

**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, 2022**

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  
One Vanderbilt Avenue  
New York, NY  
10017  
(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	Trading Symbol(s)	Name of each exchange on which registered
<b>Common Shares</b>	<b>TD</b>	<b>New York Stock Exchange</b>

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**

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(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	1,821,668,789
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 5-Year Rate Reset Preferred Shares, Series 16 (Non-Viability Contingent Capital)	14,000,000
Non-Cumulative 5-Year Rate Reset Preferred Shares, Series 18 (Non-Viability Contingent Capital)	14,000,000
Non-Cumulative 5-Year Rate Reset Preferred Shares, Series 20 (Non-Viability Contingent Capital)	16,000,000
Non-Cumulative 5-Year Rate Reset Preferred Shares, Series 22 (Non-Viability Contingent Capital)	14,000,000
Non-Cumulative 5-Year Rate Reset Preferred Shares, Series 24 (Non-Viability Contingent Capital)	18,000,000
Class A First Preferred Shares, Series 26 (Non-Viability Contingent Capital)*	1,750,000
Non-Cumulative 5-Year Rate Reset Preferred Shares, Series 27	850,000
Non-Cumulative 5-Year Rate Reset Preferred Shares, Series 28	800,000
Class A First Preferred Shares, Series 29 (Non-Viability Contingent Capital)*	1,500,000
Class A First Preferred Shares, Series 30 (Non-Viability Contingent Capital)*	1,750,000

\* In connection with the issuance of: (i) Limited Recourse Capital Notes NVCC, Series 1, the Registrant issued CAD\$1,750 million of Class A First Preferred Shares, Series 26 (Series 26 Preferred Shares) at a price of CAD\$1,000 per Series 26 Preferred Share; (ii) Limited Recourse Capital Notes NVCC, Series 2, the Registrant issued CAD\$1,500 million of Class A First Preferred Shares, Series 29 (Series 29 Preferred Shares) at a price of CAD\$1,000 per Series 29 Preferred Share; and (iii) Limited Recourse Capital Notes NVCC, Series 3, the Registrant issued USD\$1,750 million of Class A First Preferred Shares, Series 30 (Series 30 Preferred Shares) at a price of USD\$1,000 per Series 30 Preferred Share. The Series 26 Preferred Shares, Series 29 Preferred Shares, and Series 30 Preferred Shares were issued to a trust to be held as limited recourse trust assets in connection with the Limited Recourse Capital Note structure. The Series 26 Preferred Shares, Series 29 Preferred Shares and Series 30 Preferred Shares are eliminated on the Registrant's consolidated financial statements.

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 every Interactive Data File required to be submitted 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 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.

Indicate by check mark whether the Registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

*Auditor Name:* Ernst & Young LLP

*Auditor Location:* Toronto, Canada

*Auditor Firm ID:* 1263

## **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 *Report of Independent Registered Public Accounting Firm To the Shareholders and Directors of The Toronto-Dominion Bank – Opinion on Internal Control over Financial Reporting* included in Exhibit 99.3: 2022 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 30, 2022 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, Senior Executive Vice President and Chief Financial Officer, and Senior Vice President, Controller, Chief Accountant and Corporate Segment Finance. The Registrant posts the Code on its website at [www.td.com](http://www.td.com) and also undertakes to provide a copy of the Code to any person without charge upon request. Such request may be made by mail, telephone 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  
E-mail: [tdshinfo@td.com](mailto:tdshinfo@td.com)

On February 7, 2022, 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: a) Introduction and Summary – TD’s Culture Framework, which combines elements of TD’s purpose, strategy, Shared Commitments, Risk Appetite and the Code, is now referenced in the introduction; b) Section 2D) – *Human Rights, Accessibility, Diversity, Inclusion and Preventing Violence in the Workplace* – Language added to align with the recently updated Respectful Workplace Policy, clarifying that the obligation to treat others with dignity and respect extends to customers, vendors and members of the public; c) Section 2E) – *Communicating on Behalf of TD or about TD* – The Electronic Communication and Social Media Policy has been divided into two standalone policies: the Social Media Policy and the Electronic Communication Acceptable Use Policy. Amendments have been made to reflect the new policy framework; d) Section 2F) – *Irregular Business Conduct (Sales Practice Misconduct)* – Language has been updated to emphasize the obligation to take customer needs, circumstances, and financial goals into consideration in all customer interactions; e) Section 4D) – *Computer System Security* – Language added to reinforce that the installation and use of any

unauthorized software is strictly prohibited; f) Section 7B) – *Reporting Violations* – Language updated to reflect the rebranding of the Whistleblower Hotline to the “Conduct and Ethics Hotline”. In addition to these changes, certain other editorial, technical, organizational, 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, 2022 to the Registrant’s Group President and Chief Executive Officer, Senior Executive Vice President and Chief Financial Officer, and Senior Vice President, Controller, Chief Accountant and Corporate Segment Finance.

#### **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 30, 2022 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 30, 2022 is incorporated by reference herein.

During the fiscal year ended October 31, 2022, 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.

#### **Contractual and Other Obligations**

The disclosure provided in Table 58: *Remaining Contractual Maturity* included in Exhibit 99.2: Management’s Discussion and Analysis 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 30, 2022 identifying the Registrant’s Audit Committee is incorporated by reference herein.

#### **Mine Safety Disclosure**

Not Applicable

#### **Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

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 New York Stock Exchange Corporate Governance Rules

A comparison of NYSE Corporate Governance Rules required to be followed by U.S. Domestic Issuers under the NYSE's listing standards 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 at [www.td.com/governance](http://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/ Kelvin Tran

Name: Kelvin Tran

Title: Senior Executive Vice President and Chief Financial Officer

Date: December 1, 2022

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

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**FORM 40-F**

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

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**THE TORONTO-DOMINION BANK**

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**EXHIBITS**

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**INDEX TO EXHIBITS**

<b>No.</b>	<b>Exhibits</b>
99.1	<a href="#">Annual Information Form dated November 30, 2022</a>
99.2	<a href="#">Management's Discussion and Analysis</a>
99.3	<a href="#">2022 Annual Financial Statements</a>
99.4	<a href="#">Industry Guide 3 – Return on Assets, Dividend Payouts, and Equity to Assets Ratios</a>
99.5	<a href="#">Code of Ethics</a>
99.6	<a href="#">Consent of Independent Registered Public Accounting Firm</a>
99.7	<a href="#">Certification Pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002</a>
99.8	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002</a>
101	The following financial information from The Toronto-Dominion Bank's Annual Report on Form 40-F for the year ended October 31, 2022 formatted in Inline XBRL: (i) Consolidated Balance Sheet as at October 31, 2022 and 2021; (ii) Consolidated Statements of Income, Comprehensive Income, Changes in Equity, and Cash Flows for the years then ended October 31, 2022; and (iii) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)





**The Toronto-Dominion Bank**

**ANNUAL INFORMATION FORM**

November 30, 2022

## 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, 2022 (the “2022 MD&A”) and are incorporated by reference into this AIF.

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APPENDIX “A” – Intercorporate Relationships

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APPENDIX “C” – Audit Committee Charter

Unless otherwise specified, this AIF presents information as at October 31, 2022.

## 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 (“2022 MD&A”) in the Bank’s 2022 Annual Report under the heading “Economic Summary and Outlook”, under the headings “Key Priorities for 2023” and “Operating Environment and Outlook” for the Canadian Personal and Commercial Banking, U.S. Retail, Wealth Management and Insurance, and Wholesale Banking segments, and under the heading “2022 Accomplishments and Focus for 2023” for the Corporate segment, and in other statements regarding the Bank’s objectives and priorities for 2023 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: strategic, credit, market (including equity, commodity, foreign exchange, interest rate, and credit spreads), operational (including technology, cyber security, and infrastructure), model, insurance, liquidity, capital adequacy, legal, regulatory compliance and conduct, reputational, environmental and social, and other risks. Examples of such risk factors include general business and economic conditions in the regions in which the Bank operates; geopolitical risk; inflation, rising rates and recession; the economic, financial, and other impacts of pandemics, including the COVID-19 pandemic; the ability of the Bank to execute on long-term strategies and shorter-term key strategic priorities, including the successful completion of acquisitions and dispositions, business retention plans, and strategic plans; technology and cyber security risk (including cyber-attacks, data security breaches or technology failures) on the Bank’s information technology, internet, network access or other voice or data communications systems or services; model risk; fraud activity; 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, and other risks arising from the Bank’s use of third-party service providers; the impact of new and changes to, or application of, current laws and regulations, including without limitation tax laws, capital guidelines and liquidity regulatory guidance; regulatory oversight and compliance risk; increased competition from incumbents and new entrants (including Fintechs and big technology competitors); shifts in consumer attitudes and disruptive technology; exposure related to significant litigation and regulatory matters; ability of the Bank to attract, develop, and retain key talent; changes to the Bank’s credit ratings; changes in foreign exchange rates, interest rates, credit spreads and equity prices; increased funding costs and market volatility due to market illiquidity and competition for funding; Interbank Offered Rate (IBOR) transition risk; critical accounting estimates and changes to accounting standards, policies, and methods used by the Bank; existing and potential international debt crises; environmental and social risk (including climate change); 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 2022 MD&A, as may be updated in subsequently filed quarterly reports to shareholders and news releases (as applicable) related to any events or transactions discussed under the heading “Significant Acquisitions” or “Significant Events and Pending Acquisitions” in the relevant MD&A, which applicable releases may be found on [www.td.com](http://www.td.com). All such factors, as well as other uncertainties and

potential events, and the inherent uncertainty of forward-looking statements, should be considered carefully when making decisions with respect to the Bank. 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 2022 MD&A under the heading "Economic Summary and Outlook", under the headings "Key Priorities for 2023" and "Operating Environment and Outlook" for the Canadian Personal and Commercial Banking, U.S. Retail, Wealth Management and Insurance, and Wholesale Banking segments, and under the heading "2022 Accomplishments and Focus for 2023" for the Corporate segment, 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**

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 assets and serves more than 27 million customers in four key businesses operating in a number of locations in financial centres around the globe: Canadian Personal and Commercial Banking, including TD Canada Trust and TD Auto Finance Canada; U.S. Retail, including TD Bank, America's Most Convenient Bank®, TD Auto Finance U.S., TD Wealth (U.S.), and an investment in The Charles Schwab Corporation; Wealth Management and Insurance, including TD Wealth (Canada), TD Direct Investing, and TD Insurance; and Wholesale Banking, including TD Securities. TD also ranks among the world's leading online financial services firms, with more than 15 million active online and mobile customers. TD had \$1.9 trillion in assets on October 31, 2022. 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 1,100 convenient locations located throughout the Northeast, Mid-Atlantic, Metro D.C., the Carolinas and 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 3 to 7 and 14 to 31 of the 2022 MD&A.

On October 6, 2020, The Charles Schwab Corporation (“Schwab”) completed its acquisition of TD Ameritrade Holding Corporation (“TD Ameritrade”), of which the Bank was a major shareholder (the “Schwab transaction”). Upon closing, the Bank exchanged its approximate 43% ownership in TD Ameritrade for an approximate 13.5% stake in Schwab, consisting of 9.9% voting common shares and the remainder in non-voting common shares, convertible into voting common shares upon transfer to a third party.

The Bank and Schwab are party to a stockholder agreement (the “Stockholder Agreement”), which became effective upon closing of the Schwab transaction. Under the Stockholder Agreement: (i) subject to meeting certain conditions, the Bank has two seats on Schwab’s Board of Directors, which seats are currently held by Mr. Bharat Masrani and Mr. Brian Levitt, (ii) the TD Bank Group is not permitted to own more than 9.9% voting common shares of Schwab, and (iii) the Bank is subject to customary standstill restrictions and, subject to certain exceptions, transfer restrictions.

In addition, on November 25, 2019, the Bank and Schwab entered into an insured deposit account agreement, which became effective upon closing of the Schwab transaction and has an initial expiration date of July 1, 2031.

On May 1, 2021, the Bank completed its acquisition of Wells Fargo’s Canadian direct equipment finance business.

On July 1, 2021, the Bank completed its acquisition of Headlands Tech Global Markets, LLC, a Chicago-based quantitative fixed income trading company.

On February 28, 2022, the Bank and First Horizon Corporation (“First Horizon”) announced a definitive agreement for the Bank to acquire First Horizon in an all-cash transaction valued at US\$13.4 billion, or US\$25.00 for each common share of First Horizon (the “First Horizon transaction”). The Bank is currently planning to close the transaction in the first half of fiscal 2023, subject to customary closing conditions, including approvals from U.S. and Canadian regulatory authorities. Regulatory approvals are not within the Bank’s control. First Horizon shareholders will receive, at closing, an additional US\$0.65 per share on an annualized basis for the period from November 27, 2022 through the day immediately prior to the closing. Either party will have the right to terminate the agreement if the transaction has not closed by February 27, 2023 (the “outside date”), subject to the right of either party (under certain conditions) to extend the outside date to May 27, 2023.

On August 2, 2022, the Bank and Cowen Inc. (“Cowen”) announced a definitive agreement for the Bank to acquire Cowen in an all-cash transaction valued at US\$1.3 billion, or US\$39 for each share of Cowen common stock (the “Cowen transaction”). The Bank is currently planning to close the transaction in the first calendar quarter of 2023, subject to customary closing conditions, including approval from certain U.S., Canadian, and foreign regulatory authorities. Regulatory approvals are not within the Bank’s control.

To provide the capital required for the Cowen transaction, the Bank sold 28.4 million non-voting common shares of Schwab, reducing the Bank’s ownership interest from approximately 13.4% to 12.0%.

## **DESCRIPTION OF THE BUSINESS**

Descriptions of TD’s significant business segments and related information are provided on pages 3-5 and 14 to 31 of the 2022 MD&A.

### *Investment in The Charles Schwab Corporation*

Upon closing of the Schwab transaction on October 6, 2020, the Bank exchanged its approximate 43% ownership in TD Ameritrade for an approximate 13.5% stake in Schwab, consisting of 9.9% voting common shares and the remainder in non-voting common shares, convertible into voting common shares upon transfer to a third party. On August 1, 2022, to provide the capital required for the Cowen transaction, the Bank announced a sale of 28.4 million non-voting common shares of Schwab, reducing

the Bank's ownership interest in Schwab from approximately 13.4% to 12.0%. See "General Development of the Business" above for additional information regarding the Cowen transaction.

The Bank owned an approximate 12.1% stake in Schwab as at October 31, 2022.

Schwab is a leading provider of financial services. Through its subsidiaries, Schwab provides a full range of wealth management, securities brokerage, banking, asset management, custody, and financial advisory services to individual investors and independent investment advisors. Schwab is a U.S. publicly-traded company and its common stock is listed on The New York Stock Exchange.

The Bank's investment in Schwab is subject to a Stockholder 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 94,945 full-time equivalent employees for fiscal 2022.

#### **Social and Environmental Policies**

The Bank publishes an Environmental, Social and Governance Report outlining the Bank's social and environmental policies and strategies. This report and other related information is available on the Bank's website. Additional information about the Bank's social and environmental policies can be found under "Environmental and Social Risk (including Climate Risk)" on pages 92-94 of the 2022 MD&A, which is incorporated by reference.

#### **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 54-94 of the 2022 MD&A, which is incorporated by reference.

## DIVIDENDS

### Dividends per Share for the Bank (October 31<sup>st</sup> year-end)

Type of Shares	2022	2021	2020
<b>Common Shares</b>	\$ 3.56	\$3.16	\$3.11
<b>Class A First Preferred Shares (Non-Viability Contingent Capital)<sup>1</sup></b>			
Series 1	\$ 0.92	\$0.92	\$0.92
Series 3	\$ 0.92	\$0.92	\$0.92
Series 5	\$ 0.97	\$0.97	\$0.96
Series 7	\$ 0.80	\$0.80	\$0.88
Series 9	\$ 0.81	\$0.81	\$0.93
Series 11 <sup>2</sup>	–	–	\$1.23
Series 12 <sup>3</sup>	–	\$0.69	\$1.38
Series 14 <sup>4</sup>	–	\$1.21	\$1.21
Series 16 <sup>5</sup>	\$ 1.13	\$1.13	\$1.13
Series 18	\$ 1.18	\$1.18	\$1.18
Series 20	\$ 1.19	\$1.19	\$1.19
Series 22	\$ 1.30	\$1.30	\$1.30
Series 24	\$ 1.28	\$1.28	\$1.28
Series 26 <sup>6</sup>	–	–	–
Series 27 <sup>7</sup>	\$32.85	–	–
Series 28 <sup>7</sup>	\$19.42	–	–
Series 29 <sup>8</sup>	–	–	–
Series 30 <sup>9</sup>	–	–	–

#### Notes:

- 1 Except as noted, dividends are payable quarterly on last day of January, April, July and October in each year, in an amount per share per annum determined by multiplying the Annual Fixed Dividend Rate (as defined within each Prospectus Supplement) applicable to such Subsequent Fixed Rate Period by \$25.00.
- 2 On October 31, 2020, the Bank redeemed all of its 6,000,000 outstanding Non-Cumulative Class A First Preferred Shares, Series 11 (NVCC).
- 3 On April 30, 2021, the Bank redeemed all of its 28,000,000 outstanding Non-Cumulative Class A First Preferred Shares, Series 12 (NVCC).
- 4 On October 31, 2021, the Bank redeemed all of its 40,000,000 outstanding Non-Cumulative Class A First Preferred Shares, Series 14 (NVCC).
- 5 On October 19, 2022, the Bank announced that none of its 14 million Non-Cumulative 5-Year Rate Reset Preferred Shares NVCC, Series 16 ("Series 16 Shares") would be converted on October 31, 2022 into Non-Cumulative Floating Rate Preferred Shares NVCC, Series 17. As had been previously announced on October 3, 2022, the dividend rate for the Series 16 Shares for the 5-year period from and including October 31, 2022 to but excluding October 31, 2027, if declared, is payable at a per annum rate of 6.301%.
- 6 The Class A First Preferred Shares, Series 26 (NVCC) (the "Series 26 Shares") were issued on July 29, 2021 to a limited recourse trust, in connection with the issuance of limited recourse capital notes. Until revoked, the trustee of

the limited recourse trust has waived its right to receive any and all dividends on the Series 26 Shares. Until such waiver is revoked by the trustee of the limited recourse trust, no dividends are expected to be declared or paid on the Series 26 Shares.

- 7 Dividends are payable semi-annually on April 30 and October 31 in each year, in an amount per share per annum determined by multiplying the Annual Fixed Dividend Rate (as defined within the Prospectus Supplement) applicable to such Subsequent Fixed Rate Period by \$1,000.00.
- 8 The Class A First Preferred Shares, Series 29 (NVCC) (the "Series 29 Shares") were issued on September 14, 2022 to a limited recourse trust, in connection with the issuance of limited recourse capital notes. Until revoked, the trustee of the limited recourse trust has waived its right to receive any and all dividends on the Series 29 Shares. Until such waiver is revoked by the trustee of the limited recourse trust, no dividends are expected to be declared or paid on the Series 29 Shares.
- 9 The Class A First Preferred Shares, Series 30 (NVCC) (the "Series 30 Shares") were issued on October 17, 2022 to a limited recourse trust, in connection with the issuance of limited recourse capital notes. Until revoked, the trustee of the limited recourse trust has waived its right to receive any and all dividends on the Series 30 Shares. Until such waiver is revoked by the trustee of the limited recourse trust, no dividends are expected to be declared or paid on the Series 30 Shares.

### **Dividends for Schwab (September 30<sup>th</sup> year-end)**

Schwab declared a US\$0.22 per share quarterly cash dividend on its common stock during each quarter of its 2022 fiscal year.

### **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. 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.

### **CAPITAL STRUCTURE**

The following summarizes certain provisions of the Bank's common shares, preferred shares and limited recourse capital notes. This summary is qualified in its entirety by the Bank's by-laws and the actual terms and conditions of such securities. For more information on the Bank's capital structure, see pages 44 to 51 of the 2022 MD&A and Notes 19, 20 and 21 of the 2022 Financial Statements. The Bank incorporates those pages and Notes herein by reference.

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 (as defined below) 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 upon the occurrence of a Trigger Event. A Trigger Event is currently defined in OSFI's Capital Adequacy Requirements Guideline as an event where OSFI determines that the Bank is, or is about to become, non-viable and that after conversion of all non-common capital instruments and consideration of any other relevant factors or circumstances, 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 of Canada without which the Bank would have been determined by OSFI to be non-viable.

### **Common Shares**

The authorized common share capital of the Bank consists of an unlimited number of common shares without nominal or par value.



***Voting Rights***

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.

***Dividend Rights***

The holders of common shares are entitled to receive dividends as and when declared by the Board, subject to the preference of the holders of the Preferred Shares of the Bank.

***Rights on Liquidation***

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 Bank is authorized to issue an unlimited number of Class A First Preferred Shares (the “Preferred Shares”), without nominal or par value.

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 may determine.

***Priority***

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.

***Voting Rights***

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.

***Rights on Liquidation***

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.

### **Limited Recourse Capital Notes**

The Bank currently has outstanding (a) C\$1,750 million of Limited Recourse Capital Notes NVCC, Series 1 (b) C\$1,500 million of Limited Recourse Capital Notes NVCC, Series 2, and (c) US\$1,750 million of Limited Recourse Capital Notes NVCC, Series 3, (the "LRCNs"). In the event of (i) non-payment of interest following any interest payment date, (ii) non-payment of the redemption price in case of a redemption of the LRCNs, (iii) non-payment of principal plus accrued and unpaid interest at the maturity of the LRCNs, (iv) an event of default on the LRCNs, or (v) a Trigger Event (as defined above), the recourse of each LRCN holder will be limited to that holder's pro rata share of the assets held in a trust consolidated by the Bank (the "Limited Recourse Trust").

The Limited Recourse Trust's assets consist of (a) C\$1,750 million of the Bank's Non-Cumulative 5-Year Fixed Rate Reset Preferred Shares NVCC, Series 26 ("Preferred Shares Series 26") at a price of \$1,000 per share, (b) C\$1,500 million of the Bank's Non-Cumulative 5-Year Fixed Rate Reset Preferred Shares NVCC, Series 29 ("Preferred Shares Series 29") at a price of \$1,000 per share and, (c) US\$1,750 million of the Bank's Non-Cumulative 5-Year Fixed Rate Reset Preferred Shares NVCC, Series 30 ("Preferred Shares Series 30", together with the Preferred Shares Series 26 and the Preferred Shares Series 29, the "LRCN Preferred Shares Series") at a price of US\$1,000 per share, which were issued concurrently with the LRCNs.

The LRCNs, by virtue of the recourse to the LRCN Preferred Shares Series include standard NVCC provisions necessary for them to qualify as Additional Tier 1 Capital under OSFI's Capital Adequacy Requirements guideline. NVCC provisions require the conversion of the instrument into a variable number of common shares upon the occurrence of a Trigger Event. In such an event, each LRCN Preferred Share Series held in the Limited Recourse Trust will automatically and immediately be converted into a variable number of common shares which will be delivered to LRCN holders in satisfaction of the principal amount of, and accrued and unpaid interest on, the LRCNs. The number of common shares issued will be determined based on the conversion formula set out in the terms of each LRCN Preferred Shares Series. The LRCNs are compound instruments with both equity and liability features as payments of interest and principal in cash are made at the Bank's discretion. Non-payment of interest and principal in cash does not constitute an event of default and will trigger the delivery of each LRCN Preferred Shares Series.

### **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 certain downgrades 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 pages 79 to 89 of the 2022 MD&A.

The Toronto-Dominion Bank (TD) entered into a solicited relationship with Fitch Ratings (“Fitch”) in August, 2022. As at October 31, 2022, TD had the following solicited ratings from the rating agencies listed below:

		Rating	Rank*
<b>Moody’s Investor Service</b>	Legacy Senior Debt <sup>1</sup>	Aa2	3 of 21
	Senior Debt <sup>2</sup>	A1	5 of 21
	Short Term Debt	P-1	1 of 4
	Subordinated Debt	A2	6 of 21
	Subordinated Debt–NVCC	A2 (hyb)	6 of 21
	Preferred Shares–NVCC	Baa1 (hyb)	8 of 21
	Limited Recourse Capital Notes–NVCC	Baa1 (hyb)	8 of 21
	Outlook	Stable	

		Rating	Rank*
<b>Standard &amp; Poor's</b>	Legacy Senior Debt <sup>1</sup>	AA-	4 of 22
	Senior Debt <sup>2</sup>	A	6 of 22
	Short Term Debt	A-1+	1 of 7
	Subordinated Debt	A	6 of 22
	Subordinated Debt–NVCC	A-	7 of 22
	Preferred Shares–NVCC	BBB	9 of 22
	Limited Recourse Capital Notes–NVCC	BBB	9 of 22
	Outlook	Stable	

		Rating	Rank*
<b>Fitch</b>	Legacy Senior Debt <sup>1</sup>	AA	3 of 23
	Senior Debt <sup>2</sup>	AA-	4 of 23
	Short Term Debt	F1+	1 of 8
	Subordinated Debt	A	6 of 23
	Subordinated Debt–NVCC	A	6 of 23
	Preferred Shares–NVCC	BBB+	8 of 23
	Limited Recourse Capital Notes–NVCC	BBB+	8 of 23
	Outlook	Stable	

		Rating	Rank*
<b>DBRS Morningstar</b>	Legacy Senior Debt <sup>1</sup>	AA (high)	2 of 26
	Senior Debt <sup>2</sup>	AA	3 of 26
	Short Term Debt	R-1 (high)	1 of 10
	Subordinated Debt	AA (low)	4 of 26
	Subordinated Debt–NVCC	A	6 of 26
	Preferred Shares–NVCC	Pfd-2 (high)	4 of 16
	Limited Recourse Capital Notes–NVCC	A (low)	7 of 26
	Outlook	Stable	

\* Relative rank of each rating within the rating agency's overall classification system.

**Notes:**

1. Includes: (a) Senior debt issued prior to September 23, 2018; and (b) Senior debt issued on or after September 23, 2018 which is excluded from the bank recapitalization "bail-in" regime.
2. Subject to conversion under the bank recapitalization "bail-in" regime.

Credit ratings are not recommendations to purchase, sell or hold a financial obligation in as much as they do not comment on market price or suitability for a particular investor. Ratings are subject to revision or withdrawal at any time by the rating 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.

As is common practice, 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.

A definition of the categories of each rating as at October 31, 2022 has been obtained from the respective rating agency's website and is outlined in Appendix B, and a more detailed explanation may be obtained from the applicable rating agency. We note that the definition of the ratings categories for 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.

## 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. Except for the Class A First Preferred Shares, Series 26 (NVCC), the Class A First Preferred Shares, Series 29 (NVCC), the Class A First Preferred Shares, Series 30 (NVCC), the Non-Cumulative 5-Year Fixed Rate Reset Preferred Shares, Series 27, and the Non-Cumulative 5-Year Fixed Rate Reset Preferred Shares, Series 28 which are not listed on an 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:

COMMON SHARES												
	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	March 2022	April 2022	May 2022	June 2022	July 2022	Aug. 2022	Sept. 2022	Oct. 2022
High (\$)	96.39	98.21	104.17	109.08	104.00	101.30	97.11	97.13	85.17	88.82	89.13	88.67
Low (\$)	89.87	91.95	96.89	100.30	95.70	90.38	90.55	82.80	77.27	82.00	83.14	79.90
Vol.('000)	84,732	87,652	166,734	91,425	116,900	142,448	76,000	102,613	160,234	90,870	93,716	77,633

PREFERRED SHARES												
	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	March 2022	April 2022	May 2022	June 2022	July 2022	Aug. 2022	Sept. 2022	Oct. 2022
<b>Series 1</b>												
High (\$)	24.66	24.50	24.58	24.10	23.43	22.61	22.32	22.80	21.45	21.70	21.46	19.84
Low (\$)	24.28	23.85	23.84	22.76	21.89	19.65	20.00	20.38	19.45	21.11	18.90	18.25
Vol.('000)	670	225	726	300	322	607	178	480	405	117	83	96
<b>Series 3</b>												
High (\$)	24.64	24.59	24.60	24.11	23.10	22.82	22.40	22.60	21.53	21.78	21.50	20.00
Low (\$)	24.30	24.00	23.87	22.87	22.32	19.63	20.40	20.38	19.75	21.29	19.45	18.28
Vol.('000)	231	124	158	271	352	275	289	155	226	330	164	46
<b>Series 5</b>												
High (\$)	24.74	24.63	24.75	24.18	23.20	22.80	22.48	22.78	21.63	21.95	21.54	19.68
Low (\$)	24.48	23.95	23.88	22.75	22.39	19.76	20.45	20.75	19.81	21.25	19.42	18.20
Vol.('000)	628	180	326	405	518	408	226	288	190	129	61	64
<b>Series 7</b>												
High (\$)	25.11	25.00	25.21	24.75	24.60	23.86	23.38	23.48	21.74	22.98	22.40	21.13
Low (\$)	24.81	24.08	24.42	24.10	23.20	21.16	21.00	20.77	20.62	21.61	20.73	19.51
Vol.('000)	114	95	276	240	169	137	150	310	243	68	65	58
<b>Series 9</b>												
High (\$)	25.34	25.20	25.33	24.91	24.90	24.00	23.10	23.40	21.67	22.88	22.35	21.00
Low (\$)	24.83	23.79	24.55	24.21	23.40	20.96	21.57	20.81	20.55	21.46	20.80	19.59
Vol.('000)	111	63	101	139	137	157	74	59	182	94	112	43
<b>Series 16</b>												
High (\$)	25.65	25.79	25.75	25.40	25.64	25.39	25.10	25.10	25.00	25.15	25.10	24.85
Low (\$)	25.30	25.11	25.20	24.95	24.90	24.25	24.46	24.70	24.46	24.75	24.65	23.80
Vol.('000)	163	96	70	230	145	132	152	282	249	70	195	438

PREFERRED SHARES												
	Nov. 2021	Dec. 2021	Jan. 2022	Feb. 2022	March 2022	April 2022	May 2022	June 2022	July 2022	Aug. 2022	Sept. 2022	Oct. 2022
<b>Series 18</b>												
High (\$)	26.00	25.94	26.00	25.75	25.35	25.06	25.10	25.23	24.39	24.98	24.65	23.48
Low (\$)	25.25	24.67	25.14	24.74	24.70	23.08	23.33	23.20	22.62	24.14	22.22	21.26
Vol.('000)	111	142	488	313	165	215	162	289	205	78	106	39
<b>Series 20</b>												
High (\$)	25.69	25.70	25.70	25.28	25.25	24.70	24.45	24.60	23.94	24.32	23.89	22.65
Low (\$)	25.29	24.92	25.00	24.57	24.25	22.19	22.93	22.90	22.42	23.45	22.20	20.76
Vol.('000)	105	215	283	201	241	185	289	364	611	125	329	40
<b>Series 22</b>												
High (\$)	26.93	26.72	26.87	26.33	26.50	25.94	25.70	25.68	25.27	25.61	25.40	24.18
Low (\$)	26.49	25.82	25.69	25.86	25.50	24.30	24.57	24.78	24.11	24.73	23.55	23.40
Vol.('000)	141	62	153	126	213	125	69	143	298	89	201	39
<b>Series 24</b>												
High (\$)	27.00	26.84	27.00	26.65	26.60	26.11	25.50	25.89	25.34	25.50	25.41	24.51
Low (\$)	26.65	25.97	25.90	26.00	25.63	24.48	24.65	24.70	24.49	25.01	23.85	23.71
Vol.('000)	133	111	77	381	307	224	146	135	231	189	111	52

### Prior Sales

In the most recently completed financial year, the Bank issued the following shares that are not listed or quoted on a marketplace:

	Issue Price	Number of Securities Issued	Date of Issue
Non-Cumulative 5-Year Fixed Rate Reset Preferred Shares, Series 27	\$1,000	850,000	April 4, 2022
Non-Cumulative 5-Year Fixed Rate Reset Preferred Shares, Series 28	\$1,000	800,000	July 25, 2022
Class A First Preferred Shares, Series 29 (NVCC)	\$1,000	1,500,000	September 14, 2022
Class A First Preferred Shares, Series 30 (NVCC)	US\$1,000	1,750,000	October 17, 2022

For information on the Bank's issuance of subordinated debentures and limited recourse capital notes since October 31, 2021, please see Notes 19 and 20 of the Annual Financial Statements for the year ended October 31, 2022, which notes are incorporated by reference in this AIF.

## ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

In connection with each issuance of LRCNs, the Bank also concurrently issues Preferred Shares (see “Limited Recourse Capital Notes” for additional information). Each LRCN Preferred Share Series is held in the Limited Recourse Trust. Pursuant to the Amended and Restated Declaration of Trust for the Limited Recourse Trust and the share provisions for each LRCN Preferred Share Series, the Trustee of the Limited Recourse Trust will only deliver the LRCN Preferred Shares to holders of LRCNs under certain prescribed circumstances.

### Securities Subject to Contractual Restriction on Transfer as at October 31, 2021

Designation of Class	Number of Securities that are Subject to a Contractual Restriction on Transfer	Percentage of Class
Class A First Preferred Shares, Series 26 (NVCC)	1,750,000	100%
Class A First Preferred Shares, Series 29 (NVCC)	1,500,000	100%
Class A First Preferred Shares, Series 30 (NVCC)	1,750,000	100%

## DIRECTORS AND EXECUTIVE OFFICERS

### Directors and Board Committees of the Bank

The following table sets forth, as at November 30, 2022, 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
Cherie L. Brant Partner, Borden Ladner Gervais LLP Tyendinaga Mohawk Territory, Ontario, Canada	August 2021
Amy W. Brinkley Consultant, AWB Consulting, LLC 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
Jean-René Halde Corporate Director, and retired President and Chief Executive Officer Business Development Bank of Canada Saint-Laurent, Quebec, Canada	December 2015



Director Name Principal Occupation & Municipality of Residence	Director Since
David E. Kepler Corporate Director, and retired Executive Vice President, The Dow Chemical Company Sanford, Michigan, U.S.A.	December 2013
Brian M. Levitt Board Chair, The Toronto-Dominion Bank Kingston, Ontario, Canada	December 2008
Alan N. MacGibbon Corporate Director, and retired Managing Partner and Chief Executive of Deloitte LLP (Canada) Mississauga, Ontario, Canada	April 2014
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, The Toronto-Dominion Bank Toronto, Ontario, Canada	April 2014
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
S. Jane Rowe Vice Chair, Investments, Ontario Teachers' Pension Plan Board Toronto, Ontario, Canada	April 2020
Nancy G. Tower Corporate Director and former President & Chief Executive Officer, Tampa Electric Company Halifax, Nova Scotia, Canada	June 2022
Ajay K. Virmani CEO, Cargojet Inc. Oakville, Ontario, Canada	August 2022
Mary A. Winston Corporate Director and former public-company Chief Financial Officer Charlotte, North Carolina, U.S.A.	August 2022

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

Ms. Rowe was Executive Managing Director and head of the Equities department of the Ontario Teachers' Pension Plan Board prior to October 1, 2020.

Ms. Tower was President and Chief Executive Officer of Tampa Electric Company prior to May 2021.

Each director will hold office until the next annual meeting of shareholders of the Bank, which is scheduled for April 20, 2023. 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 30, 2022 and each Committee's key responsibilities.

Committee	Members	Key Responsibilities
Corporate Governance Committee	Brian M. Levitt (Chair) Amy W. Brinkley Karen E. Maidment Alan N. MacGibbon	<p><b>Responsibility for corporate governance of the Bank:</b></p> <ul style="list-style-type: none"> <li>• Identify individuals qualified to become Board members and recommend to the Board the director nominees for the next annual meeting of shareholders and recommend candidates to fill vacancies on the Board that occur between meetings of the shareholders;</li> <li>• Develop and recommend to the Board a set of corporate governance principles, including a code of conduct and ethics, aimed at fostering a healthy governance culture at the Bank;</li> <li>• Satisfy itself that the Bank communicates effectively, both proactively and responsively, with its shareholders, other interested parties and the public;</li> <li>• Oversee the Bank's alignment with its purpose and its strategy, performance and reporting on corporate responsibility for environmental and social matters;</li> <li>• Provide oversight of enterprise-wide conduct risk and act as the conduct review committee for the Bank and certain of its Canadian subsidiaries that are federally-regulated financial institutions;</li> <li>• Oversee the establishment and maintenance of policies in respect of the Bank's compliance with the consumer protection provisions of the Financial Consumer Protection Framework (FCPF); and</li> <li>• Oversee the evaluation of the Board and Committees.</li> </ul>
Human Resources Committee	Karen E. Maidment (Chair) Amy W. Brinkley David E. Kepler Brian M. Levitt Nadir H. Mohamed	<p><b>Responsibility for management's performance evaluation, compensation and succession planning:</b></p> <ul style="list-style-type: none"> <li>• Discharge, and assist the Board in discharging, the responsibility of the Board relating to leadership, human capital management and compensation, as set out in the Committee's charter;</li> <li>• Set corporate goals and objectives for the CEO, and regularly measure the CEO's performance against these goals and objectives;</li> <li>• Recommend compensation for the CEO to the Board for approval, and review and approve compensation for certain senior officers;</li> <li>• Monitor the Bank's compensation strategy, plans, policies and practices for alignment to the Financial Stability Board Principles for Sound Compensation Practices and Implementation Standards, including the appropriate consideration of risk;</li> </ul>

Committee	Members	Key Responsibilities
Risk Committee	Amy W. Brinkley (Chair) Cherie L. Brant Colleen A. Goggins David E. Kepler Alan N. MacGibbon Karen E. Maidment Ajay K. Virmani	<ul style="list-style-type: none"> <li>• Oversee a robust talent planning and development process, including review and approval of the succession plans for the senior officer positions and heads of control functions;</li> <li>• Review and recommend the CEO succession plan to the Board for approval;</li> <li>• Produce a report on compensation, which is published in the Bank’s annual proxy circular, and review, as appropriate, any other related major public disclosures concerning compensation; and</li> <li>• Oversee the strategy, design and management of the Bank’s employee pension, retirement savings and benefit plans.</li> </ul> <p><b>Supervising the management of risk of the Bank:</b></p> <ul style="list-style-type: none"> <li>• Approve the Enterprise Risk Framework (“ERF”) and related risk category frameworks and policies that establish the appropriate approval levels for decisions and other measures to manage risk to which the Bank is exposed;</li> <li>• Review and recommend the Bank’s Enterprise Risk Appetite Statement for approval by the Board and oversee the Bank’s major risks as set out in the ERF;</li> <li>• Review the Bank’s risk profile and performance against Risk Appetite; and</li> <li>• Provide a forum for “big-picture” analysis of an enterprise view of risk including consideration of trends, and current and emerging risks.</li> </ul>
Audit Committee	Alan N. MacGibbon* (Chair) Brian C. Ferguson* Jean-René Halde Claude Mongeau* S. Jane Rowe* Nancy G. Tower* Mary A. Winston*	<p><b>Supervising the quality and integrity of the Bank’s financial reporting and compliance requirements:</b></p> <ul style="list-style-type: none"> <li>• Oversee reliable, accurate and clear financial reporting to shareholders;</li> <li>• Oversee the effectiveness of internal controls, including internal controls over financial reporting;</li> <li>• Directly responsible for the selection, compensation, retention and oversight of the work of the shareholders’ auditor – the shareholders’ auditor reports directly to the Committee;</li> <li>• Receive reports from the shareholders’ auditor, chief financial officer, chief auditor, chief compliance officer, and chief anti-money laundering officer, and evaluate the effectiveness and independence of each;</li> <li>• Oversee the establishment and maintenance of policies and programs reasonably designed to achieve and maintain the Bank’s compliance with the laws and regulations that apply to it; and</li> <li>• Act as the Audit Committee for certain subsidiaries of the Bank that are federally regulated financial institutions.</li> </ul>

\* 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 "C". 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, including the Bank's Director Independence Policy (a copy of which is available on the Bank's website at [www.td.com](http://www.td.com)).

As indicated in the table above, the members of the Committee are: Alan N. MacGibbon (Chair), Brian C. Ferguson, Jean-René Halde, Claude Mongeau, S. Jane Rowe, Nancy G. Tower and Mary A. Winston. The members of the Audit Committee bring significant skills and experience to their responsibilities, including academic and professional experience in accounting, business and finance. The Board has determined that each of Messrs. Ferguson, MacGibbon and Mongeau and Mses. Rowe, Tower and Winston 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:

**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 and he previously served as Chair of the Audit Committee of Trans Mountain Corporation. Mr. Ferguson holds an undergraduate degree in commerce 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. He was Managing Partner and Chief Executive of Deloitte LLP (Canada) from 2004 to June 2012 and also served as Global Managing Director, Quality, Strategy and Communications of Deloitte Touche Tohmatsu Limited from June 2011 to September 2013 and Senior Counsel to Deloitte LLP (Canada) from June 2012 to December 2013. Mr. MacGibbon currently serves as Chair of the Audit Committee of TD Bank US Holding Company (the holding company of TD Bank, N.A. and TD Bank USA, N.A.), and is the Board Chair of CAE, Inc. and a member of its Audit Committee. 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.

**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 serves as Chair of the Audit Committee of Cenovus Energy Inc., and is a member of the Safety, Environment, Responsibility and Reserves Committee of Cenovus Energy Inc. and the Finance and Risk Management, Safety, and the Compensation Committees of Norfolk Southern Corporation. Mr. Mongeau holds an undergraduate degree in psychology from the Université du Québec à Montréal and a master's degree in business administration from McGill University. Mr. Mongeau is one of the Bank's Audit Committee Financial Experts.

**S. Jane Rowe** is the Vice Chair, Investments, Ontario Teachers' Pension Plan ("Ontario Teachers") and was formerly the Executive Managing Director, Equities, Ontario Teachers. Prior to joining Ontario Teachers in 2010, Ms. Rowe held several senior executive management roles at Scotiabank during her tenure. Ms. Rowe previously served as Chair of the Audit Committee of Sierra Wireless. Ms. Rowe holds an undergraduate degree in commerce from the Memorial University of Newfoundland and a master's degree in business administration from the Schulich School of Business, York University. Ms. Rowe is one of the Bank's Audit Committee Financial Experts.

**Nancy G. Tower** is the former President and Chief Executive Officer of Tampa Electric Company, which is a U.S. subsidiary of Emera Inc. Prior to joining the TD Board, Ms. Tower held a number of senior roles at Emera Inc. and its subsidiaries, including as Chief Corporate Development Officer, Chief Financial Officer, and Chief Executive Officer of Emera Newfoundland and Labrador. Ms. Tower also serves as a member of the Audit Committees of AltaGas Ltd. and Finning International Inc. Ms. Tower holds a Bachelor of Commerce from Dalhousie University in Halifax, Nova Scotia and is a Chartered Accountant, and also earned the Fellow Chartered Accountant designation. Ms. Tower is one of the Bank's Audit Committee Financial Experts.

**Mary A. Winston** is a Corporate Director and former public-company Chief Financial Officer of Family Dollar Stores, Inc., Giant Eagle, and Scholastic Corp. and while serving as a board member, was also interim CEO of Bed Bath and Beyond Inc. Ms. Winston also serves as a member of the Audit Committees of Chipotle Mexican Grill Inc, and TD Bank US Holding Company (the holding company of TD Bank, N.A. and TD Bank USA, N.A.), and is the Chair of the Audit Committee of Acuity Brands Inc. Ms. Winston previously served as Chair of the Audit Committee of Dover Corp. from 2008 to 2018. Ms. Winston holds a Bachelor's Degree in Accounting from the University of Wisconsin, an MBA from Northwestern University's Kellogg School of Management, and is a Certified Public Accountant. Ms. Winston 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 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 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; monitoring of the partner rotation timing; 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, 2022, 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

As at November 30, 2022, the following individuals are executive officers of the Bank:

Executive Officer	Principal Occupation	Municipality of Residence
Riaz Ahmed	Group Head, Wholesale Banking, TD Bank Group and President and CEO, TD Securities	Oakville, Ontario, Canada
Ajai K. Bambawale	Group Head and Chief Risk Officer, TD Bank Group	Toronto, Ontario, Canada
Raymond Chun	Group Head, Wealth Management and TD Insurance, TD Bank Group	Oakville, Ontario, Canada
Paul C. Douglas	Group Head, Canadian Business Banking, TD Bank Group	Burlington, Ontario, Canada
Barbara Hooper	Senior Executive Vice President, Treasury and Enterprise Strategy	Etobicoke, Ontario, Canada
Greg Keeley	Senior Executive Vice President, Platforms and Technology	Fairfield, Connecticut, U.S.A.
Kenn Lalonde	Senior Executive Vice President and Chief Human Resources Officer	Toronto, Ontario, Canada
Jane Langford	Executive Vice President and General Counsel	Toronto, Ontario, Canada
Bharat B. Masrani	Group President and Chief Executive Officer, TD Bank Group	Toronto, Ontario, Canada
Christine Morris	Senior Executive Vice President, Transformation, Enablement and Customer Experience	Etobicoke, Ontario, Canada
Anita O'Dell	Senior Vice President, and Chief Auditor	Anderson, South Carolina, U.S.A.
Michael G. Rhodes	Group Head, Canadian Personal Banking, TD Bank Group	Wilmington, Delaware, U.S.A.
Leovigildo Salom	Group Head US Retail and President and CEO, America's Most Convenient Bank®	Miami, Florida, U.S.A.
Kelvin Tran	Senior Executive Vice President and Chief Financial Officer	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 role as Group Head, Wholesale Banking, TD Bank Group and President and CEO, TD Securities on September 1, 2021, Mr. Ahmed was Group Head and Chief Financial Officer, TD Bank Group from January 2, 2016 until August 31, 2021.

Prior to commencing his current role as Group Head and Chief Risk Officer, TD Bank Group on February 1, 2018, Mr. Bambawale was Executive Vice President, TD Bank Group, and Chief Risk Officer, TD Bank, America's Most Convenient Bank® from September 18, 2014 to January 31, 2018.

Prior to commencing her current role as Executive Vice President and General Counsel on May 1, 2022, Ms. Langford was Senior Vice President, Legal, Corporate from March 1, 2018 to April 30, 2022, and Vice President, Legal from November 1, 2014 to February 28, 2018.

Prior to commencing her current role as Senior Executive Vice President, Treasury and Enterprise Strategy on September 1, 2021, Ms. Hooper was Executive Vice President, Treasury and Corporate Development from January 23, 2017 to August 31, 2021.

Prior to commencing his current role as Senior Executive Vice President and Chief Human Resources Officer on May 27, 2021, Mr. Lalonde was Executive Vice President, Human Resources from May 27, 2019 to May 26, 2021, and Executive Vice President and President and CEO, TD Insurance from September 17, 2012 to May 26, 2019.

Prior to commencing his current role as Senior Executive Vice President, Platforms and Technology on January 1, 2022, Mr. Keeley was Executive Vice President and Chief Information Officer from April 1, 2021 to December 31, 2021 and Senior Vice President and Head of Enterprise Operational Excellence from August 1, 2018 to March 31, 2021. Prior to joining TD, Mr. Keeley was Executive Vice President of American Express, Travel Related Services Co. Inc. from May 2014 to July 31, 2018.

Prior to starting her current role as Senior Executive Vice President, Transformation, Enablement and Customer Experience on September 1, 2021, Ms. Morris was Executive Vice President and Chief Operating Officer, Canadian Personal Banking from April 1, 2020 to August 31, 2021, Executive Vice President, Lending Solutions, Canadian Personal Banking from September 16, 2019 to March 31, 2020, and Senior Vice President, Real Estate Secured Lending, Personal Banking Products, Canadian Personal Banking from June 27, 2016 to September 15, 2019.

Prior to commencing his current role as Group Head, Canadian Personal Banking, TD Bank Group, on January 1, 2022, Mr. Rhodes was the Group Head, Innovation, Technology and Shared Services, TD Bank Group from November 1, 2017 to December 31, 2021.

Prior to commencing his current role as Group Head US Retail and President and CEO, America's Most Convenient Bank, on January 1, 2022, Mr. Salom was Group Head, Wealth Management and TD Insurance, TD Bank Group from November 1, 2017 to December 31, 2021, and Executive Vice President, Wealth Management, TD Bank Group from August 2, 2011 to October 31, 2017.

Prior to commencing his current role as Senior Executive Vice President and Chief Financial Officer on September 1, 2021, Mr. Tran was Executive Vice President, Enterprise Finance from May 27, 2021 until August 31, 2021, Senior Vice President, TD Bank Group and Chief Financial Officer, TD Bank, America's Most Convenient Bank® from August 1, 2019 to May 26, 2021, and Senior Vice President and Chief Auditor from November 29, 2007 to July 31, 2019.

Prior to commencing her current role as Senior Vice President and Chief Auditor on March 29, 2021, Ms. O'Dell was Senior Vice President and Chief Auditor, TD Bank America's Most Convenient Bank on from March 2, 2017 to March 28, 2021.

## **Shareholdings of Directors and Executive Officers**

To the knowledge of the Bank, as at October 31, 2022, 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 1,787,413.58 of the Bank's common shares, representing approximately 0.1% 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 December 1, 2022, 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.

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.

Mr. Levitt is a director of Xebec Adsorption Inc., which filed for Companies Creditors Arrangement Act protection on September 29, 2022.

## **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 EY, the Bank's current shareholders' independent external auditor, by category of fee for services provided during the three most recently completed fiscal years are detailed in the table below.

<i>(thousands of Canadian dollars)</i>	Fees paid to Ernst & Young LLP		
	2022	2021	2020
Audit fees <sup>1</sup>	\$31,922	\$28,575	\$28,373
Audit-related fees <sup>2</sup>	3,088	2,012	1,842
Tax fees <sup>3</sup>	1,093	913	1,481
All other fees <sup>4</sup>	126	358	957
<b>Total Bank and Subsidiaries</b>	<b>\$36,229</b>	<b>\$31,858</b>	<b>\$32,653</b>
<b>Investment Funds<sup>5</sup></b>	<b>4,907</b>	<b>3,250</b>	<b>3,095</b>
<b>Total Fees</b>	<b>\$41,136</b>	<b>\$35,108</b>	<b>\$35,748</b>

**Notes:**

1. Audit fees are fees for the professional services in connection with the audit of the Bank's financial statements including the audit of internal control over financial reporting, the audit of its subsidiaries, and other services that are normally provided by the shareholders' auditor in connection with statutory and regulatory filings or engagements.
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; application and general controls reviews; interpretation of accounting, tax and reporting standards; assurance services or specified procedures that are not required by statute or regulation; reports on control procedures at a service organization; 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 benchmark studies; regulatory advisory services; and performance and process improvement services.
5. Includes fees for professional services provided by EY for certain investment funds managed by subsidiaries of the Bank. In addition to other administrative costs, the subsidiaries are responsible for the auditors' fees for professional services rendered in connections with the annual audit, statutory and regulatory filings, and other services for the investment funds, in return for a fixed administration fee. For certain funds, these fees are paid directly by the funds. EY was appointed auditor of the majority of the investment funds for the fiscal year ended October 31, 2020.

## **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, 2022, 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.<sup>1</sup> 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, the Bank paid a \$5,100 late filing monetary penalty to the Ontario Securities Commission and a \$153,391 (USD) monetary settlement to the U.S. Securities and Exchange Commission.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

To the best of our knowledge, the Bank confirms that, as at December 1, 2022, 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**

TSX Trust Company  
P.O. Box 700, Station B  
Montreal, Quebec 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: [shareholderinquiries@tmx.com](mailto:shareholderinquiries@tmx.com)  
Website: [www.tsxtrust.com](http://www.tsxtrust.com)

### **Co-transfer Agent and Registrar**

Computershare  
P.O. Box 43006  
Providence, RI 02940-3006  
or  
150 Royall Street  
Canton, MA 02021

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/investor](http://www.computershare.com/investor)

<sup>1</sup> 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, 2022 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. Ernst & Young LLP is the external auditor who prepared the Report of Independent Registered Public Accounting Firm – Opinion on the Consolidated Financial Statements, and Report of Independent Registered Public Accounting Firm – Opinion on Internal Control over Financial Reporting. Ernst & Young LLP is independent with respect to the Bank within the context of the CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario. Ernst & Young LLP is also independent with respect to the Bank within the meaning of the U.S. federal securities laws and the applicable rules and regulations thereunder adopted by the U.S. Securities and Exchange Commission and the Public Company Accounting Oversight Board.

## **ADDITIONAL INFORMATION**

Additional information concerning the Bank may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://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, 2022.

Under certain Canadian bank resolution powers that came into effect on September 23, 2018 (the "bail-in regime"), the Canada Deposit Insurance Corporation ("CDIC") may, in circumstances where the Bank has ceased, or is about to cease, to be viable, assume temporary control or ownership of the Bank and may be granted broad powers by one or more orders of the Governor in Council (Canada), including the power to sell or dispose of all or a part of the assets of the Bank, and the power to carry out or cause the Bank to carry out a transaction or a series of transactions the purpose of which is to restructure the business of the Bank. The expressed objectives of the bail-in regime include reducing government and taxpayer exposure in the unlikely event of a failure of a bank designated by OSFI as a domestic systemically important bank ("D-SIB"), reducing the likelihood of such a failure by increasing market discipline and reinforcing that bank shareholders and creditors are responsible for the D-SIBs' risks and not taxpayers, and preserving financial stability by empowering the CDIC to quickly restore a failed D-SIB to viability and allow it to remain open and operating, even where the D-SIB has experienced severe losses. For a description of Canadian bank resolution powers and the consequent risk factors attaching to certain liabilities of the Bank, reference is made to <https://www.td.com/investor-relations/ir-homepage/regulatory-disclosures/main-features-of-capital-instruments/main-features-of-capital-instruments.jsp>.

## Appendix "A"

### Intercorporate Relationships

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

#### SIGNIFICANT SUBSIDIARIES<sup>1</sup>

(millions of Canadian dollars)

	October 31, 2022
Address of Head or Principal Office <sup>2</sup>	Carrying value of shares owned by the Bank <sup>3</sup>
<b>North America</b>	
Meloche Monnex Inc.	\$ 2,370
Security National Insurance Company	
Primum Insurance Company	
TD Direct Insurance Inc.	
TD General Insurance Company	
TD Home and Auto Insurance Company	
TD Wealth Holdings Canada Limited	5,963
TD Asset Management Inc.	
GMI Servicing Inc.	
TD Waterhouse Private Investment Counsel Inc.	
TD Waterhouse Canada Inc.	
TD Auto Finance (Canada) Inc.	3,721
TD Group US Holdings LLC	71,879
Toronto Dominion Holdings (U.S.A.), Inc.	
TD Prime Services LLC	
TD Securities Automated Trading LLC	
TD Securities (USA) LLC	
Toronto Dominion (Texas) LLC	
Toronto Dominion (New York) LLC	
Toronto Dominion Capital (U.S.A.), Inc.	
Toronto Dominion Investments, Inc.	
TD Bank US Holding Company	
Epoch Investment Partners, Inc.	
TD Bank USA, National Association	
TD Bank, National Association	
TD Equipment Finance, Inc.	
TD Private Client Wealth LLC	
TD Wealth Management Services Inc.	
TD Investment Services Inc.	38
TD Life Insurance Company	115
TD Mortgage Corporation	11,737
TD Pacific Mortgage Corporation	
The Canada Trust Company	
TD Securities Inc.	2,713
TD Vermillion Holdings Limited	28,723
TD Financial International Ltd.	
TD Reinsurance (Barbados) Inc.	
<b>International</b>	
TD Ireland Unlimited Company	2,057
TD Global Finance Unlimited Company	
TD Securities (Japan) Co. Ltd.	11
Toronto Dominion Australia Limited	94
Toronto Dominion Investments B.V.	1,174
TD Bank Europe Limited	
Toronto Dominion (South East Asia) Limited	1,225

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

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

<sup>3</sup> Carrying amounts are prepared for purposes of meeting the disclosure requirements of Section 308 (3)(a)(ii) of the *Bank Act (Canada)*. Intercompany transactions may be included herein which are eliminated for consolidated financial reporting purposes.

## Appendix “B”

### Description of Ratings

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

Ratings assigned on Moody’s global long-term and short-term rating scales are forward-looking opinions of the relative credit risks of financial obligations issued by non-financial corporates, financial institutions, structured finance vehicles, project finance vehicles, and public sector entities. Moody’s defines credit risk as the risk that an entity may not meet its contractual financial obligations as they come due and any estimated financial loss in the event of default or impairment. The contractual financial obligations addressed by Moody’s ratings are those that call for, without regard to enforceability, the payment of an ascertainable amount, which may vary based upon standard sources of variation (e.g., floating interest rates), by an ascertainable date. Moody’s rating addresses the issuer’s ability to obtain cash sufficient to service the obligation, and its willingness to pay. Moody’s ratings do not address non-standard sources of variation in the amount of the principal obligation (e.g., equity indexed), absent an express statement to the contrary in a press release accompanying an initial rating. Long-term ratings are assigned to issuers or obligations with an original maturity of eleven months or more and reflect both on the likelihood of a default or impairment on contractual financial obligations and the expected financial loss suffered in the event of default or impairment. 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 or impairment on contractual financial obligations and the expected financial loss suffered in the event of default or impairment. Moody’s issues ratings at the issuer level and instrument level on both the long-term scale and the short-term scale. Typically, ratings are made publicly available although private and unpublished ratings may also be assigned.

Moody’s differentiates structured finance ratings from fundamental ratings (i.e., ratings on nonfinancial corporate, financial institution, and public sector entities) on the global long-term scale by adding (sf) to all structured finance ratings. The addition of (sf) to structured finance ratings should eliminate any presumption that such ratings and fundamental ratings at the same letter grade level will behave the same. The (sf) indicator for structured finance security ratings indicates that otherwise similarly rated structured finance and fundamental securities may have different risk characteristics. Through its current methodologies, however, Moody’s aspires to achieve broad expected equivalence in structured finance and fundamental rating performance when measured over a long period of time.

Moody’s assigns ratings to long-term and short-term financial obligations. Long-term ratings are assigned to issuers or obligations with an original maturity of eleven months 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. 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. 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 firms.

A global long-term rating of ‘Aa’ reflects obligations that 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. Global short-term ratings of ‘P-1’ (Prime-1) reflect a superior ability to repay short-term obligations.

A Moody’s rating outlook is an opinion regarding the likely rating direction over the medium term. Rating outlooks fall into four categories: ‘Positive’ (POS), ‘Negative’ (NEG), ‘Stable’ (STA), and ‘Developing’

(DEV). Outlooks may be assigned at the issuer level or at the rating level. Where there is an outlook at the issuer level and the issuer has multiple ratings with differing outlooks, an “(m)” modifier to indicate multiple will be displayed and Moody’s press releases will describe and provide the rationale for these differences. A designation of ‘RUR’ (Rating(s) Under Review) is typically used when an issuer has one or more ratings under review, which overrides the outlook designation. A designation of ‘RWR’ (Rating(s) Withdrawn) indicates that an issuer has no active ratings to which an outlook is applicable. Rating outlooks are not assigned to all rated entities. In some cases, this will be indicated by the display ‘NOO’ (No Outlook).

A ‘Stable’ outlook indicates a low likelihood of a rating change over the medium term. A ‘Negative’, ‘Positive’ or ‘Developing’ outlook indicates a higher likelihood of a rating change over the medium term. A rating committee that assigns an outlook of ‘Stable’, ‘Negative’, ‘Positive’, or ‘Developing’ to an issuer’s rating is also indicating its belief that the issuer’s credit profile is consistent with the relevant rating level at that point in time.

#### 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). It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion reflects S&P Global Ratings’ view of the obligor’s capacity and willingness to meet its financial commitments as they come due, and this opinion may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default.

Issue credit ratings can be either long-term or short-term. Short-term issue credit ratings are generally assigned to those obligations considered short-term in the relevant market, typically with an original maturity of no more than 365 days. Short-term issue credit ratings are also used to indicate the creditworthiness of an obligor with respect to put features on long-term obligations. We would typically assign a long-term issue credit rating to an obligation with an original maturity of greater than 365 days. However, the ratings we assign to certain instruments may diverge from these guidelines based on market practices. Medium-term notes are assigned long-term ratings.

Issue credit ratings are based, in varying degrees, on S&P Global Ratings’ analysis of the following considerations:

- The likelihood of payment—the capacity and willingness of the obligor to meet its financial commitments on an obligation in accordance with the terms of the obligation;
- The nature and provisions of the financial obligation, and the promise we impute; and
- The protection afforded by, and relative position of, the financial obligation in the event of a bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors’ rights.

An issue rating is an assessment of default risk but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. Junior obligations are typically rated lower than senior obligations, to reflect lower priority in bankruptcy, as noted above. (Such differentiation may apply when an entity has both senior and subordinated obligations, secured and unsecured obligations, or operating company and holding company obligations.)

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 commitments 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 commitments 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. The Canadian scale rating is fully determined by the applicable global scale rating, and there are no additional analytical criteria associated with the determination of ratings on the Canadian scale. S&P Global Ratings' practice is to present ratings on an issuer's preferred shares on both the global rating scale and on the Canadian national scale when listing the ratings for a particular issuer. A Canadian National preferred share rating of 'P-2' corresponds to global scale preferred share rating of 'BBB'.

An S&P Global Ratings outlook assesses the potential direction of a long-term credit rating over the intermediate term, which is generally up to two years for investment grade and generally up to one year for speculative grade. In determining a rating outlook, consideration is given to any changes in economic and/or fundamental business conditions. A 'Stable' rating outlook indicates that a rating is not likely to change.

#### Description of ratings, as disclosed by Fitch on its public website

Fitch Ratings publishes credit ratings that are forward-looking opinions on the relative ability of an entity or obligation to meet financial commitments. Issuer Default Ratings (IDRs) are assigned to corporations, sovereign entities, and financial institutions, such as banks, leasing companies and insurers, and public finance entities (local and regional governments). Issue level ratings are also assigned and often include an expectation of recovery, which may be notched above or below the issuer-level rating. Issue ratings are assigned to secured and unsecured debt securities, loans, preferred stock and other instruments. Structured finance ratings are issue ratings to securities backed by receivables or other financial assets that consider the obligations' relative vulnerability to default.

Credit ratings are indications of the likelihood of repayment in accordance with the terms of the issuance. In limited cases, Fitch may include additional considerations (i.e. rate to a higher or lower standard than that implied in the obligation's documentation). Fitch's credit rating scale for issuers and issues is expressed using the categories 'AAA' to 'BBB' (investment grade) and 'BB' to 'D' (speculative grade) with an additional +/- for 'AA' through 'CCC' levels, indicating relative differences of probability of default or recovery for issues. The terms "investment grade" and "speculative grade" are market conventions and do not imply any recommendation or endorsement of a specific security for investment purposes. Investment-grade categories indicate relatively low to moderate credit risk, while ratings in the speculative categories signal either a higher level of credit risk or that a default already occurred.

Credit ratings are also designated as 'long-term' or 'short-term' with different scales used. Long-term ratings use the noted 'AAA' to 'D' scale. Fitch's rating analysis considers the long-term rating horizon, and therefore considers both near-term and long-term key rating drivers. Short-term ratings scale is 'F1+' through 'F3', 'B', 'C' and 'D/RD'. The 'D' and 'RD' ratings are used for both long-term and short-term ratings.

Ratings of individual securities or financial obligations of a corporate issuer address relative vulnerability to default on an ordinal scale. In addition, for financial obligations in corporate finance, a measure of recovery given default on that liability is also included in the rating assessment. This notably applies to covered bonds ratings, which incorporate both an indication of the probability of default and of the recovery given a default of this debt instrument. On the contrary, Ratings of debtor-in-possession (DIP) obligations incorporate the expectation of full repayment. The relationship between the issuer scale and obligation scale assumes a generic historical average recovery. Individual obligations can be assigned ratings higher, lower, or the same as that entity's issuer rating or IDR, based on their relative ranking, relative vulnerability to default or based on explicit Recovery Ratings. As a result, individual obligations of entities, such as corporations, are assigned ratings higher, lower, or the same as that entity's issuer rating or IDR, except DIP obligation ratings that are not based off an IDR. At the lower end of the ratings scale, Fitch publishes explicit Recovery Ratings in many cases to complement issuer and obligation ratings. 'AA' (Very High Credit Quality) ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. 'A' (High Credit Quality) ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings. 'BBB' (Good Credit Quality) ratings indicate that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity

A short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. Short-term deposit ratings may be adjusted for loss severity. Short-Term Ratings are assigned to obligations whose initial maturity is viewed as "short term" based on market convention (a long-term rating can also be used to rate an issue with short maturity). Typically, this means up to 13 months for corporate, sovereign, and structured obligations and up to 36 months for obligations in U.S. public finance markets. F1 (Highest Short-Term Credit Quality) Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

Outlooks indicate the direction a rating is likely to move over a one- to two-year period. They reflect financial or other trends that have not yet reached or been sustained the level that would cause a rating action, but which may do so if such trends continue. A Positive Rating Outlook indicates an upward trend on the rating scale. Conversely, a Negative Rating Outlook signals a negative trend on the rating scale. Positive or Negative Rating Outlooks do not imply that a rating change is inevitable, and similarly, ratings with Stable Outlooks can be raised or lowered without a prior revision to the Outlook. Occasionally, where the fundamental trend has strong, conflicting elements of both positive and negative, the Rating Outlook may be described as "Evolving."

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

The DBRS Morningstar long-term credit ratings provide opinions on risk of default. DBRS Morningstar considers risk of default to be the risk that an issuer will fail to satisfy the financial obligations in accordance with the terms under which a long-term obligation has been issued. Credit 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. A long-term rating of 'AA' is of 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 long-term rating of 'A' is of 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 Morningstar 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. Ratings are based on quantitative and qualitative considerations relevant to the issuer and the relative ranking of claims. The 'R-1' and 'R-2' rating categories are further denoted by the subcategories '(high)', '(middle)', and '(low)'. A short-term debt rating of 'R-1' '(high)' is the 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 Morningstar preferred share rating scale reflects an opinion on the risk that an issuer will not fulfil its obligations with respect to both dividend and principal commitments in respect of preferred shares issued in the Canadian securities market in accordance with the terms under which the relevant preferred shares have been issued. Every DBRS Morningstar rating using the preferred share rating scale is based on quantitative and qualitative considerations relevant to the issuing entity. Each rating category may be 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 issued in the Canadian securities markets are rated using the preferred share rating scale and preferred shares issued outside of the Canadian securities markets are rated using the long-term obligations scale. Because preferred share dividends are only payable when approved, the non-payment of a preferred share dividend does not necessarily result in a 'D'. DBRS Morningstar may also use 'SD' (Selective Default) in cases where only some securities are affected, such as in the case of a "distressed exchange". Preferred shares rated 'Pfd-2' are generally of good 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 issuers with an 'A' category or higher reference point.

## Appendix “C”

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

#### CHARTER

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

#### ***Main Responsibilities:***

- overseeing reliable, accurate and clear financial reporting to shareholders
- overseeing the effectiveness of internal controls, including internal control 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
- receiving reports from the shareholders’ auditor, chief financial officer, chief auditor, chief compliance officer, and chief anti-money laundering officer, and evaluating the effectiveness and independence of each
- overseeing the establishment and maintenance of policies and programs reasonably designed to achieve and maintain the Bank’s compliance with the laws and regulations that apply to it
- acting as the audit committee for certain subsidiaries of the Bank that are federally regulated financial institutions

#### ***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, compliance, and effectiveness of 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 considerations, subject to a minimum requirement of three directors.

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 that results in the individual's financial sophistication, including being or having been an auditor, a chief executive officer, chief financial 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 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 Executive Officer, the Chief Financial Officer, the General Counsel, the Chief Auditor, the Chief Risk Officer, the Chief Compliance Officer, the Chief Anti-Money Laundering 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 meets 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 have a standing invitation to attend each meeting of this Committee at his or her discretion as a non-voting observer 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.

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 ("MD&A") and reviewing the shareholders' auditor opinion on the annual financial statements and on the Bank's internal control 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,

financial statement, and MD&A disclosures, including non-GAAP and other financial measures (e.g., Items of Note), 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 such other periodic disclosure documents required by regulators or that may be required by law;
- review Environmental and Social Governance ("ESG") disclosures required to be included in financial reporting;
- 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 Committee's Role in the Financial Reporting Process*

The Committee oversees the financial reporting process at the Bank and receives quarterly reporting regarding the process undertaken by management. The Committee approves the scope and terms of the audit engagement and receives the results of the review by the shareholders' auditor. 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 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 verify compliance with accounting standards and applicable laws and regulations.

#### *Internal Controls*

The shareholders' auditor is also responsible for planning and carrying out, in accordance with professional standards, an audit of the Bank's internal control over financial reporting. Management is responsible for devising and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of such internal control.

