	1.67 %	1.61 %	1.70 %	– %	– %	1.72 %	1.72 %	2.01 %
Other debt securities									
Asset-backed securities									
Fair value	1,157	4,592	9,017	6,821	8,394	–	29,981	18,593	16,762
Amortized cost	1,158	4,592	8,984	6,768	8,377	–	29,879	18,665	16,921
Yield	1.09 %	1.50 %	1.64 %	2.21 %	2.07 %	– %	1.85 %	1.49 %	1.28 %
Non-agency CMO									
Fair value	–	–	–	–	1,715	–	1,715	625	916
Amortized cost	–	–	–	–	1,706	–	1,706	624	921
Yield	– %	– %	– %	– %	2.51 %	– %	2.51 %	1.63 %	2.13 %
Corporate and other debt									
Fair value	1,963	2,995	2,928	1,882	22	–	9,790	8,286	8,765
Amortized cost	1,955	2,973	2,905	1,890	30	–	9,753	8,229	8,770
Yield	2.41 %	2.62 %	2.48 %	2.31 %	1.19 %	– %	2.48 %	2.80 %	2.96 %
Equity securities									
Common shares									
Fair value	–	–	–	–	–	1,922	1,922	2,054	1,858
Amortized cost	–	–	–	–	–	1,821	1,821	1,934	1,770
Yield	– %	– %	– %	– %	– %	2.88 %	2.88 %	1.94 %	5.42 %
Preferred shares									
Fair value	–	–	–	–	–	365	365	186	114
Amortized cost	–	–	–	–	–	313	313	168	112
Yield	– %	– %	– %	– %	– %	4.44 %	4.44 %	4.37 %	4.33 %
Debt securities reclassified from trading									
Fair value	1	–	–	203	73	–	277	328	451
Amortized cost	1	–	–	187	62	–	250	301	420
Yield	7.92 %	– %	– %	5.72 %	4.84 %	– %	5.51 %	6.01 %	6.84 %
Total available-for-sale securities									
Fair value	$ 12,990	$ 37,740	$ 51,311	$ 19,060	$ 23,023	$ 2,287	$ 146,411	$ 107,571	$ 88,782
Amortized cost	12,978	37,540	50,990	18,960	23,085	2,134	145,687	107,330	88,857
Yield	1.32 %	1.66 %	1.86 %	2.28 %	2.16 %	3.11 %	1.88 %	1.78 %	1.89 %

1 Yields represent the weighted-average yield of each security owned at the end of the period. The effective yield includes the contractual interest or stated dividend rate and is adjusted for the amortization of premiums and discounts; the effect of related hedging activities is excluded.

2 As at October 31, 2017, includes securities issued by Government of Japan of $8.9 billion (as at October 31, 2016, includes securities issued by Federal Republic of Germany of $9.8 billion), where the book value was greater than 10% of the shareholders' equity.

3 Represents contractual maturities. Actual maturities may differ due to prepayment privileges in the applicable contract.

TABLE 63: INVESTMENT PORTFOLIO – Securities Maturity Schedule (continued)[1,2]

(millions of Canadian dollars) *As at*

	Remaining terms to maturities[3]								
	Within 1 year	**Over 1 year to 3 years**	**Over 3 years to 5 years**	**Over 5 years to 10 years**	**Over 10 years**	**With no specific maturity**	**Total**		Total
							October 31 2017	October 31 2016	October 31 2015
Held-to-maturity securities									
Government and government-related securities									
Canadian government debt									
Federal									
Fair value	$ –	$ 661	$ –	$ –	$ –	$ –	$ 661	$ 812	$ 983
Amortized cost	–	661	–	–	–	–	661	802	974
Yield	– %	1.87 %	– %	– %	– %	– %	1.87 %	1.84 %	1.78 %
U.S. federal government and agencies debt									
Fair value	–	–	–	–	–	–	–	–	–
Amortized cost	–	–	–	–	–	–	–	–	–
Yield	– %	– %	– %	– %	– %	– %	– %	– %	– %
U.S. states, municipalities and agencies									
Fair value	1,524	4,920	5,214	8,578	2,181	–	22,417	22,119	18,847
Amortized cost	1,527	4,930	5,195	8,673	2,206	–	22,531	21,845	18,648
Yield	1.71 %	1.92 %	2.38 %	2.19 %	2.30 %	– %	2.15 %	2.03 %	2.03 %
Other OECD government-guaranteed debt									
Fair value	4,553	11,187	5,468	1,421	–	–	22,629	28,923	24,265
Amortized cost	4,528	11,076	5,410	1,417	–	–	22,431	28,643	24,045
Yield	0.64 %	0.27 %	0.66 %	0.12 %	– %	– %	0.43 %	0.29 %	0.57 %
Other debt securities									
Other issuers									
Fair value	2,024	5,641	2,624	1,222	14,208	–	25,719	33,133	30,647
Amortized cost	2,018	5,622	2,609	1,212	14,279	–	25,740	33,105	30,783
Yield	1.79 %	1.56 %	1.00 %	1.55 %	2.35 %	– %	2.10 %	1.81 %	1.50 %
Total held-to-maturity securities									
Fair value	$ 8,101	$ 22,409	$ 13,306	$ 11,221	$ 16,389	$ –	$ 71,426	$ 84,987	$ 74,742
Amortized cost	8,073	22,289	13,214	11,302	16,485	–	71,363	84,395	74,450
Yield	1.13 %	1.01 %	1.40 %	1.86 %	2.34 %	– %	1.59 %	1.35 %	1.33 %

1 Yields represent the weighted-average yield of each security owned at the end of the period. The effective yield includes the contractual interest or stated dividend rate and is adjusted for the amortization of premiums and discounts; the effect of related hedging activities is excluded.

2 As at October 31, 2017, includes securities issued by Government of Japan of $8.9 billion (as at October 31, 2016, includes securities issued by Federal Republic of Germany of $9.8 billion), where the book value was greater than 10% of the shareholders' equity.

3 Represents contractual maturities. Actual maturities may differ due to prepayment privileges in the applicable contract.

TABLE 64: LOAN PORTFOLIO – Maturity Schedule

(millions of Canadian dollars)								*As at*
	Remaining term to maturity							
	Under 1 year	**1 to 5 years**	**Over 5 years**	**Total October 31 2017**	October 31 2016	October 31 2015	October 31 2014	Total October 31 2013
Canada								
Residential mortgages	**$ 41,018**	**$ 145,466**	**$ 3,841**	**$ 190,325**	$ 189,299	$ 185,009	$ 175,125	$ 164,389
Consumer instalment and other personal								
HELOC	**46,326**	**28,584**	**27**	**74,937**	65,068	61,317	59,568	61,581
Indirect Auto	**590**	**10,872**	**10,820**	**22,282**	20,577	19,038	16,475	14,666
Other	**15,698**	**947**	**710**	**17,355**	16,456	16,075	16,116	15,193
Credit card	**18,028**	**–**	**–**	**18,028**	18,226	17,941	17,927	15,288
Total personal	**121,660**	**185,869**	**15,398**	**322,927**	309,626	299,380	285,211	271,117
Real estate								
Residential	**6,480**	**7,241**	**4,260**	**17,981**	16,001	14,862	14,604	13,685
Non-residential	**8,363**	**2,790**	**1,679**	**12,832**	12,780	11,330	9,768	8,153
Total real estate	**14,843**	**10,031**	**5,939**	**30,813**	28,781	26,192	24,372	21,838
Total business and government (including real estate)	**64,241**	**23,623**	**9,169**	**97,033**	91,054	84,155	71,814	64,272
Total loans – Canada	**185,901**	**209,492**	**24,567**	**419,960**	400,680	383,535	357,025	335,389
United States								
Residential mortgages	**738**	**69**	**30,653**	**31,460**	27,662	26,922	23,335	20,945
Consumer instalment and other personal								
HELOC	**10,483**	**138**	**1,813**	**12,434**	13,208	13,334	11,665	10,607
Indirect Auto	**358**	**16,852**	**11,972**	**29,182**	28,370	24,862	18,782	16,323
Other	**151**	**352**	**343**	**846**	745	693	615	533
Credit card	**14,972**	**–**	**–**	**14,972**	13,680	12,274	7,637	6,900
Total personal	**26,702**	**17,411**	**44,781**	**88,894**	83,665	78,085	62,034	55,308
Real estate								
Residential	**1,387**	**2,904**	**3,025**	**7,316**	6,852	5,691	4,294	3,470
Non-residential	**2,824**	**10,479**	**8,860**	**22,163**	21,675	18,317	14,037	12,084
Total real estate	**4,211**	**13,383**	**11,885**	**29,479**	28,527	24,008	18,331	15,554
Total business and government (including real estate)	**22,622**	**48,985**	**47,743**	**119,350**	116,713	97,217	69,417	55,000
Total loans – United States	**49,324**	**66,396**	**92,524**	**208,244**	200,378	175,302	131,451	110,308
Other International								
Personal	**14**	**–**	**–**	**14**	16	5	9	10
Business and government	**816**	**763**	**–**	**1,579**	1,513	1,978	2,124	2,240
Total loans – Other international	**830**	**763**	**–**	**1,593**	1,529	1,983	2,133	2,250
Other loans								
Debt securities classified as loans	**32**	**279**	**2,898**	**3,209**	1,674	2,187	2,695	3,744
Acquired credit-impaired loans	**481**	**–**	**184**	**665**	974	1,414	1,713	2,485
Total other loans	**513**	**279**	**3,082**	**3,874**	2,648	3,601	4,408	6,229
Total loans	**$ 236,568**	**$ 276,930**	**$ 120,173**	**$ 633,671**	$ 605,235	$ 564,421	$ 495,017	$ 454,176

TABLE 65: LOAN PORTFOLIO – Rate Sensitivity

(millions of Canadian dollars)										*As at*
	October 31, 2017		October 31, 2016		October 31, 2015		October 31, 2014		October 31, 2013	
	1 to 5 years	**Over 5 years**	1 to 5 years	Over 5 years	1 to 5 years	Over 5 years	1 to 5 years	Over 5 years	1 to 5 years	Over 5 years
Fixed rate	**$ 197,483**	**$ 84,080**	$ 212,257	$ 82,507	$ 176,316	$ 66,949	$ 155,614	$ 59,555	$ 158,435	$ 45,395
Variable rate	**79,447**	**36,093**	85,139	34,260	72,663	32,208	73,672	24,991	60,401	23,065
Total	**$ 276,930**	**$ 120,173**	$ 297,396	$ 116,767	$ 248,979	$ 99,157	$ 229,286	$ 84,546	$ 218,836	$ 68,460

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

TABLE 66: ALLOWANCE FOR CREDIT LOSSES

(millions of Canadian dollars, except as noted)	2017	2016	2015	2014	2013
Allowance for loan losses – Balance at beginning of year	**$ 3,873**	$ 3,434	$ 3,028	$ 2,855	$ 2,644
Provision for credit losses	**2,216**	2,330	1,683	1,557	1,631
Write-offs					
Canada					
Residential mortgages	**22**	18	23	21	20
Consumer instalment and other personal					
HELOC	**11**	11	13	13	18
Indirect Auto	**337**	334	224	207	160
Other	**216**	221	218	234	274
Credit card	**595**	623	638	582	543
Total personal	**1,181**	1,207	1,116	1,057	1,015
Real estate					
Residential	**1**	3	4	1	2
Non-residential	**2**	2	3	3	3
Total real estate	**3**	5	7	4	5
Total business and government (including real estate)	**75**	107	74	109	104
Total Canada	**1,256**	1,314	1,190	1,166	1,119
United States					
Residential mortgages	**19**	22	16	17	33
Consumer instalment and other personal					
HELOC	**39**	38	47	43	65
Indirect Auto	**315**	232	206	232	231
Other	**152**	121	101	79	74
Credit card	**777**	530	454	288	56
Total personal	**1,302**	943	824	659	459
Real estate					
Residential	**3**	3	5	12	16
Non-residential	**6**	11	22	18	59
Total real estate	**9**	14	27	30	75
Total business and government (including real estate)	**91**	76	124	117	191
Total United States	**1,393**	1,019	948	776	650
Other International					
Personal	**–**	–	–	–	–
Business and government	**–**	–	–	–	–
Total other international	**–**	–	–	–	–
Other loans					
Debt securities classified as loans	**9**	14	13	5	11
Acquired credit-impaired loans[1,2]	**1**	4	6	20	38
Total other loans	**10**	18	19	25	49
Total write-offs against portfolio	**2,659**	2,351	2,157	1,967	1,818
Recoveries					
Canada					
Residential mortgages	**2**	1	1	5	3
Consumer instalment and other personal					
HELOC	**1**	–	2	5	2
Indirect Auto	**90**	91	78	138	35
Other	**41**	52	58	60	55
Credit card	**98**	118	124	109	101
Total personal	**232**	262	263	317	196
Real estate					
Residential	**1**	1	1	1	1
Non-residential	**–**	3	1	2	1
Total real estate	**1**	4	2	3	2
Total business and government (including real estate)	**20**	27	33	29	28
Total Canada	**252**	289	296	346	224
United States					
Residential mortgages	**4**	9	11	10	17
Consumer instalment and other personal					
HELOC	**11**	5	5	5	4
Indirect Auto	**100**	85	83	12	64
Other	**24**	26	23	20	22
Credit card	**154**	114	113	60	5
Total personal	**293**	239	235	107	112
Real estate					
Residential	**2**	4	9	14	8
Non-residential	**8**	4	9	15	10
Total real estate	**10**	8	18	29	18
Total business and government (including real estate)	**58**	54	50	73	49
Total United States	**351**	293	285	180	161
Other International					
Personal	**–**	–	–	–	–
Business and government	**–**	–	1	–	–
Total other international	**–**	–	1	–	–
Other loans					
Debt securities classified as loans	**–**	–	–	–	–
Acquired credit-impaired loans[1,2]	**22**	20	19	7	9
Total other loans	**22**	20	19	7	9
Total recoveries on portfolio	**625**	602	601	533	394
Net write-offs	**(2,034)**	(1,749)	(1,556)	(1,434)	(1,424)
Disposals	**(83)**	(2)	(3)	–	(41)
Foreign exchange and other adjustments	**(122)**	47	321	112	46
Total allowance for credit losses	**3,850**	4,060	3,473	3,090	2,856
Less: Allowance for off-balance sheet positions[3]	**67**	187	39	62	1
Allowance for loan losses – Balance at end of year	**$ 3,783**	$ 3,873	$ 3,434	$ 3,028	$ 2,855
Ratio of net write-offs in the period to average loans outstanding	**0.33 %**	0.30 %	0.30 %	0.31 %	0.33 %

1 Includes all FDIC covered loans and other ACI loans.

2 Other adjustments are required as a result of the accounting for FDIC covered loans. For additional information, refer to the "FDIC Covered Loans" section in Note 8 of the Bank's 2017 Consolidated Financial Statements.

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

TABLE 67: AVERAGE DEPOSITS

(millions of Canadian dollars, except as noted) *For the years ended*

	October 31, 2017			October 31, 2016			October 31, 2015		
	Average balance	**Total interest expense**	**Average rate paid**	Average balance	Total interest expense	Average rate paid	Average balance	Total interest expense	Average rate paid
Deposits booked in Canada[1]									
Non-interest bearing demand deposits	**$ 11,201**	**$ –**	**– %**	$ 3,674	$ –	– %	$ 6,685	$ –	– %
Interest bearing demand deposits	**57,521**	**648**	**1.13**	58,124	521	0.90	45,081	570	1.26
Notice deposits	**209,939**	**321**	**0.15**	189,018	249	0.13	172,124	306	0.18
Term deposits	**176,345**	**2,730**	**1.55**	168,393	2,359	1.40	146,714	2,112	1.44
Total deposits booked in Canada	**455,006**	**3,699**	**0.81**	419,209	3,129	0.75	370,604	2,988	0.81
Deposits booked in the United States									
Non-interest bearing demand deposits	**10,405**	**–**	**–**	9,969	–	–	8,723	–	–
Interest bearing demand deposits	**3,152**	**11**	**0.35**	3,945	7	0.18	2,812	4	0.14
Notice deposits	**298,639**	**1,695**	**0.57**	277,744	921	0.33	239,078	842	0.35
Term deposits	**79,090**	**973**	**1.23**	70,290	522	0.74	94,016	313	0.33
Total deposits booked in the United States	**391,286**	**2,679**	**0.68**	361,948	1,450	0.40	344,629	1,159	0.34
Deposits booked in the other international									
Non-interest bearing demand deposits	**(7)**	**–**	**–**	54	–	–	55	–	–
Interest bearing demand deposits	**1,442**	**3**	**0.21**	1,918	4	0.21	1,874	5	0.27
Notice deposits	**–**	**–**	**–**	–	–	–	2	–	–
Term deposits	**28,153**	**234**	**0.83**	27,132	175	0.64	17,042	90	0.53
Total deposits booked in other international	**29,588**	**237**	**0.80**	29,104	179	0.62	18,973	95	0.50
Total average deposits	**$ 875,880**	**$ 6,615**	**0.76 %**	$ 810,261	$ 4,758	0.59 %	$ 734,206	$ 4,242	0.58 %

1 As at October 31, 2017, deposits by foreign depositors in TD's Canadian bank offices amounted to $37 billion (October 31, 2016 – $17 billion, October 31, 2015 – $13 billion).

TABLE 68: DEPOSITS – Denominations of $100,000 or greater[1]

(millions of Canadian dollars) *As at*

	Remaining term to maturity				
	Within 3 months	**3 months to 6 months**	**6 months to 12 months**	**Over 12 months**	**Total**
					October 31, 2017
Canada	**$ 41,862**	**$ 19,392**	**$ 20,623**	**$ 79,649**	**$ 161,526**
United States	**34,955**	**15,607**	**11,821**	**1,390**	**63,773**
Other international	**20,037**	**9,058**	**3,714**	**–**	**32,809**
Total	**$ 96,854**	**$ 44,057**	**$ 36,158**	**$ 81,039**	**$ 258,108**
					October 31, 2016
Canada	$ 32,237	$ 10,607	$ 13,721	$ 83,304	$ 139,869
United States	23,027	13,450	17,760	2,547	56,784
Other international	16,033	10,582	7,297	10	33,922
Total	$ 71,297	$ 34,639	$ 38,778	$ 85,861	$ 230,575
					October 31, 2015
Canada	$ 31,147	$ 4,234	$ 20,715	$ 64,989	$ 121,085
United States	28,018	27,687	14,672	2,545	72,922
Other international	10,222	4,976	4,168	–	19,366
Total	$ 69,387	$ 36,897	$ 39,555	$ 67,534	$ 213,373

1 Deposits in Canada, U.S., and Other international include wholesale and retail deposits.

TABLE 69: SHORT-TERM BORROWINGS

(millions of Canadian dollars, except as noted) *As at*

	October 31 2017	October 31 2016	October 31 2015
Obligations related to securities sold under repurchase agreements			
Balance at year-end	**$ 88,591**	$ 48,973	$ 67,156
Average balance during the year	**76,136**	65,511	75,082
Maximum month-end balance	**88,986**	70,415	74,669
Weighted-average rate at October 31	**0.87 %**	0.38 %	0.25 %
Weighted-average rate during the year	**0.92**	0.51	0.37

TABLE 70: NET INTEREST INCOME ON AVERAGE EARNING BALANCES[1,2]

(millions of Canadian dollars, except as noted)			**2017**			2016			2015
	Average balance	**Interest[3]**	**Average rate**	Average balance	Interest[3]	Average rate	Average balance	Interest[3]	Average rate
Interest-earning assets									
Interest-bearing deposits with Banks									
Canada	**$ 5,629**	**$ 21**	**0.37 %**	$ 6,716	$ 16	0.24 %	$ 4,738	$ 15	0.32 %
U.S.	**42,899**	**405**	**0.94**	38,658	187	0.48	40,684	107	0.26
Securities									
Trading									
Canada	**47,985**	**1,332**	**2.78**	45,102	1,187	2.63	50,234	1,297	2.58
U.S.	**20,186**	**403**	**2.00**	22,605	401	1.77	23,790	454	1.91
Non-trading									
Canada	**48,109**	**949**	**1.97**	41,531	614	1.48	31,639	479	1.51
U.S.	**130,611**	**2,378**	**1.82**	112,147	1,802	1.61	90,552	1,525	1.68
Securities purchased under reverse repurchase agreements									
Canada	**33,725**	**371**	**1.10**	42,981	254	0.59	39,384	249	0.63
U.S.	**43,087**	**496**	**1.15**	31,824	189	0.59	36,074	78	0.22
Loans									
Residential mortgages[4]									
Canada	**200,251**	**4,916**	**2.45**	197,925	4,726	2.39	188,048	4,924	2.62
U.S.	**27,982**	**1,041**	**3.72**	27,331	1,029	3.76	26,336	984	3.74
Consumer instalment and other personal									
Canada	**106,614**	**4,704**	**4.41**	97,881	4,604	4.70	93,943	4,600	4.90
U.S.	**41,263**	**1,455**	**3.53**	40,471	1,285	3.18	35,609	1,144	3.21
Credit card									
Canada	**18,571**	**2,270**	**12.22**	18,414	2,223	12.07	18,096	2,235	12.35
U.S.	**13,771**	**2,213**	**16.07**	12,598	1,999	15.87	8,778	1,450	16.52
Business and government[4]									
Canada	**80,673**	**2,187**	**2.71**	71,869	1,929	2.68	62,879	1,759	2.80
U.S.	**112,416**	**3,795**	**3.38**	105,929	3,348	3.16	85,553	2,730	3.19
International	**88,963**	**896**	**1.01**	77,001	767	1.00	77,467	800	1.03
Total interest-earning assets	**$ 1,062,735**	**$ 29,832**	**2.81 %**	$ 990,983	$ 26,560	2.68 %	$ 913,804	$ 24,830	2.72 %
Interest-bearing liabilities									
Deposits									
Personal									
Canada	**$ 208,174**	**$ 983**	**0.47 %**	$ 193,643	$ 974	0.50 %	$ 181,101	$ 1,158	0.64 %
U.S.	**237,123**	**281**	**0.12**	206,813	218	0.11	178,287	218	0.12
Banks[5]									
Canada	**12,323**	**71**	**0.58**	11,601	55	0.47	8,907	34	0.38
U.S.	**9,467**	**115**	**1.21**	6,514	47	0.72	11,764	32	0.27
Business and government[5,6]									
Canada	**234,509**	**2,645**	**1.13**	213,965	2,100	0.98	180,596	1,796	0.99
U.S.	**144,696**	**2,283**	**1.58**	148,621	1,185	0.80	154,578	909	0.59
Subordinated notes and debentures	**9,045**	**391**	**4.32**	8,769	395	4.50	7,953	390	4.90
Obligations related to securities sold short and under repurchase agreements									
Canada	**34,719**	**540**	**1.56**	45,098	412	0.91	46,340	450	0.97
U.S.	**56,587**	**696**	**1.23**	47,654	346	0.73	47,835	186	0.39
Securitization liabilities[7]	**29,761**	**472**	**1.59**	32,027	452	1.41	34,968	593	1.70
Other liabilities									
Canada	**5,306**	**92**	**1.73**	4,225	82	1.94	4,889	79	1.62
U.S.	**34**	**4**	**11.76**	35	4	11.43	33	4	12.06
International[5]	**48,780**	**412**	**0.84**	45,579	367	0.81	35,693	257	0.72
Total interest-bearing liabilities	**$ 1,030,524**	**$ 8,985**	**0.87 %**	$ 964,544	$ 6,637	0.69 %	$ 892,944	$ 6,106	0.68 %
Total net interest income on average earning assets	**$ 1,062,735**	**$ 20,847**	**1.96 %**	$ 990,983	$ 19,923	2.01 %	$ 913,804	$ 18,724	2.05 %

1 Net interest income includes dividends on securities.
2 Geographic classification of assets and liabilities is based on the domicile of the booking point of assets and liabilities.
3 Interest income includes loan fees earned by the Bank, which are recognized in net interest income over the life of the loan through the effective interest rate method.
4 Includes average trading loans of $12 billion (2016 – $11 billion, 2015 – $10 billion).
5 Includes average trading deposits with a fair value of $87 billion (2016 – $77 billion, 2015 – $71 billion).
6 Includes marketing fees incurred on the TD Ameritrade Insured Deposit Accounts (IDA) of $1.5 billion (2016 – $1.2 billion, 2015 – $1.1 billion).
7 Includes average securitization liabilities at fair value of $13 billion (2016 – $12 billion, 2015 – $11 billion) and average securitization liabilities at amortized cost of $17 billion (2016 –$20 billion, 2015 – $24 billion).

The following table presents an analysis of the change in net interest income of volume and interest rate changes. In this analysis, changes due to volume/ interest rate variance have been allocated to average interest rate.

TABLE 71: ANALYSIS OF CHANGE IN NET INTEREST INCOME[1,2]

(millions of Canadian dollars)	2017 vs. 2016			2016 vs. 2015		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
Interest-earning assets						
Interest-bearing deposits with banks						
Canada	$ (3)	$ 8	$ 5	$ 7	$ (6)	$ 1
U.S.	21	197	218	(5)	85	80
Securities						
Trading						
Canada	75	70	145	(132)	22	(110)
U.S.	(43)	45	2	(23)	(30)	(53)
Non-trading						
Canada	97	238	335	150	(15)	135
U.S.	297	279	576	364	(87)	277
Securities purchased under reverse repurchase agreements						
Canada	(55)	172	117	22	(17)	5
U.S.	67	240	307	(10)	121	111
Loans						
Residential mortgages						
Canada	56	134	190	259	(457)	(198)
U.S.	25	(13)	12	37	8	45
Consumer instalment and other personal						
Canada	411	(311)	100	193	(189)	4
U.S.	25	145	170	156	(15)	141
Credit card						
Canada	19	28	47	39	(51)	(12)
U.S.	186	28	214	631	(82)	549
Business and government						
Canada	236	22	258	251	(81)	170
U.S.	205	242	447	651	(33)	618
International	49	80	129	25	(58)	(33)
Total interest income	$ 1,668	$ 1,604	$ 3,272	$ 2,615	$ (885)	$ 1,730
Interest-bearing liabilities						
Deposits						
Personal						
Canada	$ 73	$ (64)	$ 9	$ 80	$ (264)	$ (184)
U.S.	32	31	63	35	(35)	–
Banks						
Canada	3	13	16	10	11	21
U.S.	21	47	68	(14)	29	15
Business and government						
Canada	202	343	545	332	(28)	304
U.S.	(31)	1,129	1,098	(35)	311	276
Subordinated notes and debentures	12	(16)	(4)	40	(35)	5
Obligations related to securities sold short and under repurchase agreements						
Canada	(95)	223	128	(12)	(26)	(38)
U.S.	65	285	350	(1)	161	160
Securitization liabilities	(32)	52	20	(50)	(91)	(141)
Other liabilities						
Canada	21	(11)	10	(11)	14	3
U.S.	–	–	–	–	–	–
International	32	13	45	52	58	110
Total interest expense	$ 303	$ 2,045	$ 2,348	$ 426	$ 105	$ 531
Net interest income	$ 1,365	$ (441)	$ 924	$ 2,189	$ (990)	$ 1,199

1 Geographic classification of assets and liabilities is based on the domicile of the booking point of assets and liabilities.
2 Interest income includes loan fees earned by the Bank, which are recognized in net interest income over the life of the loan through the effective interest rate method.

CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL RESULTS

Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The management of The Toronto-Dominion Bank and its subsidiaries (the "Bank") is responsible for the integrity, consistency, objectivity, and reliability of the Consolidated Financial Statements of the Bank and related financial information as presented. International Financial Reporting Standards as issued by the International Accounting Standards Board, as well as the requirements of the *Bank Act* (Canada), and related regulations have been applied and management has exercised its judgment and made best estimates where appropriate.

The Bank's accounting system and related internal controls are designed, and supporting procedures maintained, to provide reasonable assurance that financial records are complete and accurate, and that assets are safeguarded against loss from unauthorized use or disposition. These supporting procedures include the careful selection and training of qualified staff, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines of business conduct throughout the Bank.

Management has assessed the effectiveness of the Bank's internal control over financial reporting as at October 31, 2017, using the framework found in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 Framework. Based upon this assessment, management has concluded that as at October 31, 2017, the Bank's internal control over financial reporting is effective.

The scope of management's assessment of the effectiveness of the Bank's internal control over financial reporting as at October 31, 2017, did not include the controls, policies and procedures of Scottrade Bank, the results of which are included in the 2017 Consolidated Financial Statements of the Bank since the acquisition date of September 18, 2017. The scope limitation is in accordance with Canadian and U.S. securities laws, which allow an issuer to limit its design of disclosure controls and procedures (in the case of Canadian securities laws) and internal control over financial reporting to exclude the controls, policies and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates. Scottrade Bank constituted less than 2% of the total consolidated assets as at October 31, 2017 and less than 1% of the total consolidated net income for the year ended October 31, 2017.

The Bank's Board of Directors, acting through the Audit Committee which is composed entirely of independent directors, oversees management's responsibilities for financial reporting. The Audit Committee reviews the Consolidated Financial Statements and recommends them to the Board for approval. Other responsibilities of the Audit Committee include monitoring the Bank's system of internal control over the financial reporting process and making recommendations to the Board and shareholders regarding the appointment of the external auditor.

The Bank's Chief Auditor, who has full and free access to the Audit Committee, conducts an extensive program of audits. This program supports the system of internal control and is carried out by a professional staff of auditors.

The Office of the Superintendent of Financial Institutions Canada, makes such examination and enquiry into the affairs of the Bank as deemed necessary to ensure that the provisions of the *Bank Act*, having reference to the safety of the depositors, are being duly observed and that the Bank is in sound financial condition.

Ernst & Young LLP, the independent auditors appointed by the shareholders of the Bank, have audited the effectiveness of the Bank's internal control over financial reporting as at October 31, 2017, in addition to auditing the Bank's Consolidated Financial Statements as of the same date. Their reports, which expressed an unqualified opinion, can be found on the following pages of the Consolidated Financial Statements. Ernst & Young LLP have full and free access to, and meet periodically with, the Audit Committee to discuss their audit and matters arising there from, such as, comments they may have on the fairness of financial reporting and the adequacy of internal controls.

Bharat B. Masrani
Group President and
Chief Executive Officer

Riaz Ahmed
Group Head and
Chief Financial Officer

Toronto, Canada
November 29, 2017

INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM TO SHAREHOLDERS

Report on Financial Statements

We have audited the accompanying consolidated financial statements of The Toronto-Dominion Bank, which comprise the Consolidated Balance Sheet as at October 31, 2017 and 2016, and the Consolidated Statements of Income, Comprehensive Income, Changes in Equity, and Cash Flows for each of the years in the three-year period ended October 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Toronto-Dominion Bank as at October 31, 2017 and 2016, and its financial performance and its cash flows for each of the years in the three-year period ended October 31, 2017, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Toronto-Dominion Bank's internal control over financial reporting as of October 31, 2017, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated November 29, 2017, expressed an unqualified opinion on The Toronto-Dominion Bank's internal control over financial reporting.

Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
November 29, 2017

INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM TO SHAREHOLDERS

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

We have audited The Toronto-Dominion Bank's internal control over financial reporting as of October 31, 2017, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). The Toronto-Dominion Bank's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting contained in the accompanying Management's Discussion and Analysis. Our responsibility is to express an opinion on The Toronto-Dominion Bank's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Responsibility for Financial Information, management's assessment of and conclusion on the effectiveness of internal control over financial reporting as at October 31, 2017 did not include the internal controls of Scottrade Bank, the results of which are included in the 2017 consolidated financial statements of The Toronto-Dominion Bank and constituted less than 2% of the total consolidated assets as at October 31, 2017 and less than 1% of the total consolidated net income for the year then ended. Our audit of internal control over financial reporting of The Toronto-Dominion Bank also did not include an evaluation of the internal control over financial reporting of Scottrade Bank.

In our opinion, The Toronto-Dominion Bank maintained, in all material respects, effective internal control over financial reporting as of October 31, 2017, based on the COSO criteria.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheet of The Toronto-Dominion Bank as at October 31, 2017 and 2016, and the Consolidated Statements of Income, Comprehensive Income, Changes in Equity, and Cash Flows for each of the years in the three-year period ended October 31, 2017, of The Toronto-Dominion Bank and our report dated November 29, 2017, expressed an unqualified opinion thereon.

Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
November 29, 2017

Consolidated Balance Sheet

(millions of Canadian dollars)

		As at
	October 31 2017	October 31 2016
ASSETS		
Cash and due from banks	**$ 3,971**	$ 3,907
Interest-bearing deposits with banks	**51,185**	53,714
	55,156	57,621
Trading loans, securities, and other **(Notes 5, 7)**	**103,918**	99,257
Derivatives **(Notes 5, 11)**	**56,195**	72,242
Financial assets designated at fair value through profit or loss **(Note 5)**	**4,032**	4,283
Available-for-sale securities **(Notes 5, 7)**	**146,411**	107,571
	310,556	283,353
Held-to-maturity securities (Note 7)	**71,363**	84,395
Securities purchased under reverse repurchase agreements	**134,429**	86,052
Loans (Note 8)		
Residential mortgages	**222,079**	217,336
Consumer instalment and other personal	**157,101**	144,531
Credit card	**33,007**	31,914
Business and government	**200,978**	194,074
Debt securities classified as loans	**3,209**	1,674
	616,374	589,529
Allowance for loan losses **(Note 8)**	**(3,783)**	(3,873)
Loans, net of allowance for loan losses	**612,591**	585,656
Other		
Customers' liability under acceptances	**17,297**	15,706
Investment in TD Ameritrade **(Note 12)**	**7,784**	7,091
Goodwill **(Note 14)**	**16,156**	16,662
Other intangibles **(Note 14)**	**2,618**	2,639
Land, buildings, equipment, and other depreciable assets **(Note 15)**	**5,313**	5,482
Deferred tax assets **(Note 25)**	**2,497**	2,084
Amounts receivable from brokers, dealers, and clients	**29,971**	17,436
Other assets **(Note 16)**	**13,264**	12,790
	94,900	79,890
Total assets	**$ 1,278,995**	$ 1,176,967
LIABILITIES		
Trading deposits **(Notes 5, 17)**	**$ 79,940**	$ 79,786
Derivatives **(Notes 5, 11)**	**51,214**	65,425
Securitization liabilities at fair value **(Notes 5, 9)**	**12,757**	12,490
Other financial liabilities designated at fair value through profit or loss **(Note 5)**	**8**	190
	143,919	157,891
Deposits (Note 17)		
Personal	**468,155**	439,232
Banks	**25,887**	17,201
Business and government	**338,782**	317,227
	832,824	773,660
Other		
Acceptances	**17,297**	15,706
Obligations related to securities sold short **(Note 5)**	**35,482**	33,115
Obligations related to securities sold under repurchase agreements **(Note 5)**	**88,591**	48,973
Securitization liabilities at amortized cost **(Note 9)**	**16,076**	17,918
Amounts payable to brokers, dealers, and clients	**32,851**	17,857
Insurance-related liabilities	**6,775**	7,046
Other liabilities **(Note 18)**	**20,462**	19,696
	217,534	160,311
Subordinated notes and debentures (Note 19)	**9,528**	10,891
Total liabilities	**1,203,805**	1,102,753
EQUITY		
Shareholders' Equity		
Common shares **(Note 21)**	**20,931**	20,711
Preferred shares **(Note 21)**	**4,750**	4,400
Treasury shares – common **(Note 21)**	**(176)**	(31)
Treasury shares – preferred **(Note 21)**	**(7)**	(5)
Contributed surplus	**214**	203
Retained earnings	**40,489**	35,452
Accumulated other comprehensive income (loss)	**8,006**	11,834
	74,207	72,564
Non-controlling interests in subsidiaries (Note 21)	**983**	1,650
Total equity	**75,190**	74,214
Total liabilities and equity	**$ 1,278,995**	$ 1,176,967

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Bharat B. Masrani
Group President and Chief Executive Officer

Alan N. MacGibbon
Chair, Audit Committee

Consolidated Statement of Income

(millions of Canadian dollars, except as noted)			*For the years ended October 31*
	2017	2016	2015
Interest income			
Loans	**$ 23,663**	$ 21,751	$ 20,319
Securities			
Interest	**4,595**	3,672	3,155
Dividends	**1,128**	912	1,214
Deposits with banks	**446**	225	142
	29,832	26,560	24,830
Interest expense			
Deposits	**6,615**	4,758	4,242
Securitization liabilities	**472**	452	593
Subordinated notes and debentures	**391**	395	390
Other	**1,507**	1,032	881
	8,985	6,637	6,106
Net interest income	**20,847**	19,923	18,724
Non-interest income			
Investment and securities services	**4,459**	4,143	3,833
Credit fees	**1,130**	1,048	925
Net securities gain (loss) **(Note 7)**	**128**	54	79
Trading income (loss)	**303**	395	(223)
Service charges	**2,648**	2,571	2,376
Card services	**2,388**	2,313	1,766
Insurance revenue **(Note 22)**	**3,760**	3,796	3,758
Other income (loss)	**486**	72	188
	15,302	14,392	12,702
Total revenue	**36,149**	34,315	31,426
Provision for credit losses (Note 8)	**2,216**	2,330	1,683
Insurance claims and related expenses (Note 22)	**2,246**	2,462	2,500
Non-interest expenses			
Salaries and employee benefits **(Note 24)**	**10,018**	9,298	9,043
Occupancy, including depreciation	**1,794**	1,825	1,719
Equipment, including depreciation	**992**	944	892
Amortization of other intangibles	**704**	708	662
Marketing and business development	**726**	743	728
Restructuring charges (recovery)	**2**	(18)	686
Brokerage-related fees	**314**	316	324
Professional and advisory services	**1,165**	1,232	1,032
Other	**3,651**	3,829	2,987
	19,366	18,877	18,073
Income before income taxes and equity in net income of an investment in TD Ameritrade	**12,321**	10,646	9,170
Provision for (recovery of) income taxes (Note 25)	**2,253**	2,143	1,523
Equity in net income of an investment in TD Ameritrade (Note 12)	**449**	433	377
Net income	**10,517**	8,936	8,024
Preferred dividends	**193**	141	99
Net income available to common shareholders and non-controlling interests in subsidiaries	**$ 10,324**	$ 8,795	$ 7,925
Attributable to:			
Common shareholders	**$ 10,203**	$ 8,680	$ 7,813
Non-controlling interests in subsidiaries	**121**	115	112
Earnings per share (Canadian dollars) **(Note 26)**			
Basic	**$ 5.51**	$ 4.68	$ 4.22
Diluted	**5.50**	4.67	4.21
Dividends per common share (Canadian dollars)	**2.35**	2.16	2.00

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

(millions of Canadian dollars)			For the years ended October 31
	2017	2016	2015
Net income	**$ 10,517**	$ 8,936	$ 8,024
Other comprehensive income (loss), net of income taxes			
Items that will be subsequently reclassified to net income			
Net change in unrealized gains (losses) on available-for-sale securities			
Change in unrealized gains (losses) on available-for-sale securities[1]	**467**	274	(464)
Reclassification to earnings of net losses (gains) in respect of available-for-sale securities[2]	**(143)**	(56)	(93)
	324	218	(557)
Net change in unrealized foreign currency translation gains (losses) on Investments in foreign operations, net of hedging activities			
Unrealized gains (losses) on investments in foreign operations	**(2,534)**	1,290	8,090
Reclassification to earnings of net losses (gains) on investment in foreign operations[3]	**(17)**	–	–
Net gains (losses) on hedges of investments in foreign operations[4]	**659**	34	(2,764)
Reclassification to earnings of net losses (gains) on hedges of investments in foreign operations[5]	**4**	–	–
	(1,888)	1,324	5,326
Net change in gains (losses) on derivatives designated as cash flow hedges			
Change in gains (losses) on derivatives designated as cash flow hedges[6]	**(1,454)**	835	4,805
Reclassification to earnings of losses (gains) on cash flow hedges[7]	**(810)**	(752)	(4,301)
	(2,264)	83	504
Items that will not be subsequently reclassified to net income			
Actuarial gains (losses) on employee benefit plans[8]	**325**	(882)	400
Total other comprehensive income (loss), net of income taxes	**(3,503)**	743	5,673
Total Comprehensive income (loss) for the year	**$ 7,014**	$ 9,679	$ 13,697
Attributable to:			
Common shareholders	**$ 6,700**	$ 9,423	$ 13,486
Preferred shareholders	**193**	141	99
Non-controlling interests in subsidiaries	**121**	115	112

1 Net of income tax provision in 2017 of $150 million (2016 – net of income tax provision of $125 million; 2015 – net of income tax recovery of $210 million).
2 Net of income tax recovery in 2017 of $36 million (2016 – net of income tax provision of $32 million; 2015 – net of income tax provision of $78 million).
3 Net of income tax provision in 2017 of nil (2016 – net of income tax provision of nil; 2015 – net of income tax provision of nil).
4 Net of income tax provision in 2017 of $237 million (2016 – net of income tax provision of $9 million; 2015 – net of income tax recovery of $985 million).
5 Net of income tax recovery in 2017 of $1 million (2016 – net of income tax provision of nil; 2015 – net of income tax provision of nil).
6 Net of income tax recovery in 2017 of $789 million (2016 – net of income tax provision of $599 million; 2015 – net of income tax provision of $2,926 million).
7 Net of income tax provision in 2017 of $258 million (2016 – net of income tax provision of $533 million; 2015 – net of income tax provision of $2,744 million).
8 Net of income tax provision in 2017 of $129 million (2016 – net of income tax recovery of $340 million; 2015 – net of income tax provision of $147 million).

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

(millions of Canadian dollars)			For the years ended October 31
	2017	2016	2015
Common shares (Note 21)			
Balance at beginning of year	**$ 20,711**	$ 20,294	$ 19,811
Proceeds from shares issued on exercise of stock options	**148**	186	128
Shares issued as a result of dividend reinvestment plan	**329**	335	355
Purchase of shares for cancellation	**(257)**	(104)	–
Balance at end of year	**20,931**	20,711	20,294
Preferred shares (Note 21)			
Balance at beginning of year	**4,400**	2,700	2,200
Issue of shares	**350**	1,700	1,200
Redemption of shares	**–**	–	(700)
Balance at end of year	**4,750**	4,400	2,700
Treasury shares – common (Note 21)			
Balance at beginning of year	**(31)**	(49)	(54)
Purchase of shares	**(9,654)**	(5,769)	(5,269)
Sale of shares	**9,509**	5,787	5,274
Balance at end of year	**(176)**	(31)	(49)
Treasury shares – preferred (Note 21)			
Balance at beginning of year	**(5)**	(3)	(1)
Purchase of shares	**(175)**	(115)	(244)
Sale of shares	**173**	113	242
Balance at end of year	**(7)**	(5)	(3)
Contributed surplus			
Balance at beginning of year	**203**	214	205
Net premium (discount) on sale of treasury shares	**23**	26	25
Issuance of stock options, net of options exercised **(Note 23)**	**(8)**	(28)	–
Other	**(4)**	(9)	(16)
Balance at end of year	**214**	203	214
Retained earnings			
Balance at beginning of year	**35,452**	32,053	27,585
Net income attributable to shareholders	**10,396**	8,821	7,912
Common dividends	**(4,347)**	(4,002)	(3,700)
Preferred dividends	**(193)**	(141)	(99)
Share issue expenses and others	**(4)**	(14)	(28)
Net premium on repurchase of common shares and redemption of preferred shares	**(1,140)**	(383)	(17)
Actuarial gains (losses) on employee benefit plans	**325**	(882)	400
Balance at end of year	**40,489**	35,452	32,053
Accumulated other comprehensive income (loss), net of income taxes			
Net unrealized gain (loss) on available-for-sale securities:			
Balance at beginning of year	**299**	81	638
Other comprehensive income (loss)	**324**	218	(557)
Balance at end of year	**623**	299	81
Net unrealized foreign currency translation gain (loss) on investments in foreign operations, net of hedging activities:			
Balance at beginning of year	**9,679**	8,355	3,029
Other comprehensive income (loss)	**(1,888)**	1,324	5,326
Balance at end of year	**7,791**	9,679	8,355
Net gain (loss) on derivatives designated as cash flow hedges:			
Balance at beginning of year	**1,856**	1,773	1,269
Other comprehensive income (loss)	**(2,264)**	83	504
Balance at end of year	**(408)**	1,856	1,773
Total accumulated other comprehensive income	**8,006**	11,834	10,209
Total shareholders' equity	**74,207**	72,564	65,418
Non-controlling interests in subsidiaries (Note 21)			
Balance at beginning of year	**1,650**	1,610	1,549
Net income attributable to non-controlling interests in subsidiaries	**121**	115	112
Redemption of REIT preferred shares	**(617)**	–	–
Other	**(171)**	(75)	(51)
Balance at end of year	**983**	1,650	1,610
Total equity	**$ 75,190**	$ 74,214	$ 67,028

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

(millions of Canadian dollars)			For the years ended October 31
	2017	2016	2015
Cash flows from (used in) operating activities			
Net income before income taxes, including equity in net income of an investment in TD Ameritrade	**$ 12,770**	$ 11,079	$ 9,547
Adjustments to determine net cash flows from (used in) operating activities			
Provision for credit losses **(Note 8)**	**2,216**	2,330	1,683
Depreciation **(Note 15)**	**603**	629	588
Amortization of other intangibles	**704**	708	662
Net securities losses (gains) **(Note 7)**	**(128)**	(54)	(79)
Equity in net income of an investment in TD Ameritrade **(Note 12)**	**(449)**	(433)	(377)
Dilution gain **(Note 12)**	**(204)**	–	–
Deferred taxes **(Note 25)**	**175**	103	(352)
Changes in operating assets and liabilities			
Interest receivable and payable **(Notes 16, 18)**	**(283)**	7	(294)
Securities sold short	**2,367**	(5,688)	(662)
Trading loans and securities	**(4,661)**	(4,100)	6,016
Loans net of securitization and sales	**(22,332)**	(44,158)	(64,849)
Deposits	**40,150**	81,885	108,446
Derivatives	**1,836**	5,403	(7,633)
Financial assets and liabilities designated at fair value through profit or loss	**245**	96	371
Securitization liabilities	**(1,575)**	(3,321)	(2,429)
Other	**3,436**	(193)	(15,331)
Net cash from (used in) operating activities	**34,870**	44,293	35,307
Cash flows from (used in) financing activities			
Change in securities sold under repurchase agreements	**39,618**	(18,183)	14,044
Issuance of subordinated notes and debentures **(Note 19)**	**1,500**	3,262	2,500
Redemption of subordinated notes and debentures **(Note 19)**	**(2,520)**	(1,000)	(1,675)
Common shares issued **(Note 21)**	**125**	152	108
Preferred shares issued **(Note 21)**	**346**	1,686	1,184
Repurchase of common shares **(Note 21)**	**(1,397)**	(487)	–
Redemption of preferred shares **(Note 21)**	**–**	–	(717)
Redemption of non-controlling interests in subsidiaries **(Note 21)**	**(626)**	–	–
Sale of treasury shares **(Note 21)**	**9,705**	5,926	5,541
Purchase of treasury shares **(Note 21)**	**(9,829)**	(5,884)	(5,513)
Dividends paid	**(4,211)**	(3,808)	(3,444)
Distributions to non-controlling interests in subsidiaries	**(112)**	(115)	(112)
Net cash from (used in) financing activities	**32,599**	(18,451)	11,916
Cash flows from (used in) investing activities			
Interest-bearing deposits with banks	**2,529**	(11,231)	1,290
Activities in available-for-sale securities **(Note 7)**			
Purchases	**(63,339)**	(52,775)	(58,482)
Proceeds from maturities	**30,775**	28,454	27,004
Proceeds from sales	**4,977**	4,665	6,631
Activities in held-to-maturity securities **(Note 7)**			
Purchases	**(17,807)**	(20,575)	(15,120)
Proceeds from maturities	**27,729**	15,193	9,375
Proceeds from sales	**452**	–	–
Activities in debt securities classified as loans			
Purchases	**(2,471)**	(41)	(23)
Proceeds from maturities	**337**	654	912
Proceeds from sales	**447**	1	–
Net purchases of land, buildings, equipment, and other depreciable assets	**(434)**	(797)	(972)
Changes in securities purchased under reverse repurchase agreements	**(48,377)**	11,312	(14,808)
Net cash acquired from (paid for) divestitures, acquisitions, and the purchase of TD Ameritrade shares **(Notes 12, 13)**	**(2,129)**	–	(2,918)
Net cash from (used in) investing activities	**(67,311)**	(25,140)	(47,111)
Effect of exchange rate changes on cash and due from banks	**(94)**	51	261
Net increase (decrease) in cash and due from banks	**64**	753	373
Cash and due from banks at beginning of year	**3,907**	3,154	2,781
Cash and due from banks at end of year	**$ 3,971**	$ 3,907	$ 3,154
Supplementary disclosure of cash flows from operating activities			
Amount of income taxes paid (refunded) during the year	**$ 2,866**	$ 1,182	$ 554
Amount of interest paid during the year	**8,957**	6,559	6,167
Amount of interest received during the year	**28,393**	25,577	23,483
Amount of dividends received during the year	**1,153**	921	1,216

Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.
The accompanying Notes are an integral part of these Consolidated Financial Statements.