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 and 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;
  - as part of this review, the Committee shall consider and discuss with management whether any deficiencies identified may be systemic or pervasive;
- meeting with management, the Chief Auditor and the shareholders' auditor to assess the adequacy and effectiveness of the Bank's internal controls, including internal control over financial reporting and controls related to the prevention, identification and detection of fraud;
- overseeing the adequacy of 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 policies and the effectiveness of related 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 at least annually the Chief Auditor's mandate and independence attestation, and the mandate of the internal audit division;
- review key components of significant audit policies
- 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, including information on the qualifications and independence of the assessor(s) and any potential conflict of interest;
- review and discuss regular reports prepared by the Chief Auditor, including internal control over financial reporting and all other information outlined in regulatory guidance, together with management's response and follow-up on outstanding findings, and proactively consider thematic findings 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 obtain 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 ("PCAOB") 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, and other key senior partners of the shareholders' auditor, monitor the rotation timing and, as required upon rotation of the lead and other key senior partners, assess the qualifications of the shareholders' auditor's proposed new lead and other key senior partners and obtain confirmation from the shareholders' auditor of compliance with the requirements for the qualifications for auditors pursuant to the *Bank Act (Canada)*, and guidance by other applicable regulators;
- at least every five years, conduct a periodic comprehensive review of the shareholders' auditor; and
- annually review and discuss the Canadian Public Accountability Board's ("CPAB") and PCAOB's public reports with the shareholders' auditor and, as necessary, discuss any CPAB and/or PCAOB 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 and the shareholders' auditor, annually and otherwise as necessary, 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;
- 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.

#### *Compliance*

The Committee shall oversee the establishment and maintenance of policies and programs reasonably designed to achieve and maintain the Bank's compliance with the laws and regulations that apply to it, including:

- establishing and maintaining procedures in accordance with regulatory requirements for the receipt, retention and treatment of confidential, anonymous submissions of concerns regarding questionable accounting, internal accounting controls or auditing matters, and receiving reports on such complaints and submissions as required under the applicable policy; and
- 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.

#### *Global Compliance Department*

The Committee shall oversee the Global Compliance Department of the Bank and the execution of its mandate and shall satisfy itself that the Global 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;
- annually review and approve the mandate of the Global Compliance Department and the mandate of the Chief Compliance Officer;
- at least annually assess the effectiveness of the Global Compliance Department;
- periodically review the results of a benchmarking of the Global 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;
- review with management the Bank's compliance with applicable regulatory requirements and the Regulatory Compliance Management ("RCM") Program;
- semi-annually receive reports from the Global Compliance Department on Compliance with Canadian Consumer Protection Requirements as Supervised by the Financial Consumer Agency of Canada ("FCAC");
- regularly review and discuss reports prepared by the Chief Compliance Officer for the Committee, including with regard to reports by regulators and supervisory authorities related to the Global Compliance Department, the Bank's RCM program or the Bank's compliance or non-compliance with applicable laws and regulations 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 of, adherence to and effectiveness of the Bank's day-to-day RCM controls, as well as the Opinion of the Chief Compliance Officer as to whether the RCM Program and controls are sufficiently robust to achieve compliance with the applicable enterprise-wide regulatory requirements; and
- provide a forum for the Chief Compliance Officer to have unfettered access to the Committee to raise any compliance issues or concerns with respect to the relationship and interaction among the Global 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 Program ("AML Program") that is designed so that 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 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. In addition, the Committee shall:

- 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 Global AML Department;
- review the results of an independent effectiveness review of the AML Program conducted periodically;
- periodically review the results of a benchmarking of the Global AML Department conducted with the assistance of an independent third party;
- annually review and approve the mandate of the Global AML Department and the mandate of the Chief Anti-Money Laundering Officer;
- confirm the appointment and dismissal of the Chief Anti-Money Laundering Officer;
- annually convey its view of the performance of the Chief Anti-Money Laundering 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 for the Committee, including with regard to reports by supervisory authorities related to the AML Program, on the Bank's compliance or non-compliance with applicable laws and regulations and on the design and operation of the AML Program, the adequacy of resources (people, systems and 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 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 for certain Canadian subsidiaries of the Bank that are federally-regulated financial institutions, including meeting on an annual basis, without management present, with the appointed actuaries of the applicable subsidiaries of the Bank that are federally-regulated financial institutions;
- reviewing with the Bank's General Counsel any legal matter arising from litigation, asserted claims or regulatory non-compliance 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 or delegated by the Board;
- conducting an annual evaluation of the Committee to assess its contribution and effectiveness in fulfilling its mandate;
- review and assess the adequacy of this Charter at least annually and submit this Charter to the Corporate Governance Committee for review and recommendation to the Board for approval; noting that changes considered administrative by the Chair of the Committee and the Board Chair can be reviewed and approved by the Corporate Governance Committee throughout the year and aggregated once per year for review and concurrence by the Board;
- 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.

Posted: August 2022

## 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, 2022, compared with the corresponding period in the prior year. This MD&A should be read in conjunction with the audited Consolidated Financial Statements and related Notes for the year ended October 31, 2022. This MD&A is dated November 30, 2022. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from the Bank's annual Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Note that certain comparative amounts have been revised to conform with the presentation adopted in the current period.

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

**Caution Regarding Forward-Looking Statements**

From time to time, the Bank (as defined in this document) makes written and/or oral forward-looking statements, including in this document, in other filings with Canadian regulators or the United States (U.S.) Securities and Exchange Commission (SEC), and in other communications. In addition, representatives of the Bank may make forward-looking statements orally to analysts, investors, the media and others. All such statements are made pursuant to the "safe harbour" provisions of, and are intended to be forward-looking statements under, applicable Canadian and U.S. securities legislation, including the *U.S. Private Securities Litigation Reform Act of 1995*. Forward-looking statements include, but are not limited to, statements made in this document, the Management's Discussion and Analysis ("2022 MD&A") in the Bank's 2022 Annual Report under the heading "Economic Summary and Outlook", under the headings "Key Priorities for 2023" and "Operating Environment and Outlook" for the Canadian Personal and Commercial Banking, U.S. Retail, Wealth Management and Insurance, and Wholesale Banking segments, and under the heading "2022 Accomplishments and Focus for 2023" for the Corporate segment, and in other statements regarding the Bank's objectives and priorities for 2023 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: strategic, credit, market (including equity, commodity, foreign exchange, interest rate, and credit spreads), operational (including technology, cyber security, and infrastructure), model, insurance, liquidity, capital adequacy, legal, regulatory compliance and conduct, reputational, environmental and social, and other risks. Examples of such risk factors include general business and economic conditions in the regions in which the Bank operates; geopolitical risk; inflation, rising rates and recession; the economic, financial, and other impacts of pandemics, including the COVID-19 pandemic; the ability of the Bank to execute on long-term strategies and shorter-term key strategic priorities, including the successful completion of acquisitions and dispositions, business retention plans, and strategic plans; technology and cyber security risk (including cyber-attacks, data security breaches or technology failures) on the Bank's information technology, internet, network access or other voice or data communications systems or services; model risk; fraud activity; 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, and other risks arising from the Bank's use of third-party service providers; the impact of new and changes to, or application of, current laws and regulations, including without limitation tax laws, capital guidelines and liquidity regulatory guidance; regulatory oversight and compliance risk; increased competition from incumbents and new entrants (including Fintechs and big technology competitors); shifts in consumer attitudes and disruptive technology; exposure related to significant litigation and regulatory matters; ability of the Bank to attract, develop, and retain key talent; changes to the Bank's credit ratings; changes in foreign exchange rates, interest rates, credit spreads and equity prices; increased funding costs and market volatility due to market illiquidity and competition for funding; Interbank Offered Rate (IBOR) transition risk; critical accounting estimates and changes to accounting standards, policies, and methods used by the Bank; existing and potential international debt crises; environmental and social risk (including climate change); 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 2022 MD&A, as may be updated in subsequently filed quarterly reports to shareholders and news releases (as applicable) related to any events or transactions discussed under the heading "Significant Acquisitions" or "Significant Events and Pending Acquisitions" in the relevant MD&A, which applicable releases may be found on [www.td.com](http://www.td.com). All such factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements, should be considered carefully when making decisions with respect to the Bank. 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 2022 MD&A under the heading "Economic Summary and Outlook", under the headings "Key Priorities for 2023" and "Operating Environment and Outlook" for the Canadian Personal and Commercial Banking, U.S. Retail, Wealth Management and Insurance, and Wholesale Banking segments, and under the heading "2022 Accomplishments and Focus for 2023" for the Corporate segment, each as may be updated in subsequently filed quarterly reports to shareholders.

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

**TABLE 1: FINANCIAL HIGHLIGHTS**

(millions of Canadian dollars, except where noted)

	2022	2021
<b>Results of operations</b>		
Total revenue – reported	\$ 49,032	\$ 42,693
Total revenue – adjusted <sup>1</sup>	46,170	42,693
Provision for (recovery of) credit losses	1,067	(224)
Insurance claims and related expenses	2,900	2,707
Non-interest expenses – reported	24,641	23,076
Non-interest expenses – adjusted <sup>1</sup>	24,359	22,909
Net income – reported	17,429	14,298
Net income – adjusted <sup>1</sup>	15,425	14,649
<b>Financial positions</b> (billions of Canadian dollars)		
Total loans net of allowance for loan losses	\$ 831.0	\$ 722.6
Total assets	1,917.5	1,728.7
Total deposits	1,230.0	1,125.1
Total equity	111.4	99.8
Total risk-weighted assets <sup>2</sup>	517.0	460.3
<b>Financial ratios</b>		
Return on common equity (ROE) – reported <sup>3</sup>	18.0 %	15.5 %
Return on common equity – adjusted <sup>1</sup>	15.9	15.9
Return on tangible common equity (ROTCE) <sup>1</sup>	24.3	21.2
Return on tangible common equity – adjusted <sup>1</sup>	21.2	21.4
Efficiency ratio – reported <sup>3</sup>	50.3	54.1
Efficiency ratio – adjusted <sup>1,3</sup>	52.8	53.7
Provision for (recovery of) credit losses as a % of net average loans and acceptances	0.14	(0.03)
<b>Common share information – reported</b> (Canadian dollars)		
Per share earnings		
Basic	\$ 9.48	\$ 7.73
Diluted	9.47	7.72
Dividends per share	3.56	3.16
Book value per share <sup>3</sup>	55.00	51.66
Closing share price <sup>4</sup>	87.19	89.84
Shares outstanding (millions)		
Average basic	1,810.5	1,817.7
Average diluted	1,813.6	1,820.2
End of period	1,820.7	1,822.0
Market capitalization (billions of Canadian dollars)	\$ 158.7	\$ 163.7
Dividend yield <sup>3</sup>	3.8 %	3.9 %
Dividend payout ratio <sup>3</sup>	37.5	40.9
Price-earnings ratio <sup>3</sup>	9.2	11.6
Total shareholder return (1 year) <sup>3</sup>	0.9	58.9
<b>Common share information – adjusted</b> (Canadian dollars) <sup>1,3</sup>		
Per share earnings		
Basic	\$ 8.38	\$ 7.92
Diluted	8.36	7.91
Dividend payout ratio	42.5 %	39.9 %
Price-earnings ratio	10.4	11.3
<b>Capital ratios<sup>2</sup></b>		
Common Equity Tier 1 Capital ratio	16.2 %	15.2 %
Tier 1 Capital ratio	18.3	16.5
Total Capital ratio	20.7	19.1
Leverage ratio	4.9	4.8
Total Loss Absorbing Capacity (TLAC) ratio	35.2	28.3
TLAC Leverage ratio	9.4	8.2

<sup>1</sup> The Toronto-Dominion Bank ("TD" or 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 the "reported" results. The Bank also utilizes non-GAAP financial measures such as "adjusted" results and non-GAAP ratios to assess each of its businesses and to measure overall Bank performance. To arrive at adjusted results, the Bank adjusts reported results for "items of note". Refer to the "Financial Results Overview" section of this document for further explanation, a list of the items of note, and a reconciliation of adjusted to reported results. Non-GAAP financial measures and ratios used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.

<sup>2</sup> These measures have been included in this document in accordance with the Office of the Superintendent of Financial Institutions Canada's (OSFI's) Capital Adequacy Requirements, Leverage Requirements, and TLAC guidelines. Refer to the "Capital Position" section of this document for further details.

<sup>3</sup> For additional information about this metric, refer to the Glossary of this document.

<sup>4</sup> Toronto Stock Exchange (TSX) closing market price.

## SIGNIFICANT EVENTS AND PENDING ACQUISITIONS

### Acquisition of Cowen Inc.

On August 2, 2022, the Bank and Cowen Inc. ("Cowen") announced a definitive agreement for TD to acquire Cowen in an all-cash transaction valued at US\$1.3 billion, or US\$39.00 for each share of Cowen common stock. The Bank is currently planning to close the transaction in the first calendar quarter of 2023, subject to customary closing conditions, including approvals from certain U.S., Canadian, and foreign regulatory authorities. Regulatory approvals are not within the Bank's control. The results of the acquired business will be consolidated by the Bank from the closing date and reported in the Wholesale Banking segment. Based on the estimated financial performance and balance sheets of the Bank and Cowen, including transaction-related impacts, the Bank expects that its Common Equity Tier 1 (CET1) Capital ratio will be comfortably above 11% upon the closing of the Cowen acquisition, pro forma for the closing of the Bank's acquisition of First Horizon Corporation ("First Horizon").

### Sale of Schwab Common Shares

On August 1, 2022, in order to provide the capital required for the acquisition of Cowen, the Bank sold 28.4 million non-voting common shares of The Charles Schwab Corporation ("Schwab") at a price of US\$66.53 per share for proceeds of \$2.5 billion (US\$1.9 billion). Approximately 15 million shares were sold to Schwab pursuant to a repurchase agreement at a price equal to the price obtained in the sale of 13.4 million shares sold to a broker dealer pursuant to Rule 144 of the *Securities Act of 1933*. All shares sold automatically converted into shares of Schwab voting common stock and the shares acquired by Schwab are no longer outstanding. The sales reduced the Bank's ownership interest in Schwab from approximately 13.4% to 12.0%. The Bank recognized \$997 million as other income (net of \$368 million loss from accumulated other comprehensive income (AOCI) reclassified to earnings), in the fourth quarter of fiscal 2022.

### Acquisition of First Horizon Corporation

On February 28, 2022, the Bank and First Horizon announced a definitive agreement for the Bank to acquire First Horizon in an all-cash transaction valued at US\$13.4 billion, or US\$25.00 for each common share of First Horizon. In connection with this transaction, the Bank has invested US\$494 million in non-voting First Horizon preferred stock (convertible in certain circumstances into up to 4.9% of First Horizon's common stock). The Bank is currently planning to close the transaction in the first half of fiscal 2023, subject to customary closing conditions, including approvals from U.S. and Canadian regulatory authorities. Regulatory approvals are not within the Bank's control. The results of the acquired business will be consolidated by the Bank from the closing date and reported in the U.S. Retail segment.

First Horizon shareholders will receive, at closing, an additional US\$0.65 per share on an annualized basis for the period from November 27, 2022 through the day immediately prior to the closing. Either party will have the right to terminate the agreement if the transaction has not closed by February 27, 2023 (the "outside date"), subject to the right of either party (under certain conditions) to extend the outside date to May 27, 2023.

During the year, the Bank implemented a strategy to mitigate interest rate volatility to capital on closing of the acquisition.

The fair value of First Horizon's fixed rate financial assets and liabilities and certain intangible assets are sensitive to interest rate changes. The fair value of net assets will determine the amount of goodwill to be recognized on closing of the acquisition. Increases in goodwill and intangibles will negatively impact capital ratios because they are deducted from capital under OSFI Basel III rules. In order to mitigate this volatility to closing capital, the Bank de-designated certain interest rate swaps hedging fixed income investments in fair value hedge accounting relationships.

After the de-designation, mark-to-market gains (losses) on these swaps are recognized in earnings, without any corresponding offset from the previously hedged investments. Such gains (losses) will mitigate the capital impact from changes in the amount of goodwill recognized on closing of the acquisition. The de-designation also triggered the amortization of the investments' basis adjustment to net interest income over the remaining expected life of the investments.

For the year ended October 31, 2022, the Bank reported \$1,487 million in non-interest income related to the mark-to-market on the swaps, and \$154 million in net interest income related to the basis adjustment amortization. In addition, for the year ended October 31, 2022, the Bank reported \$121 million in non-interest income related to the net interest earned on the swaps since the de-designation of the hedge accounting relationships.

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## 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 assets and serves more than 27 million customers in four key businesses operating in a number of locations in financial centres around the globe: Canadian Personal and Commercial Banking, including TD Canada Trust and TD Auto Finance Canada; U.S. Retail, including TD Bank, America’s Most Convenient Bank®, TD Auto Finance U.S., TD Wealth (U.S.), and an investment in The Charles Schwab Corporation; Wealth Management and Insurance, including TD Wealth (Canada), TD Direct Investing, and TD Insurance; and Wholesale Banking. TD also ranks among the world’s leading online financial services firms, with more than 15 million active online and mobile customers. TD had \$1.9 trillion in assets on October 31, 2022. The Toronto-Dominion Bank trades under the symbol “TD” on the Toronto and New York Stock Exchanges.

### ECONOMIC SUMMARY AND OUTLOOK

The outlook for the global economy for the next two years was downgraded relative to the prior quarter. In Europe, an energy crisis continues to impact household finances and weigh on industrial output. China is reckoning with the fallout of its real estate slowdown and strict COVID-19 controls. In North America, COVID-19 is causing fewer supply chain disruptions, but the legacy of high domestic inflation and tight labour markets has led to central banks raising policy rates at the fastest pace in roughly four decades. This has significantly weakened the economic growth prospects over the next twelve to twenty-four months.

The U.S. economy expanded by 2.6% annualized in the third calendar quarter of 2022, after having contracted in the first half of the year. However, this was largely due to a surge in exports relative to imports. In contrast, domestic demand grew by a soft 0.5%. Consumer spending growth decelerated to 1.4% relative to the prior calendar quarter of 2.0%, as inflation continued to weigh on the purchasing power of households, which are also normalizing spending away from goods after a surge during the pandemic. The ongoing downturn in housing also weighed on the economy in the third calendar quarter, subtracting 1.4 percentage points from growth.

As the lagged effect of interest rate increases is expected to continue to feed through the economy in 2023, it should lead to some cooling in the job market, where the unemployment rate was 3.7% in October, near a cyclical low. Consumer Price Index (CPI) inflation has shown modest signs of cooling, but at 7.7% year-over-year in October, it is still close to 40-year highs. Slower global growth and a high U.S. dollar are expected to help goods inflation ease, while services inflation is likely to prove more persistent.

The Federal Reserve continued its aggressive pace of rate increases, with a fourth 75 basis points (bps) hike in early November. TD Economics expects further interest rate hikes will take the Federal Funds rate to a range of 4.50-5.00% in calendar 2023. This historically large increase in interest rates raises the risk that the economy will slow more quickly and trigger an outright recession. Financial markets have reflected this risk with the yield curve inverting.

The Canadian economy has begun to slow after growing at a very healthy pace in the first half of the year. The interest-rate sensitive housing market was the first area of the economy to respond to the Bank of Canada’s rapid increase in the policy rate. As of October, home sales were down 40% from the peak in February of this year. Housing demand is expected to cool further as higher interest rates continue to weigh on affordability. Canadian inflation has begun to decelerate but remained high at 6.9% year-over-year in October. The labour market has also remained quite strong through October, although TD Economics expects job market conditions to ease in the coming quarters, in line with weaker demand in the broader economy.

The Bank of Canada raised its overnight interest rate by 50 bps in October, to 3.75%. TD Economics expects further increases in the overnight rate to a range of 4.25-4.50% in calendar 2023. With interest rates expected to increase to a lesser degree in Canada than in the United States, the Canadian dollar may reach a low of 70 U.S. cents in the first half of calendar 2023.

### HOW THE BANK REPORTS

The Bank prepares its Consolidated Financial Statements in accordance with IFRS, the current GAAP, and refers to results prepared in accordance with IFRS as “reported” results.

### Non-GAAP and Other Financial Measures

In addition to reported results, the Bank also presents certain financial measures, including non-GAAP financial measures that are historical, non-GAAP ratios, supplementary financial measures and capital management measures, to assess its results. Non-GAAP financial measures, such as “adjusted” results, are utilized to assess the Bank’s businesses and to measure the Bank’s overall performance. To arrive at adjusted results, the Bank adjusts for “items of note”, from reported results. Items of note are items which management does not believe are indicative of underlying business performance and are disclosed in Table 3. Non-GAAP ratios include a non-GAAP financial measure as one or more of its components. Examples of non-GAAP ratios include adjusted basic and diluted earnings per share (EPS), adjusted dividend payout ratio, adjusted efficiency ratio, and adjusted effective income tax rate. The Bank believes that non-GAAP financial measures and non-GAAP ratios provide the reader with a better understanding of how management views the Bank’s performance. Non-GAAP financial measures and non-GAAP ratios used in this document are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers. Supplementary financial measures depict the Bank’s financial performance and position, and capital management measures depict the Bank’s capital position, and both are explained in this document where they first appear.

### U.S. Strategic Cards

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

### Investment in The Charles Schwab Corporation

On October 6, 2020, the Bank acquired an approximately 13.5% stake in Schwab following the completion of Schwab’s acquisition of TD Ameritrade Holding Corporation (“TD Ameritrade”) of which the Bank was a major shareholder (the “Schwab transaction”). On August 1, 2022, the Bank sold 28.4 million non-voting common shares of Schwab, which reduced the Bank’s ownership interest in Schwab to approximately 12.0%. For further details, refer to Note 12 of the 2022 Consolidated Financial Statements. The Bank’s share of Schwab’s earnings is reported with a one-month lag, and the Bank started recording its share of Schwab’s earnings on this basis in the first quarter of fiscal 2021. The U.S. Retail segment reflects the Bank’s share of net income from its investment in Schwab. The Corporate segment net income (loss) includes amounts for amortization of acquired intangibles and the acquisition and integration charges related to the Schwab transaction.

On November 25, 2019, the Bank and Schwab entered into an insured deposit account agreement (the "Schwab IDA Agreement"), which became effective upon closing of the Schwab transaction and has an initial expiration date of July 1, 2031. Refer to the "Related Party Transactions" section of this document for further details.

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

<b>TABLE 2: OPERATING RESULTS – Reported</b>		
(millions of Canadian dollars)	2022	2021
Net interest income	\$ 27,353	\$ 24,131
Non-interest income	21,679	18,562
Total revenue	49,032	42,693
Provision for credit losses	1,067	(224)
Insurance claims and related expenses	2,900	2,707
Non-interest expenses	24,641	23,076
<b>Income before income taxes and share of net income from investment in Schwab</b>	<b>20,424</b>	<b>17,134</b>
Provision for (recovery of) income taxes	3,986	3,621
Share of net income from investment in Schwab	991	785
<b>Net income – reported</b>	<b>17,429</b>	<b>14,298</b>
Preferred dividends and distributions on other equity instruments	259	249
<b>Net income available to common shareholders</b>	<b>\$ 17,170</b>	<b>\$ 14,049</b>

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

<b>TABLE 3: NON-GAAP FINANCIAL MEASURES – Reconciliation of Adjusted to Reported Net Income</b>		
(millions of Canadian dollars)	2022	2021
<b>Operating results – adjusted</b>		
Net interest income <sup>6</sup>	\$ 27,307	\$ 24,131
Non-interest income <sup>1,6</sup>	18,863	18,562
Total revenue	46,170	42,693
Provision for (recovery of) credit losses	1,067	(224)
Insurance claims and related expenses	2,900	2,707
Non-interest expenses <sup>2</sup>	24,359	22,909
<b>Income before income taxes and share of net income from investment in Schwab</b>	<b>17,844</b>	<b>17,301</b>
Provision for (recovery of) income taxes	3,595	3,658
Share of net income from investment in Schwab <sup>3</sup>	1,176	1,006
<b>Net income – adjusted</b>	<b>15,425</b>	<b>14,649</b>
Preferred dividends and distributions on other equity instruments	259	249
<b>Net income available to common shareholders – adjusted</b>	<b>15,166</b>	<b>14,400</b>
<b>Pre-tax adjustments for items of note</b>		
Amortization of acquired intangibles <sup>4</sup>	(242)	(285)
Acquisition and integration charges related to the Schwab transaction <sup>5</sup>	(111)	(103)
Acquisition and integration-related charges for pending acquisitions <sup>2</sup>	(114)	–
Mitigation of interest rate volatility to closing capital on First Horizon acquisition <sup>6</sup>	1,641	–
Gain on sale of Schwab shares <sup>1</sup>	997	–
Litigation settlement recovery <sup>1</sup>	224	–
<b>Less: Impact of income taxes</b>		
Amortization of acquired intangibles	(26)	(32)
Acquisition and integration charges related to the Schwab transaction <sup>5</sup>	(16)	(5)
Acquisition and integration-related charges for pending acquisitions	(27)	–
Mitigation of interest rate volatility to closing capital on First Horizon acquisition	405	–
Gain on sale of Schwab shares	–	–
Litigation settlement recovery	55	–
<b>Total adjustments for items of note</b>	<b>2,004</b>	<b>(351)</b>
<b>Net income available to common shareholders – reported</b>	<b>\$ 17,170</b>	<b>\$ 14,049</b>

<sup>1</sup> Adjusted non-interest income excludes the following item of note:

- i. The Bank reached a settlement in *TD Bank, N.A. v. Lloyd's Underwriter et al.*, in Canada, pursuant to which the Bank recovered losses resulting from the previous resolution by the Bank of multiple proceedings in the U.S. related to an alleged Ponzi scheme, perpetrated by, among others, Scott Rothstein – 2022: \$224 million. This amount is reported in the U.S. Retail segment; and
- ii. The Bank sold 28.4 million non-voting common shares of Schwab and recognized a gain on the sale – 2022: \$997 million. This amount is reported in the Corporate segment.

<sup>2</sup> Adjusted non-interest expenses exclude the following items of note related to the Bank's asset acquisitions and business combinations:

- i. Amortization of acquired intangibles – 2022: \$106 million, 2021: \$148 million. These amounts are reported in the Corporate segment;
- ii. The Bank's own integration and acquisition costs related to the Schwab transaction – 2022: \$62 million, 2021: \$19 million. These amounts are reported in the Corporate segment; and
- iii. Acquisition and integration-related charges for pending acquisitions – 2022: \$114 million. These charges are primarily related to professional services and other incremental operating expenses for various acquisitions, and are reported in the U.S. Retail and Wholesale Banking segments.

<sup>3</sup> Adjusted share of net income from investment in Schwab excludes the following items of note on an after-tax basis. The earnings impact of both items is reported in the Corporate segment:

- i. Amortization of Schwab-related acquired intangibles – 2022: \$136 million, 2021: \$137 million; and
- ii. The Bank's share of acquisition and integration charges associated with Schwab's acquisition of TD Ameritrade – 2022: \$49 million, 2021: \$84 million.

<sup>4</sup> Amortization of acquired intangibles relates to intangibles acquired as a result of asset acquisitions and business combinations, including the after-tax amounts for amortization of acquired intangibles relating to the Share of net income from investment in Schwab, reported in the Corporate segment. Refer to footnotes 2 and 3 for amounts.

<sup>5</sup> Acquisition and integration charges related to the Schwab transaction include the Bank's own integration and acquisition costs, as well as the Bank's share of acquisition and integration charges associated with Schwab's acquisition of TD Ameritrade on an after-tax basis, both reported in the Corporate segment. Refer to footnotes 2 and 3 for amounts.

<sup>6</sup> Mitigation of interest rate volatility to closing capital on First Horizon acquisition includes the following components, reported in the Corporate Segment: i) mark-to-market gains (losses) on interest rate swaps recorded in non-interest income – 2022: \$1,487 million, ii) basis adjustment amortization related to de-designated fair value hedge accounting relationships, recorded in net interest income – 2022: \$154 million, and iii) interest income (expense) recognized on the interest rate swaps, reclassified from non-interest income to net interest income with no impact to total adjusted net income – 2022: \$108 million. Refer to the "Significant Events and Pending Acquisitions" section for further details.

**TABLE 4: RECONCILIATION OF REPORTED TO ADJUSTED EARNINGS PER SHARE<sup>1</sup>**

(Canadian dollars)	2022	2021
<b>Basic earnings per share – reported</b>	<b>\$ 9.48</b>	<b>\$ 7.73</b>
Adjustments for items of note	(1.11)	0.19
<b>Basic earnings per share – adjusted</b>	<b>\$ 8.38</b>	<b>\$ 7.92</b>
<b>Diluted earnings per share – reported</b>	<b>\$ 9.47</b>	<b>\$ 7.72</b>
Adjustments for items of note	(1.10)	0.19
<b>Diluted earnings per share – adjusted</b>	<b>\$ 8.36</b>	<b>\$ 7.91</b>

<sup>1</sup> EPS is computed by dividing net income available to common shareholders by the weighted-average number of shares outstanding during the period. Numbers may not add due to rounding.

**TABLE 5: AMORTIZATION OF INTANGIBLES, NET OF INCOME TAXES<sup>1,2</sup>**

(millions of Canadian dollars)	2022	2021
TD Bank, National Association (TD Bank, N.A.)	\$ 12	\$ 27
Schwab	136	137
MBNA Canada	5	27
Aeroplan	8	23
Other	55	39
	216	253
Software and asset servicing rights	385	436
<b>Amortization of intangibles, net of income taxes</b>	<b>\$ 601</b>	<b>\$ 689</b>

<sup>1</sup> Amortization of intangibles, with the exception of software and asset servicing rights, are included as items of note.

<sup>2</sup> Included in Share of net income from investment in Schwab.

**RETURN ON COMMON EQUITY**

The consolidated Bank ROE is calculated as reported net income available to common shareholders as a percentage of average common equity. The consolidated Bank adjusted ROE is calculated as adjusted net income available to common shareholders as a percentage of average common equity. Adjusted ROE is a non-GAAP ratio, and can be utilized in assessing the Bank's use of equity.

ROE for the business segments is calculated as the segment net income available to common shareholders as a percentage of average allocated capital. The Bank's methodology for allocating capital to its business segments is largely aligned with the common equity capital requirements under Basel III. Capital allocated to the business segments increased to 10.5% of risk weighted assets effective the first quarter of 2022 compared with 9% in fiscal 2021.

**TABLE 6: RETURN ON COMMON EQUITY**

(millions of Canadian dollars, except as noted)	2022	2021
Average common equity	\$ 95,326	\$ 90,677
<b>Net income available to common shareholders – reported</b>	<b>17,170</b>	<b>14,049</b>
Items of note, net of income taxes	(2,004)	351
<b>Net income available to common shareholders – adjusted</b>	<b>\$ 15,166</b>	<b>\$ 14,400</b>
<b>Return on common equity – reported</b>	<b>18.0 %</b>	<b>15.5 %</b>
<b>Return on common equity – adjusted</b>	<b>15.9</b>	<b>15.9</b>

**RETURN ON TANGIBLE COMMON EQUITY**

Tangible common equity (TCE) is calculated as common shareholders' equity less goodwill, imputed goodwill and intangibles on the investments in Schwab and other acquired intangible assets, net of related deferred tax liabilities. ROTCE is calculated as reported net income available to common shareholders after adjusting for the after-tax amortization of acquired intangibles, which are treated as an item of note, as a percentage of average TCE. Adjusted ROTCE is calculated using reported net income available to common shareholders, adjusted for all items of note, as a percentage of average TCE. TCE, ROTCE, and adjusted ROTCE can be utilized in assessing the Bank's use of equity. TCE is a non-GAAP financial measure, and ROTCE and adjusted ROTCE are non-GAAP ratios.

**TABLE 7: RETURN ON TANGIBLE COMMON EQUITY**

(millions of Canadian dollars, except as noted)	2022	2021
Average common equity	\$ 95,326	\$ 90,677
Average goodwill	16,803	16,404
Average imputed goodwill and intangibles on investments in Schwab	6,515	6,667
Average other acquired intangibles <sup>1</sup>	492	439
Average related deferred tax liabilities	(172)	(171)
<b>Average tangible common equity</b>	<b>71,688</b>	<b>67,338</b>
<b>Net income available to common shareholders – reported</b>	<b>17,170</b>	<b>14,049</b>
Amortization of acquired intangibles, net of income taxes	216	253
<b>Net income available to common shareholders adjusted for amortization of acquired intangibles, net of income taxes</b>	<b>17,386</b>	<b>14,302</b>
Other items of note, net of income taxes	(2,220)	98
<b>Net income available to common shareholders – adjusted</b>	<b>\$ 15,166</b>	<b>\$ 14,400</b>
<b>Return on tangible common equity</b>	<b>24.3 %</b>	<b>21.2 %</b>
<b>Return on tangible common equity – adjusted</b>	<b>21.2</b>	<b>21.4</b>

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



## IMPACT OF FOREIGN EXCHANGE RATE ON U.S. RETAIL SEGMENT TRANSLATED EARNINGS

The following table reflects the estimated impact of foreign currency translation on key U.S. Retail segment income statement items. The impact is calculated as the difference in translated earnings using the average U.S. to Canadian dollars exchange rates in the periods noted.

**TABLE 8: IMPACT OF FOREIGN EXCHANGE RATE ON U.S. RETAIL SEGMENT TRANSLATED EARNINGS**

	2022 vs. 2021 Increase (Decrease)	2021 vs. 2020 Increase (Decrease)
<b>U.S. Retail Bank</b>		
Total revenue – reported	\$ 312	\$ (752)
Total revenue – adjusted <sup>1</sup>	311	(752)
Non-interest expenses – reported	171	(443)
Non-interest expenses – adjusted <sup>1</sup>	166	(443)
Net income – reported, after-tax	111	(300)
Net income – adjusted, after-tax <sup>1</sup>	114	(300)
Share of net income from investment in Schwab and TD Ameritrade <sup>2</sup>	15	(57)
<b>U.S. Retail segment net income – reported, after-tax</b>	<b>126</b>	<b>(357)</b>
<b>U.S. Retail segment net income – adjusted, after-tax<sup>1</sup></b>	<b>129</b>	<b>(357)</b>
<b>Earnings per share (Canadian dollars)</b>		
Basic – reported	\$ 0.07	\$ (0.20)
Basic – adjusted <sup>1</sup>	0.07	(0.20)
Diluted – reported	0.07	(0.20)
Diluted – adjusted <sup>1</sup>	0.07	(0.20)

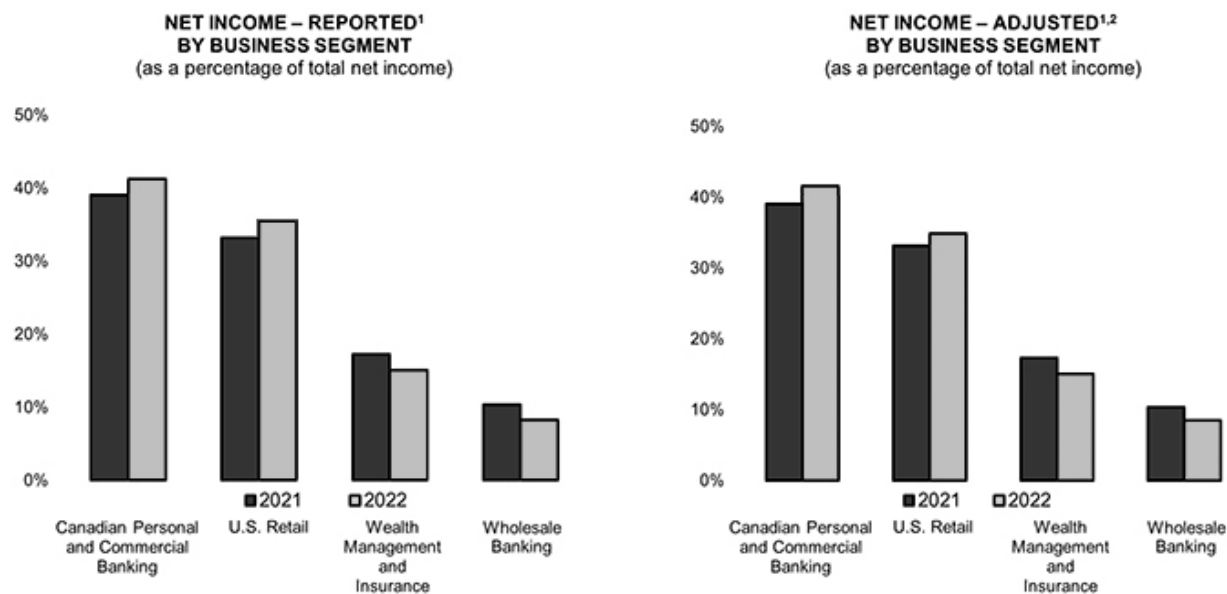
<sup>1</sup> For additional information about the Bank's use of non-GAAP financial measures, refer to "Non-GAAP and Other Financial Measures" in the "Financial Results Overview" section of this document.

<sup>2</sup> Share of net income from investment in Schwab and TD Ameritrade and the foreign exchange impact are reported with a one-month lag.

Average foreign exchange rate (equivalent of CAD \$1.00)	2022	2021
U.S. dollar	0.777	0.795

## FINANCIAL RESULTS OVERVIEW

### Net Income



Reported net income for the year was \$17,429 million, an increase of \$3,131 million, or 22%, compared with last year. The increase reflects higher revenues, a net gain from mitigation of interest rate volatility to closing capital on First Horizon acquisition, and gain on sale of Schwab shares, partially offset by higher non-interest expenses, and higher PCL. On an adjusted basis, net income for the year was \$15,425 million, an increase of \$776 million, or 5%, compared with last year. The reported ROE for the year was 18.0%, compared with 15.5% last year. The adjusted ROE for the year was 15.9%, compared with 15.9% last year.

By segment, the increase in reported net income reflects an increase in the Corporate segment of \$2,269 million, an increase in Canadian Personal and Commercial Banking of \$673 million, and an increase in U.S. Retail of \$635 million, partially offset by a decrease in Wholesale Banking of \$245 million and a decrease in Wealth Management and Insurance of \$201 million.

Reported diluted EPS for the year was \$9.47, an increase of 23%, compared with \$7.72 last year. Adjusted diluted EPS for the year was \$8.36, a 6% increase, compared with \$7.91 last year.

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

<sup>2</sup> For additional information about the Bank's use of non-GAAP financial measures, refer to "Non-GAAP and Other Financial Measures" in the "Financial Results Overview" section of this document.

## FINANCIAL RESULTS OVERVIEW

### Revenue

Reported revenue was \$49,032 million, an increase of \$6,339 million, or 15%, compared with last year. Adjusted revenue was \$46,170 million, an increase of \$3,477 million, or 8%, compared with last year.

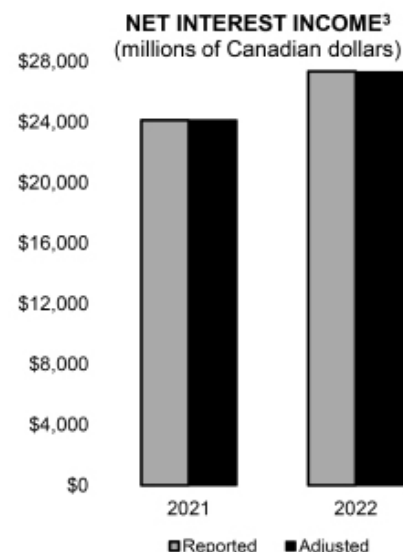
#### NET INTEREST INCOME

Reported net interest income for the year was \$27,353 million, an increase of \$3,222 million, or 13%, compared with last year. The increase reflects volume and margin growth in the personal and commercial banking businesses, the impact of foreign exchange translation, and higher net interest income in Wholesale Banking, partially offset by lower income from Paycheck Protection Program (PPP) loan forgiveness. Adjusted net interest income was \$27,307 million, an increase of \$3,176 million, or 13%.

By segment, the increase in reported net interest income reflects an increase in U.S. Retail of \$1,530 million, an increase in Canadian Personal and Commercial Banking of \$1,201 million, an increase in Wholesale Banking of \$307 million, an increase in Wealth Management and Insurance of \$183 million, and an increase in the Corporate segment of \$1 million.

#### NET INTEREST MARGIN

Net interest margin is calculated by dividing net interest income by average interest-earning assets. This metric is an indicator of the profitability of the Bank's earning assets less the cost of funding. Net interest margin increased by 13 bps during the year to 1.69%, compared with 1.56% last year, primarily reflecting higher deposit margins given the rising rate environment. Average interest earning assets used in the calculation is a non-GAAP financial measure and net interest margin is a non-GAAP ratio. They are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.



#### NON-INTEREST INCOME

Reported non-interest income for the year was \$21,679 million, an increase of \$3,117 million, or 17%, compared with last year, primarily reflecting the net gain from mitigation of interest rate volatility to closing capital on First Horizon acquisition, and gain on sale of Schwab shares. Adjusted non-interest income was \$18,863 million, an increase of \$301 million, or 2%, reflecting higher fee-based revenue in the banking and wealth businesses, and higher insurance revenues reflecting prior year premium rebates for customers, and volumes. These were partially offset by lower transaction fees in the wealth business, a decrease in the fair value of investments supporting claims liabilities which resulted in a similar decrease in insurance claims, markdowns in certain loan underwriting commitments from widening credit spreads in Wholesale Banking, and lower underwriting revenue.

By segment, the increase in reported non-interest income reflects an increase in the Corporate segment of \$2,600 million, an increase in Canadian Personal and Commercial Banking of \$468 million, an increase in U.S. Retail of \$137 million, and an increase in Wealth Management and Insurance of \$88 million, partially offset by a decrease in Wholesale Banking of \$176 million.

**TABLE 9: NON-INTEREST INCOME**

(millions of Canadian dollars, except as noted)

	2022	2021	2022 vs. 2021 % change
<b>Investment and securities services</b>			
Broker dealer fees and commissions	\$ 917	\$ 1,095	(16)
Full-service brokerage and other securities services	1,581	1,453	9
Underwriting and advisory	558	816	(32)
Investment management fees	651	649	–
Mutual fund management	2,057	2,052	–
Trust fees	105	114	(8)
<b>Total investment and securities services</b>	<b>5,869</b>	<b>6,179</b>	<b>(5)</b>
Credit fees	1,615	1,453	11
Trading income (losses)	(257)	313	(182)
Service charges	2,871	2,655	8
Card services	2,890	2,435	19
Insurance revenue	5,380	4,877	10
Other income (loss)	3,311	650	409
<b>Total</b>	<b>\$21,679</b>	<b>\$ 18,562</b>	<b>17</b>

<sup>3</sup> For additional information about the Bank's use of non-GAAP financial measures, refer to "Non-GAAP and Other Financial Measures" in the "Financial Results Overview" section of this document.

## TRADING-RELATED REVENUE

Trading-related revenue is the total of trading income (loss), net interest income on trading positions, and income (loss) from financial instruments designated at fair value through profit or loss (FVTPL) that are managed within a trading portfolio. Trading income (loss) includes realized and unrealized gains and losses on trading assets and liabilities. Net interest income on trading positions 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-related revenue excludes underwriting fees and commissions on securities transactions. Trading-related revenue is a non-GAAP financial measure, which is not a defined term under IFRS and, therefore, may not be comparable to similar terms used by other issuers. Management believes that the trading-related revenue is an appropriate measure of trading performance.

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

	For the years ended October 31	
	2022	2021
Trading income (loss)	\$ (257)	\$ 313
Net interest income (loss) <sup>1</sup>	1,963	1,892
Other <sup>2</sup>	690	(48)
<b>Total</b>	<b>\$ 2,396</b>	<b>\$ 2,157</b>
Trading-related TEB adjustment	117	122
<b>Total trading-related revenue (TEB)</b>	<b>\$ 2,513</b>	<b>\$ 2,279</b>
<b>By product</b>		
Interest rate and credit	\$ 782	\$ 914
Foreign exchange	1,009	751
Equity and other	722	614
<b>Total trading-related revenue (TEB)</b>	<b>\$ 2,513</b>	<b>\$ 2,279</b>

<sup>1</sup> Excludes taxable equivalent basis (TEB).

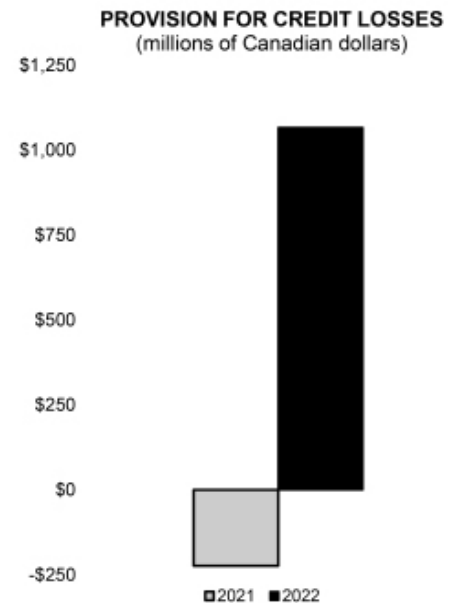
<sup>2</sup> Includes income from securities designated at FVTPL that are managed within a trading portfolio of \$518 million (2021 - \$18 million) reported in Other Income (Loss) on the 2022 Consolidated Financial Statements and other adjustments.

## FINANCIAL RESULTS OVERVIEW

### Provision for Credit Losses

PCL was \$1,067 million, compared with a recovery of \$224 million in the prior year. PCL – impaired was \$1,437 million, an increase of \$128 million, reflecting some normalization of credit performance. PCL – performing was a recovery of \$370 million, compared with a recovery of \$1,533 million last year. The current year performing release reflects improved credit conditions. Total PCL as an annualized percentage of credit volume was 0.14%.

By segment, PCL was higher in U.S. Retail by \$585 million, in the Corporate segment by \$317 million, in Canadian Personal and Commercial Banking by \$235 million, and in Wholesale Banking by \$155 million, and lower in Wealth Management and Insurance by \$1 million.



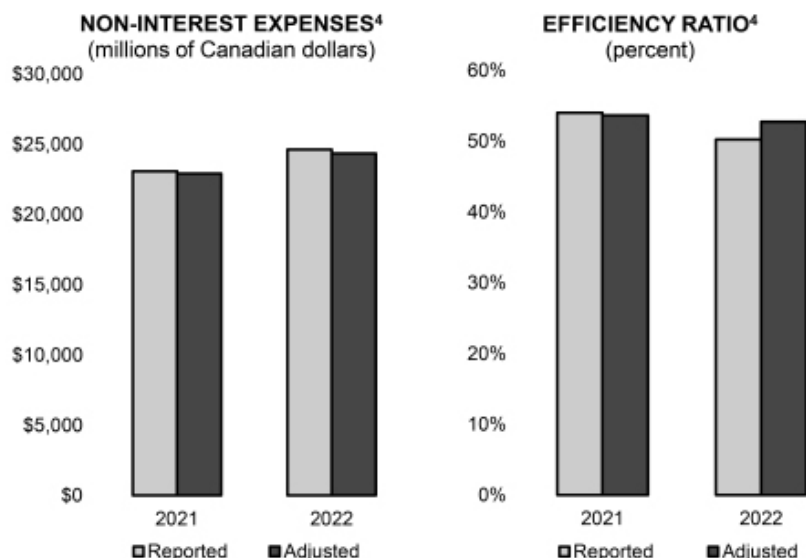
## FINANCIAL RESULTS OVERVIEW

# Expenses

### NON-INTEREST EXPENSES

Reported non-interest expenses for the year were \$24,641 million, an increase of \$1,565 million, or 7%, compared with last year, reflecting higher employee-related expenses, higher spend supporting business growth, and the impact of foreign exchange translation, partially offset by prior year store optimization costs. On an adjusted basis, non-interest expenses were \$24,359 million, an increase of \$1,450 million, or 6%.

By segment, the increase in reported non-interest expenses reflects an increase in Canadian Personal and Commercial Banking of \$528 million, an increase in U.S. Retail of \$503 million, an increase in Wealth Management and Insurance of \$356 million, and an increase in Wholesale Banking of \$324 million, partially offset by a decrease in the Corporate segment of \$146 million.



### INSURANCE CLAIMS AND RELATED EXPENSES

Insurance claims and related expenses were \$2,900 million, an increase of \$193 million, or 7%, compared with last year, reflecting increased driving activity, inflationary costs and more severe weather-related events, partially offset by the impact of a higher discount rate which resulted in a similar decrease in the fair value of investments supporting claims liabilities reported in non-interest income and favourable prior years' claims development.

### EFFICIENCY RATIO

The efficiency ratio measures operating efficiency and is calculated by dividing non-interest expenses by total revenue. A lower ratio indicates a more efficient business operation. Adjusted efficiency ratio is calculated in the same manner using adjusted non-interest expenses and total revenue.

The reported efficiency ratio was 50.3%, compared with 54.1% last year. The adjusted efficiency ratio was 52.8%, compared with 53.7% last year.

**TABLE 11: NON-INTEREST EXPENSES AND EFFICIENCY RATIO**

(millions of Canadian dollars, except as noted)

	2022 vs. 2021		
	2022	2021	% change
<b>Salaries and employee benefits</b>			
Salaries	\$ 8,093	\$ 7,250	12
Incentive compensation	3,303	3,074	7
Pension and other employee benefits	1,998	2,054	(3)
Total salaries and employee benefits	13,394	12,378	8
<b>Occupancy</b>			
Depreciation and impairment losses	925	1,121	(17)
Rent and maintenance	735	761	(3)
Total occupancy	1,660	1,882	(12)
<b>Technology and Equipment</b>			
Equipment, data processing and licenses	1,660	1,455	14
Depreciation and impairment losses	242	239	1
Total technology and equipment	1,902	1,694	12
Amortization of other intangibles	599	706	(15)
Communication and marketing	1,355	1,203	13
Brokerage-related and sub-advisory fees	408	427	(4)
Professional, advisory and outside services	2,190	1,620	35
Other expenses	3,133	3,166	(1)
<b>Total expenses</b>	<b>\$ 24,641</b>	<b>\$ 23,076</b>	<b>7</b>
Efficiency ratio – reported	50.3 %	54.1 %	(380) bps
Efficiency ratio – adjusted <sup>1</sup>	52.8	53.7	(90)

<sup>1</sup> For additional information about the Bank's use of non-GAAP financial measures, refer to "Non-GAAP and Other Financial Measures" in the "Financial Results Overview" section of this document.

<sup>4</sup> For additional information about the Bank's use of non-GAAP financial measures, refer to "Non-GAAP and Other Financial Measures" in the "Financial Results Overview" section of this document.

## FINANCIAL RESULTS OVERVIEW

### Taxes

Reported total income and other taxes increased by \$534 million, or 10.2%, compared with last year, reflecting an increase in income tax expense of \$365 million, or 10.1%, and an increase in other taxes of \$169 million, or 10.4%. Adjusted total income and other taxes increased by \$106 million from last year, or 2.0%, reflecting an increase in other taxes of \$169 million, or 10.4%, partially offset by a decrease in income tax expense of \$63 million, or 1.7%.

The Bank's reported effective income tax rate was 19.5% for 2022, compared with 21.1% last year. The year-over-year decrease primarily reflects the favourable tax impact of earnings mix, the sale of Schwab shares, and the recognition of unused tax losses, partially offset by the impact of higher pre-tax income. For a reconciliation of the Bank's effective income tax rate with the Canadian statutory income tax rate, refer to Note 25 of the 2022 Consolidated Financial Statements.

The Bank reported its investments in Schwab using the equity method of accounting. Schwab's tax expense (2022: \$319 million; 2021: \$280 million) was not part of the Bank's effective tax rate.

To allow for an after-tax calculation of adjusted income, the adjusted provision for income taxes is calculated by adjusting the taxes for each item of note using the applicable income tax rate of the relevant legal entity. The adjusted effective income tax rate is calculated as the adjusted provision for income taxes before other taxes as a percentage of adjusted net income before taxes. The Bank's adjusted effective income tax rate for 2022 was 20.1%, compared with 21.1% last year. The year-over-year decrease primarily reflects the favourable tax impact of earnings mix and the recognition of unused tax losses. Adjusted results are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers.

**TABLE 12: INCOME TAXES – Reconciliation of Reported to Adjusted Provision for Income Taxes**

(millions of Canadian dollars, except as noted)	2022	2021
<b>Provision for income taxes – reported</b>	<b>\$ 3,986</b>	<b>\$ 3,621</b>
Total adjustments for items of note	(391)	37
<b>Provision for income taxes – adjusted</b>	<b>3,595</b>	<b>3,658</b>
<b>Other taxes</b>		
Payroll	722	635
Capital and premium	214	201
GST, HST, and provincial sales <sup>1</sup>	625	535
Municipal and business	232	253
Total other taxes	1,793	1,624
<b>Total taxes – adjusted</b>	<b>\$ 5,388</b>	<b>\$ 5,282</b>
<b>Effective income tax rate – reported</b>	<b>19.5 %</b>	<b>21.1 %</b>
<b>Effective income tax rate – adjusted</b>	<b>20.1</b>	<b>21.1</b>

<sup>1</sup> Goods and services tax (GST) and Harmonized sales tax (HST).

#### Proposed Tax Measures in the Canadian Federal Budget

The Canadian Federal budget presented on April 7, 2022, proposed to introduce a one-time tax on bank and life insurer groups, referred to as the Canada Recovery Dividend (CRD), and an additional permanent tax. On November 22, 2022, the legislation to implement the CRD and the additional permanent tax completed second reading in the House of Commons.

The legislation proposes the CRD to be a 15% tax on an average of 2020 and 2021 taxable income above \$1 billion, paid in equal instalments over five years. If enacted as proposed, the legislation is expected to result in a CRD of approximately \$800 million over the period.

The additional permanent tax is proposed to be 1.5% of taxable income above \$100 million. It would be prorated for the first taxation year that ends after April 7, 2022, and will result in revaluation adjustments to the deferred tax assets and liabilities.

It is possible that the impact of the legislation may differ from the Bank's current estimate due to, among other things, changes in elective deductions available to the Bank at the time the tax returns are filed as well as adjustments to our filing positions arising on audit.

## FINANCIAL RESULTS OVERVIEW

# Quarterly Financial Information

### FOURTH QUARTER 2022 PERFORMANCE SUMMARY

Reported net income for the quarter was \$6,671 million, an increase of \$2,890 million, or 76%, compared with the fourth quarter last year primarily reflecting the net gain from mitigation of interest rate volatility to closing capital on First Horizon acquisition and gain on sale of Schwab shares. On an adjusted basis, net income for the quarter was \$4,065 million, an increase of \$199 million, or 5%, compared with the fourth quarter last year, reflecting higher revenues and favourable tax impact of earnings mix and the recognition of unused tax losses, partially offset by higher PCL, non-interest expenses and insurance claims. Reported diluted EPS for the quarter was \$3.62, an increase of 77%, compared with \$2.04 in the fourth quarter of last year. Adjusted diluted EPS for the quarter was \$2.18, an increase of 4%, compared with \$2.09 in the fourth quarter of last year.

Reported revenue for the quarter was \$15,563 million, an increase of \$4,622 million, or 42%, compared with the fourth quarter last year. Adjusted revenue for the quarter was \$12,247 million, an increase of \$1,306 million, or 12%, compared with the fourth quarter last year.

Reported net interest income for the quarter was \$7,630 million, an increase of \$1,368 million, or 22%, primarily reflecting margin and volume growth in the personal and commercial banking businesses, and the impact of foreign exchange translation, partially offset by lower income from PPP loan forgiveness. By segment, the increase in reported net interest income reflects an increase in U.S. Retail of \$854 million, an increase in Canadian Personal and Commercial Banking of \$525 million, and an increase in Wealth Management and Insurance of \$73 million, partially offset by a decrease in the Corporate segment of \$78 million and a decrease in Wholesale Banking of \$6 million. Adjusted net interest income for the quarter was \$7,627 million, an increase of \$1,365 million, or 22%, compared with the fourth quarter last year.

Reported non-interest income for the quarter was \$7,933 million, an increase of \$3,254 million, or 70%, compared with the fourth quarter last year, primarily reflecting the net gain from mitigation of interest rate volatility to closing capital on First Horizon acquisition and gain on sale of Schwab shares. Adjusted non-interest income was \$4,620 million, a decrease of \$59 million, or 1%, reflecting lower fee-based and transaction revenue in the wealth business, and markdowns in certain loan underwriting commitments from widening credit spreads in Wholesale Banking, partially offset by higher wholesale trading revenues. By segment, the increase in reported non-interest income reflects an increase in the Corporate segment of \$3,311 million, an increase in Canadian Personal and Commercial Banking of \$75 million, and an increase in Wholesale Banking of \$15 million, partially offset by a decrease in Wealth Management and Insurance of \$108 million and a decrease in U.S. Retail of \$39 million.

PCL for the quarter was \$617 million, compared with a recovery of \$123 million in the fourth quarter last year. PCL – impaired was \$454 million, an increase of \$234 million, reflecting some normalization of credit performance. PCL – performing was \$163 million, compared with a recovery of \$343 million in the fourth quarter last year. The performing build this quarter reflects some normalization of credit performance, deterioration in the economic outlook, and volume growth. Total PCL for the quarter as an annualized percentage of credit volume was 0.29%.

By segment, PCL was higher by \$301 million in U.S. Retail, by \$176 million in Canadian Personal and Commercial Banking, by \$160 million in the Corporate segment and by \$103 million in Wholesale Banking.

Insurance claims and related expenses were \$723 million, an increase of \$73 million, or 11%, compared with the fourth quarter last year, reflecting increased driving activity, inflationary costs and more severe weather-related events, partially offset by favourable prior years' claims development and the impact of a higher discount rate which resulted in a similar decrease in the fair value of investments supporting claims liabilities reported in non-interest income.

Reported non-interest expenses for the quarter were \$6,545 million, an increase of \$598 million, or 10%, compared with the fourth quarter last year reflecting higher employee-related expenses, the impact of foreign exchange translation, and higher spend supporting business growth, partially offset by corporate real estate optimization costs in the prior year. By segment, the increase in reported non-interest expenses reflects an increase in U.S. Retail of \$359 million, an increase in Canadian Personal and Commercial Banking of \$201 million, an increase in Wholesale Banking of \$144 million, and an increase in Wealth Management and Insurance of \$16 million, partially offset by a decrease in the Corporate segment of \$122 million. Adjusted non-interest expenses for the quarter were \$6,430 million, an increase of \$532 million, or 9%, compared with the fourth quarter last year.

The Bank's reported effective tax rate was 16.9% for the quarter, compared with 20.4% in the same quarter last year. The year-over-year decrease primarily reflects the favourable tax impact of earnings mix, the sale of Schwab shares, and the recognition of unused tax losses, partially offset by the impact of lower favourable tax adjustments and higher pre-tax income.

The Bank's adjusted effective tax rate was 16.7% for the quarter, compared with 20.4% in the same quarter last year. The year-over-year decrease primarily reflects the favourable tax impact of earnings mix and the recognition of unused tax losses, partially offset by the impact of lower favourable tax adjustments.

## QUARTERLY TREND ANALYSIS

The COVID-19 pandemic continued to have an impact on TD's financial performance in 2022. As the year progressed, the Bank's personal and commercial banking businesses benefited from higher deposit margins reflecting a rising rate environment, volume growth and a rebound in customer activity, while the Bank's market-related businesses experienced a slowdown relative to elevated activity in the prior year. Credit conditions remained stable in the first half of the year before experiencing some normalization in the second half of the year, reflecting a deterioration in the macroeconomic outlook which resulted in higher PCLs. Expenses were higher, reflecting employee-related expenses including variable compensation and investments in support of business growth. The Bank's quarterly earnings were impacted by, among other things, seasonality, the number of days in a quarter, the economic environment in Canada and the U.S., and foreign currency translation.

**TABLE 13: QUARTERLY RESULTS**

(millions of Canadian dollars, except as noted)

	2022				For the three months ended			
	Oct. 31	Jul. 31	Apr. 30	Jan. 31	Oct. 31	Jul. 31	Apr. 30	Jan. 31
Net interest income	\$ 7,630	\$ 7,044	\$ 6,377	\$ 6,302	\$ 6,262	\$ 6,004	\$ 5,835	\$ 6,030
Non-interest income	7,933	3,881	4,886	4,979	4,679	4,708	4,393	4,782
Total revenue	15,563	10,925	11,263	11,281	10,941	10,712	10,228	10,812
Provision for (recovery of) credit losses	617	351	27	72	(123)	(37)	(377)	313
Insurance claims and related expenses	723	829	592	756	650	836	441	780
Non-interest expenses	6,545	6,096	6,033	5,967	5,947	5,616	5,729	5,784
Provision for (recovery of) income taxes	1,297	703	1,002	984	910	922	962	827
Share of net income from investment in Schwab	290	268	202	231	224	170	222	169
<b>Net income – reported</b>	<b>6,671</b>	<b>3,214</b>	<b>3,811</b>	<b>3,733</b>	<b>3,781</b>	<b>3,545</b>	<b>3,695</b>	<b>3,277</b>
<b>Pre-tax adjustments for items of note<sup>1</sup></b>								
Amortization of acquired intangibles	57	58	60	67	74	68	69	74
Acquisition and integration charges related to the Schwab transaction	18	23	20	50	22	24	19	38
Acquisition and integration-related charges for pending acquisitions	85	29	–	–	–	–	–	–
Mitigation of interest rate volatility to closing capital on First Horizon acquisition	(2,319)	678	–	–	–	–	–	–
Gain on sale of Schwab shares	(997)	–	–	–	–	–	–	–
Litigation settlement recovery	–	–	(224)	–	–	–	–	–
<b>Total pre-tax adjustments for items of note</b>	<b>(3,156)</b>	<b>788</b>	<b>(144)</b>	<b>117</b>	<b>96</b>	<b>92</b>	<b>88</b>	<b>112</b>
Less: Impact of income taxes <sup>1</sup>	(550)	189	(47)	17	11	9	8	9
Net income – adjusted	4,065	3,813	3,714	3,833	3,866	3,628	3,775	3,380
Preferred dividends and distributions on other equity instruments	107	43	66	43	63	56	65	65
<b>Net income available to common shareholders – adjusted</b>	<b>\$ 3,958</b>	<b>\$ 3,770</b>	<b>\$ 3,648</b>	<b>\$ 3,790</b>	<b>\$ 3,803</b>	<b>\$ 3,572</b>	<b>\$ 3,710</b>	<b>\$ 3,315</b>
(Canadian dollars, except as noted)								
<b>Basic earnings per share</b>								
Reported	\$ 3.62	\$ 1.76	\$ 2.08	\$ 2.03	\$ 2.04	\$ 1.92	\$ 2.00	\$ 1.77
Adjusted	2.18	2.09	2.02	2.08	2.09	1.96	2.04	1.83
<b>Diluted earnings per share</b>								
Reported	3.62	1.75	2.07	2.02	2.04	1.92	1.99	1.77
Adjusted	2.18	2.09	2.02	2.08	2.09	1.96	2.04	1.83
<b>Return on common equity – reported</b>	<b>26.5 %</b>	<b>13.5 %</b>	<b>16.4 %</b>	<b>15.3 %</b>	<b>15.7 %</b>	<b>15.3 %</b>	<b>16.7 %</b>	<b>14.3 %</b>
<b>Return on common equity – adjusted</b>	<b>16.0</b>	<b>16.1</b>	<b>15.9</b>	<b>15.7</b>	<b>16.1</b>	<b>15.6</b>	<b>17.1</b>	<b>14.7</b>
(billions of Canadian dollars, except as noted)								
Average total assets	\$ 1,893	\$ 1,811	\$ 1,778	\$ 1,769	\$ 1,750	\$ 1,699	\$ 1,726	\$ 1,746
Average interest-earning assets <sup>2</sup>	1,677	1,609	1,595	1,593	1,574	1,527	1,536	1,563
Net interest margin – reported <sup>2</sup>	1.81 %	1.74 %	1.64 %	1.57 %	1.58 %	1.56 %	1.56 %	1.53 %
Net interest margin – adjusted <sup>2</sup>	1.80	1.73	1.64	1.57	1.58	1.56	1.56	1.53

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

<sup>2</sup> Average interest-earning assets is a non-GAAP financial measure. Refer to "Non-GAAP and Other Financial Measures" in the "Financial Results Overview" section and the Glossary of this document for additional information about this metric.

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## BUSINESS SEGMENT ANALYSIS

# Business Focus

For management reporting purposes, commencing with the fourth quarter of 2022, the Bank's operations and activities are organized around the following four key business segments: Canadian Personal and Commercial Banking, U.S. Retail, Wealth Management and Insurance, and Wholesale Banking. The Bank's other activities are grouped into the Corporate segment. The comparative period information has been adjusted to reflect the new segment alignment.

**Canadian Personal and Commercial Banking** serves approximately 15 million customers in Canadian personal and business banking. Personal Banking provides a comprehensive suite of deposit, payment and lending products and advice through a network of 1,060 branches, 3,401 automated teller machines (ATM), mobile specialized salesforce, and telephone, mobile and internet banking services. Business Banking offers 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. Merchant Solutions provides point-of-sale payment solutions for large and small businesses.

**U.S. Retail** includes the Bank's personal, business banking and wealth management operations in the U.S., as well as the Bank's investment in Schwab. Operating under the TD Bank, America's Most Convenient Bank® brand, the U.S. Retail Bank serves 9.9 million customers in stores from Maine to Florida, and via auto dealerships and credit card partner business locations nationwide. Personal Banking provides a full range of financial products and services to customers mainly from Maine to Florida through a network of 1,160 stores, 2,693 ATMs, telephone, and mobile and internet banking services. Business Banking offers a diversified range of products and services to help businesses meet their financing, investment, cash management, international trade, and day-to-day banking needs. Wealth management provides wealth products and services to retail and institutional clients. The contribution from the Bank's investment in Schwab is reported as equity in net income of an investment in Schwab with a one-month lag.

**Wealth Management and Insurance** serves approximately 6 million customers across the wealth and insurance businesses in Canada. Wealth Management offers wealth and asset management products and advice to retail and institutional clients in Canada through the direct investing, advice-based, and asset management businesses. Insurance offers property and casualty insurance through direct response channels and to members of affinity groups, as well as life and health insurance products to customers across Canada.

**Wholesale Banking** serves over 12,000 corporate, government, and institutional clients in key financial markets around the world. Operating under the TD Securities brand, Wholesale Banking offers capital markets and corporate and investment banking services to external clients and provides market access and wholesale banking solutions for the Bank's wealth and retail operations and their customers. Wholesale Banking's expertise is global, supported by a presence across North America, Europe, and Asia-Pacific.

The Bank's other business activities are grouped in the Corporate segment and consist of service and control groups, including technology solutions, shared services, treasury and balance sheet management, marketing, human resources, finance, risk management, compliance, legal, and anti-money laundering, among 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. For further details, refer to Note 29 of the 2022 Consolidated Financial Statements.

Net interest income within Wholesale Banking is calculated on a TEB, which means that the value of non-taxable or tax-exempt income, including dividends, is adjusted to its equivalent before-tax value. Using TEB allows the Bank to measure income from all securities and loans consistently and makes for a more meaningful comparison of net interest income with similar institutions. The TEB increase to net interest income and provision for income taxes reflected in Wholesale Banking results is reversed in the Corporate segment. The TEB adjustment for the year was \$149 million (October 31, 2021 – \$152 million).

Share of net income from investment in Schwab is reported in the U.S. Retail segment. Amounts for amortization of acquired intangibles and the acquisition and integration charges related to the Schwab transaction are recorded in the Corporate segment.

The "Key Priorities for 2023" section for each business segment, provided on the following pages, is based on the Bank's views and the assumptions set out in the "Economic Summary and Outlook" section and the actual outcome may be materially different. For more information, refer to the "Caution Regarding Forward-Looking Statements" section and the "Risk Factors That May Affect Future Results" section.



**TABLE 14: RESULTS BY SEGMENT<sup>1</sup>**

(millions of Canadian dollars)

	Canadian Personal and Commercial Banking		U.S. Retail		Wealth Management and Insurance		Wholesale Banking <sup>2</sup>		Corporate <sup>2</sup>		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Net interest income (loss)	\$ 12,396	\$ 11,195	\$ 9,604	\$ 8,074	\$ 945	\$ 762	\$ 2,937	\$ 2,630	\$ 1,471	\$ 1,470	\$ 27,353	\$ 24,131
Non-interest income (loss)	4,190	3,722	2,821	2,684	9,915	9,827	1,894	2,070	2,859	259	21,679	18,562
Total revenue	16,586	14,917	12,425	10,758	10,860	10,589	4,831	4,700	4,330	1,729	49,032	42,693
Provision for (recovery of) credit losses – impaired	639	650	522	438	–	2	19	8	257	211	1,437	1,309
Provision for (recovery of) credit losses – performing	(148)	(394)	(187)	(688)	1	–	18	(126)	(54)	(325)	(370)	(1,533)
Total provision for (recovery of) credit losses	491	256	335	(250)	1	2	37	(118)	203	(114)	1,067	(224)
Insurance claims and related expenses	–	–	–	–	2,900	2,707	–	–	–	–	2,900	2,707
Non-interest expenses	7,171	6,648	6,920	6,417	4,711	4,355	3,033	2,709	2,801	2,947	24,641	23,076
Income (loss) before income taxes	8,919	8,013	5,170	4,591	3,248	3,525	1,761	2,109	1,326	(1,104)	20,424	17,134
Provision for (recovery of) income taxes	2,361	2,128	625	504	853	929	436	539	(289)	(479)	3,986	3,621
Share of net income from investment in Schwab	–	–	1,075	898	–	–	–	–	(84)	(113)	991	785
<b>Net income (loss) – reported</b>	<b>6,558</b>	<b>5,885</b>	<b>5,620</b>	<b>4,985</b>	<b>2,395</b>	<b>2,596</b>	<b>1,325</b>	<b>1,570</b>	<b>1,531</b>	<b>(738)</b>	<b>17,429</b>	<b>14,298</b>
<b>Pre-tax adjustments for items of note</b>												
Amortization of acquired intangibles	–	–	–	–	–	–	–	–	242	285	242	285
Acquisition and integration charges related to the Schwab transaction	–	–	–	–	–	–	–	–	111	103	111	103
Acquisition and integration-related charges for the pending acquisitions	–	–	96	–	–	–	18	–	–	–	114	–
Mitigation of interest rate volatility to closing capital on First Horizon acquisition	–	–	–	–	–	–	–	–	(1,641)	–	(1,641)	–
Gain on sale of Schwab shares	–	–	–	–	–	–	–	–	(997)	–	(997)	–
Litigation settlement recovery	–	–	(224)	–	–	–	–	–	–	–	(224)	–
<b>Total pre-tax adjustments for items of note</b>	<b>–</b>	<b>–</b>	<b>(128)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>18</b>	<b>–</b>	<b>(2,285)</b>	<b>388</b>	<b>(2,395)</b>	<b>388</b>
Less: Impact of income taxes	–	–	(32)	–	–	–	4	–	(363)	37	(391)	37
<b>Net income (loss) – adjusted<sup>3</sup></b>	<b>\$ 6,558</b>	<b>\$ 5,885</b>	<b>\$ 5,524</b>	<b>\$ 4,985</b>	<b>\$ 2,395</b>	<b>\$ 2,596</b>	<b>\$ 1,339</b>	<b>\$ 1,570</b>	<b>\$ (391)</b>	<b>\$ (387)</b>	<b>\$ 15,425</b>	<b>\$ 14,649</b>
Average common equity <sup>4</sup>	\$ 15,513	\$ 13,160	\$ 39,495	\$ 38,531	\$ 5,123	\$ 4,466	\$ 11,645	\$ 8,318	\$ 23,550	\$ 26,202	\$ 95,326	\$ 90,677
Risk-weighted assets	145,583	130,838	223,827	205,879	14,834	14,620	119,793	99,678	13,011	9,255	517,048	460,270

<sup>1</sup> The retailer program partners' share of revenues and credit losses is presented in the Corporate segment, with an offsetting amount (representing the partners' net share) recorded in Non-interest expenses, resulting in no impact to Corporate reported Net income (loss). The Net income (loss) included in the U.S. Retail segment includes only the portion of revenue and credit losses attributable to the Bank under the agreements.

<sup>2</sup> Net interest income within Wholesale Banking is calculated on a TEB. The TEB adjustment reflected in Wholesale Banking is reversed in the Corporate segment.

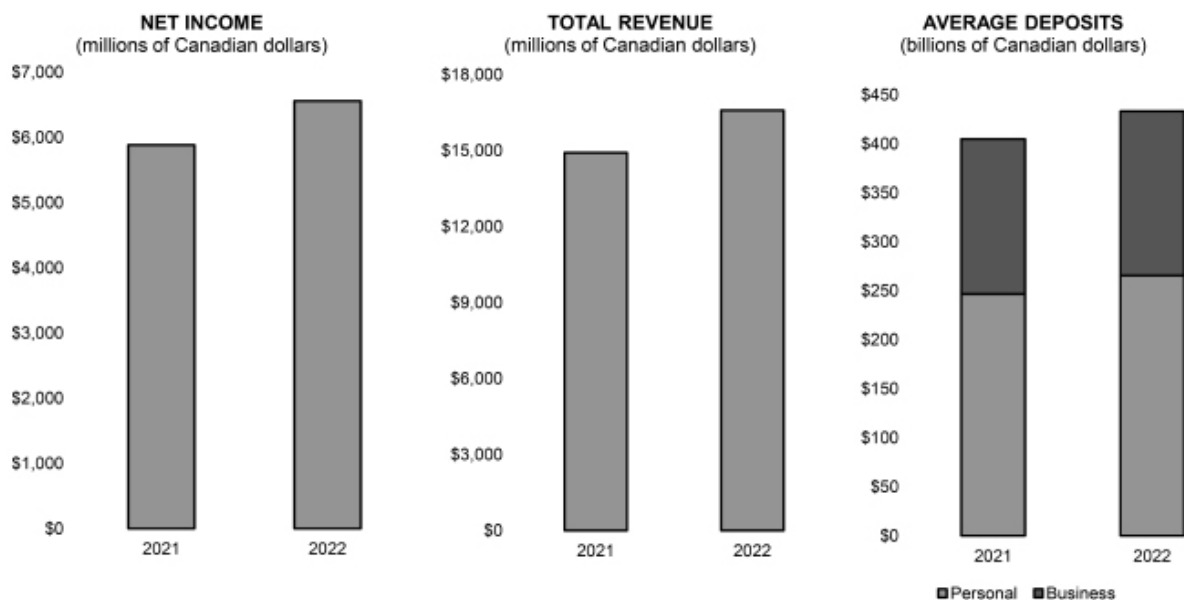
<sup>3</sup> For additional information about the Bank's use of non-GAAP financial measures, refer to "Non-GAAP and Other Financial Measures" in the "Financial Results Overview" section of this document.

<sup>4</sup> For additional information about this metric, refer to the Glossary of this document.

## BUSINESS SEGMENT ANALYSIS

# Canadian Personal and Commercial Banking

Canadian Personal and Commercial Banking offers a full range of financial products and services to approximately 15 million customers in the Bank's personal and commercial banking businesses in Canada.



**TABLE 15: REVENUE**

(millions of Canadian dollars)	2022	2021
Personal banking	\$ 11,535	\$ 10,545
Business banking	5,051	4,372
<b>Total</b>	<b>\$ 16,586</b>	<b>\$ 14,917</b>

### KEY PRODUCT GROUPS

#### Personal Banking

- Personal Deposits – comprehensive line-up of chequing, savings, and investment products for retail customers.
- Real Estate Secured Lending – competitive lending products for homeowners secured by residential properties.
- Consumer Lending – diverse range of unsecured financing products for retail customers.
- Credit Cards and Payments – debit, digital money movement, payment plans and proprietary, co-branded, and affinity credit cards.

#### Business Banking

- Commercial Banking – borrowing, deposit and cash management solutions for businesses across a range of industries, including real estate, and agriculture.
- Small Business Banking – financial products and services for small businesses.
- Equipment Finance – specialized financing options to support equipment purchases for businesses in a variety of industries.
- Auto Finance – offers financing solutions for the prime and non-prime automotive markets, recreational and leisure vehicles, and automotive floor plan financing.
- Merchant Solutions – point-of-sale technology and payment solutions for large and small businesses.

### INDUSTRY PROFILE

The personal and business banking industry in Canada is mature and highly competitive, consisting of large chartered banks, sizeable regional banks, niche players competing in specific products and geographies, and a variety of non-traditional competitors, ranging from start-ups to established non-financial firms expanding into financial services. These industries serve individuals and businesses and offer products including borrowing, deposits, cash management and financing solutions. Products are distributed through retail branches as well as by leveraging new technology with a focus on customer experiences that are integrated across channels. Market leadership and profitability depend upon delivering a full suite of competitively priced products, proactive advice that meets customers' needs, outstanding service and convenience, prudent risk management, and disciplined expense management.

## STRATEGIC OBJECTIVES, ACCOMPLISHMENTS AND PRIORITIES

BUSINESS STRATEGY	BUSINESS HIGHLIGHTS IN 2022
Provide trusted advice to help our customers feel confident about their financial future	<ul style="list-style-type: none"> <li>Personal Banking added over 600 branch-based advisors to help more customers achieve their financial goals and to elevate TD's advice offering</li> <li>Net customer acquisition reached its highest level in Personal Banking since 2014 with record New to Canada acquisition, bringing strong customer-centric value propositions to the market such as our newly launched International Students banking package – a first among Canadian Financial Institutions</li> <li>Implementation of TD Goal Builder to provide Personal Banking customers with a structured, advisor-led goal discovery process to provide advice on their financial future</li> <li>Launched FlexLine in our broker channel, driving growth for the business and enabling channel preference</li> </ul>
Consistently deliver legendary, personal, and connected customer experiences across all channels	<ul style="list-style-type: none"> <li>Enhanced the value proposition of Canadian Personal and Commercial Banking products to drive strong Legendary Experience Index (LEI) results across the businesses and reduce customer friction</li> <li>Focused on delivering more value to Personal Banking customers by eliminating transaction account fees for students and public transit – a first in Canada</li> <li>TD Canada Trust was recognized as a Financial Service Excellence shared award winner for "Automated Telephone Banking Excellence"<sup>5</sup> and "Branch Service Excellence"<sup>6</sup> among the Big 5 Canadian Retail Banks<sup>7</sup> in the 2022 Ipsos Customer Service Index (CSI) study<sup>8</sup></li> <li>TD Auto Finance ranked "Highest in Dealer Satisfaction among Non-Captive Lenders with Retail Credit" for the fifth year in a row in the J.D. Power 2022 Canada Dealer Financing Satisfaction Study<sup>9</sup></li> <li>J.D. Power ranked TD Bank "Highest in Small Business Banking Customer Satisfaction" among the Big 5 Canadian Banks<sup>10</sup></li> </ul>
Deepen customer relationships by delivering One TD and growing across underrepresented products and markets	<ul style="list-style-type: none"> <li>Maintained strong market share<sup>11</sup> positions and gained momentum across the businesses: <ul style="list-style-type: none"> <li>#1 market share in Personal Non-Term deposits with industry-leading market share gains</li> <li>#1 market share in Interac Mobile Wallet</li> <li>Highest average annual portfolio loan growth in the real estate secured lending business since 2010</li> <li>Record credit card spend, and organic loan growth driven by a diverse line-up and strong acquisition offers</li> <li>Completed the integration of Wells Fargo's Canadian Direct Equipment Financing business, delivering scaled expertise in equipment leasing and finance</li> </ul> </li> </ul>
Execute with speed and impact, taking only those risks we can understand and manage	<ul style="list-style-type: none"> <li>Continued to transform the way TD works, automating processes and implementing other improvements to increase speed and efficiency: <ul style="list-style-type: none"> <li>Leveraged Next Evolution of Work (NEW), an agile operating model, designed to reduce complexity, streamline decision making, improve customer experience, and reduce cycle times</li> <li>TD's flagship Canadian mobile application was among the first in Canada to migrate onto public cloud, enabling teams to drive customer-centric innovations with speed</li> </ul> </li> <li>Continued to provide personalized payment experiences and rewards to customers through strategic credit card relationships, including: <ul style="list-style-type: none"> <li>Rewards Canada recognized TD with more awards in 2022 than any other card issuer, with the TD Aeroplan Visa Infinite Card and the TD Cash Back Visa Infinite Card ranking best in their respective categories<sup>12</sup></li> <li>Expanded TD's Loyalty ecosystem with refresh of TD rewards credit cards with an enhanced value proposition, exclusive partnership with Starbucks, and launch of MyTD Rewards, a new loyalty platform</li> <li>Through a partnership with Amazon, enabled customers to redeem TD Rewards points through Amazon Shop with Points, with approximately 40 billion points redeemed and 3 million unique redemptions since launch</li> </ul> </li> </ul>

<sup>5</sup> TD Canada Trust shared in the Automated Telephone Banking Excellence award in the 2022 Ipsos Study.

<sup>6</sup> TD Canada Trust shared in the Branch Service Excellence award in the 2022 Ipsos Study.

<sup>7</sup> Big 5 Canadian Retail Banks consist of Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Scotiabank, and The Toronto-Dominion Bank.

<sup>8</sup> Ipsos 2022 Financial Service Excellence Awards are based on ongoing quarterly Customer Service Index (CSI) survey results. Sample size for the total 2022 CSI program year ended with the September 2022 survey wave was 47,940 completed surveys yielding 71,731 financial institution ratings nationally.

<sup>9</sup> J.D. Power 2022 Canada Dealer Financing Satisfaction Study of dealers' satisfaction. For more information about the Canada Dealer Financing Satisfaction Study, visit <https://canada.jdpower.com/financial-services/canada-dealer-financing-satisfaction-study>.

<sup>10</sup> J.D. Power 2022 Canada Small Business Banking Satisfaction Study of customers' satisfaction. For more information about the Canada Small Business Banking Satisfaction Study, visit <https://www.jdpower.com/business/financial-services/canada-small-business-banking-satisfaction-study>.

<sup>11</sup> Market share ranking is based on most current data available from OSFI for Personal Non-term deposits as at August 2022, from Interac's Issuer Metric Summary as at October 2022.

<sup>12</sup> Rewards Canada, Canada's Choice 2022 Winners (2022).

BUSINESS STRATEGY	BUSINESS HIGHLIGHTS IN 2022
<p>Innovate with purpose for our customers and colleagues, and shape the future of banking in the digital age</p>	<ul style="list-style-type: none"> <li>• Recognized as Best Consumer Digital Bank for Canada and North America by Global Finance Magazine for the second consecutive year<sup>13</sup> <ul style="list-style-type: none"> <li>– Won an industry-leading 6 categories in North America, including Best Mobile Banking App, Best Integrated Consumer Banking Site, Best Bill Payment and Presentment, Best Information Security and Fraud Management, Best in Lending, and Best Open Banking APIs</li> </ul> </li> <li>• Continued to rank #1 for average digital reach of any bank in Canada and remained among the leaders for domestic digital reach among major developed market banks according to ComScore<sup>14</sup></li> <li>• Recognized by Celent for Customer Engagement for TD's AI-powered Personalized Mobile Customer Experiences<sup>15</sup></li> <li>• The TD banking app continued to rank #1 for average smartphone monthly active users in Canada according to data.ai<sup>16</sup></li> <li>• Continued to lead in the number of Interac e-Transfer, Debit and Flash transactions<sup>17</sup></li> <li>• TD is #1 in web-traffic and highest engagement among Canadian banks for 2022<sup>18</sup></li> </ul>
<p>Be recognized as an extraordinary place to work where diversity and inclusiveness are valued</p>	<ul style="list-style-type: none"> <li>• Canadian Personal and Commercial Banking is committed to advancing diversity and inclusion across all dimensions of its business: <ul style="list-style-type: none"> <li>– Business Banking expanded TD's Women in Enterprise, Indigenous Banking, Black Customer Experience and 2SLGBTQ+ teams to provide national coverage to meet the needs of diverse customer segments</li> <li>– In Business Banking, the Women in Leadership Power mentorship program continues to contribute to the advancement of talented women into executive positions</li> <li>– Personal Banking launched Sponsorship in Action for underrepresented groups to support career advancement, providing mentorship from senior leaders, resulting in 50% of participants being promoted or moving laterally to further develop critical experiences</li> </ul> </li> </ul>
<p>Contribute to the well-being of our communities</p>	<ul style="list-style-type: none"> <li>• TD has the best positioned branch network in Canada with 54% of all Canadians living within 2 km of a TD Branch, as well as more foot traffic and longer hours</li> <li>• To support diverse customer needs, branches can serve customers in over 60 languages and over 200 through phone translation services</li> </ul>

#### KEY PRIORITIES FOR 2023

- Enhance end-to-end omni-channel distribution to provide seamless and intuitive customer experiences that are integrated across channels
- Improve speed, capacity, and efficiency by leveraging NEW to deliver faster with better outcomes and operate at the intersection of digital, data, technology, and customer experience
- Leveraging One TD to deepen customer relationships and provide customers with personalized advice that meet their unique needs
- Continue to attract and retain top talent, emphasize talent diversity, and enable excellence through process simplification and learning and development
- In alignment with Environmental, Social and Governance (ESG) enterprise strategy, Personal Banking will focus on enhancing financial inclusion and strengthening Financial Health and Education for colleagues and customers
- Actively monitor the macroeconomic environment and key risk indicators across the franchise, and focus on reducing risk where necessary

<sup>13</sup> Global Finance World's Best Digital Bank 2022 Regional Awards (August 10, 2022) and Global Finance World's Best Digital Bank 2022 Awards (September 20, 2022).

<sup>14</sup> ComScore MMX® Multi-Platform, Financial Services – Banking, Total audience, 3-month average ending September 2022, Canada, United States, Spain, France, and U.K.

<sup>15</sup> Celent Model Bank Award Winner for Customer Engagement (March 17, 2022).

<sup>16</sup> Data.ai- average monthly mobile active users as of September 2022.

<sup>17</sup> INTERAC Issuer Executive Metric Summary – The Toronto-Dominion Bank, October 2022.

<sup>18</sup> Competitor Landscape: Canadian Digital Banking Report 2022; Similarweb. Similarweb web-traffic metrics are based on January 1, 2022 – June 30, 2022.

**TABLE 16: CANADIAN PERSONAL AND COMMERCIAL BANKING**

(millions of Canadian dollars, except as noted)	2022	2021
Net interest income	\$ 12,396	\$ 11,195
Non-interest income	4,190	3,722
Total revenue	16,586	14,917
Provision for (recovery of) credit losses – impaired	639	650
Provision for (recovery of) credit losses – performing	(148)	(394)
Total provision for (recovery of) credit losses	491	256
Non-interest expenses	7,176	6,648
Provision for (recovery of) income taxes	2,361	2,128
<b>Net income</b>	<b>\$ 6,558</b>	<b>\$ 5,885</b>
<b>Selected volumes and ratios</b>		
Return on common equity <sup>1</sup>	42.3 %	44.7 %
Net interest margin (including on securitized assets)	2.56	2.52
Efficiency ratio	43.3	44.6
Number of Canadian Retail branches at period end	1,060	1,061
Average number of full-time equivalent staff	28,478	27,654

<sup>1</sup> Capital allocated to the business segment was increased to 10.5% CET1 Capital effective the first quarter of fiscal 2022 compared with 9% in the prior year.

## REVIEW OF FINANCIAL PERFORMANCE

Canadian Personal and Commercial Banking net income for the year was \$6,558 million, an increase of \$673 million, or 11%, compared with last year, reflecting higher revenue, partially offset by higher non-interest expenses, and PCL. ROE for the year was 42.3%, compared with 44.7% last year.

Revenue for the year was \$16,586 million, an increase of \$1,669 million, or 11%, compared with last year.

Net interest income increased \$1,201 million, or 11%, reflecting volume growth and higher margins. Average loan volumes increased \$42 billion, or 9%, reflecting 8% growth in personal loans and 15% growth in business loans. Average deposit volumes increased \$28 billion, or 7%, reflecting 8% growth in personal deposits and 6% growth in business deposits. Net interest margin was 2.56%, an increase of 4 bps from same period last year, primarily due to higher margins on deposits reflecting rising interest rates, partially offset by lower margins on loans, lower mortgage prepayment revenue, and changes in balance sheet mix.

Non-interest income increased \$468 million, or 13%, reflecting increased client activity, including foreign exchange and credit card-related revenue.

PCL was \$491 million, an increase of \$235 million, compared with last year. PCL – impaired was \$639 million, a decrease of \$11 million, or 2%.

PCL – performing was a recovery of \$148 million, compared with a recovery of \$394 million in the prior year. The current year performing release reflects improved credit conditions. Total PCL as an annualized percentage of credit volume was 0.10%, an increase of 4 bps.

Non-interest expenses for the year were \$7,176 million, an increase of \$528 million, or 8%, compared with last year. The increase primarily reflects higher spend supporting business growth, including technology and employee-related expenses.

The efficiency ratio for the year was 43.3%, compared with 44.6% last year.

## OPERATING ENVIRONMENT AND OUTLOOK

After registering a strong recovery over the past 12-18 months, economic activity in Canada is expected to moderate in fiscal 2023 with a risk of recession. While the macroeconomic environment remains uncertain, revenue growth in Canadian Personal and Commercial Banking is expected to continue to reflect the interest rate environment and its corresponding impact on consumer and business activities. While housing markets are expected to continue to adjust, an increase in customer activity, customer growth, and the impact of recent interest rate increases should support continued revenue growth in the next year. PCL is expected to increase over the course of the year, reflecting an ongoing normalization of credit conditions and volume growth. Canadian Personal and Commercial Banking will maintain its disciplined approach to expense management, investing in distribution capability, technology, infrastructure, and colleagues to anticipate changing customer expectations, with a focus on driving the future of banking. While the quarterly trend in earnings may be uneven, TD's digitally enabled Canadian Personal and Commercial Banking franchise should be well-positioned to execute on its customer centric strategy.

## BUSINESS SEGMENT ANALYSIS

### U.S. Retail

Operating under the TD Bank, America's Most Convenient Bank® brand, the U.S. Retail Bank offers a full range of financial products and services to over 9.9 million customers in the Bank's U.S. personal and business banking operations, including wealth management. U.S. Retail includes an investment in Schwab.

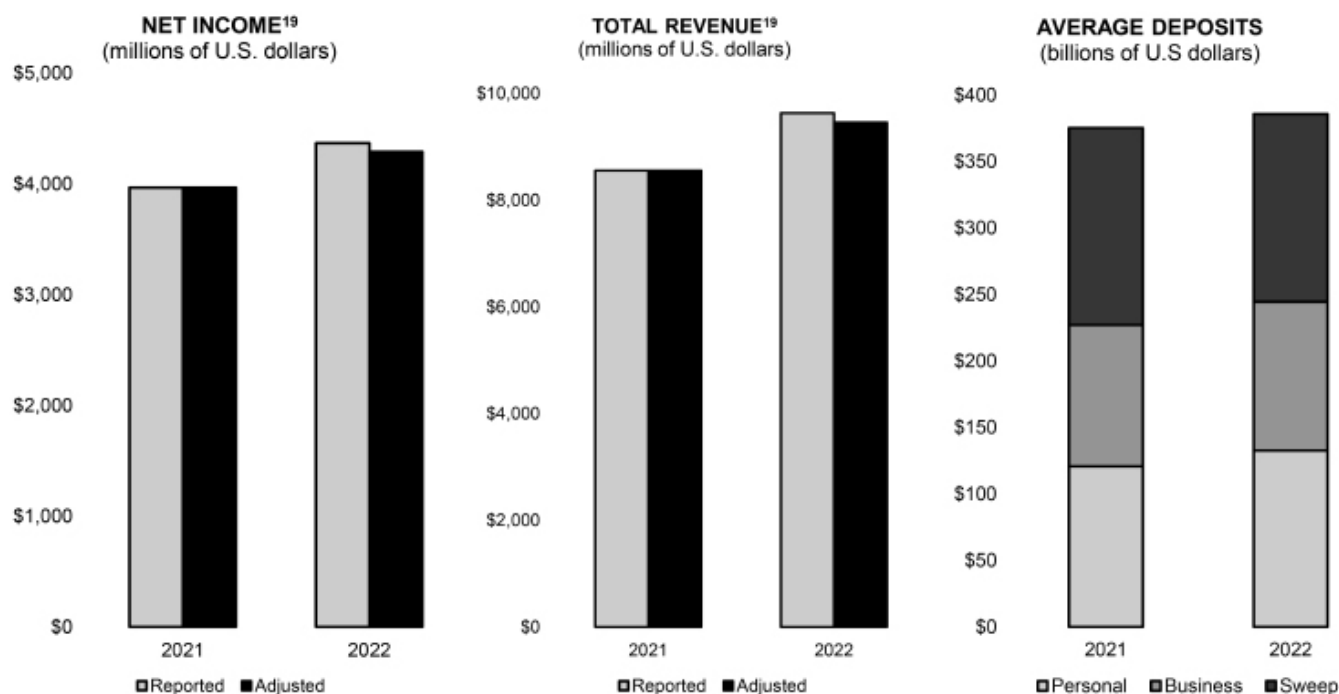


TABLE 17: REVENUE<sup>1</sup>

(millions of dollars)

	Canadian dollars		U.S. dollars	
	2022	2021	2022	2021
Personal Banking	\$ 6,875	\$ 6,267	\$ 5,329	\$ 4,983
Business Banking	3,972	3,810	3,078	3,029
Wealth	517	468	401	372
Other <sup>2</sup>	1,061	213	824	170
<b>Total</b>	<b>\$ 12,425</b>	<b>\$ 10,758</b>	<b>\$ 9,632</b>	<b>\$ 8,554</b>

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

<sup>2</sup> Other revenue consists primarily of revenue from the Schwab IDA Agreement and from investing activities, and in 2022, also an insurance recovery related to litigation.

#### KEY PRODUCT GROUPS

##### Personal Banking

- Personal Deposits – full suite of chequing and savings products and payment solutions for retail customers offered through multiple delivery channels.
- Consumer Lending – diverse range of financing products, including residential mortgages, home equity and unsecured lending solutions for retail customers.
- Credit Cards Services – TD-branded credit cards for retail customers, private label and co-brand credit cards, and point-of-sale revolving and instalment financing solutions for customers of leading U.S. retailers delivered through nationwide partnerships.
- Retail Auto Finance – indirect retail financing through a network of auto dealers.

##### Business Banking

- Commercial Banking – borrowing, deposit and cash management solutions for U.S. businesses and governments across a wide range of industries, including floorplan financing by TD Auto Finance throughout the U.S.
- Small Business Banking – borrowing, deposit and cash management solutions for small businesses including merchant services and TD-branded credit cards.

##### Wealth

- Wealth Advice – wealth management advice, financial planning solutions, estate and trust planning, and insurance and annuity products for mass affluent, high net worth and institutional clients, delivered by store-based financial advisors and through a robo-advisory platform.
- Asset Management – comprised of Epoch Investment Partners Inc. and the U.S. arm of TD Asset Management's (TDAM's) investment business.

<sup>19</sup> For additional information about the Bank's use of non-GAAP financial measures, refer to "Non-GAAP and Other Financial Measures" in the "Financial Results Overview" section of this document.

## 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 and offer products including deposits, lending, cash management, financial advice, and asset management. Products may be distributed through a single distribution channel or across multiple channels, including physical locations, ATMs, and telephone and digital channels. 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 have gained momentum and are increasingly collaborating with banks to develop new products and services and enhance the customer experience. The keys to profitability continue to be attracting and retaining customer relationships with legendary service and convenience, offering products and services across multiple distribution channels to meet customers' evolving needs, investing strategically while maintaining expense discipline, and managing risk prudently.

## STRATEGIC OBJECTIVES, ACCOMPLISHMENTS AND PRIORITIES

BUSINESS STRATEGY	BUSINESS HIGHLIGHTS IN 2022
Transform Distribution	<ul style="list-style-type: none"> <li>Refined retail store network – opened new stores in attractive markets, renovated selected stores, continued to optimize store network to meet customers' evolving needs, and maintained a focus on innovation               <ul style="list-style-type: none"> <li>Opened the New York City flagship store, One Vanderbilt, serving as the largest store in TD's U.S. footprint, providing customers greater convenience and accessibility</li> <li>Launched TD Workshop – the U.S. Retail Bank's first retail innovation lab, which combines a fully-functioning store with space to innovate, design and test new products, and engage with customers and the broader community</li> <li>Announced expanding retail presence in Charlotte, North Carolina with a plan to open 15 stores by 2025, with at least 25% of stores being opened in minority or low-to-moderate income communities</li> </ul> </li> <li>Enhanced omni-channel capabilities including deploying new systems to streamline customer acquisition and onboarding experience, equipping colleagues with tools to offer better advice and provide legendary customer service, and launching new features and digital capabilities to provide customers with increased self-service options</li> <li>Achieved a 5% year-over-year increase in digital active users and an 8% year-over-year increase in mobile active users, with total digital users exceeding 5.25 million, and total digital sales approaching 32% of total dollar sales</li> </ul>
Drive Leading Customer Acquisition and Engagement	<ul style="list-style-type: none"> <li>Enhanced the TD Mobile app to provide debit card customers with the ability to easily request a digitally issued replacement card, once a card is reported lost, stolen, or damaged</li> <li>Launched new products to meet customer needs, including the new Small Business Premium Money Market and personal banking Signature Savings accounts</li> <li>Implemented overdraft policy changes allowing customers to overdraw by up to US\$50 before incurring an overdraft fee; providing 24 hours to cure and avoid a fee for those who overdraw by more than US\$50; eliminating all overdraft transfer fees for customers using the savings overdraft protection service; and implementing an approach of processing all credits before debits</li> <li>Eliminated non-sufficient funds fees and gift card inactivity fees</li> </ul>
Scale & Evolve our Cards Franchise	<ul style="list-style-type: none"> <li>Signed a multi-year contract extension with Target Corporation, in which TD will continue to be the exclusive issuer of Target co-branded and private label consumer credit cards through 2030 and launched a general purpose Mastercard to our offerings in Target's digital and store channels, further growing our strategic card partnership beyond the store-only RedCard</li> <li>Signed a contract extension with Nordstrom, in which TD will continue to be the exclusive issuer of Nordstrom's U.S. Visa and private label consumer credit cards through 2026</li> <li>Our retail card services business established financing partnerships with home furnishings brand RH (formerly Restoration Hardware) and jewelry retailer Blue Nile, to launch private label credit card programs</li> </ul>
Become the #6 Commercial Bank by Loan Balance (in domestic U.S.)	<ul style="list-style-type: none"> <li>Despite headwinds from PPP loan winddown, delivered strong year-over-year volume growth in middle market and specialty lending areas, fueled by improved commercial loan line utilization, strong loan originations, and new customer growth</li> <li>Expanded some business verticals in footprint and nationally and acquired new customers through strategic initiatives</li> <li>Launched TD Embedded Banking, in partnership with a leading fintech company, allowing commercial customers to embed TD banking products and services into their enterprise resource planning and accounting software, enabling automated cash management to help them better manage payments</li> <li>Ranked No. 1 in its footprint by total number of approved U.S. Small Business Administration (SBA) loan units for the sixth consecutive year and ranked as the No. 2 national SBA lender<sup>20</sup></li> </ul>
Enable Wealth Offering Across TD Bank, America's Most Convenient Bank®	<ul style="list-style-type: none"> <li>Continued to grow our wealth franchise – hired approximately 50 advisors in 2022 to help build critical mass in attractive markets, deepening existing relationships and leveraging new opportunities from referrals</li> <li>Strengthened "One TD" partnerships by integrating with retail and commercial partners, including converting selected retail stores to wealth advice centers</li> <li>Launched new capabilities to equip colleagues with tools for offering better advice and increasing sales effectiveness</li> <li>Went live with a multi-custodial securities-based collateral lending platform and onboarded the first client</li> </ul>
Enable World Class Residential Mortgage Business	<ul style="list-style-type: none"> <li>Launched TD Home Access Mortgage, a more affordable mortgage option designed to increase homeownership opportunities in diverse communities</li> <li>Launched a new in-store home lending experience that quickly connects customers with mortgage and home equity experts to match them to the product that best meets their needs</li> </ul>

<sup>20</sup> U.S. Small Business Administration (SBA) loan units in its Maine-to-Florida footprint for the SBA's 2022 fiscal year.

BUSINESS STRATEGY	BUSINESS HIGHLIGHTS IN 2022
Key Enablers of Business Strategy	<ul style="list-style-type: none"> <li>• Introduced real-time payments for the dealer network through TD Auto Finance, a first for an indirect auto lender</li> <li>• For the third consecutive year, TD Auto Finance was ranked “Highest in Dealer Satisfaction among Non-Captive Lenders with Prime Credit” in the J.D. Power 2022 U.S. Dealer Financing Satisfaction Study<sup>21</sup></li> <li>• Made progress with our diversity and inclusion objectives, evidenced by winning several prestigious awards including being named: <ul style="list-style-type: none"> <li>– a Best Employer for Diversity 2022 by Forbes for the fourth consecutive year, the highest ranked bank, and ninth among 500 corporations</li> <li>– a top-ranked bank on DiversityInc.’s top 50 Companies for Diversity for 2022</li> <li>– one of America’s Best Employers for Women by Forbes</li> </ul> </li> <li>• Earned consecutive “Outstanding” ratings on our recent <i>Community Reinvestment Act</i> exam from the Office of the Comptroller of the Currency (OCC)</li> <li>• Continued improvements in operational efficiency to profitably scale our businesses</li> <li>• Continued supporting communities, including making a US\$500,000 donation to support local relief efforts aiding people and communities impacted by Hurricane Ian across the Southeast</li> </ul>
First Horizon Acquisition	<ul style="list-style-type: none"> <li>• Announced the acquisition of First Horizon Corporation on February 28, 2022, obtained First Horizon’s shareholder approval on May 31, 2022, and completed a public hearing with the OCC and Federal Reserve Board on August 18, 2022,</li> <li>• Continues to work towards obtaining regulatory approvals to close the transaction</li> <li>• Through this acquisition, when closed, TD will accelerate its long-term growth strategy in the United States by acquiring a premier regional bank with an aligned culture and risk-management framework: <ul style="list-style-type: none"> <li>– Accelerates U.S. growth strategy, creating a Top 6 U.S. bank with immediate presence and scale in fast growing TD-adjacent markets</li> <li>– Creates future growth opportunities combining First Horizon’s and TD’s capabilities and customer-centric business models</li> </ul> </li> <li>• Through fourth quarter 2022, TD has prepared for a successful integration: <ul style="list-style-type: none"> <li>– Engaged with community groups across TD’s and First Horizon’s footprints</li> <li>– Established communication protocols with First Horizon employees and held listening sessions</li> <li>– Integration Management Office has defined Legal Day 1 (deal closing), integration and conversion roadmap</li> <li>– Confirmed an approach to primarily migrate to TD systems</li> <li>– Made initial announcement that nine senior First Horizon executives joining TD AMCB on Legal Day 1, in the areas of Commercial Lending, Credit Risk Management, Finance, Risk Management, Compliance, Human Resource, and Technology Integration</li> <li>– Reaffirmed confidence in TD’s ability to execute on cost synergies</li> <li>– Validated integration dependencies and pre-requisites and made substantial progress on “target state” design on how TD will operate on the first day after conversions of customers, channels, products and services, key capabilities, and process and platforms</li> </ul> </li> </ul>

**KEY PRIORITIES FOR 2023**

- Obtain required regulatory approvals to close the First Horizon acquisition and execute on integration efforts
- Enhance end-to-end omni channel distribution by leading with a mobile-first approach providing seamless and intuitive customer experiences that are integrated across channels
- Expand into attractive high-opportunity markets in connection with the First Horizon acquisition
- Drive leading chequing account acquisition and engagement through enhanced capabilities
- Launch innovative, new credit card products and continue to enhance capabilities and customer service experience
- Expand coverage in our community and small business franchise and build a national middle market platform
- Invest in wealth capabilities to deliver differentiated value proposition, accelerate growth in attractive markets and from customer segmentation
- Further streamline operations through automation, digitization and process simplification for our colleagues and customers
- Continue embedding ESG expertise to advance the sustainable development of products and services and contribute to the social and economic well-being of the communities TD serves

<sup>21</sup> TD Auto Finance received the highest score in the non-captive national – prime segment (between 214,000 and 542,000 transactions) in the J.D. Power 2020-2022 U.S. Dealer Financing Satisfaction Studies of dealers’ satisfaction with automotive finance providers. Visit [jdpower.com/awards](http://jdpower.com/awards) for more details.



**TABLE 18: U.S. RETAIL**

(millions of dollars, except as noted)

	2022	2021
<b>Canadian Dollars</b>		
Net interest income	\$ 9,604	\$ 8,074
Non-interest income – reported	2,821	2,684
Non-interest income – adjusted <sup>1</sup>	2,597	2,684
Total revenue – reported	12,425	10,758
Total revenue – adjusted <sup>1</sup>	12,201	10,758
Provision for (recovery of) credit losses – impaired	522	438
Provision for (recovery of) credit losses – performing	(187)	(688)
Total provision for (recovery of) credit losses	335	(250)
Non-interest expenses – reported	6,920	6,417
Non-interest expenses – adjusted <sup>1,2</sup>	6,824	6,417
Provision for (recovery of) income taxes – reported	625	504
Provision for (recovery of) income taxes – adjusted <sup>1</sup>	593	504
<b>U.S. Retail Bank net income – reported</b>	<b>4,545</b>	<b>4,087</b>
<b>U.S. Retail Bank net income – adjusted<sup>1</sup></b>	<b>4,449</b>	<b>4,087</b>
Share of net income from investment in Schwab <sup>3,4</sup>	1,075	898
<b>Net income – reported</b>	<b>\$ 5,620</b>	<b>\$ 4,985</b>
<b>Net income – adjusted<sup>1</sup></b>	<b>5,524</b>	<b>4,985</b>

**U.S. Dollars**

Net interest income	\$ 7,437	\$ 6,419
Non-interest income – reported	2,195	2,135
Non-interest income – adjusted <sup>1</sup>	2,018	2,135
Total revenue – reported	9,632	8,554
Total revenue – adjusted <sup>1</sup>	9,455	8,554
Provision for (recovery of) credit losses – impaired	404	344
Provision for (recovery of) credit losses – performing	(150)	(550)
Total provision for (recovery of) credit losses	254	(206)
Non-interest expenses – reported	5,364	5,101
Non-interest expenses – adjusted <sup>1,2</sup>	5,292	5,101
Provision for (recovery of) income taxes – reported	484	403
Provision for (recovery of) income taxes – adjusted <sup>1</sup>	458	403
<b>U.S. Retail Bank net income – reported</b>	<b>3,530</b>	<b>3,256</b>
<b>U.S. Retail Bank net income – adjusted<sup>1</sup></b>	<b>3,451</b>	<b>3,256</b>
Share of net income from investment in Schwab <sup>3,4</sup>	840	711
<b>Net income – reported</b>	<b>\$ 4,370</b>	<b>\$ 3,967</b>
<b>Net income – adjusted<sup>1</sup></b>	<b>4,291</b>	<b>3,967</b>

**Selected volumes and ratios**

Return on common equity – reported <sup>5</sup>	14.2 %	13.0 %
Return on common equity – adjusted <sup>1,5</sup>	14.0	13.0
Net interest margin <sup>1,6</sup>	2.54	2.19
Efficiency ratio – reported	55.7	59.6
Efficiency ratio – adjusted <sup>1</sup>	56.0	59.6
Assets under administration (billions of U.S. dollars) <sup>7</sup>	\$ 34	\$ 30
Assets under management (billions of U.S. dollars) <sup>7</sup>	33	41
Number of U.S. retail stores	1,160	1,148
Average number of full-time equivalent staff	25,745	25,508

<sup>1</sup> For additional information about the Bank's use of non-GAAP financial measures, refer to "Non-GAAP and Other Financial Measures" in the "Financial Results Overview" section of this document.

<sup>2</sup> Adjusted non-interest expenses exclude the acquisition and integration-related charges for the First Horizon acquisition – 2022: \$96 million or US\$72 million (\$73 million or \$US54 million after-tax).

<sup>3</sup> The Bank's share of Schwab's earnings is reported with a one-month lag. Refer to Note 12 of the 2022 Consolidated Financial Statements for further details.

<sup>4</sup> The after-tax amounts for amortization of acquired intangibles and the Bank's share of acquisition and integration charges associated with Schwab's acquisition of TD Ameritrade are recorded in the Corporate segment.

<sup>5</sup> Capital allocated to the business segment was 10.5% CET1 effective the first quarter of fiscal 2022 compared with 9% in the prior year.

<sup>6</sup> Net interest margin is calculated by dividing U.S. Retail segment's net interest income by average interest-earning assets excluding the impact related to sweep deposits arrangements and the impact of intercompany deposits and cash collateral, which management believes better reflects segment performance. In addition, the value of tax-exempt interest income is adjusted to its equivalent before-tax value.

Net interest income and average interest-earning assets used in the calculation are non-GAAP financial measures. For additional information about the Bank's use of non-GAAP financial measures, refer to "Non-GAAP and Other Financial Measures" in the "Financial Results Overview" section of this document.

<sup>7</sup> For additional information about this metric, refer to the Glossary of this document.

**REVIEW OF FINANCIAL PERFORMANCE**

U.S. Retail reported net income for the year was \$5,620 million (US\$4,370 million), an increase of \$635 million (US\$403 million), or 13% (10% in U.S. dollars), compared with last year. On an adjusted basis, net income was \$5,524 million (US\$4,291 million), an increase of \$539 million (US\$324 million), or 11% (8% in U.S. dollars). The reported and adjusted ROE for the year was 14.2% and 14.0%, respectively, compared with 13.0% last year.

U.S. Retail net income includes contributions from the U.S. Retail Bank and the Bank's investment in Schwab. Reported net income for the year from the Bank's investment in Schwab was \$1,075 million (US\$840 million) an increase of \$177 million (US\$129 million), or 20% (18% in U.S. dollars), reflecting higher net interest income, partially offset by higher expenses and lower trading revenue.

U.S. Retail Bank reported net income for the year was \$4,545 million (US\$3,530 million), an increase of \$458 million (US\$274 million), or 11% (8% in U.S. dollars), compared with last year, reflecting higher revenue, partially offset by higher PCL and non-interest expenses including acquisition and integration-related charges for the First Horizon acquisition. U.S. Retail Bank adjusted net income was \$4,449 million (US\$3,451 million), an increase of \$362 million (US\$195 million), or 9% (6% in U.S. dollars), reflecting higher revenue, partially offset by higher PCL and non-interest expenses.

U.S. Retail Bank revenue is derived from personal and business banking, and wealth management businesses. Reported revenue for the year was US\$9,632 million, an increase of US\$1,078 million, or 13%, compared with last year. On an adjusted basis, revenue increased US\$901 million, or 11%. Net interest income of US\$7,437 million, increased US\$1,018 million, or 16%, driven by the benefit of higher deposit margins from the rising rate environment, higher business and personal deposit and loan volumes, and increased earnings on the investment portfolio, partially offset by lower income from PPP loan forgiveness and lower margin on loans. Net interest margin was 2.54%, an increase of 35 bps, as higher margin on deposits reflecting the rising interest rate environment was partially offset by lower income from PPP loan forgiveness and lower margin on loans. Reported non-interest income was US\$2,195 million, an increase of US\$60 million, or 3%, compared with last year, reflecting an insurance recovery related to litigation and fee income growth from increased customer activity, partially offset by lower gains on the sale of mortgage loans this year and higher valuation of certain investments last year. On an adjusted basis, non-interest

income decreased US\$117 million, or 5%, reflecting lower gains on the sale of mortgage loans this year and higher valuation of certain investments last year, partially offset by fee income growth from increased customer activity.

Average loan volumes decreased US\$3 billion, or 2%, compared with last year. Business loans decreased 7%, reflecting paydowns on commercial loans and PPP loan forgiveness, partially offset by strong originations, new customer growth, higher commercial line utilization and increased customer activity. Excluding PPP loans, business loans were largely flat. Personal loans increased 5%, reflecting higher residential mortgage and auto originations coupled with lower prepayments, and higher credit card volumes. Average deposit volumes increased US\$10 billion, or 3%, compared with last year, reflecting a 10% and a 5% increase in personal and business deposit volumes, respectively, and a 5% decrease in sweep deposits volumes.

Assets under administration (AUA) were US\$34 billion as at October 31, 2022, an increase of US\$4 billion, or 13%, compared with last year, reflecting net asset growth. Assets under management (AUM) were US\$33 billion as at October 31, 2022, a decrease of US\$8 billion, or 20%, reflecting market depreciation and net asset outflows.

PCL for the year was US\$254 million compared with a recovery of US\$206 million last year. PCL – impaired was US\$404 million, an increase of US\$60 million, or 17%, reflecting some normalization of credit performance. PCL – performing was a recovery of US\$150 million, compared with a recovery of US\$550 million in the prior year. The current year performing release reflects continued but smaller improvements in credit conditions. U.S. Retail PCL including only the Bank's share of PCL in the U.S. strategic cards portfolio, as an annualized percentage of credit volume was 0.16%, or an increase of 28 bps.

Reported non-interest expenses for the year were US\$5,364 million, an increase of US\$263 million, or 5%, compared with last year, reflecting higher employee-related expenses, acquisition and integration-related charges for the First Horizon acquisition and higher investments in the business, partially offset by a US\$125 million in prior year store optimization costs and productivity savings in the current year. On an adjusted basis, excluding acquisition and integration-related charges for the First Horizon acquisition, non-interest expenses increased US\$191 million, or 4%.

The reported and adjusted efficiency ratios for the year were 55.7% and 56.0%, compared with 59.6% last year.

#### **OPERATING ENVIRONMENT AND OUTLOOK**

The outlook for U.S. Retail reflects an elevated risk of a recession, including continued high inflation, labour shortages, global supply chain disruptions impacting industries, and rising interest rates, with uncertainty surrounding the timing and magnitude of possible interest rate declines. Revenue growth from higher personal and commercial deposit and loan volumes, the benefits of a rising rate environment on deposit margins, increased customer activity and new customer growth, is expected to be moderated by lower income from PPP loan forgiveness, the impact of the overdraft policy changes, repatriation of sweep deposits, and a more competitive customer deposit rate environment. PCL is expected to increase over the course of the year, reflecting an ongoing normalization of credit conditions and volume growth. U.S. Retail will maintain its disciplined approach to expense management, while continuing to invest strategically to support business growth and generate productivity savings. While earnings are likely to fluctuate from quarter to quarter, the U.S. Retail Bank should be well-positioned to continue to grow while strengthening our service and convenience leadership model, enhancing our product and advice offerings while relentlessly delivering end-to-end, differentiated customer experiences.

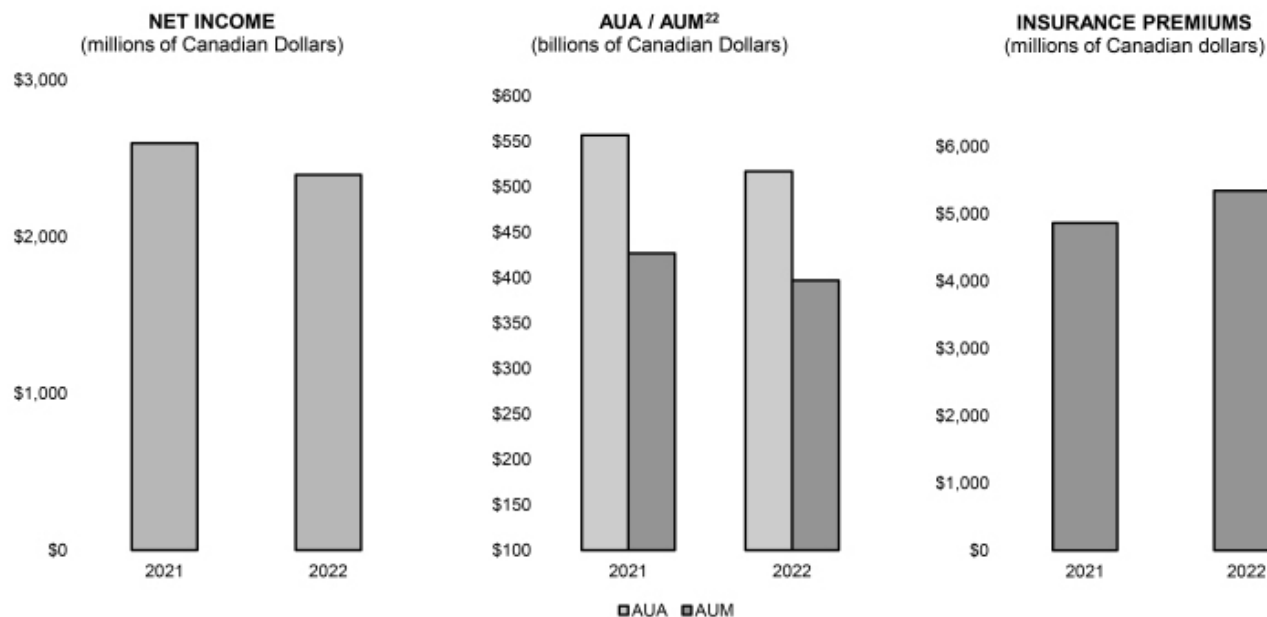
#### **THE CHARLES SCHWAB CORPORATION**

Refer to Note 12 of the 2022 Consolidated Financial Statements for further information on Schwab.

## BUSINESS SEGMENT ANALYSIS

# Wealth Management and Insurance

**Wealth Management and Insurance provides wealth solutions and insurance protection to approximately 6 million customers in Canada.**



**TABLE 19: REVENUE**

(millions of Canadian dollars)	2022	2021
Wealth	\$ 5,624	5,693
Insurance	5,236	4,896
<b>Total</b>	<b>\$ 10,860</b>	<b>\$ 10,589</b>

### KEY PRODUCT GROUPS

#### Wealth

- Direct Investing – platforms and resources for self-directed retail investors to facilitate research, investment management and trading in a range of investment products through online, phone and mobile channels.
- Wealth Advice – wealth management advice and financial planning solutions for mass affluent, high net worth and ultra high net worth clients, integrated with other Wealth businesses and the broader Bank.
- Asset Management – public and private market investment management capabilities for retail and institutional clients, including a diversified suite of investment solutions designed to provide attractive risk-adjusted returns.

#### Insurance

- Property and Casualty – home and auto insurance provided through direct channels and to members of affinity groups such as professional associations, universities and employer groups.
- Life and Health – credit protection for Canadian Personal Banking borrowing customers, life and health insurance products, credit card balance protection, and travel insurance products, distributed through direct channels and members of affinity groups.

### INDUSTRY PROFILE

The Canadian wealth management industry includes banks, insurance companies, independent asset managers, direct-to-consumer providers, independent financial advisors and planners, and full-service and discount brokerages. Growth relies on the ability to provide differentiated and integrated wealth solutions and holistic financial advice to retail and institutional investors as well as keeping pace with technological change and regulatory requirements. The property and casualty insurance industry in Canada is fragmented and competitive, consisting of numerous personal and commercial line writers offering products through broker, captive agent and direct distribution channels, while the life and health insurance industry is comprised of banks and several large life and health insurers. Providing innovative digital capabilities and solutions will be a key differentiator for customers buying and servicing their insurance policies through direct channels.

<sup>22</sup> Includes AUA administered by TD Investor Services, which is part of the Canadian Personal and Commercial Banking segment.

**STRATEGIC OBJECTIVES, ACCOMPLISHMENTS AND PRIORITIES**

BUSINESS STRATEGY	BUSINESS HIGHLIGHTS IN 2022
<p>Provide trusted advice to help our customers feel confident about their financial future</p>	<ul style="list-style-type: none"> <li>• Continued focus on distribution expansion across our advice businesses to meet growing demand and serve the needs of unique client segments</li> <li>• Launched MoneyTalk Live, an exclusive live daily investing broadcast for TD Direct Investing clients through WebBroker, providing clients access to expert investment content</li> <li>• Continued to build on TD Direct Investing's commitment to client education by introducing more learning pathways and increasing our content library through collaboration with Canadian investing social influencers</li> <li>• Established the Family Office offering, supporting ultra high net worth families with their unique needs through multidisciplinary approach and expertise</li> <li>• Delivered industry leading investment results with 93% of TDAM-managed mutual funds placing in the top 1st or 2nd quartile over a 4-year period<sup>23</sup></li> <li>• Increased the number of advisors across our contact centers, expanded training resources, and introduced tools to elevate our product offering and provide a more consistent customer experience</li> </ul>
<p>Deliver legendary customer experiences through customer-centric innovations and digital leadership</p>	<ul style="list-style-type: none"> <li>• Launched the TD Easy Trade app, designed to make investing simpler for new and emerging investors with no minimum balance, 50 commission-free stock trades per year and unlimited commission-free trading on all TD Exchange-Traded Funds (ETFs)</li> <li>• Continued to evolve distribution models to meet customer needs, resulting in higher Legendary Experience Index (LEI) results: <ul style="list-style-type: none"> <li>– TD Direct Investing was recognized as the #1 Online Broker in Canada in MoneySense magazine's 2022<sup>24</sup> review and ranked #1 among Canadian Banks in the Globe &amp; Mail's annual digital broker survey<sup>25</sup></li> <li>– Implemented multiple enhancements to the TD Easy Trade app, including biometric logins allowing clients to log in using their fingerprint or face ID, and a redesigned order ticket</li> <li>– WebBroker platform enhancements included enabling real-time cash transfers from other financial institutions, dynamic share calculator to simplify trade order entry, foreign over-the-counter order entries, and making the platform mobile-responsive, bringing the full power of the platform to those who wish to trade on-the-go</li> <li>– Integration of best-in-class charting and indicators powered by "TradingView" into Advanced Dashboard platform, providing active traders with highly recognized capabilities and advanced tools to make faster trading decisions</li> <li>– Implemented call-routing infrastructure improvements to reduce wait times, and extended available contact center hours to regain the longest hours offering amongst Big 5 Canadian Retail Bank discount brokerages<sup>26</sup></li> <li>– Introduced "Advice Connect", a team-based financial planning offer that services mass affluent, digitally savvy advice clients</li> </ul> </li> <li>• Launched three ETFs, including two new ESG ETFs to TDAM's expanding ESG solutions suite, as well as the TD Global Carbon Credit Index ETF, providing investors with global exposure to the growing carbon credit market</li> <li>• Introduced U.S. dollar versions of 5 ETFs, providing investors with access to U.S. and Global equity markets while avoiding currency conversion costs</li> <li>• TD Insurance expanded its network of one-stop claims Auto Centers, bringing our footprint to 24 locations nationally</li> <li>• Strengthened TD Insurance's digital capabilities through new enhanced self-serve features, including online quote and bind, as well as coverage, billing and payment management online</li> </ul>
<p>Grow and deepen customer relationships, leveraging One TD to provide customers with solutions that meet their unique financial needs</p>	<ul style="list-style-type: none"> <li>• Maintained strong market share positions and gained momentum across our businesses: <ul style="list-style-type: none"> <li>– #1 market share in direct investing revenues, assets, trades and number of accounts<sup>27</sup></li> <li>– #2 market share in mutual fund assets and #1 among Big 5 Canadian Retail Banks in mutual fund net sales in 2022<sup>27</sup></li> <li>– Largest Canadian institutional money manager and largest money manager in Canada for pension assets<sup>27</sup></li> <li>– #1 Direct Distribution personal lines insurer and leader in the affinity market in Canada<sup>28</sup></li> <li>– #3 personal lines insurer in Canada<sup>28</sup></li> </ul> </li> <li>• Continued to work with partners to deliver One TD <ul style="list-style-type: none"> <li>– Established a team of retail support specialists to provide customized training, driving greater collaboration between TDAM and retail distribution channels</li> <li>– Expanded the high value client relationship management team by over 50%, to provide our active and high-value clients with dedicated service, promote our tools and resources, and deliver One TD</li> </ul> </li> </ul>

<sup>23</sup> Based on percentage of AUM of funds within the top 1st or 2nd Quartile over a 4-year period compared to the performance of other funds in peer group, as defined by Morningstar, Inc. as at October 2022 (Source: Morningstar, Inc.).

<sup>24</sup> "Best online brokers in Canada for 2022". MoneySense, August 2022. For more information, visit <https://www.moneysense.ca>.

<sup>25</sup> 2022 Globe and Mail digital broker ranking: <https://www.theglobeandmail.com/investing/article-qtrade-vs-wealthsimple-trade-national-bank-comparison/>.

<sup>26</sup> The Big 5 Canadian Retail Banks consist of Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Scotiabank, and The Toronto-Dominion Bank.

<sup>27</sup> Market share ranking is based on most current data available from Investor Economics, a division of ISS Market Intelligence, for TD Direct Investing revenue, asset, trades and account metrics as at June 2022, institutional money manager and pension assets money manager rankings as at June 2022, and from Investment Funds Institute of Canada for mutual funds as at October 2022. Mutual fund net sales ranking from Investment Funds Institute of Canada for 12-month trailing mutual fund net sales when compared to the Big 5 Banks as at October 2022. The Big 5 Canadian Retail Banks consist of Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Scotiabank, and The Toronto-Dominion Bank.

<sup>28</sup> Rankings based on data available from OSFI, Insurers, Insurance Bureau of Canada, and Provincial Regulators as at December 2021.

BUSINESS STRATEGY	BUSINESS HIGHLIGHTS IN 2022
Innovate with purpose to optimize processes and enable our colleagues to execute with speed and impact	<ul style="list-style-type: none"> <li>Continued to transform the way we work, automating more of our operations and implementing other process improvements to increase speed and efficiency</li> <li>Doubled the account types available to be opened online for TD Direct Investing, and streamlined the online application process</li> <li>Launched modernized telephone and contact center operations nationally</li> <li>TD Insurance has begun its transition to the NEW operating model to simplify the way we work through agile, customer-centric operating model changes</li> </ul>
Be an extraordinary place to work where diversity and inclusiveness are valued, and contribute to the well-being of our communities	<ul style="list-style-type: none"> <li>We remain committed to our efforts to build a more inclusive and diverse culture at TD, aligning to our purpose to enrich the lives of our customers, colleagues, and communities</li> <li>TD Insurance launched a Plastic Bumper Cover Recycling Program within its Auto Centres as part of an effort to promote environmentally friendly practices</li> <li>Expanded the Indigenous Internship program which hosted indigenous interns from across Canada, with a focus on skill development and mentorship</li> </ul>

#### KEY PRIORITIES FOR 2023

- Grow market leadership position in TD Direct Investing by enhancing features and functionalities valued by key customer segments
- Accelerate distribution expansion and scale differentiated models to increase financial confidence among advice customers
- Innovate to expand leadership position in asset management, leveraging breadth of capabilities and strength in alternative asset classes
- Further leverage One TD to deepen customer relationships and offer more holistic financial and insurance advice
- Establish digital leadership and enhance client and colleague experience
- Improve speed, capacity and efficiency by leveraging data, advanced analytics, automation and adapting to new ways of working
- Continue to evolve our brand as a diverse and inclusive employer of choice, enabling colleagues to achieve their full potential
- TD Insurance will launch small business insurance, a natural extension to significantly grow the business

**TABLE 20: WEALTH MANAGEMENT AND INSURANCE**

(millions of Canadian dollars, except as noted)	2022	2021
Net interest income	\$ 945	\$ 762
Non-interest income	9,915	9,827
Total revenue	10,860	10,589
Provision for (recovery of) credit losses – impaired	–	2
Provision for (recovery of) credit losses – performing	1	–
Total provision for (recovery of) credit losses	1	2
Insurance claims and related expenses	2,900	2,707
Non-interest expenses	4,711	4,355
Provision for (recovery of) income taxes	853	929
<b>Net income</b>	<b>\$ 2,395</b>	<b>\$ 2,596</b>
<b>Selected volumes and ratios</b>		
Return on common equity <sup>1</sup>	46.7 %	58.1 %
Efficiency ratio	43.4	41.1
Assets under administration (billions of Canadian dollars) <sup>2</sup>	\$ 517	\$ 557
Assets under management (billions of Canadian dollars)	397	427
Average number of full-time equivalent staff	15,671	13,785

<sup>1</sup> Capital allocated to the business segment was increased to 10.5% CET1 Capital effective the first quarter of 2022 compared with 9% in the prior year.

<sup>2</sup> Includes AUA administered by TD Investor Services, which is part of the Canadian Personal and Commercial Banking segment.

#### REVIEW OF FINANCIAL PERFORMANCE

Wealth Management and Insurance reported net income for the year was \$2,395 million, a decrease of \$201 million, or 8%, compared with last year, reflecting higher non-interest expenses and insurance claims and related expenses, partially offset by higher net interest income. The ROE for the year was 46.7%, compared with 58.1% last year.

Revenue for the year was \$10,860 million, an increase of \$271 million, or 3%, compared with last year. Non-interest income was \$9,915 million, an increase of \$88 million, or 1%, reflecting higher insurance volumes and prior year premium rebates for customers, partially offset by a decrease in the fair value of investments supporting claims liabilities which resulted in a similar decrease in insurance claims, and lower fee-based and transaction revenue in the wealth management business. Net interest income was \$945 million, an increase of \$183 million, or 24%, compared with last year, reflecting volume growth and higher margins.

AUA were \$517 billion as at October 31, 2022, a decrease of \$40 billion, or 7%, and AUM were \$397 billion as at October 31, 2022, a decrease of \$30 billion, or 7%, compared with last year, both reflecting market depreciation, partially offset by net asset growth.

Insurance claims and related expenses were \$2,900 million, an increase of \$193 million, or 7%, compared with last year, reflecting increased driving activity, inflationary costs and more severe weather-related events, partially offset by the impact of a higher discount rate which resulted in a similar decrease in the fair value of investments supporting claims liabilities reported in non-interest income and favourable prior years' claims development.

Non-interest expenses for the year were \$4,711 million, an increase of \$356 million, or 8%, compared with last year. The increase reflects higher spend supporting business growth, including technology and marketing costs, higher employee-related expenses and variable compensation.

The efficiency ratio for the year was 43.4%, compared with 41.1% last year.

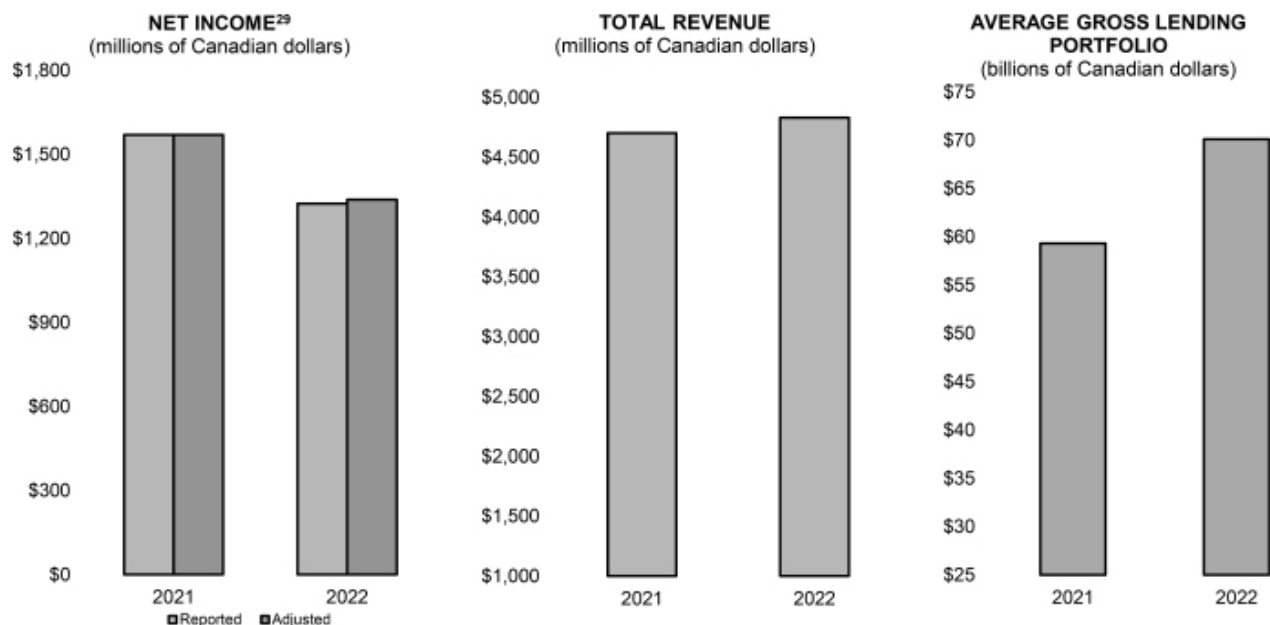
#### OPERATING ENVIRONMENT AND OUTLOOK

While the Canadian economy has had a strong recovery, it is expected that economic activity will slow in 2023. Continued inflationary pressures, economic uncertainty and market volatility may impact Wealth Management and Insurance results in fiscal 2023. Notwithstanding these headwinds, Wealth Management and Insurance's diversified businesses should be well-positioned to deliver against their strategic objectives. The interest rate environment is expected to help offset headwinds from normalized direct investing trading volumes, market volatility, pressure on fees from rising competition, and increases in insurance claims as customer activity normalizes. Our businesses will continue to deliver high-quality advice, educational content and innovative financial products to our customers to help navigate the challenging environment.

## BUSINESS SEGMENT ANALYSIS

# Wholesale Banking

Operating under the brand name TD Securities, Wholesale Banking is a leading full-service investment bank offering a wide range of capital markets and corporate and investment banking services to corporate, government, and institutional clients in key global financial centres across North America, Europe and Asia-Pacific.



**TABLE 21: REVENUE**

(millions of Canadian dollars)	2022	2021
Global markets	\$ 2,932	\$ 2,884
Corporate and investment banking	1,758	1,748
Other	141	68
<b>Total</b>	<b>\$ 4,831</b>	<b>\$ 4,700</b>

### LINES OF BUSINESS

- Global Markets – sales, trading and research, debt and equity underwriting, client securitization, prime services, and trade execution services<sup>30</sup>.
- Corporate and Investment Banking – corporate lending and syndications, debt and equity underwriting, advisory services, trade finance, cash management, investment portfolios, and related activities<sup>30</sup>.
- Other – investment portfolios and other accounting adjustments.

### INDUSTRY PROFILE

The wholesale banking sector is a mature, highly competitive market comprised of banks, large global investment firms, and independent niche dealers. Wholesale Banking provides capital markets and corporate and investment banking services to corporate, government, and institutional clients. Changing regulatory requirements continue to impact strategy and returns for the sector. Firms are responding by shifting their focus to client-driven trading revenue and fee income to reduce risk, preserve capital, and are also investing in technology to support growing levels of electronic trading across all markets. Competition is expected to remain intense for transactions with high-quality clients. Longer term, wholesale banks with a diversified client-focused business model, a full suite of products and services, and the ability to manage costs and capital effectively will be well-positioned to achieve attractive returns for shareholders.

<sup>29</sup> For additional information about the Bank's use of non-GAAP financial measures, refer to "Non-GAAP and Other Financial Measures" in the "Financial Results Overview" section of this document.

<sup>30</sup> Certain revenue streams are shared between Global Markets and Corporate and Investment Banking lines of business in accordance with an established agreement.