NOTE 1: NATURE OF OPERATIONS

CORPORATE INFORMATION

The Toronto-Dominion Bank is a bank chartered under the *Bank Act*. The shareholders of a bank are not, as shareholders, liable for any liability, act, or default of the bank except as otherwise provided under the *Bank Act*. The Toronto-Dominion Bank and its subsidiaries are collectively known as TD Bank Group ("TD" or the "Bank"). The Bank was formed through the amalgamation on February 1, 1955, of The Bank of Toronto (chartered in 1855) and The Dominion Bank (chartered in 1869). The Bank is incorporated and domiciled in Canada with its registered and principal business offices located at 66 Wellington Street West, Toronto, Ontario. TD serves customers in three business segments operating in a number of locations in key financial centres around the globe: Canadian Retail, U.S. Retail, and Wholesale Banking.

BASIS OF PREPARATION

The accompanying Consolidated Financial Statements and accounting principles followed by the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), including the accounting requirements of the Office of the Superintendent of Financial Institutions Canada (OSFI). The Consolidated Financial Statements are presented in Canadian dollars, unless otherwise indicated.

These Consolidated Financial Statements were prepared using the accounting policies as described in Note 2. Certain comparative amounts have been restated/reclassified to conform with the presentation adopted in the current period.

The preparation of the Consolidated Financial Statements requires that management make estimates, assumptions, and judgments regarding the reported amount of assets, liabilities, revenue and expenses, and disclosure of contingent assets and liabilities, as further described in Note 3. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

The accompanying Consolidated Financial Statements of the Bank were approved and authorized for issue by the Bank's Board of Directors, in accordance with a recommendation of the Audit Committee, on November 29, 2017.

Certain disclosures are included in the shaded sections of the "Managing Risk" section of the accompanying 2017 Management's Discussion and Analysis (MD&A), as permitted by IFRS, and form an integral part of the Consolidated Financial Statements. The Consolidated Financial Statements were prepared under a historical cost basis, except for certain items carried at fair value as discussed in Note 2.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The Consolidated Financial Statements include the assets, liabilities, results of operations, and cash flows of the Bank and its subsidiaries including certain structured entities which it controls. The Bank controls an entity when (1) it has the power to direct the activities of the entity which have the most significant impact on the entity's risks and/or returns; (2) it is exposed to significant risks and/or returns arising from the entity; and (3) it is able to use its power to affect the risks and/or returns to which it is exposed.

The Bank's Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and events in similar circumstances. All intercompany transactions, balances, and unrealized gains and losses on transactions are eliminated on consolidation.

Subsidiaries

Subsidiaries are corporations or other legal entities controlled by the Bank, generally through directly holding more than half of the voting power of the entity. Control of subsidiaries is determined based on the power exercisable through ownership of voting rights and is generally aligned with the risks and/or returns (collectively referred to as "variable returns") absorbed from subsidiaries through those voting rights. As a result, the Bank controls and consolidates subsidiaries when it holds the majority of the voting rights of the subsidiary, unless there is evidence that another investor has control over the subsidiary. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Bank controls an entity. Subsidiaries are consolidated from the date the Bank obtains control and continue to be consolidated until the date when control ceases to exist.

The Bank may consolidate certain subsidiaries where it owns 50% or less of the voting rights. Most of those subsidiaries are structured entities as described in the following section.

Structured Entities

Structured entities, including special purpose entities (SPEs), are entities that are created to accomplish a narrow and well-defined objective. Structured entities may take the form of a corporation, trust, partnership, or unincorporated entity. They are often created with legal arrangements that impose limits on the decision-making powers of their governing board, trustee, or management over the operations of the entity. Typically, structured entities may not be controlled directly through holding more than half of the voting power of the entity as the ownership of voting rights may not be aligned with the variable returns absorbed from the entity. As a result, structured entities are consolidated when the substance of the relationship between the Bank and the structured entity indicates that the entity is controlled by the Bank. When assessing whether the Bank has to consolidate a structured entity, the Bank evaluates three primary criteria in order to conclude whether, in substance:

- The Bank has the power to direct the activities of the structured entity that have the most significant impact on the entity's risks and/or returns;
- The Bank is exposed to significant variable returns arising from the entity; and
- The Bank has the ability to use its power to affect the risks and/or returns to which it is exposed.

Consolidation conclusions are reassessed at the end of each financial reporting period. The Bank's policy is to consider the impact on consolidation of all significant changes in circumstances, focusing on the following:

- Substantive changes in ownership, such as the purchase or disposal of more than an insignificant additional interest in an entity;
- Changes in contractual or governance arrangements of an entity;
- Additional activities undertaken, such as providing a liquidity facility beyond the original terms or entering into a transaction not originally contemplated; or
- Changes in the financing structure of an entity.

Investments in Associates and Joint Ventures
Entities over which the Bank has significant influence are associates and entities over which the Bank has joint control are joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of an investee, but is not control or joint control over these entities. Associates and joint ventures are accounted for using the equity method of accounting. Investments in associates and joint ventures are carried on the Consolidated Balance Sheet initially at cost and increased or decreased to recognize the Bank's share of the profit or loss of the associate or joint venture, capital transactions, including the receipt of any dividends, and write-downs to reflect any impairment in the value of such entities. These increases or decreases, together with any gains and losses realized on disposition, are reported on the Consolidated Statement of Income.

At each balance sheet date, the Bank assesses whether there is any objective evidence that the investment in an associate or joint venture is impaired. The Bank calculates the amount of impairment as the difference between the higher of fair value or value-in-use and its carrying value.

Non-controlling Interests
When the Bank does not own all of the equity of a consolidated entity, the minority shareholders' interest is presented on the Consolidated Balance Sheet as Non-controlling interests in subsidiaries as a component of total equity, separate from the equity of the Bank's shareholders. The income attributable to the minority interest holders, net of tax, is presented as a separate line item on the Consolidated Statement of Income.

CASH AND DUE FROM BANKS
Cash and due from banks consist of cash and amounts due from banks which are issued by investment grade financial institutions. These amounts are due on demand or have an original maturity of three months or less.

REVENUE RECOGNITION
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Revenue associated with the rendering of services is recognized by reference to the stage of completion of the transaction at the end of the reporting period.

Interest from interest-bearing assets and liabilities is recognized as net interest income using the effective interest rate (EIR). EIR is the rate that discounts expected future cash flows for the expected life of the financial instrument to its carrying value. The calculation takes into account the contractual interest rate, along with any fees or incremental costs that are directly attributable to the instrument and all other premiums or discounts.

Investment and securities services income include asset management fees, administration and commission fees, and investment banking fees. Asset management fees and administration and commission fees include income from investment management and related services, custody and institutional trust services, and brokerage services, which are recognized as income over the period in which the related service is rendered. Investment management fees are primarily calculated based on average daily or point in time assets under management (AUM) or by assets under administration (AUA) by investment mandate. Administration fees earned may either be a fixed amount per client account, or calculated based on a percentage of daily, monthly, or annual AUM for institutional accounts. Investment banking fees, including advisory fees, are recognized as income when earned, and underwriting fees are recognized as income when the Bank has rendered all services to the issuer and is entitled to collect the fee.

Credit fees include commissions, liquidity fees, restructuring fees, and loan syndication fees and are recognized as earned.

Card services income, including interchange income from credit and debit cards and annual fees, is recognized as earned, except for annual fees, which are recognized over a twelve-month period. Service charges, trust, and other fee income is recognized as earned.

Revenue recognition policies related to financial instruments and insurance are described in the following accounting policies.

FINANCIAL INSTRUMENTS OTHER THAN DERIVATIVES
Trading Assets and Trading Liabilities
Financial instruments are included within the trading portfolio if they have been originated, acquired, or incurred principally for the purpose of selling or repurchasing in the near term, or they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Included within the trading portfolio are trading securities, trading loans, trading deposits, securitization liabilities at fair value, obligations related to securities sold short, and physical commodities, as well as certain financing-type physical commodities transactions that are recorded on the Consolidated Balance Sheet as securities purchased under reverse repurchase agreements and obligations related to securities sold under repurchase agreements, respectively.

Trading portfolio assets and liabilities are recognized on a trade date basis and are accounted for at fair value, with changes in fair value as well as any gains or losses realized on disposal recognized in trading income. Physical commodities are measured at fair value less costs to sell. Transaction costs are expensed as incurred. Dividends are recognized on the ex-dividend date and interest is recognized on an accrual basis using the effective interest rate method (EIRM). Both dividends and interest are included in interest income or interest expense.

Designated at Fair Value through Profit or Loss
Certain financial assets and liabilities that do not meet the definition of trading may be designated at fair value through profit or loss on initial recognition. To be designated at fair value through profit or loss, financial assets or liabilities must meet one of the following criteria: (1) the designation eliminates or significantly reduces a measurement or recognition inconsistency (also referred to as "an accounting mismatch"); (2) a group of financial assets or liabilities, or both, is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or (3) the instrument contains one or more embedded derivatives unless a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract, or b) it is clear with little or no analysis that separation of the embedded derivative from the financial instrument is prohibited. In addition, the fair value through profit or loss designation is available only for those financial instruments for which a reliable estimate of fair value can be obtained. Once financial assets and liabilities are designated at fair value through profit or loss, the designation is irrevocable.

Assets and liabilities designated at fair value through profit or loss are carried at fair value on the Consolidated Balance Sheet, with changes in fair value as well as any gains or losses realized on disposal recognized in other income. Interest is recognized on an accrual basis using the EIRM and is included in interest income or interest expense.

Available-for-Sale Securities

Financial assets not classified as trading, designated at fair value through profit or loss, held-to-maturity or loans, are classified as available-for-sale and include equity securities and debt securities.

Available-for-sale securities are recognized on a trade date basis and are generally carried at fair value on the Consolidated Balance Sheet with changes in fair value recognized in other comprehensive income.

Gains and losses realized on disposal of financial assets classified as available-for-sale are calculated on a weighted-average cost basis and are recognized in net securities gains (losses) in non-interest income. Dividends are recognized on the ex-dividend date and interest income is recognized on an accrual basis using the EIRM. Both dividends and interest are included in Interest income on the Consolidated Statement of Income.

Impairment losses are recognized if there is objective evidence of impairment as a result of one or more events that have occurred (a 'loss event') and the loss event(s) results in a decrease in the estimated future cash flows of the instrument. A significant or prolonged decline in fair value below cost is considered objective evidence of impairment for available-for-sale equity securities. A deterioration in credit quality is considered objective evidence of impairment for available-for-sale debt securities. Qualitative factors are also considered when assessing impairment for available-for-sale securities. When impairment is identified, the cumulative net loss previously recognized in other comprehensive income, less any impairment loss previously recognized on the Consolidated Statement of Income, is removed from other comprehensive income and recognized in Net securities gains (losses) in Non-interest income on the Consolidated Statement of Income.

If the fair value of a previously impaired equity security subsequently increases, the impairment loss is not reversed through the Consolidated Statement of Income. Subsequent increases in fair value are recognized in other comprehensive income. If the fair value of a previously impaired debt security subsequently increases and the increase can be objectively related to an event occurring after the impairment was recognized on the Consolidated Statement of Income, then the impairment loss is reversed through the Consolidated Statement of Income. An increase in fair value in excess of impairment recognized previously on the Consolidated Statement of Income is recognized in other comprehensive income.

Held-to-Maturity Securities

Debt securities with fixed or determinable payments and fixed maturity dates, that do not meet the definition of loans and receivables, and that the Bank intends and has the ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost, net of impairment losses. Securities classified as held-to-maturity are assessed for objective evidence of impairment at the counterparty-specific level. If there is no objective evidence of impairment at the counterparty-specific level then the security is grouped with other held-to-maturity securities with similar credit risk characteristics and collectively assessed for impairment, which considers losses incurred but not identified. Interest income is recognized using the EIRM and is included in Interest income on the Consolidated Statement of Income.

Loans and Allowance for Loan Losses

Loans

Loans are non-derivative financial assets with fixed or determinable payments that the Bank does not intend to sell immediately or in the near term and that are not quoted in an active market. Loans are carried at amortized cost on the Consolidated Balance Sheet, net of an allowance for loan losses, write-offs and unearned income, which includes prepaid interest, loan origination fees and costs, commitment fees, loan syndication fees, and unamortized discounts or premiums.

Interest income is recognized using the EIRM. Loan origination fees and costs are considered to be adjustments to the loan yield and are recognized in interest income over the term of the loan.

Commitment fees are recognized in credit fees over the commitment period when it is unlikely that the commitment will be called upon; otherwise, they are recognized in interest income over the term of the resulting loan. Loan syndication fees are recognized in credit fees upon completion of the financing placement unless the yield on any loan retained by the Bank is less than that of other comparable lenders involved in the financing syndicate. In such cases, an appropriate portion of the fee is recognized as a yield adjustment to interest income over the term of the loan.

Loan Impairment, Excluding Acquired Credit-Impaired Loans

A loan, including a debt security classified as a loan, is considered impaired when there is objective evidence that there has been a deterioration of credit quality subsequent to the initial recognition of the loan (a 'loss event') to the extent the Bank no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. Indicators of impairment could include, but are not limited to, one or more of the following:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- Increased probability that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset.

A loan will be reclassified back to performing status when it has been determined that there is reasonable assurance of full and timely repayment of interest and principal in accordance with the original or revised contractual conditions of the loan and all criteria for the impaired classification have been remedied. For gross impaired debt securities classified as loans, subsequent to any recorded impairment, interest income continues to be recognized using the EIRM which was used to discount the future cash flows for the purpose of measuring the credit loss.

Renegotiated Loans

In cases where a borrower experiences financial difficulties the Bank may grant certain concessionary modifications to the terms and conditions of a loan. Modifications may include payment deferrals, extension of amortization periods, rate reductions, principal forgiveness, debt consolidation, forbearance and other modifications intended to minimize the economic loss and to avoid foreclosure or repossession of collateral. The Bank has policies in place to determine the appropriate remediation strategy based on the individual borrower. Once modified, additional impairment is recorded where the Bank identifies a decrease in the modified loan's estimated realizable value as a result of the modification. Modified loans are assessed for impairment, consistent with the Bank's existing policies for impairment.

Allowance for Credit Losses, Excluding Acquired Credit-Impaired Loans

The allowance for credit losses represents management's best estimate of impairment incurred in the lending portfolios, including any off-balance sheet exposures, at the balance sheet date. The allowance for loan losses, which includes credit-related allowances for residential mortgages, consumer instalment and other personal, credit card, business and government loans, and debt securities classified as loans, is deducted from Loans on the Consolidated Balance Sheet. The allowance for credit losses for off-balance sheet instruments, which relates to certain guarantees, letters of credit, and undrawn lines of credit, is recognized in Other liabilities on the Consolidated Balance Sheet. Allowances for lending portfolios reported on the balance sheet and off-balance sheet exposures are calculated using the same methodology. The allowance is increased by the provision for credit losses and decreased by write-offs net of recoveries and disposals. The Bank maintains both counterparty-specific and collectively assessed allowances. Each quarter, allowances are reassessed and adjusted based on any changes in management's estimate of the future cash flows estimated to be recovered. Credit losses on impaired loans continue to be recognized by means of an allowance for credit losses until a loan is written off.

A loan is written off against the related allowance for credit losses when there is no realistic prospect of recovery. Non-retail loans are generally written off when all reasonable collection efforts have been exhausted, such as when a loan is sold, when all security has been realized, or when all security has been resolved with the receiver or bankruptcy court. Non-real estate secured retail loans are generally written off when contractual payments are 180 days past due, or when a loan is sold. Real-estate secured retail loans are generally written off when the security is realized.

Counterparty-Specific Allowance

Individually significant loans, such as the Bank's medium-sized business and government loans and debt securities classified as loans, are assessed for impairment at the counterparty-specific level. The impairment assessment is based on the counterparty's credit ratings, overall financial condition, and where applicable, the realizable value of the collateral. Collateral is reviewed at least annually and when conditions arise indicating an earlier review is necessary. An allowance, if applicable, is measured as the difference between the carrying amount of the loan and the estimated recoverable amount. The estimated recoverable amount is the present value of the estimated future cash flows, discounted using the loan's original EIR.

Collectively Assessed Allowance for Individually Insignificant Impaired Loans

Individually insignificant impaired loans, such as the Bank's personal and small business loans and credit cards, are collectively assessed for impairment. Allowances are calculated using a formula that incorporates recent loss experience, historical default rates which are delinquency levels in interest or principal payments that indicate impairment, other applicable currently observable data, and the type of collateral pledged.

Collectively Assessed Allowance for Incurred but Not Identified Credit Losses

If there is no objective evidence of impairment for an individual loan, whether significant or not, the loan is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment for losses incurred but not identified. This allowance is referred to as the allowance for incurred but not identified credit losses. The level of the allowance for each group depends upon an assessment of business and economic conditions, historical loss experience, loan portfolio composition, and other relevant indicators. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions. The allowance for incurred but not identified credit losses is calculated using credit risk models that consider probability of default (loss frequency), loss given credit default (loss severity), and exposure at default. For purposes of measuring the collectively assessed allowance for incurred but not identified credit losses, default is defined as delinquency levels in interest or principal payments that would indicate impairment.

*Acquired Loan*s

Acquired loans are initially measured at fair value which considers incurred and expected future credit losses estimated at the acquisition date and also reflects adjustments based on the acquired loan's interest rate in comparison to the current market rates. As a result, no allowance for credit losses is recorded on the date of acquisition. When loans are acquired with evidence of incurred credit loss where it is probable at the purchase date that the Bank will be unable to collect all contractually required principal and interest payments, they are generally considered to be acquired credit-impaired (ACI) loans.

Acquired performing loans are subsequently accounted for at amortized cost based on their contractual cash flows and any acquisition related discount or premium is considered to be an adjustment to the loan yield and is recognized in interest income using the EIRM over the term of the loan, or the expected life of the loan for acquired loans with revolving terms. Credit related discounts relating to incurred losses for acquired loans are not accreted. Acquired loans are subject to impairment assessments under the Bank's credit loss framework similar to the Bank's originated loan portfolio.

Acquired Credit-Impaired Loans

ACI loans are identified as impaired at acquisition based on specific risk characteristics of the loans, including past due status, performance history and recent borrower credit scores.

ACI loans are accounted for based on the present value of expected cash flows as opposed to their contractual cash flows. The Bank determines the fair value of these loans at the acquisition date by discounting expected cash flows at a discount rate that reflects factors a market participant would use when determining fair value including management assumptions relating to default rates, loss severities, the amount and timing of prepayments, and other factors that are reflective of current market conditions. With respect to certain individually significant ACI loans, accounting is applied individually at the loan level. The remaining ACI loans are aggregated provided that they are acquired in the same fiscal quarter and have common risk characteristics. Aggregated loans are accounted for as a single asset with aggregated cash flows and a single composite interest rate.

Subsequent to acquisition, the Bank regularly reassesses and updates its cash flow estimates for changes to assumptions relating to default rates, loss severities, the amount and timing of prepayments, and other factors that are reflective of current market conditions. Probable decreases in expected cash flows trigger the recognition of additional impairment, which is measured based on the present value of the revised expected cash flows discounted at the loan's EIR as compared to the carrying value of the loan. Impairment is recorded through the provision for credit losses.

Probable and significant increases in expected cash flows would first reverse any previously taken impairment with any remaining increase recognized in income immediately as interest income. In addition, for fixed-rate ACI loans the timing of expected cash flows may increase or decrease which may result in adjustments through interest income to the carrying value in order to maintain the inception yield of the ACI loan.

If the timing and/or amounts of expected cash flows on ACI loans were determined not to be reasonably estimable, no interest is recognized.

Federal Deposit Insurance Corporation Covered Loans

Loans subject to loss share agreements with the Federal Deposit Insurance Corporation (FDIC) are considered FDIC covered loans. The amounts expected to be reimbursed by the FDIC are considered separately as indemnification assets and are initially measured at fair value. If losses on the portfolio are greater than amounts expected at the acquisition date, an impairment loss is taken by establishing an allowance for credit losses, which is determined on a gross basis, exclusive of any adjustments to the indemnification assets.

Indemnification assets are subsequently adjusted for any changes in estimates related to the overall collectability of the underlying loan portfolio. Any additional impairment of the underlying loan portfolio generally results in an increase of the indemnification asset through the provision for credit losses. Alternatively, decreases in the expectation of losses of the underlying loan portfolio generally results in a decrease of the indemnification asset through net interest income (or through the provision for credit losses if impairment was previously taken). The indemnification asset is drawn down as payments are received from the FDIC pertaining to the loss share agreements.

FDIC covered loans are recorded in Loans on the Consolidated Balance Sheet. The indemnification assets are recorded in Other assets on the Consolidated Balance Sheet.

At the end of each loss share period, the Bank may be required to make a payment to the FDIC if actual losses incurred are less than the intrinsic loss estimate as defined in the loss share agreements. The payment is determined as 20% of the excess between the intrinsic loss estimate and actual covered losses determined in accordance with the loss sharing agreement, net of specified servicing costs. The fair value of the estimated payment is recorded in Other liabilities on the Consolidated Balance Sheet.

Customers' Liability under Acceptances

Acceptances represent a form of negotiable short-term debt issued by customers, which the Bank guarantees for a fee. Revenue is recognized on an accrual basis. The potential obligation of the Bank is reported as a liability under Acceptances on the Consolidated Balance Sheet. The Bank's recourse against the customer in the event of a call on any of these commitments is reported as an asset of the same amount.

Financial Liabilities Carried at Amortized Cost

Deposits

Deposits, other than deposits included in a trading portfolio, are accounted for at amortized cost. Accrued interest on deposits, calculated using the EIRM, is included in Other liabilities on the Consolidated Balance Sheet.

Subordinated Notes and Debentures

Subordinated notes and debentures are initially recognized at fair value and subsequently accounted for at amortized cost. Interest expense, including capitalized transaction costs, is recognized on an accrual basis using the EIRM.

Guarantees

The Bank issues guarantee contracts that require payments to be made to guaranteed parties based on: (1) changes in the underlying economic characteristics relating to an asset or liability of the guaranteed party; (2) failure of another party to perform under an obligating agreement; or (3) failure of another third party to pay its indebtedness when due. Financial standby letters of credit are financial guarantees that represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties and they carry the same credit risk, recourse, and collateral security requirements as loans extended to customers. Performance standby letters of credit are considered non-financial guarantees as payment does not depend on the occurrence of a credit event and is generally related to a non-financial trigger event. Guarantees, including financial and performance standby letters of credit, are initially measured and recorded at their fair value. The fair value of a guarantee liability at initial recognition is normally equal to the present value of the guarantee fees received over the life of contract. The Bank's release from risk is recognized over the term of the guarantee using a systematic and rational amortization method.

If a guarantee meets the definition of a derivative, it is carried at fair value on the Consolidated Balance Sheet and reported as a derivative asset or derivative liability at fair value. Guarantees that are considered derivatives are a type of credit derivative which are over-the-counter (OTC) contracts designed to transfer the credit risk in an underlying financial instrument from one counterparty to another.

SHARE CAPITAL

The Bank classifies financial instruments that it issues as either financial liabilities, equity instruments, or compound instruments.

Issued instruments that are mandatorily redeemable or convertible into a variable number of the Bank's common shares at the holder's option are classified as liabilities on the Consolidated Balance Sheet. Dividend or interest payments on these instruments are recognized in interest expense in the Consolidated Statement of Income.

Issued instruments are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Further, issued instruments that are not mandatorily redeemable or that are not convertible into a variable number of the Bank's common shares at the holder's option, are classified as equity and presented in share capital. Incremental costs directly attributable to the issue of equity instruments are included in equity as a deduction from the proceeds, net of tax. Dividend payments on these instruments are recognized as a reduction in equity.

Compound instruments are comprised of both liability and equity components in accordance with the substance of the contractual arrangement. At inception, the fair value of the liability component is initially measured with any residual amount assigned to the equity component. Transaction costs are allocated proportionately to the liability and equity components.

Common or preferred shares held by the Bank are classified as treasury shares in equity, and the cost of these shares is recorded as a reduction in equity. Upon the sale of treasury shares, the difference between the sale proceeds and the cost of the shares is recorded in or against contributed surplus.

DERIVATIVES

Derivatives are instruments that derive their value from changes in underlying interest rates, foreign exchange rates, credit spreads, commodity prices, equities, or other financial or non-financial measures. Such instruments include interest rate, foreign exchange, equity, commodity, and credit derivative contracts. The Bank uses these instruments for trading and non-trading purposes. Derivatives are carried at their fair value on the Consolidated Balance Sheet.

Derivatives Held for Trading Purposes

The Bank enters into trading derivative contracts to meet the needs of its customers, to provide liquidity and market-making related activities, and in certain cases, to manage risks related to its trading portfolio. The realized and unrealized gains or losses on trading derivatives are recognized immediately in trading income (losses).

Derivatives Held for Non-trading Purposes

Non-trading derivatives are primarily used to manage interest rate, foreign exchange, and other market risks of the Bank's traditional banking activities. When derivatives are held for non-trading purposes and when the transactions meet the hedge accounting requirements of IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39), they are presented as non-trading derivatives and receive hedge accounting treatment, as appropriate. Certain derivative instruments that are held for economic hedging purposes, and do not meet the hedge accounting requirements of IAS 39, are also presented as non-trading derivatives with the change in fair value of these derivatives recognized in non-interest income.

Hedging Relationships

Hedge Accounting

At the inception of a hedging relationship, the Bank documents the relationship between the hedging instrument and the hedged item, its risk management objective, and its strategy for undertaking the hedge. The Bank also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the derivatives that are used in hedging relationships are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items. In order to be considered effective, the hedging instrument and the hedged item must be highly and inversely correlated such that the changes in the fair value of the hedging instrument will substantially offset the effects of the hedged exposure to the Bank throughout the term of the hedging relationship. If a hedging relationship becomes ineffective, it no longer qualifies for hedge accounting and any subsequent change in the fair value of the hedging instrument is recognized in Non-interest income on the Consolidated Statement of Income.

Changes in fair value relating to the derivative component excluded from the assessment of hedge effectiveness, is recognized immediately in Non-interest income on the Consolidated Statement of Income.

When derivatives are designated as hedges, the Bank classifies them either as: (1) hedges of the changes in fair value of recognized assets or liabilities or firm commitments (fair value hedges); (2) hedges of the variability in highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedges); or (3) hedges of net investments in a foreign operation (net investment hedges).

Fair Value Hedges

The Bank's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates.

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recognized in Non-interest income on the Consolidated Statement of Income, along with changes in the fair value of the assets, liabilities, or group thereof that are attributable to the hedged risk. Any change in fair value relating to the ineffective portion of the hedging relationship is recognized immediately in non-interest income.

The cumulative adjustment to the carrying amount of the hedged item (the basis adjustment) is amortized to the Consolidated Statement of Income in Net interest income based on a recalculated EIR over the remaining expected life of the hedged item, with amortization beginning no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the hedged risk. Where the hedged item has been derecognized, the basis adjustment is immediately released to Non-interest income on the Consolidated Statement of Income.

Cash Flow Hedges

The Bank is exposed to variability in future cash flows attributable to interest rate, foreign exchange rate, and equity price risks. The amounts and timing of future cash flows are projected for each hedged exposure on the basis of their contractual terms and other relevant factors, including estimates of prepayments and defaults.

The effective portion of the change in the fair value of the derivative that is designated and qualifies as a cash flow hedge is recognized in other comprehensive income. The change in fair value of the derivative relating to the ineffective portion is recognized immediately in non-interest income.

Amounts in accumulated other comprehensive income attributable to interest rate, foreign exchange rate, and equity price components, as applicable, are reclassified to Net interest income or Non-interest income on the Consolidated Statement of Income in the period in which the hedged item affects income, and are reported in the same income statement line as the hedged item.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in accumulated other comprehensive income at that time remains in accumulated other comprehensive income until the forecasted transaction impacts the Consolidated Statement of Income. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in accumulated other comprehensive income is immediately reclassified to Net interest income or Non-interest income, as applicable, on the Consolidated Statement of Income.

Net Investment Hedges

Hedges of net investments in foreign operations are accounted for similar to cash flow hedges. The change in fair value on the hedging instrument relating to the effective portion is recognized in other comprehensive income. The change in fair value of the hedging instrument relating to the ineffective portion is recognized immediately on the Consolidated Statement of Income. Gains and losses in accumulated other comprehensive income are reclassified to the Consolidated Statement of Income upon the disposal or partial disposal of the investment in the foreign operation. The Bank designates derivatives and non-derivatives (such as foreign currency deposit liabilities) as hedging instruments in net investment hedges.

Embedded Derivatives

Derivatives may be embedded in other financial instruments (the host instrument). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host instrument, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined contract is not held for trading or designated at fair value through profit or loss. These embedded derivatives, which are bifurcated from the host contract, are recognized on the Consolidated Balance Sheet as Derivatives and measured at fair value with subsequent changes recognized in Non-interest income on the Consolidated Statement of Income.

TRANSLATION OF FOREIGN CURRENCIES

The Bank's Consolidated Financial Statements are presented in Canadian dollars, which is the presentation currency of the Bank. Items included in the financial statements of each of the Bank's entities are measured using their functional currency, which is the currency of the primary economic environment in which they operate.

Monetary assets and liabilities denominated in a currency that differs from an entity's functional currency are translated into the functional currency of the entity at exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Income and expenses are translated into an entity's functional currency at average exchange rates prevailing throughout the year. Translation gains and losses are included in non-interest income except for available-for-sale equity securities where unrealized translation gains and losses are recorded in accumulated other comprehensive income until the asset is sold or becomes impaired.

Foreign-currency denominated subsidiaries are those with a functional currency other than Canadian dollars. For the purpose of translation into the Bank's functional currency, all assets and liabilities are translated at exchange rates prevailing at the balance sheet date and all income and expenses are translated at average exchange rates for the period. Unrealized translation gains and losses relating to these operations, net of gains or losses arising from net investment hedges of these positions and applicable income taxes, are included in other comprehensive income. Translation gains and losses in accumulated other comprehensive income are recognized on the Consolidated Statement of Income upon the disposal or partial disposal of the investment in the foreign operation. The investment balance of foreign entities accounted for by the equity method, including TD Ameritrade, is translated into Canadian dollars using exchange rates prevailing at the balance sheet date with exchange gains or losses recognized in other comprehensive income.

OFFSETTING OF FINANCIAL INSTRUMENTS
Financial assets and liabilities are offset, with the net amount presented on the Consolidated Balance Sheet, only if the Bank currently has a legally enforceable right to set off the recognized amounts, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In all other situations, assets and liabilities are presented on a gross basis.

DETERMINATION OF FAIR VALUE
The fair value of a financial instrument on initial recognition is normally the transaction price, such as the fair value of the consideration given or received. The best evidence of fair value is quoted prices in active markets. When financial assets and liabilities have offsetting market risks or credit risks, the Bank applies the portfolio exception, as described in Note 5, and uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies the most representative price within the bid-ask spread to the net open position, as appropriate. When there is no active market for the instrument, the fair value may be based on other observable current market transactions involving the same or similar instrument, without modification or repackaging, or is based on a valuation technique which maximizes the use of observable market inputs.

The Bank recognizes various types of valuation adjustments to account for factors that market participants would use in determining fair value which are not included in valuation techniques due to system limitations or measurement uncertainty. Valuation adjustments reflect the Bank's assessment of factors that market participants would use in pricing the asset or liability. These include, but are not limited to, the unobservability of inputs used in the pricing model, or assumptions about risk, such as creditworthiness of each counterparty and risk premiums that market participants would require given the inherent risk in the pricing model.

If there is a difference between the initial transaction price and the value based on a valuation technique, the difference is referred to as inception profit or loss. Inception profit or loss is recognized in trading income upon initial recognition of the instrument only if the fair value is based on observable inputs. When an instrument is measured using a valuation technique that utilizes significant non-observable inputs, it is initially valued at the transaction price, which is considered the best estimate of fair value. Subsequent to initial recognition, any difference between the transaction price and the value determined by the valuation technique at initial recognition is recognized in trading income as non-observable inputs become observable.

If the fair value of a financial asset measured at fair value becomes negative, it is recognized as a financial liability until either its fair value becomes positive, at which time it is recognized as a financial asset, or until it is extinguished.

DERECOGNITION OF FINANCIAL INSTRUMENTS
Financial Assets
The Bank derecognizes a financial asset when the contractual rights to that asset have expired. Derecognition may also be appropriate where the contractual right to receive future cash flows from the asset have been transferred, or where the Bank retains the rights to future cash flows from the asset, but assumes an obligation to pay those cash flows to a third party subject to certain criteria.

When the Bank transfers a financial asset, it is necessary to assess the extent to which the Bank has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards of ownership of the financial asset have been retained, the Bank continues to recognize the financial asset and also recognizes a financial liability for the consideration received. Certain transaction costs incurred are also capitalized and amortized using EIRM. If substantially all the risks and rewards of ownership of the financial asset have been transferred, the Bank will derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer. The Bank determines whether substantially all the risk and rewards have been transferred by quantitatively comparing the variability in cash flows before and after the transfer. If the variability in cash flows does not change significantly as a result of the transfer, the Bank has retained substantially all of the risks and rewards of ownership.

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Bank derecognizes the financial asset where it has relinquished control of the financial asset. The Bank is considered to have relinquished control of the financial asset where the transferee has the practical ability to sell the transferred financial asset. Where the Bank has retained control of the financial asset, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset. Under these circumstances, the Bank usually retains the rights to future cash flows relating to the asset through a residual interest and is exposed to some degree of risk associated with the financial asset.

The derecognition criteria are also applied to the transfer of part of an asset, rather than the asset as a whole, or to a group of similar financial assets in their entirety, when applicable. If transferring a part of an asset, it must be a specifically identified cash flow, a fully proportionate share of the asset, or a fully proportionate share of a specifically identified cash flow.

Securitization
Securitization is the process by which financial assets are transformed into securities. The Bank securitizes financial assets by transferring those financial assets to a third party and as part of the securitization, certain financial assets may be retained and may consist of an interest-only strip and, in some cases, a cash reserve account (collectively referred to as "retained interests"). If the transfer qualifies for derecognition, a gain or loss is recognized immediately in other income after the effects of hedges on the assets sold, if applicable. The amount of the gain or loss is calculated as the difference between the carrying amount of the asset transferred and the sum of any cash proceeds received, including any financial asset received or financial liability assumed, and any cumulative gain or loss allocated to the transferred asset that had been recognized in accumulated other comprehensive income. To determine the value of the retained interest initially recorded, the previous carrying value of the transferred asset is allocated between the amount derecognized from the balance sheet and the retained interest recorded, in proportion to their relative fair values on the date of transfer. Subsequent to initial recognition, as market prices are generally not available for retained interests, fair value is determined by estimating the present value of future expected cash flows using management's best estimates of key assumptions that market participants would use in determining fair value. Refer to Note 3 for assumptions used by management in determining the fair value of retained interests. Retained interest is classified as trading securities with subsequent changes in fair value recorded in trading income.

Where the Bank retains the servicing rights, the benefits of servicing are assessed against market expectations. When the benefits of servicing are more than adequate, a servicing asset is recognized. Similarly, when the benefits of servicing are less than adequate, a servicing liability is recognized. Servicing assets and servicing liabilities are initially recognized at fair value and subsequently carried at amortized cost.

Financial Liabilities
The Bank derecognizes a financial liability when the obligation under the liability is discharged, cancelled, or expires. If an existing financial liability is replaced by another financial liability from the same lender on substantially different terms or where the terms of the existing liability are substantially modified, the original liability is derecognized and a new liability is recognized with the difference in the respective carrying amounts recognized on the Consolidated Statement of Income.

Securities Purchased Under Reverse Repurchase Agreements, Securities Sold Under Repurchase Agreements, and Securities Borrowing and Lending
Securities purchased under reverse repurchase agreements involve the purchase of securities by the Bank under agreements to resell the securities at a future date. These agreements are treated as collateralized lending transactions whereby the Bank takes possession of the purchased securities, but does not acquire the risks and rewards of ownership. The Bank monitors the market value of the purchased securities relative to the amounts due under the reverse repurchase agreements, and when necessary, requires transfer of additional collateral. In the event of counterparty default, the agreements provide the Bank with the right to liquidate the collateral held and offset the proceeds against the amount owing from the counterparty.

Obligations related to securities sold under repurchase agreements involve the sale of securities by the Bank to counterparties under agreements to repurchase the securities at a future date. These agreements do not result in the risks and rewards of ownership being relinquished and are treated as collateralized borrowing transactions. The Bank monitors the market value of the securities sold relative to the amounts due under the repurchase agreements, and when necessary, transfers additional collateral and may require counterparties to return collateral pledged. Certain transactions that do not meet derecognition criteria are also included in obligations related to securities sold under repurchase agreements. Refer to Note 9 for further details.

Securities purchased under reverse repurchase agreements and obligations related to securities sold under repurchase agreements are initially recorded on the Consolidated Balance Sheet at the respective prices at which the securities were originally acquired or sold, plus accrued interest. Subsequently, the agreements are measured at amortized cost on the Consolidated Balance Sheet, plus accrued interest. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is determined using the EIRM and is included in Interest income and Interest expense, respectively, on the Consolidated Statement of Income.

In security lending transactions, the Bank lends securities to a counterparty and receives collateral in the form of cash or securities. If cash collateral is received, the Bank records the cash along with an obligation to return the cash as an obligation related to Securities sold under repurchase agreements on the Consolidated Balance Sheet. Where securities are received as collateral, the Bank does not record the collateral on the Consolidated Balance Sheet.

In securities borrowing transactions, the Bank borrows securities from a counterparty and pledges either cash or securities as collateral. If cash is pledged as collateral, the Bank records the transaction as securities purchased under reverse repurchase agreements on the Consolidated Balance Sheet. Securities pledged as collateral remain on the Bank's Consolidated Balance Sheet.

Where securities are pledged or received as collateral, security borrowing fees and security lending income are recorded in Non-interest income on the Consolidated Statement of Income over the term of the transaction. Where cash is pledged or received as collateral, interest received or incurred is included in Interest income and Interest expense, respectively, on the Consolidated Statement of Income.

Physical commodities purchased or sold with an agreement to sell or repurchase the physical commodities at a later date at a fixed price, are also included in securities purchased under reverse repurchase agreements and obligations related to securities sold under repurchase agreements, respectively, if the derecognition criteria are not met. These instruments are measured at fair value.

GOODWILL
Goodwill represents the excess purchase price paid over the net fair value of identifiable assets and liabilities acquired in a business combination. Goodwill is carried at its initial cost less accumulated impairment losses.

Goodwill is allocated to a cash-generating unit (CGU) or a group of CGUs that is expected to benefit from the synergies of the business combination, regardless of whether any assets acquired and liabilities assumed are assigned to the CGU or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash flows largely independent of the cash inflows from other assets or groups of assets. Each CGU or group of CGUs, to which goodwill is allocated, represents the lowest level within the Bank at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

Goodwill is assessed for impairment at least annually and when an event or change in circumstances indicates that the carrying amount may be impaired. When impairment indicators are present, the recoverable amount of the CGU or group of CGUs, which is the higher of its estimated fair value less costs of disposal and its value-in-use, is determined. If the carrying amount of the CGU or group of CGUs is higher than its recoverable amount, an impairment loss exists. The impairment loss is recognized on the Consolidated Statement of Income and cannot be reversed in future periods.

INTANGIBLE ASSETS
Intangible assets represent identifiable non-monetary assets and are acquired either separately or through a business combination, or internally generated software. The Bank's intangible assets consist primarily of core deposit intangibles, credit card related intangibles, and software intangibles. Intangible assets are initially recognized at fair value and are amortized over their estimated useful lives (3 to 20 years) proportionate to their expected economic benefits, except for software which is amortized over its estimated useful life (3 to 7 years) on a straight-line basis.

The Bank assesses its intangible assets for impairment on a quarterly basis. When impairment indicators are present, the recoverable amount of the asset, which is the higher of its estimated fair value less costs of disposal and its value-in-use, is determined. If the carrying amount of the asset is higher than its recoverable amount, the asset is written down to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the CGU to which the asset belongs. An impairment loss is recognized on the Consolidated Statement of Income in the period in which the impairment is identified. Impairment losses recognized previously are assessed and reversed if the circumstances leading to the impairment are no longer present. Reversal of any impairment loss will not exceed the carrying amount of the intangible asset that would have been determined had no impairment loss been recognized for the asset in prior periods.

LAND, BUILDINGS, EQUIPMENT, AND OTHER DEPRECIABLE ASSETS
Land is recognized at cost. Buildings, computer equipment, furniture and fixtures, other equipment, and leasehold improvements are recognized at cost less accumulated depreciation and provisions for impairment, if any. Gains and losses on disposal are included in Non-interest income on the Consolidated Statement of Income.

Assets leased under a finance lease are capitalized as assets and depreciated on a straight-line basis over the lesser of the lease term and the estimated useful life of the asset.

The Bank records the obligation associated with the retirement of a long-lived asset at fair value in the period in which it is incurred and can be reasonably estimated, and records a corresponding increase to the carrying amount of the asset. The asset is depreciated on a straight-line basis over its remaining useful life while the liability is accreted to reflect the passage of time until the eventual settlement of the obligation.

Depreciation is recognized on a straight-line basis over the useful lives of the assets estimated by asset category, as follows:

Asset	Useful Life
Buildings	15 to 40 years
Computer equipment	2 to 8 years
Furniture and fixtures	3 to 15 years
Other equipment	5 to 15 years
Leasehold improvements	Lesser of the remaining lease term and the remaining useful life of the asset

The Bank assesses its depreciable assets for impairment on a quarterly basis. When impairment indicators are present, the recoverable amount of the asset, which is the higher of its estimated fair value less costs to sell and its value-in-use, is determined. If the carrying value of the asset is higher than its recoverable amount, the asset is written down to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the CGU to which the asset belongs. An impairment loss is recognized on the Consolidated Statement of Income in the period in which the impairment is identified. Impairment losses previously recognized are assessed and reversed if the circumstances leading to their impairment are no longer present. Reversal of any impairment loss will not exceed the carrying amount of the depreciable asset that would have been determined had no impairment loss been recognized for the asset in prior periods.

NON-CURRENT ASSETS HELD FOR SALE

Individual non-current assets (and disposal groups) are classified as held for sale if they are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), and their sale must be highly probable to occur within one year. For a sale to be highly probable, management must be committed to a sales plan and initiate an active program to market the sale of the non-current assets (disposal groups). Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell on the Consolidated Balance Sheet. Subsequent to its initial classification as held for sale, a non-current asset (and disposal group) is no longer depreciated or amortized, and any subsequent write-downs in fair value less costs to sell or such increases not in excess of cumulative write-downs, are recognized in Other income on the Consolidated Statement of Income.

SHARE-BASED COMPENSATION

The Bank grants share options to certain employees as compensation for services provided to the Bank. The Bank uses a binomial tree-based valuation option pricing model to estimate fair value for all share option compensation awards. The cost of the share options is based on the fair value estimated at the grant date and is recognized as compensation expense and contributed surplus over the service period required for employees to become fully entitled to the awards. This period is generally equal to the vesting period in addition to a period prior to the grant date. For the Bank's share options, this period is generally equal to five years. When options are exercised, the amount initially recognized in the contributed surplus balance is reduced, with a corresponding increase in common shares.

The Bank has various other share-based compensation plans where certain employees are awarded share units equivalent to the Bank's common shares as compensation for services provided to the Bank. The obligation related to share units is included in other liabilities. Compensation expense is recognized based on the fair value of the share units at the grant date adjusted for changes in fair value between the grant date and the vesting date, net of hedging activities, over the service period required for employees to become fully entitled to the awards. This period is generally equal to the vesting period, in addition to a period prior to the grant date. For the Bank's share units, this period is generally equal to four years.

EMPLOYEE BENEFITS

Defined Benefit Plans

Actuarial valuations are prepared at least every three years to determine the present value of the projected benefit obligation related to the Bank's principal pension and non-pension post-retirement benefit plans. In periods between actuarial valuations, an extrapolation is performed based on the most recent valuation completed. All actuarial gains and losses are recognized immediately in other comprehensive income, with cumulative gains and losses reclassified to retained earnings. Pension and non-pension post-retirement benefit expenses are determined based upon separate actuarial valuations using the projected benefit method pro-rated on service and management's best estimates of discount rate, compensation increases, health care cost trend rate, and mortality rates, which are reviewed annually with the Bank's actuaries. The discount rate used to value liabilities reflects long-term corporate AA bond yields as of the measurement date. The expense recognized includes the cost of benefits for employee service provided in the current year, net interest expense or income on the net defined benefit liability or asset, past service costs related to plan amendments, curtailments or settlements, and administrative costs. Plan amendment costs are recognized in the period of a plan amendment, irrespective of its vested status. Curtailments and settlements are recognized by the Bank when the curtailment or settlement occurs. A curtailment occurs when there is a significant reduction in the number of employees covered by the plan. A settlement occurs when the Bank enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan.

The fair value of plan assets and the present value of the projected benefit obligation are measured as at October 31. The net defined benefit asset or liability represents the difference between the cumulative actuarial gains and losses, expenses, and recognized contributions and is reported in other assets or other liabilities.

Net defined benefit assets recognized by the Bank are subject to a ceiling which limits the asset recognized on the Consolidated Balance Sheet to the amount that is recoverable through refunds of contributions or future contribution holidays. In addition, where a regulatory funding deficit exists related to a defined benefit plan, the Bank is required to record a liability equal to the present value of all future cash payments required to eliminate that deficit.

Defined Contribution Plans

For defined contribution plans, annual pension expense is equal to the Bank's contributions to those plans.

INSURANCE

Premiums for short-duration insurance contracts are deferred as unearned premiums and reported in non-interest income on a straight line basis over the contractual term of the underlying policies, usually 12 months. Such premiums are recognized net of amounts ceded for reinsurance and apply primarily to property and casualty contracts. Unearned premiums are reported in insurance-related liabilities, gross of premiums ceded to reinsurers which are recognized in other assets. Premiums from life and health insurance policies are recognized as income when earned in insurance revenue.

For property and casualty insurance, insurance claims and policy benefit liabilities represent current claims and estimates for future claims related to insurable events occurring at or before the Consolidated Balance Sheet date. These are determined by the appointed actuary in accordance with accepted actuarial practices and are reported as other liabilities. Expected claims and policy benefit liabilities are determined on a case-by-case basis and consider such variables as past loss experience, current claims trends and changes in the prevailing social, economic, and legal environment. These liabilities are continually reviewed, and as experience develops and new information becomes known, the liabilities are adjusted as necessary. In addition to reported claims information, the liabilities recognized by the Bank include a provision to account for the future development of insurance claims, including insurance claims incurred but not reported by policyholders (IBNR). IBNR liabilities are evaluated based on historical development trends and actuarial methodologies for groups of claims with similar attributes. For life and health insurance, actuarial liabilities represent the present values of future policy cash flows as determined using standard actuarial valuation practices. Actuarial liabilities are reported in insurance-related liabilities with changes reported in insurance claims and related expenses.

PROVISIONS

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, the amount of which can be reliably estimated, and it is probable that an outflow of resources will be required to settle the obligation.

Provisions are measured based on management's best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. If the effect of the time value of money is material, provisions are measured at the present value of the expenditure expected to be required to settle the obligation, using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

INCOME TAXES

Income tax is comprised of current and deferred tax. Income tax is recognized on the Consolidated Statement of Income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the related taxes are also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities on the Consolidated Balance Sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax assets and liabilities are determined based on the tax rates that are expected to apply when the assets or liabilities are reported for tax purposes. Deferred tax assets are recognized only when it is probable that sufficient taxable profit will be available in future periods against which deductible temporary differences may be utilized. Deferred tax liabilities are not recognized on temporary differences arising on investments in subsidiaries, branches and associates, and interests in joint ventures if the Bank controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Bank records a provision for uncertain tax positions if it is probable that the Bank will have to make a payment to tax authorities upon their examination of a tax position. This provision is measured at the Bank's best estimate of the amount expected to be paid. Provisions are reversed to income in provision for (recovery of) income taxes in the period in which management determines they are no longer required or as determined by statute.

NOTE 3: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The estimates used in the Bank's accounting policies are essential to understanding its results of operations and financial condition. Some of the Bank's policies require subjective, complex judgments and estimates as they relate to matters that are inherently uncertain. Changes in these judgments or estimates and changes to accounting standards and policies could have a materially adverse impact on the Bank's Consolidated Financial Statements. The Bank has established procedures to ensure that accounting policies are applied consistently and that the processes for changing methodologies, determining estimates and adopting new accounting standards are well-controlled and occur in an appropriate and systematic manner.

IMPAIRMENT OF FINANCIAL ASSETS

Available-for-Sale Securities

Impairment losses are recognized on available-for-sale securities if there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition and the loss event(s) results in a decrease in the estimated cash flows of the instrument. The Bank individually reviews these securities at least quarterly for the presence of these conditions. For available-for-sale equity securities, a significant or prolonged decline in fair value below cost is considered objective evidence of impairment. For available-for-sale debt securities, a deterioration of credit quality is considered objective evidence of impairment. Other factors considered in the impairment assessment include financial position and key financial indicators of the issuer of the instrument, significant past and continued losses of the issuer, as well as breaches of contract, including default or delinquency in interest payments and loan covenant violations.

Held-to-Maturity Securities

Impairment losses are recognized on held-to-maturity securities if there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition and the loss event(s) results in a decrease in the estimated cash flows of the instrument. The Bank reviews these securities at least quarterly for impairment at the counterparty-specific level. If there is no objective evidence of impairment at the counterparty-specific level then the security is grouped with other held-to-maturity securities with similar credit risk characteristics and collectively assessed for impairment, which considers losses incurred but not identified. A deterioration of credit quality is considered objective evidence of impairment. Other factors considered in the impairment assessment include the financial position and key financial indicators of the issuer, significant past and continued losses of the issuer, as well as breaches of contract, including default or delinquency in interest payments and loan covenant violations.