**STRATEGIC OBJECTIVES, ACCOMPLISHMENTS AND PRIORITIES**

BUSINESS STRATEGY	BUSINESS HIGHLIGHTS IN 2022
Continue to build an integrated North American dealer franchise with global reach	<ul style="list-style-type: none"> <li>• Announced TD's acquisition of Cowen, which, following closing, will accelerate our U.S. dollar growth strategy by expanding product and service offerings, increasing depth in key business lines, and adding scale and high-quality talent</li> <li>• Announced TD's acquisition of First Horizon, which, following closing, will further expand our fixed income distribution capabilities through the integration of First Horizon's wholesale division, FHN Financial</li> <li>• Continued to invest in the global expansion of our U.S. dollar strategy, including the addition of senior leaders in ESG Solutions, as well as in the Communications, Media &amp; Technology, Consumers, Healthcare, and Transportation sectors</li> <li>• Continued to strengthen our leadership position as ESG capital markets advisors as demonstrated by a number of marquee transactions including:               <ul style="list-style-type: none"> <li>– Named Lead Manager of the Year for Sovereign, Supranational &amp; Agency (SSA) Green Bonds in Environment Finance's 2022 Bond Awards</li> <li>– Joint lead bookrunner on Government of Canada's \$5 billion inaugural Green Bond</li> <li>– Launched carbon advisory business and invested \$10 million in the Boreal Wildlands Carbon Project</li> <li>– Participated in over US\$20 billion Green, Social, Sustainability, and Sustainability-Linked ("GSSS") bonds and Sustainability-Linked Loans and is the leading Canadian bank across global GSSS Bonds<sup>31</sup></li> </ul> </li> <li>• Ranked #1 in Base Metals and #2 in Precious Metals in the 2022 Energy Risk Commodity Rankings</li> </ul>
In Canada, be the top-ranked investment dealer	<ul style="list-style-type: none"> <li>• Recognized as a leader in capital markets for expertise and execution capabilities in Canada:               <ul style="list-style-type: none"> <li>– Named #1 Overall Canadian Fixed-Income Service Quality Leader in the 2022 Coalition Greenwich Study for the fourth consecutive year</li> <li>– Named Canadian FX Service Quality Leader for Corporates in the 2022 Coalition Greenwich Study for the third consecutive year</li> </ul> </li> <li>• Delivered on several marquee and strategic acquisitions and led important transactions in the Canadian market:               <ul style="list-style-type: none"> <li>– Financial Advisor to Ontario Teachers' Pension Plan on its US\$1.1 billion acquisition of portions of a renewables portfolio and a convertible equity portfolio financing from NextEra</li> <li>– Financial Advisor to KKR &amp; Co on the \$11.4 billion Pembina Gas Infrastructure (PGI) transaction. TD also acted as Joint Bookrunner and Administration Agent with respect to PGI's \$4.75 billion credit facilities.</li> <li>– Independent Valuator to the Special Committee of Turquoise Hill on its pending privatization by Rio Tinto</li> </ul> </li> </ul>
In the U.S., deliver value and trusted advice in sectors where we have competitive expertise	<ul style="list-style-type: none"> <li>• Continued to add to our U.S. advisory and execution capability:               <ul style="list-style-type: none"> <li>– Financial advisor to Clearway Energy, Inc. on its US\$1.9 billion sale of Clearway Community Energy</li> <li>– Active Bookrunner on Eversource Energy's US\$1.5 billion 2- and 5-year senior notes issuances, the largest Eversource offering ever</li> <li>– Financial Advisor to Firehouse Subs on its sale to Restaurant Brands International for US\$1.0 billion</li> <li>– Financial Advisor to Global Student Accommodation on establishing a US\$2.25 billion equity joint venture partnership with Morgan Stanley Real Estate with initial seed assets of US\$1.6 billion</li> <li>– Financial advisor to Yesware, a portfolio company of Foundry, Battery Ventures and Google Ventures, on its sale to Vendasta</li> <li>– Financial Advisor to Cboe Global Markets on its acquisition of Aequitas Innovations</li> </ul> </li> <li>• Continued to grow our TDS Automated Trading business, increasing market share to over 15% in municipal bonds<sup>32</sup>, representing a 150% increase in volumes, and tripled trading volumes in investment-grade corporate bonds</li> <li>• Top Canadian bank in the Hedge Fund Alert "Top Prime Broker of Hedge Funds" 2022 rankings, adding 25 new funds in TD Prime Services</li> <li>• Onboarded 24 new clients in Corporate Cash Management</li> <li>• Continued to grow our Trade Finance business, adding 30 new clients</li> </ul>
In Europe and Asia-Pacific, leverage our global capabilities to build connected, sustainable franchises	<ul style="list-style-type: none"> <li>• Awarded Australian Dollar Sovereign, Supranational &amp; Agency House of the Year in the 2021 KangaNews Awards for the tenth time</li> <li>• Ranked #2 Coming Force in SSA Bonds and #2 Most Impressive SSA House for the Canadian Markets in the 2022 GlobalCapital Bond Awards</li> <li>• Sole Bookrunner on the Council of Europe Development Bank's €100 million reopening of its €1 billion seven-year Social Inclusion Bond, in support of the long-term needs of Ukraine refugees in their host communities</li> <li>• Joint Lead Bookrunner on Nestle Holdings Inc.'s \$2 billion inaugural Maple offering</li> <li>• Joint bookrunner on Anglian Water's \$350 million Maple bond offering, the first ever green Maple transaction.</li> <li>• Lead arranger, agent and lender for a 10-year US Export-Import Bank of United States (EXIM) -covered loan to refinance two Boeing Aircraft deals for Korean Airlines</li> </ul>
Continue to grow with and support our TD Retail and Wealth partners	<ul style="list-style-type: none"> <li>• In partnership with other segments:               <ul style="list-style-type: none"> <li>– Ultra-High Net Worth onboarded more than 50 clients with broad representation across TD Wealth</li> <li>– Rolled out U.S. dollar ATMs to more than 60 Canadian sites with a continued phased approach to national expansion</li> <li>– Launched Chatbot for TD Precious Metals to improve customer experience and provide 24/7 support</li> <li>– Lunar New Year Rounds Campaign sold a total of 5,800 coins, an annual increase in sales of 23%</li> </ul> </li> </ul>

<sup>31</sup> #1 among Canadian banks for global GSSS Bonds. Reflects TD's apportioned league table credit for bookrunner roles in FY22 as of November 2022. Source: Bloomberg

<sup>32</sup> Based on Electronic Municipal Market Access service as at October 31, 2022.

BUSINESS STRATEGY	BUSINESS HIGHLIGHTS IN 2022
Invest in an efficient and agile infrastructure, innovation and data capabilities, and adapt to industry and regulatory changes	<ul style="list-style-type: none"> <li>• TD and Behavox Won 'Best Innovative Technology Partnership with a Financial Institution' award by the Canadian Regulatory Technology Association</li> <li>• Built the operational framework to become TD Wealth's executing broker on all U.S. dollar equity transactions</li> </ul>
Be an extraordinary and inclusive place to work by attracting, developing, and retaining the best talent	<ul style="list-style-type: none"> <li>• TD Securities' Women in Leadership Committee Canada received the 2021 Women in Capital Markets Award for Excellence in Innovation</li> <li>• Raised \$1.8 million for children's charities through the annual Underwriting Hope campaign</li> <li>• Awarded 12 scholarships to diverse candidates through the annual TDS Bridging the Gap Scholarship</li> <li>• Received a score of 100% in the Human Rights Campaign Corporate Equality Index in the U.S. for the seventh consecutive year</li> </ul>

#### KEY PRIORITIES FOR 2023

- Integrate Cowen and FHN Financial into our business and continue to integrate and extend the TDS Automated Trading platform
- Continue to embed ESG capabilities throughout our business and build on our leadership in this space as we support clients with their transition to a low-carbon economy
- Continue to invest in technology, drive innovation and analytical capabilities including:
  - Low latency and algorithmic trading in fixed income and foreign exchange to meet evolving client demand
  - A North American digital treasury ecosystem that provides flexible and data-rich solutions to our clients
  - End-to-end process efficiency and enhancing client value
- Continue to invest alongside our retail, wealth, and commercial partners to add products for our clients
- Maintain our focus on managing risk, capital, balance sheet, and liquidity
- Continue to be an extraordinary place to work with a focus on inclusion and diversity

**TABLE 22: WHOLESALE BANKING**

(millions of Canadian dollars, except as noted)	2022	2021
Net interest income (TEB)	\$ 2,937	\$ 2,630
Non-interest income	1,894	2,070
Total revenue	4,831	4,700
Provision for (recovery of) credit losses – impaired	19	8
Provision for (recovery of) credit losses – performing	18	(126)
Total provision for (recovery of) credit losses	37	(118)
Non-interest expenses – reported	3,033	2,709
Non-interest expenses – adjusted <sup>1,2</sup>	3,015	2,709
Provision for (recovery of) income taxes (TEB) – reported	436	539
Provision for (recovery of) income taxes (TEB) – adjusted <sup>1</sup>	440	539
<b>Net income – reported</b>	<b>\$ 1,325</b>	<b>\$ 1,570</b>
<b>Net income – adjusted<sup>1</sup></b>	<b>1,339</b>	<b>1,570</b>
<b>Selected volumes and ratios</b>		
Trading-related revenue (TEB) <sup>3</sup>	\$ 2,513	\$ 2,279
Average gross lending portfolio (billions of Canadian dollars) <sup>4</sup>	70.1	59.3
Return on common equity – reported <sup>5</sup>	11.4 %	18.9 %
Return on common equity – adjusted <sup>1,5</sup>	11.5	18.9
Efficiency ratio – reported	62.8	57.6
Efficiency ratio – adjusted <sup>1</sup>	62.4	57.6
Average number of full-time equivalent staff	5,088	4,796

<sup>1</sup> For additional information about the Bank's use of non-GAAP financial measures, refer to "Non-GAAP and Other Financial Measures" in the "Financial Results Overview" section of this document.

<sup>2</sup> Adjusted non-interest expenses exclude the acquisition and integration-related charges primarily for the Cowen acquisition – 2022: \$18 million (\$14 million after-tax).

<sup>3</sup> Includes net interest income TEB of \$2,080 million (2021 – \$2,014 million), and trading income (loss) of \$433 million (2021 – \$265 million). Trading-related revenue (TEB) is a non-GAAP financial measure. Refer to "Non-GAAP and Other Financial Measures" in the "Financial Results Overview" section and the Glossary of this document for additional information about this metric.

<sup>4</sup> Includes gross loans and bankers' acceptances relating to Wholesale Banking, excluding letters of credit, cash collateral, credit default swaps, and allowance for credit losses.

<sup>5</sup> Capital allocated to the business segment was increased to 10.5% CET1 Capital effective the first quarter of 2022 compared with 9% in the prior year.

#### REVIEW OF FINANCIAL PERFORMANCE

Wholesale Banking reported net income for the year was \$1,325 million, a decrease of \$245 million, or 16%, compared with the prior year, reflecting higher non-interest expenses and PCL, partially offset by higher revenues. On an adjusted basis, net income was \$1,339 million, a decrease of \$231 million, or 15%.

Revenue was \$4,831 million, an increase of \$131 million, or 3%, compared with the prior year, reflecting higher trading-related, global transaction banking, and lending revenue, partially offset by lower underwriting revenue and markdowns in certain loan underwriting commitments.

PCL was a \$37 million, compared with a recovery of \$118 million in the prior year. PCL – impaired was \$19 million primarily reflecting credit migration. PCL – performing was \$18 million, compared with a recovery of \$126 million in the prior year.

Reported non-interest expenses were \$3,033 million, an increase of \$324 million, or 12%, compared with the prior year, primarily reflecting the continued investments in Wholesale Banking's U.S. dollar strategy, including the hiring of banking, sales and trading, and technology professionals, the acquisition of TD Securities Automated Trading (previously Headlands Tech Global Markets, LLC), acquisition and integration-related charges primarily for the Cowen acquisition, and the impact of foreign exchange translation. On an adjusted basis, non-interest expenses were \$3,015 million, an increase of \$306 million, or 11%.

#### OPERATING ENVIRONMENT AND OUTLOOK

Looking ahead, the operating environment remains challenging, characterized by market volatility and macroeconomic headwinds, geo-political and ESG considerations, intensifying competition, and evolving capital and regulatory requirements. These factors may affect corporate and investor sentiment and market and business conditions in a positive or negative manner which makes capital markets results difficult to forecast. TD Securities' increasingly diversified and client-focused business model should be well positioned to support future growth.



## BUSINESS SEGMENT ANALYSIS

### Corporate

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

TABLE 23: CORPORATE		
(millions of Canadian dollars)	2022	2021
<b>Net income (loss) – reported</b>	<b>\$ 1,531</b>	<b>\$ (738)</b>
<b>Adjustments for items of note</b>		
Amortization of acquired intangibles before income taxes	242	285
Acquisition and integration charges related to the Schwab transaction	111	103
Mitigation of interest rate volatility to closing capital on First Horizon acquisition	(1,641)	–
Gain on sale of Schwab shares	(997)	–
Less: impact of income taxes	(363)	37
<b>Net income (loss) – adjusted<sup>1</sup></b>	<b>\$ (391)</b>	<b>\$ (387)</b>
Decomposition of items included in net income (loss) – adjusted		
Net corporate expenses <sup>2</sup>	\$ (712)	\$ (739)
Other	321	352
<b>Net income (loss) – adjusted<sup>1</sup></b>	<b>\$ (391)</b>	<b>\$ (387)</b>
<b>Selected volumes</b>		
Average number of full-time equivalent staff	19,885	17,721

<sup>1</sup> For additional information about the Bank's use of non-GAAP financial measures, refer to "Non-GAAP and Other Financial Measures" in the "Financial Results Overview" section of this document.

<sup>2</sup> For additional information about this metric, refer to the Glossary of this document.

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

Corporate segment's reported net income for the year was \$1,531 million, compared with reported net loss of \$738 million last year. The year-over-year increase primarily reflects a net gain from mitigation of interest rate volatility to closing capital on First Horizon acquisition, gain on sale of Schwab shares, and lower net corporate expenses, partially offset by a lower contribution from other items in the current year. Net corporate expenses decreased \$27 million compared to the prior year, largely reflecting corporate real estate optimization costs in the prior year. Other items decreased \$31 million, reflecting lower revenue from treasury and balance sheet management activities, partially offset by the favourable tax impact of earnings mix and the recognition of unused tax losses. The adjusted net loss for the year was \$391 million, compared with an adjusted net loss of \$387 million last year.

#### 2022 ACCOMPLISHMENTS AND FOCUS FOR 2023

- In 2022, the Corporate segment continued to support the Bank's business segments by executing on enterprise and regulatory initiatives, and managing the Bank's balance sheet and funding activities.
- In 2023, the Corporate segment's service and control groups will continue to proactively address the complexities and challenges arising from the operating environment to respond to changing demands and expectations of customers, communities, colleagues, governments and regulators.
- Corporate segment will also maintain its focus on development and implementation of processes, systems, technologies, enterprise and regulatory controls to enable the Bank's businesses to operate efficiently and effectively and in compliance with applicable regulatory requirements.

## 2021 FINANCIAL RESULTS OVERVIEW

### Summary of 2021 Performance

#### NET INCOME

Reported net income for the year was \$14,298 million, an increase of \$2,403 million, or 20%, compared with prior year. The increase primarily reflects lower PCL, higher revenues in the Wealth Management and Insurance business, and lower insurance claims and related expenses, partially offset by a net gain on sale of the Bank's investment in TD Ameritrade in the prior year, higher non-interest expenses, lower revenue in the U.S. Retail business and a lower contribution from the Bank's investment in Schwab as compared with the contribution from the Bank's investment in TD Ameritrade in the prior year. On an adjusted basis, net income for the year was \$14,649 million, an increase of \$4,681 million, or 47%, compared with the prior year. The reported ROE for the year was 15.5%, compared with 13.6% prior year. The adjusted ROE for the year was 15.9%, compared with 11.4% in the prior year.

Reported diluted EPS for the year was \$7.72, an increase of 20%, compared with \$6.43 prior year. Adjusted diluted EPS for the year was \$7.91, a 48% increase, compared with \$5.36 in the prior year.

Reported revenue was \$42,693 million, a decrease of \$953 million, or 2%, compared with prior year. Adjusted revenue was \$42,693 million, an increase of \$468 million, or 1%, compared with the prior year.

#### **NET INTEREST INCOME**

Net interest income for the year was \$24,131 million, a decrease of \$366 million, or 1%, compared with prior year. The decrease reflects lower margins in the U.S. Retail and Canadian Personal and Commercial Banking segments, and the impact of foreign exchange translation, partially offset by volume growth in the personal and commercial banking businesses, and higher trading net interest income.

#### **NON-INTEREST INCOME**

Reported non-interest income for the year was \$18,562 million, a decrease of \$587 million, or 3%, compared with prior year reflecting the net gain on sale of the Bank's investment in TD Ameritrade in the prior year. On an adjusted basis, non-interest income for the year was \$18,562 million, an increase of \$834 million, or 5%, compared with prior year reflecting higher fee and transaction-based revenue in the wealth and banking businesses, insurance volumes, and higher revenue from treasury and balance sheet management activities. These were partially offset by lower wholesale trading revenue, and a decrease in the fair value of investments supporting claims liabilities which resulted in a similar decrease in insurance claims.

#### **PROVISION FOR CREDIT LOSSES**

PCL for the year was a recovery of \$224 million, lower by \$7,466 million, compared with prior year. PCL – impaired was \$1,309 million, a decrease of \$1,654 million, or 56%, largely related to improved credit conditions and prior year credit migration in the Wholesale lending portfolio. PCL – performing was a recovery of \$1,533 million, lower by \$5,812 million, reflecting a performing allowance increase in the prior year, and allowance release this year largely related to improved credit conditions, including a more favourable economic outlook. Total PCL as a percentage of credit volume was -0.03%.

#### **INSURANCE CLAIMS AND RELATED EXPENSES**

Insurance claims and related expenses were \$2,707 million, a decrease of \$179 million, or 6%, compared with prior year reflecting more favourable current year claims experience and a decrease in the fair value of investments supporting claims liabilities which resulted in a similar decrease in non-interest income, partially offset by higher current year claims from business growth.

#### **NON-INTEREST EXPENSES**

Reported non-interest expenses for the year were \$23,076 million, an increase of \$1,472 million, or 7%, reflecting an increase in the retailer program partners' net share of the profits from the U.S. strategic cards portfolio, primarily as a result of lower PCL which accounted for approximately 5% of the increase. Non-interest expenses also reflect higher employee-related expenses and higher spend supporting business growth, partially offset by the impact of foreign exchange translation and prior year charges related to the Greystone acquisition, which collectively accounted for 2% of the increase. On an adjusted basis, non-interest expenses were \$22,909 million, an increase of \$1,571 million, or 7%.

#### **PROVISION FOR INCOME TAXES**

Reported total income and other taxes increased by \$2,509 million, or 91.7%, compared with prior year, reflecting an increase in income tax expense of \$2,469 million, or 214.3%, and an increase in other taxes of \$40 million, or 2.5%. Adjusted total income and other taxes increased by \$1,678 million from prior year, or 46.6%, reflecting an increase in income tax expense of \$1,638 million, or 81.1%.

The Bank's reported effective tax rate was 21.1% for 2021, compared with 9.7% prior year. The year-over-year increase primarily reflects the impact of higher pre-tax income as well as the impact of the sale of the Bank's investment in TD Ameritrade 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 25 of the 2021 Consolidated Financial Statements.

The Bank reported its investments in Schwab and TD Ameritrade using the equity method of accounting. Schwab's tax expense (\$280 million in the current year) and TD Ameritrade's tax expense (\$378 million in the prior year) were not part of the Bank's effective tax rate.

#### **BALANCE SHEET**

**Total assets** were \$1,729 billion as at October 31, 2021, an increase of \$13 billion, or 1%, from October 31, 2020. The impact of foreign exchange translation from the appreciation in the Canadian dollar decreased total assets by \$56 billion, or approximately 3%. The increase in total assets reflects debt securities at amortized cost (DSAC), net of allowance for credit losses of \$41 billion, loans, net of allowances for loan losses of \$5 billion and non-trading financial assets at FVTPL of \$1 billion. The increase was partially offset by a decrease in financial assets at fair value through other comprehensive income (FVOCI) of \$24 billion, cash and interest-bearing deposits with banks of \$5 billion, securities purchased under reverse repurchase agreements of \$2 billion, trading loans, securities, and other of \$1 billion, other assets of \$1 billion and investment in Schwab of \$1 billion.

**Total liabilities** were \$1,629 billion as at October 31, 2021, an increase of \$9 billion, or 1%, from October 31, 2020. The impact of foreign exchange translation from the appreciation in the Canadian dollar decreased total liabilities by \$59 billion, or approximately 4%. The increase in total liabilities reflects financial liabilities designated at FVTPL of \$54 billion, derivatives of \$4 billion, trading deposits of \$4 billion and other liabilities of \$2 billion. The increase was partially offset by a decrease in obligations related to securities sold under repurchase agreements of \$45 billion and deposits of \$10 billion.

**Equity** was \$100 billion as at October 31, 2021, an increase of \$4 billion, or 5%, from October 31, 2020. The increase primarily reflects an increase in retained earnings, partially offset by the impact of foreign exchange translation.

GROUP FINANCIAL CONDITION

# Balance Sheet Review

**TABLE 24: CONDENSED CONSOLIDATED BALANCE SHEET ITEMS**

(millions of Canadian dollars)

	<i>As at</i>	
	October 31, 2022	October 31, 2021
<b>Assets</b>		
Cash and Interest-bearing deposits with banks	\$ 145,850	\$ 165,893
Trading loans, securities, and other	143,726	147,590
Non-trading financial assets at fair value through profit or loss	10,946	9,390
Derivatives	103,873	54,427
Financial assets designated at fair value through profit or loss	5,039	4,564
Financial assets at fair value through other comprehensive income	69,675	79,066
Debt securities at amortized cost, net of allowance for credit losses	342,774	268,939
Securities purchased under reverse repurchase agreements	160,167	167,284
Loans, net of allowance for loan losses	831,043	722,622
Investment in Schwab	8,088	11,112
Other	96,347	97,785
<b>Total assets</b>	<b>\$ 1,917,528</b>	<b>\$ 1,728,672</b>
<b>Liabilities</b>		
Trading deposits	\$ 23,805	\$ 22,891
Derivatives	91,133	57,122
Financial liabilities designated at fair value through profit or loss	162,786	113,988
Deposits	1,229,970	1,125,125
Obligations related to securities sold under repurchase agreements	128,024	144,097
Subordinated notes and debentures	11,290	11,230
Other	159,137	154,401
<b>Total liabilities</b>	<b>1,806,145</b>	<b>1,628,854</b>
<b>Total equity</b>	<b>111,383</b>	<b>99,818</b>
<b>Total liabilities and equity</b>	<b>\$ 1,917,528</b>	<b>\$ 1,728,672</b>

**Total assets** were \$1,918 billion as at October 31, 2022, an increase of \$189 billion, or 11%, from October 31, 2021. The impact of foreign exchange translation from the depreciation in the Canadian dollar increased total assets by \$79 billion, or approximately 5%.

The increase in total assets reflects loans, net of allowances for loan losses of \$108 billion, DSAC, net of allowance for credit losses of \$74 billion, derivatives of \$49 billion, and non-trading financial assets at FVTPL of \$2 billion. The increase was partially offset by a decrease in cash and interest-bearing deposits with banks of \$20 billion, financial assets at FVOCI of \$9 billion, securities purchased under reverse repurchase agreements of \$7 billion, trading loans, securities, and other of \$4 billion, investment in Schwab of \$3 billion, other assets of \$1 billion.

**Cash and interest-bearing deposits with banks** decreased \$20 billion primarily reflecting cash management activities, partially offset by the impact of foreign exchange translation.

**Trading loans, securities, and other** decreased \$4 billion primarily in equity securities, partially offset by increase in government-related securities and the impact of foreign exchange translation.

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

**Derivative** assets increased \$49 billion primarily reflecting changes in mark-to-market values of foreign exchange and interest rate contracts.

**Financial assets at fair value through other comprehensive income** decreased \$9 billion primarily reflecting maturities and sales, partially offset by new investments and the impact of foreign exchange translation.

**Debt securities at amortized cost, net of allowance for credit losses** increased \$74 billion reflecting new investments and the impact of foreign exchange translation, partially offset by maturities and sales.

**Securities purchased under reverse repurchase agreements** decreased \$7 billion primarily reflecting a decrease in volume, partially offset by the impact of foreign exchange translation.

**Loans, net of allowance for loan losses** increased \$108 billion reflecting volume growth in business and government loans, real estate secured lending, and the impact of foreign exchange translation.

**Investment in Schwab** decreased \$3 billion primarily reflecting the impact of the Bank's share of Schwab's other comprehensive loss and a reduction in the Bank's ownership interest in Schwab with the sale of approximately 28 million shares, partially offset by the Bank's share of Schwab's net income and the impact of foreign exchange translation.

**Other assets** decreased \$1 billion primarily in amounts receivable from brokers, dealers and clients reflecting lower volumes of pending trades, partially offset by increase in current income tax receivable, and the impact of foreign exchange translation.

**Total liabilities** were \$1,806 billion as at October 31, 2022, an increase of \$177 billion, or 11%, from October 31, 2021. The impact of foreign exchange translation from the depreciation in the Canadian dollar increased total liabilities by \$83 billion, or approximately 5%.

The increase in total liabilities reflects deposits of \$105 billion, financial liabilities designated at FVTPL of \$49 billion, derivatives of \$34 billion, other liabilities of \$4 billion and trading deposits of \$1 billion. The increase was partially offset by a decrease in obligations related to securities sold under repurchase agreements of \$16 billion.

**Trading deposits** increased \$1 billion primarily reflecting impact of foreign exchange translation.

**Derivative** liabilities increased \$34 billion primarily reflecting changes in mark-to-market values of foreign exchange and interest rate contracts.

**Financial liabilities designated at fair value through profit or loss** increased \$49 billion primarily reflecting new issuances and the impact of foreign exchange translation, partially offset by maturities.

**Deposits** increased \$105 billion reflecting volume growth in business and government deposits and deposit with banks, and the impact of foreign exchange translation, partially offset by lower volumes in personal deposits.

**Obligations related to securities sold under repurchase agreements** decreased \$16 billion reflecting a decrease in volume, partially offset by the impact of foreign exchange translation.

**Other** liabilities increased \$4 billion primarily reflecting an increase in liabilities related to structured entities and the impact of foreign exchange translation.

**Equity** was \$111 billion as at October 31, 2022, an increase of \$12 billion from October 31, 2021. The increase primarily reflects an increase in retained earnings, and preferred shares and other equity instruments, partially offset by a decrease in accumulated other comprehensive income. The decrease in accumulated other comprehensive income is primarily driven by losses on cash flow hedges and from the Bank's share of the other comprehensive loss from the investment in Schwab, partially offset by the impact of foreign exchange translation.

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## GROUP FINANCIAL CONDITION

### Credit Portfolio Quality

#### AT A GLANCE OVERVIEW

- **Loans and acceptances, net of allowance for loan losses were \$853 billion, an increase of \$110 billion compared with last year.**
- **Impaired loans net of Stage 3 allowances were \$1,746 million, a decrease of \$36 million compared with last year.**
- **Provision for credit losses was \$1,067 million, compared with a recovery of \$224 million last year.**
- **Total allowance for credit losses including off-balance sheet positions increased by \$111 million to \$7,366 million.**

#### LOAN PORTFOLIO

The Bank increased its loans and acceptances net of allowance for loan losses by \$110 billion, or 15%, from the prior year, primarily reflecting volume growth in the business and government and real estate secured lending portfolios, and the impact of foreign exchange.

While the majority of the Bank's 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 2022 Consolidated Financial Statements.

#### CONCENTRATION OF CREDIT RISK

The Bank's loan portfolio continued to be concentrated in Canadian and U.S. residential mortgages, consumer instalment and other personal loans, and credit card loans, representing 63% of total loans net of Stage 3 allowances, down 3% from 2021. During the year, these portfolios increased by \$47 billion, or 10%, and totalled \$536 billion at year end. Residential mortgages represented 34% of total loans net of Stage 3 allowances in 2022, down 2% from 2021. Consumer instalment and other personal loans, and credit card loans were 28% of total loans net of Stage 3 allowances in 2022, down 2% from 2021.

The Bank's business and government loan portfolio was 38% of total loans net of Stage 3 allowances, up 4% from 2021. The largest business and government sector concentrations in Canada were the Real estate and Financial sectors, which comprised 6% and 2% of net loans, respectively. Real estate and Financial sectors were the largest U.S. sector concentrations in 2022, representing 4% and 3% of net loans, respectively.

Geographically, the credit portfolio remained concentrated in Canada. In 2022, the percentage of loans net of Stage 3 allowances held in Canada was 66%, down 3% from 2021. The largest Canadian regional exposure was in Ontario, which represented 39% of total loans net of Stage 3 allowances for 2022, compared with 40% in the prior year.

The remaining credit portfolio was predominantly in the U.S., which represented 32% of loans net of Stage 3 allowances, up 2% from 2021. Exposures to acquired credit-impaired (ACI) loans, and other geographic regions were relatively small. The largest U.S. regional exposures were in New York, New England, and New Jersey which represented 6%, 5%, and 3% of total loans net of Stage 3 allowances, respectively, compared with 6%, 5%, and 4% in the prior year.

Under IFRS 9, *Financial Instruments* (IFRS 9), the Bank calculates allowances for expected credit losses (ECLs) on DSAC and debt securities at FVOCI. The Bank has \$407 billion in such debt securities of which \$407 billion are performing securities (Stage 1 and 2) and none are impaired. The allowance for credit losses on DSAC and debt securities at FVOCI was \$1 million and \$2 million, respectively.

**TABLE 25: LOANS AND ACCEPTANCES, NET OF STAGE 3 ALLOWANCE FOR LOAN LOSSES BY INDUSTRY SECTOR<sup>1,2</sup>**

(millions of Canadian dollars, except as noted)

					Percentage of total	
			October 31 2022	October 31 2021	October 31 2022	October 31 2021
	Gross loans	Stage 3 allowances for loan losses impaired	Net loans	Net loans		
<b>Canada</b>						
Residential mortgages	\$ 246,206	\$ 21	\$ 246,185	\$ 231,642	28.7 %	31.0 %
Consumer instalment and other personal						
HELOC <sup>3</sup>	113,346	27	113,319	101,913	13.2	13.6
Indirect Auto	27,187	48	27,139	27,541	3.2	3.7
Other	18,448	30	18,418	19,229	2.1	2.6
Credit card	17,375	52	17,323	15,100	2.0	2.0
Total personal	422,562	178	422,384	395,425	49.2	52.9
Real estate						
Residential	27,139	1	27,138	24,715	3.2	3.3
Non-residential	22,529	17	22,512	18,840	2.6	2.5
Total real estate	49,668	18	49,650	43,555	5.8	5.8
Agriculture	9,222	1	9,221	9,058	1.1	1.2
Automotive	7,072	5	7,067	4,985	0.8	0.7
Financial	18,018	–	18,018	15,134	2.1	2.0
Food, beverage, and tobacco	3,016	4	3,012	2,582	0.4	0.3
Forestry	635	–	635	577	0.1	0.1
Government, public sector entities, and education	3,722	19	3,703	2,873	0.4	0.4
Health and social services	9,133	19	9,114	8,431	1.1	1.1
Industrial construction and trade contractors	5,490	83	5,407	4,541	0.6	0.6
Metals and mining	2,194	12	2,182	1,658	0.3	0.2
Oil and gas	2,422	19	2,403	2,479	0.3	0.5
Power and utilities	6,275	–	6,275	3,923	0.7	0.3
Professional and other services	5,249	32	5,217	4,360	0.6	0.6
Retail sector	4,284	68	4,216	3,639	0.5	0.5
Sundry manufacturing and wholesale	4,275	7	4,268	2,754	0.5	0.4
Telecommunications, cable, and media	4,154	5	4,149	2,692	0.5	0.4
Transportation	3,440	13	3,427	3,295	0.4	0.4
Other	6,131	3	6,128	5,314	0.7	0.7
Total business and government	144,400	308	144,092	121,850	16.9	16.2
Total Canada	566,962	486	566,476	517,275	66.1	69.1
<b>United States</b>						
Residential mortgages	47,646	35	47,611	36,555	5.5	4.9
Consumer instalment and other personal						
HELOC	9,887	20	9,867	8,700	1.2	1.2
Indirect Auto	36,385	26	36,359	31,527	4.3	4.3
Other	865	3	862	766	0.1	0.1
Credit card	18,629	155	18,474	15,495	2.2	2.1
Total personal	113,412	239	113,173	93,043	13.3	12.6
Real estate						
Residential	10,669	1	10,668	9,238	1.2	1.2
Non-residential	25,641	4	25,637	21,513	2.9	2.8
Total real estate	36,310	5	36,305	30,751	4.1	4.0
Agriculture	1,158	–	1,158	737	0.1	0.1
Automotive	7,779	–	7,779	4,210	0.9	0.6
Financial	22,480	–	22,480	16,337	2.6	2.2
Food, beverage, and tobacco	3,644	1	3,643	3,014	0.4	0.4
Forestry	521	2	519	467	0.1	0.1
Government, public sector entities, and education	15,830	1	15,829	14,033	1.8	1.8
Health and social services	15,706	3	15,703	13,735	1.8	1.8
Industrial construction and trade contractors	1,916	4	1,912	2,362	0.2	0.3
Metals and mining	1,863	1	1,862	1,453	0.2	0.2
Oil and gas	1,153	5	1,148	1,123	0.1	0.3
Power and utilities	5,923	–	5,923	3,739	0.7	0.4
Professional and other services	14,691	2	14,689	11,665	1.7	1.6
Retail sector	5,499	3	5,496	5,359	0.6	0.7
Sundry manufacturing and wholesale	8,378	2	8,376	6,221	1.0	0.8
Telecommunications, cable, and media	9,106	–	9,106	3,212	1.1	0.4
Transportation	5,278	1	5,277	6,995	0.6	0.9
Other	3,092	2	3,090	2,289	0.4	0.3
Total business and government	160,327	32	160,295	127,702	18.4	16.9
Total United States	273,739	271	273,468	220,745	31.7	29.5
<b>International</b>						
Personal	23	–	23	34	–	–
Business and government	18,722	–	18,722	10,227	2.2	1.4
Total international	18,745	–	18,745	10,261	2.2	1.4
Total excluding other loans	859,446	757	858,689	748,281	100.0	100.0
<b>Other loans</b>						
Acquired credit-impaired loans <sup>4</sup>	115	4	111	146	–	–
Total other loans	115	4	111	146	–	–
<b>Total</b>	<b>\$ 859,561</b>	<b>\$ 761</b>	<b>\$ 858,800</b>	<b>\$ 748,427</b>	<b>100.0 %</b>	<b>100.0 %</b>
<b>Stage 1 and Stage 2 allowance for loan losses – performing</b>						
Personal, business and government			5,671	5,755		
<b>Total, net of allowance</b>			<b>\$ 853,129</b>	<b>\$ 742,672</b>		
Percentage change over previous year – loans and acceptances, net of Stage 3 allowance for loan losses (impaired)			14.7 %	0.8 %		
Percentage change over previous year – loans and acceptances, net of allowance			14.9	1.0		

<sup>1</sup> Primarily based on the geographic location of the customer's address.<sup>2</sup> Includes loans that are measured at FVOCI.<sup>3</sup> Home equity line of credit.<sup>4</sup> Includes Federal Deposit Insurance Corporation (FDIC) covered loans and other ACI loans.

**TABLE 26: LOANS AND ACCEPTANCES, NET OF STAGE 3 ALLOWANCE FOR LOAN LOSSES BY GEOGRAPHY<sup>1,2</sup>**

(millions of Canadian dollars, except as noted)

			As at		Percentage of total	
			October 31 2022	October 31 2021	October 31 2022	October 31 2021
	Gross loans	Stage 3 allowances for loan losses impaired	Net loans	Net loans		
<b>Canada</b>						
Atlantic provinces	\$ 13,416	\$ 18	\$ 13,398	\$ 12,868	1.6 %	1.7 %
British Columbia <sup>3</sup>	89,058	40	89,018	78,435	10.4	10.5
Ontario <sup>3</sup>	332,229	339	331,890	300,736	38.6	40.2
Prairies <sup>3</sup>	85,914	52	85,862	82,951	10.0	11.1
Québec	46,345	37	46,308	42,285	5.4	5.6
<b>Total Canada</b>	<b>566,962</b>	<b>486</b>	<b>566,476</b>	<b>517,275</b>	<b>66.0</b>	<b>69.1</b>
<b>United States</b>						
Carolinas (North and South)	16,629	12	16,617	12,587	1.9	1.7
Florida	22,654	21	22,633	18,653	2.6	2.5
New England <sup>4</sup>	42,810	31	42,779	35,422	5.0	4.7
New Jersey	23,336	24	23,312	27,834	2.7	3.7
New York	52,244	43	52,201	43,297	6.1	5.8
Pennsylvania	17,047	12	17,035	12,962	2.0	1.7
Other <sup>5</sup>	99,019	128	98,891	69,990	11.5	9.4
<b>Total United States</b>	<b>273,739</b>	<b>271</b>	<b>273,468</b>	<b>220,745</b>	<b>31.8</b>	<b>29.5</b>
<b>International</b>						
Europe	6,208	–	6,208	4,212	0.7	0.6
Other	12,537	–	12,537	6,049	1.5	0.8
<b>Total international</b>	<b>18,745</b>	<b>–</b>	<b>18,745</b>	<b>10,261</b>	<b>2.2</b>	<b>1.4</b>
<b>Total excluding other loans</b>	<b>859,446</b>	<b>757</b>	<b>858,689</b>	<b>748,281</b>	<b>100.0</b>	<b>100.0</b>
<b>Other loans</b>	<b>115</b>	<b>4</b>	<b>111</b>	<b>146</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>\$ 859,561</b>	<b>\$ 761</b>	<b>\$ 858,800</b>	<b>\$ 748,427</b>	<b>100.0 %</b>	<b>100.0 %</b>
Stage 1 and Stage 2 allowances			5,671	5,755		
<b>Total, net of allowance</b>			<b>\$ 853,129</b>	<b>\$ 742,672</b>		

**Percentage change over previous year – loans and acceptances, net of Stage 3 allowances for loan losses (impaired)**

	2022	2021
Canada	9.5 %	6.8 %
United States	23.9	(11.3)
International	82.7	11.3
Other loans	(24.0)	(34.2)
<b>Total</b>	<b>14.9 %</b>	<b>1.0 %</b>

<sup>1</sup> Primarily based on the geographic location of the customer's address.<sup>2</sup> Includes loans that are measured at FVOCI.<sup>3</sup> The territories are included as follows: Yukon is included in British Columbia; Nunavut is included in Ontario; and Northwest Territories is included in the Prairies region.<sup>4</sup> The states included in New England are as follows: Connecticut, Maine, Massachusetts, New Hampshire, and Vermont.<sup>5</sup> Includes loans attributable to other states/regions including those outside TD's core U.S. geographic footprint.**REAL ESTATE SECURED LENDING**

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

**TABLE 27: CANADIAN REAL ESTATE SECURED LENDING<sup>1</sup>**

(millions of Canadian dollars)

	As at				Total real estate secured lending
	Residential Mortgages	Home equity lines of credit	Amortizing Total amortizing real estate secured lending	Non-amortizing Home equity lines of credit	
<b>Total</b>	<b>\$ 246,206</b>	<b>\$ 81,689</b>	<b>\$ 327,895</b>	<b>\$ 31,657</b>	<b>\$ 359,552</b>
<b>Total</b>	<b>\$ 231,675</b>	<b>\$ 71,016</b>	<b>\$ 302,691</b>	<b>\$ 30,917</b>	<b>\$ 333,608</b>

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

**TABLE 28: REAL ESTATE SECURED LENDING<sup>1,2</sup>**

(millions of Canadian dollars, except as noted)

	As at												
	Residential mortgages						Home equity lines of credit						Total
	Insured <sup>3</sup>		Uninsured		Insured <sup>3</sup>		Uninsured		Insured <sup>3</sup>		Uninsured		
												October 31, 2022	
<b>Canada</b>													
Atlantic provinces	\$ 2,713	1.1 %	\$ 4,117	1.7 %	\$ 227	0.2 %	\$ 1,697	1.5 %	\$ 2,940	0.8 %	\$ 5,814	1.6 %	
British Columbia <sup>4</sup>	8,897	3.6	41,612	16.9	1,265	1.1	20,386	18.0	10,162	2.8	61,998	17.2	
Ontario <sup>4</sup>	23,146	9.4	106,940	43.4	4,619	4.1	60,357	53.2	27,765	7.8	167,297	46.6	
Prairies <sup>4</sup>	19,259	7.8	18,391	7.5	2,107	1.9	11,734	10.4	21,366	5.9	30,125	8.4	
Québec	7,670	3.1	13,461	5.5	735	0.6	10,219	9.0	8,405	2.3	23,680	6.6	
<b>Total Canada</b>	<b>61,685</b>	<b>25.0 %</b>	<b>184,521</b>	<b>75.0 %</b>	<b>8,953</b>	<b>7.9 %</b>	<b>104,393</b>	<b>92.1 %</b>	<b>70,638</b>	<b>19.6 %</b>	<b>288,914</b>	<b>80.4 %</b>	
United States	1,127		46,591		–		9,895		1,127		56,486		
<b>Total</b>	<b>\$ 62,812</b>		<b>\$ 231,112</b>		<b>\$ 8,953</b>		<b>\$ 114,288</b>		<b>\$ 71,765</b>		<b>\$ 345,400</b>		
												October 31, 2021	
<b>Canada</b>													
Atlantic provinces	\$ 3,007	1.3 %	\$ 3,575	1.5 %	\$ 265	0.3 %	\$ 1,451	1.4 %	\$ 3,272	1.0 %	\$ 5,026	1.5 %	
British Columbia <sup>4</sup>	9,522	4.1	37,169	16.0	1,446	1.4	17,738	17.4	10,968	3.3	54,907	16.5	
Ontario <sup>4</sup>	25,603	11.1	94,913	41.1	5,173	5.1	52,977	52.0	30,776	9.1	147,890	44.3	
Prairies <sup>4</sup>	20,590	8.9	17,244	7.4	2,425	2.4	11,314	11.1	23,015	6.9	28,558	8.6	
Québec	8,138	3.5	11,914	5.1	841	0.8	8,303	8.1	8,979	2.7	20,217	6.1	
<b>Total Canada</b>	<b>66,860</b>	<b>28.9 %</b>	<b>164,815</b>	<b>71.1 %</b>	<b>10,150</b>	<b>10.0 %</b>	<b>91,783</b>	<b>90.0 %</b>	<b>77,010</b>	<b>23.0 %</b>	<b>256,598</b>	<b>77.0 %</b>	
United States	868		35,797		–		8,736		868		44,533		
<b>Total</b>	<b>\$ 67,728</b>		<b>\$ 200,612</b>		<b>\$ 10,150</b>		<b>\$ 100,519</b>		<b>\$ 77,878</b>		<b>\$ 301,131</b>		

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

The following table provides a summary of the period over which the Bank's residential mortgages would be fully repaid based on the amount of the most recent payment received. All figures are calculated based on current customer payment amounts, including voluntary payments larger than the original contractual amounts and/or other voluntary prepayments. The most recent customer payment amount may exceed the original contractual amount due.

Balances with a remaining amortization longer than 30 years primarily reflect Canadian variable rate mortgages where interest rate increases relative to current customer payment levels have resulted in a longer current amortization period. At renewal, the amortization period for Canadian mortgages reverts to the remaining contractual amortization, which may require increased payments.

**TABLE 29: RESIDENTIAL MORTGAGES BY REMAINING AMORTIZATION<sup>1,2</sup>**

	As at								Total
	<=5 years	>5 – 10 years	>10 – 15 years	>15 – 20 years	>20 – 25 years	>25 – 30 years	>30 – 35 years	>35 years	
									October 31, 2022
<b>Canada</b>	0.8 %	2.7 %	5.4 %	13.5 %	29.5 %	19.2 %	3.7 %	25.2 %	100.0 %
United States	8.3	2.0	4.1	6.3	13.1	64.9	0.7	0.6	100.0
<b>Total</b>	<b>2.0 %</b>	<b>2.6 %</b>	<b>5.2 %</b>	<b>12.3 %</b>	<b>26.8 %</b>	<b>26.7 %</b>	<b>3.2 %</b>	<b>21.2 %</b>	<b>100.0 %</b>
									October 31, 2021
Canada	0.9 %	3.2 %	6.6 %	19.0 %	42.1 %	28.2 %	–	–	100.0 %
United States	8.4	3.2	4.6	5.7	17.8	58.1	2.0	0.2	100.0
<b>Total</b>	<b>1.9 %</b>	<b>3.2 %</b>	<b>6.4 %</b>	<b>17.2 %</b>	<b>38.7 %</b>	<b>32.3 %</b>	<b>0.3 %</b>	<b>–</b>	<b>100.0 %</b>

<sup>1</sup> Excludes loans classified as trading as the Bank intends to sell the loans immediately or in the near term, and loans designated at FVTPL for which no allowance is recorded.<sup>2</sup> Percentage based on outstanding balance.**TABLE 30: UNINSURED AVERAGE LOAN-TO-VALUE – Newly Originated and Newly Acquired<sup>1,2,3</sup>**

	For the 12 months ended					
	October 31, 2022			October 31, 2021		
	Residential mortgages	Home equity lines of credit <sup>4,5</sup>	Total	Residential mortgages	Home equity lines of credit <sup>4,5</sup>	Total
<b>Canada</b>						
Atlantic provinces	71 %	69 %	70 %	73 %	71 %	72 %
British Columbia <sup>6</sup>	66	63	65	68	65	67
Ontario <sup>6</sup>	66	63	65	68	66	67
Prairies <sup>6</sup>	74	71	73	74	71	73
Québec	71	71	71	73	72	72
<b>Total Canada</b>	<b>67</b>	<b>65</b>	<b>66</b>	<b>69</b>	<b>67</b>	<b>68</b>
United States	71	64	69	72	63	70
<b>Total</b>	<b>68 %</b>	<b>65 %</b>	<b>67 %</b>	<b>69 %</b>	<b>66 %</b>	<b>68 %</b>

<sup>1</sup> Geographic location is based on the address of the property mortgaged.<sup>2</sup> Excludes loans classified as trading as the Bank intends to sell the loans immediately or in the near term, and loans designated at FVTPL for which no allowance is recorded.<sup>3</sup> Based on house price at origination.<sup>4</sup> HELOC loan-to-value includes first position collateral mortgage if applicable.<sup>5</sup> HELOC fixed rate advantage option is included in loan-to-value calculation.<sup>6</sup> The territories are included as follows: Yukon is included in British Columbia; Nunavut is included in Ontario; and the Northwest Territories is included in the Prairies region.

## IMPAIRED LOANS

A loan is considered impaired and migrates to Stage 3 when it is 90 days or more past due for retail exposures, rated borrower risk rating (BRR) 9 for non-retail exposures, or when there is objective evidence that there has been a deterioration of credit quality to the extent that the Bank no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. Gross impaired loans excluding ACI loans increased \$92 million, or 4%, compared with the prior year.

In Canada, impaired loans net of Stage 3 allowances decreased by \$25 million, or 5% in 2022. Residential mortgages, consumer instalment and other personal loans, and credit cards, had net impaired loans of \$295 million, a decrease of \$57 million, or 16%, impacted by improved credit conditions, and largely reflected in the residential mortgage and HELOC portfolios. Business and government impaired loans net of Stage 3 allowances were \$193 million, an increase of \$32 million, or 20%, compared with the prior year, as new formations outpaced resolutions.

In the U.S., net impaired loans decreased by \$11 million, or 1% in 2022. Residential mortgages, consumer instalment and other personal loans, and credit cards, had net impaired loans of \$990 million, an increase of \$69 million, or 7%, compared with the prior year reflecting the impact of foreign exchange and some normalization of credit performance. Business and government net impaired loans were \$268 million, a decrease of \$80 million, or 23%, compared with the prior year reflecting resolutions outpacing new formations, partially offset by the impact of foreign exchange.

Geographically, 28% of total net impaired loans were located in Canada and 72% in the U.S. The largest regional concentration of net impaired loans in Canada was in Ontario, representing 15% of total net impaired loans, compared with 14% in the prior year. The largest regional concentration of net impaired loans in the U.S. was in New York, representing 18% of total net impaired loans, compared with 18% in the prior year.

**TABLE 31: CHANGES IN GROSS IMPAIRED LOANS AND ACCEPTANCES<sup>1,2,3</sup>**

(millions of Canadian dollars)	2022	2021
<b>Personal, Business and Government Loans</b>		
Impaired loans as at beginning of period	\$ 2,411	\$ 3,157
Classified as impaired during the period	4,339	3,839
Transferred to performing during the period	(1,009)	(938)
Net repayments	(1,418)	(1,322)
Disposals of loans	(1)	(18)
Amounts written off	(1,994)	(2,173)
Exchange and other movements	175	(134)
<b>Impaired loans as at end of year</b>	<b>\$ 2,503</b>	<b>\$ 2,411</b>

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

<sup>2</sup> Excludes ACI loans.

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



**TABLE 32: IMPAIRED LOANS NET OF STAGE 3 ALLOWANCE FOR LOAN LOSSES BY INDUSTRY SECTOR<sup>1,2,3,4</sup>**

(millions of Canadian dollars, except as noted)

			As at		Percentage of total	
			Oct. 31 2022	Oct. 31 2021	Oct. 31 2022	Oct. 31 2021
	Gross impaired loans	Stage 3 allowances for loan losses impaired	Net impaired loans	Net impaired loans		
<b>Canada</b>						
Residential mortgages	\$ 172	\$ 21	\$ 151	\$ 200	8.7 %	11.2 %
Consumer instalment and other personal						
HELOC	94	27	67	101	3.8	5.7
Indirect Auto	74	48	26	12	1.5	0.7
Other	46	30	16	11	0.9	0.6
Credit card <sup>5</sup>	87	52	35	28	2.0	1.6
Total personal	473	178	295	352	16.9	19.8
Real estate						
Residential	3	1	2	1	0.1	0.1
Non-residential	37	17	20	2	1.2	0.1
Total real estate	40	18	22	3	1.3	0.2
Agriculture	10	1	9	8	0.5	0.4
Automotive	11	5	6	6	0.3	0.3
Financial	–	–	–	–	–	–
Food, beverage, and tobacco	11	4	7	4	0.4	0.2
Forestry	1	–	1	1	0.1	0.1
Government, public sector entities, and education	23	19	4	–	0.2	–
Health and social services	51	19	32	22	1.8	1.2
Industrial construction and trade contractors	91	83	8	27	0.5	1.5
Metals and mining	31	12	19	3	1.1	0.2
Oil and gas	30	19	11	17	0.6	1.0
Power and utilities	–	–	–	–	–	–
Professional and other services	49	32	17	10	1.0	0.5
Retail sector	107	68	39	52	2.2	2.9
Sundry manufacturing and wholesale	11	7	4	3	0.2	0.2
Telecommunications, cable, and media	8	5	3	3	0.2	0.2
Transportation	18	13	5	2	0.3	0.1
Other	9	3	6	–	0.3	–
Total business and government	501	308	193	161	11.0	9.0
Total Canada	974	486	488	513	27.9	28.8
<b>United States</b>						
Residential mortgages	468	35	433	379	24.8	21.3
Consumer instalment and other personal						
HELOC	280	20	260	310	14.9	17.4
Indirect Auto	213	26	187	171	10.7	9.6
Other	6	3	3	2	0.2	0.1
Credit card <sup>5</sup>	262	155	107	59	6.1	3.3
Total personal	1,229	239	990	921	56.7	51.7
Real estate						
Residential	19	1	18	46	1.0	2.5
Non-residential	48	4	44	91	2.5	5.1
Total real estate	67	5	62	137	3.5	7.6
Agriculture	1	–	1	1	0.1	0.1
Automotive	5	–	5	4	0.3	0.2
Financial	2	–	2	7	0.1	0.4
Food, beverage, and tobacco	5	1	4	8	0.2	0.4
Forestry	2	2	–	–	–	–
Government, public sector entities, and education	4	1	3	5	0.2	0.3
Health and social services	28	3	25	20	1.4	1.1
Industrial construction and trade contractors	24	4	20	14	1.1	0.8
Metals and mining	4	1	3	14	0.2	0.8
Oil and gas	6	5	1	1	0.1	0.1
Power and utilities	–	–	–	7	–	0.4
Professional and other services	44	2	42	53	2.4	3.0
Retail sector	45	3	42	29	2.4	1.6
Sundry manufacturing and wholesale	40	2	38	12	2.2	0.7
Telecommunications, cable, and media	5	–	5	6	0.3	0.3
Transportation	11	1	10	25	0.6	1.4
Other	7	2	5	5	0.3	0.3
Total business and government	300	32	268	348	15.4	19.5
Total United States	1,529	271	1,258	1,269	72.1	71.2
<b>International</b>						
Total	\$ 2,503	\$ 757	\$ 1,746	\$ 1,782	100.0%	100.0%
<b>Net impaired loans as a % of common equity</b>			1.74 %	1.89 %		

<sup>1</sup> Includes customers' liability under acceptances.<sup>2</sup> Primarily based on the geographic location of the customer's address.<sup>3</sup> Includes loans that are measured at FVOCI.<sup>4</sup> Excludes ACI loans, debt securities classified as loans under IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39) and DSAC and debt securities at FVOCI under IFRS 9.<sup>5</sup> Credit cards are considered impaired when they are 90 days past due and written off at 180 days past due.

**TABLE 33: IMPAIRED LOANS NET OF STAGE 3 ALLOWANCE FOR LOAN LOSSES BY GEOGRAPHY<sup>1,2,3,4,5</sup>**

(millions of Canadian dollars, except as noted)

			October 31	As at	October 31	Percentage of total
	Gross impaired loans	Stage 3 allowances for loan losses impaired	2022	October 31 2021	October 31 2022	October 31 2021
<b>Canada</b>						
Atlantic provinces	\$ 29	\$ 18	\$ 11	\$ 18	0.6 %	1.0 %
British Columbia <sup>6</sup>	93	40	53	61	3.0	3.4
Ontario <sup>6</sup>	596	339	257	244	14.7	13.7
Prairies <sup>6</sup>	184	52	132	165	7.6	9.3
Québec	72	37	35	25	2.0	1.4
<b>Total Canada</b>	<b>974</b>	<b>486</b>	<b>488</b>	<b>513</b>	<b>27.9</b>	<b>28.8</b>
<b>United States</b>						
Carolinas (North and South)	83	12	71	64	4.1	3.6
Florida	155	21	134	136	7.7	7.6
New England <sup>7</sup>	238	31	207	235	11.9	13.2
New Jersey	183	24	159	157	9.1	8.8
New York	365	43	322	319	18.4	17.9
Pennsylvania	89	12	77	82	4.4	4.6
Other	416	128	288	276	16.5	15.5
<b>Total United States</b>	<b>1,529</b>	<b>271</b>	<b>1,258</b>	<b>1,269</b>	<b>72.1</b>	<b>71.2</b>
<b>Total</b>	<b>\$ 2,503</b>	<b>\$ 757</b>	<b>\$ 1,746</b>	<b>\$ 1,782</b>	<b>100.0 %</b>	<b>100.0 %</b>
<b>Net impaired loans as a % of net loans</b>			<b>0.20 %</b>	<b>0.24 %</b>		

<sup>1</sup> Includes customers' liability under acceptances.<sup>2</sup> Primarily based on the geographic location of the customer's address.<sup>3</sup> Includes loans that are measured at FVOCI.<sup>4</sup> Excludes ACI loans.<sup>5</sup> Credit cards are considered impaired when they are 90 days past due and written off at 180 days past due.<sup>6</sup> The territories are included as follows: Yukon is included in British Columbia; Nunavut is included in Ontario; and the Northwest Territories is included in the Prairies region.<sup>7</sup> The states included in New England are as follows: Connecticut, Maine, Massachusetts, New Hampshire, and Vermont.**ALLOWANCE FOR CREDIT LOSSES**

The allowance for credit losses including off-balance sheet positions of \$7,366 million as at October 31, 2022, was comprised of Stage 3 allowance for impaired loans of \$764 million, Stage 2 allowance of \$3,644 million, and Stage 1 allowance of \$2,955 million, and allowance for debt securities of \$3 million. The Stage 1 and 2 allowances are for performing loans and off-balance sheet instruments.

*Stage 3 allowances (impaired)*

The Stage 3 allowance for loan losses increased \$126 million, or 20%, compared with last year, reflecting some normalization of credit performance, and the impact of foreign exchange.

*Stage 1 and Stage 2 allowances (performing)*

As at October 31, 2022, the performing allowance was \$6,599 million, down from \$6,608 million as at October 31, 2021. The decrease this year largely reflected improved credit conditions, partially offset by the impact of foreign exchange. The performing allowance change included an increase of \$20 million attributable to the partners' share of the U.S. strategic cards portfolios. The performing allowance for debt securities decreased by \$6 million compared with last year.

Forward-looking information, including macroeconomic variables deemed to be predictive of ECLs based on the Bank's experience, is used to determine ECL scenarios and associated probability weights to determine the probability-weighted ECLs. Each quarter, all base forecast macroeconomic variables are refreshed, resulting in new upside and downside macroeconomic scenarios. The probability weightings assigned to each ECL scenario are also reviewed each quarter and updated as required, as part of the Bank's ECL governance process. As a result of periodic reviews and quarterly updates, the allowance for credit losses may be revised to reflect updates in loss estimates based on the Bank's recent loss experience and its forward-looking views. The Bank periodically reviews the methodology and has performed certain additional qualitative portfolio and loan level assessments of significant increase in credit risk. Refer to Note 3 of the Bank's 2022 Consolidated Financial Statements for further details on forward-looking information.

The probability-weighted allowance for credit losses reflects the Bank's forward-looking views. To the extent that certain anticipated effects cannot be fully incorporated into quantitative models, management continues to exercise expert credit judgment in determining the amount of ECLs. There remains considerable uncertainty regarding the economic trajectory, and the allowance for credit losses will be updated in future quarters as additional information becomes available. Refer to Note 3 of the Bank's 2022 Consolidated Financial Statements for additional detail.

**PROVISION FOR CREDIT LOSSES**

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

In Canada, PCL – impaired related to residential mortgages, consumer instalment and other personal loans, and credit card loans was \$565 million, an increase of \$12 million, or 2%, compared to 2021. PCL – impaired related to business and government loans was \$97 million, a decrease of \$5 million or 5%, compared with last year.

In the U.S., PCL – impaired related to residential mortgages, consumer instalment and other personal loans, and credit card loans was \$743 million, an increase of \$154 million, or 26%, compared to 2021, largely related to some normalization of credit performance and the impact of foreign exchange. PCL – impaired related to business and government loans was \$37 million, a decrease of \$36 million or 49%, compared with last year, largely reflecting improved credit conditions.

Geographically, the largest regional concentration of PCL – impaired in Canada was in Ontario. The largest regional concentration of PCL – impaired in the U.S. was in New York.

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

<b>TABLE 34: PROVISION FOR CREDIT LOSSES</b>		
(millions of Canadian dollars)	2022	2021
<b>Provision for credit losses – Stage 3 (impaired)</b>		
Canadian Personal and Commercial Banking	\$ 639	\$ 650
U.S. Retail	522	438
Wealth Management and Insurance	–	2
Wholesale Banking	19	8
Corporate <sup>1</sup>	257	211
<b>Total provision for credit losses – Stage 3</b>	<b>1,437</b>	<b>1,309</b>
<b>Provision for credit losses – Stage 1 and Stage 2 (performing)<sup>2</sup></b>		
Canadian Personal and Commercial Banking	(148)	(394)
U.S. Retail	(187)	(688)
Wealth Management and Insurance	1	–
Wholesale Banking	18	(126)
Corporate <sup>1</sup>	(54)	(325)
<b>Total provision for credit losses – Stage 1 and 2</b>	<b>(370)</b>	<b>(1,533)</b>
<b>Provision for credit losses</b>	<b>\$ 1,067</b>	<b>\$ (224)</b>

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

<sup>2</sup> Includes PCL on financial assets, loan commitments, and financial guarantees.

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

(millions of Canadian dollars, except as noted)

	For the years ended		Percentage of total	
	October 31 2022	October 31 2021	October 31 2022	October 31 2021
<b>Stage 3 provision for credit losses (impaired)</b>				
<b>Canada</b>				
Residential mortgages	\$ (4)	\$ –	(0.3)%	– %
Consumer instalment and other personal				
HELOC	12	3	0.8	0.2
Indirect auto	156	151	10.9	11.5
Other	128	126	8.9	9.6
Credit card	273	273	19.0	20.9
<b>Total personal</b>	<b>565</b>	<b>553</b>	<b>39.3</b>	<b>42.2</b>
Real estate				
Residential	–	1	–	0.1
Non-residential	16	–	1.1	–
<b>Total real estate</b>	<b>16</b>	<b>1</b>	<b>1.1</b>	<b>0.1</b>
Agriculture	(1)	(1)	(0.1)	(0.1)
Automotive	(2)	4	(0.1)	0.3
Financial	–	–	–	–
Food, beverage, and tobacco	1	2	0.1	0.2
Forestry	–	–	–	–
Government, public sector entities, and education	–	24	–	1.8
Health and social services	3	7	0.2	0.5
Industrial construction and trade contractors	18	24	1.2	1.8
Metals and mining	9	1	0.6	0.1
Oil and gas	(2)	8	(0.1)	0.6
Power and utilities	–	–	–	–
Professional and other services	24	13	1.7	1.0
Retail sector	14	9	1.0	0.7
Sundry manufacturing and wholesale	–	–	–	–
Telecommunications, cable, and media	–	–	–	–
Transportation	7	7	0.5	0.5
Other	10	3	0.7	0.3
<b>Total business and government</b>	<b>97</b>	<b>102</b>	<b>6.8</b>	<b>7.8</b>
<b>Total Canada</b>	<b>662</b>	<b>655</b>	<b>46.1</b>	<b>50.0</b>
<b>United States</b>				
Residential mortgages	10	(4)	0.7	(0.3)
Consumer instalment and other personal				
HELOC	(12)	(19)	(0.8)	(1.5)
Indirect auto	69	92	4.8	7.0
Other	210	140	14.6	10.7
Credit card	466	380	32.4	29.1
<b>Total personal</b>	<b>743</b>	<b>589</b>	<b>51.7</b>	<b>45.0</b>
Real estate				
Residential	–	3	–	0.2
Non-residential	(5)	(4)	(0.3)	(0.3)
<b>Total real estate</b>	<b>(5)</b>	<b>(1)</b>	<b>(0.3)</b>	<b>(0.1)</b>
Agriculture	–	–	–	–
Automotive	–	–	–	–
Financial	(1)	5	(0.1)	0.4
Food, beverage, and tobacco	(1)	3	(0.1)	0.2
Forestry	16	–	1.1	–
Government, public sector entities, and education	–	(1)	–	(0.1)
Health and social services	5	3	0.3	0.2
Industrial construction and trade contractors	4	4	0.3	0.3
Metals and mining	1	(1)	0.1	(0.1)
Oil and gas	(2)	8	(0.1)	0.6
Power and utilities	–	3	–	0.2
Professional and other services	(1)	2	(0.1)	0.2
Retail sector	3	8	0.2	0.6
Sundry manufacturing and wholesale	3	2	0.2	0.2
Telecommunications, cable, and media	–	1	–	0.1
Transportation	(2)	10	(0.1)	0.8
Other	17	27	1.1	2.1
<b>Total business and government</b>	<b>37</b>	<b>73</b>	<b>2.5</b>	<b>5.6</b>
<b>Total United States</b>	<b>780</b>	<b>662</b>	<b>54.2</b>	<b>50.6</b>
International	–	–	–	–
<b>Total excluding other loans</b>	<b>1,442</b>	<b>1,317</b>	<b>100.3</b>	<b>100.6</b>
<b>Other loans</b>				
Debt securities at amortized cost and FVOCI	–	–	–	–
Acquired credit-impaired loans <sup>3</sup>	(5)	(8)	(0.3)	(0.6)
<b>Total other loans</b>	<b>(5)</b>	<b>(8)</b>	<b>(0.3)</b>	<b>(0.6)</b>
<b>Total Stage 3 provision for credit losses (impaired)</b>	<b>\$ 1,437</b>	<b>\$ 1,309</b>	<b>100.0 %</b>	<b>100.0 %</b>
<b>Stage 1 and 2 provision for credit losses</b>				
Personal, business, and government	\$ (364)	\$ (1,534)		
Debt securities at amortized cost and FVOCI	(6)	1		
<b>Total Stage 1 and 2 provision for credit losses</b>	<b>(370)</b>	<b>(1,533)</b>		
<b>Total provision for credit losses</b>	<b>\$ 1,067</b>	<b>\$ (224)</b>		

<sup>1</sup> Primarily based on the geographic location of the customer's address.<sup>2</sup> Includes loans that are measured at FVOCI.<sup>3</sup> Includes all FDIC covered loans and other ACI loans.

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

(millions of Canadian dollars, except as noted)

	For the years ended		Percentage of total	
	October 31 2022	October 31 2021	October 31 2022	October 31 2021
<b>Canada</b>				
Atlantic provinces	\$ 38	\$ 40	3.6 %	(17.9)%
British Columbia <sup>4</sup>	92	73	8.6	(32.6)
Ontario <sup>4</sup>	288	315	27.0	(140.6)
Prairies <sup>4</sup>	159	163	14.9	(72.8)
Québec	85	64	8.0	(28.5)
<b>Total Canada</b>	<b>662</b>	<b>655</b>	<b>62.1</b>	<b>(292.4)</b>
<b>United States</b>				
Carolinas (North and South)	36	35	3.4	(15.6)
Florida	70	59	6.6	(26.3)
New England <sup>5</sup>	92	65	8.6	(29.0)
New Jersey	73	52	6.8	(23.2)
New York	119	101	11.2	(45.1)
Pennsylvania	32	30	3.0	(13.4)
Other <sup>6</sup>	358	320	33.5	(142.9)
<b>Total United States</b>	<b>780</b>	<b>662</b>	<b>73.1</b>	<b>(295.5)</b>
International	–	–	–	–
<b>Total excluding other loans</b>	<b>1,442</b>	<b>1,317</b>	<b>135.2</b>	<b>(587.9)</b>
Other loans <sup>7</sup>	(5)	(8)	(0.5)	3.5
<b>Total Stage 3 provision for credit losses (impaired)</b>	<b>1,437</b>	<b>1,309</b>	<b>134.7</b>	<b>(584.4)</b>
<b>Stage 1 and 2 provision for credit losses</b>	<b>(370)</b>	<b>(1,533)</b>	<b>(34.7)</b>	<b>684.4</b>
<b>Total provision for credit losses</b>	<b>\$ 1,067</b>	<b>\$ (224)</b>	<b>100.0 %</b>	<b>100.0 %</b>
	<b>October 31 2022</b>	<b>October 31 2021</b>		
<b>Provision for credit losses as a % of average net loans and acceptances<sup>6</sup></b>				
<b>Canada</b>				
Residential mortgages	– %	– %		
Credit card, consumer instalment and other personal	0.34	0.35		
Business and government	0.07	0.08		
<b>Total Canada</b>	<b>0.12</b>	<b>0.03</b>		
<b>United States</b>				
Residential mortgages	0.02	(0.01)		
Credit card, consumer instalment and other personal	1.26	1.08		
Business and government	0.03	0.06		
<b>Total United States</b>	<b>0.34</b>	<b>(0.17)</b>		
<b>International</b>	<b>–</b>	<b>0.03</b>		
<b>Total excluding other loans</b>	<b>0.18</b>	<b>0.18</b>		
Other loans	100.00	(61.54)		
<b>Total Stage 3 provision for credit losses (impaired)</b>	<b>0.18</b>	<b>0.18</b>		
<b>Stage 1 and 2 provision for credit losses</b>	<b>(0.05)</b>	<b>(0.21)</b>		
<b>Total provision for credit losses as a % of average net loans and acceptances</b>	<b>0.14%</b>	<b>(0.03)%</b>		

<sup>1</sup> Primarily based on the geographic location of the customer's address.<sup>2</sup> Includes loans that are measured at FVOCI.<sup>3</sup> Includes customers' liability under acceptances.<sup>4</sup> The territories are included as follows: Yukon is included in British Columbia; Nunavut is included in Ontario; and Northwest Territories is included in the Prairies region.<sup>5</sup> The states included in New England are as follows: Connecticut, Maine, Massachusetts, New Hampshire, and Vermont.<sup>6</sup> Includes PCL attributable to other states/regions including those outside TD's core U.S. geographic footprint.<sup>7</sup> Other loans include ACI.**SOVEREIGN RISK**

The following table provides a summary of the Bank's direct credit exposures outside of Canada and the U.S. (Europe excludes United Kingdom).