Loans
A loan, including a debt security classified as a loan, is considered impaired when there is objective evidence that there has been a deterioration of credit quality subsequent to the initial recognition of the loan to the extent the Bank no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. The Bank assesses loans for objective evidence of impairment individually for loans that are individually significant, and collectively for loans that are not individually significant. The allowance for credit losses represents management's best estimate of impairment incurred in the lending portfolios, including any off-balance sheet exposures, at the balance sheet date. Management exercises judgment as to the timing of designating a loan as impaired, the amount of the allowance required, and the amount that will be recovered once the borrower defaults. Changes in the amount that management expects to recover would have a direct impact on the provision for credit losses and may result in a change in the allowance for credit losses.

If there is no objective evidence of impairment for an individual loan, whether significant or not, the loan is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment for losses incurred but not identified. In calculating the probable range of allowance for incurred but not identified credit losses, the Bank employs internally developed models that utilize parameters for probability of default, loss given default and exposure at default. Management's judgment is used to determine the point within the range that is the best estimate of losses, based on an assessment of business and economic conditions, historical loss experience, loan portfolio composition, and other relevant indicators that are not fully incorporated into the model calculation. Changes in these assumptions would have a direct impact on the provision for credit losses and may result in a change in the incurred but not identified allowance for credit losses.

FAIR VALUE MEASUREMENTS
The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market prices. For all other financial instruments not traded in an active market, fair value may be based on other observable current market transactions involving the same or similar instrument, without modification or repackaging, or is based on a valuation technique which maximizes the use of observable market inputs. Observable market inputs may include interest rate yield curves, foreign exchange rates, and option volatilities. Valuation techniques include comparisons with similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants.

For certain complex or illiquid financial instruments, fair value is determined using valuation techniques in which current market transactions or observable market inputs are not available. Determining which valuation technique to apply requires judgment. The valuation techniques themselves also involve some level of estimation and judgment. The judgments include liquidity considerations and model inputs such as volatilities, correlations, spreads, discount rates, pre-payment rates, and prices of underlying instruments. Any imprecision in these estimates can affect the resulting fair value.

Judgment is also used in recording fair value adjustments to model valuations to account for measurement uncertainty when valuing complex and less actively traded financial instruments. If the market for a complex financial instrument develops, the pricing for this instrument may become more transparent, resulting in refinement of valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 5.

DERECOGNITION
Certain assets transferred may qualify for derecognition from the Bank's Consolidated Balance Sheet. To qualify for derecognition certain key determinations must be made. A decision must be made as to whether the rights to receive cash flows from the financial assets have been retained or transferred and the extent to which the risks and rewards of ownership of the financial asset have been retained or transferred. If the Bank neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, a decision must be made as to whether the Bank has retained control of the financial asset. Upon derecognition, the Bank will record a gain or loss on sale of those assets which is calculated as the difference between the carrying amount of the asset transferred and the sum of any cash proceeds received, including any financial asset received or financial liability assumed, and any cumulative gain or loss allocated to the transferred asset that had been recognized in accumulated other comprehensive income. In determining the fair value of any financial asset received, the Bank estimates future cash flows by relying on estimates of the amount of interest that will be collected on the securitized assets, the yield to be paid to investors, the portion of the securitized assets that will be prepaid before their scheduled maturity, expected credit losses, the cost of servicing the assets and the rate at which to discount these expected future cash flows. Actual cash flows may differ significantly from those estimated by the Bank. Retained interests are classified as trading securities and are initially recognized at relative fair value on the Bank's Consolidated Balance Sheet. Subsequently, the fair value of retained interests recognized by the Bank is determined by estimating the present value of future expected cash flows. Differences between the actual cash flows and the Bank's estimate of future cash flows are recognized in trading income. These assumptions are subject to periodic review and may change due to significant changes in the economic environment.

GOODWILL AND OTHER INTANGIBLES
The recoverable amount of the Bank's cash-generating units (CGU) is determined from internally developed valuation models that consider various factors and assumptions such as forecasted earnings, growth rates, price-earnings multiples, discount rates, and terminal multiples. Management is required to use judgment in estimating the recoverable amount of CGUs, and the use of different assumptions and estimates in the calculations could influence the determination of the existence of impairment and the valuation of goodwill. Management believes that the assumptions and estimates used are reasonable and supportable. Where possible, fair values generated internally are compared to relevant market information. The carrying amounts of the Bank's CGUs are determined by management using risk based capital models to adjust net assets and liabilities by CGU. These models consider various factors including market risk, credit risk, and operational risk, including investment capital (comprised of goodwill and other intangibles). Any capital not directly attributable to the CGUs is held within the Corporate segment. The Bank's capital oversight committees provide oversight to the Bank's capital allocation methodologies.

EMPLOYEE BENEFITS
The projected benefit obligation and expense related to the Bank's pension and non-pension post-retirement benefit plans are determined using multiple assumptions that may significantly influence the value of these amounts. Actuarial assumptions including discount rates, compensation increases, health care cost trend rates, and mortality rates are management's best estimates and are reviewed annually with the Bank's actuaries. The Bank develops each assumption using relevant historical experience of the Bank in conjunction with market-related data and considers if the market-related data indicates there is any prolonged or significant impact on the assumptions. The discount rate used to value liabilities reflects long-term corporate AA bond yields as of the measurement date. The other assumptions are also long-term estimates. All assumptions are subject to a degree of uncertainty. Differences between actual experiences and the assumptions, as well as changes in the assumptions resulting from changes in future expectations, result in actuarial gains and losses which are recognized in other comprehensive income during the year and also impact expenses in future periods.

INCOME TAXES

The Bank is subject to taxation in numerous jurisdictions. There are many transactions and calculations in the ordinary course of business for which the ultimate tax determination is uncertain. The Bank maintains provisions for uncertain tax positions that it believes appropriately reflect the risk of tax positions under discussion, audit, dispute, or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the Bank's best estimate of the amount expected to be paid based on an assessment of all relevant factors, which are reviewed at the end of each reporting period. However, it is possible that at some future date, an additional liability could result from audits by the relevant taxing authorities.

Deferred tax assets are recognized only when it is probable that sufficient taxable profit will be available in future periods against which deductible temporary differences may be utilized. The amount of the deferred tax asset recognized and considered realizable could, however, be reduced if projected income is not achieved due to various factors, such as unfavourable business conditions. If projected income is not expected to be achieved, the Bank would decrease its deferred tax assets to the amount that it believes can be realized. The magnitude of the decrease is significantly influenced by the Bank's forecast of future profit generation, which determines the extent to which it will be able to utilize the deferred tax assets.

PROVISIONS

Provisions arise when there is some uncertainty in the timing or amount of a loss in the future. Provisions are based on the Bank's best estimate of all expenditures required to settle its present obligations, considering all relevant risks and uncertainties, as well as, when material, the effect of the time value of money.

Many of the Bank's provisions relate to various legal actions that the Bank is involved in during the ordinary course of business. Legal provisions require the involvement of both the Bank's management and legal counsel when assessing the probability of a loss and estimating any monetary impact. Throughout the life of a provision, the Bank's management or legal counsel may learn of additional information that may impact its assessments about the probability of loss or about the estimates of amounts involved. Changes in these assessments may lead to changes in the amount recorded for provisions. In addition, the actual costs of resolving these claims may be substantially higher or lower than the amounts recognized. The Bank reviews its legal provisions on a case-by-case basis after considering, among other factors, the progress of each case, the Bank's experience, the experience of others in similar cases, and the opinions and views of legal counsel.

Certain of the Bank's provisions relate to restructuring initiatives initiated by the Bank. Restructuring provisions require management's best estimate, including forecasts of economic conditions. Throughout the life of a provision, the Bank may become aware of additional information that may impact the assessment of amounts to be incurred. Changes in these assessments may lead to changes in the amount recorded for provisions.

INSURANCE

The assumptions used in establishing the Bank's insurance claims and policy benefit liabilities are based on best estimates of possible outcomes.

For property and casualty insurance, the ultimate cost of claims liabilities is estimated using a range of standard actuarial claims projection techniques in accordance with Canadian accepted actuarial practices. Additional qualitative judgment is used to assess the extent to which past trends may or may not apply in the future, in order to arrive at the estimated ultimate claims cost that present the most likely outcome taking account of all the uncertainties involved.

For life and health insurance, actuarial liabilities consider all future policy cash flows, including premiums, claims, and expenses required to administer the policies. Critical assumptions used in the measurement of life and health insurance contract liabilities are determined by the appointed actuary.

Further information on insurance risk assumptions is provided in Note 22.

CONSOLIDATION OF STRUCTURED ENTITIES

Management judgment is required when assessing whether the Bank should consolidate an entity. For instance, it may not be feasible to determine if the Bank controls an entity solely through an assessment of voting rights for certain structured entities. In this case, judgment is required to establish whether the Bank has decision-making power over the key relevant activities of the entity and whether the Bank has the ability to use that power to absorb significant variable returns from the entity. If it is determined that the Bank has both decision-making power and significant variable returns from the entity, judgment is also used to determine whether any such power is exercised by the Bank as principal, on its own behalf, or as agent, on behalf of another counterparty.

Assessing whether the Bank has decision-making power includes understanding the purpose and design of the entity in order to determine its key economic activities. In this context, an entity's key economic activities are those which predominantly impact the economic performance of the entity. When the Bank has the current ability to direct the entity's key economic activities, it is considered to have decision-making power over the entity.

The Bank also evaluates its exposure to the variable returns of a structured entity in order to determine if it absorbs a significant proportion of the variable returns the entity is designed to create. As part of this evaluation, the Bank considers the purpose and design of the entity in order to determine whether it absorbs variable returns from the structured entity through its contractual holdings, which may take the form of securities issued by the entity, derivatives with the entity, or other arrangements such as guarantees, liquidity facilities, or lending commitments.

If the Bank has decision-making power over and absorbs significant variable returns from the entity it then determines if it is acting as principal or agent when exercising its decision-making power. Key factors considered include the scope of its decision-making powers; the rights of other parties involved with the entity, including any rights to remove the Bank as decision-maker or rights to participate in key decisions; whether the rights of other parties are exercisable in practice; and the variable returns absorbed by the Bank and by other parties involved with the entity. When assessing consolidation, a presumption exists that the Bank exercises decision-making power as principal if it is also exposed to significant variable returns, unless an analysis of the factors above indicates otherwise.

The decisions above are made with reference to the specific facts and circumstances relevant for the structured entity and related transaction(s) under consideration.

NOTE 4: CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES

CURRENT CHANGES IN ACCOUNTING POLICIES

There are no new or amended significant accounting policies that are effective for the Bank for the fiscal year ended October 31, 2017.

FUTURE CHANGES IN ACCOUNTING POLICIES

The following standards have been issued, but are not yet effective on the date of issuance of the Bank's Consolidated Financial Statements. The Bank is currently assessing the impact of the application of these standards on the Consolidated Financial Statements and will adopt these standards when they become effective.

Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* (IFRS 9), which replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39). This final version includes requirements on: (1) Classification and measurement of financial assets and liabilities; (2) Impairment of financial assets; and (3) General hedge accounting. Accounting for macro hedging has been decoupled from IFRS 9. The Bank has an accounting policy choice to apply the hedge accounting requirements of IFRS 9 or IAS 39. The Bank has made the decision to continue applying the IAS 39 hedge accounting requirements at this time and will comply with the revised hedge accounting disclosures as required by the related amendments to IFRS 7, *Financial Instruments: Disclosures* (IFRS 7).

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively with certain exceptions. IFRS 9 does not require restatement of comparative period financial statements except in limited circumstances related to aspects of hedge accounting. Entities are permitted to restate comparatives as long as hindsight is not applied. The Bank has made the decision not to restate comparative period financial information and will recognize any measurement difference between the previous carrying amount and the new carrying amount as of the date of adoption, through an adjustment to opening retained earnings. In January 2015, OSFI issued the final version of the Advisory titled "Early adoption of IFRS 9 *Financial Instruments* for Domestic Systemically Important Banks". All domestic systemically important banks (D-SIBs), including the Bank, are required to early adopt IFRS 9 for the annual period beginning on November 1, 2017. Consequential amendments were made to IFRS 7 introducing expanded qualitative and quantitative disclosures related to IFRS 9, which are required to be adopted for the annual period beginning on November 1, 2017, when the Bank first applies IFRS 9.

In December 2015, the Basel Committee on Banking Supervision (BCBS) issued "Guidance on credit risk and accounting for expected credit losses" which sets out supervisory guidance on sound credit risk practices associated with the implementation and ongoing application of expected credit loss accounting frameworks. In June 2016, OSFI issued the guideline, "IFRS 9 Financial Instruments and Disclosures", which provides guidance to Federally Regulated Entities on the application of IFRS 9 that is consistent with the BCBS guidance. This guideline, which is effective for the Bank upon adoption of IFRS 9, replaces certain guidelines that were in effect under IAS 39. The adoption of IFRS 9 is a significant initiative for the Bank supported by a formal governance framework and a robust implementation plan.

In October 2017, the IASB published amendments to IFRS 9 relating to prepayment features with negative compensation. The amendments are to be applied retrospectively to annual reporting periods beginning on or after January 1, 2019, which will be November 1, 2019 for the Bank with earlier application permitted. The Bank is continuing to assess the impact of the amendments, however they are not expected to have a material impact.

As at October 31, 2017, the Bank's current estimate of the adoption of IFRS 9, subject to refinement, is an overall reduction to Shareholders' Equity of approximately $36 million, of which $96 million is attributable to the adoption of the expected credit loss methodology, partially offset by $60 million due to classification and measurement changes. Based on the current regulatory requirements, the expected impact to CET1 capital is a decrease of 15 bps almost exclusively due to the Basel I regulatory floor.

Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which establishes the principles for recognizing revenue and cash flows arising from contracts with customers and prescribes the application of a five-step recognition and measurement model. The standard excludes from its scope revenue arising from items such as financial instruments, insurance contracts, and leases. In July 2015, the IASB confirmed a one-year deferral of the effective date to annual periods beginning on or after January 1, 2018, which will be November 1, 2018 for the Bank. In April 2016, the IASB issued amendments to IFRS 15, which provided additional guidance on the identification of performance obligations, on assessing principal versus agent considerations and on licensing revenue. The amendments also provided additional transitional relief upon initial adoption of IFRS 15 and have the same effective date as the IFRS 15 standard. The Bank plans to apply the standard on a modified retrospective basis, recognizing the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings as of November 1, 2018. The Bank is continuing to assess the impact of the new standard on its financial statements, including the presentation of certain revenue and expense items, the timing and measurement of revenue recognition, as well as additional qualitative and quantitative disclosures. The Bank does not currently expect a significant impact as a result of adopting the new standard.

Leases

In January 2016, the IASB issued IFRS 16, *Leases* (IFRS 16), which will replace IAS 17, *Leases* (IAS 17), introducing a single lessee accounting model for all leases by eliminating the distinction between operating and financing leases. IFRS 16 requires lessees to recognize right-of-use assets and lease liabilities for most leases. Lessees will also recognize depreciation expense on the right-of-use asset and interest expense on the lease liability in the statement of income. Short-term leases, which are defined as those that have a lease term of 12 months or less; and leases of low-value assets are exempt. Lessor accounting remains substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, which will be November 1, 2019 for the Bank, and is to be applied retrospectively. Early adoption is permitted only if aligned with or after the adoption of IFRS 15. The Bank is currently assessing the impact of adopting this standard.

Share-based Payment

In June 2016, the IASB published amendments to IFRS 2, *Share-based Payment*, which provide additional guidance on the classification and measurement of share-based payment transactions. The amendments clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features for withholding tax obligations, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments to IFRS 2 are effective for annual periods beginning on or after January 1, 2018, which will be November 1, 2018 for the Bank, and are to be applied prospectively; however, retrospective application is permitted in certain instances. Early adoption is permitted. The amendments to IFRS 2 are not expected to have a material impact on the Bank.

Insurance Contracts

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

NOTE 5: FAIR VALUE MEASUREMENTS

Certain assets and liabilities, primarily financial instruments, are carried on the balance sheet at their fair value on a recurring basis. These financial instruments include trading loans and securities, assets and liabilities designated at fair value through profit or loss, instruments classified as available-for-sale, derivatives, certain securities purchased under reverse repurchase agreements, certain deposits classified as trading, securitization liabilities at fair value, obligations related to securities sold short, and certain obligations related to securities sold under repurchase agreements. All other financial assets and financial liabilities are carried at amortized cost.

VALUATION GOVERNANCE

Valuation processes are guided by policies and procedures that are approved by senior management and subject matter experts. Senior Executive oversight over the valuation process is provided through various valuation-related committees. Further, the Bank has a number of additional controls in place, including an independent price verification process to ensure the accuracy of fair value measurements reported in the financial statements. The sources used for independent pricing comply with the standards set out in the approved valuation-related policies, which includes consideration of the reliability, relevancy, and timeliness of data.

METHODS AND ASSUMPTIONS

The Bank calculates fair values for measurement and disclosure purposes based on the following methods of valuation and assumptions:

Government and Government-Related Securities

The fair value of Canadian government debt securities is based on quoted prices in active markets, where available. Where quoted prices are not available, valuation techniques such as discounted cash flow models may be used, which maximize the use of observable inputs such as government bond yield curves.

The fair value of U.S. federal and state government, as well as agency debt securities, is determined by reference to recent transaction prices, broker quotes, or third-party vendor prices. Brokers or third-party vendors may use a pool-specific valuation model to value these securities. Observable market inputs to the model include to-be-announced (TBA) market prices, the applicable indices, and metrics such as the coupon, maturity, and weighted-average maturity of the pool. Market inputs used in the valuation model include, but are not limited to, indexed yield curves and trading spreads.

The fair value of residential mortgage-backed securities is primarily based on broker quotes, third-party vendor prices, or other valuation techniques, such as the use of option-adjusted spread (OAS) models which include inputs such as prepayment rate assumptions related to the underlying collateral. Observable inputs include, but are not limited to, indexed yield curves and bid-ask spreads. Other inputs may include volatility assumptions derived using Monte Carlo simulations and take into account factors such as counterparty credit quality and liquidity.

Other Debt Securities

The fair value of corporate and other debt securities, including debt securities reclassified from trading to available-for-sale, is primarily based on broker quotes, third-party vendor prices, or other valuation techniques, such as discounted cash flow techniques. Market inputs used in the valuation techniques or underlying third-party vendor prices or broker quotes include benchmark and government bond yield curves, credit spreads, and trade execution data.

Asset-backed securities are primarily fair valued using third-party vendor prices. The third-party vendor employs a valuation model which maximizes the use of observable inputs such as benchmark yield curves and bid-ask spreads. The model also takes into account relevant data about the underlying collateral, such as weighted-average terms to maturity and prepayment rate assumptions.

Equity Securities

The fair value of equity securities is based on quoted prices in active markets, where available. Where quoted prices in active markets are not readily available, such as for private equity securities, or where there is a wide bid-offer spread, fair value is determined based on quoted market prices for similar securities or through valuation techniques, including discounted cash flow analysis, and multiples of earnings before taxes, depreciation and amortization, and other relevant valuation techniques.

If there are trading restrictions on the equity security held, a valuation adjustment is recognized against available prices to reflect the nature of the restriction. However, restrictions that are not part of the security held and represent a separate contractual arrangement that has been entered into by the Bank and a third-party do not impact the fair value of the original instrument.

Retained Interests

Retained interests are classified as trading securities and are initially recognized at relative fair value. Subsequently, the fair value of retained interests recognized by the Bank is determined by estimating the present value of future expected cash flows. Differences between the actual cash flows and the Bank's estimate of future cash flows are recognized in income. These assumptions are subject to periodic review and may change due to significant changes in the economic environment.

Loans

The estimated fair value of loans carried at amortized cost, other than debt securities classified as loans, reflects changes in market price that have occurred since the loans were originated or purchased. For fixed-rate performing loans, estimated fair value is determined by discounting the expected future cash flows related to these loans at current market interest rates for loans with similar credit risks. For floating-rate performing loans, changes in interest rates have minimal impact on fair value since loans reprice to market frequently. On that basis, fair value is assumed to approximate carrying value. The fair value of loans is not adjusted for the value of any credit protection the Bank has purchased to mitigate credit risk.

At initial recognition, debt securities classified as loans do not include securities with quoted prices in active markets. When quoted market prices are not readily available, fair value is based on quoted market prices of similar securities, other third-party evidence or by using a valuation technique that maximizes the use of observable market inputs. If quoted prices in active markets subsequently become available, these are used to determine fair value for debt securities classified as loans.

The fair value of loans carried at fair value through profit or loss, which includes trading loans and loans designated at fair value through profit or loss, is determined using observable market prices, where available. Where the Bank is a market maker for loans traded in the secondary market, fair value is determined using executed prices, or prices for comparable trades. For those loans where the Bank is not a market maker, the Bank obtains broker quotes from other reputable dealers, and corroborates this information using valuation techniques or by obtaining consensus or composite prices from pricing services.

Commodities
The fair value of commodities is based on quoted prices in active markets, where available. The Bank also transacts in commodity derivative contracts which can be traded on an exchange or in OTC markets.

Derivative Financial Instruments
The fair value of exchange-traded derivative financial instruments is based on quoted market prices. The fair value of OTC derivative financial instruments is estimated using well established valuation techniques, such as discounted cash flow techniques, the Black-Scholes model, and Monte Carlo simulation. The valuation models incorporate inputs that are observable in the market or can be derived from observable market data.

Prices derived by using models are recognized net of valuation adjustments. The inputs used in the valuation models depend on the type of derivative and the nature of the underlying instrument and are specific to the instrument being valued. Inputs can include, but are not limited to, interest rate yield curves, foreign exchange rates, dividend yield projections, commodity spot and forward prices, recovery rates, volatilities, spot prices, and correlation.

A credit risk valuation adjustment (CRVA) is recognized against the model value of OTC derivatives to account for the uncertainty that either counterparty in a derivative transaction may not be able to fulfill its obligations under the transaction. In determining CRVA, the Bank takes into account master netting agreements and collateral, and considers the creditworthiness of the counterparty and the Bank itself, in assessing potential future amounts owed to, or by the Bank.

In the case of defaulted counterparties, a specific provision is established to recognize the estimated realizable value, net of collateral held, based on market pricing in effect at the time the default is recognized. In these instances, the estimated realizable value is measured by discounting the expected future cash flows at an appropriate EIR immediately prior to impairment, after adjusting for the value of collateral. The fair value of non-trading derivatives is determined on the same basis as for trading derivatives.

The fair value of a derivative is partly a function of collateralization. The Bank uses the relevant overnight index swap curve to discount the cash flows for collateralized derivatives as most collateral is posted in cash and can be funded at the overnight rate.

A funding valuation adjustment (FVA) is recognized against the model value of OTC derivatives to recognize the market implied funding costs and benefits are considered in the pricing and fair valuation of uncollateralized derivatives. Some of the key drivers of FVA include the market implied cost of funding spread over the London Interbank Offered Rate (LIBOR) and the expected average exposure by counterparty. FVA is further adjusted to account for the extent to which the funding cost is incorporated into observed traded levels and to calibrate to the expected term of the trade. The Bank will continue to monitor industry practice, and may refine the methodology and the products to which FVA applies to as market practices evolve.

Deposits
The estimated fair value of term deposits is determined by discounting the contractual cash flows using interest rates currently offered for deposits with similar terms.

For deposits with no defined maturities, the Bank considers fair value to equal carrying value, which is equivalent to the amount payable on the balance sheet date.

For trading deposits, fair value is determined using discounted cash flow valuation techniques which maximize the use of observable market inputs such as benchmark yield curves and foreign exchange rates. The Bank considers the impact of its own creditworthiness in the valuation of these deposits by reference to observable market inputs.

Securitization Liabilities
The fair value of securitization liabilities is based on quoted market prices or quoted market prices for similar financial instruments, where available. Where quoted prices are not available, fair value is determined using valuation techniques, which maximize the use of observable inputs, such as Canada Mortgage Bond (CMB) curves.

Obligations Related to Securities Sold Short
The fair value of these obligations is based on the fair value of the underlying securities, which can include equity or debt securities. As these obligations are fully collateralized, the method used to determine fair value would be the same as that of the relevant underlying equity or debt securities.

Securities Purchased Under Reverse Repurchase Agreements and Obligations Related to Securities Sold under Repurchase Agreements
Commodities purchased or sold with an agreement to sell or repurchase them at a later date at a fixed price are carried at fair value. The fair value of these agreements is based on valuation techniques such as discounted cash flow models which maximize the use of observable market inputs such as interest rate swap curves and commodity forward prices.

Subordinated Notes and Debentures
The fair value of subordinated notes and debentures are based on quoted market prices for similar issues or current rates offered to the Bank for debt of equivalent credit quality and remaining maturity.

Other Financial Liabilities Designated at Fair Value through Profit or Loss
For deposits designated at fair value through profit or loss, fair value is determined using discounted cash flow valuation techniques which maximize the use of observable market inputs such as benchmark yield curves. The Bank considers the impact of its own creditworthiness in the valuation of these deposits by reference to observable market inputs. The Bank currently issues mortgage loan commitments to its customers which allow them to lock in a fixed mortgage rate prior to their expected funding date. The Bank values loan commitments through the use of an option pricing model and with adjustments calculated using an expected funding ratio to arrive at the most representative fair value. The expected funding ratio represents the Bank's best estimate, based on historical analysis, as to the amount of loan commitments that will actually fund. If commitment extensions are exercised by the borrower, the Bank will remeasure the written option at fair value.

Portfolio Exception
IFRS 13, *Fair Value Measurement* provides a measurement exception that allows an entity to determine the fair value of a group of financial assets and liabilities with offsetting risks based on the sale or transfer of its net exposure to a particular risk or risks. The Bank manages certain financial assets and financial liabilities, such as derivative assets and derivative liabilities on the basis of net exposure and applies the portfolio exception when determining the fair value of these financial assets and financial liabilities.

Fair Value of Assets and Liabilities not carried at Fair Value

The fair value of assets and liabilities subsequently not carried at fair value include most loans, most deposits, certain securitization liabilities, most securities purchased under reverse repurchase agreements, most obligations relating to securities sold under repurchase agreements, and subordinated notes and debentures. For these instruments, fair values are calculated for disclosure purposes only, and the valuation techniques are disclosed above. In addition, the Bank has determined that the carrying value approximates the fair value for the following assets and liabilities as they are usually liquid floating rate financial instruments and are generally short term in nature: cash and due from banks, interest-bearing deposits with banks, Securities purchased under reverse repurchase agreements, customers' liability under acceptances, amounts receivable from brokers, dealers and clients, other assets, acceptances, obligations related to securities sold under repurchase agreements, amounts payable to brokers, dealers and clients and other liabilities.

Carrying Value and Fair Value of Financial Instruments not carried at Fair Value

The fair values in the following table exclude assets that are not financial instruments, such as land, buildings and equipment, as well as goodwill and other intangible assets, including customer relationships, which are of significant value to the Bank.

Financial Assets and Liabilities not carried at Fair Value

(millions of Canadian dollars)				*As at*
	October 31, 2017		October 31, 2016	
	Carrying value	**Fair value**	Carrying value	Fair value
FINANCIAL ASSETS				
Cash and due from banks	**$ 3,971**	**$ 3,971**	$ 3,907	$ 3,907
Interest-bearing deposits with banks	**51,185**	**51,185**	53,714	53,714
Held-to-maturity securities[1]				
Government and government-related securities	**45,623**	**45,708**	51,290	51,855
Other debt securities	**25,740**	**25,719**	33,105	33,135
Total held-to-maturity securities	**71,363**	**71,427**	84,395	84,990
Securities purchased under reverse repurchase agreements	**133,084**	**133,084**	84,324	84,324
Loans	**609,529**	**610,491**	584,243	589,080
Debt securities classified as loans	**3,062**	**3,156**	1,413	1,678
Total loans	**612,591**	**613,647**	585,656	590,758
Other				
Customers' liability under acceptances	**17,297**	**17,297**	15,706	15,706
Amounts receivable from brokers, dealers and clients	**29,971**	**29,971**	17,436	17,436
Other assets	**4,556**	**4,556**	4,352	4,352
Total assets not carried at fair value	**$ 924,018**	**$ 925,138**	$ 849,490	$ 855,187
FINANCIAL LIABILITIES				
Deposits	**$ 832,824**	**$ 833,475**	$ 773,660	$ 776,161
Acceptances	**17,297**	**17,297**	15,706	15,706
Obligations related to securities sold under repurchase agreements	**86,527**	**86,527**	45,316	45,316
Securitization liabilities at amortized cost	**16,076**	**16,203**	17,918	18,276
Amounts payable to brokers, dealers and clients	**32,851**	**32,851**	17,857	17,857
Other liabilities	**9,926**	**9,932**	9,229	9,288
Subordinated notes and debentures	**9,528**	**10,100**	10,891	11,331
Total liabilities not carried at fair value	**$ 1,005,029**	**$ 1,006,385**	$ 890,577	$ 893,935

1 Includes debt securities reclassified from available-for-sale to held-to-maturity. Refer to Note 7 for carrying value and fair value of the reclassified debt securities.

Fair Value Hierarchy

IFRS requires disclosure of a three-level hierarchy for fair value measurements based upon the observability of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Fair value is based on quoted market prices for identical assets or liabilities that are traded in an active exchange market or highly liquid and actively traded in OTC markets.

Level 2: Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar (but not identical) assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using valuation techniques with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level 3: Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Financial instruments classified within Level 3 of the fair value hierarchy are initially fair valued at their transaction price, which is considered the best estimate of fair value. After initial measurement, the fair value of Level 3 assets and liabilities is determined using valuation models, discounted cash flow methodologies, or similar techniques.

The following table presents the levels within the fair value hierarchy for each of the assets and liabilities measured at fair value on a recurring basis as at October 31.

Fair Value Hierarchy for Assets and Liabilities Measured at Fair Value on a Recurring Basis[1]

(millions of Canadian dollars)								*As at*
				October 31, 2017				October 31, 2016
	Level 1	**Level 2**	**Level 3**	**Total[1]**	Level 1	Level 2	Level 3	Total[2]
FINANCIAL ASSETS AND COMMODITIES								
Trading loans, securities, and other[3]								
Government and government-related securities								
Canadian government debt								
Federal	**$ 390**	**$ 8,678**	**$ –**	**$ 9,068**	$ 70	$ 9,978	$ 34	$ 10,082
Provinces	**–**	**6,524**	**–**	**6,524**	–	5,678	–	5,678
U.S. federal, state, municipal governments, and agencies debt	**605**	**16,862**	**–**	**17,467**	724	17,246	–	17,970
Other OECD government guaranteed debt	**–**	**5,047**	**–**	**5,047**	–	4,424	73	4,497
Mortgage-backed securities	**–**	**1,906**	**–**	**1,906**	–	1,472	–	1,472
Other debt securities								
Canadian issuers	**–**	**3,337**	**6**	**3,343**	–	2,697	15	2,712
Other issuers	**–**	**10,007**	**8**	**10,015**	–	7,572	148	7,720
Equity securities								
Common shares	**31,921**	**21**	**–**	**31,942**	29,054	96	65	29,215
Preferred shares	**68**	**–**	**–**	**68**	27	–	–	27
Trading loans	**–**	**11,235**	**–**	**11,235**	–	11,606	–	11,606
Commodities	**7,139**	**132**	**–**	**7,271**	8,071	176	–	8,247
Retained interests	**–**	**32**	**–**	**32**	–	–	31	31
	40,123	**63,781**	**14**	**103,918**	37,946	60,945	366	99,257
Derivatives								
Interest rate contracts	**21**	**15,324**	**–**	**15,345**	4	27,364	–	27,368
Foreign exchange contracts	**9**	**37,817**	**1**	**37,827**	44	41,828	9	41,881
Credit contracts	**–**	**34**	**–**	**34**	–	–	–	–
Equity contracts	**–**	**1,303**	**908**	**2,211**	–	1,391	729	2,120
Commodity contracts	**96**	**677**	**5**	**778**	51	816	6	873
	126	**55,155**	**914**	**56,195**	99	71,399	744	72,242
Financial assets designated at fair value through profit or loss								
Securities[3]	**220**	**3,699**	**113**	**4,032**	80	4,046	157	4,283
	220	**3,699**	**113**	**4,032**	80	4,046	157	4,283
Available-for-sale securities								
Government and government-related securities								
Canadian government debt								
Federal	**–**	**16,225**	**–**	**16,225**	–	14,717	–	14,717
Provinces	**–**	**7,922**	**–**	**7,922**	–	7,851	–	7,851
U.S. federal, state, municipal governments, and agencies debt	**–**	**48,280**	**–**	**48,280**	–	34,473	–	34,473
Other OECD government guaranteed debt	**–**	**21,122**	**–**	**21,122**	–	15,503	6	15,509
Mortgage-backed securities	**–**	**8,812**	**–**	**8,812**	–	4,949	–	4,949
Other debt securities								
Asset-backed securities	**–**	**29,428**	**553**	**29,981**	–	18,593	–	18,593
Non-agency collateralized mortgage obligation portfolio	**–**	**1,715**	**–**	**1,715**	–	625	–	625
Corporate and other debt	**–**	**9,768**	**22**	**9,790**	–	8,266	20	8,286
Equity securities								
Common shares[4,5]	**341**	**3**	**1,572**	**1,916**	231	223	1,594	2,048
Preferred shares	**242**	**–**	**123**	**365**	88	–	98	186
Debt securities reclassified from trading	**–**	**2**	**275**	**277**	–	49	279	328
	583	**143,277**	**2,545**	**146,405**	319	105,249	1,997	107,565
Securities purchased under reverse repurchase agreements	**–**	**1,345**	**–**	**1,345**	–	1,728	–	1,728
FINANCIAL LIABILITIES								
Trading deposits	**$ –**	**$ 77,419**	**$ 2,521**	**$ 79,940**	$ –	$ 77,572	$ 2,214	$ 79,786
Derivatives								
Interest rate contracts	**15**	**12,730**	**70**	**12,815**	3	22,092	95	22,190
Foreign exchange contracts	**10**	**33,599**	**–**	**33,609**	16	39,535	5	39,556
Credit contracts	**–**	**356**	**–**	**356**	–	257	–	257
Equity contracts	**–**	**1,999**	**1,801**	**3,800**	–	1,351	1,408	2,759
Commodity contracts	**97**	**534**	**3**	**634**	75	587	1	663
	122	**49,218**	**1,874**	**51,214**	94	63,822	1,509	65,425
Securitization liabilities at fair value	**–**	**12,757**	**–**	**12,757**	–	12,490	–	12,490
Other financial liabilities designated at fair value through profit or loss	**–**	**1**	**7**	**8**	–	177	13	190
Obligations related to securities sold short[3]	**2,068**	**33,414**	**–**	**35,482**	1,396	31,705	14	33,115
Obligations related to securities sold under repurchase agreements	**–**	**2,064**	**–**	**2,064**	–	3,657	–	3,657

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

2 Fair value is the same as carrying value.

3 Balances reflect the reduction of securities owned (long positions) by the amount of identical securities sold but not yet purchased (short positions).

4 As at October 31, 2017, the carrying values of certain available-for-sale equity securities of $6 million (October 31, 2016 – $6 million) are carried at cost in the absence of quoted market prices in an active market and are excluded from the table above.

5 As at October 31, 2017, common shares include the fair value of Federal Reserve stock and Federal Home Loan Bank stock of $1.4 billion (October 31, 2016 – $1.3 billion) which are redeemable by the issuer at cost for which cost approximates fair value. These securities cannot be traded in the market; hence, these securities have not been subject to sensitivity analysis of Level 3 financial assets and liabilities.

The Bank's policy is to record transfers of assets and liabilities between the different levels of the fair value hierarchy using the fair values as at the end of each reporting period. Assets are transferred between Level 1 and Level 2 depending on if there is sufficient frequency and volume in an active market.

During the year ended October 31, 2017, the Bank transferred $164 million and $48 million of treasury securities designated at fair value through profit and loss and Obligations related to securities sold short respectively from Level 1 to Level 2 as they are now off-the-run and traded less frequently. There were no significant transfers between Level 1 and Level 2 during the year ended October 31, 2016.

Movements of Level 3 instruments
Significant transfers into and out of Level 3 occur mainly due to the following reasons:
- Transfers from Level 3 to Level 2 occur when techniques used for valuing the instrument incorporate significant observable market inputs or broker-dealer quotes which were previously not observable.
- Transfers from Level 2 to Level 3 occur when an instrument's fair value, which was previously determined using valuation techniques with significant observable market inputs, is now determined using valuation techniques with significant non-observable inputs.

Due to the unobservable nature of the inputs used to value Level 3 financial instruments there may be uncertainty about the valuation of these instruments. The fair value of Level 3 instruments may be drawn from a range of reasonably possible alternatives. In determining the appropriate levels for these unobservable inputs, parameters are chosen so that they are consistent with prevailing market evidence and management judgment.

The following tables reconcile changes in fair value of all assets and liabilities measured at fair value using significant Level 3 non-observable inputs for the years ended October 31.

Reconciliation of Changes in Fair Value for Level 3 Assets and Liabilities

(millions of Canadian dollars)

	Fair value as at November 1 2016	Total realized and unrealized gains (losses)		Movements			Transfers		Fair value as at October 31 2017	Change in unrealized gains (losses) on instruments still held[4]
		Included in income[1]	Included in OCI[2]	Purchases	Issuances	Other[3]	Into Level 3	Out of Level 3		
FINANCIAL ASSETS										
Trading loans, securities, and other										
Government and government-related securities										
Canadian government debt										
Federal	$ 34	$ (2)	$ –	$ 3	$ –	$ (32)	$ –	$ (3)	$ –	$ –
Provinces	–	–	–	–	–	–	7	(7)	–	–
Other OECD government guaranteed debt	73	7	–	17	–	(58)	20	(59)	–	–
Other debt securities										
Canadian issuers	15	–	–	1	–	(15)	9	(4)	6	–
Other issuers	148	2	–	253	–	(312)	138	(221)	8	1
Equity securities										
Common shares	65	–	–	–	–	(65)	–	–	–	–
Preferred shares	–	–	–	–	–	–	–	–	–	–
Trading loans	–	–	–	–	–	–	–	–	–	–
Commodities	–	–	–	–	–	–	–	–	–	–
Retained interests	31	6	–	–	–	–	–	(37)	–	–
	366	13	–	274	–	(482)	174	(331)	14	1
Financial assets designated at fair value through profit or loss										
Securities	157	(3)	–	13	–	(54)	–	–	113	(3)
Loans	–	–	–	–	–	–	–	–	–	–
	157	(3)	–	13	–	(54)	–	–	113	(3)
Available-for-sale securities										
Government and government-related securities										
Other OECD government guaranteed debt	6	–	–	–	–	(6)	–	–	–	–
Other debt securities										
Asset-backed securities	–	–	–	553	–	–	–	–	553	–
Corporate and other debt	20	–	2	–	–	–	–	–	22	2
Equity securities										
Common shares	1,594	36	(26)	153	–	(185)	–	–	1,572	(26)
Preferred shares	98	6	26	4	–	(11)	–	–	123	26
Debt securities reclassified from trading	279	(2)	3	–	–	(3)	1	(3)	275	3
	$ 1,997	$ 40	$ 5	$ 710	$ –	$ (205)	$ 1	$ (3)	$ 2,545	$ 5

	Fair value as at November 1 2016	Total realized and unrealized losses (gains)		Movements			Transfers		Fair value as at October 31 2017	Change in unrealized losses (gains) on instruments still held[4]
		Included in income[1]	Included in OCI[2]	Purchases	Issuances	Other[3]	Into Level 3	Out of Level 3		
FINANCIAL LIABILITIES										
Trading deposits[5]	$ 2,214	$ 212	$ –	$ (790)	$ 1,380	$ (448)	$ 33	$ (80)	$ 2,521	$ 195
Derivatives[6]										
Interest rate contracts	95	(20)	–	–	–	(5)	–	–	70	(20)
Foreign exchange contracts	(4)	4	–	–	–	–	(2)	1	(1)	(1)
Credit contracts	–	–	–	–	–	–	–	–	–	–
Equity contracts	679	321	–	(73)	174	(208)	–	–	893	330
Commodity contracts	(5)	2	–	–	–	–	–	1	(2)	–
	765	307	–	(73)	174	(213)	(2)	2	960	309
Other financial liabilities designated at fair value through profit or loss	13	54	–	–	119	(179)	–	–	7	47
Obligations related to securities sold short	14	–	–	(14)	–	–	–	–	–	–

1 Gains (losses) on financial assets and liabilities are recognized in Net securities gains (losses), Trading income (loss), and Other income (loss) on the Consolidated Statement of Income.
2 Other comprehensive income (OCI).
3 Consists of sales, settlements, and foreign exchange.
4 Changes in unrealized gains (losses) on available-for-sale securities are recognized in accumulated other comprehensive income.
5 Issuances and repurchases of trading deposits are reported on a gross basis.
6 As at October 31, 2017, consists of derivative assets of $0.9 billion (November 1, 2016 – $0.7 billion) and derivative liabilities of $1.9 billion (November 1, 2016 – $1.5 billion), which have been netted on this table for presentation purposes only.

Reconciliation of Changes in Fair Value for Level 3 Assets and Liabilities[1]

(millions of Canadian dollars)	Fair value as at November 1 2015	Total realized and unrealized gains (losses): Included in income[2]	Total realized and unrealized gains (losses): Included in OCI	Movements: Purchases	Movements: Issuances	Movements: Other[3]	Transfers: Into Level 3	Transfers: Out of Level 3	Fair value as at October 31 2016	Change in unrealized gains (losses) on instruments still held[4]
FINANCIAL ASSETS										
Trading loans, securities, and other										
Government and government-related securities										
Canadian government debt										
Federal	$ –	$ –	$ –	$ –	$ –	$ –	$ 34	$ –	$ 34	$ –
Provinces	24	3	–	39	–	(67)	3	(2)	–	–
Other OECD government guaranteed debt	5	–	–	1	–	–	73	(6)	73	–
Other debt securities										
Canadian issuers	57	(1)	–	23	–	(66)	3	(1)	15	(1)
Other issuers	108	17	–	129	–	(201)	340	(245)	148	9
Equity securities										
Common shares	186	–	–	77	–	(198)	–	–	65	–
Preferred shares	5	–	–	32	–	(37)	–	–	–	–
Trading loans	–	–	–	–	–	–	–	–	–	–
Commodities	–	–	–	–	–	–	–	–	–	–
Retained interests	38	2	–	–	–	(9)	–	–	31	2
	423	21	–	301	–	(578)	453	(254)	366	10
Financial assets designated at fair value through profit or loss										
Securities	83	2	–	101	–	(62)	53	(20)	157	1
Loans	–	–	–	–	–	–	–	–	–	–
	83	2	–	101	–	(62)	53	(20)	157	1
Available-for-sale securities										
Government and government-related securities										
Other OECD government guaranteed debt	7	–	–	–	–	(1)	–	–	6	–
Other debt securities										
Asset-backed securities	501	–	–	–	–	(501)	–	–	–	–
Corporate and other debt	147	5	(3)	–	–	(5)	3	(127)	20	(1)
Equity securities										
Common shares	1,575	53	(32)	71	–	(73)	–	–	1,594	(23)
Preferred shares	94	(18)	11	11	–	–	–	–	98	11
Debt securities reclassified from trading	282	36	–	–	–	(4)	–	(35)	279	–
	$ 2,606	$ 76	$ (24)	$ 82	$ –	$ (584)	$ 3	$ (162)	$ 1,997	$ (13)

	Fair value as at November 1 2015	Total realized and unrealized losses (gains): Included in income[2]	Total realized and unrealized losses (gains): Included in OCI	Movements: Purchases	Movements: Issuances	Movements: Other[3]	Transfers: Into Level 3	Transfers: Out of Level 3	Fair value as at October 31 2016	Change in unrealized losses (gains) on instruments still held[4]
FINANCIAL LIABILITIES										
Trading deposits[5]	$ 1,880	$ 145	$ –	$ (480)	$ 1,013	$ (343)	$ 11	$ (12)	$ 2,214	$ 166
Derivatives[6]										
Interest rate contracts	88	11	–	–	–	(4)	–	–	95	9
Foreign exchange contracts	(1)	(3)	–	–	–	(1)	–	1	(4)	(2)
Credit contracts	(4)	4	–	–	–	–	–	–	–	4
Equity contracts	397	258	–	(80)	209	(105)	1	(1)	679	258
Commodity contracts	3	3	–	–	–	(8)	(3)	–	(5)	(2)
	483	273	–	(80)	209	(118)	(2)	–	765	267
Other financial liabilities designated at fair value through profit or loss	13	(64)	–	–	130	(66)	–	–	13	(41)
Obligations related to securities sold short	59	–	–	(103)	–	58	–	–	14	–

1 Certain comparative amounts have been restated to conform with the presentation adopted in the current period.
2 Gains (losses) on financial assets and liabilities are recognized in Net securities gains (losses), Trading income (loss), and Other income (loss) on the Consolidated Statement of Income.
3 Consists of sales, settlements, and foreign exchange.
4 Changes in unrealized gains (losses) on available-for-sale securities are recognized in accumulated other comprehensive income.
5 Beginning February 1, 2016, issuances and repurchases of trading deposits are reported on a gross basis.
6 As at October 31, 2016, consists of derivative assets of $0.7 billion (November 1, 2015 – $0.6 billion) and derivative liabilities of $1.5 billion (November 1, 2015 – $1.1 billion), which have been netted on this table for presentation purposes only.

VALUATION OF ASSETS AND LIABILITIES CLASSIFIED AS LEVEL 3

Significant unobservable inputs in Level 3 positions

The following section discusses the significant unobservable inputs for Level 3 positions and assesses the potential effect that a change in each unobservable input may have on the fair value measurement.

Price Equivalent

Certain financial instruments, mainly debt and equity securities, are valued using price equivalents when market prices are not available, with fair value measured by comparison with observable pricing data from instruments with similar characteristics. For debt securities, the price equivalent is expressed in 'points', and represents a percentage of the par amount, and prices at the lower end of the range are generally a result of securities that are written down. For equity securities, the price equivalent is based on a percentage of a proxy price. There may be wide ranges depending on the liquidity of the securities. New issuances of debt and equity securities are priced at 100% of the issue price.

Credit Spread

Credit spread is a significant input used in the valuation of many derivatives. It is the primary reflection of the creditworthiness of a counterparty and represents the premium or yield return above the benchmark reference that a bond holder would require in order to allow for the credit quality difference between the entity and the reference benchmark. An increase/(decrease) in credit spread will (decrease)/increase the value of financial instrument. Credit spread may be negative where the counterparty is more credit worthy than the benchmark against which the spread is calculated. A wider credit spread represents decreasing creditworthiness.

Correlation

The movements of inputs are not necessarily independent from other inputs. Such relationships, where material to the fair value of a given instrument, are captured via correlation inputs into the pricing models. The Bank includes correlation between the asset class, as well as across asset classes. For example, price correlation is the relationship between prices of equity securities in equity basket derivatives, and quanto correlation is the relationship between instruments which settle in one currency and the underlying securities which are denominated in another currency.

Implied Volatility

Implied volatility is the value of the volatility of the underlying instrument which, when input in an option pricing model, such as Black-Scholes, will return a theoretical value equal to the current market price of the option. Implied volatility is a forward-looking and subjective measure, and differs from historical volatility because the latter is calculated from known past returns of a security.

Funding ratio

The funding ratio is a significant unobservable input required to value loan commitments issued by the Bank. The funding ratio represents an estimate of percentage of commitments that are ultimately funded by the Bank. The funding ratio is based on a number of factors such as observed historical funding percentages within the various lending channels and the future economic outlook, considering factors including, but not limited to, competitive pricing and fixed/variable mortgage rate gap. An increase/(decrease) in funding ratio will increase/(decrease) the value of the lending commitment in relationship to prevailing interest rates.

Earnings Multiple, Discount Rate, and Liquidity Discount

Earnings multiple, discount rate, and liquidity discount are significant inputs used when valuing certain equity securities and certain retained interests. Earnings multiples are selected based on comparable entities and a higher multiple will result in a higher fair value. Discount rates are applied to cash flow forecasts to reflect time value of money and the risks associated with the cash flows. A higher discount rate will result in a lower fair value. Liquidity discounts may be applied as a result of the difference in liquidity between the comparable entity and the equity securities being valued.

Currency Specific Swap Curve

The fair value of foreign exchange contracts is determined using inputs such as foreign exchange spot rates and swap curves. Generally swap curves are observable, but there may be certain durations or currency specific foreign exchange spot and currency specific swap curves that are not observable.

Dividend Yield

Dividend yield is a key input for valuing equity contracts and is generally expressed as a percentage of the current price of the stock. Dividend yields can be derived from the repo or forward price of the actual stock being fair valued. Spot dividend yields can also be obtained from pricing sources, if it can be demonstrated that spot yields are a good indication of future dividends.

Inflation Rate Swap Curve

The fair value of inflation rate swap contracts is a swap between the interest rate curve and the inflation Index. The inflation rate swap spread is not observable and is determined using proxy inputs such as inflation index rates and Consumer Price Index (CPI) bond yields. Generally swap curves are observable; however, there may be instances where certain specific swap curves are not observable.

Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities

The following table presents the Bank's assets and liabilities recognized at fair value and classified as Level 3, together with the valuation techniques used to measure fair value, the significant inputs used in the valuation technique that are considered unobservable, and a range of values for those unobservable inputs. The range of values represents the highest and lowest inputs used in calculating the fair value.