**TABLE 37: TOTAL NET EXPOSURE BY REGION AND COUNTERPARTY**

(millions of Canadian dollars)

Region	Loans and commitments <sup>1</sup>				Derivatives, repos, and securities lending <sup>2</sup>				Trading and investment portfolio <sup>3</sup>				As at
	Corporate	Sovereign	Financial	Total	Corporate	Sovereign	Financial	Total	Corporate	Sovereign	Financial	Total	Total Exposure <sup>4</sup>
													October 31, 2022
Europe	\$ 6,037	\$ –	\$ 4,079	\$ 10,116	\$ 3,625	\$ 2,205	\$ 7,654	\$ 13,484	\$ 860	\$ 26,899	\$ 1,212	\$ 28,971	\$ 52,571
United Kingdom	7,563	27,176	2,493	37,232	2,029	828	14,007	16,864	490	384	262	1,136	55,232
Asia	55	17	2,480	2,552	671	682	3,052	4,405	120	11,055	695	11,870	18,827
Other <sup>5</sup>	487	43	1,354	1,884	234	341	2,465	3,040	173	1,202	2,760	4,135	9,059
<b>Total</b>	<b>\$ 14,142</b>	<b>\$ 27,236</b>	<b>\$ 10,406</b>	<b>\$ 51,784</b>	<b>\$ 6,559</b>	<b>\$ 4,056</b>	<b>\$ 27,178</b>	<b>\$ 37,793</b>	<b>\$ 1,643</b>	<b>\$ 39,540</b>	<b>\$ 4,929</b>	<b>\$ 46,112</b>	<b>\$ 135,689</b>
													October 31, 2021
Europe	\$ 7,248	\$ –	\$ 3,216	\$ 10,464	\$ 2,523	\$ 2,246	\$ 6,113	\$ 10,882	\$ 809	\$ 23,398	\$ 2,033	\$ 26,240	\$ 47,586
United Kingdom	8,851	12,071	1,192	22,114	1,790	1,304	11,022	14,116	1,639	382	539	2,560	38,790
Asia	12	30	1,967	2,009	552	703	2,700	3,955	163	9,224	770	10,157	16,121
Other <sup>5</sup>	337	10	529	876	135	564	1,629	2,328	321	2,443	1,947	4,711	7,915
<b>Total</b>	<b>\$ 16,448</b>	<b>\$ 12,111</b>	<b>\$ 6,904</b>	<b>\$ 35,463</b>	<b>\$ 5,000</b>	<b>\$ 4,817</b>	<b>\$ 21,464</b>	<b>\$ 31,281</b>	<b>\$ 2,932</b>	<b>\$ 35,447</b>	<b>\$ 5,289</b>	<b>\$ 43,668</b>	<b>\$ 110,412</b>

<sup>1</sup> Exposures, including interest-bearing deposits with banks, are presented net of impairment charges where applicable.<sup>2</sup> Exposures are calculated on a fair value basis and presented net of collateral. Derivatives are presented as net exposures where there is an International Swaps and Derivatives Association master netting agreement.<sup>3</sup> Trading exposures are net of eligible short positions.<sup>4</sup> In addition to the exposures identified above, the Bank also has \$43.0 billion (October 31, 2021 – \$32.5 billion) of exposure to supranational entities.<sup>5</sup> Other regional exposure largely attributable to Australia.

GROUP FINANCIAL CONDITION

Capital Position

<b>TABLE 38: CAPITAL STRUCTURE AND RATIOS – Basel III</b>		
(millions of Canadian dollars, except as noted)	2022	2021
<b>Common Equity Tier 1 Capital</b>		
Common shares plus related contributed surplus	\$ 24,449	\$ 23,086
Retained earnings	73,698	63,944
Accumulated other comprehensive income	1,988	7,097
<b>Common Equity Tier 1 Capital before regulatory adjustments</b>	<b>100,135</b>	<b>94,127</b>
<b>Common Equity Tier 1 Capital regulatory adjustments</b>		
Goodwill (net of related tax liability)	(17,498)	(16,099)
Intangibles (net of related tax liability)	(2,100)	(2,006)
Deferred tax assets excluding those arising from temporary differences	(83)	(100)
Cash flow hedge reserve	5,783	(1,691)
Shortfall of provisions to expected losses	–	–
Gains and losses due to changes in own credit risk on fair valued liabilities	(502)	(124)
Defined benefit pension fund net assets (net of related tax liability)	(1,038)	(470)
Investment in own shares	(9)	(36)
Non-significant investments in the capital of banking, financial, and insurance entities, net of eligible short positions (amount above 10% threshold)	(1,428)	(4,486)
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)	–	–
Other deductions or regulatory adjustments to CET1 as determined by OSFI <sup>1</sup>	411	822
<b>Total regulatory adjustments to Common Equity Tier 1 Capital</b>	<b>(16,464)</b>	<b>(24,190)</b>
<b>Common Equity Tier 1 Capital</b>	<b>83,671</b>	<b>69,937</b>
<b>Additional Tier 1 Capital instruments</b>		
Directly issued qualifying Additional Tier 1 instruments plus stock surplus	11,248	5,691
Directly issued capital instruments subject to phase out from Additional Tier 1 <sup>2</sup>	n/a	450
Additional Tier 1 instruments issued by subsidiaries and held by third parties	–	–
<b>Additional Tier 1 Capital instruments before regulatory adjustments</b>	<b>11,248</b>	<b>6,141</b>
<b>Additional Tier 1 Capital instruments regulatory adjustments</b>		
Non-significant investments in the capital of banking, financial, and insurance entities, net of eligible short positions (amount above 10% threshold)	(124)	(12)
Significant investments in the capital of banking, financial, and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	(350)	(350)
<b>Total regulatory adjustments to Additional Tier 1 Capital</b>	<b>(474)</b>	<b>(362)</b>
<b>Additional Tier 1 Capital</b>	<b>10,774</b>	<b>5,779</b>
<b>Tier 1 Capital</b>	<b>94,445</b>	<b>75,716</b>
<b>Tier 2 Capital instruments and provisions</b>		
Directly issued qualifying Tier 2 instruments plus related stock surplus	11,090	11,030
Directly issued capital instruments subject to phase out from Tier 2 <sup>2</sup>	n/a	120
Collective allowances	2,018	1,665
<b>Tier 2 Capital before regulatory adjustments</b>	<b>13,108</b>	<b>12,815</b>
<b>Tier 2 regulatory adjustments</b>		
Investment in own Tier 2 instruments	–	(8)
Non-significant investments in the capital of banking, financial, and insurance entities, net of eligible short positions (amount above 10% threshold) <sup>3</sup>	(161)	(308)
Non-significant investments in the other TLAC-eligible instruments issued by G-SIBs and Canadian D-SIBs, where the institution does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions	(57)	(68)
Significant investments in the capital of banking, financial, and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	(160)	(160)
<b>Total regulatory adjustments to Tier 2 Capital</b>	<b>(378)</b>	<b>(544)</b>
<b>Tier 2 Capital</b>	<b>12,730</b>	<b>12,271</b>
<b>Total Capital</b>	<b>\$ 107,175</b>	<b>\$ 87,987</b>
<b>Risk-weighted assets</b>	<b>\$ 517,048</b>	<b>\$ 460,270</b>
<b>Capital Ratios and Multiples<sup>4</sup></b>		
Common Equity Tier 1 Capital (as percentage of risk-weighted assets)	16.2 %	15.2 %
Tier 1 Capital (as percentage of risk-weighted assets)	18.3	16.5
Total Capital (as percentage of risk-weighted assets)	20.7	19.1
Leverage ratio <sup>5</sup>	4.9	4.8

<sup>1</sup> Represents ECL transitional arrangements provided by OSFI. Refer to the "OSFI's Capital Requirements under Basel III" within the "Capital Position" section of this document for additional details.

<sup>2</sup> Effective January 1, 2022, no longer applicable.

<sup>3</sup> Includes other TLAC-eligible instruments issued by global systemically important banks (G-SIBs) and Canadian domestic systemically important banks (D-SIBs) that are outside the scope of regulatory consolidation, where the institution does not own more than 10% of the issued common share capital of the entity.

<sup>4</sup> The CET1, Tier 1, Total Capital and Leverage ratios excluding the ECL transitional arrangements are 16.1%, 18.2%, 20.7%, and 4.9%, respectively.

<sup>5</sup> The Leverage ratio is calculated as Tier 1 Capital divided by leverage exposure, as defined in the "Regulatory Capital" section of this document.

## 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, including stress test analysis, consistent with the Bank's risk profile and risk tolerance levels.
- To have the most economic weighted-average cost of capital achievable, while 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 loss 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 access 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, limited recourse capital noteholders, and holders of the Bank's subordinated debt.

## CAPITAL MANAGEMENT

The Treasury and Balance Sheet Management (TBSM) group manages capital for the Bank and is responsible for forecasting and monitoring compliance with capital targets, on a consolidated basis, with oversight provided by Asset/Liability and Capital Committee (ALCO). 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 internal assessment of capital adequacy. Economic capital is comprised of both risk-based capital required to fund losses that could occur under extremely adverse economic or operational conditions and investment capital utilized to fund acquisitions or investments to support future earnings growth.

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

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

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

## REGULATORY CAPITAL

Capital requirements of the Basel Committee on Banking Supervision (BCBS) are commonly referred to as Basel III. Under Basel III, Total Capital consists of three components, namely CET1, Additional Tier 1, and Tier 2 Capital. Risk sensitive regulatory capital ratios are calculated by dividing CET1, Tier 1, and Total Capital by risk-weighted assets (RWA), inclusive of any minimum requirements outlined under the regulatory floor. In 2015, Basel III introduced a non-risk sensitive leverage ratio to act as a supplementary measure to the risk-sensitive capital requirements. The leverage ratio is calculated by dividing Tier 1 Capital by leverage exposure which is primarily comprised of on-balance sheet assets with adjustments made to derivative and securities financing transaction exposures, and credit equivalent amounts of off-balance sheet exposures. TD manages its regulatory capital in accordance with the Basel III Capital Framework as discussed in the "Capital Position" section of this document.

## OSFI's Capital Requirements under Basel III

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

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. A Trigger Event is currently defined in the CAR Guideline as an event where OSFI determines that the Bank is, or is about to become, non-viable and that after conversion of all non-common capital instruments and consideration of any other relevant factors or circumstances, 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 of Canada without which the Bank would have been determined by OSFI to be non-viable. 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 ended in 2022.

The CAR guideline sets the minimum CET1, Tier 1, and Total Capital ratios at 4.5%, 6%, and 8%, respectively. OSFI also expects Canadian banks to include a capital conservation buffer of 2.5%. Additionally, the six Canadian banks designated as D-SIBs, including TD, are subject to a 1% common equity surcharge.

The Canadian banks are also required to hold a countercyclical capital buffer (CCB), which may range from 0% to 2.5%, and 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. Due to COVID-19, several foreign jurisdictions have released, reduced or delayed planned increases in their CCBs. Canada's CCB remains unchanged at 0%. Based on the allocation of exposures and buffers currently in place, the Bank's countercyclical buffer requirement is 0% as at October 31, 2022.

On June 25, 2018, OSFI provided greater transparency related to a previously undisclosed Pillar 2 CET1 capital buffer through the introduction of the public Domestic Stability Buffer (DSB) held by D-SIBs against Pillar 2 risks associated with systemic vulnerabilities. The level of the buffer ranges between 0% and 2.5% of total RWA and must be met with CET1 Capital. At a minimum, OSFI will review the buffer semi-annually and any changes will be made public. The DSB was 2.5% as at October 31, 2022.

Effective in the second quarter of 2018, OSFI implemented a revised methodology for calculating the regulatory capital floor. The revised floor is based on the Basel II standardized approach with a factor applied. The floor factor was lowered to 70%, from 75%, effective April 9, 2020. The Bank is not currently constrained by the capital floor.

On September 23, 2018, the Canadian Bail-in regime came into effect, including OSFI's TLAC guideline. Under this guideline, the Bank is required to meet a supervisory risk-based TLAC target of 24.0% of RWA, inclusive of the 2.50% DSB. Changes to the DSB will result in corresponding changes to the risk-based TLAC target ratio.

The table below summarizes OSFI's published regulatory minimum capital ratios for the Bank effective October 31, 2022.

REGULATORY CAPITAL AND TLAC TARGET RATIOS						
	Minimum	Capital Conservation Buffer	D-SIB / G-SIB Surcharge <sup>1</sup>	Pillar 1 Regulatory target <sup>2</sup>	DSB <sup>3</sup>	Pillar 1 & 2 regulatory target
CET1	4.5 %	2.5 %	1.0 %	8.0 %	2.5 %	10.5 %
Tier 1	6.0	2.5	1.0	9.5	2.5	12.0
Total Capital	8.0	2.5	1.0	11.5	2.5	14.0
TLAC	18.0	2.5	1.0	21.5	2.5	24.0

<sup>1</sup> The higher of the D-SIB and G-SIB surcharge applies. The D-SIB surcharge is currently equivalent to the Bank's 1% G-SIB additional common equity requirement. The G-SIB surcharge may increase above 1% if the Bank's G-SIB score increases above certain thresholds to a maximum of 4.5%.

<sup>2</sup> The Bank's countercyclical buffer requirement is 0% as of July 31, 2022.

<sup>3</sup> The DSB increased to 2.5%, from 1.0%, of total RWA effective October 31, 2021.

The Bank's Leverage Ratio is calculated as per OSFI's Leverage Requirements guideline and has a regulatory minimum requirement of 3%, and the Bank is required to meet a supervisory TLAC leverage ratio target of 6.75%.

In July 2019, in consideration of the final Basel III revisions published by the BCBS in December 2017, OSFI published guidance related to the capital requirements for operational risk. Banks currently approved to use the Advanced Measurement Approach (AMA) will be required to use a revised Basel III standardized approach when the revised requirements are implemented in Canada. OSFI provided a transition period for fiscal 2020 through to 2022, during which time banks currently approved to use AMA are required to report operational risk capital using the current standardized approach.

In fiscal 2020, OSFI introduced a number of measures to support D-SIBs' ability to supply credit to the economy during an expected period of disruption related to COVID-19 and market conditions. Selected measures, which continued to be in effect in 2021 or 2022 are summarized below.

- On March 13, 2020, OSFI lowered the DSB to 1.00%, and set the expectation for all federally regulated financial institutions that dividend increases and share buybacks should be halted. On June 17, 2021, OSFI announced that the DSB would increase to 2.50% of total risk-weighted assets, effective October 31, 2021, and this was reaffirmed on December 10, 2021 and on June 22, 2022. On November 4, 2021, OSFI lifted the temporary expectation that financial institutions not increase regular dividends or undertake share repurchases.
- On March 27, 2020, OSFI announced additional measures, including:
  - Transitional arrangements for ECL provisioning available under the Basel Framework would be introduced. The adjustment allowed a portion of the increase in Stage 1 and Stage 2 allowances relative to a baseline level to be included in CET1 capital, rather than Tier 2 Capital, as the CAR guideline specifies. The baseline level is the sum of Stage 1 and Stage 2 allowances as at the first quarter of 2020 (for October year-end deposit-taking institutions (DTIs)). This increase is tax effected and is subject to a scaling factor, which was set at 70% in fiscal 2020, 50% in fiscal 2021, and 25% in fiscal 2022.
  - The loan exposures in the Canada Emergency Business Account (CEBA) Program, which was funded by the Government of Canada, can be excluded from the risk-based capital ratios and from leverage ratio calculations. For the Export Development Canada Business Credit Availability Program, the government-guaranteed portion of the loan is treated as a sovereign exposure, with the remaining portion treated as a loan to the borrower. The entire amount of the loan is included in leverage ratio calculations. On January 12, 2022, the Government of Canada announced that the repayment deadline for CEBA loans to qualify for partial loan forgiveness is being extended from December 31, 2022, to December 31, 2023, for all eligible borrowers in good standing.
- On April 9, 2020, OSFI announced DTIs could temporarily exclude exposures from central bank reserves and sovereign-issued securities that qualify as High-Quality Liquid Assets (HQLA) under the Liquidity Adequacy Requirements (LAR) Guideline from the leverage ratio measures. On August 12, 2021, OSFI confirmed that the exclusion of sovereign-issued securities would not extend past December 31, 2021. On September 13, 2022, OSFI announced that the temporary measure to exclude central bank reserves in determining the leverage exposure will expire on April 1, 2023.
- On April 23, 2020, OSFI clarified that PPP loans pledged under the Boston Federal Reserve's PPP Lending Facility can be excluded from the risk-based capital and leverage ratios.

On January 27, 2021, OSFI published guidance on the treatment of new loans to businesses through the Government of Canada's Highly Affected Sectors Credit Availability Program (HASCAP), announced on January 26, 2021. HASCAP loans are treated as sovereign exposures based on the Business Development Bank of Canada guarantee and the relevant risk weight applied under OSFI's CAR guideline. The entire amount of the loan is included in the lender's leverage ratio calculations. The Bank began originating loans under the HASCAP program in the second quarter of 2021.

#### Capital Position and Capital Ratios

The Basel framework allows qualifying banks to determine capital levels consistent with the way they measure, manage, and mitigate risks. It specifies methodologies for the measurement of credit, trading market, and operational risks. The Bank uses the Advanced Internal Ratings-Based (AIRB) approach to credit risk for all material portfolios.

For accounting purposes, IFRS is followed for consolidation of subsidiaries and joint ventures. For regulatory capital purposes, all the subsidiaries of the Bank are consolidated except for insurance subsidiaries which are deconsolidated and follow prescribed treatment per OSFI's CAR guidelines. Insurance subsidiaries are subject to their own capital adequacy reporting, such as OSFI's Life Insurance Capital Adequacy Test.

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

As at October 31, 2022, the Bank's CET1, Tier 1, and Total Capital ratios were 16.2%, 18.3%, and 20.7%, respectively. The increase in the Bank's CET1 Capital ratio from 15.2% as at October 31, 2021, was attributable primarily to organic capital growth, the issuance of common shares pursuant to the Bank's dividend reinvestment plan, the sale of Schwab shares, mark-to-market gains on swaps de-designated from hedge accounting relationships to mitigate the impacts of interest rate volatility to closing capital for the First Horizon acquisition, and a decrease in the threshold deduction for non-significant investment in financial entities.



The increase was partially offset by RWA growth across all segments, common shares repurchased, unrealized losses on FVOCI securities, and the reduction in the scaling factor related to OSFI's transition arrangement for ECL provisioning, from 50% in fiscal 2021 to 25% in fiscal 2022.

As at October 31, 2022, the Bank's leverage ratio was 4.9%. Compared with the Bank's leverage ratio of 4.8% at October 31, 2021, the leverage ratio increased primarily due to organic growth, partially offset by organic leverage exposure growth and the expiration of the exclusion of sovereign-issued securities from the leverage ratio measure on December 31, 2021.

#### **Common Equity Tier 1 Capital**

CET1 Capital was \$84 billion as at October 31, 2022. Earnings contributed the majority of CET1 Capital growth in the year. Capital management funding activities during the year included common share issuance of \$1.6 billion under the dividend reinvestment plan and from stock option exercises, partially offset by common shares repurchased.

#### **Tier 1 and Tier 2 Capital**

Tier 1 Capital was \$94.4 billion as at October 31, 2022, consisting of CET1 Capital and Additional Tier 1 Capital of \$83.7 billion and \$10.7 billion, respectively. The Bank's Tier 1 Capital management activities during the year consisted of the redemption of one Tier 1-qualifying capital instrument and the issuance of four Tier 1-qualifying capital instruments as follows:

- (i) On November 1, 2021, TD Capital Trust IV redeemed all of the outstanding TD Capital Trust IV Notes – Series 2.
- (ii) On April 4, 2022, and July 25, 2022, the Bank issued 850,000 and 800,000 Non-Cumulative 5-Year Fixed Rate Reset Preferred Shares NVCC, Series 27 (the "Series 27 Shares") and Series 28 (the "Series 28 Shares"), respectively, resulting in gross proceeds of \$1,650 million. On September 14, 2022, and October 17, 2022, the Bank issued \$1,500 million and US\$1,750 million of Limited Recourse Capital Notes NVCC (the "LRCNs"), Series 2 and Series 3, respectively, with recourse limited to assets held in a trust consolidated by the Bank (the "Limited Recourse Trust").

Tier 2 Capital was \$12.7 billion as at October 31, 2022. There were no Tier 2 Capital management activities during the year.

#### **INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS**

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

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

#### **DIVIDEND RESTRICTIONS**

The Bank's ability to pay dividends is subject to the requirements of the *Bank Act (Canada)* and OSFI. Refer to Note 21 of the 2022 Consolidated Financial Statements for further information on dividend restrictions.

On March 13, 2020, OSFI issued a news release announcing a series of measures to support the resilience of financial institutions in response to challenges posed by COVID-19. These measures included the expectation that all federally regulated financial institutions halt dividend increases and share buybacks. On November 4, 2021, OSFI lifted the temporary expectation that financial institutions refrain from increasing regular dividends or undertaking share repurchases, effective immediately.

#### **DIVIDENDS**

On November 30, 2022, the Board approved a dividend in an amount of ninety-six cents (96 cents) per fully paid common share in the capital stock of the Bank for the quarter ending January 31, 2023, payable on and after January 31, 2023, to shareholders of record at the close of business on January 6, 2023.

At October 31, 2022, the quarterly dividend was \$0.89 per common share. Common share cash dividends declared and paid during the year totalled \$3.56 per share (2021 – \$3.16), representing a payout ratio of 43%, consistent with the Bank's target payout range of 40-50% of adjusted earnings. For cash dividends payable on the Bank's preferred shares, refer to Note 21 of the 2022 Consolidated Financial Statements. As at October 31, 2022, 1,821 million common shares were outstanding (2021 – 1,822 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 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 purchased from the open market at market price. The Bank had determined that, beginning with the dividend approved on May 25, 2022 for the quarter ending July 31, 2022, and until further announcement, the Bank will issue the common shares from treasury and will apply a 2% discount to the average market price of such common shares.

During the year ended October 31, 2022, under the dividend reinvestment plan, the Bank issued 2.5 million common shares from treasury with no discount and 14.5 million common shares with a 2% discount. During the year ended October 31, 2021, under the dividend reinvestment plan, the Bank issued 5.1 million common shares from treasury with no discount.

#### **NORMAL COURSE ISSUER BID**

On January 7, 2022, the Bank announced that the Toronto Stock Exchange and OSFI had approved the Bank's previously announced normal course issuer bid (NCIB) to repurchase for cancellation up to 50 million of its common shares.

Concurrent with the announcement of the Bank's acquisition of First Horizon on February 28, 2022, the Bank's automatic share purchase plan established under its NCIB automatically terminated pursuant to its terms.

During the six months ended April 30, 2022, the Bank repurchased 21 million common shares under the NCIB, at an average price of \$104.50 per share, for a total amount of \$2.2 billion, which represents a \$1.9 billion premium over the share capital amount. No common shares were repurchased during the balance of the year ended October 31, 2022.

**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.

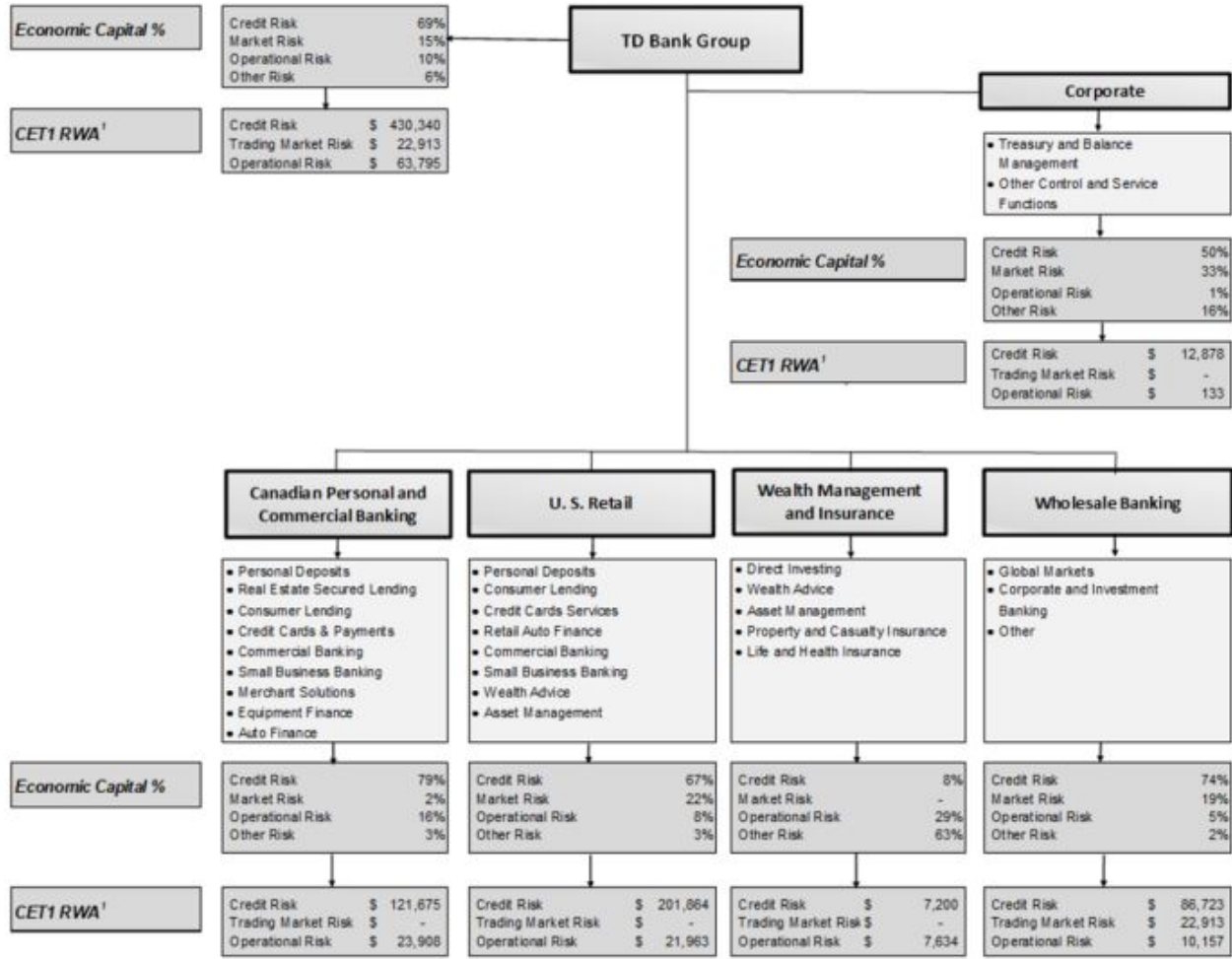
**TABLE 39: RISK-WEIGHTED ASSETS**

(millions of Canadian dollars)

	October 31, 2022	October 31, 2021
<i>As at</i>		
<b>Credit risk</b>		
<b>Retail</b>		
Residential secured	\$ 37,654	\$ 29,736
Qualifying revolving retail	36,151	31,453
Other retail	37,981	34,460
<b>Non-retail</b>		
Corporate	195,775	174,416
Sovereign	4,263	3,747
Bank	11,436	9,083
<b>Securitization exposures</b>	17,205	12,222
<b>Equity exposures</b>	30,910	33,936
Exposures subject to standardized or Internal Ratings-Based (IRB) approaches	371,375	329,053
Adjustment to IRB RWA for scaling factor	20,847	18,609
Other assets not included in standardized or IRB approaches	38,118	34,699
<b>Total credit risk</b>	430,340	382,361
<b>Market risk</b>	22,913	17,045
<b>Operational risk</b>	63,795	60,864
<b>Total</b>	\$ 517,048	\$ 460,270

**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, 2022. RWA reflects capital requirements assessed based on regulatory prescribed rules for credit risk, trading market risk, and operational risk. Economic capital reflects the Bank's internal view of capital requirements for these risks as well as risks not captured within the assessment of RWA as described in the "Economic Capital" section of this document. The results shown in the chart do not reflect attribution of goodwill and intangibles. For additional information on the risks highlighted below, refer to the "Managing Risk" section of this document.



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

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

(millions of shares/units and millions of Canadian dollars, except as noted)

	As at			
	October 31, 2022		October 31, 2021	
	Number of shares/units	Amount	Number of shares/units	Amount
<b>Common shares outstanding</b>	<b>1,821.7</b>	<b>\$ 24,363</b>	<b>1,823.9</b>	<b>\$ 23,066</b>
Treasury – common shares	(1.0)	(91)	(1.9)	(152)
<b>Total common shares</b>	<b>1,820.7</b>	<b>\$ 24,272</b>	<b>1,822.0</b>	<b>\$ 22,914</b>
<b>Stock options</b>				
Vested	4.4		4.4	
Non-vested	8.4		7.8	
<b>Preferred shares – Class A</b>				
Series 1	20.0	\$ 500	20.0	\$ 500
Series 3	20.0	500	20.0	500
Series 5	20.0	500	20.0	500
Series 7	14.0	350	14.0	350
Series 9	8.0	200	8.0	200
Series 16 <sup>2</sup>	14.0	350	14.0	350
Series 18	14.0	350	14.0	350
Series 20	16.0	400	16.0	400
Series 22	14.0	350	14.0	350
Series 24	18.0	450	18.0	450
Series 27	0.8	850	–	–
Series 28	0.8	800	–	–
	<b>159.6</b>	<b>\$ 5,600</b>	<b>158.0</b>	<b>\$ 3,950</b>
<b>Other equity instruments</b>				
Limited Recourse Capital Notes – Series 1 <sup>3</sup>	1.8	1,750	1.8	1,750
Limited Recourse Capital Notes – Series 2 <sup>3</sup>	1.5	1,500	–	–
Limited Recourse Capital Notes – Series 3 <sup>3,4</sup>	1.7	2,403	–	–
	<b>164.6</b>	<b>\$ 11,253</b>	<b>159.8</b>	<b>\$ 5,700</b>
Treasury – preferred shares and other equity instruments	(0.1)	(7)	(0.1)	(10)
<b>Total preferred shares and other equity instruments</b>	<b>164.5</b>	<b>\$ 11,246</b>	<b>159.7</b>	<b>\$ 5,690</b>
<b>Debt issued by TD Capital Trust IV:</b> (thousands of units)				
TD Capital Trust IV Notes – Series 2 <sup>5</sup>	–	–	450.0	450

<sup>1</sup> For further details, including the conversion and exchange features, and distributions, refer to Note 21 of the Bank's 2022 Consolidated Financial Statements.<sup>2</sup> On October 19, 2022, the Bank announced that none of its 14 million Non-Cumulative 5-Year Rate Reset Preferred Shares NVCC, Series 16 ("Series 16 Shares") would be converted on October 31, 2022 into Non-Cumulative Floating Rate Preferred Shares NVCC, Series 17 ("Series 17 Shares"). As had been previously announced on October 3, 2022, the dividend rate for the Series 16 Shares for the 5-year period from and including October 31, 2022 to but excluding October 31, 2027, if declared, is payable at a per annum rate of 6.301%.<sup>3</sup> For LRCNs, the number of shares/units represents the number of notes issued.<sup>4</sup> For LRCNs – Series 3, the amount represents the Canadian dollar equivalent of the US dollar notional amount. Refer to the "Preferred Shares and Other Equity Instruments – Significant Terms and Conditions" table in Note 21 of the Bank's 2022 Consolidated Financial Statements for further details.<sup>5</sup> On November 1, 2021, TD Capital Trust IV redeemed all of the outstanding TD Capital Trust IV Notes – Series 2.**NVCC Provision**

If an NVCC trigger event were to occur, for all series of Class A First Preferred Shares excluding the preferred shares issued with respect to LRCNs, the maximum number of common shares that could be issued, assuming there are no declared and unpaid dividends on the respective series of preferred shares at the time of conversion, would be 1.1 billion in aggregate.

The LRCNs, by virtue of the recourse to the preferred shares held in the Limited Recourse Trust, include NVCC provisions. For LRCNs, if an NVCC trigger were to occur, the maximum number of common shares that could be issued, assuming there are no declared and unpaid dividends on the preferred shares series issued in connection with such LRCNs, would be 1.1 billion in aggregate.

For NVCC subordinated notes and debentures, if an NVCC trigger event were to occur, the maximum number of common shares that could be issued, assuming there is no accrued and unpaid interest on the respective subordinated notes and debentures, would be 3.2 billion in aggregate.

**Future Regulatory Capital Developments**

On January 31, 2022, OSFI announced revised capital, leverage, liquidity and disclosure rules that incorporate the Basel III reforms with adjustments to make them suitable for domestic implementation. The Leverage Requirements Guideline revisions include a requirement for D-SIBs to hold a leverage ratio buffer of 0.50% in addition to the regulatory minimum requirement of 3.0%. This buffer will also apply to the TLAC leverage ratio supervisory target of 6.75%. The revised rules are effective in the second quarter of 2023, with the exception of those related to market risk and credit valuation adjustment risk which are effective in 2024.

On June 28, 2022, OSFI released an Advisory (Clarification on the Treatment of Innovative Real Estate Secured Lending Products under Guideline B-20), which will result in mortgage loans which do not meet OSFI Guideline B-20 expectations to be treated as investor mortgages under Basel III reforms and attract higher risk weights.

On November 7, 2022, OSFI announced a new Assurance on Capital, Leverage and Liquidity Returns guideline. This guideline lays out OSFI's approach to enhancing and aligning assurance expectations over capital, leverage and liquidity returns, including an external audit opinion on the numerator and denominator of key regulatory ratios, senior management attestation on regulatory returns, and an internal audit opinion on the processes and controls followed in preparing these returns. The assurance requirements for D-SIBs' capital, liquidity and leverage returns for internal audit commence in fiscal 2023; the internal review and senior management attestation requirements commence in fiscal 2024; and the external audit assurance requirements commence in fiscal 2025.

**Global Systemically Important Banks Designation and Disclosures**

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

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

The public communications on G-SIB status are issued annually each November. On November 22, 2019, the Bank was designated as a G-SIB by the FSB. The Bank continued to maintain its G-SIB status when the FSB published the 2022 list of G-SIBs on November 21, 2022. As a result of this designation, the Bank is subject to an additional loss absorbency requirement (CET1 as a percentage of RWA) of 1% under applicable FSB member authority requirements; however, in accordance with OSFI's CAR guideline, for Canadian banks designated as a G-SIB, the higher of the D-SIB and G-SIB surcharges will apply. As the D-SIB surcharge is currently equivalent to the incremental 1% G-SIB common equity ratio requirement, the Bank's G-SIB designation has no additional impact on the Bank's minimum CET1 regulatory requirements. The G-SIB surcharge may increase above 1% if the Bank's G-SIB score increases above certain thresholds to a maximum of 4.5%.

As a result of the Bank's G-SIB designation, the U.S. Federal Reserve requires TD Group US Holding LLC (TDGUS), as TD's U.S. Intermediate Holding Company (IHC), to maintain a minimum amount of TLAC and long-term debt. From the date the Bank was designated as a G-SIB, TDGUS has a three-year transitional period to meet these requirements by January 1, 2023 and is expected to meet these requirements by such date.

In July 2018, BCBS issued a revised G-SIB framework; G-SIBs: revised assessment methodology and the higher loss absorbency requirement. The new assessment methodology introduces a trading volume indicator and modifies the weights in the substitutability category, amends the definition of cross-jurisdictional indicators, extends the scope of consolidation to insurance subsidiaries, and provides further guidance on bucket migration and associated loss absorbency surcharges. The revised methodology was implemented in 2022, using the 2021 year-end data.

## GROUP FINANCIAL CONDITION

# Securitization and Off-Balance Sheet Arrangements

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

### STRUCTURED ENTITIES

TD carries out certain business activities through arrangements with structured entities (SEs). The Bank uses SEs to raise capital, obtain sources of liquidity by securitizing certain of the Bank's financial assets, to assist TD's clients in securitizing their financial assets, and to create investment products for the Bank's clients. Securitizations are an important part of the financial markets, providing liquidity by facilitating investor access to specific portfolios of assets and risks. Refer to Notes 2, 9, and 10 of the 2022 Consolidated Financial Statements for further information regarding the Bank's involvement with SEs.

### Securitization of Bank-Originated Assets

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

The Bank securitizes residential mortgages under the National Housing Act Mortgage-Backed Securities (NHA MBS) program sponsored by the Canada Mortgage and Housing Corporation (CMHC). The securitization of the residential mortgages with the CMHC does not qualify for derecognition and the mortgages remain on the Bank's Consolidated Balance Sheet. Additionally, the Bank securitizes credit card loans by selling them to Bank-sponsored SEs that are consolidated by the Bank. The Bank also securitizes U.S. residential mortgages with U.S. government-sponsored entities which qualify for derecognition and are removed from the Bank's Consolidated Balance Sheet. Refer to Notes 9 and 10 of the 2022 Consolidated Financial Statements for further information.

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

(millions of Canadian dollars)

	<i>As at</i>			
	Significant unconsolidated SEs	Significant consolidated SEs	Non-SE third-parties	
	Securitized assets	Securitized assets	Securitized assets	Carrying value of retained interests
				October 31, 2022
Residential mortgage loans	\$ 21,767	\$ –	\$ 916	\$ –
Credit card loans	–	1,725	–	–
Business and government loans	–	–	591	5
<b>Total exposure</b>	<b>\$ 21,767</b>	<b>\$ 1,725</b>	<b>\$ 1,507</b>	<b>\$ 5</b>
				October 31, 2021
Residential mortgage loans	\$ 23,232	\$ –	\$ 1,135	\$ –
Credit card loans	–	1,810	–	–
Business and government loans	–	–	763	9
<b>Total exposure</b>	<b>\$ 23,232</b>	<b>\$ 1,810</b>	<b>\$ 1,898</b>	<b>\$ 9</b>

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

### Residential Mortgage Loans

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

### Credit Card Loans

The Bank securitizes credit card loans through an SE. The Bank consolidates the SE as it serves as a financing vehicle for the Bank's assets, the Bank has power over the key economic decisions of the SE, and the Bank is exposed to the majority of the residual risks of the SE. As at October 31, 2022, the Bank had \$2 billion of securitized credit card receivables outstanding (October 31, 2021 – \$2 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 Canadian non-SE third parties. Business and government loans securitized by the Bank may be derecognized from the Bank's balance sheet depending on the individual arrangement of each transaction. In instances where the Bank fully derecognizes business and government loans, the Bank may be exposed to the risks of transferred loans through retained interests. There are no ECLs on the retained interests of the securitized business and government loans as the loans are all government insured.

### Securitization of Third-Party Originated Assets

#### Significant Unconsolidated Special Purpose Entities

##### Multi-Seller Conduits

The Bank securitizes third party-originated assets through Bank-sponsored SEs, including its Canadian multi-seller conduits which are not consolidated. These Canadian multi-seller conduits securitize Canadian originated third-party assets. The Bank administers multi-seller conduits and provides liquidity facilities as well as securities distribution services; it may also provide credit enhancements. TD's maximum potential exposure to loss due to its ownership interest in commercial paper and through the provision of liquidity facilities for multi-seller conduits was \$10.8 billion as at October 31, 2022 (October 31, 2021 – \$10.5 billion). In addition, as at October 31, 2022, the Bank had committed to provide an additional \$2.1 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, 2021 – \$2.1 billion).

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

(millions of Canadian dollars, except as noted)

	October 31, 2022		As at October 31, 2021	
	Exposure and ratings profile of unconsolidated SEs AAA <sup>1</sup>	Expected weighted-average life (years) <sup>2</sup>	Exposure and ratings profile of unconsolidated SEs AAA <sup>1</sup>	Expected weighted-average life (years) <sup>2</sup>
Residential mortgage loans	\$ 6,058	3.3	\$ 5,395	3.5
Automobile loans and leases	3,890	2.6	4,349	2.5
Equipment leases	510	2.8	408	2.6
Trade receivables	306	1.2	306	1.5
Investment Loans	81	4.4	–	–
<b>Total exposure</b>	<b>\$ 10,845</b>	<b>3.0</b>	<b>\$ 10,458</b>	<b>3.0</b>

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

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

As at October 31, 2022, the Bank held \$1.8 billion of ABCP issued by Bank-sponsored multi-seller conduits within the Trading loans, securities, and other category on its 2022 Consolidated Balance Sheet (October 31, 2021 – \$1.7 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 \$3.1 billion as at October 31, 2022 (October 31, 2021 – \$2.5 billion). The assets within these conduits are comprised of individual notes backed by automotive loan receivables, credit card receivables, equipment receivables and trade receivables. 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, to earn fee income, and to lease premises and equipment. Significant commitments of the Bank include financial and performance standby letters of credit, documentary and commercial letters of credit, commitments to extend credit, and obligations under long-term non-cancellable leases for premises and equipment. 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 2022 Consolidated Financial Statements provides detailed information about the Bank's commitments including credit-related arrangements and long-term commitments or leases.

### GUARANTEES

In the normal course of business, the Bank enters into various guarantee contracts to support its clients. The Bank's significant types of guarantee products are financial and performance standby letters of credit, credit enhancements, and indemnification agreements. Certain guarantees remain off-balance sheet. Refer to Note 27 of the 2022 Consolidated Financial Statements for further information.

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## 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 2022 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, SCHWAB, 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, Schwab, and Symcor Inc. (Symcor) also qualify as related party transactions. There were no significant transactions between the Bank, Schwab, and Symcor during the year ended October 31, 2022, other than as described in the following sections and in Note 12 of the 2022 Consolidated Financial Statements.

#### *j) TRANSACTIONS WITH SCHWAB*

The Bank has significant influence over Schwab and accounts for its investment in Schwab using the equity method. Pursuant to the Stockholder Agreement in relation to the Bank's equity investment in Schwab, subject to certain conditions, the Bank has the right to designate two members of Schwab's Board of Directors and has representation on two Board Committees. As of October 31, 2022, the Bank's designated directors were the Bank's Group President and Chief Executive Officer and the Bank's Chair of the Board.

A description of significant transactions between the Bank and its affiliates with Schwab is set forth below.

#### **Insured Deposit Account Agreement**

The Bank is party to the Schwab IDA Agreement which became effective on the completion of the Schwab transaction on October 6, 2020 and has an initial expiration date of July 1, 2031. Pursuant to the Schwab IDA Agreement, the Bank makes sweep deposit accounts available to clients of Schwab. Schwab provides recordkeeping and support services with respect to the Schwab IDA Agreement. The servicing fee under the Schwab IDA Agreement is set at 15 bps per annum on the aggregate average daily balance in the sweep deposit accounts. As at October 31, 2022, deposits under the Schwab IDA Agreement were \$174 billion (US\$128 billion) (October 31, 2021 – \$176 billion (US\$142 billion)). Starting July 1, 2021, deposits can be reduced at Schwab's option by up to US\$10 billion in a year (subject to certain adjustments), with a floor of US\$50 billion. The Bank paid fees of \$1.7 billion during the year ended October 31, 2022 (October 31, 2021 – \$1.6 billion) to Schwab related to sweep deposit accounts. The amount paid by the Bank is based on the average insured deposit balance of \$182 billion for the year ended October 31, 2022 (October 31, 2021 – \$186 billion) and yields based on agreed upon market benchmarks, less the actual interest paid to clients of Schwab.

As at October 31, 2022, amounts receivable from Schwab were \$31 million (October 31, 2021 – \$26 million). As at October 31, 2022, amounts payable to Schwab were \$152 million (October 31, 2021 – \$195 million).

The Bank and other financial institutions provided Schwab and its subsidiaries with unsecured revolving loan facilities. As at October 31, 2022, there was no loan commitment provided by the Bank to Schwab (October 31, 2021 – \$95 million undrawn).

#### *ii) TRANSACTIONS WITH SYMCOR*

The Bank has one-third ownership in Symcor, a Canadian provider of business process outsourcing services offering a diverse portfolio of integrated solutions in item processing, statement processing and production, and cash management services. The Bank accounts for Symcor's results using the equity method of accounting. During the year ended October 31, 2022, the Bank paid \$77 million (October 31, 2021 – \$76 million) for these services. As at October 31, 2022, the amount payable to Symcor was \$12 million (October 31, 2021 – \$12 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, 2022, and October 31, 2021.

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## GROUP FINANCIAL CONDITION

# Financial Instruments

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

The Bank uses financial instruments for both trading and non-trading activities. The Bank typically engages in trading activities by the purchase and sale of securities to provide liquidity and meet the needs of clients and, less frequently, by taking trading positions with the objective of earning a profit. Trading financial instruments include, but are not limited to, trading securities, trading deposits, and trading derivatives. Non-trading financial instruments include the majority of the Bank's lending portfolio, non-trading securities, hedging derivatives, and the majority of the Bank's financial liabilities. In accordance with accounting standards related to financial instruments, financial assets or liabilities classified as held-for-trading, non-trading FVTPL, designated at FVTPL, FVOCI, and all derivatives are measured at fair value in the Bank's 2022 Consolidated Financial Statements. DSAC, most loans, and other liabilities are carried at amortized cost using the effective interest rate (EIR) method. For details on how fair values of financial instruments are determined, refer to the "Accounting Judgments, Estimates, and Assumptions" – "Fair Value Measurement" section of this document. The use of financial instruments allows the Bank to earn profits in trading, interest, and fee

income. Financial instruments also create a variety of risks which the Bank manages with its extensive risk management policies and procedures. The key risks include interest rate, credit, liquidity, market, and foreign exchange risks. For a more detailed description on how the Bank manages its risk, refer to the “Managing Risk” section of this document.

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## RISK FACTORS AND MANAGEMENT

# Risk Factors That May Affect Future Results

In addition to the risks described in the “Managing Risk” section, there are numerous other risk factors, many of which are beyond the Bank’s control and the effects of which can be difficult to predict, that could cause the Bank’s results to differ significantly from the Bank’s 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 plan, objectives, estimates or 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

The Bank 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 management is focused due to the potential magnitude or immediacy of their impacts.

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

#### *General Business and Economic Conditions*

The Bank and its customers operate in Canada, the U.S., and, to a lesser extent, in other countries. As a result, the Bank’s earnings are significantly affected by the general business and economic conditions in these regions, which could have an adverse impact on the Bank’s results, business, financial condition or liquidity, and could result in changes to the way the Bank operates. These conditions include short-term and long-term interest rates, inflation, the decline in economic activity that could lead to a recession, fluctuations in financial markets and related market liquidity, real estate prices, employment levels, consumer spending and debt levels, evolving consumer trends and related changes to business models, business investment, government spending, monetary policy, fiscal policy (including tax policy and rate changes), exchange rates, sovereign debt risks, the strength of the economy, threats of terrorism, civil unrest, natural disasters, extreme weather, reputational risk associated with increased regulatory, public, and media focus, pandemics or other public health emergencies, disruptions to public infrastructure, governmental policy, international trade and political relations.

#### *Geopolitical Risk*

Government policy, international trade and political relations across the globe may impact overall market and economic stability, including in the regions where the Bank operates, or where its customers operate. While the nature and extent of risks may vary, they have the potential to disrupt global economic growth, create volatility in financial markets that may affect the Bank’s trading and non-trading activities, market liquidity, interest rates, foreign exchange, commodity prices, credit spreads, fiscal policy, and directly and indirectly influence general business and economic conditions in ways that may have an adverse impact on the Bank and its customers. Geopolitical risks in 2022 included ongoing global tensions resulting in sanctions and countersanctions and related operational complexities, supply chain disruptions, economic and societal consequences of the COVID-19 pandemic, being subjected to heightened regulatory focus on climate change and transition to a low-carbon economy, increased likelihood of critical public and private infrastructure and networks to cyber-attacks, the Russia/Ukraine war and the resulting tensions between Russia and other nation states, continuing tensions in the Middle East and Asia, political and economic turmoil, and ongoing protectionism measures due to a decline in global alignment.

#### *Inflation, Rising Rates, and Recession*

Inflation has reached decade high levels in Canada, the U.S., and many other countries as a result of pandemic-related constrained consumer demand, increased labour costs, the ongoing impact of global supply chain disruptions, the Russia/Ukraine war and other macroeconomic conditions and global tensions. Despite central banks’ efforts to manage inflation by increasing interest rates, the rising rates could result in increased loan delinquencies or impairments and higher credit losses due to deterioration in the financial condition of the Bank’s customers and may necessitate further increases in the Bank’s provision for credit losses and net charge-offs, both of which could negatively impact the Bank’s business, financial condition, liquidity and results of operations. In addition, actual stress levels experienced by the Bank’s borrowers may differ from assumptions incorporated in estimates or models used by the Bank. The rising rate environment also increases concerns around the probability of a recession in Canada, the U.S. and other regions where the Bank and its customers operate and continues to impact the macroeconomic and business environment. Such developments could have an adverse impact on the Bank’s business, financial condition, liquidity and results of operations.

#### *Impact of Pandemics, Including the COVID-19 Pandemic*

Pandemics, epidemics or outbreaks of an infectious disease in Canada, the U.S., or worldwide have had, and could continue to have, an adverse impact on the Bank’s results, business, financial condition, liquidity and results of operations, and could result in changes to the way the Bank operates.

While many COVID-19 pandemic-related risks are receding and measures to contain the spread of the virus have lifted in many regions, the pandemic continues to have, and new pandemics, epidemics or outbreaks of an infectious disease could have, an impact on Canadian, U.S., and global economies including contributing to high levels of inflation, rising interest rates (to mitigate inflation), and the resulting threat of recession (which heightens the Bank’s exposure to the risks described in the Inflation, Rising Rates, and Recession risk factor referenced above). In addition, public health measures continue to be implemented in certain regions or countries, such as China, and may be reinstated in other areas which could result in the forced closure of many businesses, leading to loss of revenues, increased unemployment and workforce absenteeism necessitated by the imposition of quarantines, physical distancing, travel restrictions, and sheltering-in-place requirements in Canada, the U.S. and other countries, heightened concerns over household debt levels; and reduced customer spending and consumer confidence.



The measures implemented by governmental and regulatory authorities to provide economic assistance to individual households and businesses to stabilize the financial markets, and to support economic growth have been effective to-date in mitigating some effects of the COVID-19 pandemic. Although such measures have largely ceased, the cost, if any, that implementing these programs has had or will have on fiscal, tax and regulatory policy, and the implications for the Bank, its customers, and the financial services industry has yet to be determined.

The COVID-19 pandemic created, and new pandemics, epidemics or outbreaks of an infectious disease may create, operational and compliance risks, including the need to implement and execute new programs and procedures for the Bank's products and services; provide enhanced safety measures for its employees and customers; address the risk and increased incidence of attempted fraudulent activity and cybersecurity threat behaviour; and protect the integrity and functionality of the Bank's systems, networks, and data as the Bank transitioned to a workplace model which includes a larger number of employees working in a hybrid environment. The Bank remains exposed to human capital risks, risks arising from mental wellness concerns for employees due to issues related to health and safety matters, and increased levels of workforce absenteeism with the possible emergence of new variants that are potentially more contagious and/or more vaccine-resistant than current or past COVID-19 variants. Suppliers and other third parties upon which the Bank relies have, and may continue to be exposed to similar and other risks which in turn impact the Bank's operations. Increased levels of workforce absenteeism and disruption for the Bank and its suppliers and other third parties upon which the Bank relies, may increase operational and compliance risks for the Bank. Increased absenteeism and disruption may also increase the Bank's exposure to the other risks described in the "Risk Factors and Management" section of this document.

Consumer behaviour changed during the COVID-19 pandemic and may change in the event of new pandemics, epidemics or outbreaks of an infectious disease. Changes in consumer behaviour has impacted and may continue to impact the macroeconomic and business environment, societal and business norms, and fiscal, tax and regulatory policy. Such developments could have an adverse impact on the Bank's business operations, the quality and continuity of services provided to customers, the results of operations and financial condition, including making the Bank's longer-term business, balance sheet and budget planning more difficult or costly. The Bank has, and may continue to experience, increased or different competitive and/or other challenges, including the retention and recruitment of qualified employees. To the extent that the Bank is not able to adapt or compete effectively, it could experience loss of business and its results of operations and financial condition could suffer.

The Bank may be criticized or face increased risk of litigation and governmental and regulatory scrutiny, customer disputes, negative publicity, or exposure to litigation (including class actions, or regulatory and government actions and proceedings) as a result of the effects of the COVID-19 pandemic on market and economic conditions, including as a result of the Bank's participation (directly or on behalf of customers) in governmental assistance programs, the Bank's deferral and other types of customer assistance programs, and the impact or effectiveness of the Bank's health and safety measures on its customers and employees. The Bank has also received formal and informal inquiries from governmental and regulatory agencies regarding its participation in governmental assistance programs. These risks could increase the Bank's operational, legal and compliance costs, expose it to financial judgments and fines, and damage its reputation.

The impact of the COVID-19 pandemic has resulted in, and may continue to result in, an increase, and new pandemics epidemics or outbreaks of an infection disease may result in further increases, in certain types of the risks outlined in the Risk Factors and Management section of this document, including the Bank's top and emerging, strategic, credit, market, operational, model, insurance, liquidity, capital adequacy, legal, regulatory compliance and conduct, and reputational risks.

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

The Bank has a number of strategies and priorities, including those detailed in each segment's "Business Segment Analysis" section of this document, which may include large scale strategic or regulatory initiatives that are at various stages of development or implementation. Examples include organic growth strategies, new acquisitions (including the closing of the pending acquisitions of First Horizon and Cowen), integration of recently acquired businesses, projects to meet new regulatory requirements, new platforms and technology, and enhancements 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.

The Bank regularly explores opportunities to acquire companies or businesses, directly or indirectly, through the acquisition strategies of its subsidiaries. In respect of acquisitions, the Bank undertakes transaction assessments and due diligence before completing a merger or an acquisition and closely monitors integration activities and performance post acquisition. However, the Bank'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.

While there is significant management attention on the governance, oversight, methodology, tools, and resources needed to manage the Bank's strategies and priorities, the Bank's ability to execute on them is dependent on a number of assumptions and factors. These include those set out in the "Economic Summary and Outlook", "Key Priorities for 2023", "2022 Accomplishments and Focus for 2023", "Operating Environment and Outlook", and "Managing Risk" sections of this document, as well as disciplined resource and expense management and the Bank's 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.

The Bank may not achieve its financial or strategic objectives, including anticipated cost savings or revenue synergies, following acquisition and integration activities. In addition, from time to time, the Bank may invest in companies without taking a controlling position in those companies, which may subject the Bank to the operating and financial risks of those companies', the risk that these companies may make decisions that the Bank does not agree with, and the risk that the Bank may have differing objectives than the companies in which the Bank has interests.

As at October 31, 2022, the Bank's reported investment in Schwab was approximately 12.1% of the outstanding voting and non-voting common shares of Schwab, and the Bank is not permitted to own more than 9.9% voting common shares of Schwab. The value of the Bank's investment in Schwab and its contribution to the Bank's financial results are vulnerable to poor financial performance or other issues at Schwab affecting its business. In addition, the Bank relies on Schwab for its financial results that are included in the Bank's financial statements. Although the Bank has director designation rights to the Schwab board of directors and certain other rights under the Stockholder Agreement with Schwab so long as it holds at least a 5% equity interest in Schwab (and currently has designated two directors to serve on the Schwab board), these rights may not mitigate the Bank's exposure to poor financial performance or other issues at Schwab that may affect the Bank's financial results.

If any of the Bank's strategies, priorities, or acquisitions and integration activities are not successfully executed, or do not achieve their financial or strategic objectives, there may be an impact on the Bank's operations and financial performance and the Bank's earnings could grow more slowly or decline.

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

Technology and cyber security risks for large financial institutions like the Bank have increased in recent years, especially due to heightened geopolitical tensions. In particular, the increased likelihood of attacks on critical infrastructure and to supply chains is due, in part, to the proliferation, sophistication and constant evolution of new technologies and attack methodologies used by sociopolitical entities, organized criminals, malicious insiders or, service providers, nation states, hackers and other internal or external parties. The increased risks are also a factor of the Bank's size and scale of operations, geographic footprint, the complexity of its technology infrastructure, and the Bank's use of internet and telecommunications technologies to conduct financial transactions, such as its continued development of mobile and internet banking platforms as well as opportunistic threats by actors that have accelerated exploitations of new weaknesses, misconfigurations, or vulnerabilities.

The Bank's technologies, systems and networks, and those of the Bank's customers (including their own devices) and third parties providing services to the Bank, continue to be subject to cyber-attacks, and may be subject to disruption of services, data security or other breaches (including loss or exposure of confidential information, including customer or employee information), identity theft and corporate espionage, or other compromises. The Bank has experienced service disruptions as a result of technology failure at a third party and may be subject to such disruptions in the future due to cyber attacks and/or technology failure. The Bank's use of third-party service providers, which are subject to these potential compromises, increases the Bank's risk of potential attack, breach or disruption as the Bank has less immediate oversight and direct control over their technology infrastructure or information security.

Although the Bank has not experienced any material financial losses relating to technology failure, cyber-attacks or data security or other breaches, the Bank may experience material loss or damage in the future including from cyber-attacks such as targeted and automated online attacks on banking systems and applications, supply chain attacks, ransomware attacks, introduction of malicious software, denial of service attacks, malicious insider or service provider exfiltrating data, and phishing attacks, any of which could result in the fraudulent use, disclosure or theft of data or customer or Bank funds, or the disruption of the Bank's operations. Cyber-attacks may include attempts by employees, agents or third-party service providers of the Bank to disrupt operations, access or disclose sensitive information or other data of the Bank, its customers or its employees. In addition, attempts to illicitly or misleadingly induce employees, customers, service providers, or other users of the Bank's systems occur, and will likely continue to occur, in an effort to obtain sensitive information, gain access to the Bank's or its customers' or employees' data or customer or Bank funds, or to disrupt the Bank's operations. In addition, the Bank's customers often use their own devices, such as computers, smartphones, and tablets, which limits the Bank's ability to mitigate certain risks introduced through these personal devices.

The Bank regularly reviews external events and assesses and enhances its controls and response capabilities as it considers necessary to mitigate against the risk of cyber-attacks or data security or other breaches, but these activities may not mitigate all risks, and the Bank may experience loss or damage arising from such attacks. Cyber and technology-related risks have become increasingly difficult to mitigate in totality mainly because the tactics, techniques, and procedures used change frequently and risks can originate from a wide variety of sources that have also become increasingly sophisticated. As a result, the industry and the Bank are susceptible to experiencing potential loss or damage from these attacks. The adoption of certain technologies, such as cloud computing, artificial intelligence, machine learning, robotics, and process automation call for continued focus and investment to manage the Bank's risks effectively. It is possible that the Bank, or those with whom the Bank does business, have not anticipated or implemented, or may not anticipate or implement effective measures against all such cyber and technology-related risks, particularly because the tactics, techniques, and procedures used change frequently and risks can originate from a wide variety of sources that have also become increasingly sophisticated. Furthermore, cyber insurance providers are modifying their terms as a result of increased global cyber activity causing pricing uncertainty and coverage term changes across the industry. This has the potential to impact the Bank's cyber insurance purchased to mitigate risk and may limit the amount of coverage available for financial losses. As such, with any cyber-attack, disruption of services, data, security or other breaches (including loss or exposure of confidential information), identity theft, corporate espionage or other compromise of technology or information systems, hardware or related processes, or any significant issues caused by weakness in information technology infrastructure and systems, 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 costs; increased costs to maintain and update the Bank's operational and security systems and infrastructure; and reputational damage. If the Bank were to experience such an incident, it may take a significant amount of time and resources to investigate the incident to obtain full and reliable information necessary to assess the impact. The Bank's owned and operated applications, platforms, networks, processes, products, and services could be subject to failures or disruptions as a result of human error, natural disasters, utility or infrastructure disruptions, pandemics or other public health emergencies, malicious insiders or service providers, cyber-attacks or other criminal or terrorist acts, or non-compliance with regulations, which may impact the Bank's operations. Such adverse effects could limit the Bank's ability to deliver products and services to customers, and/or damage the Bank's reputation, which in turn could lead to financial loss.

### **Model Risk**

The pandemic and the associated governmental assistance program introduced a heightened level of uncertainty in models and impacted model reliability across various business areas. Although short- and long-term mitigants were identified and executed to help improve resilience of models trained on historical data that may become less relevant under the current environment (e.g., IFRS 9 and stress testing models), new model limitations could arise due to emerging risks, including rising inflation and interest rates and supply chain disruptions. Management's efforts to assess and update models may not adequately or successfully improve the resilience of such models.

### **Fraud Activity**

Fraud risk is the risk associated with acts designed to deceive others, resulting in loss and/or harm to shareholder value, brand, reputation, employee satisfaction and customers. Fraud Risk arises from numerous sources, including potential or existing customers, agents, third parties, contractors, employees and other internal or external parties, including service providers to the Bank's customers that store bank account credentials and harvest data based on customers' web banking information and activities. 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. Misrepresentation of this information potentially exposes the Bank to increased fraud events when transacting with customers or counterparties. In order to authenticate customers, whether through the Bank's phone or digital channels or in its branches and stores, the Bank may also rely on certain authentication methods which could be subject to fraud.

The Bank has seen an increase in more complex fraud, including cyber fraud and COVID-19 related fraud schemes. However, with the reduction in severity of the COVID-19 environment, fraud attacks against government relief programs have declined and are transitioning back to traditional transaction channels. Attempts to

illicitly or misleadingly induce employees, customers, third-party service providers or other users of the Bank's systems will continue, in an effort to obtain sensitive information and gain access to the Bank's or its customers' or employees' data or customer or Bank funds.

Losses attributed to fraud during the 2022 fiscal year increased as higher transactional volumes return, particularly against the Bank's online channels. Despite the Bank's investments in fraud prevention and detection programs, capabilities, measures and defences, they have not, and in the future may not successfully mitigate against all fraudulent activity which could result in financial loss or disruptions in the Bank's businesses. In addition to the risk of material loss (financial loss, misappropriation of confidential information or other assets of the Bank or its customers and counterparties) that could result from fraudulent activity, the Bank could face legal action and customer and market confidence in the Bank could be impacted.

#### **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, the Bank may become dependent on the provider with respect to continuity, reliability, and security, and their associated processes, people and facilities. As the financial services industry and its supply chain become more complex, the need for resilient, robust, holistic, and sophisticated controls, and ongoing oversight increases.

The Bank also recognizes that the applications, platforms, networks, processes, products, and services of its providers could be subject to failures or disruptions impacting the delivery of services or products to the Bank. These failures or disruptions could be as a result of human error, natural disasters, utility or infrastructure disruptions, pandemics or other public health emergencies, malicious insiders or service providers, cyber-attacks or other criminal or terrorist acts, or non-compliance with regulations. Such adverse effects could limit the Bank's ability to deliver products and services to customers, lead to disruptions in the Bank's businesses, expose the Bank to legal and regulatory risk, including those outlined under the headings 'Regulatory Oversight and Compliance Risk' and 'Legal Proceedings', and/or damage the Bank's reputation, which in turn could result in an adverse impact to the Bank's operations, earnings or financial condition.

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

The financial services industry is highly regulated. The Bank's operations, profitability and reputation could be adversely affected by the introduction of new laws and regulations, amendments to, or changes in interpretation or application of current laws and regulations, issuance of judicial decisions, and changes in enforcement pace or activities. These adverse effects could also result from the fiscal, economic, and monetary policies of various central banks, regulatory agencies and governments in Canada, the United States, the United Kingdom, Ireland and other countries, and changes in the interpretation or implementation of those policies. Such adverse effects may include incurring additional costs and devoting additional 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 on the basis of 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, financial penalties, and changes including restrictions on offering certain products or services or on operating in certain jurisdictions, that could adversely impact its earnings, operations and reputation.

Anti-money laundering, anti-terrorist financing and economic sanctions requirements continue to be a high priority globally, with an increasing pace of regulatory change and evolving industry standards and regulator expectations.

The global data and privacy landscape is dynamic and regulatory expectations continue to evolve. New and amended legislation is anticipated in various jurisdictions in which the Bank does business.

Canadian, U.S. and global regulators have been increasingly focused on conduct and operational resilience matters and risks, and heightened expectations generally from regulators could lead to investigations, remediation requirements, and higher compliance costs. While the Bank takes numerous steps to continue to strengthen its conduct programs and its operational resilience, and prevent and detect outcomes which could potentially harm customers, colleagues or the integrity of the markets, such outcomes may not always be prevented or detected.

Regulators have increased their focus on ESG matters, including the impact of climate change, financial and economic inclusion and disclosure regarding such matters, with significant new legislation and amended legislation anticipated in some of the jurisdictions in which the Bank does business.

In addition, there may be changes in interpretation or application of current laws and regulations to incorporate ESG matters in ways that were not previously anticipated.

Despite the Bank's monitoring and evaluation of the potential impact of rules, proposals, consent orders and regulatory guidance, unanticipated new regulations applicable to the Bank may be introduced by governments and regulators around the world and the issuance of judicial decisions may result in unanticipated consequences to the Bank.

#### **Canada**

The Canadian Securities Administrators has passed a number of regulations relating to over-the-counter derivatives reform, including Trade Reporting and Mandatory Clearing and has proposed others, including Business Conduct and Registration. The Bank continues to take steps to implement the regulations already in effect and is monitoring other regulatory initiatives, all of which, when implemented, could result in increased compliance costs, and compliance with these standards may impact the Bank's businesses, operations and results.

In Canada, there are a number of government and regulatory initiatives underway that could impact financial institutions, including initiatives with respect to payments evolution and modernization, open banking, consumer protection, protection of customer data, technology and cyber security, dealing with vulnerable persons, and anti-money laundering. For example, OSFI released a guideline related to technology and cyber risk management, which will come into effect in 2024, and will require the Bank to assess its governance and risk management framework, technology operations and resilience, and cyber-security strategies and frameworks, and make any necessary changes to mitigate technology and cyber risks in compliance with the guideline, all of which could result in increased compliance costs and impact the Bank's organizational plans, policies, processes and standards.

The Government of Canada's bail-in regime, which became effective in September 2018, was implemented through regulations published under the *Canada Deposit Insurance Corporation Act* (the "CDIC Act") and the *Bank Act (Canada)*, providing the final details of conversion and issuance regimes for bail-in instruments issued by D-SIBs including the Bank (collectively, the Bail-in Regulations). Further amendments were introduced to the CDIC Act in 2021 through Bill

C-30 that would support and clarify the scope of the cross-border enforceability of the stay provisions applicable to eligible financial contracts as well as clarify how investors, creditors and other participants may be compensated as a result of actions taken by financial sector authorities to sell, wind-down or restore to viability a failing bank, among other things. The bail-in regime could adversely affect the Bank's cost of funding.

#### *United States*

The 2018 U.S. *Economic Growth, Regulatory Relief and Consumer Protection Act* (Reform Act) included modifications to aspects of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank), including stress testing. In addition, the applicable U.S. Federal regulatory agencies have adopted regulatory amendments to some of these requirements. In October 2019, the Federal Reserve issued a final rule that implemented the Reform Act's changes to the application of enhanced prudential standards with respect to U.S. and non-U.S. banking organizations (the "Tailoring Rule") based on the risk profile of the organization. The Bank has incurred, and will continue to incur, operational, capital, liquidity, and compliance costs resulting from these standards. In addition, as a result of the Bank's designation as a G-SIB by the FSB, the Bank's U.S. operations will be subject to certain additional long-term debt and "total loss-absorbing capacity" capital requirements, effective in 2023.

The current U.S. regulatory environment for banking organizations may be further impacted by additional legislative or regulatory developments, including resulting from changes in U.S. executive administration, congressional leadership and/or agency leadership, and regulators focusing on potential racial discrimination and economic inequity, including fair lending. The ultimate consequences of these developments and their impact on the Bank remain uncertain and it remains unclear whether any other legislative or regulatory proposals relating to these requirements will be enacted or adopted.

#### *Europe*

In Europe, there remain a number of uncertainties in connection with the future of the United Kingdom – European Union relationship, 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 customers in the region.

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

The Bank and its businesses are subject to extensive regulation and oversight by a number of different regulators and self-regulatory organizations around the world. Regulatory change and changes in regulator expectations occur in all jurisdictions in which the Bank operates. Governments and regulators around the world have demonstrated an increased focus on conduct risk; consumer protection; data control, use and security; capital and liquidity management; internal control frameworks; and money laundering, terrorist financing and economic sanctions risks and threats. Some of the Bank's regulators have the discretion to impose additional standards or guidance regarding the Bank's risk, capital and liquidity management, or other matters within their regulatory scope, and in some cases the Bank may be prohibited by law from publicly disclosing such additional standards or guidance. There is heightened scrutiny by regulators globally on the impact of rising interest rates and inflation on customers, as well as on the Bank's operations and its management and oversight of risks associated with these matters. In addition, these risks continue to rapidly evolve, as a result of new or emerging threats, including geopolitical and those associated with use of new, emerging and interrelated technologies, artificial intelligence, machine learning, models and decision-making tools.

The Bank monitors and evaluates the potential impact of applicable regulatory developments (including enacted and proposed rules, standards, and regulatory guidance). However, while the Bank devotes substantial compliance, legal, and operational business resources to facilitate compliance with these developments by their respective effective dates, and also to the consideration of other governmental and regulator expectations, it is possible that: (i) the Bank may not be able to accurately predict the impact of regulatory developments, or the interpretation or focus of enforcement actions taken by governments, regulators and courts, (ii) the Bank may not be able to develop or enhance the platforms, technology, or operational procedures and frameworks necessary to comply with, or adapt to, such rules or expectations in advance of their effective dates; or (iii) regulators and other parties could challenge the Bank's compliance. This could require the Bank to take further actions or incur more costs than expected and may expose the Bank to litigation, enforcement and reputational risk. Regulatory change will continue to increase the Bank's compliance and operational risks and costs. In addition, if governments or regulators take formal enforcement action against the Bank, the Bank's operations, business strategies and product and service offerings may be adversely impacted, therefore impacting financial results.

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

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

#### **Level of Competition, Shifts in Consumer Attitudes, and Disruptive Technology**

The Bank operates in a highly competitive industry and its performance is impacted by the level of competition. Customer retention and acquisition can be influenced by many factors, including the Bank's reputation as well as the pricing, market differentiation, and overall customer experience of the Bank's products and services.

Enhanced competition from incumbents and new entrants may impact the Bank's pricing of products and services and may cause it to lose revenue and/or market share. Increased competition requires the Bank to make additional short and long-term investments to remain competitive and continue delivering differentiated value to its customers, which may increase expenses. In addition, the Bank operates in environments where laws and regulations that apply to it may not universally apply to its current and emerging competitors, which could include the domestic institutions in jurisdictions outside of Canada or the U.S., or non-traditional providers (such as Fintech or big technology competitors) of financial products and services. Non-depository or non-financial institutions are often able to offer products and services that were traditionally banking products and compete with banks in offering digital financial solutions (primarily mobile or web-based services), without facing the same regulatory requirements or oversight. These competitors may also operate at much lower costs relative to revenue or balances than traditional banks. These third parties can seek to acquire customer relationships, react quickly to changes in consumer attitudes, and disintermediate customers from their primary financial institution, which can also increase fraud and privacy risks for customers and financial institutions in general. The nature of disruption is such that it can be difficult to anticipate and/or respond to adequately or quickly, representing inherent risks to certain Bank businesses, including payments. As such, this type of competition could also adversely impact the Bank's earnings.

The Bank is advancing its artificial intelligence (AI) capabilities, to help further inform the Bank's business decisions and risk management practices as well as improve customer experiences and efficiency of business operations. AI may not appropriately or sufficiently replicate certain outcomes or accurately predict future events or exposures.

The Bank is also looking at emerging trends, some accelerated by the disruption caused by the COVID-19 pandemic, that may disrupt traditional interfaces, interaction preferences, or customer expectations. The Bank considers various options to accelerate innovation, including making strategic investments in innovative companies, exploring partnership opportunities, and experimenting with new technologies and concepts internally, but these investments and activities may not be successful. Legislative or regulatory action relating to such new technologies could emerge and continue to evolve, potentially increasing compliance costs and risks.

#### ***Environmental and Social Risk (including Climate Risk)***

As a financial institution, the Bank is subject to environmental and social (E&S) risk.

Environmental risk is the risk of financial loss, reputational damage or other harm resulting from environmental factors, including climate change and other environmental degradation (e.g., loss of biodiversity, deforestation, desertification and drought, land and water degradation and air pollution).

Climate risk is the risk of reputational damage and/or financial loss arising from materialized credit, market, operational or other risks resulting from the physical and transition risks of climate change to the Bank, its clients or the communities the Bank operates in. This includes physical risks arising from the consequences of a changing climate, including acute physical risks stemming from extreme weather events happening with increasing severity and frequency (e.g., wildfires and floods) and chronic physical risks stemming from longer-term, progressive shifts in climatic and environmental conditions (e.g., rising sea levels and global warming). Transition risks arise from the process of shifting to a low-carbon economy, influenced by new and emerging climate-related public policies and regulations, technologies, stakeholder expectations and legal developments.

Social risk is the risk of loss, reputational damage or other harm resulting from social factors, including human rights (e.g., discrimination including racial inequity, Indigenous Peoples' rights, modern slavery, and human trafficking), the social impacts of climate change (e.g., poverty, economic and physical displacement) and the health and wellbeing of employees (e.g., inclusion and diversity, pay equity, mental health, physical wellbeing, and workplace safety). Organizations, including the Bank, are under increasing scrutiny to address social and financial inequalities among racialized and other marginalized groups and are subject to new rules and regulations such as the Fair Access to Banking Services, Capital and Credit rules in the U.S.

E&S risks may have financial and reputational and other implications for both the Bank and its stakeholders (including its customers, suppliers, and shareholders). These risks may arise from the Bank's operations, investments, business activities or products. They may also arise from the Bank's actual or perceived actions, or inaction, in relation to climate change and other E&S issues, its progress against its E&S commitments, or its disclosures on these matters. These risks could also result from E&S matters impacting the Bank's stakeholders. The Bank's participation in external E&S-related organizations or commitments may exacerbate these risks and subject the Bank to increased scrutiny from its stakeholders. In addition, the Bank may be subject to legal and regulatory risks relating to E&S matters, including regulatory orders, fines, and enforcement actions; financial supervisory capital adequacy requirements; and legal action by shareholders or other stakeholders, including the risks described in the 'Other Risk Factors – Legal Proceedings' section.

The Bank monitors and assesses legal, policy, regulatory, economic, technological and stakeholder developments regarding E&S matters, including the transition to net zero, and how those developments may affect its E&S metrics and targets. Accordingly, the Bank may make adjustments to its E&S metrics or targets to reflect these developments. In addition, there could be changes to the E&S methodologies or standards used by regulators, the financial sector, industry groups or associations that the Bank participates in or belongs to, or that the Bank or its clients use to measure and report on their Greenhouse Gas (GHG) emissions. Any such changes could result in TD amending or restating its GHG emissions baselines, calculated GHG emissions or GHG emission targets, and may result in the Bank withdrawing from or modifying its membership in certain groups or associations.

#### **OTHER RISK FACTORS**

##### ***Legal Proceedings***

Given the highly regulated and consumer-facing nature of the financial services industry, the Bank is exposed to significant regulatory, quasi-regulatory and self-regulatory investigations and enforcement proceedings related to its business and operations. In addition, the Bank and 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 related to its businesses and operations. Actions currently pending against the Bank, or in which the Bank is otherwise involved, may result in judgments, settlements, fines, penalties, disgorgements, injunctions, business improvement orders, limitations or prohibitions on engaging in business activities, or other results adverse to the Bank, which could materially affect the Bank's business, financial condition and operations, and/or cause serious reputational harm to the Bank, which could also affect the Bank's future business prospects. 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, in some instances, until late in the proceedings, which may last several years. Although the Bank establishes reserves for these matters according to accounting requirements, the amount of loss ultimately incurred in relation to those matters may be material and may be substantially different from the amounts accrued. Furthermore, the Bank may not establish reserves for matters where the outcome is uncertain. Regulators and other government agencies examine the operations of the Bank and its subsidiaries on both a routine- and targeted-exam basis, and they may pursue regulatory settlements, criminal proceedings 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 2022 Consolidated Financial Statements.

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

The Bank's future performance is dependent on the availability of qualified talent and the Bank's ability to attract, develop, and retain key talent. The Bank's management understands that the competition for talent continues to increase across geographies, industries, and emerging capabilities across a number of sectors including financial services. This competition has intensified and is expected to continue as a result of shifts in employee preferences and what they value, tight labour market conditions, inflationary pressures and remote roles providing opportunities across geographic boundaries. This could result in increased attrition particularly in areas where core professional and specialized skills are required. Annually, the Bank undertakes a talent review process to assess critical capability requirements for all areas of the business. Through this process, an assessment of current executive leadership, technical and core capabilities, as well as talent development opportunities is completed against both near term and future business needs. The outcomes from the process inform plans at both the enterprise and business level to retain, develop, or acquire the talent which are then actioned throughout the course of the year. Although it is the goal of the Bank's management resource policies and practices to attract, develop, and retain key talent employed by the Bank or an entity acquired by the Bank, the Bank may not be able to do so, and these actions may not be sufficient to mitigate against attrition.

### Foreign Exchange Rates, Interest Rates, Credit Spreads, and Equity Prices

Foreign exchange rate, interest rate, credit spread, and equity price movements in Canada, the United States, and other jurisdictions in which the Bank does business impact the Bank's financial position and its future earnings. Changes in the value of the Canadian dollar relative to the global foreign exchange rates may also affect the earnings of the Bank's small business, commercial, and corporate customers. A change in the level of interest rates affects the interest spread between the Bank's deposits and other liabilities, and loans, and as a result, impacts the Bank's net interest income. In particular, rising interest rates would increase the Bank's interest income but could also have adverse impacts on the Bank's cost of funding for loans and may also result in the risks outlined under the heading 'Inflation, Rising Rates and Recession'. 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. A change in equity prices impacts the Bank's financial position and its future earnings, due to unhedged positions the Bank holds in tradeable equity securities. The trading and non-trading market risk frameworks and policies manage the Bank's risk appetite for known market risk, but such activities may not be sufficient to mitigate against such market risk, and the Bank remains exposed to unforeseen market risk.

### Interbank Offered Rate (IBOR) Transition

Various interest rates and other indices that are deemed to be "benchmarks" (including IBOR benchmarks such as London Inter-bank Offered Rate (LIBOR) and Canadian Dollar Offered Rate (CDOR)) have been, and continue to be, the subject of international regulatory guidance and proposals for reform. As a result of the global benchmark reform initiative, efforts to transition away from IBORs to alternative reference rates (ARR) have been continuing in various jurisdictions. The transition to ARRs may result in market dislocation and have other adverse consequences to the Bank, its customers, market participants, and the financial services industry.

The Bank has significant contractual rights, obligations and exposures referenced to IBOR benchmarks as such discontinuance of, or changes to, benchmark rates could adversely affect the Bank's business and results of operations. The Bank has established an enterprise-wide, cross functional initiative with senior executive oversight, to evaluate and monitor the impact of the market, financial, operational, legal, technology and other risks on its products, services, systems, models, documents, processes, and risk management frameworks with the intention of managing the impact through appropriate mitigating actions, but such actions may not be sufficient to mitigate against the impact of all such risks.

In addition to operational challenges, market risks also arise because the new reference rates are likely to differ from the prior benchmark rates resulting in differences in the calculation of the applicable interest rate or payment amount. This could result in different financial performance for previously booked transactions, require alternative hedging strategies, or affect the Bank's capital and liquidity planning and management. Additionally, any adverse impacts on the value of and return on existing instruments and contracts for the Bank's clients may present an increased risk of litigation, regulatory intervention, and possible reputational damage.

### Accounting Policies and Methods Used by the Bank

The Bank's accounting policies and estimates are essential to understanding its results of operations and financial condition. Some of the Bank's policies require subjective, complex judgments and estimates as they relate to matters that are inherently uncertain. Changes in these judgments or estimates and changes to accounting standards and policies could have a materially adverse impact on the Bank's Consolidated Financial Statements, and 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 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, and significant accounting judgments, estimates, and assumptions are described in Note 3 of the 2022 Consolidated Financial Statements.

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## RISK FACTORS AND MANAGEMENT

# Managing Risk

### EXECUTIVE SUMMARY

Growing profitability in financial results based on balanced revenue, expenses and capital growth services involves selectively taking and managing risks within the Bank's risk appetite. The Bank's goal is to earn a stable and sustainable rate of return for every dollar of risk it takes, while putting significant emphasis on investing in its businesses to meet its strategic objectives.

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

### RISKS INVOLVED IN TD'S BUSINESSES

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



## **RISK APPETITE**

The Bank's RAS is the primary means used to communicate how the Bank views risk and determines the type and amount of risk it is willing to take to deliver on its strategy and to enhance shareholder value. In defining its risk appetite, the Bank takes into account its vision, purpose, strategy, shared commitments, and capacity to bear risk under both normal and recessionary conditions. The core risk principles for the Bank's RAS are as follows:

The Bank takes risks required to build its business, but only if those risks:

1. Fit the business strategy, and can be understood and managed.
2. Do not expose the enterprise to any significant single loss events; TD does not 'bet the Bank' on any single acquisition, business, or product.
3. Do not risk harming the TD brand.

The Bank's Risk Appetite Governance Framework (RAGF) describes the assumptions, responsibilities, and processes established to define, maintain, and govern TD's risk appetite. The Bank considers current operating conditions and the impact of emerging risks in developing and applying its risk appetite. Adherence to enterprise risk appetite is managed and monitored across the Bank and is informed by the RAGF and a broad collection of principles, policies, processes, and tools.

The Bank's RAS describes, by major risk category, the Bank's risk principles and establishes both qualitative and quantitative measures, thresholds, and limits, as appropriate. RAS measures consider both normal and stress scenarios and include those that can be monitored at the enterprise level and cascaded to the segments.

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

## **RISK CULTURE**

Risk culture is one of the attributes that is integral to TD's overall organizational culture. It forms part of and is guided by the TD Culture Framework. The central oversight for culture at TD is led by Human Resources (HR) in partnership with Risk Management and Compliance. The Risk Committee engages with the Group Head and Chief Risk Officer (CRO) who leads a diverse team of risk professionals to drive a proactive risk culture.

The Bank's risk culture starts with the "tone at the top" set by the Board, Chief Executive Officer (CEO), and the Senior Executive Team (SET), and is supported by the Bank'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. The Bank's risk culture embraces accountability and continuous learning (especially from past experiences), and encourages open communication and transparency on all aspects of risk taking. The Bank's employees are encouraged to challenge and escalate when they believe the Bank is operating outside of its risk culture or appetite.

Ethical behaviour is a key component of the Bank's risk culture. The Bank's Code of Conduct and Ethics guides employees and directors to make decisions that meet the highest standards of integrity, professionalism, and ethical behaviour. Every Bank employee and director is expected and required to assess business decisions and actions on behalf of the organization in light of whether it is right, legal, and fair.

The Bank's desired risk culture is reinforced by linking compensation to management's performance against the Bank's risk appetite and shared behaviours. 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 HR 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 segments, supported by an organizational structure that provides objective oversight and independent challenge. Governance, risk, and oversight function heads, including the CRO, have unfettered access to respective Board committees to raise risk, compliance, and other issues. Lastly, awareness and communication of the Bank's RAS and the ERF take place across the organization through enterprise risk communication programs, employee orientation and training, and participation in internal risk management conferences. These activities further strengthen the Bank's risk culture by increasing the knowledge and understanding of the Bank's expectations for risk taking.

## **WHO MANAGES RISK**

The Bank's risk governance structure emphasizes and balances independent oversight with clear ownership for risk control within each segment. Under the Bank's approach to risk governance, a "three lines of defence" model is employed, in which the first line of defence is the risk owner, the second line provides risk oversight, and the third line is internal audit.

The Bank's risk governance model includes a senior management committee structure that is designed to support transparent risk reporting and discussions. The Bank's overall risk and control oversight is provided by the Board and its committees. The CEO and SET determine the Bank's long-term direction which is then carried out by segments within the Bank's risk appetite. Risk Management, headed by the 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 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 U.S. Board Risk Committee.

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

## RISK GOVERNANCE STRUCTURE



### **The Board of Directors**

The Board oversees the Bank's strategic direction, the implementation of an effective risk culture and the internal control framework across the enterprise. It accomplishes its risk management mandate both directly and indirectly through its four committees: the Audit, Risk, Corporate Governance, and HR Committees. The Board reviews and approves the Bank's RAS and related measures annually, and reviews the Bank's risk profile and performance relative to its risk appetite measures and principles.

### **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 Internal Audit, Finance, Compliance and the Regulatory Compliance Management Program, and the Anti-Money Laundering/Terrorist Financing/Economic Sanctions/Anti-Bribery and Anti-Corruption Program.

### **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 relative to its risk appetite. In support of this oversight, the Committee reviews and approves significant enterprise-wide risk management frameworks and policies that are designed to help manage the Bank's major risk exposures, and monitors the management of risks, issues and trends.

### **The Human Resources Committee**

The HR Committee, in addition to its other responsibilities, oversees the management of the Bank's culture. It also satisfies itself that HR 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 principles, including the Bank's Code of Conduct and Ethics, aimed at fostering a healthy governance culture at the Bank, and also acts as the conduct review committee for the Bank, including providing oversight of conduct risk. In addition, the committee has oversight of the Bank's alignment with its purpose and its strategy, performance and reporting on corporate responsibility for E&S matters, and oversees the establishment and maintenance of policies in respect of the Bank's compliance with the consumer protection provisions of the Financial Consumer Protection Framework.

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

The CEO and the SET develop and recommend to the Board the Bank's long-term strategic direction and also develop and recommend for Board approval TD's RAS. The SET members set the "tone at the top" and manage risk in accordance with the Bank's RAS while considering the impact of current and emerging risks on the Bank's strategy and risk profile. This accountability includes identifying, understanding and communicating significant risks to the Risk Committee.

### **Executive Committees**

The CEO, in consultation with the CRO establishes the Bank's executive committee structure. These committees are chaired by SET members and meet regularly to oversee governance, risk, and control activities and to review and monitor risk strategies and associated risk activities and practices.



The ERM, chaired by the CEO, oversees the management of major enterprise governance, risk, and control activities and promotes an integrated and effective risk management culture. The following executive committees have been established to manage specific major risks based on the nature of the risk and related business activity:

- ALCO – chaired by the SET member responsible for TBSM, the ALCO oversees directly and through its standing subcommittees (the Enterprise Capital Committee and Global Liquidity and Funding Forum (GLF)), the management of the Bank's consolidated non-trading market risk and each of its consolidated liquidity, funding, investments, and capital positions.
- OROC – chaired by the CRO, the OROC oversees the identification, monitoring, and control of key risks within the Bank's operational risk profile.
- DC – chaired by the CFO, the DC oversees that appropriate controls and procedures are in place and operating to permit timely, accurate, balanced, and compliant disclosure.
- ERRC – chaired by the CRO, the ERRC oversees the management of reputational risk within the Bank's risk appetite, provides a forum for discussion, review, and escalation for non-traditional risks, and acts as a decisioning body in cases where urgent risk assessment and decisions are required for select high-risk cross-segment/enterprise changes and where decision rights run across more than one group.

#### **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 segments and other oversight functions to establish policies, standards, and limits that align with the Bank's risk appetite and monitors and reports on current and emerging risks and compliance with the Bank's risk appetite. The CRO leads and directs a diverse team of risk management professionals organized to oversee risks arising from each of the Bank's major risk categories. There is an established process in place for the identification and assessment of top and emerging risks. In addition, the Bank has clear procedures governing when and how risk events and issues are communicated to senior management and the Risk Committee.

#### **Business and Corporate Segments**

Each business and corporate 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 segment. Business and corporate management is responsible for setting the segment-level risk appetite and measures, which are reviewed and challenged by Risk Management, endorsed by the ERM, and approved by the CEO, to align with the Bank's RAS and manage risk within approved risk limits.

The corporate segment includes service and control groups (e.g., Platforms and Technology; Transformation, Enablement and Customer Experience; Human Resources and Finance) that, like business segments, are responsible for assessing risk, designing and implementing controls and monitoring and reporting their ongoing effectiveness to safeguard TD from exceeding its risk appetite.

#### **Internal Audit**

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

#### **Compliance**

Compliance is responsible for fostering a culture of integrity, ethics, and compliance throughout the Bank; delivering independent risk management and oversight of regulatory compliance throughout the Bank. The department is accountable for providing reliable and objective guidance and reporting to senior management and the Board on the state of regulatory compliance, controls and outcomes; material events of non-compliance based on independent monitoring and testing conducted (and on other data sources and indicators); and advising whether the Regulatory Compliance Management (RCM) controls are sufficiently robust to achieve compliance with applicable laws and regulatory requirements enterprise-wide.

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

GAML is responsible for the oversight of TD's regulatory compliance with Anti-Money Laundering (AML), Anti-Terrorist Financing, Economic Sanctions, and Anti-Bribery/Anti-Corruption regulatory compliance and broader prudential risk management across the Bank in alignment with enterprise AML policies so that the money laundering, terrorist financing, economic sanctions, and bribery and corruption risks are appropriately identified and mitigated.

### Three Lines of Defence

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

THREE LINES OF DEFENCE	
<b>FIRST LINE</b>	<b>RISK OWNER</b>
<b>IDENTIFY AND CONTROL</b>	<ul style="list-style-type: none"> <li>• Own, identify, manage, measure, and monitor current and emerging risks in day-to-day activities, operations, products, and services.</li> <li>• Design, implement, and maintain appropriate mitigating controls, and assess the design and operating effectiveness of those controls.</li> <li>• Assess activities to maintain compliance with applicable laws and regulations.</li> <li>• Monitor and report on risk profile so that activities are within TD’s risk appetite and policies.</li> <li>• Implement risk-based approval processes for all new products, activities, processes, and systems.</li> <li>• Escalate risk issues and develop and implement action plans in a timely manner.</li> <li>• Deliver training, tools, and advice to support its accountabilities.</li> <li>• Promote a strong risk management culture.</li> </ul>
<b>SECOND LINE</b>	<b>RISK OVERSIGHT</b>
<b>SET STANDARDS AND CHALLENGE</b>	<ul style="list-style-type: none"> <li>• Establish and communicate enterprise governance, risk, and control strategies, frameworks, and policies.</li> <li>• Provide oversight and independent challenge to the first line through an effective objective assessment, that is evidenced and documented where significant, including: <ul style="list-style-type: none"> <li>– Challenge the quality and sufficiency of the first line’s risk activities;</li> <li>– Identify and assess current and emerging risks and controls, using a risk-based approach, as appropriate;</li> <li>– Monitor the adequacy and effectiveness of internal control activities;</li> <li>– Review and discuss assumptions, material risk decisions and outcomes;</li> <li>– Aggregate and share results across business lines and control areas to identify similar events, patterns, or broad trends;</li> <li>– Identify and assess, and communicate relevant regulatory changes;</li> <li>– Develop and implement risk measurement tools so that activities are within TD’s RAS;</li> <li>– Monitor and report on compliance with TD’s RAS and policies; and</li> <li>– Escalate risk issues in a timely manner.</li> </ul> </li> <li>• Report on the risks of the Bank on an enterprise-wide and disaggregated level to the Board and/or senior management, independently of the business lines or operational management.</li> <li>• Provide training, tools, and advice to support the first line in carrying out its accountabilities.</li> <li>• Promote a strong risk management culture.</li> </ul>
<b>THIRD LINE</b>	<b>INTERNAL AUDIT</b>
<b>INDEPENDENT ASSURANCE</b>	<ul style="list-style-type: none"> <li>• Verify independently that TD’s ERF is designed and operating effectively.</li> <li>• Validate the effectiveness of the first and second lines in fulfilling their mandates and managing risk.</li> </ul>

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

**Enterprise-Wide in Scope** – Risk Management will span all areas of the Bank, including third-party alliances and joint venture undertakings to the extent they may impact the Bank, and all boundaries, both geographic and regulatory.

**Transparent and Effective Communication** – Matters relating to risk will be communicated and escalated in a timely, accurate, and forthright manner.

**Enhanced Accountability** – Risks will be explicitly owned, understood, and actively managed by business management and all employees, individually and collectively.

**Independent Oversight** – Risk policies, monitoring, and reporting will be established and conducted independently and objectively.

**Integrated Risk and Control Culture** – Risk Management disciplines will be integrated into the Bank’s daily routines, decision-making, and strategy formulation.

**Strategic Balance** – Risk will be managed to foster a sound strategic balance between risk mitigation and risk enablement within TD’s risk appetite.

### APPROACH TO RISK MANAGEMENT PROCESSES

The Bank’s comprehensive and proactive approach to risk management is comprised of four processes: risk identification and assessment, measurement, control, and monitoring and reporting.

#### Risk Identification and Assessment

Risk identification and assessment is focused on recognizing and understanding existing risks, risks that may arise from new or evolving business initiatives, aggregate risks, and non-traditional or 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 risks. To that end, the Bank’s Enterprise-Wide Stress Testing (EWST) program enables senior management, the Board, and its committees to identify and articulate enterprise-wide risks and understand potential vulnerabilities for the Bank.

#### Risk Measurement

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

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

#### Risk Control

The Bank’s risk control processes are established and communicated through the Risk Committee and management approved policies, and associated management approved procedures, control limits, and delegated authorities which reflect its risk appetite and risk tolerances.

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

#### **Risk Monitoring and Reporting**

The Bank monitors and reports on risk levels on a regular basis against its risk appetite and Risk Management reports on its risk monitoring activities to senior management, the Board and its Committees, and appropriate executive and management committees. Complementing regular risk monitoring and reporting, ad hoc risk reporting is provided to senior management, the Risk Committee, and the Board, as appropriate, for new and emerging risks or any significant changes to the Bank's risk profile. The Bank is developing methodologies and approaches for climate scenario analysis through participation in industry-wide working groups and is working to embed the assessment of climate-related risks and opportunities into relevant Bank processes.

#### **Stress Testing**

Stress testing is an integral component of the Bank's risk management framework and serves as a key component of the Bank's capital, strategic and financial planning processes. Stress testing at the Bank comprises an annual enterprise-wide stress test featuring a range of scenarios, prescribed regulatory stress tests in multiple jurisdictions, and various ongoing and ad hoc stress tests and analysis. The results of these stress tests and analysis enable management to assess the impact of geopolitical events and changes to economic and other market factors on the Bank's financial condition and assist in the determination of capital and liquidity adequacy and targets, risk appetite and other limits. These exercises enable the identification and quantification of vulnerabilities, the monitoring of changes in risk profile relative to risk appetite limits, and evaluation of business plans.

The Bank utilizes a combination of quantitative modelling and qualitative approaches to assess the impact of changes in the macroeconomic environment on the Bank's income statement, balance sheet, and capital and liquidity position under hypothetical stress situations. Stress testing engages senior management across the lines of business, Finance, TBSM, Economics, and Risk Management. Stress test results are reviewed, challenged and approved by senior management and executive oversight committees. The Bank's Risk Committee also reviews, challenges, and discusses the results. The results are submitted, disclosed, or shared with regulators as required or requested.

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

The Bank conducts an annual EWST as part of a comprehensive capital and liquidity planning, strategic, and financial exercise that is a key component of the Bank's ICAAP framework. The EWST results are considered in establishing the Bank's capital and liquidity targets and risk appetite limits, evaluating the Bank's strategies and business plan, and identifying actions that senior management could take to manage the impact of stress events. In addition, the Bank conducts ad hoc stress tests and analysis for assessing the impact of events deemed to be potentially material or of concern in support of senior management's response to an uncertain or rapidly changing operating environment.

The program is subject to a well-defined governance structure that facilitates executive oversight and engagement throughout the organization. The Bank's EWST program involves the development, execution and assessment of stress scenarios with varying features and degrees of severity on the balance sheet, income statement, capital, liquidity, and leverage. It enables management to identify and assess enterprise-wide risks and understand potential vulnerabilities, and changes to the risk profile of the Bank. Stress scenarios are developed with consideration of the Bank's key business activities, exposures, concentrations and vulnerabilities. The scenarios cover a wide variety of risk factors meaningful to the Bank's risk profiles in North America and globally including changes to unemployment, gross domestic product, home prices, and interest rates.

For the 2022 EWST program, the Bank developed and assessed scenarios that explored emerging risks such as inflation risk, rising interest rates, geopolitical tensions, as well as physical climate risk. The stress testing scenarios included, a plausible typical recession scenario calibrated to historical recessions in Canada and the U.S., a low probability and highly severe stagflation scenario targeting TD-specific risks and vulnerabilities in support of the ICAAP, and a plausible high interest rate and inflation scenario. Ad hoc scenarios and supplemental analysis explored the evolution of various geopolitical related events, expected market transitions, as well as physical climate risk events supporting senior management in assessing key risks.

#### **Other Stress Tests and Analysis**

Ongoing stress testing and scenario analyses within specific risk types, such as market risk, liquidity risk, retail and wholesale credit risk, operational risk, and insurance risk, supplement and support our enterprise-wide analyses. Results from these risk-specific programs are used in a variety of decision-making processes including risk limit setting, portfolio composition evaluation, risk appetite articulation and business strategy implementation. In addition, the Bank conducts ad hoc stress tests and analysis for targeted portfolios, to evaluate potential vulnerabilities to specific changes in economic and market conditions.

Stress tests are also conducted on certain legal entities and jurisdictions, in line with prescribed regulatory requirements. The Bank's U.S.-based operating bank subsidiaries' capital planning process includes activities and results from the Office of the Comptroller of the Currency's (OCC) Dodd-Frank Act stress testing (DFAST) requirements. The Bank's U.S. holding company capital planning process includes the stress testing activities and results from the Federal Reserve Board's capital plan rule and related Comprehensive Capital Analysis and Review (CCAR) requirements. In addition, certain Bank subsidiaries in Singapore, Ireland, and the United Kingdom conduct stress testing exercises as part of their respective ICAAP. The Bank undertakes other internal and regulatory based stress tests including liquidity and market risk, which are detailed in the respective sections.

The Bank also conducts scenario and sensitivity analysis as part of the Recovery and Resolution Planning program to assess potential mitigating actions and contingency planning strategies, as required.

## **Strategic Risk**

*Strategic risk is the risk of sub-optimal outcomes (including financial loss or reputational damage) arising from the Bank's choice of strategies, the improper implementation of chosen strategies, the inability to implement chosen strategies, an inadequate response to disruption to the Bank's strategies or the taking of tail risk (i.e., low probability events that can result in extremely large quantifiable losses). Strategies include current operations and merger and acquisition activities.*

#### **WHO MANAGES STRATEGIC RISK**

The CEO manages Strategic Risk supported by the members of the SET and the ERM. The CEO, together with the SET, defines the overall strategy, in consultation with, and subject to approval by the Board. The Enterprise Strategy group, under the leadership of the Senior Executive Vice President, Enterprise Strategy and Treasury is charged with developing the Bank's overall long-term strategy and shorter-term strategic priorities with input and support from senior executives across the Bank.

Each member of the SET is responsible for establishing and managing long-term strategy and shorter-term priorities for their areas of responsibility (business segment or corporate function) and ensuring that such strategies are aligned with the Bank's overall long-term strategy and short-term strategic priorities, and within the enterprise risk appetite. Each SET member is also accountable to the CEO for identifying, assessing, measuring, controlling, monitoring, and reporting on the effectiveness and risks of their business strategies.

The CEO, SET members, and other senior executives report to the Board on the implementation of the Bank's strategies, identifying related risks, and explaining how those risks are managed.

The ERM oversees the identification and monitoring of significant and emerging risks related to the Bank's strategies so that mitigating actions are taken where appropriate.

#### **HOW TD MANAGES STRATEGIC RISK**

The Bank's enterprise-wide strategies and operating performance, and those of significant business segments and corporate functions, are assessed regularly by the CEO and the members of the SET through an integrated financial and strategic planning process, as well as operating results reviews.

The Bank's RAS establishes strategic risk limits at the enterprise and business segment-level. Limits include qualitative and quantitative assessments and are established to monitor and control business concentrations, strategic disruption, and E&S risks.

The Bank's annual integrated planning process establishes plans at the enterprise, segment, and strategic business line-levels (subsets of business segments). The plans include key operating trends, long-term strategy, shorter-term strategies, target metrics, key risks and mitigants, ESG considerations, and alignment with enterprise strategy and risk appetite.

Operating results are reviewed on a periodic basis during the year to monitor segment-level performance against the integrated financial and strategic plan. These reviews include an evaluation of the long-term strategy and short-term strategic priorities of each business segment, including the operating environment, competitive position, performance assessment, initiatives for strategy execution and key business risks. The frequency of the operating results reviews depends on the risk profile and size of the business segment or corporate function.

The Bank's strategic risk, and adherence to its risk appetite, is reviewed by the ERM in the normal course, as well as by the Board. Additionally, material acquisitions are assessed for their fit with the Bank's strategy and risk appetite in accordance with the Bank's Due Diligence Policy. This assessment is reviewed by the SET and Board as part of the decision process.

The shaded areas of this MD&A represent a discussion on risk management policies and procedures relating to credit, market, and liquidity risks as required under IFRS 7, *Financial Instruments: Disclosures*, which permits these specific disclosures to be included in the MD&A. Therefore, the shaded areas which include Credit Risk, Market Risk, and Liquidity Risk, form an integral part of the audited Consolidated Financial Statements for the years ended October 31, 2022 and 2021.

#### **Credit Risk**

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

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

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

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

#### **WHO MANAGES CREDIT RISK**

The responsibility for credit risk management is enterprise-wide. To reinforce ownership of credit risk, credit risk control functions are integrated into each business, but also report to Risk Management.

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

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

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

#### **HOW TD MANAGES CREDIT RISK**

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

Credit risk policies and credit decision-making strategies, as well as the discretionary limits of officers throughout the Bank for extending lines of credit are centrally approved by Risk Management, and the Board where applicable.

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

In the Bank's Retail businesses, the Bank uses established underwriting guidelines (which include collateral and loan-to-value constraints) along with approved scoring techniques and standards in extending, monitoring, and reporting personal credit. Credit scores and decision strategies are used in the origination and ongoing management of new and existing retail credit exposures. Scoring models and decision strategies utilize a combination of borrower attributes, including, but not limited to, 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 monitor and assess the performance of scoring models and decision strategies to align with expected performance results. Retail credit exposures approved within the regional credit centres are subject to ongoing Retail Risk Management review to assess the effectiveness of credit decisions and risk controls, as well as identify emerging or systemic issues and trends. Material policy exceptions are tracked and reported and larger dollar exposures and material exceptions to policy are escalated to Retail Risk Management.

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

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

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

The Bank may also set limits on the amount of credit it is prepared to extend to a particular entity or group of entities, also referred to as "entity risk". All entity risk is approved by the appropriate decision-making authority using limits based on the entity's BRR. This exposure is monitored on a regular basis.

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

#### **The Basel Framework**

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

#### **Credit Risk and the Basel Framework**

The Bank uses the Basel AIRB Approach for credit risk for all material portfolios.

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 2022 Consolidated Financial Statements. The Bank's credit risk exposures are divided into two main portfolios, retail and non-retail.

#### **Risk Parameters**

Under the AIRB Approach, credit risk is measured using the following risk parameters:

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

By applying these risk parameters, the Bank can measure and monitor its credit risk to verify that 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, mortgages and home equity lines of credit), qualifying revolving retail (for example, 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 on the internal default and loss performance history for each of the three retail exposure sub-types.

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

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

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

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

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

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

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

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

The following table maps PD ranges to risk levels:

Risk Assessment	PD Segment	PD Range
Low Risk	1	0.00 to 0.15%
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 18.24
	8	18.25 to 99.99
Default	9	100.00

#### Non-Retail Exposures

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

The Bank evaluates credit risk for non-retail exposures by using both a BRR and 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. In Canada, for both the wholesale and commercial lending portfolios, credit risk models are calibrated based on internal data beginning in 1994. In the U.S., credit risk models are calibrated based on internal data beginning in 2007. All borrowers and facilities are assigned an internal risk rating that must be reviewed at least once each year. External data such as rating agency default rates or loss databases are used to validate the parameters.

Internal risk ratings (BRR and FRR) are key to portfolio monitoring and management, and are used to set exposure limits and loan pricing. Internal risk ratings are also used in the calculation of regulatory capital, economic capital, and allowance for credit losses.

#### Borrower Risk Rating and PD

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

To calibrate PDs for each BRR band, the Bank computes yearly transition matrices based on annual cohorts and then estimates the average annual PD for each BRR. The PD is set at the average estimation level plus an appropriate adjustment to cover statistical and model uncertainty. The calibration process for PD is a through-the-cycle approach. TD's 21-point BRR scale broadly aligns to external ratings as follows:

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

#### Facility Risk Rating and LGD

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

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

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

#### Exposure at Default

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

BRR and drawn ratio up to one-year prior to default are predictors for UGD. Consequently, the UGD estimates are calibrated by BRR and drawn ratio, the latter representing the ratio of the drawn to authorized amounts.

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 from average UGD, therefore the UGDs are set at the average calibrated level, by drawn ratio and/or BRR, plus an appropriate adjustment for statistical and model uncertainty.

### **Credit Risk Exposures Subject to the Standardized Approach (SA)**

Currently SA to credit risk is used on exempted portfolios which are either immaterial or expected to wind down. Under SA, the assets are multiplied by risk weights prescribed by OSFI to determine RWA. These risk weights are assigned according to certain factors including counterparty type, product type, and the nature/extent of credit risk mitigation. The Bank uses external credit ratings, including Moody's and S&P to determine the appropriate risk weight for its exposures to sovereigns (governments, central banks, and certain public sector entities) and banks (regulated deposit-taking institutions, securities firms, and certain public sector entities).

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

Sovereign	0% <sup>1</sup>
Bank	20% <sup>1</sup>
Corporate	100%

<sup>1</sup> The risk weight may vary according to the external risk rating.

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

### **Derivative Exposures**

Credit risk on derivative financial instruments, also known as counterparty credit risk, is the risk of a financial loss occurring as a result of the failure of a counterparty to meet its obligation to the Bank. Derivative-related credit risks are subject to the same credit approval standards that the Bank uses for assessing loans. 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.

The Bank uses various qualitative and quantitative methods to measure and manage counterparty credit risk. These include statistical methods to measure the current and future potential risk, as well as ongoing stress testing to identify and quantify exposure under a range of adverse scenarios. The Bank establishes various limits to manage business volumes and concentrations. Risk Management independently measures and monitors counterparty credit risk relative to established credit policies and limits. As part of the credit risk monitoring process, management periodically reviews all exposures, including exposures resulting from derivative financial instruments to higher risk counterparties, and to assess the valuation of underlying financial instruments and the impact evolving market conditions may have on the Bank.

To reduce credit risk exposure, the Bank employs mitigation strategies that include master netting agreements, collateral pledging, central clearing houses and other credit risk mitigation techniques. Master netting agreements allow the Bank to offset and arrive at a net obligation amount, whereas collateral agreements allow the Bank to secure the Bank's exposure. By taking the opposite position to each trade, central clearing houses also reduce bilateral credit risk.

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.

The Bank uses the standardized approach for counterparty credit risk to calculate the EAD amount, which is defined by OSFI as a multiple of the summation of replacement cost and potential future exposure, to estimate the risk and determine regulatory capital requirements for derivative exposures.

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

### **Credit Risk Mitigation**

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

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

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

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

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

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

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

### Gross Credit Risk Exposure

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

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

**TABLE 43: GROSS CREDIT RISK EXPOSURES – Standardized and Advanced Internal Ratings-Based Approaches<sup>1</sup>**

	As at					
	October 31, 2022			October 31, 2021		
	Standardized	AIRB	Total	Standardized	AIRB	Total
<b>Retail</b>						
Residential secured	\$ 4,989	\$ 477,898	\$ 482,887	\$ 4,323	\$ 433,144	\$ 437,467
Qualifying revolving retail	–	166,722	166,722	–	151,006	151,006
Other retail	3,232	92,925	96,157	3,368	88,894	92,262
<b>Total retail</b>	<b>8,221</b>	<b>737,545</b>	<b>745,766</b>	<b>7,691</b>	<b>673,044</b>	<b>680,735</b>
<b>Non-retail</b>						
Corporate	2,205	695,746	697,951	6,066	625,640	631,706
Sovereign	1	507,533	507,534	1	470,671	470,672
<b>Bank</b>	<b>646</b>	<b>150,333</b>	<b>150,979</b>	<b>519</b>	<b>136,004</b>	<b>136,523</b>
<b>Total non-retail</b>	<b>2,852</b>	<b>1,353,612</b>	<b>1,356,464</b>	<b>6,586</b>	<b>1,232,315</b>	<b>1,238,901</b>
<b>Gross credit risk exposures</b>	<b>\$ 11,073</b>	<b>\$ 2,091,157</b>	<b>\$ 2,102,230</b>	<b>\$ 14,277</b>	<b>\$ 1,905,359</b>	<b>\$ 1,919,636</b>

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

### Other Credit Risk Exposures

#### Non-trading Equity Exposures

The Bank applies the simple risk weight method under the market-based approach to calculate RWA on the non-trading equity exposures. Under the simple risk weight method, a 300% risk weight is applied to equity holdings that are publicly traded and a 400% risk weight is applied to all other equity holdings. Equity exposures to sovereigns and holdings made under legislated programs continue to follow the appropriate OSFI prescribed risk weights of 0%, 20% or 100%.

#### Securitization Exposures

Effective November 1, 2018, the Bank applies risk weights to all securitization exposures under the revised securitization framework published by OSFI. The revised securitization framework includes a hierarchy of approaches to determine capital treatment, and transactions that meet the simple, transparent, and comparable requirements that are eligible for preferential capital treatment.

The Bank uses Internal Ratings-Based Approach (SEC-IRBA) for qualified exposures. Under SEC-IRBA, risk weights are determined using a loss coverage model that quantifies and monitors the level of risk. The SEC-IRBA also considers credit enhancements available for loss protection.

For externally rated exposures that do not qualify for SEC-IRBA, the Bank uses an External Ratings-Based Approach (SEC-ERBA). Risk weights are assigned to exposures using external ratings by external rating agencies, including Moody's and S&P. The SEC-ERBA also takes into account additional factors, including the type of the rating (long-term or short-term), maturity, and the seniority of the position.

For exposures that do not qualify for SEC-IRBA or SEC-ERBA, and are held by an ABCP issuing conduit, the Bank uses the Internal Assessment Approach (IAA).

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

For exposures that do not qualify for SEC-IRBA, SEC-ERBA or the IAA, the Bank uses the SA (SEC-SA). Under SEC-SA, the primary factors that determine the risk weights include the asset class of the underlying loans, the seniority of the position, the level of credit enhancements, and historical delinquency rates.

Irrespective of the approach being used to determine the risk weights, all exposures are assigned an internal risk rating based on the Bank's assessment, which must be reviewed at least annually. The ratings scale TD uses corresponds to the long-term ratings scales used by the rating agencies.

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

The Bank uses the results of the internal rating in all aspects of its credit risk management, including performance tracking, control mechanisms, and management reporting.



## Market Risk

*Trading Market Risk is the risk of loss in financial instruments held in trading positions due to adverse movements in market factors. These market factors include interest rates, foreign exchange rates, equity prices, commodity prices, credit spreads, and their respective volatilities.*

*Non-Trading Market Risk is the risk of loss on the balance sheet or volatility in earnings from non-trading activities such as asset-liability management or investments, due to adverse movements in market factors. These market factors are predominantly interest rates, credit spreads, foreign exchange rates and equity prices.*

The Bank is exposed to market risk in its trading and investment portfolios, as well as through its non-trading activities. The Bank is an active participant in the market through its trading and investment portfolios, seeking to realize returns for the Bank 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 executes with its customers.

The Bank complied with the Basel III market risk requirements as at October 31, 2022, using the Internal Models Approach.

### MARKET RISK LINKAGE TO THE BALANCE SHEET

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

**TABLE 44: MARKET RISK LINKAGE TO THE BALANCE SHEET**

(millions of Canadian dollars)

	October 31, 2022				October 31, 2021				Non-trading market risk – primary risk sensitivity
	Balance sheet	Trading market risk	Non-trading market risk	Other	Balance sheet	Trading market risk	Non-trading market risk	Other	
<b>Assets subject to market risk</b>									
Interest-bearing deposits with banks	\$ 137,294	\$ 422	\$ 136,872	\$ –	\$ 159,962	\$ 437	\$ 159,525	\$ –	Interest rate
Trading loans, securities, and other	143,726	142,294	1,432	–	147,590	146,660	930	–	Interest rate
Non-trading financial assets at fair value through profit or loss	10,946	–	10,946	–	9,390	–	9,390	–	Equity, foreign exchange, interest rate
Derivatives	103,873	98,305	5,568	–	54,427	52,351	2,076	–	Equity, foreign exchange, interest rate
Financial assets designated at fair value through profit or loss	5,039	–	5,039	–	4,564	–	4,564	–	Interest rate
Financial assets at fair value through other comprehensive income	69,675	–	69,675	–	79,066	–	79,066	–	Equity, foreign exchange, interest rate
Debt securities at amortized cost, net of allowance for credit losses	342,774	–	342,774	–	268,939	–	268,939	–	Foreign exchange, interest rate
Securities purchased under reverse repurchase agreements	160,167	7,450	152,717	–	167,284	7,992	159,292	–	Interest rate
Loans, net of allowance for loan losses	831,043	–	831,043	–	722,622	–	722,622	–	Interest rate
Customers' liability under acceptances	19,733	–	19,733	–	18,448	–	18,448	–	Interest rate
Investment in Schwab	8,088	–	8,088	–	11,112	–	11,112	–	Equity
Other assets <sup>1</sup>	3,414	–	3,414	–	2,677	–	2,677	–	Interest rate
Assets not exposed to market risk	81,756	–	–	81,756	82,591	–	–	82,591	
<b>Total Assets</b>	<b>\$ 1,917,528</b>	<b>\$ 248,471</b>	<b>\$ 1,587,301</b>	<b>\$ 81,756</b>	<b>\$ 1,728,672</b>	<b>\$ 207,440</b>	<b>\$ 1,438,641</b>	<b>\$ 82,591</b>	
<b>Liabilities subject to market risk</b>									
Trading deposits	\$ 23,805	\$ 22,962	\$ 843	\$ –	\$ 22,891	\$ 22,731	\$ 160	\$ –	Equity, interest rate
Derivatives	91,133	86,727	4,406	–	57,122	51,816	5,306	–	Equity, foreign exchange, interest rate
Securitization liabilities at fair value	12,612	12,612	–	–	13,505	13,505	–	–	Interest rate
Financial liabilities designated at fair value through profit or loss	162,786	3	162,783	–	113,988	7	113,981	–	Interest rate
Deposits	1,229,970	–	1,229,970	–	1,125,125	–	1,125,125	–	Interest rate, foreign exchange
Acceptances	19,733	–	19,733	–	18,448	–	18,448	–	Interest rate
Obligations related to securities sold short	45,505	44,427	1,078	–	42,384	41,242	1,142	–	Interest rate
Obligations related to securities sold under repurchase agreements	128,024	9,509	118,515	–	144,097	5,126	138,971	–	Interest rate
Securitization liabilities at amortized cost	15,072	–	15,072	–	15,262	–	15,262	–	Interest rate
Subordinated notes and debentures	11,290	–	11,290	–	11,230	–	11,230	–	Interest rate
Other liabilities <sup>1</sup>	23,291	–	23,291	–	16,144	–	16,144	–	Equity, interest rate
Liabilities and Equity not exposed to market risk	154,307	–	–	154,307	148,476	–	–	148,476	
<b>Total Liabilities and Equity</b>	<b>\$ 1,917,528</b>	<b>\$ 176,240</b>	<b>\$ 1,586,981</b>	<b>\$ 154,307</b>	<b>\$ 1,728,672</b>	<b>\$ 134,427</b>	<b>\$ 1,445,769</b>	<b>\$ 148,476</b>	

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

## MARKET RISK IN TRADING ACTIVITIES

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

## WHO MANAGES MARKET RISK IN TRADING ACTIVITIES

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

There were no significant reclassifications between trading and non-trading books during the year ended October 31, 2022.

## HOW TD MANAGES MARKET RISK IN TRADING ACTIVITIES

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

### Trading Limits

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

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

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

At the end of each day, risk positions are compared with risk limits, and any excesses are reported in accordance with established market risk policies and procedures.

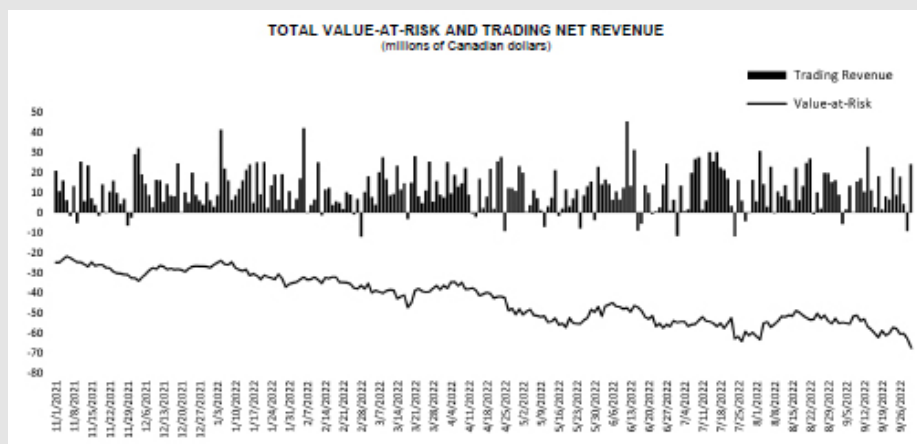
### Calculating VaR

The Bank computes total VaR on a daily basis by combining the General Market Risk (GMR) and Idiosyncratic Debt Specific Risk (IDSR) associated with 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 TEB, within Wholesale Banking. Trading net revenue includes trading income and net interest income related to positions within the Bank's market risk capital trading books. For the year ending October 31, 2022, there were 37 days of trading losses and trading net revenue was positive for 86% of the trading days, reflecting normal trading activity. Losses in the year did not exceed VaR on any trading day.



VaR is a valuable risk measure but it should be used in the context of its limitations, for example:

- VaR uses historical data to estimate future events, which limits its forecasting abilities;
- it does not provide information on losses beyond the selected confidence level; and
- it assumes that all positions can be liquidated during the holding period used for VaR calculation.

The Bank continuously improves its VaR methodologies and incorporates new risk measures in line with market conventions, industry best practices, and regulatory requirements. In 2022, the Bank implemented infrastructure enhancements to adapt to the market wide Benchmark Rate Reforms.

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, as well as limits based on the sensitivity to various market risk factors.

#### Calculating Stressed VaR (SVaR)

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 2022, Stressed VaR was calculated using the one-year period that includes the 2008 financial crisis. The appropriate historical one-year period to use for Stressed VaR is determined on a quarterly basis. Stressed VaR is a part of regulatory capital requirements.

#### Calculating the Incremental Risk Charge

The IRC is applied to all instruments in the trading book subject to migration and default risk. Migration risk represents the risk of changes in the credit ratings of the Bank's exposures. The Bank applies a Monte Carlo simulation with a one-year horizon and a 99.9% confidence level to determine IRC, which is consistent with regulatory requirements. IRC is based on a "constant level of risk" assumption, which requires banks to assign a liquidity horizon to positions that are subject to IRC. IRC is a part of regulatory capital requirements.

The following table presents the end of year, average, high, and low usage of TD's portfolio metrics.

**TABLE 45: PORTFOLIO MARKET RISK MEASURES**

(millions of Canadian dollars)	2022				2021			
	As at	Average	High	Low	As at	Average	High	Low
Interest rate risk	\$ 15.3	\$ 21.2	\$ 41.1	\$ 9.8	\$ 11.9	\$ 15.7	\$ 33.5	\$ 6.8
Credit spread risk	35.6	23.0	41.0	8.0	9.0	14.7	37.2	5.4
Equity risk	10.6	12.8	24.3	7.8	9.2	9.5	14.1	6.0
Foreign exchange risk	4.8	2.4	7.5	0.6	1.8	1.9	5.3	0.4
Commodity risk	12.1	5.8	13.4	2.9	4.7	4.7	9.4	1.9
Idiosyncratic debt specific risk	60.0	36.8	60.9	17.8	19.4	26.2	41.9	16.5
Diversification effect <sup>1</sup>	(69.4)	(56.8)	n/m <sup>2</sup>	n/m	(32.9)	(42.8)	n/m	n/m
<b>Total Value-at-Risk (one-day)</b>	<b>69.0</b>	<b>45.2</b>	<b>76.0</b>	<b>21.8</b>	<b>23.1</b>	<b>29.9</b>	<b>44.7</b>	<b>20.6</b>
<b>Stressed Value-at-Risk (one-day)</b>	<b>74.0</b>	<b>77.5</b>	<b>100.0</b>	<b>55.7</b>	<b>63.9</b>	<b>39.5</b>	<b>63.9</b>	<b>28.5</b>
<b>Incremental Risk Capital Charge (one-year)</b>	<b>176.4</b>	<b>260.3</b>	<b>418.8</b>	<b>149.4</b>	<b>338.3</b>	<b>349.5</b>	<b>424.3</b>	<b>265.1</b>

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

<sup>2</sup> Not meaningful. It is not meaningful to compute a diversification effect because the high and low may occur on different days for different risk types.

Markets experienced volatility across all asset classes in 2022 due to concerns surrounding ongoing geopolitical tensions, elevated inflationary pressure and interest rate hikes. Key factors impacting VaR models during the period were credit spread widening and new scenario shocks incorporating market volatility rolling into the most recent 259-day trading window. As a result of these factors, VaR has been elevated throughout 2022.

The Bank has effectively managed market risk by maintaining stable risk exposures, with daily VaR remaining within approved limits during the year.

Average VaR increased year-over-year and quarter-over-quarter due to widening of credit spreads which are reflected in updated VaR scenarios. Average Stressed VaR increased year-over-year driven by widening of credit spreads as well as changes in interest rate positions. Average Stressed VaR decreased quarter-over-quarter due to changes in bond positions.

Average IRC decreased year-over-year and quarter-over-quarter due to changes in bond positions.

#### Validation of VaR Model

The Bank uses a back-testing process to compare the actual and theoretical profit and losses to VaR to verify that they are consistent with the statistical results of the VaR model. The theoretical profit or loss is generated using the daily price movements on the assumption that there is no change in the composition of the portfolio. Validation of the IRC model must follow a different approach since the one-year horizon and 99.9% confidence level preclude standard back-testing techniques. Instead, key parameters of the IRC model such as transition and correlation matrices are subject to independent validation by benchmarking against external study results or through analysis using internal or external data.

#### Stress Testing

The Bank's trading business is subject to an overall global stress test limit. In addition, global businesses have stress test limits, and each broad risk class has an overall stress test threshold. Stress scenarios are designed to model extreme economic events, replicate worst-case historical experiences, or introduce severe, but plausible, hypothetical changes in key market risk factors. The stress testing program includes scenarios developed using actual historical market data during periods of market disruption, in addition to hypothetical scenarios developed by Risk Management. The events the Bank has modelled 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, the Brexit referendum of June 2016, and the COVID-19 pandemic of 2020.

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 its investment portfolio and other non-trading portfolios. Risk Management reviews and approves policies and procedures, which are established to monitor, measure, and mitigate these risks.

## Structural (Non-Trading) Market Risk

*Structural (Non-Trading) Market Risk 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 HQLA. It does not include exposures from TD's Wholesale Banking or Insurance businesses. Structural market risks primarily include interest rate risk and foreign exchange risk.*

### WHO MANAGES STRUCTURAL (NON-TRADING) MARKET RISK

The TBSM group measures and manages the market risks of the Bank's non-trading banking activities outside of TD's Wholesale Banking and Insurance businesses, with oversight from the ALCO. The Market Risk Control function provides independent oversight, governance, and control over these market risks. The Risk Committee reviews and approves key non-trading market risk policies, and monitors the Bank's positions and compliance with these policies through regular reporting and updates from senior management.

### HOW TD MANAGES STRUCTURAL (NON-TRADING) MARKET RISK

Non-trading interest rate risk is viewed as a non-productive risk as it has the potential to increase earnings volatility and generate losses without providing long run expected value. As a result, TBSM's mandate is to structure the asset and liability positions of the balance sheet in order to achieve a target profile that controls the impact of changes in interest rates on the Bank's net interest income and economic value to be consistent with the Bank's risk appetite.

#### **Managing Structural 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 generate stable and predictable earnings over time. The Bank has adopted a disciplined hedging approach to manage the net interest income from its asset and liability positions. 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;
- Modelling the expected impact of customer behaviour on TD's products (e.g., how actively customers exercise embedded options, such as prepaying a loan or redeeming a deposit before its maturity date);
- Assigning target-modelled maturity profiles for non-maturity assets, liabilities, and equity;
- Measuring the margins of TD's banking products on a fully-hedged basis, including the impact of financial options 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 from "mismatched positions" when asset and liability principal and interest cash flows have different interest payment, repricing or maturity dates. The Bank measures this risk based on an assessment of: contractual cash flows, product embedded optionality, customer behaviour expectations and the modelled maturity profiles for non-maturity products. To manage this risk, the Bank primarily uses financial derivatives, wholesale investments, funding instruments, and other capital market alternatives.

The Bank also measures its exposure to non-maturity liabilities, such as core deposits, by assessing interest rate elasticity and balance permanence using historical data and business judgment. Fluctuations of non-maturity deposits can occur because of factors such as interest rate movements, equity market movements, and changes to customer liquidity preferences.

Banking product optionality, whether from freestanding options such as mortgage rate commitments or options embedded within loans and deposits, expose the Bank to a significant financial risk. To manage these exposures, the Bank purchases options or uses a dynamic hedging process designed to replicate the payoff of a purchased option.

- **Rate Commitments:** The Bank measures its exposure from freestanding mortgage rate commitment options using an expected funding profile based on historical experience. Customers' propensity to fund, and their preference for fixed or floating rate mortgage products, is influenced by factors such as market mortgage rates, house prices, and seasonality.
- **Asset Prepayment and other Embedded Options:** The Bank models its exposure to written options embedded in some of its products, based on analyses of customer behaviour. Examples of this are the right to prepay residential mortgage loans, and the right to early redeem some term deposit products. For mortgages, 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. A similar analysis is undertaken for other products with embedded optionality.

#### **Structural Interest Rate Risk Measures**

The primary measures for this risk are Economic Value of Shareholders' Equity (EVE) Sensitivity and Net Interest Income Sensitivity (NIIS).

The EVE Sensitivity measures the impact of a specified interest rate shock to the net present value of the Bank's banking book assets, liabilities, and certain off-balance sheet items. It reflects a measurement of the potential present value impact on shareholders' equity without an assumed term profile for the management of the Bank's own equity and excludes product margins.

The NIIS measures the NII change over a twelve-month horizon for a specified change in interest rates for banking book assets, liabilities, and certain off-balance sheet items assuming a constant balance sheet over the period.

The Bank's Market Risk policy sets overall limits on the structural interest rate risk measures. These limits are periodically reviewed and approved by the Risk Committee. In addition to the Board policy limits, book-level risk limits for the Bank's management of non-trading interest rate risk are set by Risk Management. Exposures against these limits are routinely monitored and reported, and breaches of the Board limits, if any, are escalated to both the ALCO and the Risk Committee.

The following table shows the potential before-tax impact of an immediate and sustained 100 bps increase or decrease in interest rates on the Bank's EVE and NII. Interest rate floors are applied by currency to the decrease in rates such that they do not exceed expected lower bounds, with the most material currencies set to a floor of -25 bps.

**TABLE 46: STRUCTURAL INTEREST RATE SENSITIVITY MEASURES**

(millions of Canadian dollars)

	October 31, 2022						As at October 31, 2021	
	EVE			NII			EVE	NII
	Canada	U.S.	Total	Canada	U.S.	Total	Sensitivity	Sensitivity <sup>1</sup>
<b>Before-tax impact of</b>								
100 bps increase in rates	\$ (69)	\$ (1,427)	\$ (1,496)	\$ 601	\$ 612	\$ 1,213	\$ (1,368)	\$ 1,857
100 bps decrease in rates	(65)	1,167	1,102	(639)	(742)	(1,381)	338	(1,101)

<sup>1</sup> Represents the twelve-month NII exposure to an immediate and sustained shock in rates.

<sup>2</sup> Results are presented inclusive of the interest rate swaps de-designated from hedge accounting relationships to mitigate the impacts of interest rate volatility to closing capital of the First Horizon acquisition. Since these swaps were pre-existing hedges which economically hedge the Bank's non-trading market risk, their continued inclusion has no impact on the year-over-year results.

As at October 31, 2022, an immediate and sustained 100 bps increase in interest rates would have had a negative impact to the Bank's EVE of \$1,496 million, an increase of \$128 million from last year, and a positive impact to the Bank's NII of \$1,213 million, a decrease of \$644 million from last year. An immediate and sustained 100 bps decrease in interest rates would have had a positive impact to the Bank's EVE of \$1,102 million, an increase of \$764 million from last year, and a negative impact to the Bank's NII of \$1,381 million, an increase of \$280 million from last year. The year-over-year increase in up shock EVE Sensitivity is primarily due to increased sensitivity of net assets funded by equity, while the year-over-year increase in down shock EVE Sensitivity is primarily due to decreased sensitivity from loan optionality in the U.S. region. The year-over-year increase in down shock NII is primarily due to an increase in the effective shock given the increased level of interest rates and the measurement using a -25 bps floor, partially offset by rising deposit betas, changes in deposit composition, and Treasury hedging activity. The year-over-year decrease in up shock NII is also primarily due to rising deposit betas, changes in deposit composition, and Treasury hedging activity. As at October 31, 2022, reported EVE and NII Sensitivities remain within the Bank's risk appetite and established Board limits.

#### 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.

In order to minimize the impact of an adverse foreign exchange rate change on certain capital ratios, the Bank's net investments in foreign operations are hedged so certain capital ratios change by no more than an acceptable amount for a given change in foreign exchange rates. The Bank does not generally hedge the earnings of foreign subsidiaries which results in changes to the Bank's consolidated earnings when relevant foreign exchange rates change. As at October 31, 2022, the Bank has executed foreign exchange hedges to mitigate the impact of foreign exchange volatility to closing capital of the First Horizon acquisition.

#### Other Non-trading Market Risks

Other structural 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. In addition, the Bank is exposed to equity risk from investment securities designated at FVOCI.

#### Managing Investment Portfolios

The Bank manages a securities portfolio that is integrated into the overall asset and liability management process. The securities portfolio is comprised of high-quality, low-risk securities and managed in a manner appropriate to the attainment of the following goals: (1) to generate a targeted credit of funds to deposit balances that are in excess of loan balances; (2) to provide a sufficient pool of liquid assets to meet deposit and loan fluctuations and overall liquidity management objectives; (3) to provide eligible securities to meet collateral and cash management requirements; and (4) to manage the target interest rate risk profile of the balance sheet. The Risk Committee reviews and approves the Enterprise Investment Policy that sets out limits for the Bank's investment portfolio. In addition, the Wholesale Banking and Insurance businesses also hold investments that are managed separately.

#### WHY NET INTEREST MARGIN FLUCTUATES OVER TIME

As previously noted, the Bank's approach to structural (non-trading) market risk is designed to generate stable and predictable earnings over time, regardless of cash flow mismatches and the exercise of options granted to customers. This approach also creates margin certainty on loan and deposit profitability as they are booked. Despite this approach however, the Bank's NIM is subject to change over time for the following reasons (among others):

- Differences in margins earned on new and renewing products relative to the margin previously earned on matured products;
- The weighted-average margin will shift as the mix of business changes;
- Changes in the basis between various benchmark rates (e.g. Prime, CDOR, Secured Overnight Financing Rate (SOFR) or LIBOR);
- The lag in changing product prices in response to changes in wholesale interest rates;
- Changes from the repricing of hedging strategies to manage the investment profile of the Bank's non-rate sensitive deposits; and
- Margin changes from the portion of the Bank's deposits that are non-rate sensitive but not expected to be longer term in nature, resulting in a shorter term investment profile and higher sensitivity to short-term rates.

The general level of interest rates will affect the return the Bank generates on its modelled maturity profile for core non-rate sensitive 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 modelled option exposures, and will affect the cost of hedging such exposures. The Bank's approach to managing these factors tends to moderate their impact over time, resulting in a more stable and predictable earnings stream.

## Operational Risk

*Operational risk is the risk of loss resulting from inadequate or failed internal processes or technology or from human activities or from external events. This definition includes legal risk but excludes strategic and reputational risk.*

Operational risk is inherent in all of the Bank's business activities, including the practices and controls used to manage other risks such as credit, market, and liquidity risk. Failure to manage operational risk can result in financial loss (direct or indirect), reputational harm, or regulatory censure and penalties.

The Bank seeks to actively mitigate and manage 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 2022, operational risk losses remained within the Bank's risk appetite. Refer to Note 27 of the 2022 Consolidated Financial Statements for further information on material legal or regulatory actions.

### WHO MANAGES OPERATIONAL RISK

Operational Risk Management is an independent function that owns and maintains the Bank's Operational Risk Management Framework. This framework sets out the enterprise-wide governance processes, policies, and practices to identify, assess, measure, control, monitor, escalate, report, and communicate on operational risk. Operational Risk Management is designed to provide appropriate monitoring and reporting of the Bank's operational risk profile and exposures to senior management through the OROC, the ERM, and the Risk Committee.

In addition to the framework, Operational Risk Management owns and maintains, or has oversight of, the Bank's operational risk policies including those that govern business continuity and crisis management, third-party risk management, data risk management, financial crime and fraud risk management, project risk management, and technology and cyber security risk management.

The senior management of individual business units and corporate areas is responsible for the day-to-day management of operational risk following the Bank's established operational risk management framework, policies and the three lines of defence model. An independent risk management oversight function supports each business segment and corporate area, and monitors and challenges the implementation and use of the operational risk management framework programs according to the nature and scope of the operational risks inherent in the area. The senior executives in each business unit and corporate area participate in a Risk Management Committee that oversees operational risk management issues and initiatives.

Ultimately, every employee has a role to play in managing operational risk. In addition to policies and procedures guiding employee activities, training is available to all staff regarding specific types of operational risks and their role in helping to protect the interests and assets of the Bank.

### HOW TD MANAGES OPERATIONAL RISK

The Operational Risk Management Framework outlines the internal risk and control structure to manage operational risk and includes the operational risk appetite, governance processes, and policies. The Operational Risk Management Framework supports alignment with the Bank's ERF and risk appetite. The framework incorporates sound industry practices and meets regulatory requirements. Key components of the framework include:

#### **Governance and Policy**

Management reporting and organizational structures emphasize accountability, ownership, and effective oversight of each business unit and each corporate area's operational risk exposures. In addition, the expectations of the Risk Committee and senior management for managing operational risk are set out by enterprise-wide policies and practices.

#### **Risk and Control Self-Assessment**

Internal controls are one of the primary methods of safeguarding the Bank's employees, customers, assets, and information, and in preventing and detecting errors and fraud. Management undertakes comprehensive assessments of key risk exposures and the internal controls in place to reduce or offset these risks. Senior management reviews the results of these evaluations to determine that risk management and internal controls are effective, appropriate, and compliant with the Bank's policies.

#### **Operational Risk Event Monitoring**

To reduce the Bank's exposure to future loss, it is critical that the Bank remains aware of and responds to its own and industry operational risks. The Bank's policies and processes require that operational risk events be identified, tracked, and reported to the appropriate level of management to facilitate the Bank's analysis and management of its risks and inform the assessment of suitable corrective and preventative action. The Bank also reviews, analyzes, and benchmarks itself against operational risk losses that have occurred at other financial institutions using information acquired through recognized industry data providers.

#### **Scenario Analysis**

Scenario Analysis is a systematic and repeatable process of obtaining expert business and risk opinion to derive assessments of the likelihood and potential loss estimates of high impact operational events that are unexpected and outside the normal course of business. 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 and corporate segments regarding existing and emerging risks, which may result in the identification and implementation of new scenarios and risk mitigation action plans to minimize tail risk.

#### **Risk Reporting**

Risk Management regularly monitors risk-related measures and the risk profile throughout the Bank to report to senior management and the Risk Committee. Operational risk measures are systematically tracked, assessed, and reported to promote management accountability and direct the appropriate level of attention to current and emerging issues.

#### **Insurance**

TD's Corporate Insurance team, with oversight from TD Risk Management, utilizes insurance and other risk transfer arrangements to mitigate and reduce potential future losses related to operational risk. Risk Management includes oversight of the effective use of insurance aligned with the Bank's risk

management strategy and risk appetite. Insurance terms and provisions, including types and amounts of coverage, are regularly assessed so that the Bank's tolerance for risk and, where applicable, statutory requirements are satisfied. The management process includes conducting regular in-depth risk and financial analysis and identifying opportunities to transfer elements of the Bank's risk to third parties where appropriate. The Bank transacts with external insurers that satisfy its minimum financial rating requirements.

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

Virtually all aspects of the Bank's business and operations use technology and information to create and support new markets, competitive products, delivery channels, as well as other business operations and opportunities.

The Bank manages these risks to support adequate and proper day-to-day operations; and protect against unauthorized access of the Bank's technology, infrastructure, systems, information, or data. To enable this, the Bank actively monitors, manages, and continues to enhance its ability to mitigate these technology and cyber security risks through enterprise-wide programs and industry-accepted cyber threat management practices to enable rapid detection and response.

The Bank's Cybersecurity Subcommittee provides dedicated senior executive oversight, direction and guidance regarding management of risks relating to cybersecurity, including cyber terrorism and activism, cyber fraud, cyber espionage, ransomware extortion, identity theft and data theft. The Cybersecurity Subcommittee endorses actions and makes recommendations to the CEO and the ERM as appropriate, including in some instances, supporting onward recommendations to the Risk Committee. Together with the Bank's Operational Risk Management Framework, technology and cyber security programs also include enhanced resiliency planning and testing, as well as disciplined change management practices.

#### **Data Management**

The Bank's data assets are governed and managed to preserve value and support business objectives. Inconsistent or inadequate data governance and management practices may compromise the Bank's data and information assets which could result in financial and reputational impacts. The Bank's Enterprise Data Governance Office, Corporate and Technology partners develop and implement enterprise-wide standards and practices that describe how data and information assets are created, used, or maintained on behalf of the Bank.