Valuation Techniques and Inputs Used in the Fair Value Measurement of Level 3 Assets and Liabilities

							As at
			October 31, 2017		October 31, 2016		
	Valuation technique	**Significant unobservable inputs (Level 3)**	**Lower range**	**Upper range**	Lower range	Upper range	**Unit**
Government and government-related securities	**Market comparable**	**Bond price equivalent**	**98**	**177**	61	131	**points**
Other debt securities	**Market comparable**	**Bond price equivalent**	**–**	**114**	–	109	**points**
Equity securities[1]	**Market comparable**	**New issue price**	**100**	**100**	100	100	**%**
	Discounted cash flow	**Discount rate**	**6**	**9**	7	18	**%**
	EBITDA multiple	**Earnings multiple**	**5.5**	**20.5**	4.5	20.5	**times**
	Market comparable	**Price equivalent**	**50**	**118**	54	117	**%**
Retained interests	**Discounted cash flow**	**Discount rates**	**n/a**[2]	**n/a**	287	324	**bps**[3]
Other financial assets designated at fair value through profit or loss	**Market comparable**	**Bond price equivalent**	**n/a**	**n/a**	99	100	**points**
Derivatives							
Interest rate contracts	**Swaption model**	**Currency specific volatility**	**11**	**338**	28	264	**%**
	Discounted cash flow	**Inflation rate swap curve**	**1**	**2**	1	2	**%**
	Option model	**Funding ratio**	**55**	**75**	55	75	**%**
Foreign exchange contracts	**Option model**	**Currency specific volatility**	**7**	**10**	9	14	**%**
Credit contracts	**Discounted cash flow**	**Credit spread**	**40**	**40**	7	40	**bps**[3]
Equity contracts	**Option model**	**Price correlation**	**(9)**	**97**	3	95	**%**
		Quanto correlation	**(38)**	**17**	(38)	17	**%**
		Dividend yield	**–**	**8**	–	10	**%**
		Equity volatility	**8**	**74**	2	116	**%**
Commodity contracts	**Option model**	**Quanto correlation**	**(65)**	**(45)**	(66)	(46)	**%**
		Swaption correlation	**29**	**41**	29	41	**%**
Trading deposits	**Option model**	**Price correlation**	**(9)**	**97**	3	95	**%**
		Quanto correlation	**(38)**	**18**	(38)	17	**%**
		Dividend yield	**–**	**10**	–	10	**%**
		Equity volatility	**7**	**68**	7	116	**%**
	Swaption model	**Currency specific volatility**	**11**	**338**	28	264	**%**
Other financial liabilities designated at fair value through profit or loss	**Option model**	**Funding ratio**	**5**	**67**	2	72	**%**
Obligations related to securities sold short	**Market comparable**	**New issue price**	**n/a**	**n/a**	100	100	**%**

1 As at October 31, 2017, common shares exclude the fair value of Federal Reserve stock and Federal Home Loan Bank stock of $1.4 billion (October 31, 2016 – $1.3 billion) which are redeemable by the issuer at cost which approximates fair value. These securities cannot be traded in the market, hence, these securities have not been subjected to the sensitivity analysis.

2 Not applicable.

3 Basis points.

The following table summarizes the potential effect of using reasonably possible alternative assumptions for financial assets and financial liabilities held, that are classified in Level 3 of the fair value hierarchy as at October 31. For interest rate derivatives, the Bank performed a sensitivity analysis on the unobservable implied volatility. For credit derivatives, sensitivity was calculated on unobservable credit spreads using assumptions derived from the underlying bond position credit spreads. For equity derivatives, the sensitivity was calculated by using reasonably possible alternative assumptions by shocking dividends, correlation, or the price and volatility of the underlying equity instrument. For available-for-sale equity securities, the sensitivity was calculated based on an upward and downward shock of the fair value reported. For trading deposits, the sensitivity was calculated by varying unobservable inputs which may include volatility, credit spreads, and correlation.

Sensitivity Analysis of Level 3 Financial Assets and Liabilities[1]

(millions of Canadian dollars)				*As at*
	October 31, 2017		October 31, 2016	
	Impact to net assets		Impact to net assets	
	Decrease in fair value	**Increase in fair value**	Decrease in fair value	Increase in fair value
FINANCIAL ASSETS				
Trading loans, securities, and other				
Government and government-related securities				
Canadian government debt				
Federal	**$ –**	**$ –**	$ 1	$ 1
Retained interests	**–**	**–**	2	–
	–	**–**	3	1
Derivatives				
Equity contracts	**12**	**10**	14	16
	12	**10**	14	16
Financial assets designated at fair value through profit or loss				
Securities	**6**	**6**	5	5
	6	**6**	5	5
Available-for-sale securities				
Other debt securities				
Asset-backed securities	**11**	**11**	–	–
Corporate and other debt	**2**	**2**	2	2
Equity securities				
Common shares	**26**	**8**	42	12
Preferred shares	**21**	**6**	16	5
	60	**27**	60	19
FINANCIAL LIABILITIES				
Trading deposits	**11**	**16**	14	19
Derivatives				
Interest rate contracts	**16**	**14**	27	18
Equity contracts	**20**	**22**	31	27
	36	**36**	58	45
Other financial liabilities designated at fair value through profit or loss	**1**	**1**	1	1
Total	**$ 126**	**$ 96**	$ 155	$ 106

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

The best evidence of a financial instrument's fair value at initial recognition is its transaction price unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (that is, without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. Consequently, the difference between the fair value using other observable current market transactions or a valuation technique and the transaction price results in an unrealized gain or loss at initial recognition.

The difference between the transaction price at initial recognition and the value determined at that date using a valuation technique is not recognized in income until the significant non-observable inputs in the valuation technique used to value the instruments become observable. The following table summarizes the aggregate difference yet to be recognized in net income due to the difference between the transaction price and the amount determined using valuation techniques with significant non-observable market inputs at initial recognition.

(millions of Canadian dollars)	*For the years ended October 31*	
	2017	2016
Balance as at beginning of year	**$ 41**	$ 30
New transactions	**35**	69
Recognized in the Consolidated Statement of Income during the year	**(57)**	(58)
Balance as at end of year	**$ 19**	$ 41

FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE

Securities Designated at Fair Value through Profit or Loss

Certain securities supporting insurance reserves within the Bank's insurance underwriting subsidiaries have been designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. The actuarial valuation of the insurance reserve is measured using a discount factor which is based on the yield of the supporting invested assets, with changes in the discount factor being recognized on the Consolidated Statement of Income. The unrealized gain or loss on securities designated at fair value through profit or loss is recognized on the Consolidated Statement of Income in the same period as gains or losses resulting from changes to the discount rate used to value the insurance liabilities.

In addition, certain debt securities are managed on a fair value basis, or are economically hedged with derivatives as doing so eliminates or significantly reduces an accounting mismatch. As a result, these debt securities have been designated at fair value through profit or loss. The derivatives are carried at fair value, with the change in fair value recognized in non-interest income.

Other Liabilities Designated at Fair Value through Profit or Loss

Certain deposits and loan commitments issued to customers to provide a mortgage at a fixed rate have been designated at fair value through profit or loss. These deposits and loan commitments are economically hedged with derivatives and other financial instruments where the changes in fair value are recognized in non-interest income. The designation of these deposits and loan commitments at fair value through profit or loss eliminates an accounting mismatch that would otherwise arise.

There are no deposits designated at fair value through profit or loss outstanding as at October 31, 2017 (October 31, 2016 – the contractual maturity amounts for the deposits designated at fair value through profit or loss were not significantly more than the carrying amount). Due to the short-term nature of the loan commitments, changes in the Bank's own credit risk do not have a significant impact on the determination of fair value.

Income (Loss) from Changes in Fair Value of Financial Assets and Liabilities Designated at Fair Value through Profit or Loss

During the year ended October 31, 2017, the income (loss) representing net changes in the fair value of financial assets and liabilities designated at fair value through profit or loss was $(254) million (2016 – $(20) million).

Fair Value Hierarchy for Assets and Liabilities not carried at Fair Value

The following table presents the levels within the fair value hierarchy for each of the assets and liabilities not carried at fair value as at October 31, but for which fair value is disclosed.

Fair Value Hierarchy for Assets and Liabilities not carried at Fair Value[1]

(millions of Canadian dollars)								*As at*
				October 31, 2017				October 31, 2016
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
ASSETS								
Cash and due from banks	**$ 3,971**	**$ –**	**$ –**	**$ 3,971**	$ 3,907	$ –	$ –	$ 3,907
Interest-bearing deposits with banks	**–**	**51,185**	**–**	**51,185**	–	53,714	–	53,714
Held-to-maturity securities								
Government and government-related securities	**–**	**45,708**	**–**	**45,708**	–	51,855	–	51,855
Other debt securities	**–**	**25,719**	**–**	**25,719**	–	33,135	–	33,135
Total held-to-maturity securities	**–**	**71,427**	**–**	**71,427**	–	84,990	–	84,990
Securities purchased under reverse repurchase agreements	**–**	**133,084**	**–**	**133,084**	–	84,324	–	84,324
Loans	**–**	**204,695**	**405,796**	**610,491**	–	205,455	383,625	589,080
Debt securities classified as loans	**–**	**2,487**	**669**	**3,156**	–	304	1,374	1,678
Total Loans	**–**	**207,182**	**406,465**	**613,647**	–	205,759	384,999	590,758
Other								
Customers' liability under acceptances	**–**	**17,297**	**–**	**17,297**	–	15,706	–	15,706
Amounts receivables from brokers, dealers, and clients	**–**	**29,971**	**–**	**29,971**	–	17,436	–	17,436
Other assets	**–**	**4,543**	**13**	**4,556**	–	4,336	16	4,352
Total assets with fair value disclosures	**$ 3,971**	**$ 514,689**	**$ 406,478**	**$ 925,138**	$ 3,907	$ 466,265	$ 385,015	$ 855,187
LIABILITIES								
Deposits	**$ –**	**$ 833,475**	**$ –**	**$ 833,475**	$ –	$ 776,161	$ –	$ 776,161
Acceptances	**–**	**17,297**	**–**	**17,297**	–	15,706	–	15,706
Obligations related to securities sold under repurchase agreements	**–**	**86,527**	**–**	**86,527**	–	45,316	–	45,316
Securitization liabilities at amortized cost	**–**	**16,203**	**–**	**16,203**	–	18,276	–	18,276
Amounts payable to brokers, dealers, and clients	**–**	**32,851**	**–**	**32,851**	–	17,857	–	17,857
Other liabilities	**–**	**8,899**	**1,033**	**9,932**	–	8,329	959	9,288
Subordinated notes and debentures	**–**	**10,100**	**–**	**10,100**	–	11,331	–	11,331
Total liabilities with fair value disclosures	**$ –**	**$ 1,005,352**	**$ 1,033**	**$ 1,006,385**	$ –	$ 892,976	$ 959	$ 893,935

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

NOTE 6: OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Bank enters into netting agreements with counterparties (such as clearing houses) to manage the credit risks associated primarily with repurchase and reverse repurchase transactions, securities borrowing and lending, and OTC and exchange-traded derivatives. These netting agreements and similar arrangements generally allow the counterparties to set-off liabilities against available assets received. The right to set-off is a legal right to settle or otherwise eliminate all or a portion of an amount due by applying against that amount an amount receivable from the other party. These agreements effectively reduce the Bank's credit exposure by what it would have been if those same counterparties were liable for the gross exposure on the same underlying contracts.

Netting arrangements are typically constituted by a master netting agreement which specifies the general terms of the agreement between the counterparties, including information on the basis of the netting calculation, types of collateral, and the definition of default and other termination events for transactions executed under the agreement. The master netting agreements contain the terms and conditions by which all (or as many as possible) relevant transactions between the counterparties are governed. Multiple individual transactions are subsumed under this general master netting agreement, forming a single legal contract under which the counterparties conduct their relevant mutual business. In addition to the mitigation of credit risk, placing individual transactions under a single master netting agreement that provides for netting of transactions in scope also helps to mitigate settlement risks associated with transacting in multiple jurisdictions or across multiple contracts. These arrangements include clearing agreements, global master repurchase agreements, and global master securities lending agreements.

In the normal course of business, the Bank enters into numerous contracts to buy and sell goods and services from various suppliers. Some of these contracts may have netting provisions that allow for the offset of various trade payables and receivables in the event of default of one of the parties. While these are not disclosed in the following table, the gross amount of all payables and receivables to and from the Bank's vendors is disclosed in the Other assets note in accounts receivable and other items and in the Other liabilities note in accounts payable, accrued expenses, and other items.

The Bank also enters into regular way purchases and sales of stocks and bonds. Some of these transactions may have netting provisions that allow for the offset of broker payables and broker receivables related to these purchases and sales. While these are not disclosed in the following table, the amount of receivables are disclosed in Amounts receivable from brokers, dealers, and clients and payables are disclosed in Amounts payable to brokers, dealers, and clients.

The following table provides a summary of the financial assets and liabilities which are subject to enforceable master netting agreements and similar arrangements, including amounts not otherwise set off in the balance sheet, as well as financial collateral received to mitigate credit exposures for these financial assets and liabilities. The gross financial assets and liabilities are reconciled to the net amounts presented within the associated balance sheet line, after giving effect to transactions with the same counterparties that have been offset in the balance sheet. Related amounts and collateral received that are not offset on the balance sheet, but are otherwise subject to the same enforceable netting agreements and similar arrangements, are then presented to arrive at a net amount.

Offsetting Financial Assets and Financial Liabilities

(millions of Canadian dollars)						*As at*
						October 31, 2017
				Amounts subject to an enforceable master netting arrangement or similar agreement that are not offset in the Consolidated Balance Sheet[1,2]		
	Gross amounts of recognized financial instruments before balance sheet netting	**Gross amounts of recognized financial instruments offset in the Consolidated Balance Sheet**	**Net amount of financial instruments presented in the Consolidated Balance Sheet**	**Amounts subject to an enforceable master netting agreement**	**Collateral**	**Net Amount**
Financial Assets						
Derivatives	**$ 82,219**	**$ 26,024**	**$ 56,195**	**$ 36,522**	**$ 9,807**	**$ 9,866**
Securities purchased under reverse repurchase agreements	**149,402**	**14,973**	**134,429**	**8,595**	**125,479**	**355**
Total	**231,621**	**40,997**	**190,624**	**45,117**	**135,286**	**10,221**
Financial Liabilities						
Derivatives	**77,238**	**26,024**	**51,214**	**36,522**	**12,899**	**1,793**
Obligations related to securities sold under repurchase agreements	**103,564**	**14,973**	**88,591**	**8,595**	**79,697**	**299**
Total	**$ 180,802**	**$ 40,997**	**$ 139,805**	**$ 45,117**	**$ 92,596**	**$ 2,092**
						October 31, 2016
Financial Assets						
Derivatives	$ 105,511	$ 33,269	$ 72,242	$ 45,646	$ 14,688	$ 11,908
Securities purchased under reverse repurchase agreements	102,053	16,001	86,052	309	83,902	1,841
Total	207,564	49,270	158,294	45,955	98,590	13,749
Financial Liabilities						
Derivatives	98,694	33,269	65,425	45,646	14,911	4,868
Obligations related to securities sold under repurchase agreements	64,974	16,001	48,973	309	48,663	1
Total	$ 163,668	$ 49,270	$ 114,398	$ 45,955	$ 63,574	$ 4,869

1 Excess collateral as a result of overcollateralization has not been reflected in the table.
2 Includes amounts where the contractual set-off rights are subject to uncertainty under the laws of the relevant jurisdiction.

NOTE 7: SECURITIES

RECLASSIFICATIONS OF CERTAIN DEBT SECURITIES – AVAILABLE-FOR-SALE TO HELD-TO-MATURITY

The Bank has reclassified certain debt securities from available-for-sale to held-to-maturity. For these debt securities, the Bank's strategy is to earn the yield to maturity to aid in prudent capital management under Basel III. These debt securities were previously recorded at fair value, with changes in fair value recognized in other comprehensive income. Subsequent to the date of reclassification, the net unrealized gain or loss recognized in accumulated other comprehensive income is amortized to net interest income over the remaining life of the reclassified debt securities using the EIRM. The reclassifications are non-cash transactions that are excluded from the Consolidated Statement of Cash Flows.

The Bank has completed the following reclassifications.

Reclassifications from Available-for-Sale to Held-to-Maturity Securities
(millions of Canadian dollars)

		October 31, 2017		October 31, 2016		*As at the reclassification date*	
Reclassification Date	**Amount reclassified**	**Fair value**	**Carrying value**	Fair value	Carrying value	Weighted-average effective interest rate	Undiscounted recoverable cash flows
March 1, 2013	**$ 11,084**	**$ 226**	**$ 225**	$ 1,618	$ 1,605	1.8 %	$ 11,341
September 23, 2013	**9,854**	**5,059**	**5,051**	7,022	6,934	1.9	10,742
November 1, 2013	**21,597**	**11,500**	**11,486**	20,339	20,401	1.1	24,519
Other reclassifications[1]	**8,342**	**7,651**	**7,698**	8,607	8,577	2.5	9,490

1 Represent reclassifications completed during the years ended October 31, 2016 and October 31, 2015.

Had the Bank not reclassified these debt securities, the change in the fair value recognized in OCI for these debt securities would have been a decrease of $50 million during the year ended October 31, 2017 (October 31, 2016 – an increase of $156 million). After the reclassification, the debt securities contributed the following amounts to net income.

(millions of Canadian dollars)		*For the years ended*
	October 31, 2017	October 31, 2016
Net interest income[1]	**$ 534**	$ 593
Provision for (recovery of) income taxes	**198**	226
Net income	**$ 336**	$ 367

1 Includes amortization of net unrealized loss of $16 million during the year ended October 31, 2017 (October 31, 2016 – $20 million gain), associated with these reclassified held-to-maturity securities that is presented as Reclassification to earnings of net losses (gains) in respect of available-for-sale securities on the Consolidated Statement of Comprehensive Income. The impact of this amortization on net interest income is offset by the amortization of the corresponding net reclassification premium on these debt securities.

Remaining Terms to Maturities of Securities

The remaining terms to contractual maturities of the securities held by the Bank are shown on the following table.

Securities Maturity Schedule
(millions of Canadian dollars)

								As at
							October 31 2017	October 31 2016
	Remaining terms to maturities[1]							
	Within 1 year	**Over 1 year to 3 years**	**Over 3 years to 5 years**	**Over 5 years to 10 years**	**Over 10 years**	**With no specific maturity**	**Total**	Total
Trading securities								
Government and government-related securities								
Canadian government debt								
Federal	**$ 4,148**	**$ 1,987**	**$ 1,115**	**$ 517**	**$ 1,301**	**$ –**	**$ 9,068**	$ 10,082
Provinces	**1,304**	**693**	**1,115**	**1,180**	**2,232**	**–**	**6,524**	5,678
U.S. federal, state, municipal governments, and agencies debt	**3,399**	**2,978**	**3,767**	**5,236**	**2,087**	**–**	**17,467**	17,970
Other OECD government-guaranteed debt	**2,215**	**1,164**	**513**	**775**	**380**	**–**	**5,047**	4,497
Mortgage-backed securities								
Residential	**173**	**1,142**	**469**	**–**	**–**	**–**	**1,784**	1,319
Commercial	**33**	**16**	**5**	**66**	**2**	**–**	**122**	153
	11,272	**7,980**	**6,984**	**7,774**	**6,002**	**–**	**40,012**	39,699
Other debt securities								
Canadian issuers	**530**	**956**	**790**	**578**	**489**	**–**	**3,343**	2,712
Other issuers	**2,043**	**4,501**	**2,152**	**1,068**	**251**	**–**	**10,015**	7,720
	2,573	**5,457**	**2,942**	**1,646**	**740**	**–**	**13,358**	10,432
Equity securities								
Common shares	**–**	**–**	**–**	**–**	**–**	**31,942**	**31,942**	29,215
Preferred shares	**–**	**–**	**–**	**–**	**–**	**68**	**68**	27
	–	**–**	**–**	**–**	**–**	**32,010**	**32,010**	29,242
Retained interests	**–**	**–**	**6**	**19**	**7**	**–**	**32**	31
Total trading securities	**$ 13,845**	**$ 13,437**	**$ 9,932**	**$ 9,439**	**$ 6,749**	**$ 32,010**	**$ 85,412**	$ 79,404

Securities Maturity Schedule (continued)

(millions of Canadian dollars)

								As at
							October 31 2017	October 31 2016
	Remaining terms to maturities[1]							
	Within 1 year	**Over 1 year to 3 years**	**Over 3 years to 5 years**	**Over 5 years to 10 years**	**Over 10 years**	**With no specific maturity**	**Total**	Total
Securities designated at fair value through profit or loss (FVO securities)								
Government and government-related securities								
Canadian government debt								
Federal	$ 577	$ –	$ 116	$ 2	$ 18	$ –	$ 713	$ 560
Provinces	–	–	86	431	201	–	718	708
Other OECD government-guaranteed debt	527	161	–	–	–	–	688	859
	1,104	161	202	433	219	–	2,119	2,127
Other debt securities[2]								
Canadian issuers	21	236	544	210	27	150	1,188	1,291
Other issuers	364	233	55	–	–	73	725	865
	385	469	599	210	27	223	1,913	2,156
Total FVO securities	$ 1,489	$ 630	$ 801	$ 643	$ 246	$ 223	$ 4,032	$ 4,283
Available-for-sale securities								
Government and government-related securities								
Canadian government debt								
Federal	$ 3,307	$ 7,712	$ 4,127	$ 595	$ 484	$ –	$ 16,225	$ 14,717
Provinces	946	1,839	1,655	3,473	9	–	7,922	7,851
U.S. federal, state, municipal governments, and agencies debt	253	11,172	19,139	5,390	12,326	–	48,280	34,473
Other OECD government-guaranteed debt	4,178	7,495	8,889	560	–	–	21,122	15,509
Mortgage-backed securities	1,185	1,935	5,556	136	–	–	8,812	4,949
	9,869	30,153	39,366	10,154	12,819	–	102,361	77,499
Other debt securities								
Asset-backed securities	1,157	4,592	9,017	6,821	8,394	–	29,981	18,593
Non-agency collateralized mortgage obligation portfolio	–	–	–	–	1,715	–	1,715	625
Corporate and other debt	1,963	2,995	2,928	1,882	22	–	9,790	8,286
	3,120	7,587	11,945	8,703	10,131	–	41,486	27,504
Equity securities								
Common shares	–	–	–	–	–	1,922	1,922	2,054
Preferred shares	–	–	–	–	–	365	365	186
	–	–	–	–	–	2,287	2,287	2,240
Debt securities reclassified from trading	1	–	–	203	73	–	277	328
Total available-for-sale securities	$ 12,990	$ 37,740	$ 51,311	$ 19,060	$ 23,023	$ 2,287	$ 146,411	$ 107,571
Held-to-maturity securities								
Government and government-related securities								
Canadian government debt								
Federal	$ –	$ 661	$ –	$ –	$ –	$ –	$ 661	$ 802
U.S. federal, state, municipal governments, and agencies debt	1,527	4,930	5,195	8,673	2,206	–	22,531	21,845
Other OECD government guaranteed debt	4,528	11,076	5,410	1,417	–	–	22,431	28,643
	6,055	16,667	10,605	10,090	2,206	–	45,623	51,290
Other debt securities								
Asset-backed securities	–	3,205	1,276	805	3,551	–	8,837	17,295
Non-agency collateralized mortgage obligation portfolio	–	–	–	–	10,728	–	10,728	9,436
Other issuers	2,018	2,417	1,333	407	–	–	6,175	6,374
	2,018	5,622	2,609	1,212	14,279	–	25,740	33,105
Total held-to-maturity securities	8,073	22,289	13,214	11,302	16,485	–	71,363	84,395
Total securities	$ 36,397	$ 74,096	$ 75,258	$ 40,444	$ 46,503	$ 34,520	$ 307,218	$ 275,653

1 Represents contractual maturities. Actual maturities may differ due to prepayment privileges in the applicable contract.

2 Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

Unrealized Securities Gains (Losses)
The following table summarizes the unrealized gains and losses as at October 31.

Unrealized Securities Gains (Losses) for Available-for-Sale Securities

(millions of Canadian dollars)								*As at*
				October 31, 2017				October 31, 2016
	Cost/ amortized cost[1]	**Gross unrealized gains**	**Gross unrealized (losses)**	**Fair value**	Cost/ amortized cost[1]	Gross unrealized gains	Gross unrealized (losses)	Fair value
Available-for-sale securities								
Government and government-related securities								
Canadian government debt								
Federal	**$ 16,200**	**$ 53**	**$ (28)**	**$ 16,225**	$ 14,671	$ 62	$ (16)	$ 14,717
Provinces	**7,859**	**66**	**(3)**	**7,922**	7,871	29	(49)	7,851
U.S. federal, state, municipal governments, and agencies debt	**48,082**	**310**	**(112)**	**48,280**	34,377	176	(80)	34,473
Other OECD government guaranteed debt	**21,067**	**69**	**(14)**	**21,122**	15,574	13	(78)	15,509
Mortgage-backed securities	**8,757**	**56**	**(1)**	**8,812**	4,916	37	(4)	4,949
	101,965	**554**	**(158)**	**102,361**	77,409	317	(227)	77,499
Other debt securities								
Asset-backed securities	**29,879**	**135**	**(33)**	**29,981**	18,665	57	(129)	18,593
Non-agency collateralized mortgage obligation portfolio	**1,706**	**9**	**–**	**1,715**	624	1	–	625
Corporate and other debt	**9,753**	**63**	**(26)**	**9,790**	8,229	83	(26)	8,286
	41,338	**207**	**(59)**	**41,486**	27,518	141	(155)	27,504
Equity securities								
Common shares	**1,821**	**114**	**(13)**	**1,922**	1,934	134	(14)	2,054
Preferred shares	**313**	**52**	**–**	**365**	168	18	–	186
	2,134	**166**	**(13)**	**2,287**	2,102	152	(14)	2,240
Debt securities reclassified from trading	**250**	**27**	**–**	**277**	301	27	–	328
Total available-for-sale securities	**$ 145,687**	**$ 954**	**$ (230)**	**$ 146,411**	$ 107,330	$ 637	$ (396)	$ 107,571

[1] Includes the foreign exchange translation of amortized cost balances at the period-end spot rate.

Securities Gains (Losses)
During the year ended October 31, 2017, the net realized gains (losses) on available-for-sale securities were $147 million (2016 – $81 million; 2015 – $124 million) and on held-to-maturity securities were $(8) million (2016 – nil). During the year ended October 31, 2017, the Bank sold certain held-to-maturity securities with an amortized cost of $460 million (2016 – nil), due to significant external credit ratings deterioration, resulting in a significant increase in the Bank's risk-weighted assets (RWA). Impairment losses on available-for-sale securities for the year ended October 31, 2017, were $11 million (2016 – $27 million; 2015 – $45 million).

NOTE 8: LOANS, IMPAIRED LOANS, AND ALLOWANCE FOR CREDIT LOSSES

The following table presents the Bank's loans, impaired loans, and related allowance for loan losses as at October 31.

Loans, Impaired Loans, and Allowance for Loan Losses

(millions of Canadian dollars)									*As at*
									October 31, 2017
	Gross loans				**Allowance for loan losses[1]**				
	Neither past due nor impaired	**Past due but not impaired**	**Impaired[2]**	**Total**	**Counter-party specific**	**Individually insignificant impaired loans**	**Incurred but not identified loan losses**	**Total allowance for loan losses**	**Net loans**
Residential mortgages[3,4,5]	**$ 218,653**	**$ 2,382**	**$ 750**	**$ 221,785**	**$ –**	**$ 42**	**$ 36**	**$ 78**	**$ 221,707**
Consumer instalment and other personal[6]	**149,473**	**6,258**	**1,312**	**157,043**	**–**	**147**	**656**	**803**	**156,240**
Credit card	**30,783**	**1,800**	**424**	**33,007**	**–**	**335**	**929**	**1,264**	**31,743**
Business and government[3,4,5]	**198,893**	**1,173**	**599**	**200,665**	**134**	**29**	**1,294**	**1,457**	**199,208**
	$ 597,802	**$ 11,613**	**$ 3,085**	**$ 612,500**	**$ 134**	**$ 553**	**$ 2,915**	**$ 3,602**	**$ 608,898**
Debt securities classified as loans				**3,209**	**126**	**–**	**20**	**146**	**3,063**
Acquired credit-impaired loans				**665**	**3**	**32**	**–**	**35**	**630**
Total				**$ 616,374**	**$ 263**	**$ 585**	**$ 2,935**	**$ 3,783**	**$ 612,591**
									October 31, 2016
Residential mortgages[3,4,5]	$ 213,586	$ 2,523	$ 852	$ 216,961	$ –	$ 49	$ 48	$ 97	$ 216,864
Consumer instalment and other personal[6]	136,650	6,390	1,392	144,432	–	166	656	822	143,610
Credit card	29,715	1,825	374	31,914	–	290	924	1,214	30,700
Business and government[3,4,5]	191,229	1,454	891	193,574	189	30	1,198	1,417	192,157
	$ 571,180	$ 12,192	$ 3,509	$ 586,881	$ 189	$ 535	$ 2,826	$ 3,550	$ 583,331
Debt securities classified as loans				1,674	206	–	55	261	1,413
Acquired credit-impaired loans				974	4	58	–	62	912
Total				$ 589,529	$ 399	$ 593	$ 2,881	$ 3,873	$ 585,656

1 Excludes allowance for off-balance sheet positions.
2 As at October 31, 2017, impaired loans exclude $0.6 billion (October 31, 2016 – $1.1 billion) of gross impaired debt securities classified as loans.
3 Excludes trading loans with a fair value of $11 billion as at October 31, 2017 (October 31, 2016 – $12 billion), and amortized cost of $11 billion as at October 31, 2017 (October 31, 2016 – $11 billion).
4 Includes insured mortgages of $106 billion as at October 31, 2017 (October 31, 2016 – $118 billion).
5 As at October 31, 2017, impaired loans with a balance of $99 million did not have a related allowance for loan losses (October 31, 2016 – $448 million). An allowance was not required for these loans as the balance relates to loans that are insured or loans where the realizable value of the collateral exceeded the loan amount.
6 Includes Canadian government-insured real estate personal loans of $16 billion as at October 31, 2017 (October 31, 2016 – $18 billion).

FORECLOSED ASSETS

Foreclosed assets are repossessed non-financial assets where the Bank gains title, ownership, or possession of individual properties, such as real estate properties, which are managed for sale in an orderly manner with the proceeds used to reduce or repay any outstanding debt. The Bank does not generally occupy foreclosed properties for its business use. The Bank predominantly relies on third-party appraisals to determine the carrying value of foreclosed assets. Foreclosed assets held for sale were $78 million as at October 31, 2017 (October 31, 2016 – $106 million), and were recorded in Other assets on the Consolidated Balance Sheet.

The following table presents information related to the Bank's impaired loans as at October 31.

Impaired Loans[1]

(millions of Canadian dollars)								*As at*
	October 31, 2017				October 31, 2016			
	Unpaid principal balance[2]	**Carrying value**	**Related allowance for credit losses**	**Average gross impaired loans**	Unpaid principal balance[2]	Carrying value	Related allowance for credit losses	Average gross impaired loans
Residential mortgages	**$ 790**	**$ 750**	**$ 42**	**$ 801**	$ 909	$ 852	$ 49	$ 844
Consumer instalment and other personal	**1,477**	**1,312**	**147**	**1,349**	1,557	1,392	166	1,492
Credit card	**424**	**424**	**335**	**391**	374	374	290	345
Business and government	**687**	**599**	**163**	**706**	984	891	219	883
Total	**$ 3,378**	**$ 3,085**	**$ 687**	**$ 3,247**	$ 3,824	$ 3,509	$ 724	$ 3,564

1 Excludes ACI loans and debt securities classified as loans.
2 Represents contractual amount of principal owed.

The changes to the Bank's allowance for credit losses, as at and for the years ended October 31, are shown in the following tables.

Allowance for Credit Losses

(millions of Canadian dollars)	Balance as at November 1 2016	Provision for credit losses	Write-offs	Recoveries	Disposals	Foreign exchange and other adjustments	Balance as at October 31 2017
Counterparty-specific allowance							
Business and government	$ 189	$ (19)	$ (75)	$ 48	$ –	$ (9)	$ 134
Debt securities classified as loans	206	(2)	(9)	–	(63)	(6)	126
Total counterparty-specific allowance excluding acquired credit-impaired loans	395	(21)	(84)	48	(63)	(15)	260
Acquired credit-impaired loans[1,2]	4	(4)	–	17	–	(14)	3
Total counterparty-specific allowance	399	(25)	(84)	65	(63)	(29)	263
Collectively assessed allowance for individually insignificant impaired loans							
Residential mortgages	49	29	(41)	6	–	(1)	42
Consumer instalment and other personal	166	788	(1,070)	267	–	(4)	147
Credit card	290	1,173	(1,372)	252	–	(8)	335
Business and government	30	59	(91)	30	–	1	29
Total collectively assessed allowance for individually insignificant impaired loans excluding acquired credit-impaired loans	535	2,049	(2,574)	555	–	(12)	553
Acquired credit-impaired loans[1,2]	58	(34)	(1)	5	–	4	32
Total collectively assessed allowance for individually insignificant impaired loans	593	2,015	(2,575)	560	–	(8)	585
Collectively assessed allowance for incurred but not identified credit losses							
Residential mortgages	48	(11)	–	–	–	(1)	36
Consumer instalment and other personal	685	17	–	–	–	(13)	689
Credit card	1,169	91	–	–	–	(29)	1,231
Business and government	1,424	140	–	–	–	(38)	1,526
Debt securities classified as loans	55	(11)	–	–	(20)	(4)	20
Total collectively assessed allowance for incurred but not identified credit losses	3,381	226	–	–	(20)	(85)	3,502
Allowance for credit losses							
Residential mortgages	97	18	(41)	6	–	(2)	78
Consumer instalment and other personal	851	805	(1,070)	267	–	(17)	836
Credit card	1,459	1,264	(1,372)	252	–	(37)	1,566
Business and government	1,643	180	(166)	78	–	(46)	1,689
Debt securities classified as loans	261	(13)	(9)	–	(83)	(10)	146
Total allowance for credit losses excluding acquired credit-impaired loans	4,311	2,254	(2,658)	603	(83)	(112)	4,315
Acquired credit-impaired loans[1,2]	62	(38)	(1)	22	–	(10)	35
Total allowance for credit losses	4,373	2,216	(2,659)	625	(83)	(122)	4,350
Less: Allowance for off-balance sheet positions[3]	500	79	–	–	–	(12)	567
Allowance for loan losses	$ 3,873	$ 2,137	$ (2,659)	$ 625	$ (83)	$ (110)	$ 3,783

1 Includes all FDIC covered loans and other ACI loans.
2 Other adjustments are required as a result of the accounting for FDIC covered loans. For additional information, refer to the "FDIC Covered Loans" section in this Note.
3 The allowance for credit losses for off-balance sheet positions is recorded in Other liabilities on the Consolidated Balance Sheet.

Allowance for Credit Losses

(millions of Canadian dollars)	Balance as at November 1 2015	Provision for credit losses	Write-offs	Recoveries	Disposals	Foreign exchange and other adjustments	Balance as at October 31 2016
Counterparty-specific allowance							
Business and government	$ 156	$ 79	$ (85)	$ 44	$ (1)	$ (4)	$ 189
Debt securities classified as loans	207	8	(14)	–	–	5	206
Total counterparty-specific allowance excluding acquired credit-impaired loans	363	87	(99)	44	(1)	1	395
Acquired credit-impaired loans[1,2]	6	(6)	–	14	–	(10)	4
Total counterparty-specific allowance	369	81	(99)	58	(1)	(9)	399
Collectively assessed allowance for individually insignificant impaired loans							
Residential mortgages	47	31	(40)	10	–	1	49
Consumer instalment and other personal	136	727	(957)	259	(1)	2	166
Credit card	217	994	(1,153)	232	–	–	290
Business and government	28	63	(98)	37	–	–	30
Total collectively assessed allowance for individually insignificant impaired loans excluding acquired credit-impaired loans	428	1,815	(2,248)	538	(1)	3	535
Acquired credit-impaired loans[1,2]	77	(25)	(4)	6	–	4	58
Total collectively assessed allowance for individually insignificant impaired loans	505	1,790	(2,252)	544	(1)	7	593
Collectively assessed allowance for incurred but not identified credit losses							
Residential mortgages	58	(11)	–	–	–	1	48
Consumer instalment and other personal	657	20	–	–	–	8	685
Credit card	1,029	121	–	–	–	19	1,169
Business and government	1,072	333	–	–	–	19	1,424
Debt securities classified as loans	57	(4)	–	–	–	2	55
Total collectively assessed allowance for incurred but not identified credit losses	2,873	459	–	–	–	49	3,381
Allowance for credit losses							
Residential mortgages	105	20	(40)	10	–	2	97
Consumer instalment and other personal	793	747	(957)	259	(1)	10	851
Credit card	1,246	1,115	(1,153)	232	–	19	1,459
Business and government	1,256	475	(183)	81	(1)	15	1,643
Debt securities classified as loans	264	4	(14)	–	–	7	261
Total allowance for credit losses excluding acquired credit-impaired loans	3,664	2,361	(2,347)	582	(2)	53	4,311
Acquired credit-impaired loans[1,2]	83	(31)	(4)	20	–	(6)	62
Total allowance for credit losses	3,747	2,330	(2,351)	602	(2)	47	4,373
Less: Allowance for off-balance sheet positions[3]	313	183	–	–	–	4	500
Allowance for loan losses	$ 3,434	$ 2,147	$ (2,351)	$ 602	$ (2)	$ 43	$ 3,873

1 Includes all FDIC covered loans and other ACI loans.
2 Other adjustments are required as a result of the accounting for FDIC covered loans. For additional information, refer to the "FDIC Covered Loans" section in this Note.
3 The allowance for credit losses for off-balance sheet positions is recorded in Other liabilities on the Consolidated Balance Sheet.

LOANS PAST DUE BUT NOT IMPAIRED

A loan is classified as past due when a borrower has failed to make a payment by the contractual due date. The following table summarizes loans that are contractually past due but not impaired as at October 31.

Loans Past Due but not Impaired[1]

(millions of Canadian dollars)								*As at*
	October 31, 2017				October 31, 2016			
	1-30 days	**31-60 days**	**61-89 days**	**Total**	1-30 days	31-60 days	61-89 days	Total
Residential mortgages	**$ 1,852**	**$ 419**	**$ 111**	**$ 2,382**	$ 1,876	$ 486	$ 161	$ 2,523
Consumer instalment and other personal	**5,257**	**781**	**220**	**6,258**	5,364	812	214	6,390
Credit card	**1,278**	**323**	**199**	**1,800**	1,340	303	182	1,825
Business and government	**1,007**	**133**	**33**	**1,173**	1,270	138	46	1,454
Total	**$ 9,394**	**$ 1,656**	**$ 563**	**$ 11,613**	$ 9,850	$ 1,739	$ 603	$ 12,192

1 Excludes all ACI loans and debt securities classified as loans.

COLLATERAL

As at October 31, 2017, the fair value of financial collateral held against loans that were past due but not impaired was $198 million (October 31, 2016 – $455 million). In addition, the Bank also holds non-financial collateral as security for loans. The fair value of non-financial collateral is determined at the origination date of the loan. A revaluation of non-financial collateral is performed if there has been a significant change in the terms and conditions of the loan and/or the loan is considered impaired. Management considers the nature of the collateral, seniority ranking of the debt, and loan structure in assessing the value of collateral. These estimated cash flows are reviewed at least annually, or more frequently when new information indicates a change in the timing or amount expected to be received.

ACQUIRED CREDIT-IMPAIRED LOANS

ACI loans contain commercial, retail, and FDIC covered loans originating from The South Financial Group and FDIC-assisted acquisitions. At acquisition date, outstanding unpaid principal balances were $6.3 billion and $2.1 billion, respectively, and related fair values were $5.6 billion and $1.9 billion, respectively.

Acquired Credit-Impaired Loans

(millions of Canadian dollars)		*As at*
	October 31 2017	October 31 2016
FDIC-assisted acquisitions		
Unpaid principal balance[1]	**$ 362**	$ 508
Credit related fair value adjustments[2]	**(14)**	(11)
Interest rate and other related premium/(discount)	**(13)**	(17)
Carrying value	**335**	480
Counterparty-specific allowance[3]	**(1)**	(1)
Allowance for individually insignificant impaired loans[3]	**(19)**	(35)
Carrying value net of related allowance – FDIC-assisted acquisitions[4]	**315**	444
South Financial		
Unpaid principal balance[1]	**359**	529
Credit related fair value adjustments[2]	**(14)**	(15)
Interest rate and other related premium/(discount)	**(15)**	(20)
Carrying value	**330**	494
Counterparty-specific allowance[3]	**(2)**	(3)
Allowance for individually insignificant impaired loans[3]	**(13)**	(23)
Carrying value net of related allowance – South Financial	**315**	468
Total carrying value net of related allowance – Acquired credit-impaired loans	**$ 630**	$ 912

1 Represents contractual amount owed net of charge-offs since the acquisition of the loan.
2 Credit related fair value adjustments include incurred credit losses on acquisition and are not accreted to interest income.
3 Management concluded as part of the Bank's assessment of the ACI loans that it was probable that higher than estimated principal credit losses would result in a decrease in expected cash flows subsequent to acquisition. As a result, counterparty-specific and individually insignificant allowances have been recognized.
4 Carrying value does not include the effect of the FDIC loss sharing agreement.

FDIC COVERED LOANS

As at October 31, 2017, the balance of FDIC covered loans was $335 million (October 31, 2016 – $480 million) and was recorded in Loans on the Consolidated Balance Sheet. As at October 31, 2017, the balance of indemnification assets was $12 million (October 31, 2016 – $22 million) and was recorded in Other assets on the Consolidated Balance Sheet.

NOTE 9: TRANSFERS OF FINANCIAL ASSETS

LOAN SECURITIZATIONS

The Bank securitizes loans through structured entity or non-structured entity third parties. Most loan securitizations do not qualify for derecognition since in most circumstances, the Bank continues to be exposed to substantially all of the prepayment, interest rate, and/or credit risk associated with the securitized financial assets and has not transferred substantially all of the risk and rewards of ownership of the securitized assets. Where loans do not qualify for derecognition, they are not derecognized from the balance sheet, retained interests are not recognized, and a securitization liability is recognized for the cash proceeds received. Certain transaction costs incurred are also capitalized and amortized using the EIRM.

The Bank securitizes insured residential mortgages under the National Housing Act Mortgage-Backed Securities (NHA MBS) program sponsored by the Canada Mortgage and Housing Corporation (CMHC). The MBS that are created through the NHA MBS program are sold to the Canada Housing Trust (CHT) as part of the CMB program, sold to third-party investors, or are held by the Bank. The CHT issues CMB to third-party investors and uses resulting proceeds to purchase NHA MBS from the Bank and other mortgage issuers in the Canadian market. Assets purchased by the CHT are comingled in a single trust from which CMB are issued. The Bank continues to be exposed to substantially all of the risks of the underlying mortgages, through the retention of a seller swap which transfers principal and interest payment risk on the NHA MBS back to the Bank in return for coupon paid on the CMB issuance and as such, the sales do not qualify for derecognition.

The Bank securitizes U.S. originated residential mortgages with U.S. government agencies which qualify for derecognition from the Bank's Consolidated Balance Sheet. As part of the securitization, the Bank retains the right to service the transferred mortgage loans. The MBS that are created through the securitization are typically sold to third-party investors.

The Bank also securitizes personal loans and business and government loans to entities which may be structured entities. These securitizations may give rise to derecognition of the financial assets depending on the individual arrangement of each transaction.

In addition, the Bank transfers credit card receivables, consumer instalment and other personal loans to structured entities that the Bank consolidates. Refer to Note 10 for further details.

The following table summarizes the securitized asset types that did not qualify for derecognition, along with their associated securitization liabilities as at October 31.

Financial Assets Not Qualifying for Derecognition Treatment as Part of the Bank's Securitization Programs[1]

(millions of Canadian dollars)				*As at*
	October 31, 2017		October 31, 2016	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Nature of transaction				
Securitization of residential mortgage loans	**$ 24,986**	**$ 24,985**	$ 26,930	$ 26,742
Other financial assets transferred related to securitization[2]	**3,964**	**3,969**	3,342	3,342
Total	**28,950**	**28,954**	30,272	30,084
Associated liabilities[3]	**$ (28,960)**	**$ (28,833)**	$ (30,766)	$ (30,408)

1 Certain comparative amounts have been restated to conform with the presentation adopted in the current period.
2 Includes asset-backed securities, asset-backed commercial paper, cash, repurchase agreements, and Government of Canada securities used to fulfill funding requirements of the Bank's securitization structures after the initial securitization of mortgage loans.
3 Includes securitization liabilities carried at amortized cost of $16 billion as at October 31, 2017 (October 31, 2016 – $18 billion), and securitization liabilities carried at fair value of $13 billion as at October 31, 2017 (October 31, 2016 – $12 billion).

Other Financial Assets Not Qualifying for Derecognition

The Bank enters into certain transactions where it transfers previously recognized commodities and financial assets, such as, debt and equity securities, but retains substantially all of the risks and rewards of those assets. These transferred assets are not derecognized and the transfers are accounted for as financing transactions. The most common transactions of this nature are repurchase agreements and securities lending agreements, in which the Bank retains substantially all of the associated credit, price, interest rate, and foreign exchange risks and rewards associated with the assets.

The following table summarizes the carrying amount of financial assets and the associated transactions that did not qualify for derecognition, as well as their associated financial liabilities as at October 31.

Other Financial Assets Not Qualifying for Derecognition[1]

(millions of Canadian dollars)		*As at*
	October 31 2017	October 31 2016
Carrying amount of assets		
Nature of transaction		
Repurchase agreements[2,3]	**$ 20,482**	$ 18,610
Securities lending agreements	**22,015**	16,386
Total	**42,497**	34,996
Carrying amount of associated liabilities[3]	**$ 20,264**	$ 17,859

1 Certain comparative amounts have been restated to conform with the presentation adopted in the current period.
2 Includes $2.1 billion, as at October 31, 2017, of assets related to repurchase agreements or swaps that are collateralized by physical precious metals (October 31, 2016 – $3.7 billion).
3 Associated liabilities are all related to repurchase agreements.

TRANSFERS OF FINANCIAL ASSETS QUALIFYING FOR DERECOGNITION

Transferred financial assets that are derecognized in their entirety where the Bank has a continuing involvement

Continuing involvement may arise if the Bank retains any contractual rights or obligations subsequent to the transfer of financial assets. Certain business and government loans securitized by the Bank are derecognized from the Bank's Consolidated Balance Sheet. In instances where the Bank fully derecognizes business and government loans, the Bank may be exposed to the risks of transferred loans through a retained interest. As at October 31, 2017, the fair value of retained interests was $32 million (October 31, 2016 – $31 million). There are no expected credit losses on the retained interests of the securitized business and government loans as the underlying mortgages are all government insured. A gain or loss on sale of the loans is recognized immediately in other income after considering the effect of hedge accounting on the assets sold, if applicable. The amount of the gain or loss recognized depends on the previous carrying values of the loans involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair values at the date of transfer. For the year ended October 31, 2017, the trading income recognized on the retained interest was $15 million (October 31, 2016 – $2 million).

Certain portfolios of U.S. residential mortgages originated by the Bank are sold and derecognized from the Bank's Consolidated Balance Sheet. In certain instances, the Bank has a continuing involvement to service those loans. As at October 31, 2017, the carrying value of these servicing rights was $31 million (October 31, 2016 – $25 million) and the fair value was $40 million (October 31, 2016 – $28 million). A gain or loss on sale of the loans is recognized immediately in other income. The gain (loss) on sale of the loans for the year ended October 31, 2017, was $21 million (October 31, 2016 – $24 million).

NOTE 10: STRUCTURED ENTITIES

The Bank uses structured entities for a variety of purposes including: (1) to facilitate the transfer of specified risks to clients; (2) as financing vehicles for itself or for clients; or (3) to segregate assets on behalf of investors. The Bank is typically restricted from accessing the assets of the structured entity under the relevant arrangements.

The Bank is involved with structured entities that it sponsors, as well as entities sponsored by third-parties. Factors assessed when determining if the Bank is the sponsor of a structured entity include whether the Bank is the predominant user of the entity; whether the entity's branding or marketing identity is linked with the Bank; and whether the Bank provides an implicit or explicit guarantee of the entity's performance to investors or other third parties. The Bank is not considered to be the sponsor of a structured entity if it only provides arm's-length services to the entity, for example, by acting as administrator, distributor, custodian, or loan servicer. Sponsorship of a structured entity may indicate that the Bank had power over the entity at inception; however, this is not sufficient to determine if the Bank consolidates the entity. Regardless of whether or not the Bank sponsors an entity, consolidation is determined on a case-by-case basis.

SPONSORED STRUCTURED ENTITIES
The following section outlines the Bank's involvement with key sponsored structured entities.

Securitizations
The Bank securitizes its own assets and facilitates the securitization of client assets through structured entities, such as conduits, which issue asset-backed commercial paper (ABCP) or other securitization entities which issue longer-dated term securities. Securitizations are an important source of liquidity for the Bank, allowing it to diversify its funding sources and to optimize its balance sheet management approach. The Bank has no rights to the assets as they are owned by the securitization entity.

The Bank sponsors both single-seller and multi-seller securitization conduits. Depending on the specifics of the entity, the variable returns absorbed through ABCP may be significantly mitigated by variable returns retained by the sellers. The Bank provides liquidity facilities to certain single-seller and multi-seller conduits for the benefit of ABCP investors which are structured as loan facilities between the Bank, as the sole liquidity lender, and the Bank-sponsored trusts. If a trust experiences difficulty issuing ABCP due to illiquidity in the commercial market, the trust may draw on the loan facility, and use the proceeds to pay maturing ABCP. The liquidity facilities can only be drawn if preconditions are met ensuring that the Bank does not provide credit enhancement through the loan facilities to the conduit. The Bank's exposure to the variable returns of these conduits from its provision of liquidity facilities and any related commitments is mitigated by the sellers' continued exposure to variable returns, as described below. The Bank provides administration and securities distribution services to its sponsored securitization conduits, which may result in it holding an investment in the ABCP issued by these entities. In some cases, the Bank may also provide credit enhancements or may transact derivatives with securitization conduits. The Bank earns fees from the conduits which are recognized when earned.

The Bank sells assets to single-seller conduits which it controls and consolidates. Control results from the Bank's power over the entity's key economic decisions, predominantly, the mix of assets sold into the conduit and exposure to the variable returns of the transferred assets, usually through a derivative or the provision of credit mitigation in the form of cash reserves, over-collateralization, or guarantees over the performance of the entity's portfolio of assets.

Multi-seller conduits provide customers with alternate sources of financing through the securitization of their assets. These conduits are similar to single-seller conduits except that assets are received from more than one seller and comingled into a single portfolio of assets. The Bank is typically deemed to have power over the entity's key economic decisions, namely, the selection of sellers and related assets sold as well as other decisions related to the management of risk in the vehicle. Sellers of assets in multi-seller conduits typically continue to be exposed to the variable returns of their portion of transferred assets, through derivatives or the provision of credit mitigation. The Bank's exposure to the variable returns of multi-seller conduits from its provision of liquidity facilities and any related commitments is mitigated by the sellers' continued exposure to variable returns from the entity. While the Bank may have power over multi-seller conduits, it is not exposed to significant variable returns and does not consolidate such entities.

Investment Funds and Other Asset Management Entities
As part of its asset management business, the Bank creates investment funds and trusts (including mutual funds), enabling it to provide its clients with a broad range of diversified exposure to different risk profiles, in accordance with the client's risk appetite. Such entities may be actively managed or may be passively directed, for example, through the tracking of a specified index, depending on the entity's investment strategy. Financing for these entities is obtained through the issuance of securities to investors, typically in the form of fund units. Based on each entity's specific strategy and risk profile, the proceeds from this issuance are used by the entity to purchase a portfolio of assets. An entity's portfolio may contain investments in securities, derivatives, or other assets, including cash. At the inception of a new investment fund or trust, the Bank will typically invest an amount of seed capital in the entity, allowing it to establish a performance history in the market. Over time, the Bank sells its seed capital holdings to third-party investors, as the entity's AUM increases. As a result, the Bank's holding of seed capital investment in its own sponsored investment funds and trusts is typically not significant to the Consolidated Financial Statements. Aside from any seed capital investments, the Bank's interest in these entities is generally limited to fees earned for the provision of asset management services. The Bank does not typically provide guarantees over the performance of these funds.

The Bank also sponsors the TD Mortgage Fund (the "Fund"), which is a mutual fund containing a portfolio of Canadian residential mortgages sold by the Bank into the Fund. The Bank has a put option with the Fund under which it is required to repurchase defaulted mortgage loans at their carrying amount from the Fund. The Bank's exposure under this put option is mitigated as the mortgages in the Fund are collateralized and government guaranteed. In addition to the put option, the Bank provides a liquidity facility to the Fund for the benefit of fund unit investors. Under the liquidity facility, the Bank is obligated to repurchase mortgages at their fair value to enable the Fund to honour unit-holder redemptions in the event that the Fund experiences a liquidity event.

As disclosed in Note 27, on April 22, 2016, the Fund was discontinued and merged with another mutual fund managed by the Bank. The mortgages held by the Fund were not merged into the other mutual fund and as a result of the Fund's discontinuation, the mortgages were repurchased from the Fund at a fair value of $155 million. Prior to the discontinuation of the Fund, during the year ended October 31, 2016, the fair value of the mortgages repurchased from the Fund as a result of a liquidity event was $21 million (twelve months ended October 31, 2015 – $29 million). Although the Bank had power over the Fund, the Fund was not consolidated by the Bank prior to its discontinuation as the Bank did not absorb a significant proportion of variable returns. The variability related primarily to the credit risk of the underlying mortgages which are government guaranteed.

The Bank is typically considered to have power over the key economic decisions of sponsored asset management entities; however, it does not consolidate an entity unless it is also exposed to significant variable returns of the entity. This determination is made on a case-by-case basis, in accordance with the Bank's consolidation policy.

Financing Vehicles
The Bank may use structured entities to provide a cost-effective means of financing its operations, including raising capital or obtaining funding. These structured entities include: (1) TD Capital Trust III and TD Capital Trust IV (together the "CaTS Entities") and (2) TD Covered Bond (Legislative) Guarantor Limited Partnership (the "Covered Bond Entity").

The CaTS Entities issued innovative capital securities which currently count as Tier 1 Capital of the Bank, but, under Basel III, are considered non-qualifying capital instruments and are subject to the Basel III phase-out rules. The proceeds from these issuances were invested in assets purchased from the Bank which generate income for distribution to investors. The Bank is considered to have decision-making power over the key economic activities of the CaTS Entities; however, it does not consolidate an entity unless it is also exposed to significant variable returns of the entity. The Bank is exposed to the risks and returns from certain CaTS Entities as it holds the residual risks in those entities, typically through retaining all the voting securities of the entity. Where the entity's portfolio of assets are exposed to risks which are not related to the Bank's own credit risk, the Bank is considered to be exposed to significant variable returns of the entity and consolidates the entity. However, certain CaTS Entities hold assets which are only exposed to the Bank's own credit risk. In this case, the Bank does not absorb significant variable returns of the entity as it is ultimately exposed only to its own credit risk, and does not consolidate. Refer to Note 20 for further details.

The Bank issues, or has issued, debt under its covered bond program where the principal and interest payments of the notes are guaranteed by the Covered Bond Entity. The Bank sold a portfolio of assets to the Covered Bond Entity and provided a loan to the Covered Bond Entity to facilitate the purchase. The Bank is restricted from accessing the Covered Bond Entity's assets under the relevant agreement. Investors in the Bank's covered bonds may have recourse to the Bank should the assets of the Covered Bond Entity be insufficient to satisfy the covered bond liabilities. The Bank consolidates the Covered Bond Entity as it has power over the key economic activities and retains all the variable returns in this entity.

THIRD-PARTY SPONSORED STRUCTURED ENTITIES

In addition to structured entities sponsored by the Bank, the Bank is also involved with structured entities sponsored by third parties. Key involvement with third-party sponsored structured entities is described in the following section.

Third-party Sponsored Securitization Programs

The Bank participates in the securitization program of government-sponsored structured entities, including the CMHC, a Crown corporation of the Government of Canada, and similar U.S. government-sponsored entities. The CMHC guarantees CMB issued through the CHT.

The Bank is exposed to the variable returns in the CHT, through its retention of seller swaps resulting from its participation in the CHT program. The Bank does not have power over the CHT as its key economic activities are controlled by the Government of Canada. The Bank's exposure to the CHT is included in the balance of residential mortgage loans as noted in Note 9, and is not disclosed in the table accompanying this Note.

The Bank participates in the securitization programs sponsored by U.S. government agencies. The Bank is not exposed to significant variable returns from these agencies and does not have power over the key economic activities of the agencies, which are controlled by the U.S. government.

Investment Holdings and Derivatives

The Bank may hold interests in third-party structured entities, predominantly in the form of direct investments in securities or partnership interests issued by those structured entities, or through derivatives transacted with counterparties which are structured entities. Investments in, and derivatives with, structured entities are recognized on the Bank's Consolidated Balance Sheet. The Bank does not typically consolidate third-party structured entities where its involvement is limited to investment holdings and/or derivatives as the Bank would not generally have power over the key economic decisions of these entities.

Financing Transactions

In the normal course of business, the Bank may enter into financing transactions with third-party structured entities including commercial loans, reverse repurchase agreements, prime brokerage margin lending, and similar collateralized lending transactions. While such transactions expose the Bank to the structured entities' counterparty credit risk, this exposure is mitigated by the collateral related to these transactions. The Bank typically has neither power nor significant variable returns due to financing transactions with structured entities and would not generally consolidate such entities. Financing transactions with third party-sponsored structured entities are included on the Bank's Consolidated Financial Statements and have not been included in the table accompanying this Note.

Arm's-length Servicing Relationships

In addition to the involvement outlined above, the Bank may also provide services to structured entities on an arm's-length basis, for example as sub-advisor to an investment fund or asset servicer. Similarly, the Bank's asset management services provided to institutional investors may include transactions with structured entities. As a consequence of providing these services, the Bank may be exposed to variable returns from these structured entities, for example, through the receipt of fees or short-term exposure to the structured entity's securities. Any such exposure is typically mitigated by collateral or some other contractual arrangement with the structured entity or its sponsor. The Bank generally has neither power nor significant variable returns from the provision of arm's-length services to a structured entity and, consequently does not consolidate such entities. Fees and other exposures through servicing relationships are included on the Bank's Consolidated Financial Statements and have not been included in the table accompanying this Note.

INVOLVEMENT WITH CONSOLIDATED STRUCTURED ENTITIES

Securitizations

The Bank securitizes consumer instalment, and other personal loans through securitization entities, predominantly single-seller conduits. These conduits are consolidated by the Bank based on the factors described above. Aside from the exposure resulting from its involvement as seller and sponsor of consolidated securitization conduits described above, including the liquidity facilities provided, the Bank has no contractual or non-contractual arrangements to provide financial support to consolidated securitization conduits. The Bank's interests in securitization conduits generally rank senior to interests held by other parties, in accordance with the Bank's investment and risk policies. As a result, the Bank has no significant obligations to absorb losses before other holders of securitization issuances.

Other Structured Consolidated Structured Entities

Depending on the specific facts and circumstances of the Bank's involvement with structured entities, the Bank may consolidate asset management entities, financing vehicles, or third party-sponsored structured entities, based on the factors described above. Aside from its exposure resulting from its involvement as sponsor or investor in the structured entities as previously discussed, the Bank does not typically have other contractual or non-contractual arrangements to provide financial support to these consolidated structured entities.

INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

The following table presents information related to the Bank's unconsolidated structured entities. Unconsolidated structured entities include both TD and third-party sponsored entities. Securitizations include holdings in TD-sponsored multi-seller conduits, as well as third-party sponsored mortgage and asset-backed securitizations, including government-sponsored agency securities such as CMBs, and U.S. government agency issuances. Investment Funds and Trusts include holdings in third party funds and trusts, as well as holdings in TD-sponsored asset management funds and trusts and commitments to certain U.S. municipal funds. Amounts in Other are predominantly related to investments in community-based U.S. tax-advantage entities described in Note 12. These holdings do not result in the consolidation of these entities as TD does not have power over these entities.

Carrying Amount and Maximum Exposure to Unconsolidated Structured Entities
(millions of Canadian dollars)

								As at
				October 31, 2017				October 31, 2016
	Securitizations	**Investment funds and trusts**	**Other**	**Total**	Securitizations	Investment funds and trusts	Other	Total
FINANCIAL ASSETS								
Trading loans, securities, and other	**$ 7,395**	**$ 609**	**$ 14**	**$ 8,018**	$ 5,793	$ 642	$ –	$ 6,435
Derivatives[1]	**–**	**13**	**–**	**13**	–	30	–	30
Financial assets designated at fair value through profit or loss	**–**	**163**	**30**	**193**	16	172	26	214
Available-for-sale securities	**63,615**	**2,622**	**–**	**66,237**	42,083	509	95	42,687
Held-to-maturity securities	**42,095**	**–**	**–**	**42,095**	48,575	–	–	48,575
Loans	**4,174**	**–**	**–**	**4,174**	2,891	–	–	2,891
Other	**8**	**–**	**2,872**	**2,880**	9	–	2,903	2,912
Total assets	**117,287**	**3,407**	**2,916**	**123,610**	99,367	1,353	3,024	103,744
FINANCIAL LIABILITIES								
Derivatives[1]	**–**	**493**	**–**	**493**	–	346	–	346
Obligations related to securities sold short	**2,330**	**1,005**	**–**	**3,335**	3,002	265	–	3,267
Total liabilities	**2,330**	**1,498**	**–**	**3,828**	3,002	611	–	3,613
Off-balance sheet exposure[2]	**14,702**	**3,094**	**935**	**18,731**	16,274	131	3,776	20,181
Maximum exposure to loss from involvement with unconsolidated structured entities	**129,659**	**5,003**	**3,851**	**138,513**	112,639	873	6,800	120,312
Size of sponsored unconsolidated structured entities[3]	**$ 13,020**	**$ 1,860**	**$ 1,750**	**$ 16,630**	$ 14,215	$ 1,005	$ 1,750	$ 16,970

1 Derivatives primarily subject to vanilla interest rate or foreign exchange risk are not included in these amounts as those derivatives are designed to align the structured entity's cash flows with risks absorbed by investors and are not predominantly designed to expose the Bank to variable returns created by the entity.

2 For the purposes of this disclosure, off balance-sheet exposure represents the notional value of liquidity facilities, guarantees, or other off-balance sheet commitments without considering the effect of collateral or other credit enhancements.

3 The size of sponsored unconsolidated structured entities is provided based on the most appropriate measure of size for the type of entity: (1) The par value of notes issued by securitization conduits and similar liability issuers; (2) the total AUM of investment funds and trusts; and (3) the total fair value of partnership or equity shares in issue for partnerships and similar equity issuers.

Sponsored Unconsolidated Structured Entities in which the Bank has no Significant Investment at the End of the Period

Sponsored unconsolidated structured entities in which the Bank has no significant investment at the end of the period are predominantly investment funds and trusts created for the asset management business. The Bank would not typically hold investments, with the exception of seed capital, in these structured entities. However, the Bank continues to earn fees from asset management services provided to these entities, some of which could be based on the performance of the fund. Fees payable are generally senior in the entity's priority of payment and would also be backed by collateral, limiting the Bank's exposure to loss from these entities. The Bank's non-interest income received from its involvement with these asset management entities was $1.8 billion (October 31, 2016 − $1.7 billion) for the year ended October 31, 2017. The total AUM in these entities as at October 31, 2017, was $196.8 billion (October 31, 2016 − $191.6 billion). Any assets transferred by the Bank during the period are co-mingled with assets obtained from third parties in the market. Except as previously disclosed, the Bank has no contractual or non-contractual arrangements to provide financial support to unconsolidated structured entities.

NOTE 11: DERIVATIVES

DERIVATIVE PRODUCT TYPES AND RISK EXPOSURES

The majority of the Bank's derivative contracts are OTC transactions that are bilaterally negotiated between the Bank and the counterparty to the contract. The remainder are exchange-traded contracts transacted through organized and regulated exchanges and consist primarily of certain options and futures.

The Bank's derivative transactions relate to trading and non-trading activities. The purpose of derivatives held for non-trading activities is primarily for managing interest rate, foreign exchange and equity risk related to the Bank's funding, lending, investment activities, and other asset/liability management activities. The Bank's risk management strategy for these risks is discussed in shaded sections of the 'Managing Risk' section of the MD&A. The Bank also enters into derivative transactions to economically hedge certain exposures that do not otherwise qualify for hedge accounting, or where hedge accounting is not considered feasible.

Where hedge accounting is applied, only a specific or a combination of risk components are hedged, including benchmark interest rate, foreign exchange rate, and equity price components. All these risk components are observable in the relevant market environment and the change in the fair value or the variability in cash flows attributable to these risk components can be reliably measured for hedged items.

Where the derivatives are in hedge relationships, the main sources of ineffectiveness can be attributed to differences between hedging instruments and hedged items:

- Differences in fixed rates, when contractual coupons of the fixed rate hedged items are designated;
- Differences in the discounting factors, when hedging derivatives are collateralized and discounted using Overnight Indexed Swaps (OIS) curves, which are not applied to the fixed rate hedged items;
- CRVA on the hedging derivatives; and
- Mismatch in critical terms.

To mitigate a portion of the ineffectiveness, the Bank designates the benchmark risk component of contractual cash flows of hedged items and executes hedging derivatives with high quality counterparties. The majority of the Bank's hedging derivatives are collateralized.

Interest Rate Derivatives

Interest rate swaps are OTC contracts in which two counterparties agree to exchange cash flows over a period of time based on rates applied to a specified notional amount. A typical interest rate swap would require one counterparty to pay a fixed market interest rate in exchange for a variable market interest rate determined from time to time, with both calculated on a specified notional amount. No exchange of principal amount takes place. Certain interest rate swaps are transacted and settled through a clearing house which acts as a central counterparty.

Forward rate agreements are OTC contracts that effectively fix a future interest rate for a period of time. A typical forward rate agreement provides that at a pre-determined future date, a cash settlement will be made between the counterparties based upon the difference between a contracted rate and a market rate to be determined in the future, calculated on a specified notional amount. No exchange of principal amount takes place.

Interest rate options are contracts in which one party (the purchaser of an option) acquires from another party (the writer of an option), in exchange for a premium, the right, but not the obligation, either to buy or sell, on a specified future date or series of future dates or within a specified time, a specified financial instrument at a contracted price. The underlying financial instrument will have a market price which varies in response to changes in interest rates. In managing the Bank's interest rate exposure, the Bank acts as both a writer and purchaser of these options. Options are transacted both OTC and through exchanges. Interest rate futures are standardized contracts transacted on an exchange. They are based upon an agreement to buy or sell a specified quantity of a financial instrument on a specified future date, at a contracted price. These contracts differ from forward rate agreements in that they are in standard amounts with standard settlement dates and are transacted on an exchange.

The Bank uses interest rate swaps to hedge its exposure to benchmark interest rate risk by modifying the repricing or maturity characteristics of existing and/or forecasted assets and liabilities, including funding and investment activities. These swaps are designated in either fair value hedge against fixed rate asset/liability or cash flow hedge against floating rate asset/liability. For fair value hedges, the Bank assesses and measures the hedge effectiveness based on the change in the fair value or cash flows of the derivative hedging instrument relative to the change in the fair value or cash flows of the hedged item attributable to benchmark interest rate risk. For cash flow hedges, the Bank uses the hypothetical derivative having terms that identically match the critical terms of the hedged item as the proxy for measuring the change in fair value or cash flows of the hedged item.

Foreign Exchange Derivatives

Foreign exchange forwards are OTC contracts in which one counterparty contracts with another to exchange a specified amount of one currency for a specified amount of a second currency, at a future date or range of dates.

Swap contracts comprise foreign exchange swaps and cross-currency interest rate swaps. Foreign exchange swaps are transactions in which a foreign currency is simultaneously purchased in the spot market and sold in the forward market, or vice-versa. Cross-currency interest rate swaps are transactions in which counterparties exchange principal and interest cash flows in different currencies over a period of time. These contracts are used to manage currency and/or interest rate exposures.

Foreign exchange futures contracts are similar to foreign exchange forward contracts but differ in that they are in standard currency amounts with standard settlement dates and are transacted on an exchange.

Where hedge accounting is applied, the Bank assesses and measures the hedge effectiveness based on the change in the fair value of the hedging instrument relative to translation gains and losses of net investment in foreign operations or the change in cash flows of the foreign currency denominated asset/liability attributable to foreign exchange risk, using the hypothetical derivative method.

The Bank uses non-derivative instruments such as foreign currency deposit liabilities and derivative instruments such as cross-currency swaps and foreign exchange forwards to hedge its foreign currency exposure. These hedging instruments are designated in either net investment hedges or cash flow hedges.

Credit Derivatives

The Bank uses credit derivatives such as credit default swaps (CDS) and total return swaps in managing risks of the Bank's corporate loan portfolio and other cash instruments. Credit risk is the risk of loss if a borrower or counterparty in a transaction fails to meet its agreed payment obligations. The Bank uses credit derivatives to mitigate industry concentration and borrower-specific exposure as part of the Bank's portfolio risk management techniques. The credit, legal, and other risks associated with these transactions are controlled through well established procedures. The Bank's policy is to enter into these transactions with investment grade financial institutions. Credit risk to these counterparties is managed through the same approval, limit, and monitoring processes that is used for all counterparties to which the Bank has credit exposure.

Credit derivatives are OTC contracts designed to transfer the credit risk in an underlying financial instrument (usually termed as a reference asset) from one counterparty to another. The most common credit derivatives are CDS (referred to as option contracts) and total return swaps (referred to as swap contracts). In option contracts, an option purchaser acquires credit protection on a reference asset or group of assets from an option writer in exchange for a premium. The option purchaser may pay the agreed premium at inception or over a period of time. The credit protection compensates the option purchaser for deterioration in value of the reference asset or group of assets upon the occurrence of certain credit events such as bankruptcy, or changes in specified credit rating or credit index. Settlement may be cash based or physical, requiring the delivery of the reference asset to the option writer. In swap contracts, one counterparty agrees to pay or receive from the other cash amounts based on changes in the value of a reference asset or group of assets, including any returns such as interest earned on these assets in exchange for amounts that are based on prevailing market funding rates. These cash settlements are made regardless of whether there is a credit event.

Other Derivatives

The Bank also transacts in equity and commodity derivatives in both the exchange and OTC markets.

Equity swaps are OTC contracts in which one counterparty agrees to pay, or receive from the other, cash amounts based on changes in the value of a stock index, a basket of stocks or a single stock. These contracts sometimes include a payment in respect of dividends.

Equity options give the purchaser of the option, for a premium, the right, but not the obligation, to buy from or sell to the writer of an option, an underlying stock index, basket of stocks or single stock at a contracted price. Options are transacted both OTC and through exchanges.

Equity index futures are standardized contracts transacted on an exchange. They are based on an agreement to pay or receive a cash amount based on the difference between the contracted price level of an underlying stock index and its corresponding market price level at a specified future date. There is no actual delivery of stocks that comprise the underlying index. These contracts are in standard amounts with standard settlement dates.

Commodity contracts include commodity forwards, futures, swaps, and options, such as precious metals and energy-related products in both OTC and exchange markets.

Where hedge accounting is applied, the Bank uses equity forwards and total return swaps to hedge its exposure to equity price risk. These derivatives are designated as cash flow hedges. The Bank assesses and measures the hedge effectiveness based on the change in the fair value of the hedging instrument relative to the change in the cash flows of the hedged item attributable to movement in equity price, using the hypothetical derivative method.

Fair Value of Derivatives

(millions of Canadian dollars)	**October 31, 2017**		October 31, 2016	
	Fair value as at balance sheet date		Fair value as at balance sheet date	
	Positive	**Negative**	Positive	Negative
Derivatives held or issued for trading purposes				
Interest rate contracts				
Futures	**$ 1**	**$ –**	$ 1	$ –
Forward rate agreements	**69**	**72**	122	49
Swaps	**13,861**	**11,120**	24,069	20,232
Options written	**–**	**326**	–	414
Options purchased	**358**	**–**	452	–
Total interest rate contracts	**14,289**	**11,518**	24,644	20,695
Foreign exchange contracts				
Futures	**–**	**–**	–	–
Forward contracts	**16,461**	**14,589**	16,087	16,743
Swaps	**–**	**–**	–	–
Cross-currency interest rate swaps	**16,621**	**15,619**	17,470	18,613
Options written	**–**	**310**	–	568
Options purchased	**330**	**–**	542	–
Total foreign exchange contracts	**33,412**	**30,518**	34,099	35,924
Credit derivatives				
Credit default swaps – protection purchased	**–**	**250**	–	101
Credit default swaps – protection sold	**34**	**1**	–	2
Total credit derivative contracts	**34**	**251**	–	103
Other contracts				
Equity contracts	**534**	**2,093**	798	1,413
Commodity contracts	**778**	**634**	873	663
Total other contracts	**1,312**	**2,727**	1,671	2,076
Fair value – trading	**49,047**	**45,014**	60,414	58,798
Derivatives held or issued for non-trading purposes				
Interest rate contracts				
Forward rate agreements	**1**	**–**	1	–
Swaps	**1,023**	**1,296**	2,676	1,492
Options written	**–**	**1**	–	3
Options purchased	**32**	**–**	47	–
Total interest rate contracts	**1,056**	**1,297**	2,724	1,495
Foreign exchange contracts				
Forward contracts	**647**	**639**	1,870	393
Swaps	**–**	**–**	–	–
Cross-currency interest rate swaps	**3,768**	**2,452**	5,912	3,239
Total foreign exchange contracts	**4,415**	**3,091**	7,782	3,632
Credit derivatives				
Credit default swaps – protection purchased	**–**	**105**	–	154
Total credit derivative contracts	**–**	**105**	–	154
Other contracts				
Equity contracts	**1,677**	**1,707**	1,322	1,346
Total other contracts	**1,677**	**1,707**	1,322	1,346
Fair value – non-trading	**7,148**	**6,200**	11,828	6,627
Total fair value	**$ 56,195**	**$ 51,214**	$ 72,242	$ 65,425

The following table distinguishes the derivatives held or issued for non-trading purposes between those that have been designated in qualifying hedge accounting relationships and those which have not been designated in qualifying hedge accounting relationships as at October 31.

Fair Value of Non-Trading Derivatives[1]

(millions of Canadian dollars)

	Derivative Assets – Derivatives in qualifying hedging relationships – Fair value	Derivative Assets – Derivatives in qualifying hedging relationships – Cash flow	Derivative Assets – Derivatives in qualifying hedging relationships – Net investment	Derivative Assets – Derivatives not in qualifying hedging relationships	Derivative Assets – Total	Derivative Liabilities – Derivatives in qualifying hedging relationships – Fair value	Derivative Liabilities – Derivatives in qualifying hedging relationships – Cash flow	Derivative Liabilities – Derivatives in qualifying hedging relationships – Net investment	Derivative Liabilities – Derivatives not in qualifying hedging relationships	Derivative Liabilities – Total
										As at **October 31, 2017**
Derivatives held or issued for non-trading purposes										
Interest rate contracts	**$ 129**	**$ 39**	**$ –**	**$ 888**	**$ 1,056**	**$ 56**	**$ 777**	**$ 12**	**$ 452**	**$ 1,297**
Foreign exchange contracts	**–**	**4,376**	**2**	**37**	**4,415**	**–**	**2,733**	**316**	**42**	**3,091**
Credit derivatives	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**105**	**105**
Other contracts	**–**	**760**	**–**	**917**	**1,677**	**–**	**5**	**–**	**1,702**	**1,707**
Fair value – non-trading	**$ 129**	**$ 5,175**	**$ 2**	**$ 1,842**	**$ 7,148**	**$ 56**	**$ 3,515**	**$ 328**	**$ 2,301**	**$ 6,200**
										October 31, 2016
Derivatives held or issued for non-trading purposes										
Interest rate contracts	$ 495	$ 529	$ –	$ 1,700	$ 2,724	$ 869	$ (170)	$ 48	$ 748	$ 1,495
Foreign exchange contracts	–	7,676	66	40	7,782	–	2,847	643	142	3,632
Credit derivatives	–	–	–	–	–	–	–	–	154	154
Other contracts	–	525	–	797	1,322	–	5	–	1,341	1,346
Fair value – non-trading	$ 495	$ 8,730	$ 66	$ 2,537	$ 11,828	$ 869	$ 2,682	$ 691	$ 2,385	$ 6,627

1 Certain derivatives assets qualify to be offset with certain derivative liabilities on the Consolidated Balance Sheet. Refer to Note 6 for further details.

The following table discloses the impact of derivatives and non-derivative instruments designated in hedge accounting relationships and the related hedged items, where appropriate, in the Consolidated Statement of Income and in OCI for the years ended October 31.

Results of Hedge Activities Recorded in Net Income and Other Comprehensive Income

(millions of Canadian dollars)	*For the years ended October 31* **2017**	2016	2015
Fair value hedges			
Gains (losses) recognized in income on derivatives[1,2]	**$ 914**	$ 23	$ (773)
Gains (losses) recognized in income on hedged items attributable to the hedged risk[2]	**(933)**	(4)	776
Hedge ineffectiveness[2]	**(19)**	19	3
Cash flow hedges			
Gains (losses) recognized in OCI on derivatives[3]	**(2,229)**	1,448	7,725
Gains (losses) reclassified from OCI into income[4]	**1,077**	1,285	7,047
Hedge ineffectiveness[2]	**(2)**	(11)	(4)
Net investment hedges			
Gains (losses) recognized in OCI on derivatives[1,3]	**890**	36	(3,732)
Gains (losses) reclassified from OCI into income hedges[4]	**(8)**	–	–
Hedge ineffectiveness[2]	**–**	–	–

1 Includes non-derivative financial instruments such as foreign currency deposit liabilities. The fair value attributable to the foreign exchange risk of these non-derivative financial instruments was $24 billion as at October 31, 2017 (October 31, 2016 – $21 billion).
2 Amounts are recorded in non-interest income.
3 OCI is presented on a pre-tax basis.
4 Amounts are recorded in net interest income or non-interest income, as applicable.

The following table indicates the periods when hedged cash flows in designated cash flow hedge accounting relationships are expected to occur as at October 31.

Hedged Cash Flows

(millions of Canadian dollars)	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	Total
						As at **October 31, 2017**
Cash flow hedges						
Cash inflows	**$ 15,674**	**$ 18,375**	**$ 9,856**	**$ 3,048**	**$ 85**	**$ 47,038**
Cash outflows	**(18,249)**	**(20,458)**	**(14,388)**	**(6,831)**	**–**	**(59,926)**
Net cash flows	**$ (2,575)**	**$ (2,083)**	**$ (4,532)**	**$ (3,783)**	**$ 85**	**$ (12,888)**
						October 31, 2016
Cash flow hedges						
Cash inflows	$ 20,119	$ 19,364	$ 7,514	$ 1,988	$ 168	$ 49,153
Cash outflows	(10,311)	(26,491)	(15,765)	(6,075)	–	(58,642)
Net cash flows	$ 9,808	$ (7,127)	$ (8,251)	$ (4,087)	$ 168	$ (9,489)

Income related to interest cash flows is recognized using the EIRM over the life of the underlying instrument. Foreign currency translation gains and losses related to future cash flows on hedged items are recognized as incurred.

During the years ended October 31, 2017, and October 31, 2016, there were no significant instances where forecasted hedged transactions failed to occur.

The following table presents gains (losses) on non-trading derivatives that have not been designated in qualifying hedge accounting relationships. These gains (losses) are partially offset by gains (losses) recorded on the Consolidated Statement of Income and on the Consolidated Statement of Other Comprehensive Income on related non-derivative instruments.

Gains (Losses) on Non-Trading Derivatives not Designated in Qualifying Hedge Accounting Relationships[1]

(millions of Canadian dollars)			For the years ended October 31
	2017	2016	2015
Interest rate contracts	**$ 93**	$ (147)	$ (108)
Foreign exchange contracts	**54**	7	(23)
Credit derivatives	**(45)**	(70)	(35)
Equity	**16**	2	2
Total	**$ 118**	$ (208)	$ (164)

1 Amounts are recorded in non-interest income.

NOTIONAL AMOUNTS

The notional amounts are not recorded as assets or liabilities as they represent the face amount of the contract to which a rate or price is applied to determine the amount of cash flows to be exchanged. Notional amounts do not represent the potential gain or loss associated with the market risk nor indicative of the credit risk associated with derivative financial instruments.

The following table discloses the notional amount of over-the-counter and exchange-traded derivatives.

Over-the-Counter and Exchange-Traded Derivatives

(millions of Canadian dollars)							As at
						October 31 2017	October 31 2016
	Trading						
	Over-the-Counter[1]						
	Clearing house[2]	**Non clearing house**	**Exchange-traded**	**Total**	**Non-trading**[3]	**Total**	Total
Notional							
Interest rate contracts							
Futures	**$ –**	**$ –**	**$ 445,848**	**$ 445,848**	**$ –**	**$ 445,848**	$ 438,709
Forward rate agreements	**392,742**	**136,008**	**–**	**528,750**	**195**	**528,945**	507,485
Swaps	**5,534,758**	**506,189**	**–**	**6,040,947**	**1,336,421**	**7,377,368**	6,063,466
Options written	**–**	**17,629**	**90,214**	**107,843**	**292**	**108,135**	57,724
Options purchased	**–**	**13,163**	**112,087**	**125,250**	**1,535**	**126,785**	87,787
Total interest rate contracts	**5,927,500**	**672,989**	**648,149**	**7,248,638**	**1,338,443**	**8,587,081**	7,155,171
Foreign exchange contracts							
Futures	**–**	**–**	**3**	**3**	**–**	**3**	7
Forward contracts	**–**	**1,457,790**	**–**	**1,457,790**	**27,162**	**1,484,952**	1,160,653
Swaps	**–**	**–**	**–**	**–**	**–**	**–**	–
Cross-currency interest rate swaps	**–**	**592,222**	**–**	**592,222**	**82,311**	**674,533**	645,783
Options written	**–**	**22,272**	**–**	**22,272**	**–**	**22,272**	32,097
Options purchased	**–**	**22,713**	**–**	**22,713**	**–**	**22,713**	32,683
Total foreign exchange contracts	**–**	**2,094,997**	**3**	**2,095,000**	**109,473**	**2,204,473**	1,871,223
Credit derivatives							
Credit default swaps – protection purchased	**8,973**	**581**	**–**	**9,554**	**2,673**	**12,227**	9,433
Credit default swaps – protection sold	**1,427**	**267**	**–**	**1,694**	**–**	**1,694**	858
Total credit derivative contracts	**10,400**	**848**	**–**	**11,248**	**2,673**	**13,921**	10,291
Other contracts							
Equity contracts	**–**	**51,535**	**58,367**	**109,902**	**32,502**	**142,404**	120,884
Commodity contracts	**210**	**22,869**	**24,719**	**47,798**	**–**	**47,798**	46,287
Total other contracts	**210**	**74,404**	**83,086**	**157,700**	**32,502**	**190,202**	167,171
Total	**$ 5,938,110**	**$ 2,843,238**	**$ 731,238**	**$ 9,512,586**	**$ 1,483,091**	**$ 10,995,677**	$ 9,203,856

1 Collateral held under a Credit Support Annex to help reduce counterparty credit risk is in the form of high quality and liquid assets such as cash and high quality government securities. Acceptable collateral is governed by the Collateralized Trading Policy.
2 Derivatives executed through a central clearing house reduces settlement risk due to the ability to net settle offsetting positions for capital purposes and therefore receive preferential capital treatment compared to those settled with non-central clearing house counterparties.
3 Includes $1,173 billion of over-the-counter derivatives that are transacted with clearing houses (October 31, 2016 – $894 billion) and $310 billion of over-the-counter derivatives that are transacted with non-clearing houses (October 31, 2016 – $340 billion) as at October 31, 2017. There were no exchange-traded derivatives both as at October 31, 2017 and October 31, 2016.

The following table discloses the notional principal amount of over-the-counter derivatives and exchange-traded derivatives based on their contractual terms to maturity.

Derivatives by Term to Maturity

(millions of Canadian dollars)					*As at*
				October 31 2017	October 31 2016
	Remaining term to maturity				
Notional Principal	**Within 1 year**	**Over 1 year to 5 years**	**Over 5 years**	**Total**	Total
Interest rate contracts					
Futures	**$ 360,820**	**$ 85,028**	**$ –**	**$ 445,848**	$ 438,709
Forward rate agreements	**493,160**	**35,785**	**–**	**528,945**	507,485
Swaps	**2,844,182**	**3,535,464**	**997,722**	**7,377,368**	6,063,466
Options written	**90,566**	**15,718**	**1,851**	**108,135**	57,724
Options purchased	**110,874**	**14,309**	**1,602**	**126,785**	87,787
Total interest rate contracts	**3,899,602**	**3,686,304**	**1,001,175**	**8,587,081**	7,155,171
Foreign exchange contracts					
Futures	**3**	**–**	**–**	**3**	7
Forward contracts	**1,431,623**	**50,181**	**3,148**	**1,484,952**	1,160,653
Swaps	**–**	**–**	**–**	**–**	–
Cross-currency interest rate swaps	**173,881**	**382,707**	**117,945**	**674,533**	645,783
Options written	**18,629**	**3,613**	**30**	**22,272**	32,097
Options purchased	**19,519**	**3,156**	**38**	**22,713**	32,683
Total foreign exchange contracts	**1,643,655**	**439,657**	**121,161**	**2,204,473**	1,871,223
Credit derivatives					
Credit default swaps – protection purchased	**1,888**	**3,536**	**6,803**	**12,227**	9,433
Credit default swaps – protection sold	**116**	**1,578**	**–**	**1,694**	858
Total credit derivative contracts	**2,004**	**5,114**	**6,803**	**13,921**	10,291
Other contracts					
Equity contracts	**92,567**	**49,804**	**33**	**142,404**	120,884
Commodity contracts	**39,609**	**7,577**	**612**	**47,798**	46,287
Total other contracts	**132,176**	**57,381**	**645**	**190,202**	167,171
Total	**$ 5,677,437**	**$ 4,188,456**	**$ 1,129,784**	**$ 10,995,677**	$ 9,203,856

DERIVATIVE-RELATED RISKS

Market Risk

Derivatives, in the absence of any compensating upfront cash payments, generally have no market value at inception. They obtain value, positive or negative, as relevant interest rates, foreign exchange rates, equity, commodity or credit prices or indices change, such that the previously contracted terms of the derivative transactions have become more or less favourable than what can be negotiated under current market conditions for contracts with the same terms and the same remaining period to expiry.

The potential for derivatives to increase or decrease in value as a result of the foregoing factors is generally referred to as market risk. This market risk is managed by senior officers responsible for the Bank's trading and non-trading businesses and is monitored independently by the Bank's Risk Management group.

Credit Risk

Credit risk on derivatives, also known as counterparty credit risk, is the risk of a financial loss occurring as a result of the failure of a counterparty to meet its obligation to the Bank. The Capital Markets Risk Management group is responsible for implementing and ensuring compliance with credit policies established by the Bank for the management of derivative credit exposures.

Derivative-related credit risks are subject to the same credit approval, limit and monitoring standards that are used for managing other transactions that create credit exposure. This includes evaluating the creditworthiness of counterparties, and managing the size, diversification and maturity structure of the portfolios. The Bank actively engages in risk mitigation strategies through the use of multi-product derivative master netting agreements, collateral and other risk mitigation techniques. Master netting agreements reduce risk to the Bank by allowing the Bank to close out and net transactions with counterparties subject to such agreements upon the occurrence of certain events. The effect of these master netting agreements is shown in the following table. Also shown in this table, is the current replacement cost, which is the positive fair value of all outstanding derivatives. The credit equivalent amount is the sum of the current replacement cost and the potential future exposure, which is calculated by applying factors supplied by OSFI to the notional principal amount of the derivatives. The risk-weighted amount is determined by applying standard measures of counterparty credit risk to the credit equivalent amount.

Credit Exposure of Derivatives

(millions of Canadian dollars) *As at*

	October 31, 2017			October 31, 2016		
	Current replacement cost	**Credit equivalent amount**	**Risk-weighted amount**	Current replacement cost	Credit equivalent amount	Risk-weighted amount
Interest rate contracts						
Forward rate agreements	**$ 22**	**$ 202**	**$ 86**	$ 132	$ 256	$ 64
Swaps	**13,516**	**17,710**	**6,493**	21,542	26,041	11,577
Options purchased	**370**	**433**	**167**	495	569	278
Total interest rate contracts	**13,908**	**18,345**	**6,746**	22,169	26,866	11,919
Foreign exchange contracts						
Forward contracts	**16,816**	**32,408**	**4,156**	17,756	32,874	5,652
Cross-currency interest rate swaps	**20,388**	**37,415**	**7,041**	23,382	40,645	9,315
Options purchased	**330**	**685**	**153**	542	954	198
Total foreign exchange contracts	**37,534**	**70,508**	**11,350**	41,680	74,473	15,165
Other contracts						
Credit derivatives	**5**	**360**	**148**	3	291	109
Equity contracts	**1,553**	**5,152**	**952**	1,285	4,963	1,087
Commodity contracts	**645**	**1,779**	**371**	777	1,925	516
Total other contracts	**2,203**	**7,291**	**1,471**	2,065	7,179	1,712
Total derivatives	**53,645**	**96,144**	**19,567**	65,914	108,518	28,796
Less: impact of master netting agreements	**36,522**	**54,970**	**13,606**	45,646	63,176	19,856
Total derivatives after netting	**17,123**	**41,174**	**5,961**	20,268	45,342	8,940
Less: impact of collateral	**6,889**	**7,672**	**1,141**	8,533	8,881	2,146
Net derivatives	**10,234**	**33,502**	**4,820**	11,735	36,461	6,794
Qualifying Central Counterparty (QCCP) Contracts	**1,566**	**16,322**	**1,864**	2,106	15,917	3,234
Total	**$ 11,800**	**$ 49,824**	**$ 6,684**	$ 13,841	$ 52,378	$ 10,028

Current Replacement Cost of Derivatives

(millions of Canadian dollars, except as noted) *As at*

	Canada[1]		United States[1]		Other international[1]		Total	
By sector	**October 31 2017**	October 31 2016	**October 31 2017**	October 31 2016	**October 31 2017**	October 31 2016	**October 31 2017**	October 31 2016
Financial	**$ 32,494**	$ 38,574	**$ 2,355**	$ 4,374	**$ 5,159**	$ 6,420	**$ 40,008**	$ 49,368
Government	**7,031**	9,198	**16**	80	**3,420**	2,193	**10,467**	11,471
Other	**1,811**	2,336	**433**	1,128	**926**	1,611	**3,170**	5,075
Current replacement cost	**$ 41,336**	$ 50,108	**$ 2,804**	$ 5,582	**$ 9,505**	$ 10,224	**$ 53,645**	$ 65,914
Less: impact of master netting agreements and collateral							**43,411**	54,179
Total current replacement cost							**$ 10,234**	$ 11,735

By location of risk[2]	**October 31 2017**	October 31 2016	**October 31 2017 % mix**	October 31 2016 % mix
Canada	**$ 3,749**	$ 4,913	**36.6 %**	41.9 %
United States	**3,312**	4,009	**32.4**	34.2
Other international				
United Kingdom	**712**	903	**7.0**	7.7
Europe – other	**1,671**	1,002	**16.3**	8.5
Other	**790**	908	**7.7**	7.7
Total Other international	**3,173**	2,813	**31.0**	23.9
Total current replacement cost	**$ 10,234**	$ 11,735	**100.0 %**	100.0 %

1 Based on geographic location of unit responsible for recording revenue.

2 After impact of master netting agreements and collateral.

Certain of the Bank's derivative contracts are governed by master derivative agreements having provisions that may permit the Bank's counterparties to require, upon the occurrence of a certain contingent event: (1) the posting of collateral or other acceptable remedy such as assignment of the affected contracts to an acceptable counterparty; or (2) settlement of outstanding derivative contracts. Most often, these contingent events are in the form of a downgrade of the senior debt rating of the Bank, either as counterparty or as guarantor of one of the Bank's subsidiaries. At October 31, 2017, the aggregate net liability position of those contracts would require: (1) the posting of collateral or other acceptable remedy totalling $193 million (October 31, 2016 – $233 million) in the event of a one-notch or two-notch downgrade in the Bank's senior debt rating; and (2) funding totalling $26 million (October 31, 2016 – nil) following the termination and settlement of outstanding derivative contracts in the event of a one-notch or two-notch downgrade in the Bank's senior debt rating.

Certain of the Bank's derivative contracts are governed by master derivative agreements having credit support provisions that permit the Bank's counterparties to call for collateral depending on the net mark-to-market exposure position of all derivative contracts governed by that master derivative agreement. Some of these agreements may permit the Bank's counterparties to require, upon the downgrade of the credit rating of the Bank, to post additional collateral. As at October 31, 2017, the fair value of all derivative instruments with credit risk related contingent features in a net liability position was $9 billion (October 31, 2016 – $15 billion). The Bank has posted $13 billion (October 31, 2016 – $18 billion) of collateral for this exposure in the normal course of business. As at October 31, 2017, the impact of a one-notch downgrade in the Bank's credit rating would require the Bank to post an additional $121 million (October 31, 2016 – $111 million) of collateral to that posted in the normal course of business. A two-notch down grade in the Bank's credit rating would require the Bank to post an additional $156 million (October 31, 2016 – $123 million) of collateral to that posted in the normal course of business.

NOTE 12: INVESTMENT IN ASSOCIATES AND JOINT VENTURES

INVESTMENT IN TD AMERITRADE HOLDING CORPORATION

The Bank has significant influence over TD Ameritrade Holding Corporation (TD Ameritrade) and accounts for its investment in TD Ameritrade using the equity method. The Bank's equity share in TD Ameritrade's earnings, excluding dividends, is reported on a one-month lag basis. The Bank takes into account changes in the subsequent period that would significantly affect the results.

In connection with TD Ameritrade's acquisition of Scottrade Financial Services, Inc. (Scottrade) on September 18, 2017, TD Ameritrade issued 38.8 million shares, of which the Bank purchased 11.1 million pursuant to its pre-emptive rights. The Bank purchased the shares at a price of US$36.12. As a result of the share issuance, the Bank's common stock ownership percentage in TD Ameritrade decreased and the Bank realized a dilution gain of $204 million recorded in Other Income on the Consolidated Statement of Income. Refer to Note 13 for a discussion on the acquisition of Scottrade Bank.

As at October 31, 2017, the Bank's reported investment in TD Ameritrade was 41.27% (October 31, 2016 – 42.38%) of the outstanding shares of TD Ameritrade with a fair value of $15 billion (US$12 billion) (October 31, 2016 – $10 billion (US$8 billion)) based on the closing price of US$49.99 (October 31, 2016 – US$34.21) on the New York Stock Exchange.

During the year ended October 31, 2017, TD Ameritrade repurchased nil shares (for the year ended October 31, 2016 – 12.0 million shares). Pursuant to the Stockholders Agreement in relation to the Bank's equity investment in TD Ameritrade, if stock repurchases by TD Ameritrade cause the Bank's ownership percentage to exceed 45%, the Bank is required to use reasonable efforts to sell or dispose of such excess stock, subject to the Bank's commercial judgment as to the optimal timing, amount, and method of sales with a view to maximizing proceeds from such sales. However, in the event that stock repurchases by TD Ameritrade cause the Bank's ownership percentage to exceed 45%, the Bank has no absolute obligation to reduce its ownership percentage to 45%. In addition, stock repurchases by TD Ameritrade cannot result in the Bank's ownership percentage exceeding 47%.

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

TD Ameritrade has no significant contingent liabilities to which the Bank is exposed. During the years ended October 31, 2017, and October 31, 2016, TD Ameritrade did not experience any significant restrictions to transfer funds in the form of cash dividends, or repayment of loans or advances.

The condensed financial statements of TD Ameritrade, based on its consolidated financial statements, are included in the following tables.

Condensed Consolidated Balance Sheets[1]

(millions of Canadian dollars)				*As at*
		September 30 2017		September 30 2016
Assets				
Receivables from brokers, dealers, and clearing organizations	**$**	**1,721**	$	1,596
Receivables from clients, net		**22,127**		16,014
Other assets, net		**25,985**		21,038
Total assets	**$**	**49,833**	$	38,648
Liabilities				
Payable to brokers, dealers, and clearing organizations	**$**	**3,230**	$	2,736
Payable to clients		**32,391**		25,555
Other liabilities		**4,862**		3,583
Total liabilities		**40,483**		31,874
Stockholders' equity[2]		**9,350**		6,774
Total liabilities and stockholders' equity	**$**	**49,833**	$	38,648

1 Customers' securities are reported on a settlement date basis whereas the Bank reports customers' securities on a trade date basis.
2 The difference between the carrying value of the Bank's investment in TD Ameritrade and the Bank's share of TD Ameritrade's stockholders' equity is comprised of goodwill, other intangibles, and the cumulative translation adjustment.

Condensed Consolidated Statements of Income

(millions of Canadian dollars, except as noted)			*For the years ended September 30*
	2017	2016	2015
Revenues			
Net interest revenue	**$ 903**	$ 789	$ 764
Fee-based and other revenue	**3,923**	3,623	3,227
Total revenues	**4,826**	4,412	3,991
Operating expenses			
Employee compensation and benefits	**1,260**	1,111	991
Other	**1,639**	1,553	1,370
Total operating expenses	**2,899**	2,664	2,361
Other expense (income)	**95**	70	45
Pre-tax income	**1,832**	1,678	1,585
Provision for income taxes	**686**	563	585
Net income[1]	**$ 1,146**	$ 1,115	$ 1,000
Earnings per share – basic (Canadian dollars)	**$ 2.17**	$ 2.10	$ 1.84
Earnings per share – diluted (Canadian dollars)	**2.16**	2.09	1.83

1 The Bank's equity share of net income of TD Ameritrade is based on the published consolidated financial statements of TD Ameritrade after converting into Canadian dollars. The Bank's equity share of net income of TD Ameritrade is also subject to adjustments relating to the amortization of certain intangibles, which are not included.

INVESTMENT IN IMMATERIAL ASSOCIATES OR JOINT VENTURES

Except for TD Ameritrade as disclosed above, no associate or joint venture was individually material to the Bank as of October 31, 2017, or October 31, 2016. The carrying amount of the Bank's investment in individually immaterial associates and joint ventures during the period was $3 billion (October 31, 2016 – $3 billion).