#### **Business Continuity and Crisis Management**

The Bank maintains an enterprise-wide business continuity and crisis management program that supports management's ability to operate the Bank's businesses and operations (including providing customers access to products and services) in the event of a business disruption incident. All areas of the Bank are required to maintain and regularly test business continuity plans to maintain resilience and facilitate the continuity and recovery of business operations. This program is supported by formal crisis management measures so that the appropriate level of leadership, oversight and management is applied to incidents affecting the Bank.

#### **Third-Party Management**

A third-party supplier/vendor is an entity that supplies products, services or other business activities, functions or processes to or on behalf of the Bank. While these relationships bring benefits to the Bank's businesses and customers, the Bank also needs to manage and minimize any risks related to the activity. The Bank does this through an enterprise third-party risk management program that is designed to manage third-party activities throughout the life cycle of an arrangement and provide a level of risk management and senior management oversight which is appropriate to the size, risk, and criticality of the third-party arrangement.

#### **Change Delivery/Project Management**

The Bank has established a disciplined approach to delivering change across the enterprise coordinated by the Enterprise Project Delivery Excellence group. This approach involves senior management governance and oversight of the Bank's change portfolio and leverages leading industry practices to guide the Bank's use of a standardized delivery methodology, defined accountabilities and capabilities, and portfolio reporting and management tools to support successful delivery.

#### **Fraud Management**

The Bank develops and implements enterprise-wide fraud management strategies, policies, and practices that are designed to minimize the number, size and scope of fraudulent activities perpetrated against it. The Bank employs prevention, detection and monitoring capabilities across the enterprise that are designed to help protect customers, shareholders, and employees from increasingly sophisticated fraud risk. Fraud risk is managed by establishing and communicating appropriate policies, procedures, employee education in fraud risks, and monitoring activity to help maintain adherence to the Fraud Risk Management Framework. The Fraud Risk Management Framework describes the governance, policies, and processes that the Bank's businesses employ to proactively manage and govern fraud risk within the Bank's risk appetite which is embedded in the Bank's day to day operations and culture. The Bank has also established a dedicated fraud risk measure within its operational risk appetite to better monitor and assess fraud impacts across the enterprise.

#### **Operational Risk Capital Measurement**

The Bank's operational risk capital is determined using the Basel II Standardized Approach (TSA). Under this approach, the Bank applies prescribed factors to a three-year average of annual gross income for each of eight different business lines representing the different activities of the institution such as Retail Banking, Commercial Banking, and Asset Management.

## **Model Risk**

*Model risk is the potential for adverse consequences arising from decisions based on incorrect or misused models and other estimation approaches and their outputs. It can lead to financial loss, reputational risk, or incorrect business and strategic decisions.*

#### **WHO MANAGES MODEL RISK**

Primary accountability for the management of model risk resides with the senior management of individual businesses with respect to the models they use. The Model Risk Governance Committee provides oversight of governance, risk, and control matters, by providing a platform to guide, challenge, and advise decision makers and model owners in model risk related matters. Model Risk Management monitors and reports on existing and emerging model risks, and provides periodic assessments to senior management, Risk Management, the Risk Committee, and regulators on the state of model risk at TD and alignment with the Bank's Model Risk Appetite. The Risk Committee approves the Bank's Model Risk Management Framework and Model Risk Policy.

## HOW TD MANAGES MODEL RISK

The Bank manages model risk in accordance with management approved model risk policies and supervisory guidance which encompass the life cycle of a model, including proof of concept, development, validation, implementation, usage, and ongoing model monitoring. The Bank's Model Risk Management Framework also captures key processes that may be partially or wholly qualitative, or based on expert judgment.

Segments identify the need for a new model 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 their model risk rating. Once models are implemented, model owners are responsible for ongoing 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 provides oversight, maintains a centralized inventory of all models as defined in the Bank's Model Risk Policy, validates and approves new and existing models on a pre-determined schedule depending on the model risk rating, sets model monitoring standards, and provides training to all stakeholders. The validation process varies in rigour, depending on the model risk rating, but at a minimum contains a detailed determination of:

- the conceptual soundness of model methodologies and underlying quantitative and qualitative assumptions;
- the risk associated with a model based on intrinsic risk, materiality and criticality;
- the sensitivity of model-to-model assumptions and changes in data inputs including stress testing; and
- the limitations of a model and the compensating risk mitigation mechanisms in place to address the limitations.

When appropriate, validation includes a benchmarking exercise which may include the building of an independent model based on an alternative modelling approach. The results of the benchmark model are compared to the model being assessed to validate the appropriateness of the model's methodology and its use. As with traditional model approaches, machine-learning models are also subject to the same rigorous standards and risk management practices.

At the conclusion of the validation process, a model will either be approved for use or will be rejected and require redevelopment or other courses of action. Models identified as obsolete or no longer appropriate for use, due to changes in industry practice, the business environment or Bank strategies, are subject to decommissioning.

The Bank has policies and procedures in place designed to properly discern models from non-models, and the level of independent challenge and oversight corresponds to the materiality and complexity of models.

## Insurance Risk

*Insurance risk is the risk of financial loss due to actual experience emerging differently from expectations in insurance product pricing and/or design, underwriting, reinsurance protection and, claims or reserving either at the inception of an insurance or reinsurance contract, during the lifecycle of the claim or at the valuation date. Unfavourable experience could emerge due to adverse fluctuations in timing, actual size, frequency of claims (for example, driven by non-life premium risk, non-life reserving risk, catastrophic risk, mortality risk, morbidity risk, and longevity risk), or policyholder behaviour.*

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 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 independent oversight and control of risk within the insurance business. The TD Insurance Risk Committee and its subcommittees provide critical oversight of the risk management activities within the insurance business and monitor compliance with insurance risk policies. The Bank's Insurance Risk Management Framework and Insurance Risk Policy collectively outline the internal risk and control structure to manage insurance risk and include risk appetite, policies, processes, as well as limits and governance. These documents are maintained by Risk Management and support alignment with the Bank's risk appetite for insurance risk.

The assessment of policy (premium and claims) liabilities is central to the insurance operation. The Bank establishes reserves to cover estimated future payments (including loss adjustment expenses) on all claims or terminations/surrenders of premium arising from insurance contracts underwritten. The reserves cannot be established with complete certainty, and represent management's best estimate for future payments. As such, the Bank regularly monitors estimates against actual and emerging experience and adjusts reserves as appropriate if experience emerges differently than anticipated. Claim and premium liabilities are governed by the Bank's general insurance and life and health reserving policies.

Sound product design is an essential element of managing risk. The Bank's exposure to insurance risk is mostly short-term in nature as the principal underwriting risk relates to automobile and home insurance for individuals.

Insurance market cycles, as well as changes in insurance legislation, the regulatory environment, judicial environment, trends in court awards, climate patterns, pandemics or other applicable public health emergencies, and the economic environment may impact the performance of the insurance business. Consistent pricing policies and underwriting standards are maintained.

There is also exposure to concentration risk associated with general insurance and life and health coverage. Exposure to insurance risk concentration is managed through established underwriting guidelines, limits, and authorization levels that govern the acceptance of risk. Concentration of insurance risk is also mitigated through the purchase of reinsurance. The insurance business' reinsurance programs are governed by catastrophe and reinsurance risk management policies.

Strategies are in place to manage the risk to the Bank's reinsurance business. Underwriting risk on business assumed is managed through a policy that limits exposure to certain types of business and countries. The vast majority of reinsurance treaties are annually renewable, which minimizes long-term risk. Pandemic exposure is reviewed and estimated annually within the reinsurance business to manage concentration risk.



## Liquidity Risk

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

### TD'S LIQUIDITY RISK APPETITE

The Bank maintains a prudent and disciplined approach to managing its potential exposure to liquidity risk. The Bank targets a 90-day survival horizon under a combined bank-specific and market-wide stress scenario, and a minimum buffer over regulatory requirements prescribed by the OSFI LAR guidelines. Under the LAR guidelines, Canadian banks are required to maintain a Liquidity Coverage Ratio (LCR) at the minimum of 100% other than during periods of financial stress and to maintain a Net Stable Funding Ratio (NSFR) at the minimum of 100%. The Bank's funding program emphasizes maximizing deposits as a core source of funding, and having ready access to wholesale funding markets across diversified terms, funding types, and currencies that is designed to ensure low exposure to a sudden contraction of wholesale funding capacity and to minimize structural liquidity gaps. The Bank also maintains a contingency funding plan to enhance preparedness for recovery from potential liquidity stress events. The Bank's strategies and actions comprise an integrated liquidity risk management program that is designed to ensure low exposure to liquidity risk and compliance with regulatory requirements.

### LIQUIDITY RISK MANAGEMENT RESPONSIBILITY

The Bank's ALCO oversees the Bank's liquidity risk management program. It ensures there are effective management structures and practices in place to properly measure and manage liquidity risk. The GLF Committee, a subcommittee of the ALCO comprised of senior management from Treasury, Risk Management and Wholesale Banking, identifies and monitors the Bank's liquidity risks. The management of liquidity risk is the responsibility of the SET member responsible for Treasury, while oversight and challenge is provided by the ALCO and independently by Risk Management. The Risk Committee regularly reviews the Bank's liquidity position and approves the Bank's Liquidity Risk Management Framework bi-annually and the related policies annually.

The Bank has established TDGUS as TD's U.S. IHC, as well as 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:

- Enterprise Liquidity Risk in Risk Management is responsible for maintaining liquidity risk management and asset pledging policies, along with associated limits, standards, and processes which are established to ensure that consistent and efficient liquidity management approaches are applied across all of the Bank's operations. Risk Management jointly owns the Liquidity Risk Management Framework along with the SET member responsible for Treasury. Enterprise Liquidity Risk provides oversight of liquidity risk across the enterprise and provides independent risk assessment and effective challenge of liquidity risk management. Capital Markets Risk Management is responsible for independent liquidity risk metric reporting;
- Treasury Liquidity Management manages the liquidity position of the Canadian Personal and Commercial Banking, Wealth Management and Insurance, Corporate, Wholesale Banking, and U.S. Retail segments, as well as the liquidity position of CUSO; and
- Other regional operations, including those within TD's insurance business, foreign branches, and/or subsidiaries are responsible for managing their liquidity risk in compliance with their own policies, and local regulatory requirements, while maintaining alignment with the enterprise framework.

### HOW TD MANAGES LIQUIDITY RISK

The Bank manages the liquidity profile of its businesses to be within the defined liquidity risk appetite, and maintains target requirements for liquidity survivability using a combination of internal and regulatory measures. The Bank's overall liquidity requirement is defined as the amount of liquid assets the Bank needs to hold to be able to cover expected future cash flow requirements, plus a prudent reserve against potential cash outflows in the event of a capital markets disruption or other events that could affect the Bank's access to funding or destabilize its deposit base.

The Bank maintains an internal view for measuring and managing liquidity that uses an assumed Severe Combined Stress Scenario (SCSS). The SCSS considers potential liquidity requirements during a crisis resulting from a loss of confidence in the Bank's ability to meet obligations as they come due. In addition to this bank-specific event, the SCSS also incorporates the impact of a stressed market-wide liquidity event that results in a significant reduction in the availability of funding for all institutions and a decrease in the marketability of assets. The Bank's liquidity risk management policies stipulate that the Bank must maintain a sufficient level of liquid assets to support business growth, and to cover identified stressed liquidity requirements under the SCSS, for a period of up to 90 days. The Bank calculates stressed liquidity requirements for the SCSS related to the following conditions:

- wholesale funding maturing in the next 90 days (assumes maturing debt will be repaid instead of rolled over);
- accelerated attrition or "run-off" of deposit balances;
- increased utilization of available credit and liquidity facilities; and
- increased collateral requirements associated with downgrades in the Bank's credit ratings and adverse movement in reference rates for derivative and securities financing transactions.

The Bank also manages its liquidity to comply with the regulatory liquidity requirements in the OSFI LAR (the LCR, the NSFR, and the Net Cumulative Cash Flow (NCCF) monitoring tool). The LCR requires that banks maintain a minimum liquidity coverage of 100% over a 30-day stress period, the NSFR requires that banks maintain available stable funding (ASF) in excess of required stable funding (RSF) for periods up to one year (a minimum NSFR of 100%), and the NCCF monitors the Bank's detailed cash flow gaps for various time bands. As a result, the Bank's liquidity is managed to the higher of its internal liquidity requirements and target buffers over the regulatory minimums.

The Bank considers potential regulatory restrictions on liquidity transferability in the calculation of enterprise liquidity positions. Accordingly, surplus liquidity domiciled in regulated subsidiaries may be excluded from consolidated liquidity positions as appropriate.

The Bank's Funds Transfer Pricing process considers liquidity risk as a key determinant of the cost or credit of funds to the retail and wholesale banking businesses. Liquidity costs applied to loans and trading assets are determined based on the cash flow or stressed liquidity profile, while deposits are assessed based on the required liquidity reserves and balance stability. Liquidity costs are also applied to other contingent obligations like undrawn lines of credit provided to customers.

### LIQUID ASSETS

The unencumbered liquid assets the Bank holds to meet its liquidity requirements must be high-quality securities that the Bank believes can be monetized quickly in stress conditions with minimum loss in market value. The liquidity value of unencumbered liquid assets considers estimated market or trading depths, settlement timing, and/or other identified impediments to potential sale or pledging. Overall, the Bank expects any reduction in market value of its liquid asset portfolio to be modest given its underlying high credit quality and demonstrated liquidity.

Assets held by the Bank to meet liquidity requirements are summarized in the following tables. The tables do not include assets held within the Bank's insurance businesses as these are used to support insurance-specific liabilities and capital requirements.

**TABLE 47: SUMMARY OF LIQUID ASSETS BY TYPE AND CURRENCY<sup>1,2</sup>**

(millions of Canadian dollars, except as noted)

	<i>As at</i>					
	Bank-owned liquid assets	Securities received as collateral from securities financing and derivative transactions	Total liquid assets	% of total	Encumbered liquid assets	Unencumbered liquid assets
<b>October 31, 2022</b>						
Cash and central bank reserves	\$ 48,965	\$ —	\$ 48,965	6 %	\$ 628	\$ 48,337
Canadian government obligations	17,133	88,511	105,644	12	68,175	37,469
National Housing Act Mortgage-Backed Securities (NHA MBS)	28,650	157	28,807	3	1,161	27,646
Obligations of provincial governments, public sector entities and multilateral development banks <sup>3</sup>	38,099	23,907	62,006	7	33,364	28,642
Corporate issuer obligations	11,657	4,935	16,592	2	3,659	12,933
Equities	12,746	4,602	17,348	2	13,497	3,851
<b>Total Canadian dollar-denominated</b>	<b>157,250</b>	<b>122,112</b>	<b>279,362</b>	<b>32</b>	<b>120,484</b>	<b>158,878</b>
Cash and central bank reserves	84,777	—	84,777	10	—	84,777
U.S. government obligations	86,611	54,614	141,225	16	47,518	93,707
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	92,793	7,924	100,717	11	21,660	79,057
Obligations of other sovereigns, public sector entities and multilateral development banks <sup>3</sup>	66,278	53,515	119,793	14	48,079	71,714
Corporate issuer obligations	96,971	4,620	101,591	11	11,378	90,213
Equities	25,665	32,006	57,671	6	42,347	15,324
<b>Total non-Canadian dollar-denominated</b>	<b>453,095</b>	<b>152,679</b>	<b>605,774</b>	<b>68</b>	<b>170,982</b>	<b>434,792</b>
<b>Total</b>	<b>\$ 610,345</b>	<b>\$ 274,791</b>	<b>\$ 885,136</b>	<b>100 %</b>	<b>\$ 291,466</b>	<b>\$ 593,670</b>
<b>October 31, 2021</b>						
Cash and central bank reserves	\$ 70,271	\$ —	\$ 70,271	8 %	\$ 798	\$ 69,473
Canadian government obligations	26,176	92,825	119,001	14	83,456	35,545
NHA MBS	23,615	2	23,617	3	1,104	22,513
Obligations of provincial governments, public sector entities and multilateral development banks <sup>3</sup>	30,213	24,808	55,021	6	37,142	17,879
Corporate issuer obligations	9,062	3,775	12,837	1	2,542	10,295
Equities	14,558	3,589	18,147	2	9,110	9,037
<b>Total Canadian dollar-denominated</b>	<b>173,895</b>	<b>124,999</b>	<b>298,894</b>	<b>34</b>	<b>134,152</b>	<b>164,742</b>
Cash and central bank reserves	84,956	—	84,956	10	120	84,836
U.S. government obligations	83,386	44,924	128,310	15	34,903	93,407
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	74,898	5,082	79,980	9	18,949	61,031
Obligations of other sovereigns, public sector entities and multilateral development banks <sup>3</sup>	63,400	60,623	124,023	14	57,530	66,493
Corporate issuer obligations	79,108	3,143	82,251	9	10,268	71,983
Equities	41,961	33,280	75,241	9	38,077	37,164
<b>Total non-Canadian dollar-denominated</b>	<b>427,709</b>	<b>147,052</b>	<b>574,761</b>	<b>66</b>	<b>159,847</b>	<b>414,914</b>
<b>Total</b>	<b>\$ 601,604</b>	<b>\$ 272,051</b>	<b>\$ 873,655</b>	<b>100 %</b>	<b>\$ 293,999</b>	<b>\$ 579,656</b>

<sup>1</sup> Liquid assets include collateral received that can be re-hypothecated or otherwise redeployed.

<sup>2</sup> Positions stated include gross asset values pertaining to securities financing transactions.

<sup>3</sup> Includes debt obligations issued or guaranteed by these entities.

Total unencumbered liquid assets increased \$14.0 billion from October 31, 2021, without any material shifts in the liquid assets portfolio year-over-year. Unencumbered 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 48: SUMMARY OF UNENCUMBERED LIQUID ASSETS BY BANK, SUBSIDIARIES, AND BRANCHES**

(millions of Canadian dollars)

	<i>As at</i>	
	October 31 2022	October 31 2021
The Toronto-Dominion Bank (Parent)	\$ 207,177	\$ 204,543
Bank subsidiaries	330,063	360,569
Foreign branches	56,430	14,544
<b>Total</b>	<b>\$ 593,670</b>	<b>\$ 579,656</b>

The Bank's monthly average liquid assets (excluding those held in insurance subsidiaries) for the years ended October 31, 2022, and October 31, 2021, are summarized in the following table.

**TABLE 49: SUMMARY OF AVERAGE LIQUID ASSETS BY TYPE AND CURRENCY<sup>1,2</sup>**

(millions of Canadian dollars, except as noted)

	<i>Average for the years ended</i>					
	Bank-owned liquid assets	Securities received as collateral from securities financing and derivative transactions	Total liquid assets	% of Total	Encumbered liquid assets	Unencumbered liquid assets
<b>October 31, 2022</b>						
Cash and central bank reserves	\$ 53,826	\$ –	\$ 53,826	6 %	\$ 682	\$ 53,144
Canadian government obligations	17,724	91,620	109,344	12	74,854	34,490
NHA MBS	25,225	53	25,278	3	1,096	24,182
Obligations of provincial governments, public sector entities and multilateral development banks <sup>3</sup>	35,322	25,381	60,703	7	34,706	25,997
Corporate issuer obligations	9,762	4,312	14,074	2	2,991	11,083
Equities	13,948	3,448	17,396	2	9,516	7,880
<b>Total Canadian dollar-denominated</b>	<b>155,807</b>	<b>124,814</b>	<b>280,621</b>	<b>32</b>	<b>123,845</b>	<b>156,776</b>
Cash and central bank reserves	80,322	–	80,322	9	957	79,365
U.S. government obligations	93,116	50,452	143,568	16	46,576	96,992
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	83,745	6,196	89,941	10	18,955	70,986
Obligations of other sovereigns, public sector entities and multilateral development banks <sup>3</sup>	64,401	61,727	126,128	14	57,880	68,248
Corporate issuer obligations	90,851	3,696	94,547	11	10,663	83,884
Equities	35,955	33,316	69,271	8	40,253	29,018
<b>Total non-Canadian dollar-denominated</b>	<b>448,390</b>	<b>155,387</b>	<b>603,777</b>	<b>68</b>	<b>175,284</b>	<b>428,493</b>
<b>Total</b>	<b>\$ 604,197</b>	<b>\$ 280,201</b>	<b>\$ 884,398</b>	<b>100 %</b>	<b>\$ 299,129</b>	<b>\$ 585,269</b>
<b>October 31, 2021</b>						
Cash and central bank reserves	\$ 82,308	\$ –	\$ 82,308	10 %	\$ 1,204	\$ 81,104
Canadian government obligations	30,023	83,729	113,752	13	76,942	36,810
NHA MBS	26,657	8	26,665	3	2,048	24,617
Obligations of provincial governments, public sector entities and multilateral development banks <sup>3</sup>	26,500	24,188	50,688	6	34,820	15,868
Corporate issuer obligations	8,392	3,373	11,765	1	2,658	9,107
Equities	14,575	3,795	18,370	2	10,449	7,921
<b>Total Canadian dollar-denominated</b>	<b>188,455</b>	<b>115,093</b>	<b>303,548</b>	<b>35</b>	<b>128,121</b>	<b>175,427</b>
Cash and central bank reserves	103,436	–	103,436	12	30	103,406
U.S. government obligations	67,427	49,317	116,744	13	45,680	71,064
U.S. federal agency obligations, including U.S. federal agency mortgage-backed obligations	71,426	5,304	76,730	9	17,032	59,698
Obligations of other sovereigns, public sector entities and multilateral development banks <sup>3</sup>	63,312	58,483	121,795	14	54,825	66,970
Corporate issuer obligations	74,911	2,755	77,666	9	9,325	68,341
Equities	42,260	34,726	76,986	8	36,517	40,469
<b>Total non-Canadian dollar-denominated</b>	<b>422,772</b>	<b>150,585</b>	<b>573,357</b>	<b>65</b>	<b>163,409</b>	<b>409,948</b>
<b>Total</b>	<b>\$ 611,227</b>	<b>\$ 265,678</b>	<b>\$ 876,905</b>	<b>100 %</b>	<b>\$ 291,530</b>	<b>\$ 585,375</b>

<sup>1</sup> Liquid assets include collateral received that can be re-hypothecated or otherwise redeployed.

<sup>2</sup> Positions stated include gross asset values pertaining to securities financing transactions.

<sup>3</sup> Includes debt obligations issued or guaranteed by these entities.

Average unencumbered 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 50: SUMMARY OF AVERAGE UNENCUMBERED LIQUID ASSETS BY BANK, SUBSIDIARIES, AND BRANCHES**

(millions of Canadian dollars)

	<i>Average for the years ended</i>	
	October 31, 2022	October 31, 2021
The Toronto-Dominion Bank (Parent)	\$ 191,634	\$ 213,662
Bank subsidiaries	361,933	347,779
Foreign branches	31,702	23,934
<b>Total</b>	<b>\$ 585,269</b>	<b>\$ 585,375</b>

#### ASSET ENCUMBRANCE

In the course of the Bank's day-to-day operations, assets are pledged to obtain funding, support trading and brokerage businesses, and participate in clearing and/or settlement systems. A summary of encumbered and unencumbered assets (excluding assets held in insurance subsidiaries) is presented in the following table to identify assets that are used or available for potential funding needs.

**TABLE 51: ENCUMBERED AND UNENCUMBERED ASSETS**

(millions of Canadian dollars)

	Total Assets						Encumbered <sup>1</sup>		Unencumbered	
	Bank-owned assets	Securities received as collateral from securities financing and derivative transactions <sup>2</sup>	Total Assets	Pledged as Collateral <sup>3</sup>	Other <sup>4</sup>	Available as Collateral <sup>5</sup>	Other <sup>6</sup>			
									October 31, 2022	
Cash and due from banks	\$ 8,556	\$ –	\$ 8,556	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 8,556	
Interest-bearing deposits with banks	137,294	–	137,294	8,769	147	127,807	–	–	571	
Securities, trading loans, and other <sup>7</sup>	572,160	396,999	969,159	371,008	11,650	553,939	–	–	32,562	
Derivatives	103,873	–	103,873	–	–	–	–	–	103,873	
Securities purchased under reverse repurchase agreements <sup>8</sup>	160,167	(160,167)	–	–	–	–	–	–	–	
Loans, net of allowance for loan losses <sup>9</sup>	831,043	(17,167)	813,876	42,894	53,067	57,645	–	–	660,270	
Customers' liabilities under acceptances	19,733	–	19,733	–	–	–	–	–	19,733	
Other assets <sup>10</sup>	84,702	–	84,702	1,032	–	–	–	–	83,670	
<b>Total assets</b>	<b>\$ 1,917,528</b>	<b>\$ 219,665</b>	<b>\$ 2,137,193</b>	<b>\$ 423,703</b>	<b>\$ 64,864</b>	<b>\$ 739,391</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 909,235</b>	
									October 31, 2021	
<b>Total assets</b>	<b>\$ 1,728,672</b>	<b>\$ 170,253</b>	<b>\$ 1,898,925</b>	<b>\$ 400,502</b>	<b>\$ 56,069</b>	<b>\$ 681,236</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 761,118</b>	

<sup>1</sup> Asset encumbrance has been analyzed on an individual asset basis. Where a particular asset has been encumbered and TD has holdings of the asset both on-balance sheet and off-balance sheet, for the purpose of this disclosure, the on- and off-balance sheet holdings are encumbered in alignment with the business practice.

<sup>2</sup> Assets received as collateral through off-balance sheet transactions such as reverse repurchase agreements, securities borrowing, margin loans, and other client activity.

<sup>3</sup> Represents assets that have been posted externally to support the Bank's day-to-day operations, including securities financing transactions, clearing and payments, and derivative transactions. Also includes assets that have been pledged supporting Federal Home Loan Bank (FHLB) activity.

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

<sup>5</sup> Assets that are considered readily available in their current legal form to generate funding or support collateral needs. This category includes reported FHLB assets that remain unutilized and DSAC that are available for collateral purposes however not regularly utilized in practice.

<sup>6</sup> Assets that cannot be used to support funding or collateral requirements in their current form. This category includes those assets that are potentially eligible as funding program collateral or for pledging to central banks (for example, CMHC insured mortgages that can be securitized into NHA MBS).

<sup>7</sup> Includes trading loans, securities, non-trading financial assets at FVTPL and other financial assets designated at FVTPL, financial assets at FVOCI, and DSAC.

<sup>8</sup> Assets reported in the "Bank-owned assets" column represent the value of the loans extended and not the value of the collateral received. The loan value from the reverse repurchase transactions is deducted from the "Securities received as collateral from securities financing and derivative transactions" column to avoid double-counting with the on-balance sheet assets.

<sup>9</sup> The loan value from the margin loans/client activity is deducted from the "Securities received as collateral from securities financing and derivative transactions" column to avoid double-counting with the on-balance sheet assets.

<sup>10</sup> Other assets include investment in Schwab, goodwill, other intangibles, land, buildings, equipment, and other depreciable assets, deferred tax assets, amounts receivable from brokers, dealers, and clients, and other assets on the balance sheet not reported in the above categories.

#### LIQUIDITY STRESS TESTING AND CONTINGENCY FUNDING PLANS

In addition to the SCSS, the Bank performs liquidity stress testing on multiple alternate scenarios. These scenarios are a mix of TD-specific events and market-wide stress events designed to test the impact from risk factors material to the Bank's risk profile. Liquidity assessments are also part of the Bank's EWST program.

The Bank has liquidity contingency funding plans (CFP) in place at the overall Bank level and for certain subsidiaries operating in foreign jurisdictions (Regional CFPs).

The Bank's CFP provides a documented framework for managing unexpected liquidity situations and thus is an integral component of the Bank's overall liquidity risk management program. It outlines different contingency levels based on the severity and duration of the liquidity situation, and identifies recovery actions appropriate for each level. For each recovery action, it provides key operational steps required to execute the action. Regional CFPs identify recovery actions to address region-specific stress events. The actions and governance structure outlined in the Bank's CFP are aligned with the Bank's Crisis Management Recovery Plan.

#### CREDIT RATINGS

Credit ratings impact the Bank's borrowing costs and ability to raise funds. Rating downgrades could potentially result in higher financing costs, increased requirements to pledge collateral, reduced access to capital markets, and could also affect the Bank's ability to enter into derivative transactions.

Credit ratings and outlooks provided by rating agencies reflect their views and are subject to change from time to time, based on a number of factors including the Bank's financial strength, competitive position, and liquidity, as well as factors not entirely within the Bank's control, including the methodologies used by rating agencies and conditions affecting the overall financial services industry.

**TABLE 52: CREDIT RATINGS<sup>1</sup>**

	<i>As at</i>			
	<b>October 31, 2022</b>			
	Moody's	S&P	Fitch	DBRS
Deposits/Counterparty <sup>2</sup>	Aa1	AA-	AA	AA (high)
Legacy Senior Debt <sup>3</sup>	Aa2	AA-	AA	AA (high)
Senior Debt <sup>4</sup>	A1	A	AA-	AA
Covered Bonds	Aaa	-	-	AAA
Subordinated Debt	A2	A	A	AA (low)
Subordinated Debt – NVCC	A2 (hyb)	A-	A	A
Preferred Shares – NVCC	Baa1 (hyb)	BBB	BBB+	Pfd-2 (high)
Limited Recourse Capital Notes – NVCC	Baa1 (hyb)	BBB	BBB+	A (low)
Short-Term Debt (Deposits)	P-1	A-1+	F1+	R-1 (high)
Outlook	Stable	Stable	Stable	Stable

<sup>1</sup> The above ratings are for The Toronto-Dominion Bank legal entity. Subsidiaries' ratings are available on the Bank's website at <http://www.td.com/investor/credit.jsp>. Credit ratings are not recommendations to purchase, sell, or hold a financial obligation in as much as they do not comment on market price or suitability for a particular investor. Ratings are subject to revision or withdrawal at any time by the rating organization.

<sup>2</sup> Represents Moody's Long-Term Deposits Rating and Counterparty Risk Rating, S&P's Issuer Credit Rating, Fitch's Long-Term Deposits Rating, and DBRS' Long-Term Issuer Rating.

<sup>3</sup> Includes (a) Senior debt issued prior to September 23, 2018; and (b) Senior debt issued on or after September 23, 2018 which is excluded from the bank recapitalization "bail-in" regime.

<sup>4</sup> Subject to conversion under the bank recapitalization "bail-in" regime.

The Bank regularly reviews the level of increased collateral its trading counterparties would require in the event of a downgrade of TD's credit rating. The Bank holds liquid assets to ensure it is able to provide additional collateral required by trading counterparties in the event of a three-notch downgrade in the Bank's senior debt ratings. The following table presents the additional collateral that could have been contractually required to be posted to over-the-counter (OTC) derivative counterparties as of the reporting date in the event of one, two, and three-notch downgrades of the Bank's credit ratings.

**TABLE 53: ADDITIONAL COLLATERAL REQUIREMENTS FOR RATING DOWNGRADES<sup>1</sup>**

	<i>Average for the years ended</i>	
	<b>October 31, 2022</b>	<b>October 31, 2021</b>
One-notch downgrade	\$ 182	\$ 206
Two-notch downgrade	290	264
Three-notch downgrade	1,129	1,037

<sup>1</sup> The above collateral requirements are based on each OTC trading counterparty's Credit Support Annex and the Bank's credit rating across applicable rating agencies.

**LIQUIDITY COVERAGE RATIO**

The LCR is a Basel III metric calculated as the ratio of the stock of unencumbered HQLA over the net cash outflow requirements in the next 30 days under a hypothetical liquidity stress event.

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

The following table summarizes the Bank's average daily LCR as of the relevant dates.

**TABLE 54: AVERAGE BASEL III LIQUIDITY COVERAGE RATIO<sup>1</sup>**

(millions of Canadian dollars, except as noted)

	<i>Average for the three months ended</i>	
	<b>October 31, 2022</b>	<b>July 31, 2022</b>
	<b>Total unweighted value (average)<sup>2</sup></b>	<b>Total weighted value (average)<sup>3</sup></b>
<b>High-quality liquid assets</b>		
Total high-quality liquid assets	\$ n/a <sup>4</sup>	\$ 365,894
<b>Cash outflows</b>		
Retail deposits and deposits from small business customers, of which:	\$ 703,079	\$ 82,075
Stable deposits <sup>5</sup>	261,272	7,838
Less stable deposits	441,807	74,237
Unsecured wholesale funding, of which:	355,017	169,752
Operational deposits (all counterparties) and deposits in networks of cooperative banks <sup>6</sup>	154,441	36,648
Non-operational deposits (all counterparties)	156,346	88,874
Unsecured debt	44,230	44,230
Secured wholesale funding	n/a	22,882
Additional requirements, of which:	304,994	83,056
Outflows related to derivative exposures and other collateral requirements	50,621	28,506
Outflows related to loss of funding on debt products	9,731	9,731
Credit and liquidity facilities	244,642	44,819
Other contractual funding obligations	16,238	9,049
Other contingent funding obligations <sup>7</sup>	718,507	11,404
<b>Total cash outflows</b>	<b>\$ n/a</b>	<b>\$ 378,218</b>
<b>Cash inflows</b>		
Secured lending	\$ 213,317	\$ 21,968
Inflows from fully performing exposures	21,113	9,118
Other cash inflows	61,485	61,485
<b>Total cash inflows</b>	<b>\$ 295,915</b>	<b>\$ 92,571</b>
	<b>Total weighted value</b>	<b>Total weighted value</b>
<b>Total high-quality liquid assets<sup>8</sup></b>	<b>\$ 365,894</b>	<b>\$ 333,180</b>
<b>Total net cash outflows<sup>9</sup></b>	<b>285,647</b>	<b>275,520</b>
<b>Liquidity coverage ratio</b>	<b>128 %</b>	<b>121 %</b>

<sup>1</sup> The LCR for the quarter ended October 31, 2022, is calculated as an average of the 62 daily data points in the quarter.

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

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

<sup>4</sup> Not applicable as per the LCR common disclosure template.

<sup>5</sup> As defined by the OSFI LAR guideline, stable deposits from retail and small- and 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 makes deposit withdrawal highly unlikely.

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

<sup>7</sup> Includes uncommitted credit and liquidity facilities, stable value money market mutual funds, outstanding debt securities with remaining maturity greater than 30 days, and other contractual cash outflows. With respect to outstanding debt securities with remaining maturity greater than 30 days, TD has no contractual obligation to buyback these outstanding TD debt securities, and as a result, a 0% outflow rate is applied under the OSFI LAR guideline.

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

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

The Bank's average LCR of 128% for the quarter ended October 31, 2022 continues to meet the regulatory requirements.

The Bank holds a variety of liquid assets commensurate with the liquidity needs of the organization. Many of these assets qualify as HQLA under the OSFI LAR guideline. The average HQLA of the Bank for the quarter ended October 31, 2022 was \$366 billion (July 31, 2022 – \$333 billion), with Level 1 assets representing 84% (July 31, 2022 – 84%). The Bank's reported HQLA excludes excess HQLA from the U.S. Retail operations, as required by the OSFI LAR guideline, to reflect liquidity transfer considerations between U.S. Retail and its affiliates as a result of the 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.

#### NET STABLE FUNDING RATIO

The NSFR is a Basel III metric calculated as the ratio of total ASF over total RSF in accordance with OSFI's LAR guideline. The Bank must maintain an NSFR ratio equal to or above 100% in accordance with the LAR guideline. The Bank's ASF comprises the Bank's liability and capital instruments (including deposits and wholesale funding). The assets that require stable funding (RSF) are based on the Bank's on and off-balance sheet activities and a function of their liquidity characteristics and the requirements of OSFI's LAR guideline.

**TABLE 55: NET STABLE FUNDING RATIO**

(millions of Canadian dollars, except as noted)

	Unweighted value by residential maturity				Weighted value <sup>2</sup>
	No maturity <sup>1</sup>	Less than 6 months	6 months to less than 1 year	More than 1 year	
<i>As at</i>					
<b>October 31, 2022</b>					
<b>Available Stable Funding Item</b>					
Capital	\$ 108,464	\$ n/a	\$ n/a	\$ 10,823	\$ 119,287
Regulatory capital	108,464	n/a	n/a	10,823	119,287
Other capital instruments	n/a	n/a	n/a	–	–
Retail deposits and deposits from small business customers:	676,067	40,053	14,385	19,715	620,732
Stable deposits <sup>3</sup>	266,547	9,789	5,256	9,325	276,838
Less stable deposits	409,520	30,264	9,129	10,390	343,894
Wholesale funding:	250,203	287,887	90,769	118,702	315,819
Operational deposits <sup>4</sup>	125,494	3,515	–	–	64,504
Other wholesale funding	124,709	284,372	90,769	118,702	251,315
Liabilities with matching interdependent assets <sup>5</sup>	–	1,870	3,448	17,811	–
Other liabilities:	56,524	–	–	75,432	2,249
NSFR derivative liabilities	n/a	–	–	3,699	n/a
All other liabilities and equity not included in the above categories	56,524	68,753	1,461	1,519	2,249
<b>Total Available Stable Funding</b>					<b>\$ 1,058,087</b>
<b>Required Stable Funding Item</b>					
Total NSFR high-quality liquid assets	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ 56,352
Deposits held at other financial institutions for operational purposes	–	868	–	–	434
Performing loans and securities	87,426	185,825	95,409	651,493	685,109
Performing loans to financial institutions secured by Level 1 HQLA	–	55,415	11,319	–	12,207
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	374	38,672	4,673	10,375	17,306
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	33,850	48,023	35,635	262,990	298,857
With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	n/a	30,566	18,644	179	24,639
Performing residential mortgages, of which:	31,647	29,715	37,172	297,390	257,997
With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk <sup>6</sup>	31,647	29,715	37,172	297,390	257,997
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	21,555	14,000	6,610	80,738	98,742
Assets with matching interdependent liabilities <sup>5</sup>	–	1,638	3,318	18,173	–
Other assets:	62,728	–	–	125,169	99,102
Physical traded commodities, including gold	14,632	n/a	n/a	n/a	12,609
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	–	–	–	14,934	12,694
NSFR derivative assets	n/a	–	–	13,479	9,780
NSFR derivative liabilities before deduction of variation margin posted	n/a	–	–	28,808	1,440
All other assets not included in the above categories	48,096	60,258	3,057	4,633	62,579
Off-balance sheet items	n/a	–	–	718,975	25,386
<b>Total Required Stable Funding</b>					<b>\$ 866,383</b>
<b>Net Stable Funding Ratio</b>					<b>122 %</b>
<i>As at</i>					
<b>October 31, 2021</b>					
Total Available Stable Funding					\$ 958,226
Total Required Stable Funding					763,800
Net Stable Funding Ratio					125 %

<sup>1</sup> Items in the "no maturity" time bucket do not have a stated maturity. These may include, but are not limited to, items such as capital with perpetual maturity, non-maturity deposits, short positions, open maturity positions, non-HQLA equities, and physical traded commodities.

<sup>2</sup> Weighted values are calculated after the application of respective NSFR weights, as prescribed by the OSFI LAR guideline.

<sup>3</sup> As defined by the OSFI LAR guideline, stable deposits from retail and 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 makes deposit withdrawals highly unlikely.

<sup>4</sup> Operational deposits from non-SME business customers are deposits kept with the Bank in order to facilitate their access and ability to conduct payment and settlement activities. These activities include clearing, custody, or cash management services.

<sup>5</sup> Interdependent asset and liability items are deemed by OSFI to be interdependent and have RSF and ASF risk factors adjusted to zero. Interdependent liabilities cannot fall due while the asset is still on balance sheet, cannot be used to fund any other assets and principal payments from the asset cannot be used for anything other than repaying the liability. As such, the only interdependent assets and liabilities that qualify for this treatment at the Bank are the liabilities arising from the Canada Mortgage Bonds Program and their corresponding encumbered assets.

<sup>6</sup> Includes Residential Mortgages and HELOCs.

The Bank's NSFR for the quarter ended October 31, 2022 is at 122% (October 31, 2021 – 125%) and has met the regulatory requirements. The NSFR changes quarter-to-quarter are based on a number of factors including deposit and loan growth, changes in capital levels, wholesale funding issuance and maturities, and changes in the maturity profile of wholesale funding.

## FUNDING

The Bank has access to a variety of unsecured and secured funding sources. The Bank's funding activities are conducted in accordance with liquidity risk management policies that require 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 Schwab sweep deposits (collectively, "P&C deposits") that make up over 70% of the Bank's total funding.

**TABLE 56: SUMMARY OF DEPOSIT FUNDING**

(millions of Canadian dollars)	<i>As at</i>	
	October 31, 2022	October 31, 2021
P&C deposits – Canadian	\$ 525,294	\$ 519,466
P&C deposits – U.S. <sup>1</sup>	493,223	472,742
<b>Total</b>	<b>\$ 1,018,517</b>	<b>\$ 992,208</b>

<sup>1</sup> P&C deposits in U.S. are presented on a Canadian equivalent basis and therefore period-over-period movements reflect both underlying growth and changes in the foreign exchange rate.

## WHOLESALE FUNDING

The Bank maintains various registered external wholesale term (greater than 1 year) funding programs to provide access to diversified funding sources, including asset securitization, covered bonds, and unsecured wholesale debt. The Bank raises term funding through Senior Notes, NHA MBS, and notes backed by credit card receivables (Evergreen Credit Card Trust) and home equity lines of credit (Genesis Trust II). 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, commercial paper, and bankers' acceptances.

The following table summarizes the registered term funding and capital programs by geography, with the related program size as at October 31, 2022

Canada	United States	Europe
Capital Securities Program (\$15 billion)	U.S. SEC (F-3) Registered Capital and Debt Program (US\$75 billion)	United Kingdom Listing Authority (UKLA) Registered Legislative Covered Bond Program (\$80 billion)
Canadian Senior Medium-Term Linked Notes Program (\$5 billion)		UKLA Registered European Medium-Term Note Program (US\$20 billion)
HELOC ABS Program (Genesis Trust II) (\$7 billion)		

The following table presents a breakdown of the Bank's term debt by currency and funding type. Term funding as at October 31, 2022, was \$150.5 billion (October 31, 2021 – \$100.7 billion).

Note that Table 57: Long-Term Funding and Table 58: Wholesale Funding do not include any funding accessed via repurchase transactions or securities financing.

**TABLE 57: LONG-TERM FUNDING**

<b>Long-term funding by currency</b>	<i>As at</i>	
	October 31, 2022	October 31, 2021
Canadian dollar	31 %	37 %
U.S. dollar	43	38
Euro	20	18
British pound	3	4
Other	3	3
<b>Total</b>	<b>100 %</b>	<b>100 %</b>
<b>Long-term funding by type</b>		
Senior unsecured medium-term notes	67 %	59 %
Covered bonds	22	24
Mortgage securitization <sup>1</sup>	10	15
Term asset backed securities	1	2
<b>Total</b>	<b>100 %</b>	<b>100 %</b>

<sup>1</sup> Mortgage securitization excludes the residential mortgage trading business.

The Bank maintains depositor concentration limits in respect of short-term wholesale deposits so that it is not overly reliant on individual depositors for funding. The Bank further limits short-term wholesale funding maturity concentration in an effort to mitigate refinancing risk during a stress event.



The following table represents the remaining maturity of various sources of funding outstanding as at October 31, 2022, and October 31, 2021.

**TABLE 58: WHOLESALE FUNDING<sup>1</sup>**

(millions of Canadian dollars)

								As at	
								October 31 2022	October 31 2021
	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	Up to 1 year	Over 1 to 2 years	Over 2 years	Total	Total
Deposits from banks <sup>2</sup>	\$ 25,526	\$ 1,877	\$ 2,728	\$ 1,702	\$ 31,833	\$ –	\$ –	\$ 31,833	\$ 18,503
Bearer deposit notes	388	382	272	233	1,275	–	–	1,275	600
Certificates of deposit	11,577	9,931	28,041	48,123	97,672	806	96	98,574	53,079
Commercial paper	12,879	11,039	22,680	16,308	62,906	–	–	62,906	57,474
Covered bonds	–	2,451	4,934	749	8,134	5,381	20,463	33,978	25,086
Mortgage securitization <sup>3</sup>	36	1,840	606	3,766	6,248	5,082	16,354	27,684	28,767
Legacy senior unsecured medium-term notes <sup>4</sup>	–	–	1,630	9,764	11,394	1,924	313	13,631	17,177
Senior unsecured medium-term notes <sup>5</sup>	–	5,776	–	7,060	12,836	17,800	54,320	84,956	41,491
Subordinated notes and debentures <sup>6</sup>	–	–	–	–	–	–	11,290	11,290	11,230
Term asset backed securitization	–	–	681	–	681	1,042	103	1,826	1,809
Other <sup>7</sup>	23,105	861	2,042	4,263	30,271	1,056	1,276	32,603	26,770
<b>Total</b>	<b>\$ 73,511</b>	<b>\$ 34,157</b>	<b>\$ 63,614</b>	<b>\$ 91,968</b>	<b>\$ 263,250</b>	<b>\$ 33,091</b>	<b>\$ 104,215</b>	<b>\$ 400,556</b>	<b>\$ 281,986</b>
Of which:									
Secured	\$ 37	\$ 4,291	\$ 6,222	\$ 4,515	\$ 15,065	\$ 11,505	\$ 36,926	\$ 63,496	\$ 55,670
Unsecured	73,474	29,866	57,392	87,453	248,185	21,586	67,289	337,060	226,316
<b>Total</b>	<b>\$ 73,511</b>	<b>\$ 34,157</b>	<b>\$ 63,614</b>	<b>\$ 91,968</b>	<b>\$ 263,250</b>	<b>\$ 33,091</b>	<b>\$ 104,215</b>	<b>\$ 400,556</b>	<b>\$ 281,986</b>

<sup>1</sup> Excludes Bankers' acceptances, which are disclosed in the Remaining Contractual Maturity table within the "Managing Risk" section of this document.

<sup>2</sup> Includes fixed-term deposits with banks.

<sup>3</sup> Includes mortgage backed securities issued to external investors and Wholesale Banking residential mortgage trading business.

<sup>4</sup> Includes a) senior debt issued prior to September 23, 2018; and b) senior debt issued on or after September 23, 2018 which is excluded from the bank recapitalization "bail-in" regime, including debt with an original term-to-maturity of less than 400 days.

<sup>5</sup> Comprised of senior debt subject to conversion under the bank recapitalization "bail-in" regime. Excludes \$2.3 billion of structured notes subject to conversion under the "bail-in" regime (October 31, 2021 – \$1.4 billion).

<sup>6</sup> Subordinated notes and debentures are not considered wholesale funding as they may be raised primarily for capital management purposes.

<sup>7</sup> Includes fixed-term deposits from non-bank institutions (unsecured) of \$21.3 billion (October 31, 2021 – \$14.6 billion).

Excluding the Wholesale Banking residential mortgage trading business, the Bank's total 2022 mortgage-backed securities issued to external investors was \$1.7 billion (2021 – \$1.8 billion), and other asset-backed securities issued was \$0.3 billion (2021 – \$0.7 billion). The Bank also issued \$44.6 billion of unsecured medium-term notes (2021 – \$20.5 billion) and \$17.5 billion covered bonds (2021 – nil), in various currencies and markets during the year ended October 31, 2022.

#### REGULATORY DEVELOPMENTS CONCERNING LIQUIDITY AND FUNDING

In January 2022, OSFI published finalized updates to its LAR guideline, following a public consultation period that began in March 2021. The primary changes to the LAR involve enhancements to the NCCF supervisory tool to improve the risk sensitivity of the metric. Other significant changes include the addition of contingencies for undrawn loan commitments, changes to certain loan cash inflows, and the adjustment of deposit runoff factors. The effective date of the changes will be April 2023.

In January 2022, OSFI published an updated Pillar 3 Disclosure Guideline, which covers liquidity disclosures among other topics. The guideline provides OSFI's updated expectations for the domestic implementation of Basel's Pillar 3 Framework. The guideline will not materially impact the Bank's existing liquidity disclosures, but will contribute to improved consistency and comparability of disclosures across jurisdictions. The effective date of the changes will be in the second fiscal quarter of 2023.

#### 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 certain lease-related commitments, certain purchase obligations, and other liabilities. The values of credit instruments reported in the following table represent the maximum amount of additional credit that the Bank could be obligated to extend should such instruments be fully drawn or utilized. Since a significant portion of guarantees and commitments are expected to expire without being drawn upon, the total of the contractual amounts is not representative of expected future liquidity requirements. These contractual obligations have an impact on the Bank's short-term and long-term liquidity and capital resource needs.

The maturity analysis presented does not depict the degree of the Bank's maturity transformation or the Bank's exposure to interest rate and liquidity risk. The Bank ensures that assets are appropriately funded to protect against borrowing cost volatility and potential reductions to funding market availability. The Bank utilizes stable non-maturity deposits (chequing and savings accounts) and term deposits as the primary source of long-term funding for the Bank's non-trading assets including personal and business term loans and the stable balance of revolving lines of credit. Additionally, the Bank issues long-term funding in respect of such non-trading assets and raises short term funding primarily to finance trading assets. The liquidity of trading assets under stressed market conditions is considered when determining the appropriate term of the funding.

**TABLE 59: REMAINING CONTRACTUAL MATURITY**

(millions of Canadian dollars)

As at

October 31, 2022

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	Over 1 to 2 years	Over 2 to 5 years	Over 5 years	No specific maturity	Total
<b>Assets</b>										
Cash and due from banks	\$ 8,556	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 8,556
Interest-bearing deposits with banks	135,855	197	143	–	–	–	–	–	1,099	137,294
Trading loans, securities, and other <sup>1</sup>	4,601	4,876	5,310	4,477	4,055	12,910	23,057	23,051	61,389	143,726
Non-trading financial assets at fair value through profit or loss	111	–	222	685	–	4,071	2,475	2,133	1,249	10,946
Derivatives	14,436	16,306	7,870	5,155	4,575	10,622	26,319	18,590	–	103,873
Financial assets designated at fair value through profit or loss	229	777	235	391	243	610	1,345	1,209	–	5,039
Financial assets at fair value through other comprehensive income	2,117	2,401	1,531	3,367	1,712	6,415	20,091	28,721	3,320	69,675
Debt securities at amortized cost, net of allowance for credit losses	2,333	3,607	7,082	14,706	4,678	29,069	106,919	174,381	(1)	342,774
Securities purchased under reverse repurchase agreements <sup>2</sup>	113,845	15,050	17,977	9,745	3,240	310	–	–	–	160,167
<b>Loans</b>										
Residential mortgages	672	2,327	5,585	9,122	9,115	34,909	181,763	50,431	–	293,924
Consumer instalment and other personal	543	1,027	2,480	4,002	3,430	19,635	88,071	30,056	56,908	206,152
Credit card	–	–	–	–	–	–	–	–	36,010	36,010
Business and government	33,836	7,398	10,693	10,854	14,245	33,366	89,367	68,078	33,552	301,389
<b>Total loans</b>	<b>35,051</b>	<b>10,752</b>	<b>18,758</b>	<b>23,978</b>	<b>26,790</b>	<b>87,910</b>	<b>359,201</b>	<b>148,565</b>	<b>126,470</b>	<b>837,475</b>
Allowance for loan losses	–	–	–	–	–	–	–	–	(6,432)	(6,432)
Loans, net of allowance for loan losses	35,051	10,752	18,758	23,978	26,790	87,910	359,201	148,565	120,038	831,043
Customers' liability under acceptances	16,002	3,712	16	3	–	–	–	–	–	19,733
Investment in Schwab	–	–	–	–	–	–	–	–	8,088	8,088
Goodwill <sup>3</sup>	–	–	–	–	–	–	–	–	17,656	17,656
Other intangibles <sup>3</sup>	–	–	–	–	–	–	–	–	2,303	2,303
Land, buildings, equipment, and other depreciable assets <sup>3</sup>	–	–	2	2	2	36	525	3,462	5,371	9,400
Deferred tax assets	–	–	–	–	–	–	–	–	2,193	2,193
Amounts receivable from brokers, dealers, and clients	19,719	41	–	–	–	–	–	–	–	19,760
Other assets	4,726	1,262	6,537	232	274	74	57	72	12,068	25,302
<b>Total assets</b>	<b>\$ 357,581</b>	<b>\$ 58,981</b>	<b>\$ 65,683</b>	<b>\$ 62,741</b>	<b>\$ 45,569</b>	<b>\$ 152,027</b>	<b>\$ 539,989</b>	<b>\$ 400,184</b>	<b>\$ 234,773</b>	<b>\$ 1,917,528</b>
<b>Liabilities</b>										
Trading deposits	\$ 4,038	\$ 2,227	\$ 4,390	\$ 1,740	\$ 1,758	\$ 4,181	\$ 4,136	\$ 1,335	\$ –	\$ 23,805
Derivatives	12,560	16,189	8,764	5,230	3,531	9,413	18,116	17,330	–	91,133
Securitization liabilities at fair value	36	1,245	216	447	899	2,357	4,675	2,737	–	12,612
Financial liabilities designated at fair value through profit or loss	18,718	21,893	52,501	45,442	23,331	805	96	–	–	162,786
<b>Deposits<sup>4,5</sup></b>										
Personal	4,551	6,872	10,173	10,394	11,801	12,801	13,038	31	591,177	660,838
Banks	22,153	453	51	–	13	–	3	3	15,587	38,263
Business and government	34,236	17,779	10,095	17,173	8,234	26,060	63,392	13,167	340,733	530,869
<b>Total deposits</b>	<b>60,940</b>	<b>25,104</b>	<b>20,319</b>	<b>27,567</b>	<b>20,048</b>	<b>38,861</b>	<b>76,433</b>	<b>13,201</b>	<b>947,497</b>	<b>1,229,970</b>
Acceptances	16,002	3,712	16	3	–	–	–	–	–	19,733
Obligations related to securities sold short <sup>1</sup>	1,418	2,125	1,611	1,257	1,312	6,691	15,015	13,146	2,930	45,505
Obligations related to securities sold under repurchase agreements <sup>2</sup>	118,278	6,553	2,382	545	188	78	–	–	–	128,024
Securitization liabilities at amortized cost	–	595	390	609	1,812	2,724	5,730	3,212	–	15,072
Amounts payable to brokers, dealers, and clients	25,155	40	–	–	–	–	–	–	–	25,195
Insurance-related liabilities	146	296	439	439	481	947	1,482	645	2,593	7,468
Other liabilities	14,587	2,417	2,006	1,050	761	1,725	1,136	4,660	5,210	33,552
Subordinated notes and debentures	–	–	–	–	–	–	200	11,090	–	11,290
<b>Equity</b>	–	–	–	–	–	–	–	–	111,383	111,383
<b>Total liabilities and equity</b>	<b>\$ 271,878</b>	<b>\$ 82,396</b>	<b>\$ 93,034</b>	<b>\$ 84,329</b>	<b>\$ 54,121</b>	<b>\$ 67,782</b>	<b>\$ 127,019</b>	<b>\$ 67,356</b>	<b>\$ 1,069,613</b>	<b>\$ 1,917,528</b>
<b>Off-balance sheet commitments</b>										
Credit and liquidity commitments <sup>6,7</sup>	\$ 19,249	\$ 22,494	\$ 22,536	\$ 19,326	\$ 18,060	\$ 41,357	\$ 140,699	\$ 4,882	\$ 1,461	\$ 290,064
Other commitments <sup>8</sup>	87	208	177	234	205	549	1,316	365	7	3,148
Unconsolidated structured entity commitments	–	126	18	714	–	1,233	–	–	–	2,091
<b>Total off-balance sheet commitments</b>	<b>\$ 19,336</b>	<b>\$ 22,828</b>	<b>\$ 22,731</b>	<b>\$ 20,274</b>	<b>\$ 18,265</b>	<b>\$ 43,139</b>	<b>\$ 142,015</b>	<b>\$ 5,247</b>	<b>\$ 1,468</b>	<b>\$ 295,303</b>

<sup>1</sup> Amount has been recorded according to the remaining contractual maturity of the underlying security.<sup>2</sup> Certain contracts considered short-term are presented in 'less than 1 month' category.<sup>3</sup> Certain non-financial assets have been recorded as having 'no specific maturity'.<sup>4</sup> As the timing of demand deposits and notice deposits is non-specific and callable by the depositor, obligations have been included as having 'no specific maturity'.<sup>5</sup> Includes \$34 billion of covered bonds with remaining contractual maturities of \$2 billion in 1 to 3 months, \$5 billion in 'over 3 months to 6 months', \$1 billion in 'over 6 months to 9 months', \$5 billion in 'over 1 to 2 years', and \$21 billion in 'over 2 to 5 years'.<sup>6</sup> Includes \$502 million in commitments to extend credit to private equity investments.<sup>7</sup> Commitments to extend credit exclude personal lines of credit and credit card lines, which are unconditionally cancellable at the Bank's discretion at any time.<sup>8</sup> Includes various purchase commitments as well as commitments for leases not yet commenced, and lease-related payments.

**TABLE 59: REMAINING CONTRACTUAL MATURITY (continued)**

(millions of Canadian dollars)

	As at									
	October 31, 2021									
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	Over 1 to 2 years	Over 2 to 5 years	Over 5 years	No specific maturity	Total
<b>Assets</b>										
Cash and due from banks	\$ 5,931	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 5,931
Interest-bearing deposits with banks	158,039	373	185	–	–	–	–	–	1,365	159,962
Trading loans, securities, and other <sup>1</sup>	2,020	4,382	5,059	2,275	2,874	12,293	21,299	23,119	74,269	147,590
Non-trading financial assets at fair value through profit or loss	58	3	543	1,250	53	745	3,803	1,931	1,004	9,390
Derivatives	6,146	9,393	5,289	2,885	1,818	7,172	10,895	10,829	–	54,427
Financial assets designated at fair value through profit or loss	441	311	187	167	363	851	624	1,620	–	4,564
Financial assets at fair value through other comprehensive income	1,030	6,532	11,881	3,381	2,914	4,089	21,983	22,658	4,598	79,066
Debt securities at amortized cost, net of allowance for credit losses	1,235	6,567	8,180	4,889	4,030	27,819	79,375	136,846	(2)	268,939
Securities purchased under reverse repurchase agreements <sup>2</sup>	92,356	30,580	22,332	14,191	7,441	140	244	–	–	167,284
<b>Loans</b>										
Residential mortgages	930	2,389	5,050	10,061	10,077	34,004	166,855	38,974	–	268,340
Consumer instalment and other personal	641	987	2,029	4,049	3,254	14,333	81,413	27,126	56,032	189,864
Credit card	–	–	–	–	–	–	–	–	30,738	30,738
Business and government	27,691	5,390	6,707	10,533	8,503	23,332	71,025	61,647	25,242	240,070
<b>Total loans</b>	<b>29,262</b>	<b>8,766</b>	<b>13,786</b>	<b>24,643</b>	<b>21,834</b>	<b>71,669</b>	<b>319,293</b>	<b>127,747</b>	<b>112,012</b>	<b>729,012</b>
Allowance for loan losses	–	–	–	–	–	–	–	–	(6,390)	(6,390)
<b>Loans, net of allowance for loan losses</b>	<b>29,262</b>	<b>8,766</b>	<b>13,786</b>	<b>24,643</b>	<b>21,834</b>	<b>71,669</b>	<b>319,293</b>	<b>127,747</b>	<b>105,622</b>	<b>722,622</b>
Customers' liability under acceptances	16,039	2,327	76	2	4	–	–	–	–	18,448
Investment in Schwab	–	–	–	–	–	–	–	–	11,112	11,112
Goodwill <sup>3</sup>	–	–	–	–	–	–	–	–	16,232	16,232
Other intangibles <sup>3</sup>	–	–	–	–	–	–	–	–	2,123	2,123
Land, buildings, equipment, and other depreciable assets <sup>3</sup>	–	3	10	4	4	19	466	3,664	5,011	9,181
Deferred tax assets	–	–	–	–	–	–	–	–	2,265	2,265
Amounts receivable from brokers, dealers, and clients	32,357	–	–	–	–	–	–	–	–	32,357
Other assets	3,100	1,049	2,204	159	150	74	112	73	10,258	17,179
<b>Total assets</b>	<b>\$ 348,014</b>	<b>\$ 70,286</b>	<b>\$ 69,732</b>	<b>\$ 53,846</b>	<b>\$ 41,485</b>	<b>\$ 124,871</b>	<b>\$ 458,094</b>	<b>\$ 328,487</b>	<b>\$ 233,857</b>	<b>\$ 1,728,672</b>
<b>Liabilities</b>										
Trading deposits	\$ 1,697	\$ 5,373	\$ 4,867	\$ 2,953	\$ 1,196	\$ 2,135	\$ 3,516	\$ 1,154	\$ –	\$ 22,891
Derivatives	7,387	9,392	4,581	2,969	2,244	7,403	10,792	12,354	–	57,122
Securitization liabilities at fair value	–	538	1,013	514	301	2,814	5,737	2,588	–	13,505
Financial liabilities designated at fair value through profit or loss	23,923	12,526	33,712	28,017	14,678	1,127	1	4	–	113,988
<b>Deposits<sup>4,5</sup></b>										
Personal	5,799	9,750	8,491	5,999	6,148	7,611	7,254	29	582,417	633,498
Banks	8,903	338	135	25	–	2	2	4	11,508	20,917
Business and government	15,795	12,080	8,268	5,433	1,311	28,880	37,255	6,079	355,609	470,710
<b>Total deposits</b>	<b>30,497</b>	<b>22,168</b>	<b>16,894</b>	<b>11,457</b>	<b>7,459</b>	<b>36,493</b>	<b>44,511</b>	<b>6,112</b>	<b>949,534</b>	<b>1,125,125</b>
Acceptances	16,039	2,327	76	2	4	–	–	–	–	18,448
Obligations related to securities sold short <sup>1</sup>	1,096	729	1,753	1,648	432	4,574	12,640	17,505	2,007	42,384
Obligations related to securities sold under repurchase agreements <sup>2</sup>	120,938	13,904	7,255	1,700	272	28	–	–	–	144,097
Securitization liabilities at amortized cost	–	344	414	475	403	3,448	7,043	3,135	–	15,262
Amounts payable to brokers, dealers, and clients	28,993	–	–	–	–	–	–	–	–	28,993
Insurance-related liabilities	158	273	405	405	425	982	1,673	872	2,483	7,676
Other liabilities	9,008	3,106	925	228	767	1,522	1,796	4,815	5,966	28,133
Subordinated notes and debentures	–	–	–	–	–	–	200	11,030	–	11,230
<b>Equity</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>99,818</b>	<b>99,818</b>
<b>Total liabilities and equity</b>	<b>\$ 239,736</b>	<b>\$ 70,680</b>	<b>\$ 71,895</b>	<b>\$ 50,368</b>	<b>\$ 28,181</b>	<b>\$ 60,526</b>	<b>\$ 87,909</b>	<b>\$ 59,569</b>	<b>\$ 1,059,808</b>	<b>\$ 1,728,672</b>
<b>Off-balance sheet commitments</b>										
Credit and liquidity commitments <sup>6,7</sup>	\$ 14,788	\$ 24,189	\$ 23,482	\$ 19,887	\$ 15,616	\$ 38,639	\$ 115,624	\$ 3,789	\$ 1,327	\$ 257,341
Other commitments <sup>8</sup>	59	170	185	244	170	591	1,303	541	–	3,263
Unconsolidated structured entity commitments	–	859	20	557	–	127	510	–	–	2,073
<b>Total off-balance sheet commitments</b>	<b>\$ 14,847</b>	<b>\$ 25,218</b>	<b>\$ 23,687</b>	<b>\$ 20,688</b>	<b>\$ 15,786</b>	<b>\$ 39,357</b>	<b>\$ 117,437</b>	<b>\$ 4,330</b>	<b>\$ 1,327</b>	<b>\$ 262,677</b>

<sup>1</sup> Amount has been recorded according to the remaining contractual maturity of the underlying security.<sup>2</sup> Certain contracts considered short-term are presented in 'less than 1 month' category.<sup>3</sup> Certain non-financial assets have been recorded as having 'no specific maturity'.<sup>4</sup> As the timing of demand deposits and notice deposits is non-specific and callable by the depositor, obligations have been included as having 'no specific maturity'.<sup>5</sup> Includes \$25 billion of covered bonds with remaining contractual maturities of \$2 billion in 'over 1 month to 3 months', \$2 billion in 'over 3 months to 6 months', \$4 billion in 'over 6 months to 9 months', \$8 billion in 'over 1 to 2 years', \$7 billion in 'over 2 to 5 years', and \$2 billion in 'over 5 years'.<sup>6</sup> Includes \$326 million in commitments to extend credit to private equity investments.<sup>7</sup> Commitments to extend credit exclude personal lines of credit and credit card lines, which are unconditionally cancellable at the Bank's discretion at any time.<sup>8</sup> Includes various purchase commitments as well as commitments for leases not yet commenced, and lease-related payments.

## Capital Adequacy Risk

*Capital adequacy risk is the risk of insufficient level and composition of 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 under normal and stress conditions.*

Capital is held to protect the viability of the Bank in the event of unexpected financial losses. Capital represents the loss-absorbing funding required to provide a cushion to protect depositors and other creditors from unexpected losses.

Managing capital levels requires that the Bank holds sufficient capital, in normal and stress environments, to avoid the risk of breaching minimum capital levels prescribed by regulators and internal Board limits.

### WHO MANAGES CAPITAL ADEQUACY RISK

The Board oversees the Bank's capital adequacy and capital management by reviewing adherence to capital targets and approving the annual capital plan and the Global Capital Management Policy. The Risk Committee reviews and approves the Capital Adequacy Risk Management Framework. The CRO and the SET member responsible for TBSM oversee that 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 in support of the effective and prudent management of the Bank's capital position and maintenance of adequate capital. It oversees the allocation of capital limits for business segments and reviews adherence to capital targets.

TBSM is responsible for forecasting and monitoring compliance with capital targets, on a consolidated basis, with oversight provided by ALCO. TBSM updates the capital forecast, including appropriate changes to capital issuance, repurchase and redemption. The capital forecast is reviewed by ALCO. TBSM also leads the ICAAP and EWST processes. The Bank's business segments are responsible for managing to the allocated capital limits.

Additionally, regulated subsidiaries of the Bank, including certain insurance subsidiaries and subsidiaries in the U.S. and other jurisdictions, manage their capital adequacy risk in accordance with applicable regulatory requirements. Capital management policies and procedures of 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 Banking Organizations, applicable to U.S. Bank Holding Companies. Refer to the sections on "Future Regulatory Capital Developments", "Enterprise-Wide Stress Testing", and "Risk Factors That May Affect Future Results" for further details.

### HOW TD MANAGES CAPITAL ADEQUACY RISK

Capital resources are managed in a manner designed so that the Bank's capital position can support business strategies under both current and future business operating environments. The Bank manages its operations within the capital constraints defined by both internal and regulatory capital requirements, so that it meets the higher of these requirements.

Regulatory capital requirements represent minimum capital levels. The Board approves capital targets that provide a sufficient buffer so that the Bank meets minimum capital requirements under stress conditions. The purpose of these capital targets is to reduce the risk of a breach of minimum capital requirements, due to an unexpected stress event, allowing management the opportunity to react to declining capital levels before minimum capital requirements are breached. Capital targets are defined in the Global Capital Management Policy.

A periodic monitoring process is undertaken to plan and forecast capital requirements. As part of the annual planning process, business segments are allocated individual RWA and Leverage exposure limits. Capital generation and usage are monitored and reported to the ALCO.

The Bank assesses the sensitivity of its forecast capital requirements and new capital formations to various economic conditions through its EWST process. The results of the EWST are considered in the determination of capital targets and capital risk appetite limits.

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 severe unexpected losses over a one-year period.

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

## Legal, Regulatory Compliance and Conduct Risk

*Legal, Regulatory Compliance and Conduct (LRCC) risk is the risk associated with the Bank's failure to comply with applicable laws, rules, regulations, prescribed practices, contractual obligations, the Bank's Code of Conduct and Ethics, or standards of fair business conduct or market conduct, which can lead to fines, sanctions, liabilities, or reputational harm that could be material to the Bank.*

The Bank is exposed to LRCC risk in virtually all of its activities. Failure to mitigate LRCC risk and meet regulatory and legal requirements can impact the Bank's ability to meet strategic objectives, poses a risk of censure or penalty, may lead to litigation, and puts the Bank's reputation at risk. Financial penalties, reputational damage, and other costs associated with legal proceedings, and unfavourable judicial or regulatory determinations may also adversely affect the Bank's business, results of operations and financial condition. LRCC risk differs from other banking risks, such as credit risk or market risk, in that it is typically not a risk actively or deliberately assumed by management in expectation of a return and also because LRCC risk generally cannot be effectively mitigated by trying to limit its impact to any one business or jurisdiction, as realized LRCC risk may adversely impact unrelated businesses or jurisdictions. LRCC risk exposure is inherent in the normal course of operating the Bank's businesses. Known LRCC risks continue to rapidly evolve, as a result of new or emerging threats, including geopolitical and those associated with use of new, emerging and interrelated technologies, artificial intelligence, machine learning, models and decision-making tools.