Individually immaterial associates and joint ventures consisted predominantly of investments in private funds or partnerships that make equity investments, provide debt financing or support community-based tax-advantaged investments. The investments in these entities generate a return primarily through the realization of U.S. federal and state income tax credits, including Low Income Housing Tax Credits, New Markets Tax Credits, and Historic Tax Credits.

NOTE 13: SIGNIFICANT ACQUISITIONS AND DISPOSALS

Acquisition of Scottrade Bank

On September 18, 2017, the Bank acquired 100% of the outstanding equity of Scottrade Bank, a federal savings bank wholly-owned by Scottrade, for cash consideration of approximately $1.6 billion (US$1.4 billion). Scottrade Bank merged with TD Bank, N.A. In connection with the acquisition, TD has agreed to accept sweep deposits from Scottrade clients, expanding the Bank's existing sweep deposit activities. The acquisition is consistent with the Bank's U.S. strategy.

The acquisition was accounted for as a business combination under the purchase method. Goodwill of $34 million reflects the excess of the consideration paid over the fair value of the identifiable net assets. Goodwill will be deductible for tax purposes. The results of the acquisition have been consolidated with the Bank's results and are reported in the U.S. Retail segment. Since the acquisition date, the contribution of Scottrade Bank to the Bank's revenue and net income was not significant nor would it have been significant if the acquisition had occurred as of November 1, 2016.

The following table presents the estimated fair values of the assets and liabilities acquired as of the date of acquisition. The valuation of assets acquired and liabilities assumed is subject to refinement and may be adjusted to reflect new information about facts and circumstances that existed at the acquisition date during the measurement period.

Fair Value of Identifiable Net Assets Acquired

(millions of Canadian dollars)	**Amount**
Assets acquired	
Cash and due from banks	**$ 750**
Securities	**14,474**
Loans	**5,284**
Other assets	**149**
	20,657
Less: Liabilities assumed	
Deposits	**18,992**
Other liabilities	**57**
Fair value of identifiable net assets acquired	**1,608**
Goodwill	**34**
Total purchase consideration	**$ 1,642**

Acquisition of Nordstrom Inc.'s U.S. Credit Card Portfolio

On October 1, 2015, the Bank, through its subsidiary, TD Bank USA, National Association (TD Bank USA, N.A.), acquired substantially all of Nordstrom Inc.'s (Nordstrom) existing U.S. Visa and private label consumer credit card portfolio, with a gross outstanding balance of $2.9 billion (US$2.2 billion). In addition, the Bank and Nordstrom entered into a long-term agreement under which the Bank became the exclusive U.S. issuer of Nordstrom-branded Visa and private label consumer credit cards to Nordstrom customers.

At the date of acquisition the Bank recorded the credit card receivables at their fair value of $2.9 billion. The transaction was treated as an asset acquisition and the pre-tax difference of $73 million on the date of acquisition of the transaction price over the fair value of assets acquired has been recorded in non-interest income. The gross amounts of revenue and credit losses have been recorded on the Consolidated Statement of Income in the U.S. Retail segment since that date. Nordstrom shares in a fixed percentage of the revenue and credit losses incurred. Nordstrom's share of revenue and credit losses is recorded in Non-interest expenses on the Consolidated Statement of Income and related receivables from, or payables to Nordstrom are recorded in Other assets or Other liabilities, respectively, on the Consolidated Balance Sheet.

NOTE 14: GOODWILL AND OTHER INTANGIBLES

The recoverable amount of the Bank's CGUs is determined from internally developed valuation models that consider various factors and assumptions such as forecasted earnings, growth rates, price-earnings multiples, discount rates and terminal multiples. Management is required to use judgment in estimating the recoverable amount of CGUs, and the use of different assumptions and estimates in the calculations could influence the determination of the existence of impairment and the valuation of goodwill. Management believes that the assumptions and estimates used are reasonable and supportable. Where possible, fair values generated internally are compared to relevant market information. The carrying amounts of the Bank's CGUs are determined by management using risk-based capital models to adjust net assets and liabilities by CGU. These models consider various factors including market risk, credit risk and operational risk, including investment capital (comprised of goodwill and other intangibles). Any capital not directly attributable to the CGUs is held within the Corporate segment. As at the date of the last impairment test, the amount of capital was approximately $14 billion and primarily related to treasury assets and excess capital managed within the Corporate segment. The Bank's capital oversight committees provide oversight to the Bank's capital allocation methodologies.

Key Assumptions

The recoverable amount of each CGU or group of CGUs has been determined based on its estimated value-in-use. In assessing value-in-use, estimated future cash flows based on the Bank's internal forecast are discounted using an appropriate pre-tax discount rate.

The following were the key assumptions applied in the goodwill impairment testing:

Discount Rate

The pre-tax discount rates used reflect current market assessments of the risks specific to each group of CGUs and are dependent on the risk profile and capital requirements of each group of CGUs.

Terminal Multiple

The earnings included in the goodwill impairment testing for each operating segment were based on the Bank's internal forecast, which projects expected cash flows over the next five years. The pre-tax terminal multiple for the period after the Bank's internal forecast was derived from observable terminal multiples of comparable financial institutions and ranged from 10 times to 14 times.

In considering the sensitivity of the key assumptions discussed above, management determined that a reasonable change in any of the above would not result in the recoverable amount of any of the groups of CGUs to be less than their carrying amount.

During fiscal 2016, the Bank recorded impairment losses of $98.9 million on goodwill, which is reflected in the Canadian Retail segment, and certain intangibles relating to a business that had been experiencing continued losses. The impairment losses on intangibles are reported in the Corporate segment as other non-interest expenses.

Goodwill by Segment

(millions of Canadian dollars)	Canadian Retail	U.S. Retail[1]	Wholesale Banking	Total
Carrying amount of goodwill as at November 1, 2015	$ 2,369	$ 13,818	$ 150	$ 16,337
Impairment losses[2]	(52)	–	–	(52)
Foreign currency translation adjustments and other	20	357	–	377
Carrying amount of goodwill as at October 31, 2016	2,337	14,175	150	16,662
Impairment losses[2]	**–**	**–**	**–**	**–**
Additions	**–**	**34**	**10**	**44**
Foreign currency translation adjustments and other	**(34)**	**(516)**	**–**	**(550)**
Carrying amount of goodwill as at October 31, 2017	**$ 2,303**	**$ 13,693**	**$ 160**	**$ 16,156**
Pre-tax discount rates				
2016	9.1–10.7 %	9.9–10.5 %	12.4 %	
2017	**9.1–10.7**	**10.1–10.5**	**12.2**	

1 Goodwill predominantly relates to U.S. personal and commercial banking.
2 Accumulated impairment as at October 31, 2017, was nil (October 31, 2016 – $52 million).

OTHER INTANGIBLES

The following table presents details of other intangibles as at October 31.

Other Intangibles

(millions of Canadian dollars)	Core deposit intangibles	Credit card related intangibles	Internally generated software	Other software	Other intangibles	Total
Cost						
As at November 1, 2015	$ 2,557	$ 758	$ 1,938	$ 301	$ 660	$ 6,214
Additions	–	–	598	64	9	671
Disposals	–	–	(42)	(7)	–	(49)
Fully amortized intangibles	–	–	(226)	(3)	–	(229)
Foreign currency translation adjustments and other	66	4	(2)	32	6	106
As at October 31, 2016	2,623	762	2,266	387	675	6,713
Additions	**–**	**–**	**576**	**82**	**74**	**732**
Disposals	**–**	**–**	**(93)**	**(16)**	**(58)**	**(167)**
Fully amortized intangibles	**–**	**–**	**(171)**	**(142)**	**(110)**	**(423)**
Foreign currency translation adjustments and other	**(100)**	**(6)**	**(29)**	**(3)**	**(16)**	**(154)**
As at October 31, 2017	**$ 2,523**	**$ 756**	**$ 2,549**	**$ 308**	**$ 565**	**$ 6,701**
Amortization and impairment						
As at November 1, 2015	$ 2,024	$ 270	$ 683	$ 187	$ 379	$ 3,543
Disposals	–	–	(37)	(6)	–	(43)
Impairment losses	–	–	36	3	22	61
Amortization charge for the year	147	85	333	82	44	691
Fully amortized intangibles	–	–	(226)	(3)	–	(229)
Foreign currency translation adjustments and other	54	1	(3)	(2)	1	51
As at October 31, 2016	2,225	356	786	261	446	4,074
Disposals	**–**	**–**	**(91)**	**(16)**	**(58)**	**(165)**
Impairment losses	**–**	**–**	**1**	**–**	**–**	**1**
Amortization charge for the year	**121**	**90**	**368**	**80**	**44**	**703**
Fully amortized intangibles	**–**	**–**	**(171)**	**(142)**	**(110)**	**(423)**
Foreign currency translation adjustments and other	**(86)**	**(4)**	**(5)**	**(3)**	**(9)**	**(107)**
As at October 31, 2017	**$ 2,260**	**$ 442**	**$ 888**	**$ 180**	**$ 313**	**$ 4,083**
Net Book Value:						
As at October 31, 2016	$ 398	$ 406	$ 1,480	$ 126	$ 229	$ 2,639
As at October 31, 2017	**263**	**314**	**1,661**	**128**	**252**	**2,618**

NOTE 15: LAND, BUILDINGS, EQUIPMENT, AND OTHER DEPRECIABLE ASSETS

The following table presents details of the Bank's land, buildings, equipment, and other depreciable assets as at October 31.

Land, Buildings, Equipment, and Other Depreciable Assets

(millions of Canadian dollars)	Land	Buildings	Computer equipment	Furniture, fixtures, and other depreciable assets	Leasehold improvements	Total
Cost						
As at November 1, 2015	$ 1,018	$ 3,256	$ 790	$ 1,443	$ 1,754	$ 8,261
Additions	–	175	265	163	143	746
Disposals	–	(72)	(4)	(34)	(27)	(137)
Fully depreciated assets	–	(68)	(195)	(241)	(47)	(551)
Foreign currency translation adjustments and other	(6)	58	3	(11)	35	79
As at October 31, 2016	1,012	3,349	859	1,320	1,858	8,398
Additions	**–**	**168**	**153**	**145**	**114**	**580**
Disposals	**(2)**	**(19)**	**(21)**	**(30)**	**(31)**	**(103)**
Fully depreciated assets	**–**	**(73)**	**(122)**	**(101)**	**(48)**	**(344)**
Foreign currency translation adjustments and other	**(41)**	**(110)**	**(16)**	**(49)**	**(9)**	**(225)**
As at October 31, 2017	**$ 969**	**$ 3,315**	**$ 853**	**$ 1,285**	**$ 1,884**	**$ 8,306**
Accumulated depreciation and impairment/losses						
As at November 1, 2015	$ –	$ 1,135	$ 419	$ 681	$ 712	$ 2,947
Depreciation charge for the year	–	148	172	154	147	621
Disposals	–	(42)	(4)	(32)	(27)	(105)
Impairment losses	–	–	2	–	6	8
Fully depreciated assets	–	(68)	(195)	(241)	(47)	(551)
Foreign currency translation adjustments and other	–	(26)	12	4	6	(4)
As at October 31, 2016	–	1,147	406	566	797	2,916
Depreciation charge for the year	**–**	**132**	**175**	**142**	**154**	**603**
Disposals	**–**	**(15)**	**(22)**	**(29)**	**(30)**	**(96)**
Impairment losses	**–**	**–**	**–**	**–**	**–**	**–**
Fully depreciated assets	**–**	**(73)**	**(122)**	**(101)**	**(48)**	**(344)**
Foreign currency translation adjustments and other	**–**	**(40)**	**(4)**	**(26)**	**(16)**	**(86)**
As at October 31, 2017	**$ –**	**$ 1,151**	**$ 433**	**$ 552**	**$ 857**	**$ 2,993**
Net Book Value:						
As at October 31, 2016	$ 1,012	$ 2,202	$ 453	$ 754	$ 1,061	$ 5,482
As at October 31, 2017	**969**	**2,164**	**420**	**733**	**1,027**	**5,313**

NOTE 16: OTHER ASSETS

Other Assets

(millions of Canadian dollars)		*As at*
	October 31 2017	October 31 2016
Accounts receivable and other items	**$ 7,932**	$ 8,092
Accrued interest	**1,945**	1,634
Current income tax receivable	**832**	389
Defined benefit asset	**13**	11
Insurance-related assets, excluding investments	**1,536**	1,758
Prepaid expenses	**1,006**	906
Total	**$ 13,264**	$ 12,790

NOTE 17: DEPOSITS

Demand deposits are those for which the Bank does not have the right to require notice prior to withdrawal. These deposits are in general chequing accounts.

Notice deposits are those for which the Bank can legally require notice prior to withdrawal. These deposits are in general savings accounts.

Term deposits are those payable on a fixed date of maturity purchased by customers to earn interest over a fixed period. The terms are from one day to ten years. Accrued interest on deposits, calculated using the EIRM, is included in Other liabilities on the Consolidated Balance Sheet. The deposits are generally term deposits, guaranteed investment certificates, senior debt, and similar instruments. The aggregate amount of term deposits in denominations of $100,000 or more as at October 31, 2017, was $258 billion (October 31, 2016 – $231 billion).

Certain deposit liabilities are classified as Trading deposits on the Consolidated Balance Sheet and accounted for at fair value with the change in fair value recognized on the Consolidated Statement of Income.

Deposits

(millions of Canadian dollars)								*As at*
			By Type			By Country	October 31 2017	October 31 2016
	Demand	Notice	Term	Canada	United States	International	Total	Total
Personal	$ 13,664	$ 403,984	$ 50,507	$ 213,890	$ 254,160	$ 105	$ 468,155	$ 439,232
Banks[1]	7,223	48	18,616	11,576	5,168	9,143	25,887	17,201
Business and government[2]	76,066	119,774	142,942	237,706	93,023	8,053	338,782	317,227
Designated at fair value through profit or loss[3]	–	–	–	–	–	–	–	176
Trading[1]	–	–	79,940	19,770	43,707	16,463	79,940	79,786
Total	$ 96,953	$ 523,806	$ 292,005	$ 482,942	$ 396,058	$ 33,764	$ 912,764	$ 853,622
Non-interest-bearing deposits included above								
In domestic offices							$ 39,547	$ 35,401
In foreign offices							52,915	53,089
Interest-bearing deposits included above								
In domestic offices							443,395	409,657
In foreign offices							371,728	355,456
U.S. federal funds deposited[1]							5,179	19
Total[2,4]							$ 912,764	$ 853,622

1 Includes deposits and advances with the Federal Home Loan Bank.
2 As at October 31, 2017, includes $29 billion in Deposits on the Consolidated Balance Sheet relating to covered bondholders (October 31, 2016 – $29 billion) and $2 billion (October 31, 2016 – $2 billion) due to TD Capital Trust IV.
3 Included in Other financial liabilities designated at fair value through profit or loss on the Consolidated Balance Sheet.
4 As at October 31, 2017, includes deposits of $522 billion (October 31, 2016 – $474 billion) denominated in U.S. dollars and $44 billion (October 31, 2016 – $48 billion) denominated in other foreign currencies.

Term Deposits by Remaining Term to Maturity

(millions of Canadian dollars)								*As at*
							October 31 2017	October 31 2016
	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total	Total
Personal	$ 30,793	$ 9,487	$ 5,094	$ 2,585	$ 2,483	$ 65	$ 50,507	$ 50,180
Banks	18,602	3	–	–	–	11	18,616	9,133
Business and government	69,139	15,783	16,354	15,025	12,086	14,555	142,942	127,582
Designated at fair value through profit or loss[1]	–	–	–	–	–	–	–	176
Trading	76,266	1,494	289	546	634	711	79,940	79,786
Total	$ 194,800	$ 26,767	$ 21,737	$ 18,156	$ 15,203	$ 15,342	$ 292,005	$ 266,857

1 Included in Other financial liabilities designated at fair value through profit or loss on the Consolidated Balance Sheet.

Term Deposits due within a Year

(millions of Canadian dollars)					*As at*
				October 31 2017	October 31 2016
	Within 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Total	Total
Personal	$ 11,010	$ 6,424	$ 13,359	$ 30,793	$ 28,897
Banks	17,141	1,354	107	18,602	9,115
Business and government	42,767	15,492	10,880	69,139	48,211
Designated at fair value through profit or loss[1]	–	–	–	–	176
Trading	31,183	25,071	20,012	76,266	76,677
Total	$ 102,101	$ 48,341	$ 44,358	$ 194,800	$ 163,076

1 Included in Other financial liabilities designated at fair value through profit or loss on the Consolidated Balance Sheet.

NOTE 18: OTHER LIABILITIES

Other Liabilities

(millions of Canadian dollars)		*As at*
	October 31 2017	October 31 2016
Accounts payable, accrued expenses, and other items	**$ 4,492**	$ 4,401
Accrued interest	**988**	960
Accrued salaries and employee benefits	**3,348**	2,829
Cheques and other items in transit	**2,060**	1,598
Current income tax payable	**82**	58
Deferred tax liabilities	**178**	345
Defined benefit liability	**2,463**	3,011
Liabilities related to structured entities	**5,835**	5,469
Provisions	**1,016**	1,025
Total	**$ 20,462**	$ 19,696

NOTE 19: SUBORDINATED NOTES AND DEBENTURES

Subordinated notes and debentures are direct unsecured obligations of the Bank or its subsidiaries and are subordinated in right of payment to the claims of depositors and certain other creditors. Redemptions, cancellations, exchanges, and modifications of subordinated debentures qualifying as regulatory capital are subject to the consent and approval of OSFI.

Subordinated Notes and Debentures

(millions of Canadian dollars, except as noted)

Maturity date	**Interest rate (%)**	**Reset spread (%)**	**Earliest par redemption date**	**October 31 2017**	October 31 2016 *(As at)*
September 20, 2022	4.644[1]	1.000[1]	September 20, 2017[2]	**$ –**	$ 260
July 9, 2023	5.828[1]	2.550[1]	July 9, 2018	**650**	650
May 26, 2025	9.150	n/a[3]	–	**199**	200
June 24, 2025[4]	2.692[1]	1.210[1]	June 24, 2020	**1,492**	1,517
September 30, 2025[4]	2.982[1]	1.830[1]	September 30, 2020	**987**	1,004
July 25, 2029[4]	3.224[1]	1.250[1]	July 25, 2024[5]	**1,460**	–
March 4, 2031[4]	4.859[1]	3.490[1]	March 4, 2026	**1,164**	1,242
September 15, 2031[4]	3.625[6]	2.205[6]	September 15, 2026	**1,776**	1,968
December 14, 2105	4.779[7]	1.740[7]	December 14, 2016[8]	**–**	2,250
December 18, 2106	5.763[7]	1.990[7]	December 18, 2017[9]	**1,800**	1,800
Total				**$ 9,528**	$ 10,891

1 Interest rate is for the period to but excluding the earliest par redemption date, and thereafter, it will be reset at a rate of 3-month Bankers' Acceptance rate plus the reset spread noted.
2 On September 20, 2017 (the "Redemption Date"), TD Bank, N.A., an indirect subsidiary of the Bank, redeemed all of its outstanding $270 million 4.644% fixed rate/floating rate subordinated notes due September 20, 2022, at a redemption price of 100% of the principal amount, together with any accrued and unpaid interest thereon up to the Redemption Date.
3 Not applicable.
4 Non-viability contingent capital (NVCC). The subordinated notes and debentures qualify as regulatory capital under OSFI's Capital Adequacy Requirements (CAR) guideline. If a NVCC conversion were to occur in accordance with the NVCC Provisions, the maximum number of common shares that could be issued based on the formula for conversion set out in the respective prospectus supplements, assuming there are no declared and unpaid interest on the respective subordinated notes, as applicable, would be 450 million for the 2.692% subordinated debentures due June 24, 2025, 300 million for the 2.982% subordinated debentures due September 30, 2025, 450 million for the 3.224% subordinated debentures due July 25, 2029, 375 million for the 4.859% subordinated debentures due March 4, 2031 and assuming a Canadian to U.S. dollar exchange rate of 1.00, 450 million for the 3.625% subordinated debentures due September 15, 2031.
5 On July 25, 2017, the Bank issued $1.5 billion of NVCC medium term notes constituting subordinated indebtedness of the Bank (the "Notes"). The Notes will bear interest at a fixed rate of 3.224% per annum (paid semi-annually) until July 25, 2024, and at the three-month Bankers' Acceptance rate plus 1.25% thereafter (paid quarterly) until maturity on July 25, 2029. With the prior approval of OSFI, the Bank may, at its option, redeem the Notes on or after July 25, 2024, in whole or in part, at par plus accrued and unpaid interest. Not more than 60 nor less than 30 days' notice is required to be given to the Notes' holders for such redemptions.
6 Interest rate is for the period to but excluding the earliest par redemption date, and thereafter, it will be reset at a rate of 5-year Mid-Swap Rate plus the reset spread noted.
7 Interest rate is for the period to but excluding the earliest par redemption date, and thereafter, it will be reset every 5 years at a rate of 5-year Government of Canada yield plus the reset spread noted.
8 On December 14, 2016, the Bank redeemed all of its outstanding $2.25 billion 4.779% subordinated debentures due December 14, 2105, at a redemption price of 100% of the principal amount.
9 Subsequent to year end, on November 7, 2017, the Bank announced its intention to exercise its right to redeem on December 18, 2017, all of its outstanding $1.8 billion 5.763% subordinated debentures due December 18, 2106, at a redemption price of 100% of the principal amount.

REPAYMENT SCHEDULE

The aggregate remaining maturities of the Bank's subordinated notes and debentures are as follows:

Maturities

(millions of Canadian dollars)		*As at*
	October 31 2017	October 31 2016
Within 1 year	**$ –**	$ 2,250
Over 1 year to 3 years	**–**	–
Over 3 years to 4 years	**–**	–
Over 4 years to 5 years	**–**	–
Over 5 years	**9,528**	8,641
Total	**$ 9,528**	$ 10,891

NOTE 20: CAPITAL TRUST SECURITIES

The Bank issued innovative capital securities through two structured entities: TD Capital Trust III (Trust III) and TD Capital Trust IV (Trust IV).

TD CAPITAL TRUST III SECURITIES – SERIES 2008

On September 17, 2008, Trust III, a closed-end trust, issued TD Capital Trust III Securities – Series 2008 (TD CaTS III). The proceeds from the issuance were invested in trust assets purchased from the Bank. Each TD CaTS III may be automatically exchanged, without the consent of the holders, into 40 non-cumulative Class A First Preferred Shares, Series A9 of the Bank on the occurrence of certain events. TD CaTS III are reported on the Consolidated Balance Sheet as Non-controlling interests in subsidiaries because the Bank consolidates Trust III.

TD CAPITAL TRUST IV NOTES – SERIES 1 TO 3

On January 26, 2009, Trust IV issued TD Capital Trust IV Notes – Series 1 due June 30, 2108 (TD CaTS IV − 1) and TD Capital Trust IV Notes – Series 2 due June 30, 2108 (TD CaTS IV − 2) and on September 15, 2009, issued TD Capital Trust IV Notes – Series 3 due June 30, 2108 (TD CaTS IV − 3, and collectively TD CaTS IV Notes). The proceeds from the issuances were invested in bank deposit notes. Each TD CaTS IV − 1 and TD CaTS IV − 2 may be automatically exchanged into non-cumulative Class A First Preferred Shares, Series A10 of the Bank and each TD CaTS IV − 3 may be automatically exchanged into non-cumulative Class A First Preferred Shares, Series A11 of the Bank, in each case, without the consent of the holders, on the occurrence of certain events. On each interest payment date in respect of which certain events have occurred, holders of TD CaTS IV Notes will be required to invest interest paid on such TD CaTS IV Notes in a new series of non-cumulative Class A First Preferred Shares of the Bank. The Bank does not consolidate Trust IV because it does not absorb significant returns of Trust IV as it is ultimately exposed only to its own credit risk. Therefore, TD CaTS IV Notes are not reported on the Bank's Consolidated Balance Sheet but the deposit notes issued to Trust IV are reported in Deposits on the Consolidated Balance Sheet. Refer to Notes 10 and 17 for further details.

TD announced on February 7, 2011, that, based on OSFI's February 4, 2011 Advisory which outlined OSFI's expectations regarding the use of redemption rights triggered by regulatory event clauses in non-qualifying capital instruments, it expects to exercise a regulatory event redemption right only in 2022 in respect of the TD Capital Trust IV Notes – Series 2 outstanding at that time. As of October 31, 2017, there was $450 million (October 31, 2016 – $450 million) in principal amount of TD Capital Trust IV Notes – Series 2 issued and outstanding.

Capital Trust Securities

(millions of Canadian dollars, except as noted)						*As at*
				Redemption date		
	Thousands of units	**Distribution/Interest payment dates**	**Annual yield**	**At the option of the issuer**	**October 31 2017**	October 31 2016
Included in Non-controlling interests in subsidiaries on the Consolidated Balance Sheet						
TD Capital Trust III Securities – Series 2008	1,000	June 30, Dec. 31	7.243%[1]	Dec. 31, 2013[2]	**$ 983**	$ 989
TD CaTS IV Notes issued by Trust IV						
TD Capital Trust IV Notes – Series 1	550	June 30, Dec. 31	9.523%[3]	June 30, 2014[4]	**550**	550
TD Capital Trust IV Notes – Series 2	450	June 30, Dec. 31	10.000%[5]	June 30, 2014[4]	**450**	450
TD Capital Trust IV Notes – Series 3	750	June 30, Dec. 31	6.631%[6]	Dec. 31, 2014[4]	**750**	750
	1,750				**$ 1,750**	$ 1,750

1 From and including September 17, 2008, to but excluding December 31, 2018, and thereafter at a rate of one half of the sum of 6-month Bankers' Acceptance rate plus 4.30%.
2 On the redemption date and on any distribution date thereafter, Trust III may, with regulatory approval, redeem TD CaTS III in whole, without the consent of the holders.
3 From and including January 26, 2009, to but excluding June 30, 2019. Starting on June 30, 2019, and on every fifth anniversary thereafter, the interest rate will reset to equal the then 5-year Government of Canada yield plus 10.125%.
4 On or after the redemption date, Trust IV may, with regulatory approval, redeem the TD CaTS IV – 1, TD CaTS IV – 2 or TD CaTS IV – 3, respectively, in whole or in part, without the consent of the holders. Due to the phase-out of non-qualifying instruments under OSFI's CAR guideline, the Bank expects to exercise a regulatory event redemption right in 2022 in respect of the TD CaTS IV – 2 outstanding at that time.
5 From and including January 26, 2009, to but excluding June 30, 2039. Starting on June 30, 2039, and on every fifth anniversary thereafter, the interest rate will reset to equal the then 5-year Government of Canada yield plus 9.735%.
6 From and including September 15, 2009, to but excluding June 30, 2021. Starting on June 30, 2021, and on every fifth anniversary thereafter, the interest rate will reset to equal the then 5-year Government of Canada yield plus 4.0%.

NOTE 21: EQUITY

COMMON SHARES

The Bank is authorized by its shareholders to issue an unlimited number of common shares, without par value, for unlimited consideration. The common shares are not redeemable or convertible. Dividends are typically declared by the Board of Directors of the Bank on a quarterly basis and the amount may vary from quarter to quarter.

PREFERRED SHARES

The Bank is authorized by its shareholders to issue, in one or more series, an unlimited number of Class A First Preferred Shares, without nominal or par value. Non-cumulative preferential dividends are payable quarterly, as and when declared by the Board of Directors of the Bank. Preferred shares issued after January 1, 2013, include NVCC Provisions, necessary for the preferred shares to qualify as regulatory capital under OSFI's CAR guideline. NVCC Provisions require the conversion of the preferred shares into a variable number of common shares of the Bank if OSFI determines that the Bank is, or is about to become, non-viable and that after conversion of all non-common capital instruments, the viability of the Bank is expected to be restored, or if the Bank has accepted or agreed to accept a capital injection or equivalent support from a federal or provincial government without which the Bank would have been determined by OSFI to be non-viable.

The following table summarizes the shares issued and outstanding and treasury shares held as at October 31.

Common and Preferred Shares Issued and Outstanding and Treasury Shares Held

(millions of shares and millions of Canadian dollars)	October 31, 2017 Number of shares	October 31, 2017 Amount	October 31, 2016 Number of shares	October 31, 2016 Amount
Common Shares				
Balance as at beginning of year	**1,857.6**	**$ 20,711**	1,856.2	$ 20,294
Proceeds from shares issued on exercise of stock options	**3.0**	**148**	4.9	186
Shares issued as a result of dividend reinvestment plan	**4.9**	**329**	6.0	335
Purchase of shares for cancellation	**(23.0)**	**(257)**	(9.5)	(104)
Balance as at end of year – common shares	**1,842.5**	**$ 20,931**	1,857.6	$ 20,711
Preferred Shares – Class A				
Series S	**5.4**	**$ 135**	5.4	$ 135
Series T	**4.6**	**115**	4.6	115
Series Y	**5.5**	**137**	5.5	137
Series Z	**4.5**	**113**	4.5	113
Series 1[1]	**20.0**	**500**	20.0	500
Series 3[1]	**20.0**	**500**	20.0	500
Series 5[1]	**20.0**	**500**	20.0	500
Series 7[1]	**14.0**	**350**	14.0	350
Series 9[1]	**8.0**	**200**	8.0	200
Series 11[1]	**6.0**	**150**	6.0	150
Series 12[1]	**28.0**	**700**	28.0	700
Series 14[1]	**40.0**	**1,000**	40.0	1,000
Series 16[1]	**14.0**	**350**	–	–
Balance as at end of year – preferred shares	**190.0**	**$ 4,750**	176.0	$ 4,400
Treasury shares – common[2]				
Balance as at beginning of year	**0.4**	**$ (31)**	1.1	$ (49)
Purchase of shares	**148.3**	**(9,654)**	104.9	(5,769)
Sale of shares	**(145.8)**	**9,509**	(105.6)	5,787
Balance as at end of year – treasury shares – common	**2.9**	**$ (176)**	0.4	$ (31)
Treasury shares – preferred[2]				
Balance as at beginning of year	**0.2**	**$ (5)**	0.1	$ (3)
Purchase of shares	**7.3**	**(175)**	5.1	(115)
Sale of shares	**(7.2)**	**173**	(5.0)	113
Balance as at end of year – treasury shares – preferred	**0.3**	**$ (7)**	0.2	$ (5)

1 NVCC Series 1, 3, 5, 7, 9, 11, 12, 14, and 16 Preferred Shares qualify as regulatory capital under OSFI's CAR guideline. If a NVCC conversion were to occur in accordance with the NVCC Provisions, the maximum number of common shares that could be issued based on the formula for conversion set out in the respective terms and conditions applicable to each Series of shares, assuming there are no declared and unpaid dividends on the respective Series of shares at the time of conversion, as applicable, would be 100 million, 100 million, 100 million, 70 million, 40 million, 30 million, 140 million, 200 million, and 70 million, respectively.

2 When the Bank purchases its own shares as part of its trading business, they are classified as treasury shares and the cost of these shares is recorded as a reduction in equity.

Preferred Shares Terms and Conditions

	Issue date	Annual yield (%)[1]	Reset spread (%)[1]	Next redemption/ conversion date[1]	Convertible into[1]
Fixed Rate Preferred Shares					
Series 11[2]	July 21, 2015	4.9	n/a	October 31, 2020[3]	n/a
Rate Reset Preferred Shares[4]					
Series S	June 11, 2008	3.371	1.60	July 31, 2018	Series T
Series Y	July 16, 2008	3.5595	1.68	October 31, 2018	Series Z
Series 1[2]	June 4, 2014	3.9	2.24	October 31, 2019	Series 2
Series 3[2]	July 31, 2014	3.8	2.27	July 31, 2019	Series 4
Series 5[2]	December 16, 2014	3.75	2.25	January 31, 2020	Series 6
Series 7[2]	March 10, 2015	3.6	2.79	July 31, 2020	Series 8
Series 9[2]	April 24, 2015	3.7	2.87	October 31, 2020	Series 10
Series 12[2]	January 14, 2016	5.5	4.66	April 30, 2021	Series 13
Series 14[2]	September 8, 2016	4.85	4.12	October 31, 2021	Series 15
Series 16[2]	July 14, 2017	4.50	3.01	October 31, 2022	Series 17
Floating Rate Preferred Shares[4,5]					
Series T	July 31, 2013	n/a	1.60	July 31, 2018	Series S
Series Z	October 31, 2013	n/a	1.68	October 31, 2018	Series Y

1 Non-cumulative preferred dividends for each Series are payable quarterly, as and when declared by the Board of Directors. The dividend rate of the Rate Reset Preferred Shares will reset on the next redemption/conversion date and every five years thereafter to equal the then five-year Government of Canada bond yield plus the reset spread noted. Rate Reset Preferred Shares are convertible to the corresponding Series of Floating Rate Preferred Shares, and vice versa. If converted into a Series of Floating Rate Preferred Shares, the dividend rate for the quarterly period will be equal to the then 90-day Government of Canada Treasury bill yield plus the reset spread noted.

2 Non-viability contingent capital.

3 Subject to regulatory consent, redeemable on or after October 31, 2020, at a redemption price of $26.00, and thereafter, at a declining redemption price.

4 Subject to regulatory consent, redeemable on the redemption date noted and every five years thereafter, at $25 per share. Convertible on the conversion date noted and every five years thereafter if not redeemed. If converted, the holders have the option to convert back to the original Series of preferred shares every five years.

5 Subject to a redemption price of $25.50 per share if redeemed prior to July 31, 2018, for Series T and October 31, 2018, for Series Z.

NORMAL COURSE ISSUER BID

On September 18, 2017, the Bank announced that the Toronto Stock Exchange (TSX) and OSFI approved the Bank's amended normal course issuer bid (NCIB) to repurchase for cancellation up to an additional 20 million of the Bank's common shares. On October 4, 2017, in connection with its amended NCIB, the Bank announced its intention to purchase for cancellation up to 7.98 million of its common shares pursuant to specific share repurchase programs. During the quarter ended October 31, 2017, the Bank completed the purchase of common shares pursuant to the specific share repurchase programs, which shares were purchased at a discount to the prevailing market price of the Bank's common shares on the TSX at the time of purchase. During the three months ended October 31, 2017, the Bank repurchased 7.98 million common shares under its amended NCIB at an average price of $64.80 per share for a total amount of $517 million.

On March 16, 2017, the Bank announced that the TSX and OSFI approved the Bank's previously announced NCIB to repurchase for cancellation up to 15 million of the Bank's common shares. On March 28, 2017, in connection with its NCIB, the Bank announced its intention to purchase for cancellation up to 14.5 million of its common shares pursuant to a specific share repurchase program. During the quarter ended April 30, 2017, the Bank completed the purchase of common shares pursuant to the specific share repurchase program, which shares were purchased at a discount to the prevailing market price of the Bank's common shares on the TSX at the time of purchase. During the three months ended April 30, 2017, the Bank repurchased 15 million common shares under its NCIB at an average price of $58.65 per share for a total amount of $880 million.

On December 9, 2015, the Bank announced that the TSX and OSFI approved the Bank's previously announced NCIB to repurchase for cancellation up to 9.5 million of the Bank's common shares. On January 11, 2016, in connection with its NCIB, the Bank announced its intention to purchase for cancellation up to 3 million of its common shares pursuant to private agreements between the Bank and an arm's length third party seller. During the quarter ended January 31, 2016, the Bank completed the purchase of common shares by way of private agreements, which shares were purchased at a discount to the prevailing market price of the Bank's common shares on the TSX at the time of purchase. During the three months ended January 31, 2016, the Bank repurchased 9.5 million common shares under its NCIB at an average price of $51.23 per share for a total amount of $487 million.

DIVIDEND REINVESTMENT PLAN

The Bank offers a dividend reinvestment plan for its common shareholders. Participation in the plan is optional and under the terms of the plan, cash dividends on common shares are used to purchase additional common shares. At the option of the Bank, the common shares may be issued from the Bank's treasury at an average market price based on the last five trading days before the date of the dividend payment, with a discount of between 0% to 5% at the Bank's discretion, or from the open market at market price. During the year, 4.9 million common shares at a discount of 0% were issued from the Bank's treasury (2016 – 6.0 million common shares at a discount of 0%) under the dividend reinvestment plan.

DIVIDEND RESTRICTIONS

The Bank is prohibited by the *Bank Act* from declaring dividends on its preferred or common shares if there are reasonable grounds for believing that the Bank is, or the payment would cause the Bank to be, in contravention of the capital adequacy and liquidity regulations of the *Bank Act* or directions of OSFI. The Bank does not anticipate that this condition will restrict it from paying dividends in the normal course of business.

The Bank is also restricted from paying dividends in the event that either Trust III or Trust IV fails to pay semi-annual distributions or interest in full to holders of their respective trust securities, TD CaTS III and TD CaTS IV Notes. In addition, the ability to pay dividends on common shares without the approval of the holders of the outstanding preferred shares is restricted unless all dividends on the preferred shares have been declared and paid or set apart for payment. Currently, these limitations do not restrict the payment of dividends on common shares or preferred shares.

NON-CONTROLLING INTERESTS IN SUBSIDIARIES
The following are included in non-controlling interests in subsidiaries of the Bank.

(millions of Canadian dollars)		*As at*
	October 31 2017	October 31 2016
REIT preferred shares, Series A[1]	**$ –**	$ 661
TD Capital Trust III Securities – Series 2008[2]	**983**	989
Total	**$ 983**	$ 1,650

1 On October 15, 2017, Northgroup Preferred Capital Corporation, a subsidiary of TD Bank, N.A., redeemed all of its 500,000 outstanding fixed-to-floating rate exchangeable non-cumulative perpetual preferred stock, Series A ("REIT Preferred Shares") at the cash redemption price of US$1,000 per REIT Preferred Share, for total redemption proceeds of US$500 million.
2 Refer to Note 20 for a description of the TD Capital Trust III securities.

NOTE 22: INSURANCE

INSURANCE REVENUE AND EXPENSES
Insurance revenue and expenses are presented on the Consolidated Statement of Income under insurance revenue and insurance claims and related expenses, respectively, net of impact of reinsurance.

Insurance Revenue and Insurance Claims and Related Expenses

(millions of Canadian dollars)			*For the years ended October 31*
	2017	2016	2015
Insurance Revenue			
Earned Premiums			
Gross	**$ 4,132**	$ 4,226	$ 4,186
Reinsurance ceded	**915**	933	891
Net earned premiums	**3,217**	3,293	3,295
Fee income and other revenue[1]	**543**	503	463
Insurance Revenue	**3,760**	3,796	3,758
Insurance Claims and Related Expenses			
Gross	**2,381**	3,086	2,734
Reinsurance ceded	**135**	624	234
Insurance Claims and Related Expenses	**$ 2,246**	$ 2,462	$ 2,500

1 Ceding commissions received and paid are included within fee income and other revenue. Ceding commissions paid and netted against fee income in 2017 were $127 million (2016 – $142 million; 2015 – $177 million).

RECONCILIATION OF CHANGES IN LIABILITIES FOR PROPERTY AND CASUALTY INSURANCE
For property and casualty insurance, the recognized liabilities are comprised of provision for unpaid claims (section (a) below), unearned premiums (section (b) below) and other liabilities (section (c) below).

(a) Movement in Provision for Unpaid Claims
The following table presents movements in the property and casualty insurance provision for unpaid claims during the year.

Movement in Provision for Unpaid Claims

(millions of Canadian dollars)		**October 31, 2017**				October 31, 2016
	Gross	**Reinsurance/ Other recoverable**	**Net**	Gross	Reinsurance/ Other recoverable	Net
Balance as at beginning of year	**$ 5,214**	**$ 388**	**$ 4,826**	$ 4,757	$ 138	$ 4,619
Claims costs for current accident year	**2,425**	**–**	**2,425**	2,804	366	2,438
Prior accident years claims development (favourable) unfavourable	**(370)**	**(52)**	**(318)**	(264)	(16)	(248)
Increase (decrease) due to changes in assumptions:						
Discount rate	**(83)**	**1**	**(84)**	(4)	(3)	(1)
Provision for adverse deviation	**(11)**	**(6)**	**(5)**	30	6	24
Claims and related expenses	**1,961**	**(57)**	**2,018**	2,566	353	2,213
Claims paid during the year for:						
Current accident year	**(1,052)**	**–**	**(1,052)**	(1,189)	(135)	(1,054)
Prior accident years	**(1,153)**	**(134)**	**(1,019)**	(960)	(8)	(952)
	(2,205)	**(134)**	**(2,071)**	(2,149)	(143)	(2,006)
Increase (decrease) in reinsurance/ other recoverables	**(5)**	**(5)**	**–**	40	40	–
Balance as at end of year	**$ 4,965**	**$ 192**	**$ 4,773**	$ 5,214	$ 388	$ 4,826

(b) Movement in Unearned Premiums

The following table presents movements in the property and casualty insurance unearned premiums during the year.

Movement in Provision for Unearned Premiums

(millions of Canadian dollars)			October 31, 2017			October 31, 2016
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Balance as at beginning of year	**$ 1,575**	**$ –**	**$ 1,575**	$ 1,590	$ –	$ 1,590
Written premiums	**2,993**	**92**	**2,901**	3,039	105	2,934
Earned premiums	**(2,987)**	**(92)**	**(2,895)**	(3,054)	(105)	(2,949)
Balance as at end of year	**$ 1,581**	**$ –**	**$ 1,581**	$ 1,575	$ –	$ 1,575

(c) Other Movements in Insurance Liabilities

Other insurance liabilities were $229 million as at October 31, 2017 (October 31, 2016 – $257 million). The decrease of $28 million (2016 – increase of $85 million) is due to settlement of property and casualty insurance payable to reinsurers, partially offset by changes in life and health insurance policy benefit liabilities that were caused primarily by the aging of in-force business and changes in actuarial assumptions.

PROPERTY AND CASUALTY CLAIMS DEVELOPMENT

The following table shows the estimates of cumulative claims incurred, including IBNR, with subsequent developments during the periods and together with cumulative payments to date. The original reserve estimates are evaluated monthly for redundancy or deficiency. The evaluation is based on actual payments in full or partial settlement of claims and current estimates of claims liabilities for claims still open or claims still unreported.

Incurred Claims by Accident Year

(millions of Canadian dollars)										**Accident Year**	
	2008 and prior	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**
Net ultimate claims cost at end of accident year	**$ 3,335**	**$ 1,598**	**$ 1,742**	**$ 1,724**	**$ 1,830**	**$ 2,245**	**$ 2,465**	**$ 2,409**	**$ 2,438**	**$ 2,425**	
Revised estimates											
One year later	**3,366**	**1,627**	**1,764**	**1,728**	**1,930**	**2,227**	**2,334**	**2,367**	**2,421**	**–**	
Two years later	**3,359**	**1,663**	**1,851**	**1,823**	**1,922**	**2,191**	**2,280**	**2,310**	**–**	**–**	
Three years later	**3,423**	**1,720**	**1,921**	**1,779**	**1,884**	**2,158**	**2,225**	**–**	**–**	**–**	
Four years later	**3,527**	**1,763**	**1,926**	**1,768**	**1,860**	**2,097**	**–**	**–**	**–**	**–**	
Five years later	**3,631**	**1,753**	**1,931**	**1,739**	**1,818**	**–**	**–**	**–**	**–**	**–**	
Six years later	**3,612**	**1,756**	**1,904**	**1,702**	**–**	**–**	**–**	**–**	**–**	**–**	
Seven years later	**3,646**	**1,740**	**1,884**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
Eight years later	**3,623**	**1,732**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
Nine years later	**3,602**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
Current estimates of cumulative claims	**3,602**	**1,732**	**1,884**	**1,702**	**1,818**	**2,097**	**2,225**	**2,310**	**2,421**	**2,425**	
Cumulative payments to date	**(3,465)**	**(1,674)**	**(1,795)**	**(1,601)**	**(1,597)**	**(1,745)**	**(1,672)**	**(1,514)**	**(1,426)**	**(1,052)**	
Net undiscounted provision for unpaid claims	**137**	**58**	**89**	**101**	**221**	**352**	**553**	**796**	**995**	**1,373**	**$ 4,675**
Effect of discounting											**(334)**
Provision for adverse deviation											**432**
Net provision for unpaid claims											**$ 4,773**

SENSITIVITY TO INSURANCE RISK

A variety of assumptions are made related to the future level of claims, policyholder behaviour, expenses and sales levels when products are designed and priced, as well as when actuarial liabilities are determined. Such assumptions require a significant amount of professional judgment. The insurance claims provision is sensitive to certain assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. Actual experience may differ from the assumptions made by the Bank.

For property and casualty insurance, the main assumption underlying the claims liability estimates is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Claims liabilities estimates are based on various quantitative and qualitative factors including the discount rate, the margin for adverse deviation, reinsurance, trends in claims severity and frequency, and other external drivers.

Qualitative and other unforeseen factors could negatively impact the Bank's ability to accurately assess the risk of the insurance policies that the Bank underwrites. In addition, there may be significant lags between the occurrence of an insured event and the time it is actually reported to the Bank and additional lags between the time of reporting and final settlements of claims.

The following table outlines the sensitivity of the Bank's property and casualty insurance claims liabilities to reasonably possible movements in the discount rate, the margin for adverse deviation, and the frequency and severity of claims, with all other assumptions held constant. Movements in the assumptions may be non-linear.

Sensitivity of Critical Assumptions – Property and Casualty Insurance Contract Liabilities

(millions of Canadian dollars)				*As at*
	October 31, 2017		October 31, 2016	
	Impact on net income (loss) before income taxes	**Impact on equity**	Impact on net income (loss) before income taxes	Impact on equity
Impact of a 1% change in key assumptions				
Discount rate				
Increase in assumption	**$ 117**	**$ 85**	$ 135	$ 98
Decrease in assumption	**(125)**	**(91)**	(145)	(106)
Margin for adverse deviation				
Increase in assumption	**(46)**	**(34)**	(47)	(35)
Decrease in assumption	**46**	**34**	47	35
Impact of a 5% change in key assumptions				
Frequency of claims				
Increase in assumption	**(31)**	**(23)**	(32)	(23)
Decrease in assumption	**31**	**23**	32	23
Severity of claims				
Increase in assumption	**(218)**	**(159)**	(240)	(175)
Decrease in assumption	**218**	**159**	240	175

For life and health insurance, critical assumptions used in the measurement of insurance contract liabilities are determined by the Appointed Actuary. The processes used to determine critical assumptions are as follows:

- Mortality, morbidity and lapse assumptions are based on industry and historical company data.
- Expense assumptions are based on an annually updated expense study that is used to determine expected expenses for future years.
- Asset reinvestment rates are based on projected earned rates, and liabilities are calculated using the Canadian Asset Liability Method (CALM).

A sensitivity analysis for possible movements in the life and health insurance business assumptions was performed and the impact is not significant to the Bank's Consolidated Financial Statements.

CONCENTRATION OF INSURANCE RISK

Concentration risk is the risk resulting from large exposures to similar risks that are positively correlated.

Risk associated with automobile, residential and other products may vary in relation to the geographical area of the risk insured. Exposure to concentrations of insurance risk, by type of risk, is mitigated by ceding these risks through reinsurance contracts, as well as careful selection and implementation of underwriting strategies, which is in turn largely achieved through diversification by line of business and geographical areas. For automobile insurance, legislation is in place at a provincial level and this creates differences in the benefits provided among the provinces.

As at October 31, 2017, for the property and casualty insurance business, 65.9% of net written premiums were derived from automobile policies (October 31, 2016 – 67.3%) followed by residential with 33.6% (October 31, 2016 – 32.2%). The distribution by provinces show that business is mostly concentrated in Ontario with 55.7% of net written premiums (October 31, 2016 – 57.6%). The Western provinces represented 30% (October 31, 2016 – 28.6%), followed by the Atlantic provinces with 8.3% (October 31, 2016 – 7.8%), and Québec at 6.0% (October 31, 2016 – 6.0%).

Concentration risk is not a major concern for the life and health insurance business as it does not have a material level of regional specific characteristics like those exhibited in the property and casualty insurance business. Reinsurance is used to limit the liability on a single claim. Concentration risk is further limited by diversification across uncorrelated risks. This limits the impact of a regional pandemic and other concentration risks. To improve understanding of exposure to this risk, a pandemic scenario is tested annually.

NOTE 23: SHARE-BASED COMPENSATION

STOCK OPTION PLAN

The Bank maintains a stock option program for certain key employees. Options on common shares are periodically granted to eligible employees of the Bank under the plan for terms of ten years and vest over a four-year period. These options provide holders with the right to purchase common shares of the Bank at a fixed price equal to the closing market price of the shares on the day prior to the date the options were issued. Under this plan, 19.8 million common shares have been reserved for future issuance (October 31, 2016 – 21.7 million). The outstanding options expire on various dates to December 12, 2026. The following table summarizes the Bank's stock option activity and related information, adjusted to reflect the impact of the stock dividend on a retrospective basis, for the years ended October 31.

Stock Option Activity

(millions of shares and Canadian dollars)	2017		2016		2015	
	Number of shares	**Weighted-average exercise price**	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
Number outstanding, beginning of year	**15.4**	**$ 44.18**	18.4	$ 40.65	19.4	$ 36.72
Granted	**2.0**	**65.75**	2.5	53.15	2.6	52.46
Exercised	**(3.0)**	**38.59**	(4.9)	35.21	(3.3)	30.31
Forfeited/cancelled	**(0.1)**	**54.58**	(0.6)	48.29	(0.3)	44.25
Number outstanding, end of year	**14.3**	**$ 48.17**	15.4	$ 44.18	18.4	$ 40.65
Exercisable, end of year	**5.4**	**$ 38.00**	5.5	$ 37.19	7.0	$ 35.90

The weighted average share price for the options exercised in 2017 was $67.79 (2016 – $54.69; 2015 – $53.98).

The following table summarizes information relating to stock options outstanding and exercisable as at October 31, 2017.

Range of Exercise Prices

(millions of shares and Canadian dollars)	Options outstanding			Options exercisable	
	Number of shares outstanding	**Weighted-average remaining contractual life (years)**	**Weighted-average exercise price**	**Number of shares exercisable**	**Weighted-average exercise price**
$32.99 – $36.63	**1.6**	**2.6**	**35.20**	**1.6**	**35.20**
$36.64 – $40.54	**3.5**	**4.6**	**38.81**	**3.5**	**38.81**
$43.04 – $47.59	**2.6**	**5.5**	**47.09**	**0.3**	**43.04**
$52.46 – $53.15	**4.6**	**7.5**	**52.80**	**–**	**–**
$65.75	**2.0**	**9.0**	**65.75**	**–**	**–**

For the year ended October 31, 2017, the Bank recognized compensation expense for stock option awards of $14.8 million (October 31, 2016 – $6.5 million; October 31, 2015 – $19.8 million). For the year ended October 31, 2017, 2.0 million (October 31, 2016 – 2.5 million; October 31, 2015 – 2.6 million) options were granted by the Bank at a weighted-average fair value of $5.81 per option (2016 – $4.93 per option; 2015 – $9.06 per option).

The following table summarizes the assumptions used for estimating the fair value of options for the twelve months ended October 31.

Assumptions Used for Estimating the Fair Value of Options

(in Canadian dollars, except as noted)	**2017**	2016	2015
Risk-free interest rate	**1.24 %**	1.00 %	1.44 %
Expected option life	**6.3 years**	6.3 years	6.3 years
Expected volatility[1]	**14.92 %**	15.82 %	25.06 %
Expected dividend yield	**3.47 %**	3.45 %	3.65 %
Exercise price/share price	**$ 65.75**	$ 53.15	$ 52.46

1 Expected volatility is calculated based on the average daily volatility measured over a historical period corresponding to the expected option life.

OTHER SHARE-BASED COMPENSATION PLANS

The Bank operates restricted share unit and performance share unit plans which are offered to certain employees of the Bank. Under these plans, participants are awarded share units equivalent to the Bank's common shares that generally vest over three years. During the vesting period, dividend equivalents accrue to the participants in the form of additional share units. At the maturity date, the participant receives cash representing the value of the share units. The final number of performance share units will vary from 80% to 120% of the number of units outstanding at maturity (consisting of initial units awarded plus additional units in lieu of dividends) based on the Bank's total shareholder return relative to the average of a peer group of large financial institutions. The number of such share units outstanding under these plans as at October 31, 2017, was 25 million (2016 – 26 million).

The Bank also offers deferred share unit plans to eligible employees and non-employee directors. Under these plans, a portion of the participant's annual incentive award may be deferred, or in the case of non-employee directors, a portion of their annual compensation may be delivered as share units equivalent to the Bank's common shares. The deferred share units are not redeemable by the participant until termination of employment or directorship. Once these conditions are met, the deferred share units must be redeemed for cash no later than the end of the next calendar year. Dividend equivalents accrue to the participants in the form of additional units. As at October 31, 2017, 6.4 million deferred share units were outstanding (October 31, 2016 – 6.2 million).

Compensation expense for these plans is recorded in the year the incentive award is earned by the plan participant. Changes in the value of these plans are recorded, net of the effects of related hedges, on the Consolidated Statement of Income. For the year ended October 31, 2017, the Bank recognized compensation expense, net of the effects of hedges, for these plans of $490 million (2016 – $467 million; 2015 – $441 million). The compensation expense recognized before the effects of hedges was $917 million (2016 – $720 million; 2015 – $471 million). The carrying amount of the liability relating to these plans, based on the closing share price, was $2.2 billion at October 31, 2017 (October 31, 2016 – $1.8 billion), and is reported in Other liabilities on the Consolidated Balance Sheet.

EMPLOYEE OWNERSHIP PLAN

The Bank also operates a share purchase plan available to Canadian employees. Employees can contribute any amount of their eligible earnings (net of source deductions), subject to an annual cap of 10% of salary to the Employee Ownership Plan. For participating employees below the level of Vice President, the Bank matches 100% of the first $250 of employee contributions each year and the remainder of employee contributions at 50% to an overall maximum of 3.5% of the employee's eligible earnings or $2,250, whichever comes first. The Bank's contributions vest once an employee has completed two years of continuous service with the Bank. For the year ended October 31, 2017, the Bank's contributions totaled $70 million (2016 – $66 million; 2015 – $67 million) and were expensed as salaries and employee benefits. As at October 31, 2017, an aggregate of 20 million common shares were held under the Employee Ownership Plan (October 31, 2016 – 20 million). The shares in the Employee Ownership Plan are purchased in the open market and are considered outstanding for computing the Bank's basic and diluted earnings per share. Dividends earned on the Bank's common shares held by the Employee Ownership Plan are used to purchase additional common shares for the Employee Ownership Plan in the open market.

NOTE 24: EMPLOYEE BENEFITS

DEFINED BENEFIT PENSION AND OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS

The Bank's principal pension plans, consisting of The Pension Fund Society of The Toronto-Dominion Bank (the "Society") and the TD Pension Plan (Canada) (TDPP), are defined benefit plans for Canadian Bank employees. The Society was closed to new members on January 30, 2009, and the TDPP commenced on March 1, 2009. Benefits under the principal pension plans are determined based upon the period of plan participation and the average salary of the member in the best consecutive five years in the last ten years of combined plan membership.

Funding for the Bank's principal pension plans is provided by contributions from the Bank and members of the plans, as applicable. In accordance with legislation, the Bank contributes amounts, as determined on an actuarial basis to the plans and has the ultimate responsibility for ensuring that the liabilities of the plan are adequately funded over time. The Bank's contributions to the principal pension plans during 2017 were $565 million (2016 – $384 million). The 2017 and 2016 contributions were made in accordance with the actuarial valuation reports for funding purposes as at October 31, 2016 and October 31, 2015, respectively, for both of the principal pension plans. The next valuation date for funding purposes is as at October 31, 2017, for both of the principal pension plans.

The Bank also provides certain post-retirement benefits, which are generally unfunded. Post-retirement benefit plans, where offered, generally include health care and dental benefits. Employees must meet certain age and service requirements to be eligible for post-retirement benefits and are generally required to pay a portion of the cost of the benefits. Effective June 1, 2017, the Bank's principal non-pension post-retirement benefit plan was closed to new employees hired on or after that date.

INVESTMENT STRATEGY AND ASSET ALLOCATION

The primary objective of each of the Society and the TDPP is to achieve a rate of return that meets or exceeds the change in value of the plan's respective liabilities over rolling five-year periods. The investments of the Society and the TDPP are managed with the primary objective of providing reasonable and stable rates of return, consistent with available market opportunities, prudent portfolio management, and levels of risk commensurate with the return expectations and asset mix policy as set out by the risk budget of 7% and 14% surplus volatility, respectively. The investment policies for the principal pension plans generally do not apply to the Pension Enhancement Account (PEA) assets which are invested at the members' discretion in certain mutual funds.

Public debt instruments of both the Society and the TDPP must meet or exceed a credit rating of BBB- at the time of purchase. There are no limitations on the maximum amount allocated to each credit rating above BBB+ for the total public debt portfolio.

With respect to the Society's public debt portfolio, up to 15% of the total fund can be invested in a bond mandate subject to the following constraints: debt instruments rated BBB+ to BBB- must not exceed 25%; asset-backed securities must have a minimum credit rating of AAA and not exceed 25% of the mandate; debt instruments of non-government entities must not exceed 80%; debt instruments of non-Canadian government entities must not exceed 20%; debt instruments of a single non-government or non-Canadian government entity must not exceed 10%; and debt instruments issued by the Government of Canada, provinces of Canada, or municipalities must not exceed 100%, 75%, or 10%, respectively. Also with respect to the Society's public debt portfolio, up to 14% of the total fund can be invested in a bond mandate subject to the following constraints: debt instruments rated BBB+ to BBB- must not exceed 50%; asset-backed securities must have a minimum credit rating of AAA and not exceed 25% of the mandate; and there is a limitation of 10% for any one issuer. The remainder of the public debt portfolio is not permitted to invest in debt instruments of non-government entities.

The TDPP is not permitted to invest in debt instruments of non-government entities.

The equity portfolios of both the Society and the TDPP are broadly diversified primarily across medium to large capitalization quality companies and income trusts with no individual holding exceeding 10% of the equity portfolio or 10% of the outstanding securities of any one company at any time. Foreign equities are permitted to be included to further diversify the portfolio. A maximum of 10% of a total fund may be invested in emerging market equities.

For both the Society and the TDPP, derivatives can be utilized, provided they are not used to create financial leverage, but rather for risk management purposes. Both the Society and the TDPP are also permitted to invest in other alternative investments, such as private equity, infrastructure equity and real estate.

The asset allocations by asset category for the principal pension plans are as follows:

Plan Asset Allocation

(millions of Canadian dollars except as noted)				**Society[1]**				**TDPP[1]**
			Fair value				**Fair value**	
As at October 31, 2017	**Acceptable range**	**% of total**	**Quoted**	**Unquoted**	**Acceptable range**	**% of total**	**Quoted**	**Unquoted**
Debt	**40-70 %**	**57 %**	**$ –**	**$ 2,903**	**25-56 %**	**36 %**	**$ –**	**$ 484**
Equity	**24-42**	**35**	**1,248**	**511**	**30-65**	**59**	**324**	**478**
Alternative investments[2]	**0-35**	**8**	**42**	**376**	**0-20**	**5**	**–**	**68**
Other[3]	**n/a**	**n/a**		**46**	**n/a**	**n/a**		**56**
Total		**100 %**	**$ 1,290**	**$ 3,836**		**100 %**	**$ 324**	**$ 1,086**
As at October 31, 2016								
Debt	40-70 %	62 %	$ –	$ 2,962	25-56 %	43 %	$ –	$ 413
Equity	24-42	33	1,165	407	44-65	56	51	488
Alternative investments[2]	0-35	5	31	208	0-20	1	–	11
Other[3]	n/a	n/a	–	43	n/a	n/a	–	44
Total		100 %	$ 1,196	$ 3,620		100 %	$ 51	$ 956
As at October 31, 2015								
Debt	58-76 %	64 %	$ –	$ 2,852	44-56 %	50 %	$ –	$ 369
Equity	24-42	30	1,015	346	44-56	50	–	374
Alternative investments[2]	0-10	6	37	227	n/a	n/a	n/a	n/a
Other[3]	n/a	n/a	–	74	n/a	n/a	–	33
Total		100 %	$ 1,052	$ 3,499		100 %	$ –	$ 776

1 The principal pension plans invest in investment vehicles which may hold shares or debt issued by the Bank.
2 The principal pension plans' alternative investments primarily include private equity, infrastructure, and real estate funds, none of which are invested in the Bank and its affiliates.
3 Consists mainly of PEA assets, interest and dividends receivable, and amounts due to and due from brokers for securities traded but not yet settled.

RISK MANAGEMENT PRACTICES

The principal pension plans' investments include financial instruments which are exposed to various risks. These risks include market risk (including foreign currency, interest rate, inflation, price risks, credit spread and credit risk), and liquidity risk. Key material risks faced by all plans are a decline in interest rates or credit spreads, which could increase the defined benefit obligation by more than the change in the value of plan assets, or from longevity risk (that is, lower mortality rates).

Asset-liability matching strategies are focused on obtaining an appropriate balance between earning an adequate return and having changes in liability values being hedged by changes in asset values.

The principal pension plans manage these financial risks in accordance with the *Pension Benefits Standards Act, 1985*, applicable regulations, as well as both the principal pension plans' Statement of Investment Policies and Procedures (SIPP) and the Management Operating Policies and Procedures (MOPP). The following are some specific risk management practices employed by the principal pension plans:

- Monitoring credit exposure of counterparties
- Monitoring adherence to asset allocation guidelines
- Monitoring asset class performance against benchmarks
- Monitoring the return on the plans' assets relative to the plans' liabilities

The Bank's principal pension plans are overseen by a single retirement governance structure established by the Human Resources Committee of the Bank's Board of Directors. The governance structure utilizes retirement governance committees who have responsibility to oversee plan operations and investments, acting in a fiduciary capacity. Strategic, material plan changes require the approval of the Bank's Board of Directors.

OTHER PENSION AND RETIREMENT PLANS

CT Pension Plan

As a result of the acquisition of CT Financial Services Inc. (CT), the Bank sponsors a pension plan consisting of a defined benefit portion and a defined contribution portion. The defined benefit portion was closed to new members after May 31, 1987, and newly eligible employees joined the defined contribution portion of the plan. The Bank received regulatory approval to wind-up the defined contribution portion of the plan and the wind-up was completed on May 31, 2012. Funding for the defined benefit portion is provided by contributions from the Bank and members of the plan.

TD Bank, N.A. Retirement Plans

TD Bank, N.A. and its subsidiaries maintain a defined contribution 401(k) plan covering all employees. The contributions to the plan for the year ended October 31, 2017, were $124 million (October 31, 2016 – $121 million; October 31, 2015 – $103 million), which included core and matching contributions. Annual expense is equal to the Bank's contributions to the plan.

TD Bank, N.A. also has frozen defined benefit retirement plans covering certain legacy TD Banknorth and TD Auto Finance (legacy Chrysler Financial) employees. TD Bank, N.A. also has closed post-retirement benefit plans, which include limited medical coverage and life insurance benefits, covering certain TD Auto Finance (legacy Chrysler Financial) employees.

Supplemental Employee Retirement Plans

Supplemental employee retirement plans are unfunded by the Bank for eligible employees.

The following table presents the financial position of the Bank's principal pension plans, the principal non-pension post-retirement benefit plan, and the Bank's significant other pension and retirement plans.

Employee Benefit Plans' Obligations, Assets and Funded Status

(millions of Canadian dollars, except as noted)	Principal pension plans			Principal non-pension post-retirement benefit plan[1]			Other pension and retirement plans[2]		
	2017	2016	2015	**2017**	2016	2015	**2017**	2016	2015
Change in projected benefit obligation									
Projected benefit obligation at beginning of year	**$ 6,805**	$ 5,377	$ 5,321	**$ 568**	$ 553	$ 557	**$ 2,863**	$ 2,743	$ 2,644
Obligations included due to TD Auto Finance plan merger	**–**	–	–	**–**	–	–	**–**	–	19
Service cost – benefits earned	**439**	331	359	**16**	17	20	**11**	10	13
Interest cost on projected benefit obligation	**196**	191	219	**17**	21	23	**95**	105	113
Remeasurement (gain) loss – financial	**(148)**	1,179	(279)	**–**	(9)	(12)	**(27)**	259	(35)
Remeasurement (gain) loss – demographic	**25**	–	18	**(42)**	–	–	**13**	(11)	(11)
Remeasurement (gain) loss – experience	**(15)**	8	(71)	**15**	2	(21)	**1**	(12)	17
Members' contributions	**80**	66	69	**–**	–	–	**–**	–	–
Benefits paid	**(291)**	(347)	(259)	**(16)**	(16)	(14)	**(138)**	(265)	(251)
Change in foreign currency exchange rate	**–**	–	–	**–**	–	–	**(68)**	45	264
Past service cost (credit)[3,4]	**(9)**	–	–	**–**	–	–	**–**	(11)	(30)
Projected benefit obligation as at October 31	**7,082**	6,805	5,377	**558**	568	553	**2,750**	2,863	2,743
Change in plan assets									
Plan assets at fair value at beginning of year	**5,823**	5,327	4,805	**–**	–	–	**1,895**	1,910	1,734
Assets included due to TD Auto Finance plan merger	**–**	–	–	**–**	–	–	**–**	–	18
Interest income on plan assets	**174**	195	205	**–**	–	–	**64**	74	76
Remeasurement gain (loss) – return on plan assets less interest income	**195**	207	158	**–**	–	–	**59**	40	(31)
Members' contributions	**80**	66	69	**–**	–	–	**–**	–	–
Employer's contributions	**565**	384	357	**16**	16	14	**37**	101	153
Benefits paid	**(291)**	(347)	(259)	**(16)**	(16)	(14)	**(138)**	(265)	(251)
Change in foreign currency exchange rate	**–**	–	–	**–**	–	–	**(58)**	39	216
Defined benefit administrative expenses	**(10)**	(9)	(8)	**–**	–	–	**(4)**	(4)	(5)
Plan assets at fair value as at October 31	**6,536**	5,823	5,327	**–**	–	–	**1,855**	1,895	1,910
Net defined benefit asset (liability)	**(546)**	(982)	(50)	**(558)**	(568)	(553)	**(895)**	(968)	(833)
Annual expense									
Net employee benefits expense includes the following:									
Service cost – benefits earned	**439**	331	359	**16**	17	20	**11**	10	13
Net interest cost (income) on net defined benefit liability (asset)	**22**	(4)	14	**17**	21	23	**31**	31	37
Past service cost (credit)[3,4]	**(9)**	–	–	**–**	–	–	**–**	(11)	(30)
Defined benefit administrative expenses	**10**	9	8	**–**	–	–	**4**	7	8
Total expense	**$ 462**	$ 336	$ 381	**$ 33**	$ 38	$ 43	**$ 46**	$ 37	$ 28
Actuarial assumptions used to determine the projected benefit obligation as at October 31 (percentage)									
Weighted-average discount rate for projected benefit obligation	**3.60 %**	3.52 %	4.42 %	**3.60 %**	3.60 %	4.40 %	**3.74 %**	3.65 %	4.39 %
Weighted-average rate of compensation increase	**2.54**	2.66	2.63	**3.00**	3.25	3.25	**1.14**	1.18	1.20

1 The rate of increase for health care costs for the next year used to measure the expected cost of benefits covered for the principal non-pension post-retirement benefit plan is 4.59%. The rate is assumed to decrease gradually to 3.12% by the year 2028 and remain at that level thereafter.

2 Includes CT defined benefit pension plan, TD Banknorth defined benefit pension plan, TD Auto Finance retirement plans, and supplemental employee retirement plans. Other employee benefit plans operated by the Bank and certain of its subsidiaries are not considered material for disclosure purposes. The TD Banknorth defined benefit pension plan was frozen as of December 31, 2008, and no service credits can be earned after that date. Certain TD Auto Finance defined benefit pension plans were frozen as of April 1, 2012, and no service credits can be earned after March 31, 2012.

3 Includes a settlement gain of $12 million related to a portion of the TDAF defined benefit pension plan that was settled during 2016.

4 Includes a settlement gain of $35 million related to a portion of the TD Banknorth defined benefit pension plan that was settled during 2015.

During the year ended October 31, 2018, the Bank expects to contribute $485 million to its principal pension plans, $16 million to its principal non-pension post-retirement benefit plan, and $39 million to its other pension and retirement plans. Future contribution amounts may change upon the Bank's review of its contribution levels during the year.

Assumptions related to future mortality which have been used to determine the defined benefit obligation and net benefit cost are as follows:

Assumed Life Expectancy at Age 65

(number of years)	Principal pension plans			Principal non-pension post-retirement benefit plan			Other pension and retirement plans		
								As at October 31	
	2017	2016	2015	**2017**	2016	2015	**2017**	2016	2015
Male aged 65 at measurement date	**23.2**	22.1	22.1	**23.2**	22.1	22.1	**21.8**	21.4	22.0
Female aged 65 at measurement date	**24.0**	24.0	23.9	**24.0**	24.0	23.9	**23.4**	23.4	24.0
Male aged 40 at measurement date	**24.5**	23.4	23.3	**24.5**	23.4	23.3	**22.9**	22.5	22.5
Female aged 40 at measurement date	**25.2**	25.1	25.1	**25.2**	25.1	25.1	**25.1**	25.0	25.0

The weighted-average duration of the defined benefit obligation for the Bank's principal pension plans, principal non-pension post-retirement benefit plan and other pension and retirement plans at the end of the reporting period are 15 years (2016 – 16 years, 2015 – 16 years), 18 years (2016 – 17 years, 2015 – 17 years), and 13 years (2016 – 13 years, 2015 – 13 years), respectively.

The following table provides the sensitivity of the projected benefit obligation for the Bank's principal pension plans, the principal non-pension post-retirement benefit plan, and the Bank's significant other pension and retirement plans to actuarial assumptions considered significant by the Bank. These include discount rate, life expectancy, rates of compensation increase, and health care cost initial trend rates, as applicable. For each sensitivity test, the impact of a reasonably possible change in a single factor is shown with other assumptions left unchanged.

Sensitivity of Significant Actuarial Assumptions

(millions of Canadian dollars, except as noted)			*As at*
			October 31, 2017
			Obligation
	Principal pension plans	**Principal non-pension post-retirement benefit plan**	**Other pension and retirement plans**
Impact of an absolute change in significant actuarial assumptions			
Discount rate			
1% decrease in assumption	**$ 1,165**	**$ 103**	**$ 387**
1% increase in assumption	**(903)**	**(81)**	**(313)**
Rates of compensation increase			
1% decrease in assumption	**(264)**	**n/a[1]**	**–**
1% increase in assumption	**265**	**n/a[1]**	**–**
Life expectancy			
1 year decrease in assumption	**(132)**	**(18)**	**(84)**
1 year increase in assumption	**129**	**19**	**83**
Health care cost initial trend rate			
1% decrease in assumption	**n/a**	**(76)**	**(3)**
1% increase in assumption	**n/a**	**96**	**4**

1 An absolute change in this assumption is immaterial.

The Bank recognized the following amounts on the Consolidated Balance Sheet.

Amounts Recognized in the Consolidated Balance Sheet

(millions of Canadian dollars)			*As at*
	October 31 2017	October 31 2016	October 31 2015
Other assets			
Principal pension plans	**$ –**	$ –	$ 95
Other pension and retirement plans	**7**	3	–
Other employee benefit plans[1]	**6**	8	9
Total other assets	**13**	11	104
Other liabilities			
Principal pension plans	**546**	982	145
Principal non-pension post-retirement benefit plan	**558**	568	553
Other pension and retirement plans	**902**	971	833
Other employee benefit plans[1]	**457**	490	416
Total other liabilities	**2,463**	3,011	1,947
Net amount recognized	**$ (2,450)**	$ (3,000)	$ (1,843)

1 Consists of other defined benefit pension and other post-employment benefit plans operated by the Bank and its subsidiaries that are not considered material for disclosure purposes.

The Bank recognized the following amounts in the Consolidated Statement of Other Comprehensive Income.

Amounts Recognized in the Consolidated Statement of Other Comprehensive Income[1]

(millions of Canadian dollars)			*For the years ended*
	October 31 2017	October 31 2016	October 31 2015
Actuarial gains (losses) recognized in Other Comprehensive Income			
Principal pension plans	**$ 333**	$ (980)	$ 490
Principal non-pension post-retirement benefit plan	**27**	7	33
Other pension and retirement plans	**72**	(193)	1
Other employee benefit plans[2]	**22**	(56)	23
Total actuarial gains (losses) recognized in Other Comprehensive Income	**$ 454**	$ (1,222)	$ 547

1 Amounts are presented on pre-tax basis.
2 Consists of other defined benefit pension and other post-employment benefit plans operated by the Bank and its subsidiaries that are not considered material for disclosure purposes.

NOTE 25: INCOME TAXES

The provision for (recovery of) income taxes is comprised of the following:

Provision for (Recovery of) Income Taxes

(millions of Canadian dollars)			For the years ended October 31
	2017	2016	2015
Provision for income taxes – Consolidated Statement of Income			
Current income taxes			
Provision for (recovery of) income taxes for the current period	**$ 2,073**	$ 2,106	$ 1,881
Adjustments in respect of prior years and other	**5**	(66)	(6)
Total current income taxes	**2,078**	2,040	1,875
Deferred income taxes			
Provision for (recovery of) deferred income taxes related to the origination and reversal of temporary differences	**215**	50	(372)
Effect of changes in tax rates	**13**	2	(1)
Provision for (recovery of) income taxes due to recognition of previously unrecognized deductible temporary differences and unrecognized tax losses of a prior period	**–**	–	8
Adjustments in respect of prior years and other	**(53)**	51	13
Total deferred income taxes	**175**	103	(352)
Total provision for income taxes – Consolidated Statement of Income	**2,253**	2,143	1,523
Provision for (recovery of) income taxes – Statement of Other Comprehensive Income			
Current income taxes	**244**	51	(1,279)
Deferred income taxes	**(755)**	(229)	414
	(511)	(178)	(865)
Income taxes – other non-income related items including business combinations and other adjustments			
Current income taxes	**29**	26	14
Deferred income taxes	**–**	(5)	51
	29	21	65
Total provision for (recovery of) income taxes	**1,771**	1,986	723
Current income taxes			
Federal	**1,115**	1,003	53
Provincial	**797**	693	61
Foreign	**439**	421	496
	2,351	2,117	610
Deferred income taxes			
Federal	**(233)**	(171)	220
Provincial	**(156)**	(116)	134
Foreign	**(191)**	156	(241)
	(580)	(131)	113
Total provision for (recovery of) income taxes	**$ 1,771**	$ 1,986	$ 723

Reconciliation to Statutory Income Tax Rate

(millions of Canadian dollars, except as noted)	**2017**		2016		2015	
Income taxes at Canadian statutory income tax rate	**$ 3,262**	**26.5 %**	$ 2,819	26.5 %	$ 2,409	26.3 %
Increase (decrease) resulting from:						
Dividends received	**(498)**	**(4.0)**	(233)	(2.2)	(319)	(3.5)
Rate differentials on international operations	**(515)**	**(4.2)**	(439)	(4.1)	(556)	(6.1)
Other – net	**4**	**–**	(4)	(0.1)	(11)	(0.1)
Provision for income taxes and effective income tax rate	**$ 2,253**	**18.3 %**	$ 2,143	20.1 %	$ 1,523	16.6 %

During the year ended October 31, 2017, the Canada Revenue Agency (CRA) reassessed the Bank approximately $151 million and $189 million of additional income tax and interest in respect of the 2011 and 2012 taxation years, respectively. The CRA is denying certain dividend deductions claimed by the Bank. The Bank expects the CRA to reassess subsequent years on the same basis and that Alberta and Québec will also reassess all open years. The Bank is of the view that its tax filing positions were appropriate and intends to challenge all reassessments.

Deferred tax assets and liabilities comprise of the following:

Deferred Tax Assets and Liabilities

(millions of Canadian dollars)		As at
	October 31 2017	October 31 2016
Deferred tax assets		
Allowance for credit losses	**$ 924**	$ 865
Land, buildings, equipment, and other depreciable assets	**–**	29
Deferred (income) expense	**83**	31
Trading loans	**90**	114
Employee benefits	**814**	841
Pensions	**269**	424
Losses available for carry forward	**131**	154
Tax credits	**22**	165
Securities	**215**	–
Other	**144**	346
Total deferred tax assets	**2,692**	2,969
Deferred tax liabilities		
Land, buildings, equipment, and other depreciable assets	**7**	–
Securities	**–**	793
Intangibles	**244**	331
Goodwill	**122**	106
Total deferred tax liabilities	**373**	1,230
Net deferred tax assets	**2,319**	1,739
Reflected on the Consolidated Balance Sheet as follows:		
Deferred tax assets	**2,497**	2,084
Deferred tax liabilities[1]	**178**	345
Net deferred tax assets	**$ 2,319**	$ 1,739

1 Included in Other liabilities on the Consolidated Balance Sheet.

The movement in the net deferred tax asset for the years ended October 31 was as follows:

Deferred Income Tax Expense (Recovery)

(millions of Canadian dollars)				**2017**				2016
	Consolidated statement of income	**Other comprehensive income**	**Business combinations and other**	**Total**	Consolidated statement of income	Other comprehensive income	Business combinations and other	Total
Deferred income tax expense (recovery)								
Allowance for credit losses	**$ (59)**	**$ –**	**$ –**	**$ (59)**	$ (128)	$ –	$ –	$ (128)
Land, buildings, equipment, and other depreciable assets	**36**	**–**	**–**	**36**	(10)	–	–	(10)
Deferred (income) expense	**(52)**	**–**	**–**	**(52)**	34	–	–	34
Trading loans	**24**	**–**	**–**	**24**	10	–	–	10
Pensions	**27**	**128**	**–**	**155**	30	(340)	–	(310)
Employee benefits	**20**	**7**	**–**	**27**	(132)	5	–	(127)
Losses available for carry forward	**23**	**–**	**–**	**23**	106	–	–	106
Tax credits	**143**	**–**	**–**	**143**	234	–	–	234
Other deferred tax assets	**202**	**–**	**–**	**202**	(19)	–	(5)	(24)
Securities	**(118)**	**(890)**	**–**	**(1,008)**	23	106	–	129
Intangible assets	**(87)**	**–**	**–**	**(87)**	(73)	–	–	(73)
Goodwill	**16**	**–**	**–**	**16**	28	–	–	28
Total deferred income tax expense (recovery)	**$ 175**	**$ (755)**	**$ –**	**$ (580)**	$ 103	$ (229)	$ (5)	$ (131)

The amount of temporary differences, unused tax losses, and unused tax credits for which no Deferred tax asset is recognized on the Consolidated Balance Sheet was $633 million as at October 31, 2017 (October 31, 2016 – $884 million), of which $2 million (October 31, 2016 – $8 million) is scheduled to expire within five years.

Certain taxable temporary differences associated with the Bank's investments in subsidiaries, branches and associates, and interests in joint ventures did not result in the recognition of deferred tax liabilities as at October 31, 2017. The total amount of these temporary differences was $55 billion as at October 31, 2017 (October 31, 2016 – $51 billion).

NOTE 26: EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted earnings per share is calculated using the same method as basic earnings per share except that certain adjustments are made to net income attributable to common shareholders and the weighted-average number of shares outstanding for the effects of all dilutive potential common shares that are assumed to be issued by the Bank.

The following table presents the Bank's basic and diluted earnings per share for the years ended October 31.

Basic and Diluted Earnings Per Share

(millions of Canadian dollars, except as noted)		*For the years ended October 31*	
	2017	2016	2015
Basic earnings per share			
Net income attributable to common shareholders	**$ 10,203**	$ 8,680	$ 7,813
Weighted-average number of common shares outstanding (millions)	**1,850.6**	1,853.4	1,849.2
Basic earnings per share (Canadian dollars)	**$ 5.51**	$ 4.68	$ 4.22
Diluted earnings per share			
Net income attributable to common shareholders	**$ 10,203**	$ 8,680	$ 7,813
Net income available to common shareholders including impact of dilutive securities	**10,203**	8,680	7,813
Weighted-average number of common shares outstanding (millions)	**1,850.6**	1,853.4	1,849.2
Effect of dilutive securities			
Stock options potentially exercisable (millions)[1]	**4.2**	3.4	4.9
Weighted-average number of common shares outstanding – diluted (millions)	**1,854.8**	1,856.8	1,854.1
Diluted earnings per share (Canadian dollars)[1]	**$ 5.50**	$ 4.67	$ 4.21

1 For the years ended October 31, 2017, October 31, 2016, and October 31, 2015, no outstanding options were excluded from the computation of diluted earnings per share.

NOTE 27: PROVISIONS, CONTINGENT LIABILITIES, COMMITMENTS, GUARANTEES, PLEDGED ASSETS, AND COLLATERAL

PROVISIONS

The following table summarizes the Bank's provisions.

Provisions

(millions of Canadian dollars)	Restructuring[1]	Litigation and Other	Total
Balance as at November 1, 2016	**$ 198**	**$ 327**	**$ 525**
Additions	**25**	**152**	**177**
Amounts used	**(79)**	**(108)**	**(187)**
Release of unused amounts	**(23)**	**(33)**	**(56)**
Foreign currency translation adjustments and other	**(4)**	**(6)**	**(10)**
Balance as at October 31, 2017, before allowance for credit losses for off-balance sheet instruments	**$ 117**	**$ 332**	**$ 449**
Add: allowance for credit losses for off-balance sheet instruments[2]			**567**
Balance as at October 31, 2017			**$ 1,016**

1 Includes provisions for onerous lease contracts.
2 Refer to Note 8 for further details.

LITIGATION

In the ordinary course of business, the Bank and its subsidiaries are involved in various legal and regulatory actions. The Bank establishes legal provisions when it becomes probable that the Bank will incur a loss and the amount can be reliably estimated. The Bank also estimates the aggregate range of reasonably possible losses (RPL) in its legal and regulatory actions (that is, those which are neither probable nor remote), in excess of provisions. As at October 31, 2017, the Bank's RPL is from zero to approximately $559 million. The Bank's provisions and RPL represent the Bank's best estimates based upon currently available information for actions for which estimates can be made, but there are a number of factors that could cause the Bank's provisions and/or RPL to be significantly different from its actual or reasonably possible losses. For example, the Bank's estimates involve significant judgment due to the varying stages of the proceedings, the existence of multiple defendants in many proceedings whose share of liability has yet to be determined, the numerous yet-unresolved issues in many of the proceedings, some of which are beyond the Bank's control and/or involve novel legal theories and interpretations, the attendant uncertainty of the various potential outcomes of such proceedings, and the fact that the underlying matters will change from time to time. In addition, some actions seek very large or indeterminate damages.

In management's opinion, based on its current knowledge and after consultation with counsel, the ultimate disposition of these actions, individually or in the aggregate, will not have a material adverse effect on the consolidated financial condition or the consolidated cash flows of the Bank. However, because of the factors listed above, as well as other uncertainties inherent in litigation and regulatory matters, there is a possibility that the ultimate resolution of legal or regulatory actions may be material to the Bank's consolidated results of operations for any particular reporting period.

Stanford Litigation – The Toronto-Dominion Bank was named as a defendant in Rotstain v. Trustmark National Bank, et al., a putative class action lawsuit in the United States District Court for the Northern District of Texas related to a US$7.2 billion Ponzi scheme perpetrated by R. Allen Stanford, the owner of Stanford International Bank, Limited (SIBL), an offshore bank based in Antigua. Plaintiffs purport to represent a class of investors in SIBL-issued certificates of deposit. The Bank provided certain correspondent banking services to SIBL. Plaintiffs allege that the Bank and four other banks aided and abetted or conspired with Mr. Stanford to commit fraud and that the bank defendants received fraudulent transfers from SIBL by collecting fees for providing certain services.

The Official Stanford Investors Committee (OSIC), a court-approved committee representing investors, received permission to intervene in the lawsuit and has brought similar claims against all the bank defendants.

The court denied in part and granted in part The Toronto-Dominion Bank's motion to dismiss the lawsuit on April 21, 2015. The court also entered a class certification scheduling order requiring the parties to conduct discovery and submit briefing regarding class certification. The class certification motion was fully submitted on October 26, 2015. The class plaintiffs filed an amended complaint asserting certain additional state law claims against the Bank on June 23, 2015. The Bank's motion to dismiss the newly amended complaint in its entirety was fully submitted on August 18, 2015. On April 22, 2016, the Bank filed a motion to reconsider the court's April 2015 dismissal decision with respect to certain claims by OSIC under the Texas Uniform Fraudulent Transfer Act based on an intervening change in the law announced by the Texas Supreme Court on April 1, 2016. On July 28, 2016, the court issued a decision denying defendants' motions to dismiss the class plaintiffs' complaint and to reconsider with respect to OSIC's complaint. TD filed its answer to the class plaintiffs' complaint on August 26, 2016. OSIC filed an amended intervenor complaint against the Bank on November 4, 2016 and the Bank filed its answer to this amended complaint on December 19, 2016.

On November 7, 2017, the Court issued a decision denying the class certification motion. The court found that the plaintiffs failed to show that common issues of fact would predominate given the varying sales presentations they allegedly received.

The Toronto-Dominion Bank is also a defendant in two cases filed in the Ontario Superior Court of Justice: (1) Wide & Dickson v. The Toronto-Dominion Bank, an action filed by the Joint Liquidators of SIBL appointed by the Eastern Caribbean Supreme Court, and (2) Dynasty Furniture Manufacturing Ltd., et al. v. The Toronto-Dominion Bank, an action filed by five investors in certificates of deposits sold by Stanford. The suits assert that the Bank acted negligently and provided knowing assistance to SIBL's fraud. The court denied the Bank's motion for summary judgment in the Joint Liquidators case to dismiss the action based on the applicable statute of limitations on November 9, 2015, and designated the limitations issues to be addressed as part of a future trial on the merits. The two cases filed in the Ontario Superior Court of Justice are being managed jointly, and discovery is ongoing.

Overdraft Litigation — TD Bank, N.A. was originally named as a defendant in six putative nationwide class actions challenging the manner in which it calculates and collects overdraft fees. The actions were transferred to the United States District Court for the Southern District of Florida and have now been dismissed or settled. Settlement payments were made to class members in June 2013, October 2014, and September 2016. The Court issued an order in August 2016 stating that the third distribution marks the completion of the payments required by TD Bank, N.A., and TD Bank, N.A. has no obligation to oversee or monitor any remaining funds.

TD Bank, N.A. was named as a defendant in eleven putative nationwide class actions challenging the overdraft practices of TD Bank, N.A. from August 16, 2010 to the present and the overdraft practices of Carolina First Bank prior to its merger into TD Bank, N.A. in September 2010.

These actions have been consolidated for pretrial proceedings as MDL 2613 in the United States District Court for the District of South Carolina: *In re TD Bank, N.A. Debit Card Overdraft Fee Litigation*, No. 6:15-MN-02613 (D.S.C.). On December 10, 2015, TD Bank, N.A.'s motion to dismiss the consolidated class action was granted in part and denied in part. Discovery, briefing, and a hearing on class certification were complete as of May 24, 2017. On January 5, 2017, TD Bank, N.A. was named as a defendant in a twelfth class action complaint challenging an overdraft practice that is already the subject of the consolidated amended class action complaint. This action has been consolidated into MDL 2613, and TD Bank, N.A. has moved to dismiss the claims.

Credit Card Fees — Between 2011 and 2013, seven proposed class actions were commenced in British Columbia, Alberta, Saskatchewan, Ontario, and Québec: Coburn and Watson's Metropolitan Home v. Bank of America Corporation, et al.; 1023916 Alberta Ltd. v. Bank of America Corporation, et al.; Macaronies Hair Club v. BOFA Canada Bank, et al.; The Crown & Hand Pub Ltd. v. Bank of America Corporation, et al.; Hello Baby Equipment Inc. v. BOFA Canada Bank, et al.; Bancroft-Snell, et al. v. Visa Canada Corporation, et al.; and 9085-4886 Quebec Inc. v. Visa Canada Corporation, et al. The defendants in each action are Visa Canada Corporation (Visa) and MasterCard International Incorporated (MasterCard) (collectively, the "Networks"), along with TD and several other financial institutions. The plaintiff class members are Canadian merchants who accept payment for products and services by Visa and/or MasterCard. While there is some variance, in most of the actions it is alleged that, from March 2001 to the present, the Networks conspired with their issuing banks and acquirers to fix excessive fees and that certain rules have the effect of increasing the merchant fees. The five actions that remain include claims of civil conspiracy, breach of the Competition Act, interference with economic relations, and unjust enrichment. Plaintiffs seek general and punitive damages. In the lead case proceeding in British Columbia, the decision to partially certify the action as a class proceeding was released on March 27, 2014. The certification decision was appealed by both plaintiff class representatives and defendants. The appeal hearing took place in December 2014 and the decision was released on August 19, 2015. While both the plaintiffs and defendants succeeded in part on their respective appeals, the class period for the plaintiffs' key claims was shortened significantly. At a hearing in October 2016, the plaintiffs sought to amend their claims to reinstate the extended class period. The plaintiffs' motion to amend their claims to reinstate the extended class period was denied by the motions judge and subsequently by the B.C. Court of Appeal. The plaintiffs have sought leave to appeal to the Supreme Court of Canada. The trial of the British Columbia action is scheduled to proceed in September 2018. In Québec, the motion for authorization is scheduled to proceed on November 6-7, 2017.

COMMITMENTS

Credit-related Arrangements

In the normal course of business, the Bank enters into various commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of customers. The Bank's policy for requiring collateral security with respect to these contracts and the types of collateral security held is generally the same as for loans made by the Bank.

Financial and performance standby letters of credit represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties and they carry the same credit risk, recourse and collateral security requirements as loans extended to customers. Refer to the Guarantees section in this Note for further details.

Documentary and commercial letters of credit are instruments issued on behalf of a customer authorizing a third party to draw drafts on the Bank up to a certain amount subject to specific terms and conditions. The Bank is at risk for any drafts drawn that are not ultimately settled by the customer, and the amounts are collateralized by the assets to which they relate.

Commitments to extend credit represent unutilized portions of authorizations to extend credit in the form of loans and customers' liability under acceptances. A discussion on the types of liquidity facilities the Bank provides to its securitization conduits is included in Note 10.

The values of credit instruments reported as follows represent the maximum amount of additional credit that the Bank could be obligated to extend should contracts be fully utilized.

Credit Instruments

(millions of Canadian dollars)		*As at*
	October 31 2017	October 31 2016
Financial and performance standby letters of credit	**$ 23,723**	$ 22,747
Documentary and commercial letters of credit	**198**	436
Commitments to extend credit[1]		
Original term to maturity of one year or less	**41,587**	41,096
Original term to maturity of more than one year	**115,692**	106,274
Total	**$ 181,200**	$ 170,553

1 Commitments to extend credit exclude personal lines of credit and credit card lines, which are unconditionally cancellable at the Bank's discretion at any time.

In addition, as at October 31, 2017, the Bank is committed to fund $123 million (October 31, 2016 – $131 million) of private equity investments.

Long-term Commitments or Leases

The Bank has obligations under long-term non-cancellable leases for premises and equipment. Future minimum operating lease commitments for premises and for equipment, where the annual rental is in excess of $100 thousand, is estimated at $939 million for 2018; $881 million for 2019; $788 million for 2020, $704 million for 2021, $623 million for 2022, and $3,505 million for 2023, and thereafter.

Future minimum finance lease commitments where the annual payment is in excess of $100 thousand, is estimated at $28 million for 2018; $26 million for 2019; $12 million for 2020, $8 million for 2021, $5 million for 2022, and $10 million for 2023, and thereafter.

The premises and equipment net rental expense, included under Non-interest expenses in the Consolidated Statement of Income, was $1.1 billion for the year ended October 31, 2017 (October 31, 2016 – $1.1 billion; October 31, 2015 – $1.1 billion).

PLEDGED ASSETS AND COLLATERAL

In the ordinary course of business, securities and other assets are pledged against liabilities or contingent liabilities, including repurchase agreements, securitization liabilities, covered bonds, obligations related to securities sold short, and securities borrowing transactions. Assets are also deposited for the purposes of participation in clearing and payment systems and depositories or to have access to the facilities of central banks in foreign jurisdictions, or as security for contract settlements with derivative exchanges or other derivative counterparties.

Details of assets pledged against liabilities and collateral assets held or repledged are shown in the following table:

Sources and Uses of Pledged Assets and Collateral[1]

(millions of Canadian dollars)		*As at*
	October 31 2017	October 31 2016
Sources of pledged assets and collateral		
Bank assets		
Cash and due from banks	**$ 442**	$ 187
Interest-bearing deposits with banks	**3,329**	6,106
Loans	**77,107**	76,150
Securities	**74,706**	64,843
Other assets	**635**	751
	156,219	148,037
Third-party assets[2]		
Collateral received and available for sale or repledging	**216,252**	152,440
Less: Collateral not repledged	**(61,467)**	(48,034)
	154,785	104,406
	311,004	252,443
Uses of pledged assets and collateral[3]		
Derivatives	**8,340**	12,595
Obligations related to securities sold under repurchase agreements	**94,945**	63,223
Securities borrowing and lending	**61,856**	39,194
Obligations related to securities sold short	**35,281**	30,301
Securitization	**35,147**	34,601
Covered bond	**30,273**	28,668
Clearing systems, payment systems, and depositories	**5,686**	4,521
Foreign governments and central banks	**1,222**	1,480
Other	**38,254**	37,860
Total	**$ 311,004**	$ 252,443

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

2 Includes collateral received from reverse repurchase agreements, securities borrowing, margin loans, and other client activity.

3 Includes $39.3 billion of on-balance sheet assets that the Bank has pledged and that the counterparty can subsequently repledge as at October 31, 2017 (October 31, 2016 – $30.4 billion).

ASSETS SOLD WITH RECOURSE

In connection with its securitization activities, the Bank typically makes customary representations and warranties about the underlying assets which may result in an obligation to repurchase the assets. These representations and warranties attest that the Bank, as the seller, has executed the sale of assets in good faith, and in compliance with relevant laws and contractual requirements. In the event that they do not meet these criteria, the loans may be required to be repurchased by the Bank.

GUARANTEES

The following types of transactions represent the principal guarantees that the Bank has entered into.

Assets Sold With Contingent Repurchase Obligations

The Bank sells mortgage loans, which it continues to service, to the TD Mortgage Fund (the "Fund"), a mutual fund managed by the Bank. As part of its responsibilities, the Bank has an obligation to repurchase mortgage loans when they default or if the Fund experiences a liquidity event such that it does not have sufficient cash to honour unit-holder redemptions. On April 22, 2016, the Fund was discontinued and merged with another mutual fund managed by the Bank. The mortgages held by the Fund were not merged into the other mutual fund and as a result of the Fund's discontinuation, the mortgages were repurchased from the Fund at a fair value of $155 million. Prior to the discontinuation of the Fund, during the year ended October 31, 2016, the fair value of the mortgages repurchased from the Fund as a result of a liquidity event was $21 million (twelve months ended October 31, 2015 – $29 million). For further details on the Bank's involvement with the Fund, refer to Note 10.

Credit Enhancements
The Bank guarantees payments to counterparties in the event that third party credit enhancements supporting asset pools are insufficient.

Indemnification Agreements
In the normal course of operations, the Bank provides indemnification agreements to various counterparties in transactions such as service agreements, leasing transactions, and agreements relating to acquisitions and dispositions. Under these agreements, the Bank is required to compensate counterparties for costs incurred as a result of various contingencies such as changes in laws and regulations and litigation claims. The nature of certain indemnification agreements prevent the Bank from making a reasonable estimate of the maximum potential amount that the Bank would be required to pay such counterparties.

The Bank also indemnifies directors, officers and other persons, to the extent permitted by law, against certain claims that may be made against them as a result of their services to the Bank or, at the Bank's request, to another entity.

The following table summarizes as at October 31, the maximum potential amount of future payments that could be made under guarantees without consideration of possible recoveries under recourse provisions or from collateral held or pledged.

Maximum Potential Amount of Future Payments

(millions of Canadian dollars)		*As at*
	October 31 2017	October 31 2016
Financial and performance standby letters of credit	**$ 23,723**	$ 22,747
Assets sold with contingent repurchase obligations	**15**	39
Total	**$ 23,738**	$ 22,786

NOTE 28: RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank's related parties include key management personnel, their close family members and their related entities, subsidiaries, associates, joint ventures, and post-employment benefit plans for the Bank's employees.

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

As at October 31, 2017, $180 million (October 31, 2016 – $231 million) of related party loans were outstanding from key management personnel, their close family members, and their related entities.

COMPENSATION
The remuneration of key management personnel was as follows:

Compensation

(millions of Canadian dollars)		*For the years ended October 31*	
	2017	2016	2015
Short-term employee benefits	**$ 33**	$ 25	$ 22
Post-employment benefits	**3**	3	3
Share-based payments	**32**	32	31
Total	**$ 68**	$ 60	$ 56

In addition, the Bank offers deferred share and other plans to non-employee directors, executives, and certain other key employees. Refer to Note 23 for further details.

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

TRANSACTIONS WITH SUBSIDIARIES, TD AMERITRADE, AND SYMCOR INC.
Transactions between the Bank and its subsidiaries meet the definition of related party transactions. If these transactions are eliminated on consolidation, they are not disclosed as related party transactions.

Transactions between the Bank, TD Ameritrade, and Symcor Inc. (Symcor) also qualify as related party transactions. There were no significant transactions between the Bank, TD Ameritrade, and Symcor during the year ended October 31, 2017, other than as described in the following sections and in Note 12.

Other Transactions with TD Ameritrade and Symcor

(1) TRANSACTIONS WITH TD AMERITRADE HOLDING CORPORATION

The Bank is party to an insured deposit account (IDA) agreement with TD Ameritrade, pursuant to which the Bank makes available to clients of TD Ameritrade and Scottrade, FDIC-insured money market deposit accounts as either designated sweep vehicles or as non-sweep deposit accounts. TD Ameritrade provides marketing and support services with respect to the IDA. The Bank paid $1.5 billion during the year ended October 31, 2017 (October 31, 2016 – $1.2 billion; October 31, 2015 – $1.1 billion) to TD Ameritrade related to deposit accounts. The amount paid by the Bank is based on the average insured deposit balance of $124 billion for the year ended October 31, 2017 (October 31, 2016 – $112 billion; October 31, 2015 – $95 billion) with a portion of the amount tied to the actual yield earned by the Bank on the investments, less the actual interest paid to clients of TD Ameritrade and Scottrade, and the balance tied to an agreed rate of return. The Bank earns a servicing fee of 25 basis points (bps) on the aggregate average daily balance in the sweep accounts (subject to adjustment based on a specified formula).

As at October 31, 2017, amounts receivable from TD Ameritrade were $68 million (October 31, 2016 – $72 million). As at October 31, 2017, amounts payable to TD Ameritrade were $167 million (October 31, 2016 – $141 million).

(2) TRANSACTIONS WITH SYMCOR

The Bank has one-third ownership in Symcor, a Canadian provider of business process outsourcing services offering a diverse portfolio of integrated solutions in item processing, statement processing and production, and cash management services. The Bank accounts for Symcor's results using the equity method of accounting. During the year ended October 31, 2017, the Bank paid $93 million (October 31, 2016 – $97 million; October 31, 2015 – $124 million) for these services. As at October 31, 2017, the amount payable to Symcor was $15 million (October 31, 2016 – $16 million).

The Bank and two other shareholder banks have also provided a $100 million unsecured loan facility to Symcor which was undrawn as at October 31, 2017, and October 31, 2016.

NOTE 29: SEGMENTED INFORMATION

For management reporting purposes, the Bank reports its results under three key business segments: Canadian Retail, which includes the results of the Canadian personal and commercial banking businesses, Canadian credit cards, TD Auto Finance Canada, and Canadian wealth and insurance businesses; U.S. Retail, which includes the results of the U.S. personal and business banking operations, U.S. credit cards, TD Auto Finance U.S., U.S. wealth business and the Bank's investment in TD Ameritrade; and Wholesale Banking. The Bank's other activities are grouped into the Corporate segment.

Canadian Retail is comprised of Canadian personal and commercial banking, which provides financial products and services to personal, small business, and commercial customers, TD Auto Finance Canada, the Canadian credit card business, the Canadian wealth business, which provides investment products and services to institutional and retail investors, and the insurance business. U.S. Retail is comprised of the personal and business banking operations in the U.S. operating under the brand TD Bank, America's Most Convenient Bank®, primarily in the Northeast and Mid-Atlantic regions and Florida, and the U.S. wealth business, including Epoch and the Bank's equity investment in TD Ameritrade. Wholesale banking provides a wide range of capital markets, investment banking, and corporate banking products and services, including underwriting and distribution of new debt and equity issues, providing advice on strategic acquisitions and divestitures, and meeting the daily trading, funding, and investment needs of the Bank's clients. The Bank's other activities are grouped into the Corporate segment. The Corporate segment includes the effects of certain asset securitization programs, treasury management, the collectively assessed allowance for incurred but not identified credit losses in Canadian Retail and Wholesale Banking, elimination of taxable equivalent adjustments and other management reclassifications, corporate level tax items, and residual unallocated revenue and expenses.

The results of each business segment reflect revenue, expenses and assets generated by the businesses in that segment. Due to the complexity of the Bank, its management reporting model uses various estimates, assumptions, allocations and risk-based methodologies for funds transfer pricing, inter-segment revenue, income tax rates, capital, indirect expenses and cost transfers to measure business segment results. The basis of allocation and methodologies are reviewed periodically to align with management's evaluation of the Bank's business segments. Transfer pricing of funds is generally applied at market rates. Inter-segment revenue is negotiated between each business segment and approximates the fair value of the services provided. Income tax provision or recovery is generally applied to each segment based on a statutory tax rate and may be adjusted for items and activities unique to each segment. Amortization of intangibles acquired as a result of business combinations is included in the Corporate segment. Accordingly, net income for business segments is presented before amortization of these intangibles.

Net interest income within Wholesale Banking is calculated on a taxable equivalent basis (TEB), which means that the value of non-taxable or tax-exempt income, including dividends, is adjusted to its equivalent before-tax value. Using TEB allows the Bank to measure income from all securities and loans consistently and makes for a more meaningful comparison of net interest income with similar institutions. The TEB adjustment reflected in Wholesale Banking is reversed in the Corporate segment.

The Bank purchases CDS to hedge the credit risk in Wholesale Banking's corporate lending portfolio. These CDS do not qualify for hedge accounting treatment and are measured at fair value with changes in fair value recognized in current period's earnings. The related loans are accounted for at amortized cost. Management believes that this asymmetry in the accounting treatment between CDS and loans would result in periodic profit and loss volatility which is not indicative of the economics of the corporate loan portfolio or the underlying business performance in Wholesale Banking. As a result, these CDS are accounted for on an accrual basis in Wholesale Banking and the gains and losses on these CDS, in excess of the accrued cost, are reported in the Corporate segment.

The Bank reclassified certain debt securities from trading to the available-for-sale category effective August 1, 2008. As part of the Bank's trading strategy, these debt securities are economically hedged, primarily with CDS and interest rate swap contracts. These derivatives are not eligible for reclassification and are recorded on a fair value basis with changes in fair value recorded in the period's earnings. Effective February 1, 2017, the total gains and losses as a result of changes in fair value of the CDS and interest rate swap contracts hedging the reclassified available-for-sale securities portfolio are recorded in Wholesale Banking. Previously, these derivatives were accounted for on an accrual basis in the Wholesale Banking segment and the gains and losses related to the derivatives, in excess of the accrued costs were reported in the Corporate segment.

The following table summarizes the segment results for the years ended October 31.

Results by Business Segment[1]

(millions of Canadian dollars) *For the years ended October 31*

	Canadian Retail	U.S. Retail	Wholesale Banking[2,3]	Corporate[2,3]	Total
					2017
Net interest income (loss)	**$ 10,611**	**$ 7,486**	**$ 1,804**	**$ 946**	**$ 20,847**
Non-interest income (loss)	**10,451**	**2,735**	**1,467**	**649**	**15,302**
Total revenue[4]	**21,062**	**10,221**	**3,271**	**1,595**	**36,149**
Provision for (recovery of) credit losses	**986**	**792**	**(28)**	**466**	**2,216**
Insurance claims and related expenses	**2,246**	**–**	**–**	**–**	**2,246**
Non-interest expenses	**8,934**	**5,878**	**1,929**	**2,625**	**19,366**
Income (loss) before income taxes	**8,896**	**3,551**	**1,370**	**(1,496)**	**12,321**
Provision for (recovery of) income taxes	**2,371**	**671**	**331**	**(1,120)**	**2,253**
Equity in net income of an investment in TD Ameritrade	**–**	**442**	**–**	**7**	**449**
Net income (loss)	**$ 6,525**	**$ 3,322**	**$ 1,039**	**$ (369)**	**$ 10,517**
Total assets as at October 31	**$ 404,444**	**$ 403,937**	**$ 406,138**	**$ 64,476**	**$ 1,278,995**
					2016
Net interest income (loss)	$ 9,979	$ 7,093	$ 1,685	$ 1,166	$ 19,923
Non-interest income (loss)	10,230	2,366	1,345	451	14,392
Total revenue	20,209	9,459	3,030	1,617	34,315
Provision for (recovery of) credit losses	1,011	744	74	501	2,330
Insurance claims and related expenses	2,462	–	–	–	2,462
Non-interest expenses	8,557	5,693	1,739	2,888	18,877
Income (loss) before income taxes	8,179	3,022	1,217	(1,772)	10,646
Provision for (recovery of) income taxes	2,191	498	297	(843)	2,143
Equity in net income of an investment in TD Ameritrade	–	435	–	(2)	433
Net income (loss)	$ 5,988	$ 2,959	$ 920	$ (931)	$ 8,936
Total assets as at October 31	$ 383,011	$ 388,749	$ 342,478	$ 62,729	$ 1,176,967
					2015
Net interest income (loss)	$ 9,781	$ 6,131	$ 2,295	$ 517	$ 18,724
Non-interest income (loss)	9,904	2,098	631	69	12,702
Total revenue	19,685	8,229	2,926	586	31,426
Provision for (recovery of) credit losses	887	535	18	243	1,683
Insurance claims and related expenses	2,500	–	–	–	2,500
Non-interest expenses	8,407	5,188	1,701	2,777	18,073
Income (loss) before income taxes	7,891	2,506	1,207	(2,434)	9,170
Provision for (recovery of) income taxes	1,953	394	334	(1,158)	1,523
Equity in net income of an investment in TD Ameritrade	–	376	–	1	377
Net income (loss)	$ 5,938	$ 2,488	$ 873	$ (1,275)	$ 8,024
Total assets as at October 31	$ 360,100	$ 347,249	$ 343,485	$ 53,539	$ 1,104,373

1 The presentation of the U.S. strategic cards portfolio revenues, provision for credit losses, and expenses in the U.S. Retail segment includes only the Bank's agreed portion of the U.S. strategic cards portfolio, while the Corporate segment includes the retailer program partners' share.
2 Net interest income within Wholesale Banking is calculated on a taxable equivalent basis. The TEB adjustment reflected in Wholesale Banking is reversed in the Corporate segment.
3 Effective February 1, 2017, the total gains and losses as a result of changes in fair value of the credit default swap (CDS) and interest rate swap contracts hedging the reclassified available-for-sale securities portfolio are recorded in Wholesale Banking. Previously, these derivatives were accounted for on an accrual basis in Wholesale Banking and the gains and losses related to the derivatives, in excess of the accrued costs were reported in Corporate Segment.
4 Effective fiscal 2017, the impact from certain treasury and balance sheet management activities relating to the U.S. Retail segment is recorded in the Corporate segment.

RESULTS BY GEOGRAPHY

For reporting of geographic results, segments are grouped into Canada, United States, and Other international. Transactions are primarily recorded in the location responsible for recording the revenue or assets. This location frequently corresponds with the location of the legal entity through which the business is conducted and the location of the customer.

(millions of Canadian dollars)			*For the years ended October 31*	*As at October 31*
			2017	**2017**
	Total revenue	**Income before income taxes**	**Net income**	**Total assets**
Canada	**$ 20,862**	**$ 7,250**	**$ 5,660**	**$ 648,924**
United States	**13,371**	**3,677**	**3,075**	**515,478**
Other international	**1,916**	**1,394**	**1,782**	**114,593**
Total	**$ 36,149**	**$ 12,321**	**$ 10,517**	**$ 1,278,995**
			2016	2016
Canada	$ 20,374	$ 6,760	$ 5,133	$ 632,215
United States	12,217	2,873	2,436	462,330
Other international	1,724	1,013	1,367	82,422
Total	$ 34,315	$ 10,646	$ 8,936	$ 1,176,967
			2015	2015
Canada	$ 20,224	$ 6,625	$ 5,361	$ 623,061
United States	10,140	2,040	1,802	417,186
Other international	1,062	505	861	64,126
Total	$ 31,426	$ 9,170	$ 8,024	$ 1,104,373

NOTE 30: INTEREST RATE RISK

The Bank earns and pays interest on certain assets and liabilities. To the extent that the assets and liabilities mature or reprice at different points in time, the Bank is exposed to interest rate risk. The following table details the balances of interest-rate sensitive assets and liabilities by the earlier of the maturity or repricing date. Contractual repricing dates may be adjusted according to management's estimates for prepayments or early redemptions that are independent of changes in interest rates. Certain assets and liabilities are shown as non-rate sensitive although the profile assumed for actual management may be different. Derivatives are presented in the floating rate category. The Bank's risk management policies and procedures relating to credit, market, and liquidity risks as required under IFRS 7 are outlined in the shaded sections of the "Managing Risk" section of the MD&A.

Interest Rate Risk

(millions of Canadian dollars, except as noted)								*As at* **October 31, 2017**
	Floating rate	**Within 3 months**	**3 months to 1 year**	**Total within 1 year**	**Over 1 year to 5 years**	**Over 5 years**	**Non-interest sensitive**	**Total**
Assets								
Cash resources and other	**$ 25,159**	**$ 29,886**	**$ 18**	**$ 55,063**	**$ –**	**$ –**	**$ 93**	**$ 55,156**
Trading loans, securities, and other	**1,300**	**4,360**	**11,271**	**16,931**	**30,506**	**17,209**	**39,272**	**103,918**
Financial assets designated at fair value through profits or loss	**745**	**836**	**551**	**2,132**	**1,024**	**766**	**110**	**4,032**
Available-for-sale	**282**	**34,637**	**12,277**	**47,196**	**83,467**	**15,224**	**524**	**146,411**
Held-to-maturity	**–**	**9,627**	**9,500**	**19,127**	**39,456**	**12,780**	**–**	**71,363**
Securities purchased under reverse repurchase agreements	**6,776**	**111,941**	**14,367**	**133,084**	**–**	**–**	**1,345**	**134,429**
Loans	**30,326**	**240,969**	**82,482**	**353,777**	**204,697**	**38,353**	**15,764**	**612,591**
Other	**73,493**	**–**	**–**	**73,493**	**–**	**–**	**77,602**	**151,095**
Total assets	**138,081**	**432,256**	**130,466**	**700,803**	**359,150**	**84,332**	**134,710**	**1,278,995**
Liabilities and equity								
Trading deposits	**20**	**39,249**	**37,107**	**76,376**	**498**	**334**	**2,732**	**79,940**
Other financial liabilities designated at fair value through profit or loss	**7**	**–**	**–**	**7**	**–**	**1**	**–**	**8**
Other deposits	**276,083**	**95,841**	**52,574**	**424,498**	**136,040**	**35,068**	**237,218**	**832,824**
Securitization liabilities at fair value	**–**	**1,122**	**849**	**1,971**	**7,797**	**2,989**	**–**	**12,757**
Obligations related to securities sold short	**35,482**	**–**	**–**	**35,482**	**–**	**–**	**–**	**35,482**
Obligations related to securities sold under repurchase agreements	**1,147**	**81,136**	**4,244**	**86,527**	**–**	**–**	**2,064**	**88,591**
Securitization liabilities at amortized cost	**–**	**6,025**	**1,309**	**7,334**	**5,803**	**2,939**	**–**	**16,076**
Subordinated notes and debentures	**–**	**1,535**	**650**	**2,185**	**2,500**	**4,843**	**–**	**9,528**
Other	**68,511**	**–**	**–**	**68,511**	**–**	**–**	**60,088**	**128,599**
Equity	**–**	**–**	**250**	**250**	**4,150**	**350**	**70,440**	**75,190**
Total liabilities and equity	**381,250**	**224,908**	**96,983**	**703,141**	**156,788**	**46,524**	**372,542**	**1,278,995**
Net position	**$ (243,169)**	**$ 207,348**	**$ 33,483**	**$ (2,338)**	**$ 202,362**	**$ 37,808**	**$ (237,832)**	**$ –**
								October 31, 2016
Total assets	$ 143,698	$ 395,620	$ 105,529	$ 644,847	$ 331,331	$ 80,255	$ 120,534	$ 1,176,967
Total liabilities and equity	398,358	155,752	93,650	647,760	150,731	42,832	335,644	1,176,967
Net position	$ (254,660)	$ 239,868	$ 11,879	$ (2,913)	$ 180,600	$ 37,423	$ (215,110)	$ –

Interest Rate Risk by Category

(millions of Canadian dollars)

								As at
								October 31, 2017
	Floating Rate	**Within 3 months**	**3 months to 1 year**	**Total within 1 year**	**Over 1 year to 5 years**	**Over 5 years**	**Non-interest sensitive**	**Total**
Canadian currency	**$ (229,801)**	**$ 116,720**	**$ 51,293**	**$ (61,788)**	**$ 132,913**	**$ 8,978**	**$ (126,313)**	**$ (46,210)**
Foreign currency	**(13,368)**	**90,628**	**(17,810)**	**59,450**	**69,449**	**28,830**	**(111,519)**	**46,210**
Net position	**$ (243,169)**	**$ 207,348**	**$ 33,483**	**$ (2,338)**	**$ 202,362**	**$ 37,808**	**$ (237,832)**	**$ –**
								October 31, 2016
Canadian currency	$ (226,294)	$ 119,905	$ 35,798	$ (70,591)	$ 132,887	$ 5,992	$ (121,817)	$ (53,529)
Foreign currency	(28,366)	119,963	(23,919)	67,678	47,713	31,431	(93,293)	53,529
Net position	$ (254,660)	$ 239,868	$ 11,879	$ (2,913)	$ 180,600	$ 37,423	$ (215,110)	$ –

NOTE 31: CREDIT RISK

Concentration of credit risk exists where a number of borrowers or counterparties are engaged in similar activities, are located in the same geographic area or have comparable economic characteristics. Their ability to meet contractual obligations may be similarly affected by changing economic, political or other conditions. The Bank's portfolio could be sensitive to changing conditions in particular geographic regions.

Concentration of Credit Risk

(millions of Canadian dollars, except as noted)						As at
	Loans and customers' liability under acceptances[1]		**Credit Instruments[2,3]**		**Derivative financial instruments[4,5]**	
	October 31 2017	October 31 2016	**October 31 2017**	October 31 2016	**October 31 2017**	October 31 2016
Canada[6]	**66 %**	66 %	**42 %**	41 %	**29 %**	30 %
United States[7]	**33**	33	**55**	56	**26**	28
United Kingdom	**–**	–	**1**	1	**17**	18
Europe – other	**–**	–	**1**	1	**21**	18
Other international	**1**	1	**1**	1	**7**	6
Total	**100 %**	100 %	**100 %**	100 %	**100 %**	100 %
	$ 629,888	$ 601,362	**$ 181,200**	$ 170,553	**$ 53,645**	$ 65,914

1 Of the total loans and customers' liability under acceptances, the only industry segment which equalled or exceeded 5% of the total concentration as at October 31, 2017, was: real estate 10% (October 31, 2016 – 10%).

2 As at October 31, 2017, the Bank had commitments and contingent liability contracts in the amount of $181 billion (October 31, 2016 – $171 billion). Included are commitments to extend credit totalling $157 billion (October 31, 2016 – $147 billion), of which the credit risk is dispersed as detailed in the table above.

3 Of the commitments to extend credit, industry segments which equalled or exceeded 5% of the total concentration were as follows as at October 31, 2017: financial institutions 19% (October 31, 2016 – 19%); pipelines, oil and gas 10% (October 31, 2016 – 10%); power and utilities 10% (October 31, 2016 – 9%); sundry manufacturing and wholesale 7% (October 31, 2016 – 7%); automotive 7% (October 31, 2016 – 7%); telecommunications, cable and media 6% (October 31, 2016 – 6%); professional and other services 6% (October 31, 2016 – 6%); government, public sector entities, and education 5% (October 31, 2016 – 5%); non-residential real estate development 5% (October 31, 2016 – 5%).

4 As at October 31, 2017, the current replacement cost of derivative financial instruments amounted to $54 billion (October 31, 2016 – $66 billion). Based on the location of the ultimate counterparty, the credit risk was allocated as detailed in the table above. The table excludes the fair value of exchange traded derivatives.

5 The largest concentration by counterparty type was with financial institutions (including non-banking financial institutions), which accounted for 75% of the total as at October 31, 2017 (October 31, 2016 – 75%). The second largest concentration was with governments, which accounted for 20% of the total as at October 31, 2017 (October 31, 2016 – 17%). No other industry segment exceeded 5% of the total.

6 Debt securities classified as loans were 0.4% as at October 31, 2017 (October 31, 2016 – nil), of the total loans and customers' liability under acceptances.

7 Debt securities classified as loans were 0.1% as at October 31, 2017 (October 31, 2016 – 0.2%), of the total loans and customers' liability under acceptances.

The following table presents the maximum exposure to credit risk of financial instruments, before taking account of any collateral held or other credit enhancements.

Gross Maximum Credit Risk Exposure[1]

(millions of Canadian dollars)		As at
	October 31 2017	October 31 2016
Cash and due from banks	**$ 3,971**	$ 3,907
Interest-bearing deposits with banks	**51,185**	53,714
Securities[2]		
Financial assets designated at fair value through profit and loss		
Government and government-insured securities	**2,119**	2,127
Other debt securities	**1,913**	2,156
Trading		
Government and government-insured securities	**40,012**	39,699
Other debt securities	**13,358**	10,432
Retained interest	**32**	31
Available-for-sale		
Government and government-insured securities	**102,361**	77,499
Other debt securities	**41,763**	27,832
Held-to-maturity		
Government and government-insured securities	**45,623**	51,290
Other debt securities	**25,740**	33,105
Securities purchased under reverse purchase agreements	**134,429**	86,052
Derivatives[3]	**70,120**	75,249
Loans		
Residential mortgages	**221,990**	217,220
Consumer instalment and other personal	**156,293**	143,701
Credit card	**31,743**	30,700
Business and government	**199,503**	192,622
Debt securities classified as loans	**3,062**	1,413
Trading loans	**11,235**	11,606
Customers' liability under acceptances	**17,297**	15,706
Amounts receivable from brokers, dealers and clients	**29,971**	17,436
Other assets	**4,556**	4,352
Total assets	**1,208,276**	1,097,849
Credit instruments[4]	**181,200**	170,553
Unconditionally cancellable commitments to extend credit relating to personal lines of credit and credit card lines	**290,123**	269,912
Total credit exposure	**$ 1,679,599**	$ 1,538,314

1 Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.
2 Excludes equity securities.
3 The gross maximum credit exposure for derivatives is based on the credit equivalent amount less the impact of certain master netting arrangements. The amounts exclude exchange traded derivatives and non-trading credit derivatives. Refer to Note 11 for further details.
4 The balance represents the maximum amount of additional funds that the Bank could be obligated to extend should the contracts be fully utilized. The actual maximum exposure may differ from the amount reported above. Refer to Note 27 for further details.

Credit Quality of Financial Assets

The following table provides the on and off-balance sheet exposures by risk-weight for certain financial assets that are subject to the Standardized Approach to credit risk. Under the Standardized Approach, assets receive an OSFI-prescribed risk-weight based on factors including counterparty type, product type, collateral, and external credit assessments. These assets relate primarily to the Bank's U.S. Retail portfolio. Refer to the "Managing Risk – Credit Risk" section of the MD&A for a discussion on the risk rating for the Standardized Approach and on the Bank's risk ratings.

Financial Assets Subject to the Standardized Approach by Risk-Weights

(millions of Canadian dollars)

									As at
									October 31, 2017
	0%	**20%**	**35%**	**50%**	**75%[1]**	**100%[2]**	**150%**	**350%**	**Total**
Loans									
Residential mortgages	**$ –**	**$ 10**	**$ 4,626**	**$ –**	**$ 883**	**$ 23**	**$ –**	**$ –**	**$ 5,542**
Consumer instalment and other personal	**411**	**8**	**11**	**–**	**982**	**–**	**98**	**–**	**1,510**
Credit card	**–**	**–**	**–**	**–**	**16,072**	**–**	**269**	**–**	**16,341**
Business and government	**10,079**	**9,247**	**–**	**–**	**783**	**82,941**	**265**	**–**	**103,315**
Debt securities classified as loans	**–**	**–**	**–**	**–**	**–**	**4**	**–**	**–**	**4**
Total loans	**10,490**	**9,265**	**4,637**	**–**	**18,720**	**82,968**	**632**	**–**	**126,712**
Held-to-maturity	**1,867**	**31,741**	**–**	**–**	**–**	**–**	**–**	**–**	**33,608**
Securities purchased under reverse repurchase agreements	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Customers' liability under acceptances	**–**	**–**	**–**	**–**	**–**	**2**	**–**	**–**	**2**
Other assets[3]	**9,639**	**1,099**	**–**	**–**	**–**	**–**	**–**	**–**	**10,738**
Total assets	**21,996**	**42,105**	**4,637**	**–**	**18,720**	**82,970**	**632**	**–**	**171,060**
Off-balance sheet credit instruments	**276**	**3,976**	**–**	**–**	**428**	**27,481**	**–**	**–**	**32,161**
Total	**$ 22,272**	**$ 46,081**	**$ 4,637**	**$ –**	**$ 19,148**	**$ 110,451**	**$ 632**	**$ –**	**$ 203,221**
									October 31, 2016
Loans									
Residential mortgages	$ 22	$ 207	$ 48	$ –	$ 742	$ 27	$ –	$ –	$ 1,046
Consumer instalment and other personal	488	49	5	–	903	–	95	–	1,540
Credit card	–	–	–	–	15,929	–	290	–	16,219
Business and government	11,208	8,542	–	–	767	82,840	430	–	103,787
Debt securities classified as loans	–	29	–	–	–	5	–	–	34
Total loans	11,718	8,827	53	–	18,341	82,872	815	–	122,626
Held-to-maturity	1,683	47,104	–	–	–	224	–	519	49,530
Securities purchased under reverse repurchase agreements	–	–	–	–	–	–	–	–	–
Customers' liability under acceptances	–	–	–	–	–	1	–	–	1
Other assets[3]	13,165	917	–	1	–	–	–	–	14,083
Total assets	26,566	56,848	53	1	18,341	83,097	815	519	186,240
Off-balance sheet credit instruments	535	4,012	–	–	394	27,383	–	–	32,324
Total	$ 27,101	$ 60,860	$ 53	$ 1	$ 18,735	$ 110,480	$ 815	$ 519	$ 218,564

1 Based on the Bank's internal risk ratings, 26% of retail exposures are rated 'low risk' or 'normal risk', 37% are rated 'medium risk' and 37% are rated 'high risk' or 'default' as at October 31, 2017 (October 31, 2016 – 27%, 39% and 34%, respectively).

2 Based on the Bank's internal risk ratings, 42% of non-retail exposures are rated 'investment grade', 56% are rated 'non-investment grade' and 2% are rated 'watch/classified' or 'impaired/defaulted' as at October 31, 2017 (October 31, 2016 – 39%, 59% and 2% respectively).

3 Other assets include amounts due from banks and interest-bearing deposits with banks.

The following tables provide the on and off-balance sheet exposures by risk rating for certain non-retail and retail financial assets that are subject to the Advanced Internal Ratings Based (AIRB) Approach to credit risk in the Basel III Capital Accord. Under the AIRB Approach, assets receive a risk rating based on internal models of the Bank's historical loss experience (by counterparty type) and on other key risk assumptions. The non-retail and retail asset risk rating classifications subject to the AIRB Approach reflect whether the exposure is subject to a guarantee, which would result in the exposure being classified based on the internal risk rating of the guarantor. The following risk ratings may not directly correlate with the 'Neither past due nor impaired', 'Past due but not impaired' and 'Impaired' status disclosed in Note 8 – Loans, Impaired Loans and Allowance for Credit Losses, because of the aforementioned risk transference guarantees, and certain loan exposures that remain subject to the Standardized Approach. Refer to the "Managing Risk – Credit Risk" section of the MD&A for a discussion on the credit risk rating for non-retail and retail exposures subject to the AIRB Approach.

Non-Retail Financial Assets Subject to the AIRB Approach by Risk Rating

(millions of Canadian dollars)

					As at
					October 31, 2017
	Investment grade	**Non-Investment grade**	**Watch and classified**	**Impaired/ defaulted**	**Total**
Loans					
Residential mortgages[1]	**$ 78,917**	**$ –**	**$ –**	**$ –**	**$ 78,917**
Consumer instalment and other personal[1]	**15,897**	**1**	**–**	**–**	**15,898**
Business and government	**44,111**	**40,751**	**1,734**	**184**	**86,780**
Debt securities classified as loans	**2,334**	**36**	**395**	**231**	**2,996**
Total loans	**141,259**	**40,788**	**2,129**	**415**	**184,591**
Held-to-maturity	**37,755**	**–**	**–**	**–**	**37,755**
Securities purchased under reverse repurchase agreements	**121,127**	**13,302**	**–**	**–**	**134,429**
Customers' liability under acceptances	**8,706**	**8,402**	**187**	**–**	**17,295**
Other assets[2]	**41,053**	**115**	**–**	**–**	**41,168**
Total assets	**349,900**	**62,607**	**2,316**	**415**	**415,238**
Off-balance sheet credit instruments	**101,889**	**12,639**	**816**	**5**	**115,349**
Total	**$ 451,789**	**$ 75,246**	**$ 3,132**	**$ 420**	**$ 530,587**

					October 31, 2016
Loans					
Residential mortgages[1]	$ 90,124	$ –	$ –	$ –	$ 90,124
Consumer instalment and other personal[1]	17,925	1	–	–	17,926
Business and government	39,468	38,134	1,776	333	79,711
Debt securities classified as loans	1,024	82	72	250	1,428
Total loans	148,541	38,217	1,848	583	189,189
Held-to-maturity	34,865	–	–	–	34,865
Securities purchased under reverse repurchase agreements	75,441	10,611	–	–	86,052
Customers' liability under acceptances	8,411	7,080	214	–	15,705
Other assets[2]	40,421	72	–	–	40,493
Total assets	307,679	55,980	2,062	583	366,304
Off-balance sheet credit instruments	75,364	10,840	1,039	18	87,261
Total	$ 383,043	$ 66,820	$ 3,101	$ 601	$ 453,565

1 Includes CMHC insured exposures classified as sovereign exposure under Basel III and therefore included in the non-retail category under the AIRB Approach.
2 Other assets include amounts due from banks and interest-bearing deposits with banks.

Retail Financial Assets Subject to the AIRB Approach by Risk Rating[1]

(millions of Canadian dollars)						*As at*
						October 31, 2017
	Low risk	**Normal risk**	**Medium risk**	**High risk**	**Default**	**Total**
Loans						
Residential mortgages[2]	**$ 76,900**	**$ 51,055**	**$ 7,024**	**$ 2,060**	**$ 581**	**$ 137,620**
Consumer instalment and other personal[2]	**53,166**	**52,598**	**22,411**	**10,831**	**687**	**139,693**
Credit card	**3,800**	**4,571**	**5,236**	**2,989**	**70**	**16,666**
Business and government[3]	**1,510**	**4,262**	**3,348**	**1,589**	**174**	**10,883**
Total loans	**135,376**	**112,486**	**38,019**	**17,469**	**1,512**	**304,862**
Held-to-maturity	**–**	**–**	**–**	**–**	**–**	**–**
Off-balance sheet credit instruments	**89,706**	**20,347**	**4,804**	**1,113**	**4**	**115,974**
Total	**$ 225,082**	**$ 132,833**	**$ 42,823**	**$ 18,582**	**$ 1,516**	**$ 420,836**
						October 31, 2016
Loans						
Residential mortgages[2]	$ 59,331	$ 56,105	$ 7,902	$ 2,185	$ 643	$ 126,166
Consumer instalment and other personal[2]	46,710	47,392	20,898	9,336	729	125,065
Credit card	5,030	3,663	4,402	2,530	70	15,695
Business and government[3]	810	3,691	3,967	1,896	212	10,576
Total loans	111,881	110,851	37,169	15,947	1,654	277,502
Held-to-maturity	–	–	–	–	–	–
Off-balance sheet credit instruments	83,184	18,945	5,258	1,272	4	108,663
Total	$ 195,065	$ 129,796	$ 42,427	$ 17,219	$ 1,658	$ 386,165

1 Credit exposures relating to the Bank's insurance subsidiaries have been excluded. The financial instruments held by the insurance subsidiaries are mainly comprised of available-for-sale securities and securities designated at fair value through profit or loss, which are carried at fair value on the Consolidated Balance Sheet.
2 Excludes CMHC insured exposures classified as sovereign exposure under Basel III and therefore included in the non-retail category under the AIRB Approach.
3 Business and government loans in the retail portfolio include small business loans.

NOTE 32: REGULATORY CAPITAL

The Bank manages its capital under guidelines established by OSFI. The regulatory capital guidelines measure capital in relation to credit, market, and operational risks. The Bank has various capital policies, procedures, and controls which it utilizes to achieve its goals and objectives.

The Bank's capital management objectives are:

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

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

Basel III Capital Framework

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

Capital Position and Capital Ratios

The Basel framework allows qualifying banks to determine capital levels consistent with the way they measure, manage, and mitigate risks. It specifies methodologies for the measurement of credit, market, and operational risks. The Bank uses the advanced approaches for the majority of its portfolios. Effective the third quarter of 2016, OSFI approved the Bank to calculate the majority of the retail portfolio credit RWA in the U.S. Retail segment using the AIRB approach. The remaining assets in the U.S. Retail segment continue to use the standardized approach for credit risk.

For accounting purposes, IFRS is followed for consolidation of subsidiaries and joint ventures. For regulatory capital purposes, insurance subsidiaries are deconsolidated and reported as a deduction from capital. Insurance subsidiaries are subject to their own capital adequacy reporting, such as OSFI's Minimum Continuing Capital Surplus Requirements and Minimum Capital Test. Currently, for regulatory capital purposes, all the entities of the Bank are either consolidated or deducted from capital and there are no entities from which surplus capital is recognized.

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

During the year ended October 31, 2017, the Bank complied with the OSFI Basel III guideline related to capital ratios and the leverage ratio. Effective January 1, 2016, OSFI's target CET1, Tier 1, and Total Capital ratios for Canadian banks designated as D-SIBs includes a 1% common equity capital surcharge bringing the targets to 8%, 9.5%, and 11.5%, respectively.

OSFI has provided IFRS transitional provisions for the leverage ratio (as previously with the ACM), which allows for the exclusion of assets securitized and sold through CMHC-sponsored programs prior to March 31, 2010, from the calculation.

The following table summarizes the Bank's regulatory capital position as at October 31.

Regulatory Capital Position

(millions of Canadian dollars, except as noted)		*As at*
	October 31 2017	October 31 2016
Capital		
Common Equity Tier 1 Capital	**$ 46,628**	$ 42,328
Tier 1 Capital	**53,751**	49,397
Total Capital	**65,038**	61,816
Risk-weighted assets used in the calculation of capital ratios[1]		
Common Equity Tier 1 Capital	**$ 435,750**	$ 405,844
Tier 1 Capital	**435,750**	405,844
Total Capital	**435,750**	405,844
Capital and leverage ratios		
Common Equity Tier 1 Capital ratio[1]	**10.7 %**	10.4 %
Tier 1 Capital ratio[1]	**12.3**	12.2
Total Capital ratio[1]	**14.9**	15.2
Leverage ratio	**3.9**	4.0

1 In accordance with the final CAR guideline, the Credit Valuation Adjustment (CVA) capital charge is being phased in until the first quarter of 2019. Each capital ratio has its own RWA measure due to the OSFI prescribed scalar for inclusion of the CVA. For fiscal 2016, the scalars for inclusion of CVA for CET1, Tier 1, and Total Capital RWA were 64%, 71%, and 77%, respectively. For fiscal 2017, the scalars are 72%, 77%, and 81%, respectively. As the Bank is constrained by the Basel 1 regulatory floor, the RWA as it relates to the regulatory floor is calculated based on the Basel 1 risk weights which are the same for all capital ratios.

NOTE 33: RISK MANAGEMENT

The risk management policies and procedures of the Bank are provided in the MD&A. The shaded sections of the "Managing Risk" section of the MD&A relating to market, liquidity, and insurance risks are an integral part of the 2017 Consolidated Financial Statements.

NOTE 34: INFORMATION ON SUBSIDIARIES

The following is a list of the directly or indirectly held significant subsidiaries.

SIGNIFICANT SUBSIDIARIES[1]

(millions of Canadian dollars)			As at October 31, 2017
North America	**Address of Head or Principal Office[2]**	**Description**	**Carrying value of shares owned by the Bank**
Meloche Monnex Inc.	Montreal, Québec	Holding Company	$ 1,387
Security National Insurance Company	Montreal, Québec	Insurance Company	
Primmum Insurance Company	Toronto, Ontario	Insurance Company	
TD Direct Insurance Inc.	Toronto, Ontario	Insurance Company	
TD General Insurance Company	Toronto, Ontario	Insurance Company	
TD Home and Auto Insurance Company	Toronto, Ontario	Insurance Company	
TD Asset Management Inc.	Toronto, Ontario	Investment Counselling and Portfolio Management	403
TD Waterhouse Private Investment Counsel Inc.	Toronto, Ontario	Investment Counselling and Portfolio Management	
TD Auto Finance (Canada) Inc.	Toronto, Ontario	Automotive Finance Entity	2,224
TD Auto Finance Services Inc.	Toronto, Ontario	Automotive Finance Entity	1,332
TD Financing Services Home Inc.	Toronto, Ontario	Mortgage Lender	46
TD Financing Services Inc.	Toronto, Ontario	Financial Services Entity	165
TD Group US Holdings LLC	Wilmington, Delaware	Holding Company	65,717
Toronto Dominion Holdings (U.S.A.), Inc.	New York, New York	Holding Company	
TD Prime Services LLC	New York, New York	Securities Dealer	
TD Securities (USA) LLC	New York, New York	Securities Dealer	
Toronto Dominion (Texas) LLC	New York, New York	Financial Services Entity	
Toronto Dominion (New York) LLC	New York, New York	Financial Services Entity	
Toronto Dominion Capital (U.S.A.), Inc.	New York, New York	Small Business Investment Company	
TD Bank US Holding Company	Cherry Hill, New Jersey	Holding Company	
Epoch Investment Partners, Inc.	New York, New York	Investment Counselling and Portfolio Management	
TDAM USA Inc.	New York, New York	Investment Counselling and Portfolio Management	
TD Bank USA, National Association	Cherry Hill, New Jersey	U.S. National Bank	
TD Bank, National Association	Cherry Hill, New Jersey	U.S. National Bank	
TD Auto Finance LLC	Farmington Hills, Michigan	Automotive Finance Entity	
TD Equipment Finance, Inc.	Cherry Hill, New Jersey	Financial Services Entity	
TD Private Client Wealth LLC	New York, New York	Broker-dealer and Registered Investment Advisor	
TD Wealth Management Services Inc.	Cherry Hill, New Jersey	Insurance Agency	
TD Luxembourg International Holdings	Luxembourg, Luxembourg	Holding Company	
TD Ameritrade Holding Corporation[3]	Omaha, Nebraska	Securities Dealer	
TD Investment Services Inc.	Toronto, Ontario	Mutual Fund Dealer	40
TD Life Insurance Company	Toronto, Ontario	Insurance Company	67
TD Mortgage Corporation	Toronto, Ontario	Deposit Taking Entity	12,605
TD Pacific Mortgage Corporation	Vancouver, British Columbia	Deposit Taking Entity	
The Canada Trust Company	Toronto, Ontario	Trust, Loans, and Deposits Entity	
TD Securities Inc.	Toronto, Ontario	Investment Dealer and Broker	2,223
TD Vermillion Holdings ULC	Vancouver, British Columbia	Holding Company	21,133
TD Financial International Ltd.	Hamilton, Bermuda	Holding Company	
TD Reinsurance (Barbados) Inc.	St. James, Barbados	Reinsurance Company	
Toronto Dominion International Inc.	St. James, Barbados	Intragroup Lending Company	
TD Waterhouse Canada Inc.	Toronto, Ontario	Investment Dealer	2,417
International			
TD Bank N.V.	Amsterdam, The Netherlands	Dutch Bank	719
TD Ireland Unlimited Company	Dublin, Ireland	Holding Company	1,068
TD Global Finance Unlimited Company	Dublin, Ireland	Securities Dealer	
TD Securities (Japan) Co. Ltd.	Tokyo, Japan	Securities Dealer	7
Toronto Dominion Australia Limited	Sydney, Australia	Securities Dealer	232
Toronto Dominion Investments B.V.	London, England	Holding Company	1,079
TD Bank Europe Limited	London, England	UK Bank	
Toronto Dominion Holdings (U.K.) Limited	London, England	Holding Company	
TD Securities Limited	London, England	Securities Dealer	
Toronto Dominion (South East Asia) Limited	Singapore, Singapore	Financial Institution	1,399

1 Unless otherwise noted, The Toronto-Dominion Bank, either directly or through its subsidiaries, owns 100% of the entity and/or 100% of any issued and outstanding voting securities and non-voting securities of the entities listed.
2 Each subsidiary is incorporated or organized in the country in which its head or principal office is located, with the exception of Toronto Dominion Investments B.V., a company incorporated in The Netherlands, but with its principal office in the United Kingdom.
3 As at October 31, 2017, the Bank's reported investment in TD Ameritrade Holding Corporation was 41.27% (October 31, 2016 – 42.38%) of the outstanding shares of TD Ameritrade Holding Corporation. TD Luxembourg International Holdings and its ownership of TD Ameritrade Holding Corporation is included given the significance of the Bank's investment in TD Ameritrade Holding Corporation.

SUBSIDIARIES WITH RESTRICTIONS TO TRANSFER FUNDS

Certain of the Bank's subsidiaries have regulatory requirements to fulfill, in accordance with applicable law, in order to transfer funds, including paying dividends to, repaying loans to, or redeeming subordinated debentures issued to, the Bank. These customary requirements include, but are not limited to:

- Local regulatory capital and/or surplus adequacy requirements;
- Basel requirements under Pillar 1 and Pillar 2;
- Local regulatory approval requirements; and
- Local corporate and/or securities laws.

As at October 31, 2017, the net assets of subsidiaries subject to regulatory or capital adequacy requirements was $77.2 billion (October 31, 2016 – $73.1 billion), before intercompany eliminations.

In addition to regulatory requirements outlined above, the Bank may be subject to significant restrictions on its ability to use the assets or settle the liabilities of members of its group. Key contractual restrictions may arise from the provision of collateral to third parties in the normal course of business, for example through secured financing transactions; assets securitized which are not subsequently available for transfer by the Bank; and assets transferred into other consolidated and unconsolidated structured entities. The impact of these restrictions has been disclosed in Notes 9 and 27.

Aside from non-controlling interests disclosed in Note 21, there were no significant restrictions on the ability of the Bank to access or use the assets or settle the liabilities of subsidiaries within the group as a result of protective rights of non-controlling interests.

RETURN ON ASSETS, DIVIDEND PAYOUTS, AND EQUITY TO ASSETS RATIOS[1,2]

	For the three months ended				*For the year ended*		
	October 31 2017	July 31 2017	April 30 2017	January 31 2017	**October 31 2017**	October 31 2016	October 31 2015
Return on Assets – reported[3]	**0.86 %**	0.87 %	0.83 %	0.81 %	**0.84 %**	0.76 %	0.75 %
Return on Assets – adjusted[4]	**0.82**	0.90	0.85	0.82	**0.85**	0.79	0.81
Dividend Payout Ratio – reported[5]	**42.2**	41.1	45.8	41.6	**42.6**	46.1	47.3
Dividend Payout Ratio – adjusted[6]	**44.0**	39.7	44.8	41.1	**42.3**	44.3	43.3
Equity to Asset Ratio[7]	**6.0**	6.0	6.2	6.1	**6.1**	6.1	5.9

1 Calculated pursuant to the U.S. Securities and Exchange Commission Industry Guide 3.
2 The Bank's financial results are prepared in accordance with International Financial Reporting Standards (IFRS), the current generally accepted accounting principles (GAAP). The Bank 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 overall Bank performance. Please refer to the "Financial Results Overview" section in the Bank's 2017 Management's Discussion and Analysis (www.td.com/investor) for further explanation on reported and adjusted results, a list of the items of note, and a reconciliation of non-GAAP measures.
3 Calculated as reported net income available to common shareholders and non-controlling interests (NCI) in subsidiaries divided by average total assets.
4 Calculated as adjusted net income available to common shareholders and NCI in subsidiaries divided by average total assets.
5 Calculated as dividends declared per common share divided by reported basic earnings per share.
6 Calculated as dividends declared per common share divided by adjusted basic earnings per share.
7 Calculated as average total equity (including NCI in subsidiaries) divided by average total assets.

CONTRACTUAL OBLIGATIONS BY REMAINING MATURITY[1]

(millions of Canadian dollars)

	Within 1 year	Over 1 year to 3 years	Over 3 to 5 years	Over 5 years	October 31 2017 Total	October 31 2016 Total
Deposits[2,3]	$ 739,280	$ 46,729	$ 32,361	$ 14,692	$ 833,062	$ 773,484
Securitization liabilities						
Securitization liabilities at fair value	2,063	3,728	4,024	2,965	12,780	11,801
Securitization liabilities at amortization cost	7,348	3,521	2,323	2,960	16,152	17,879
Subordinated notes and debentures	–	–	–	9,807	9,807	10,891
Liability for preferred shares	–	–	–	34	34	35
Structured entity liabilities	2,021	3,169	–	645	5,835	5,469
Contractual interest payments[4,5]	2,797	3,389	1,767	2,314	10,267	29,933
Operating lease commitments	939	1,669	1,327	3,505	7,440	7,955
Capital lease commitments	28	38	13	10	89	115
Network service agreements	–	–	–	–	–	–
Automated teller machines	125	220	91	–	436	118
Contact centre technology	30	–	–	–	30	61
Software licensing and equipment maintenance	161	173	58	–	392	443
Total	$ 754,792	$ 62,636	$ 41,964	$ 36,932	$ 896,324	$ 858,184

1 Amounts are presented on an undiscounted basis.

2 As the timing of demand deposits and notice deposits is non-specific and callable by the depositor, obligations have been included as within one year.

3 Amounts include trading deposits which are carried at fair value and include basis adjustments if the deposit is in a hedge accounting relationship. Accrued and contractual interest payments are also included.

4 Amounts include accrued and future estimated interest obligations on term deposits, securitization liabilities, subordinated notes and debentures, and asset-backed commercial paper based on applicable interest and foreign exchange rates as at October 31, 2017, and October 31, 2016, respectively. Amounts exclude returns on instruments where the Bank's payment obligation is based on the performance of equity linked indices.

5 Interest obligations on subordinated notes and debentures are calculated according to their contractual maturity date. Refer to Note 19 to the Bank's 2017 Consolidated Financial Statements for additional details.

Exhibit 99.6

RATIOS OF EARNINGS TO FIXED CHARGES
(millions of Canadian dollars, except as noted)

					For the year ended
	October 31 2017	October 31 2016	October 31 2015	October 31 2014	October 31 2013
Excluding interest on deposits fixed charges:					
Interest expense (excluding deposits)	**$ 2,435**	$ 1,959	$ 1,950	$ 2,060	$ 1,938
Estimated interest within rental expense	**93**	127	109	106	102
Preferred stock dividend requirements of consolidated subsidiaries	**41**	35	32	28	42
Total fixed charges	**2,569**	2,121	2,091	2,194	2,082
Preferred stock dividend requirements of parent entity	**236**	176	119	172	218
Total fixed charges and preferred dividends	**2,805**	2,297	2,210	2,366	2,300
Earnings					
Net Income before income taxes	**13,071**	11,404	9,794	9,734	8,009
Less: income/(loss) from equity investees	**449**	433	377	320	272
Add: fixed charges	**2,569**	2,121	2,091	2,194	2,082
Total earnings	**$ 15,191**	$ 13,092	$ 11,508	$ 11,608	$ 9,819
Ratio of earnings to fixed charges	**5.91**	6.17	5.50	5.29	4.72
Ratio of earnings to fixed charges and preferred dividends	**5.42**	5.70	5.21	4.91	4.27
Including interest on deposits fixed charges:					
Interest expense (including deposits)	**$ 9,050**	$ 6,717	$ 6,192	$ 6,373	$ 6,399
Estimated interest within rental expense	**93**	127	109	106	102
Preferred stock dividend requirements of consolidated subsidiaries	**41**	35	32	28	42
Total fixed charges	**9,184**	6,879	6,333	6,507	6,543
Preferred stock dividend requirements of parent entity	**236**	176	119	172	218
Total fixed charges and preferred dividends	**9,420**	7,055	6,452	6,679	6,761
Earnings					
Net Income before income taxes	**13,071**	11,404	9,794	9,734	8,009
Less: income/(loss) from equity investees	**449**	433	377	320	272
Add: fixed charges	**9,184**	6,879	6,333	6,507	6,543
Total earnings	**$ 21,806**	$ 17,850	$ 15,750	$ 15,921	$ 14,280
Ratio of earnings to fixed charges	**2.37**	2.59	2.49	2.45	2.18
Ratio of earnings to fixed charges and preferred dividends	**2.31**	2.53	2.44	2.38	2.11

Exhibit 99.7

Code of Ethics

The *TD Bank Group Code of Conduct and Ethics for Employees and Directors* is incorporated by reference to the Form 6-K filed with the SEC on May 2, 2017.

Exhibit 99.8

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our Firm under the caption “Experts” and to the use in this Annual Report on Form 40-F of our reports dated November 29, 2017, with respect to the consolidated balance sheet of The Toronto-Dominion Bank (the “Bank”) as at October 31, 2017 and 2016, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended October 31, 2017, and the effectiveness of internal control over financial reporting of the Bank as at October 31, 2017.

We also consent to the incorporation by reference of our reports dated November 29, 2017 in the following Registration Statements of the Bank:

1) Registration Statement (Form F-3 No. 333-83232),
2) Registration Statement (Form F-3 No. 333-211718),
3) Registration Statement (Form S-8 No. 333-12948),
4) Registration Statement (Form S-8 No. 333-120815),
5) Registration Statement (Form S-8 No. 333-142253),
6) Registration Statement (Form S-8 No. 333-150000),
7) Registration Statement (Form S-8 No. 333-167234), and
8) Registration Statement (Form S-8 No. 333-169721).

/s/Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
November 30, 2017

Exhibit 99.9

Certification Pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002

I, Bharat Masrani, certify that:

1. I have reviewed this annual report on Form 40-F of The Toronto-Dominion Bank;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: November 30, 2017

/s/ Bharat Masrani
Bharat Masrani
Group President and Chief Executive Officer

Certification Pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002

I, Riaz Ahmed, certify that:

1. I have reviewed this annual report on Form 40-F of The Toronto-Dominion Bank;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: November 30, 2017

/s/ Riaz Ahmed
Riaz Ahmed
Group Head and Chief Financial Officer

Exhibit 99.10

Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002

In connection with the Annual Report of The Toronto-Dominion Bank (the "Bank") on Form 40-F for the year ended October 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bharat Masrani, Group President and Chief Executive Officer of the Bank, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Bank.

Date: November 30, 2017

/s/ Bharat Masrani
Bharat Masrani
Group President and Chief Executive Officer

Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002

In connection with the Annual Report of The Toronto-Dominion Bank (the "Bank") on Form 40-F for the year ended October 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Riaz Ahmed, Group Head and Chief Financial Officer of the Bank, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Bank.

Date: November 30, 2017

/s/ Riaz Ahmed

Riaz Ahmed

Group Head and Chief Financial Officer