### WHO MANAGES LEGAL, REGULATORY COMPLIANCE, AND CONDUCT RISK

The proactive and effective management of LRCC risk is complex given the breadth and pervasiveness of exposure. The LRCC Risk Management Framework applies enterprise-wide to the Bank and to all its corporate functions, business segments, its governance, risk, and oversight functions, and its subsidiaries, and is aligned with the Bank's ERF. All the Bank's businesses are accountable for operating their business in compliance with LRCC requirements applicable to their jurisdiction and specific businesses. Businesses are also accountable for the LRCC risk that they generate in their operations, including LRCC risks that may arise in their dealings with third-party vendors. These accountabilities involve assessing the risk, designing and implementing controls, and monitoring and reporting on their ongoing effectiveness to safeguard the businesses from operating outside of the Bank's risk appetite. Independent oversight functions (the "Oversight Functions") such as Compliance, GAML, Corporate Defence Group, and Regulatory Risk provide objective guidance, and oversight with respect to managing LRCC risk. Legal and Regulatory Risk provide advice with respect to managing LRCC risk. Representatives of these groups interact regularly with senior executives of the Bank's businesses. Also, the senior management of Legal, Compliance, and GAML have established regular meetings with and reporting to the Audit Committee, which oversees the establishment and maintenance of policies and programs reasonably designed to achieve and maintain the Bank's

compliance with the applicable laws and regulations. Senior management of Compliance Department and the Corporate Defence Group also report regularly to the Corporate Governance Committee, which oversees conduct risk management in the Bank and the establishment and maintenance of policies in respect of the Bank's compliance with the consumer protection provisions of the Canadian Financial Consumer Protection Framework. In addition, senior management of Regulatory Risk has established periodic reporting to the Board and its committees.

#### **HOW TD MANAGES LEGAL, REGULATORY COMPLIANCE AND CONDUCT RISK**

Effective management of LRCC risk is a result of enterprise-wide collaboration and requires (a) independent and objective identification and assessment of LRCC risk, (b) objective guidance and advisory services and/or independent challenge and oversight to identify, assess, control, and monitor LRCC risk, and (c) an approved set of frameworks, policies, procedures, guidelines, and practices. While each business line is accountable for operating in compliance with applicable laws and regulations and for effectively managing LRCC risk, each of the Oversight Functions plays a critical role in the management of LRCC risk at the Bank. Depending on the circumstances, they play different roles at different times: 'trusted advisor', provider of objective guidance, independent challenge, and oversight and control (including 'gatekeeper' or approver).

In particular, Compliance performs the following functions: it acts as an independent Regulatory Compliance oversight function to establish enterprise standards for business and Oversight Functions in managing LRCC risk; it fosters a culture of integrity, ethics and compliance across the organization to manage and mitigate Regulatory Compliance Risks; it assesses the adequacy of, adherence to, and effectiveness of the Bank's day-to-day RCM controls; it proactively manages regulatory change and maintains a Framework for Oversight Functions to do the same; and it supports the Global Chief Compliance Officer in providing an opinion to the Audit Committee as to whether the RCM controls are sufficiently robust to achieve compliance with applicable regulatory requirements.

The Corporate Defence Group is accountable for leading the Enterprise Conduct Risk Program. It acts as a Conduct Risk management oversight function that works with key enterprise and segment stakeholders to mitigate conduct risk across the organization. The Corporate Defence Group works in partnership with Human Resources and Operational Risk Management to provide oversight and challenge to the businesses in their management of conduct risk.

GAML acts as an independent regulatory compliance and risk management oversight function and is responsible for regulatory compliance and the broader prudential risk management components of the AML, Anti-Terrorist Financing, Sanctions, and Anti-Bribery/Anti-Corruption programs (collectively, the "GAML Programs"), including their design, content, and enterprise-wide implementation; develops standards, monitors, evaluates, and reports on GAML program controls, design, and execution; and reports on the overall adequacy and effectiveness of the GAML Programs, including program design and operation. In addition, Compliance and GAML have developed methodologies and processes to measure and aggregate regulatory compliance risks, AML program and conduct risks on an ongoing basis as a baseline to assess whether the Bank's internal controls are effective in adequately mitigating such risks and determine whether individual or aggregate business activities are conducted within the Bank's risk appetite.

Legal acts as an independent provider of legal services and advice and protects the Bank from unacceptable legal risk. Legal has also developed methodologies for measuring litigation risk for adherence to the Bank's risk appetite.

Processes employed by Legal, Compliance, and GAML (including policies and frameworks, training and education, and the Bank's Code of Conduct and Ethics) support the responsibility of each business to adhere to LRCC requirements.

Finally, the Bank's Regulatory Risk and Government Affairs departments also create and facilitate communication with elected officials and regulators, monitor legislation and regulations, support business relationships with governments, coordinate regulatory examinations and regulatory findings remediation, support regulatory discussions on new or proposed products or business initiatives, and advance the public policy objectives of the Bank.

#### **Reputational Risk**

*Reputational risk is the potential that stakeholder perceptions, whether true or not, regarding the Bank's business practices, actions or inactions, will or may cause a significant decline in the Bank's value, brand, liquidity or customer base, or require costly measures to address.*

A company's reputation is a valuable business asset that is essential to optimizing shareholder value and therefore, is constantly at risk. Reputational risk can arise as a consequence of negative perceptions about the Bank's business practices involving any aspect of the Bank's operations and usually involves concerns about business ethics and integrity, competence, or the quality or suitability of products and services. Since all risk categories can have an impact on a company's reputation, reputational risk is not managed in isolation from the Bank's other major risk categories and can ultimately impact its brand, earnings, and capital.

#### **WHO MANAGES REPUTATIONAL RISK**

Responsibility for managing risks to the Bank's reputation ultimately lies with the SET and the executive committees that examine reputational risk as part of their regular mandate. The ERRC is the most senior executive committee for the review of reputational risk matters at TD. The mandate of the ERRC 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. The ERRC also provides a forum for discussion, review, and escalation for non-traditional risks.

At the same time, every employee and representative of the Bank has a responsibility to contribute in a positive way to the Bank's reputation and the management of reputational risk. This means that every Bank employee is responsible for following ethical practices at all times, complying with applicable policies, legislation, and regulations and are also supporting positive interactions with the Bank's stakeholders. Reputational risk is most effectively managed when everyone at the Bank works continuously to protect and enhance the Bank's reputation.

#### **HOW TD MANAGES REPUTATIONAL RISK**

The Bank's approach to the management of reputational risk combines the experience and knowledge of individual business segments, corporate shared service areas and governance, risk and oversight functions. It is based on enabling the Bank's businesses to understand their risks and developing the policies, processes, and controls required to manage these risks appropriately and in line with the Bank's strategy and reputational risk appetite. The Bank's Reputational Risk Management Framework provides a comprehensive overview of its approach to the management of this risk. Amongst other significant policies, the Bank's Enterprise Reputational Risk Management Policy is approved by the Group Head and CRO and sets out the requirements under which business segments and corporate shared services are required to manage reputational risk. These requirements include implementing procedures and designating a business-level committee (where required by the Policy) to review and assess reputational risks and escalation to the ERRC as appropriate.

The Bank also has an enterprise-wide New Business and Product Approval (NBPA) Policy that is approved by the CRO and establishes standard practices to support consistent processes for approving new businesses, products, and services across the Bank. The policy is supported by business segment specific processes, which involve independent review from oversight functions, and consideration of all aspects of a new product, including reputational risk.

## Environmental and Social Risk

*Environmental and social (E&S) risk is the risk of financial loss, reputational damage or other harm resulting from the Bank's inability to manage and respond to changing environmental or social factors, including climate change, that impact or are associated with the Bank's operations, business activities, products, clients, or the communities the Bank operates in.*

Management of E&S risk is an enterprise-wide priority. Drivers of E&S risk are often multi-faceted and can originate from the Bank, including from its operations and investments, business activities, E&S related commitments and products as well as from its clients, colleagues, suppliers, communities in which the Bank operates, or other stakeholders. These risks can also materialize because of society's transition to a low-carbon economy.

### WHO MANAGES ENVIRONMENTAL AND SOCIAL RISK

E&S risk and the Bank's ESG strategy is managed within a governance structure that balances broad engagement across the organization while also providing line-of-sight accountability. The Board and senior executives oversee E&S risk and assess and manage potential impacts on the Bank's business strategies and financial performance. The Board continues to oversee E&S risk as a top and emerging risk for the Bank and receives periodic updates on the Bank's progress on E&S matters.

The Bank's various business-specific and enterprise risk committees provide oversight of, and support management accountability for existing and emerging E&S risks relevant to the Bank.

The ESG Senior Executive Team Forum, composed of senior executives from TD's business and corporate segments, provides oversight of ESG and climate strategy development.

The Senior Vice President, Sustainability and Corporate Citizenship, leads the Bank's ESG and Corporate Citizenship strategy and holds senior executive accountability for the Bank's E&S strategy. The Sustainability and Corporate Citizenship team supports the development of the Bank's ESG strategy by engaging teams across the Bank to develop new products and services, and by setting and reporting performance, standards, and targets.

The Bank has established a dedicated ESG Risk Management team aligning the E&S Risk Management, ESG Credit Risk and ESG Central Office teams under the leadership of the newly created role of Senior Vice President, ESG Risk Management, who holds senior executive accountability for E&S risk management. The Bank's E&S Risk Management team has E&S risk oversight accountabilities, and establishes risk frameworks, policies, processes and governance structures to identify, assess, control, monitor and report on E&S risks, including climate risk. The ESG Credit Risk team is responsible for developing tools and controls to identify, monitor and manage E&S risk, including climate risk, within the Bank's lending activities, at both the borrower and portfolio levels, in alignment with the Enterprise E&S Risk Framework. The ESG Central Office team leads work to develop the Bank's Climate Target Operating Model and related implementation plan. The Bank has established frameworks, policies, and processes to embed evolving E&S risk management accountabilities into governance structures, business and corporate segments and to assess, report and, where necessary, escalate E&S risks.

Business and Corporate Segments are responsible to identify, own and manage E&S risks within their respective areas. This includes incorporating E&S risk assessments into governance and business-as-usual processes, including in relation to new clients, transactions, and positions.

### HOW TD MANAGES ENVIRONMENTAL AND SOCIAL RISK

The Bank manages E&S risk through the Enterprise E&S Risk Framework which provides a comprehensive overview of the Bank's approach to E&S risk management and defines key pillars of activities for managing E&S risk. This Framework is further supported by business segment level policies and procedures across the Bank.

The E&S Risk Policy for Non-Retail Credit Business Lines defines the requirements for identifying and assessing E&S risk within the Bank's non-retail direct lending portfolios. The Policy includes a set of due diligence tools that are applied, where material, to all non-retail direct lending activities, which include general-corporate-purpose, project, and fixed asset financing. This process includes assessment of the Bank's clients' policies, procedures, and performance on significant E&S issues, such as climate-related risks; air, land, and water risk; biodiversity; stakeholder engagement; and the free, prior, and informed consent (FPIC) of Indigenous Peoples. The Bank also assesses borrower activities against the Bank's Positions and List of Prohibited Transactions, both at the enterprise and business segment level. E&S risk management concepts and training are embedded in various learning modules or portals available across the Bank. Additionally, curated sessions have been provided to various executive-level risk committees and to the Board to bring greater awareness and understanding of E&S risks, and of the Bank's approach to managing these risks.

The Bank also continues to assess the impacts associated with material changes made to TD products, services, projects, and initiatives by incorporating E&S risks into the Bank's Change Risk Management Framework. Additionally, the Bank's enterprise-wide Business Continuity and Crisis Management Program continues to support management's ability to operate the Bank's businesses and operations in the event of a business disruption incident, including arising from a climate-related event.

The Bank's E&S metrics, targets and performance are publicly reported within its annual ESG Report and its annual report on Climate Action. Key performance measures are reported in alignment with the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the FSB's Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, with select metrics that are independently assured.

### Climate Risk

Climate risk is the risk of reputational damage and/or financial loss arising from materialized credit, market, operational or other risks resulting from the physical and transition risks of climate change to the Bank, its clients or the communities the Bank operates in. These include physical risks related to the chronic and acute physical impacts of climate change, as well as transition risks associated with the global transition to a low-carbon economy. Each of these risks can materialize in credit, market, operational or other risks. In its 2021 Climate Action Plan: Report on Progress and Update on TCFD, the Bank highlighted the progress on its Climate Action Plan (CAP), as well as its efforts toward implementing the FSB's TCFD recommendations, which provide guidance on using a more consistent approach to assessing and reporting climate-related risks and opportunities. The Bank is working towards addressing the recommendations of the TCFD and intends to continue building its expertise and capabilities for managing climate-related risks and opportunities. In 2022, the Bank joined the Risk Management Association (RMA) Climate Risk Consortium, which focuses on bringing financial institutions together to create guidelines for embedding climate-related risk management practices throughout the three lines of defence and preparing the financial industry to help economies transition to a low-carbon future.

The Bank contributes to public consultations on emerging climate issues, including disclosure frameworks proposed by regulators and industry groups. The Bank also actively engages with environmental and community NGOs, industry associations, rating agencies and responsible investment organizations.

TD also participates in various North American working groups, and as a member of the Partnership for Carbon Accounting Financials (PCAF), helps to develop and refine calculation methodologies for emerging climate metrics. In 2020, the Bank announced a target to achieve net-zero GHG emissions associated with the Bank's operations and financing activities by 2050, in alignment with the associated principles of the Paris Agreement. In 2021, the Bank joined the United Nations Environment Program Finance's Initiative Net-Zero Banking Alliance (UNEP FI's NZBA), a global, industry-led initiative to accelerate and support efforts to address climate change and help facilitate the transition to a low-carbon economy. Subsequently, the Bank announced an interim target to achieve an absolute reduction in GHG emissions from the Bank's operations (Scope 1 and 2 GHG emissions) by 25% by 2025, relative to a 2019 baseline. In March 2022, the Bank disclosed emissions associated with the Bank's financed portfolio for two carbon-intensive sectors (Energy and Power Generation) and also set NZBA-aligned interim (2030) Scope 3 financed emissions targets for these sectors.

The Bank monitors and assesses legal, policy, regulatory, economic, technological and stakeholder developments regarding E&S matters, including the transition to net zero, and how those developments may affect its E&S metrics and targets. Accordingly, the Bank may adjust its E&S metrics or targets to reflect these developments. In addition, there could be changes to the E&S methodologies or standards used by regulators, the financial sector, industry groups or associations that the Bank participates in or belongs to, or that the Bank or its clients use to measure and report on their GHG emissions. Any such changes could result in TD amending or restating its GHG emissions baselines, calculated GHG emissions or GHG emission targets, and may result in the Bank withdrawing from or modifying its membership in certain groups or associations. The Bank assesses, and will continue to assess, the potential impacts of climate change and related risks on its operations, lending portfolios, investments, and businesses.

The Bank is developing methodologies and approaches, including building related tools and capabilities for quantitative measurement for climate scenario analysis, through participation in industry-wide working groups. The Bank is a member of the UNEP FI and, in 2021, participated in the UNEP-FI Lending Pilot (Phase III) working group and the joint Bank of Canada/OSFI Climate Scenario Analysis Pilot. The Bank also conducted a pilot study with Moody's Analytics to help develop harmonized industry-wide methodologies and approaches for climate scenario analysis in bank lending, investments, and insurance portfolios. Through the Bank's participation in scenario analysis pilots, it continues to build its understanding of the transition and physical risks of climate change as well as its internal capabilities regarding climate data and climate-related risk modelling. These studies, and the Bank's participation in industry pilot programs, are steps that help build internal knowledge, tools, and capabilities in future risk identification, and will help inform the Bank's approach as it works to further integrate and manage climate-related risks across the enterprise.

In 2021, the Bank developed a climate-related risk inventory, including risk definitions, to identify the impacts that climate change may have on the Bank and its assets, clients, and communities in which it operates. The Bank also developed an initial heatmapping framework, supported by an Industry Risk Review process, to support physical and transition climate risk identification and assessment. In 2022, the Bank published its Thermal Coal Position, which outlines the Bank's approach to managing climate-related risks associated with thermal coal mining and unabated thermal coal power generation.

Since 2008, TDAM has been a signatory to the United Nations Principles for Responsible Investment (UN PRI). Under the UN PRI, investors commit to incorporate ESG issues into investment analysis and decision-making. TDAM has a dedicated ESG Research and Engagement team that supports its Chief Investment Officer and investment function on its Sustainable Investing approach, ESG engagements, stewardship, and proxy voting.

In 2020, TD Securities (TDS) created a dedicated ESG Solutions group (formerly the Sustainable Finance and Corporate Transitions group), which focuses on the delivery of integrated ESG and climate solutions, including activities such as arranging sustainability-linked loans; underwriting green, social, sustainability, and sustainability linked (GSSS) bonds; and providing ESG advisory, merger and acquisition, and financing services to companies involved in the transition to the low-carbon economy. In 2021, TDS focused on key milestones to support the Bank's CAP and net-zero target, as well as established sustainable financial initiatives that further embed ESG in its business strategies.

Since 2015, TD Insurance (TDI) has been a signatory to the UNEP FI Principles for Sustainable Insurance (PSI), which serve as the global framework for insurance companies to develop an understanding of the opportunities to address E&S risks, including climate risk. To further the integration of ESG into its decision-making, TDI established the TDI Executive Sustainability Governance Committee, comprised of leaders from across TDI who work to embed the PSI and ESG considerations into its operational framework. In 2019, TDI established its Advisory Board on Climate Change, comprised of experts from Engineers Canada and six top Canadian universities with expertise in fields related to climate change, severe weather and its impact on people and the planet. The Advisory Board, together with TDI executives, is focusing its efforts on two activities: addressing flood risk, and resilience and homeowner education. Climate risk considerations are embedded within TDI's General Insurance Catastrophe and Reinsurance Policy and TDI's Risk Appetite Statement. TDI also evaluates potential impacts and recommends mitigation with respect to climate-related insurance losses through a newly established TDI Climate Risk Appetite Task Force.

#### **Codes of Conduct and Human Rights**

The Bank has several policies, including the Bank's Code of Conduct and Ethics that reflect the Bank's commitment to manage its business responsibly and in compliance with applicable laws. For additional information on the Code of Conduct and Ethics, refer to the "Legal, Regulatory Compliance and Conduct Risk" section above. The Bank first released a Statement on Human Rights in 2020, which reflects the corporate responsibility to respect human rights as set out in the United Nations Guiding Principles on Business and Human Rights (UNGP). The Statement is updated, as necessary, to demonstrate progress on the Bank's commitment. The Bank also has policies, due diligence processes, and training practices in place to manage the risks of slavery and human trafficking in its business activities. The Bank publicly reports under the United Kingdom's *Modern Slavery Act 2015* through the Bank's annual Slavery and Human Trafficking Statement, and Toronto Dominion (Southeast Asia) Limited publicly reports under Australia's *Modern Slavery Act 2018*.

The Bank's Supplier Code of Conduct also reflects its commitment to respect human rights. When registering suppliers, the Bank requires that suppliers confirm that they operate in accordance with the expectations described in the Bank's Supplier Code of Conduct, which includes the protection of human rights. The Bank may apply enhanced due diligence on parts of its supply chain that are most relevant for ESG issues. The Bank's North American Supplier Diversity Program seeks to promote a level playing field and encourage the inclusion of women; Black, Indigenous, and other minority groups; the 2SLGBTQ+ community; people with disabilities; veterans; and other diverse groups in its procurement process. To reflect this goal, in 2021, the Bank's Chief Procurement Officer released a Statement on Supplier Diversity, recognizing diversity and inclusion as both a core value and a business imperative.

## Diversity and Inclusion

The Bank is devoted to advancing its diversity and inclusion strategy to build a more inclusive and diverse culture at the Bank. In 2022, the Bank announced that it would engage a third-party law firm to conduct a racial equity assessment of the Bank's Canadian and U.S. employment policies. This work will be overseen by the Board.

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## ACCOUNTING STANDARDS AND POLICIES

# Critical Accounting Policies and Estimates

### 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 2022 Consolidated Financial Statements. The Bank's critical accounting policies are reviewed with the Audit Committee on a periodic basis. Critical accounting policies that require management's judgment and estimates include the classification and measurement of financial assets, accounting for impairments of financial assets, accounting for leases, the determination of fair value of financial instruments, accounting for derecognition, the valuation of goodwill and other intangibles, accounting for employee benefits, accounting for income taxes, accounting for provisions, accounting for insurance, the consolidation of structured entities, and accounting for revenue from contract with customers.

The Bank's 2022 Consolidated Financial Statements have been prepared in accordance with IFRS. For details of the Bank's accounting policies under IFRS, refer to Note 2 of the Bank's 2022 Consolidated Financial Statements.

### ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The estimates used in the Bank's accounting policies are essential to understanding its results of operations and financial condition. Some of the Bank's policies require subjective, complex judgments and estimates as they relate to matters that are inherently uncertain. Changes in these judgments or estimates and changes to accounting standards and policies could have a materially adverse impact on the Bank's Consolidated Financial Statements. The Bank has established procedures to ensure that accounting policies are applied consistently and that the processes for changing methodologies, determining estimates, and adopting new accounting standards are well-controlled and occur in an appropriate and systematic manner.

### CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

#### Business Model Assessment

The Bank determines its business models based on the objective under which its portfolios of financial assets are managed. Refer to Note 2 of the Bank's 2022 Consolidated Financial Statements for details on the Bank's business models. In determining its business models, the Bank considers the following:

- Management's intent and strategic objectives and the operation of the stated policies in practice;
- The primary risks that affect the performance of the portfolio of assets and how these risks are managed;
- How the performance of the portfolio is evaluated and reported to management; and
- The frequency and significance of financial asset sales in prior periods, the reasons for such sales and the expected future sales activities.

Sales in themselves do not determine the business model and are not considered in isolation. Instead, sales provide evidence about how cash flows are realized. A held-to-collect business model will be reassessed by the Bank to determine whether any sales are consistent with an objective of collecting contractual cash flows if the sales are more than insignificant in value or more than infrequent.

#### Solely Payments of Principal and Interest Test

In assessing whether contractual cash flows represent solely payments of principal and interest (SPPI), the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that could change the timing or amount of contractual cash flows such that they would not be consistent with a basic lending arrangement. In making the assessment, the Bank considers the primary terms as follows and assesses if the contractual cash flows of the instrument continue to meet the SPPI test:

- Performance-linked features;
- Terms that limit the Bank's claim to cash flows from specified assets (non-recourse terms);
- Prepayment and extension terms;
- Leverage features; and
- Features that modify elements of the time value of money.

### IMPAIRMENT OF FINANCIAL ASSETS

#### Significant Increase in Credit Risk

For retail exposures, criteria for assessing significant increase in credit risk are defined at the appropriate product or portfolio level and vary based on the exposure's credit risk at origination. The criteria include relative changes in PD, absolute PD backstop, and delinquency backstop when contractual payments are more than 30 days past due. Significant increase in credit risk since initial recognition has occurred when one of the criteria is met.

For non-retail exposures, BRR is determined on an individual borrower basis using industry and sector specific credit risk models that are based on historical data. Current and forward-looking information that is specific to the borrower, industry, and sector is considered based on expert credit judgment. Criteria for assessing significant increase in credit risk are defined at the appropriate segmentation level and vary based on the BRR of the exposure at origination. Criteria include relative changes in BRR, absolute BRR backstop, and delinquency backstop when contractual payments are more than 30 days past due. Significant increase in credit risk since initial recognition has occurred when one of the criteria is met.

#### Measurement of Expected Credit Loss

ECLs are recognized on the initial recognition of financial assets. Allowance for credit losses represents management's unbiased estimate of the risk of default and ECLs on the financial assets, including any off-balance sheet exposures, at the balance sheet date.

For retail exposures, ECLs are calculated as the product of PD, LGD, and EAD at each time step over the remaining expected life of the financial asset and discounted to the reporting date based on the EIR. PD estimates represent the forward-looking PD, updated quarterly based on the Bank's historical experience, current conditions, and relevant forward-looking expectations over the expected life of the exposure to determine the lifetime PD curve. LGD estimates are determined based on historical charge-off events and recovery payments, current information about attributes specific to the borrower, and direct costs. Expected cash flows from collateral, guarantees, and other credit enhancements are incorporated in LGD if integral to the contractual terms. Relevant macroeconomic



variables are incorporated in determining expected LGD. EAD represents the expected balance at default across the remaining expected life of the exposure. EAD incorporates forward-looking expectations about repayments of drawn balances and future draws where applicable.

For non-retail exposures, ECLs are calculated based on the present value of cash shortfalls determined as the difference between contractual cash flows and expected cash flows over the remaining expected life of the financial instrument. Lifetime PD is determined by mapping the exposure's BRR to forward-looking PD over the expected life. LGD estimates are determined by mapping the exposure's FRR to expected LGD which takes into account facility-specific characteristics such as collateral, seniority ranking of debt, and loan structure. Relevant macroeconomic variables are incorporated in determining expected PD and LGD. Expected cash flows are determined by applying the expected LGD to the contractual cash flows to calculate cash shortfalls over the expected life of the exposure.

#### **Forward-Looking Information**

In calculating ECLs, the Bank employs internally developed models that utilize parameters for PD, LGD, and EAD. Forward-looking macroeconomic factors including at the regional level are incorporated in the risk parameters as relevant. Additional risk factors that are industry or segment specific are also incorporated, where relevant. Forward-looking macroeconomic forecasts are generated by TD Economics as part of the ECL process: A base economic forecast is accompanied with upside and downside estimates of realistically possible economic conditions by considering the sources of uncertainty around the base forecast. All macroeconomic forecasts are updated quarterly for each variable on a regional basis where applicable and incorporated as relevant into the quarterly modelling of base, upside and downside risk parameters used in the calculation of ECL scenarios and probability weighted ECLs. TD Economics will apply judgment to recommend probability weights to each forecast on a quarterly basis. The proposed macroeconomic forecasts and probability weightings are subject to robust management review and challenge process by a cross-functional committee that includes representation from TD Economics, Risk, Finance, and Business. ECLs calculated under each of the three forecasts are applied against the respective probability-weightings to determine the probability-weighted ECLs. Refer to Note 8 of the Consolidated Financial Statements for further details on the macroeconomic variables and ECL sensitivity.

#### **Expert Credit Judgment**

Management's expert credit judgment is used to determine the best estimate for the qualitative component contributing to ECLs, based on an assessment of business and economic conditions, historical loss experience, loan portfolio composition, and other relevant indicators and forward-looking information that are not fully incorporated into the model calculation.

There remains considerable uncertainty regarding the economic trajectory, and management continues to exercise expert credit judgment in assessing if an exposure has experienced significant increase in credit risk since initial recognition and in determining the amount of ECLs at each reporting date. To the extent that certain effects are not fully incorporated into the model calculations, temporary quantitative and qualitative adjustments have been applied.

#### **LEASES**

The Bank applies judgment in determining the appropriate lease term on a lease-by-lease basis. All facts and circumstances that create an economic incentive to exercise a renewal option or not to exercise a termination option including investments in major leaseholds, branch performance and past business practice are considered. The periods covered by renewal or termination options are only included in the lease term if it is reasonably certain that the Bank will exercise the options; management considers "reasonably certain" to be a high threshold. Changes in the economic environment or changes in the industry may impact the Bank's assessment of lease term, and any changes in the Bank's estimate of lease terms may have a material impact on the Bank's Consolidated Balance Sheet and Consolidated Statement of Income.

In determining the carrying amount of right-of-use (ROU) assets and lease liabilities, the Bank is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determinable. The Bank determines the incremental borrowing rate of each leased asset or portfolio of leased assets by incorporating the Bank's creditworthiness, the security, term, and value of the ROU asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change mainly due to changes in the macroeconomic environment.

#### **FAIR VALUE MEASUREMENTS**

The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market prices. For all other financial instruments not traded in an active market, fair value may be based on other observable current market transactions involving the same or similar instruments, without modification or repackaging, or is based on a valuation technique which maximizes the use of observable market inputs. Observable market inputs may include interest rate yield curves, foreign exchange rates, and option volatilities. Valuation techniques include comparisons with similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants.

For certain complex or illiquid financial instruments, fair value is determined using valuation techniques in which current market transactions or observable market inputs are not available. Judgment is used when determining which valuation techniques to apply, 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 valuation adjustments to model fair values to account for system limitations or measurement uncertainty, such as when valuing complex and less actively traded financial instruments. If the market for a complex financial instrument develops, the pricing for this instrument may become more transparent, resulting in refinement of valuation models. For example, IBOR reform may also have an impact on the fair value of products that reference or use valuation models with IBOR inputs.

#### **DERECOGNITION OF FINANCIAL ASSETS**

Certain financial assets transferred may qualify for derecognition from the Bank's Consolidated Balance Sheet. To qualify for derecognition, certain key determinations must be made, including whether the Bank's rights to receive cash flows from the financial assets have been retained or transferred and the extent to which the risks and rewards of ownership of the financial assets have been retained or transferred. If the Bank neither transfers nor retains substantially all of the risks and rewards of ownership of the financial assets, a decision must be made as to whether the Bank has retained control of the financial assets.

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 assets received or financial liabilities assumed, and any cumulative gains or losses allocated to the transferred asset that had been recognized in AOCI. In determining the fair value of any financial assets received, the Bank estimates future cash flows by relying on estimates of the amount of interest that will be collected on the securitized assets, the yield to be paid to investors, the portion of the securitized assets that will be prepaid before their scheduled maturity, ECLs, the cost of servicing the assets, and the rate at which to discount these expected future cash flows. Actual cash flows may differ significantly from those estimated by the Bank.

Retained interests are financial interests in transferred assets retained by the Bank. They 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 is determined by estimating the present value of future expected cash flows. Differences between the actual cash flows and the Bank's estimated future cash flows are recognized in trading income (loss). These assumptions are subject to periodic reviews 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 (CGUs) is determined from internally developed valuation models that consider various factors and assumptions such as forecasted earnings, growth rates, discount rates, and terminal growth rates. Management is required to use judgment in estimating the recoverable amount of CGUs, and the use of different assumptions and estimates in the calculations could influence the determination of the existence of impairment and the valuation of goodwill. Management believes that the assumptions and estimates used are reasonable and supportable. Where possible, assumptions generated internally are compared to relevant market information. The carrying amounts of the Bank's CGUs are determined by management using risk-based capital models to adjust net assets and liabilities by CGU. These models consider various factors including market risk, credit risk, and operational risk, including investment capital (comprised of goodwill and other intangibles). Any capital not directly attributable to the CGUs is held within the Corporate segment. The Bank's capital oversight committees provide oversight to the Bank's capital allocation methodologies.

## **EMPLOYEE BENEFITS**

The projected benefit obligation and expense related to the Bank's pension and post-retirement defined 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 the projected benefit obligation is determined by reference to market yields on high-quality corporate bonds with terms matching the plans' specific cash flows. The other assumptions are also long-term estimates. All assumptions are subject to a degree of uncertainty. Differences between actual experiences and the assumptions, as well as changes in the assumptions resulting from changes in future expectations, result in remeasurement 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, changes in these liabilities 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 into account 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.

## **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 these cases, judgment is required to establish whether the Bank has decision-making power over the key relevant activities of the entity and whether the Bank has the ability to use that power to absorb significant variable returns from the entity. If it is determined that the Bank has both decision-making power and significant variable returns from the entity, judgment is also used to determine whether any such power is exercised by the Bank as principal, on its own behalf, or as agent, on behalf of another counterparty.

Assessing whether the Bank has decision-making power includes understanding the purpose and design of the entity in order to determine its key economic activities. In this context, an entity's key economic activities are those which predominantly impact the economic performance of the entity. When the Bank has the current ability to direct the entity's key economic activities, it is considered to have decision-making power over the entity.

The Bank also evaluates its exposure to the variable returns of a structured entity in order to determine if it absorbs a significant proportion of the variable returns the entity is designed to create. As part of this evaluation, the Bank considers the purpose and design of the entity in order to determine whether it absorbs variable returns from the structured entity through its contractual holdings, which may take the form of securities issued by the entity, derivatives with the entity, or other arrangements such as guarantees, liquidity facilities, or lending commitments.

If the Bank has decision-making power over the entity and absorbs significant variable returns from the entity, it then determines if it is acting as principal or agent when exercising its decision-making power. Key factors considered include the scope of its decision-making power; the rights of other parties involved with the entity, including any rights to remove the Bank as decision-maker or rights to participate in key decisions; whether the rights of other parties are exercisable in

practice; and the variable returns absorbed by the Bank and by other parties involved with the entity. When assessing consolidation, a presumption exists that the Bank exercises decision-making power as principal if it is also exposed to significant variable returns, unless an analysis of the factors above indicates otherwise.

The decisions above are made with reference to the specific facts and circumstances relevant for the structured entity and related transaction(s) under consideration.

#### REVENUE FROM CONTRACTS WITH CUSTOMERS

The Bank applies judgment to determine the timing of satisfaction of performance obligations which affects the timing of revenue recognition, by evaluating the pattern in which the Bank transfers control of services promised to the customer. A performance obligation is satisfied over time when the customer simultaneously receives and consumes the benefits as the Bank performs the service. For performance obligations satisfied over time, revenue is generally recognized using the time-elapsed method which is based on time elapsed in proportion to the period over which the service is provided, for example, personal deposit account bundle fees. The time-elapsed method is a faithful depiction of the transfer of control for these services as control is transferred evenly to the customer when the Bank provides a stand-ready service or effort is expended evenly by the Bank to provide a service over the contract period. In contracts where the Bank has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Bank's performance completed to date, the Bank recognizes revenue in the amount to which it has a right to invoice.

The Bank satisfies a performance obligation at a point in time if the customer obtains control of the promised services at that date. Determining when control is transferred requires the use of judgment. For transaction-based services, the Bank determines that control is transferred to the customer at a point in time when the customer obtains substantially all of the benefits from the service rendered and the Bank has a present right to payment, which generally coincides with the moment the transaction is executed.

The Bank exercises judgment in determining whether costs incurred in connection with acquiring new revenue contracts would meet the requirement to be capitalized as incremental costs to obtain or fulfil a contract with customers.

#### INTEREST RATE BENCHMARK REFORM PHASE 2

Effective November 1, 2020, the Bank early adopted the Interest Rate Benchmark Reform Phase 2 and no transitional adjustment was required.

Interest Rate Benchmark Reform Phase 2 addresses issues affecting financial reporting when changes are made to contractual cash flows of financial instruments or hedging relationships as a result of IBOR reform. The amendments permit modification to financial assets, financial liabilities and lessee lease liabilities required as a direct consequence of IBOR reform and made on an economically equivalent basis to be accounted for by updating the EIR prospectively. If the modification does not meet the practical expedient requirements, existing IFRS requirements are applied. Relief is also provided for an entity's hedge accounting relationships in circumstances where changes to hedged items and hedging instruments arise as a result of IBOR reform. The amendments enable entities to amend the formal designation and documentation of a hedging relationship to reflect these changes without discontinuing the hedging relationship or designating a new hedging relationship. Permitted changes include redefining the hedged risk to reference an ARR (contractually or non-contractually specified), amending the description of the hedged item and hedging instrument to reflect the ARR, and amending the description of how the entity will assess hedge effectiveness. Hedging relationships within the scope of Interest Rate Benchmark Reform Phase 2 are the same as those within the scope of Interest Rate Benchmark Reform Phase 1. Interest Rate Benchmark Reform Phase 2 also amended IFRS 7, introducing expanded qualitative and quantitative disclosures about the risks arising from IBOR reform, how an entity is managing those risks, its progress in completing the transition to ARRs, and how it is managing the transition.

The global benchmark rate reform initiative to transition from IBOR benchmarks (such as London Inter-Bank Offered Rate (LIBOR) and Canadian Dollar Offered Rate (CDOR)) to ARRs may result in market dislocation and have other adverse consequences to the Bank, its customers, market participants, and the financial services industry. Market risks arise because the new reference rates are likely to differ from the existing benchmark rates which could result in different financial performance for previously booked transactions, require alternative hedging strategies, or affect the Bank's capital and liquidity planning and management. In order to manage these risks, the Bank has established an enterprise-wide, cross functional initiative with senior executive oversight to evaluate and monitor the impact of the market, financial, operational, legal, technology and other risks on its products, services, systems, models, documents, processes, and risk management frameworks with the intention of managing the impact through appropriate mitigating actions, but such actions may not be sufficient to mitigate against the impact of all such risks.

Effective December 31, 2021, the publication of LIBOR settings has ceased for all sterling, Japanese yen, Swiss franc, and euro settings as well as the one-week and two-month USD LIBOR settings. The Bank is progressing on its transition plan for the remaining USD LIBOR settings (overnight, one-month, three-month, six-month and twelve-month), which will cease to be published immediately after June 30, 2023, and continues to monitor developments while incorporating global working group and regulator best practice guidance on transition activities. Global regulators have issued guidance and policy statements to supervised institutions restricting the use of USD LIBOR as a reference rate in new contracts written after December 31, 2021, subject to limited exceptions. In addition, the Bank continues to monitor the development and usage of ARRs across the industry, including the Alternative Reference Rates Committee's formal recommendation of the CME Group's forward-looking Secured Overnight Financing Rate (SOFR) Term Rates. To help support the transition of legacy derivative contracts, the Bank's registered swap dealer and four additional Bank affiliates have adhered to the 2020 International Swaps and Derivatives Association IBOR Fallbacks Protocol (ISDA Protocol). The ISDA Protocol, which took effect on January 25, 2021, provides an efficient transition mechanism for mutually adhering counterparties to incorporate prescribed fallback rates into legacy derivative contracts.

On May 16, 2022, Refinitiv Benchmark Services (UK) Limited, the administrator of CDOR, announced that the calculation and publication of all tenors of CDOR will permanently cease following a final publication on June 28, 2024. CDOR is currently the primary interest rate benchmark in Canada and is widely used in Canadian dollar financial instruments including derivatives, loans, floating rate notes, and as a daily benchmark reference rate for Canadian Bankers' Acceptance (BA) borrowings. The Bank has incorporated this development into its benchmark rate reform plan to ensure an orderly transition and to manage the impact through appropriate mitigating actions. These actions include incorporating appropriate fallback language in contracts, making available new products referencing the Canadian Overnight Repo Rate Average (CORRA) or other ARRs, preparing to cease the issuance of CDOR-based financial instruments, transitioning legacy CDOR-based contracts, and preparing for overall operational readiness.

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## ACCOUNTING STANDARDS AND POLICIES

### Current and Future Changes in Accounting Policies

#### CURRENT CHANGES IN ACCOUNTING POLICIES

There were no new accounting policies that have been adopted by the Bank for the fiscal year ended October 31, 2022.

#### FUTURE CHANGES IN ACCOUNTING POLICIES

The following standard has been issued, but is not yet effective on the date of issuance of the Bank's Consolidated Financial Statements.

##### **Insurance Contracts**

The IASB issued IFRS 17, *Insurance Contracts* (IFRS 17) which replaces the guidance in IFRS 4, *Insurance Contracts*, and establishes principles for recognition, measurement, presentation, and disclosure of insurance contracts. Under IFRS 17, insurance contracts are aggregated into groups which are measured at the risk adjusted present value of cash flows in fulfilling the contracts. Revenue is recognized as insurance contract services are provided over the coverage period. Losses are recognized immediately if the contract group is expected to be onerous.

The standard is effective for annual reporting periods beginning on or after January 1, 2023, which will be November 1, 2023 for the Bank. OSFI's related Advisory precludes early adoption. The standard will be applied retrospectively with restatement of comparatives unless impracticable.

The adoption of IFRS 17 is a significant initiative for the Bank and is supported by a robust governance structure. The Executive Steering Committee includes representation from the Insurance business, Finance, Actuaries, Risk, Technology, and project management teams. Updates are also provided to the TD insurance subsidiary boards, Risk Committee, and Audit Committee of the Bank.

The Bank is proceeding with implementation of a software solution, including data preparation, system testing and configuration, and other implementation efforts accordingly.

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## ACCOUNTING STANDARDS AND POLICIES

# Controls and Procedures

### DISCLOSURE CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of the Bank's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Bank's disclosure controls and procedures, as defined in the rules of the SEC and Canadian Securities Administrators, as of October 31, 2022. Based on that evaluation, the Bank's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Bank's disclosure controls and procedures were effective as of October 31, 2022.

### MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Bank's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Bank. The Bank's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records, that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of the Bank's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

The Bank's management has used the criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission to assess, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Bank's internal control over financial reporting. Based on this assessment, management has concluded that as at October 31, 2022, 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, 2022. 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, 2022.

### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the year and quarter ended October 31, 2022, there have been no changes in the Bank's policies and procedures and other processes that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

## Additional Financial Information

Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from the Bank's 2022 Consolidated Financial Statements, prepared in accordance with IFRS as issued by the IASB.

**TABLE 60: SELECT ANNUAL INFORMATION**

(millions of Canadian dollars, except as noted)	2022	2021	2020
Total revenue	\$ 49,032	\$ 42,693	\$ 43,646
Net income available to common shareholders	17,170	14,049	11,628
Basic earnings per share	9.48	7.73	6.43
Diluted earnings per share	9.47	7.72	6.43
Dividends declared per common share	3.56	3.16	3.11
Total Assets (billions of Canadian dollars)	1,917.5	1,728.7	1,715.9
Deposits (billions of Canadian dollars)	1,230.0	1,125.1	1,135.3

**TABLE 61: INVESTMENT PORTFOLIO – Securities Maturity Schedule<sup>1,2</sup>**

(millions of Canadian dollars)	Remaining terms to maturities <sup>3</sup>						Total	October 31 2022	October 31 2021
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	With no specific maturity			
<b>Securities at fair value through other comprehensive income</b>									
<b>Government and government-related securities</b>									
Canadian government debt									
<i>Federal</i>									
Fair value	\$ 1,349	\$ 5,728	\$ 1,147	\$ 7,826	\$ 318	\$ –	\$ 16,368	\$ 12,519	
Amortized cost	1,352	5,699	1,145	7,824	400	–	16,420	12,428	
Yield	1.08 %	0.98 %	1.79 %	2.67 %	2.73 %	– %	1.89 %	1.37 %	
<i>Provinces</i>									
Fair value	1,279	4,077	2,624	11,917	343	–	20,240	18,143	
Amortized cost	1,284	4,068	2,631	11,954	342	–	20,279	17,935	
Yield	2.10 %	1.89 %	2.22 %	2.28 %	2.47 %	– %	2.19 %	2.05 %	
U.S. federal government debt									
Fair value	28	1,337	2,805	289	–	–	4,459	11,863	
Amortized cost	28	1,406	2,823	300	–	–	4,557	11,835	
Yield	1.48 %	2.09 %	1.92 %	1.36 %	– %	– %	1.93 %	1.82 %	
U.S. states, municipalities, and agencies									
Fair value	3,051	705	269	340	2,735	–	7,100	7,437	
Amortized cost	3,053	734	287	340	2,884	–	7,298	7,397	
Yield	0.36 %	2.30 %	2.72 %	0.16 %	3.14 %	– %	1.74 %	1.45 %	
Other OECD government-guaranteed debt									
Fair value	268	982	326	106	–	–	1,682	6,564	
Amortized cost	269	1,012	328	106	–	–	1,715	6,551	
Yield	2.04 %	1.81 %	1.44 %	2.09 %	– %	– %	1.80 %	1.62 %	
Canadian mortgage-backed securities									
Fair value	24	–	1,009	–	–	–	1,033	1,254	
Amortized cost	24	–	1,011	–	–	–	1,035	1,251	
Yield	3.84 %	– %	3.76 %	– %	– %	– %	3.76 %	1.66 %	
<b>Other debt securities</b>									
Asset-backed securities									
Fair value	1,682	91	264	146	2,257	–	4,440	6,981	
Amortized cost	1,683	94	276	150	2,308	–	4,511	6,957	
Yield	3.30 %	3.82 %	2.54 %	4.32 %	4.41 %	– %	3.87 %	1.20 %	
Non-agency CMO <sup>4</sup>									
Fair value	–	–	–	–	–	–	–	–	
Amortized cost	–	–	–	–	–	–	–	–	
Yield	– %	– %	– %	– %	– %	– %	– %	– %	
Corporate and other debt									
Fair value	1,076	2,933	2,228	1,414	1,030	–	8,681	8,104	
Amortized cost	1,079	3,013	2,253	1,421	1,053	1	8,820	8,054	
Yield	4.40 %	3.31 %	2.68 %	2.76 %	5.89 %	– %	3.50 %	1.97 %	
<b>Equity securities</b>									
Common shares									
Fair value	–	–	–	–	–	2,221	2,221	4,117	
Amortized cost	–	–	–	–	–	2,191	2,191	3,887	
Yield	– %	– %	– %	– %	– %	0.65 %	0.65 %	3.34 %	
Preferred shares									
Fair value	–	–	–	–	–	1,098	1,098	482	
Amortized cost	–	–	–	–	–	1,100	1,100	470	
Yield	– %	– %	– %	– %	– %	1.69 %	1.69 %	5.04 %	
<b>Total securities at fair value through other comprehensive income</b>									
Fair value	\$ 8,757	\$ 15,853	\$ 10,672	\$ 22,038	\$ 6,683	\$ 3,319	\$ 67,322	\$ 77,464	
Amortized cost	8,772	16,026	10,754	22,095	6,987	3,292	67,926	76,765	
Yield	1.85 %	1.87 %	2.33 %	2.42 %	3.92 %	1.00 %	2.29 %	1.80 %	

<sup>1</sup> Yields represent the weighted-average yield of each security owned at the end of the period. The effective yield includes the contractual interest or stated dividend rate and is adjusted for the amortization of premiums and discounts; the effect of related hedging activities is excluded.

<sup>2</sup> There were no securities from a single issuer where the book value was greater than 10% as at October 31, 2022 and October 31, 2021.

<sup>3</sup> Represents contractual maturities. Actual maturities may differ due to prepayment privileges in the applicable contract.

<sup>4</sup> Collateralized mortgage obligation.

**TABLE 61: INVESTMENT PORTFOLIO – Securities Maturity Schedule** (continued)<sup>1,2</sup>

(millions of Canadian dollars)

	Remaining terms to maturities <sup>3</sup>						Total October 31 2022	October 31 2021
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	With no specific maturity		
<b>Debt securities at amortized cost</b>								
<b>Government and government-related securities</b>								
Canadian government debt								
<i>Federal</i>								
Fair value	\$ 3,189	\$ 2,487	\$ 11,033	\$ 1,599	\$ 1,326	\$ –	\$ 19,634	\$ 22,652
Amortized cost	3,189	2,503	11,020	1,629	1,412	–	19,753	22,593
Yield	1.50 %	0.51 %	0.15 %	2.42 %	5.33 %	– %	0.97 %	0.85 %
<i>Provinces</i>								
Fair value	238	2,209	2,313	11,662	–	–	16,422	10,949
Amortized cost	239	2,253	2,373	11,789	–	–	16,654	10,930
Yield	2.22 %	1.51 %	1.92 %	2.34 %	– %	– %	2.17 %	1.64 %
U.S. federal government and agencies debt								
Fair value	13,895	17,620	14,062	20,808	12,627	–	79,012	72,737
Amortized cost	14,248	18,766	16,002	22,271	12,842	–	84,129	72,850
Yield	0.61 %	0.92 %	0.61 %	1.29 %	2.14 %	– %	1.09 %	0.98 %
U.S. states, municipalities, and agencies								
Fair value	1,877	8,733	6,844	29,634	37,465	–	84,553	62,561
Amortized cost	1,907	8,921	7,327	31,843	38,256	–	88,254	62,453
Yield	1.99 %	2.67 %	2.04 %	1.86 %	3.66 %	– %	2.74 %	1.39 %
Other OECD government-guaranteed debt								
Fair value	10,439	14,503	15,494	4,636	–	–	45,072	39,028
Amortized cost	10,423	15,582	16,711	4,856	–	–	47,572	39,733
Yield	0.93 %	0.83 %	1.14 %	2.19 %	– %	– %	1.10 %	0.39 %
<b>Other debt securities</b>								
Asset-backed securities								
Fair value	176	7,080	13,284	8,960	18,231	–	47,731	33,206
Amortized cost	180	7,174	13,938	9,557	19,044	–	49,893	33,172
Yield	4.95 %	1.91 %	2.19 %	3.40 %	4.11 %	– %	3.12 %	1.17 %
Non-agency CMO								
Fair value	–	–	167	108	15,911	–	16,186	16,376
Amortized cost	–	–	167	108	16,967	–	17,242	16,214
Yield	– %	– %	5.59 %	5.80 %	2.87 %	– %	2.92 %	2.77 %
Canadian issuers								
Fair value	45	333	2,289	1,204	–	–	3,871	2,128
Amortized cost	45	351	2,689	1,211	–	–	4,296	2,133
Yield	0.76 %	3.44 %	1.82 %	2.37 %	– %	– %	2.10 %	1.37 %
Other issuers								
Fair value	1,849	3,169	4,784	4,153	–	–	13,955	8,815
Amortized cost	1,873	3,319	5,163	4,626	–	–	14,981	8,861
Yield	1.09 %	1.78 %	1.84 %	2.66 %	– %	– %	1.99 %	0.74 %
<b>Total debt securities at amortized cost</b>								
Fair value	\$ 31,708	\$ 56,134	\$ 70,270	\$ 82,764	\$ 85,560	\$ –	\$ 326,436	\$ 268,452
Amortized cost	32,104	58,869	75,390	87,890	88,521	–	342,774	268,939
Yield	0.95 %	1.35 %	1.27 %	2.03 %	3.41 %	– %	2.00 %	1.13 %

<sup>1</sup> Yields represent the weighted-average yield of each security owned at the end of the period. The effective yield includes the contractual interest or stated dividend rate and is adjusted for the amortization of premiums and discounts; the effect of related hedging activities is excluded.

<sup>2</sup> There were no securities from a single issuer where the book value was greater than 10% as at October 31, 2022 and October 31, 2021.

<sup>3</sup> Represents contractual maturities. Actual maturities may differ due to prepayment privileges in the applicable contract.

**TABLE 62: LOAN PORTFOLIO – Maturity Schedule**

(millions of Canadian dollars)

As at

	Remaining term-to-maturity				Total	
	Within 1 year	Over 1 to 5 years	Over 5 years to 15 years	Over 15 years	October 31 2022	October 31 2021
<b>Canada</b>						
Residential mortgages	\$ 25,419	\$ 216,043	\$ 4,744	\$ –	\$ 246,206	\$ 231,675
Consumer instalment and other personal						
HELOC	39,037	71,574	692	2,043	113,346	101,933
Indirect Auto	783	13,388	13,016	–	27,187	27,580
Other	17,005	891	552	–	18,448	19,257
Credit card	17,375	–	–	–	17,375	15,149
Total personal	99,619	301,896	19,004	2,043	422,562	395,594
Real estate						
Residential	12,030	9,531	5,578	–	27,139	24,716
Non-residential	10,838	8,158	3,533	–	22,529	18,841
Total real estate	22,868	17,689	9,111	–	49,668	43,557
Total business and government (including real estate)	90,186	42,826	11,298	90	144,400	122,102
Total loans – Canada	189,805	344,722	30,302	2,133	566,962	517,696
<b>United States</b>						
Residential mortgages	1,438	595	2,352	43,261	47,646	36,573
Consumer instalment and other personal						
HELOC	8,352	74	594	867	9,887	8,726
Indirect Auto	390	21,147	14,848	–	36,385	31,550
Other	266	595	4	–	865	769
Credit card	18,629	–	–	–	18,629	15,584
Total personal	29,075	22,411	17,798	44,128	113,412	93,202
Real estate						
Residential	1,543	4,140	4,596	390	10,669	9,242
Non-residential	3,633	13,449	7,465	1,094	25,641	21,522
Total real estate	5,176	17,589	12,061	1,484	36,310	30,764
Total business and government (including real estate)	33,967	77,190	41,582	7,588	160,327	127,751
Total loans – United States	63,042	99,601	59,380	51,716	273,739	220,953
<b>Other International</b>						
Personal	23	–	–	–	23	34
Business and government	16,506	2,079	137	–	18,722	10,227
Total loans – Other international	16,529	2,079	137	–	18,745	10,261
<b>Other loans</b>						
Debt securities classified as loans	–	–	–	–	–	n/a
Acquired credit-impaired loans	3	15	59	38	115	152
Total other loans	3	15	59	38	115	152
<b>Total loans</b>	<b>\$ 269,379</b>	<b>\$ 446,417</b>	<b>\$ 89,878</b>	<b>\$ 53,887</b>	<b>\$ 859,561</b>	<b>\$ 749,062</b>

**TABLE 63: LOAN PORTFOLIO – Rate Sensitivity**

(millions of Canadian dollars)

As at

	October 31, 2022			October 31, 2021		
	Over 1 to 5 years	Over 5 to 15 years	Over 15 years	Over 1 to 5 years	Over 5 to 15 years	Over 15 years
Fixed rate	\$ 282,702	\$ 69,222	\$ 41,282	\$ 277,593	\$ 64,504	\$ 30,248
Variable rate	163,715	20,656	12,605	112,345	19,295	10,400
<b>Total</b>	<b>\$ 446,417</b>	<b>\$ 89,878</b>	<b>\$ 53,887</b>	<b>\$ 389,938</b>	<b>\$ 83,799</b>	<b>\$ 40,648</b>

**TABLE 64: ALLOWANCE FOR LOAN LOSSES<sup>1</sup>**

(millions of Canadian dollars, except as noted)

	2022	2021
<b>Allowance for loan losses – Balance at beginning of year</b>	<b>\$ 6,390</b>	<b>\$ 8,290</b>
<b>Provision for credit losses</b>	<b>1,073</b>	<b>(225)</b>
<b>Write-offs</b>		
<b>Canada</b>		
Residential mortgages	7	13
Consumer instalment and other personal		
HELOC	5	8
Indirect Auto	216	207
Other	175	186
Credit card	373	402
<b>Total personal</b>	<b>776</b>	<b>816</b>
Real estate		
Residential	2	–
Non-residential	1	1
<b>Total real estate</b>	<b>3</b>	<b>1</b>
<b>Total business and government (including real estate)</b>	<b>57</b>	<b>144</b>
<b>Total Canada</b>	<b>833</b>	<b>960</b>
<b>United States</b>		
Residential mortgages	26	3
Consumer instalment and other personal		
HELOC	3	1
Indirect Auto	210	285
Other	237	161
Credit card	602	609
<b>Total personal</b>	<b>1,078</b>	<b>1,059</b>
Real estate		
Residential	4	5
Non-residential	3	3
<b>Total real estate</b>	<b>7</b>	<b>8</b>
<b>Total business and government (including real estate)</b>	<b>83</b>	<b>154</b>
<b>Total United States</b>	<b>1,161</b>	<b>1,213</b>
<b>Other International</b>		
Personal	–	–
Business and government	–	–
<b>Total other international</b>	<b>–</b>	<b>–</b>
<b>Other loans</b>		
Debt securities classified as loans	–	n/a
Acquired credit-impaired loans <sup>2,3</sup>	–	–
<b>Total other loans</b>	<b>–</b>	<b>–</b>
<b>Total write-offs against portfolio</b>	<b>1,994</b>	<b>2,173</b>
<b>Recoveries</b>		
<b>Canada</b>		
Residential mortgages	1	1
Consumer instalment and other personal		
HELOC	1	1
Indirect Auto	70	55
Other	49	49
Credit card	103	97
<b>Total personal</b>	<b>224</b>	<b>203</b>
Real estate		
Residential	–	–
Non-residential	–	–
<b>Total real estate</b>	<b>–</b>	<b>–</b>
<b>Total business and government (including real estate)</b>	<b>18</b>	<b>18</b>
<b>Total Canada</b>	<b>242</b>	<b>221</b>
<b>United States</b>		
Residential mortgages	30	5
Consumer instalment and other personal		
HELOC	6	7
Indirect Auto	140	182
Other	27	23
Credit card	188	206
<b>Total personal</b>	<b>391</b>	<b>423</b>
Real estate		
Residential	1	1
Non-residential	2	4
<b>Total real estate</b>	<b>3</b>	<b>5</b>
<b>Total business and government (including real estate)</b>	<b>31</b>	<b>26</b>
<b>Total United States</b>	<b>422</b>	<b>449</b>
<b>Other International</b>		
Personal	–	–
Business and government	–	–
<b>Total other international</b>	<b>–</b>	<b>–</b>
<b>Other loans</b>		
Debt securities classified as loans	–	n/a
Acquired credit-impaired loans <sup>2,3</sup>	3	5
<b>Total other loans</b>	<b>3</b>	<b>5</b>
<b>Total recoveries on portfolio</b>	<b>667</b>	<b>675</b>
<b>Net write-offs</b>	<b>(1,327)</b>	<b>(1,498)</b>
Disposals	–	(4)
Foreign exchange and other adjustments	371	(404)
<b>Total allowance for loan losses, including off-balance sheet positions</b>	<b>6,507</b>	<b>6,159</b>
Less: Change in allowance for off-balance sheet positions <sup>4</sup>	75	(231)
<b>Total allowance for loan losses, at end of period</b>	<b>\$ 6,432</b>	<b>\$ 6,390</b>
<b>Ratio of net write-offs in the period to average loans outstanding</b>	<b>0.17 %</b>	<b>0.20 %</b>

<sup>1</sup> Opening balance of allowance for loan losses effective November 1, 2017 was booked in accordance with IFRS 9. Allowance for loan losses prior to November 1, 2017 was booked in accordance with IAS 39.

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

<sup>3</sup> Other adjustments are required as a result of the accounting for FDIC covered loans.

<sup>4</sup> The allowance for loan losses for off-balance sheet positions is recorded in Other liabilities on the Consolidated Balance Sheet.





**TABLE 65: AVERAGE DEPOSITS**

(millions of Canadian dollars, except as noted)

	For the years ended					
	October 31, 2022			October 31, 2021		
	Average balance	Total interest expense	Average rate paid	Average balance	Total interest expense	Average rate paid
<b>Deposits booked in Canada<sup>1</sup></b>						
Non-interest-bearing demand deposits	\$ 25,255	\$ –	– %	\$ 21,994	\$ –	– %
Interest-bearing demand deposits	121,980	1,656	1.36	115,541	820	0.71
Notice deposits	324,452	626	0.19	307,910	175	0.06
Term deposits	251,574	4,194	1.67	232,258	2,152	0.93
Total deposits booked in Canada	723,261	6,476	0.90	677,703	3,147	0.46
<b>Deposits booked in the United States</b>						
Non-interest-bearing demand deposits	13,268	–	–	12,276	–	–
Interest-bearing demand deposits	24,911	189	0.76	21,524	42	0.20
Notice deposits	460,438	1,769	0.38	444,995	330	0.07
Term deposits	63,943	850	1.33	48,200	162	0.34
Total deposits booked in the United States	562,560	2,808	0.50	526,995	534	0.10
<b>Deposits booked in the other international</b>						
Non-interest-bearing demand deposits	13	–	–	25	–	–
Interest-bearing demand deposits	17	–	–	38	–	–
Notice deposits	–	–	–	–	–	–
Term deposits	48,778	464	0.95	28,474	61	0.21
Total deposits booked in other international	48,808	464	0.95	28,537	61	0.21
<b>Total average deposits</b>	<b>\$ 1,334,629</b>	<b>\$ 9,748</b>	<b>0.73 %</b>	<b>\$ 1,233,235</b>	<b>\$ 3,742</b>	<b>0.30 %</b>

<sup>1</sup> As at October 31, 2022, deposits by foreign depositors in TD's Canadian bank offices amounted to \$191 billion (October 31, 2021 – \$147 billion).

**TABLE 66: DEPOSITS – Denominations of \$100,000 or greater<sup>1</sup>**

(millions of Canadian dollars)

	Remaining term-to-maturity					Total
	Within 3 months	3 months to 6 months	6 months to 12 months	Over 12 months	Total	
						October 31, 2022
Canada	\$ 73,331	\$ 33,772	\$ 55,658	\$ 115,765	\$ 278,526	
United States <sup>2</sup>	27,955	23,946	34,523	2,653	89,077	
Other international	26,789	13,163	27,888	656	68,496	
<b>Total</b>	<b>\$ 128,075</b>	<b>\$ 70,881</b>	<b>\$ 118,069</b>	<b>\$ 119,074</b>	<b>\$ 436,099</b>	
						October 31, 2021
Canada	\$ 62,340	\$ 32,675	\$ 30,006	\$ 81,021	\$ 206,042	
United States <sup>2</sup>	12,023	9,857	18,219	2,895	42,994	
Other international	15,177	8,300	10,908	–	34,385	
<b>Total</b>	<b>\$ 89,540</b>	<b>\$ 50,832</b>	<b>\$ 59,133</b>	<b>\$ 83,916</b>	<b>\$ 283,421</b>	

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

<sup>2</sup> Includes deposits based on denominations of US\$250,000 or greater of \$27.5 billion in 'within 3 months', \$23.6 billion in 'over 3 months to 6 months', \$34.2 billion in 'over 6 months to 12 months', and \$2.5 billion in 'over 12 months' (October 31, 2021 – \$11.4 billion in 'within 3 months', \$9.5 billion in 'over 3 months to 6 months', \$18.0 billion in 'over 6 months to 12 months', \$2.8 billion in 'over 12 months').

**TABLE 67: NET INTEREST INCOME ON AVERAGE INTEREST-EARNING BALANCES<sup>1,2</sup>**

(millions of Canadian dollars, except as noted)

	2022			2021		
	Average balance	Interest <sup>3</sup>	Average rate	Average balance	Interest <sup>3</sup>	Average rate
<b>Interest-earning assets</b>						
<b>Interest-bearing deposits with Banks</b>						
Canada	\$ 58,596	\$ 771	1.32 %	\$ 86,745	\$ 191	0.22 %
U.S.	73,017	775	1.06	90,459	108	0.12
<b>Securities</b>						
<b>Trading</b>						
Canada	77,356	2,335	3.02	82,474	1,734	2.10
U.S.	18,434	473	2.57	16,135	232	1.44
<b>Non-trading</b>						
Canada	89,771	1,822	2.03	76,788	840	1.09
U.S.	281,605	4,061	1.44	227,702	1,877	0.82
<b>Securities purchased under reverse repurchase agreements</b>						
Canada	78,279	978	1.25	76,690	214	0.28
U.S.	39,469	572	1.45	40,788	124	0.30
<b>Loans</b>						
<b>Residential mortgages<sup>4</sup></b>						
Canada	251,474	6,123	2.43	234,147	5,022	2.14
U.S.	41,804	1,337	3.20	36,641	1,200	3.28
<b>Consumer instalment and other personal</b>						
Canada	153,224	5,810	3.79	142,990	5,319	3.72
U.S.	42,609	1,512	3.55	40,819	1,498	3.67
<b>Credit card</b>						
Canada	16,496	2,013	12.20	15,338	1,926	12.56
U.S.	16,171	2,518	15.57	14,559	2,234	15.34
<b>Business and government<sup>4</sup></b>						
Canada	125,023	3,781	3.02	112,195	2,461	2.19
U.S.	133,112	4,556	3.42	129,583	3,882	3.00
<b>International<sup>5</sup></b>						
	122,013	1,595	1.31	126,147	719	0.57
<b>Total interest-earning assets<sup>6</sup></b>	<b>1,618,453</b>	<b>41,032</b>	<b>2.54</b>	<b>1,550,200</b>	<b>29,581</b>	<b>1.91</b>
<b>Interest-bearing liabilities</b>						
<b>Deposits</b>						
<b>Personal<sup>7</sup></b>						
Canada	304,118	1,213	0.40	283,118	564	0.20
U.S.	320,091	1,404	0.44	314,428	129	0.04
<b>Banks<sup>8,9</sup></b>						
Canada	21,055	234	1.11	16,526	19	0.11
U.S.	3,303	78	2.36	544	1	0.18
<b>Business and government<sup>8,9</sup></b>						
Canada	323,658	5,029	1.55	313,980	2,564	0.82
U.S.	151,580	1,326	0.87	134,326	404	0.30
	11,296	397	3.51	11,372	374	3.29
<b>Subordinated notes and debentures</b>						
<b>Obligations related to securities sold short and under repurchase agreements</b>						
Canada	87,872	1,401	1.59	105,769	592	0.56
U.S.	55,171	837	1.52	56,450	168	0.30
	28,235	573	2.03	29,105	343	1.18
<b>Securitization liabilities<sup>10</sup></b>						
<b>Other liabilities</b>						
Canada	4,348	91	2.09	4,920	97	1.97
U.S.	7,972	163	2.04	5,706	92	1.61
	105,942	933	0.88	86,877	103	0.12
<b>Total interest-bearing liabilities<sup>6</sup></b>	<b>1,424,641</b>	<b>13,679</b>	<b>0.96</b>	<b>1,363,121</b>	<b>5,450</b>	<b>0.40</b>
<b>Total interest-earning assets, net interest income, and net interest margin</b>	<b>\$ 1,618,453</b>	<b>\$ 27,353</b>	<b>1.69 %</b>	<b>\$ 1,550,200</b>	<b>\$ 24,131</b>	<b>1.56 %</b>
<b>Add: non-interest earning assets</b>	<b>194,576</b>	<b>—</b>	<b>—</b>	<b>180,360</b>	<b>—</b>	<b>—</b>
<b>Total assets, net interest income and margin</b>	<b>\$ 1,813,029</b>	<b>\$ 27,353</b>	<b>1.51 %</b>	<b>\$ 1,730,560</b>	<b>\$ 24,131</b>	<b>1.39 %</b>

<sup>1</sup> Net interest income includes dividends on securities.<sup>2</sup> Geographic classification of assets and liabilities is based on the domicile of the booking point of assets and liabilities.<sup>3</sup> Interest income includes loan fees earned by the Bank, which are recognized in net interest income over the life of the loan through the effective interest rate method (EIRM).<sup>4</sup> Includes average trading loans of \$12 billion (2021 – \$13 billion).<sup>5</sup> Comprised of interest-bearing deposits with Banks, securities, securities purchased under reverse repurchase agreements, and business and government loans.<sup>6</sup> Average interest-earning assets and average interest-bearing liabilities are non-GAAP financial measures that depict the Bank's financial position, and are calculated using daily balances. For additional information about the Bank's use of non-GAAP financial measures, refer to "Non-GAAP and Other Financial Measures" in the "Financial Results Overview" section of this document.<sup>7</sup> Includes charges incurred on the Schwab IDA Agreement of \$1.7 billion (2021 – \$1.6 billion).<sup>8</sup> Includes average trading deposits with a fair value of \$20 billion (2021 – \$34 billion).<sup>9</sup> Includes average deposit designated at FVTPL of \$137 billion (2021 – \$76 billion).<sup>10</sup> Includes average securitization liabilities at fair value of \$13 billion (2021 – \$14 billion) and average securitization liabilities at amortized cost of \$15 billion (2021 – \$15 billion).

The following table presents an analysis of the change in net interest income of volume and interest rate changes. In this analysis, changes due to volume/ interest rate variance have been allocated to average interest rate.

**TABLE 68: ANALYSIS OF CHANGE IN NET INTEREST INCOME<sup>1,2</sup>**

(millions of Canadian dollars)

	2022 vs. 2021		
	Increase (decrease) due to changes in		Net change
	Average volume	Average rate	
<b>Interest-earning assets</b>			
<b>Interest-bearing deposits with banks</b>			
Canada	\$ (62)	\$ 642	\$ 580
U.S.	(21)	688	667
<b>Securities</b>			
<b>Trading</b>			
Canada	(105)	706	601
U.S.	33	208	241
<b>Non-trading</b>			
Canada	142	840	982
U.S.	444	1,740	2,184
<b>Securities purchased under reverse repurchase agreements</b>			
Canada	4	760	764
U.S.	(4)	452	448
<b>Loans</b>			
<b>Residential mortgages</b>			
Canada	372	729	1,101
U.S.	169	(32)	137
<b>Consumer instalment and other personal</b>			
Canada	381	110	491
U.S.	65	(51)	14
<b>Credit card</b>			
Canada	146	(59)	87
U.S.	248	36	284
<b>Business and government</b>			
Canada	281	1,039	1,320
U.S.	106	568	674
<b>International</b>	(8)	884	876
<b>Total interest income</b>	<b>2,191</b>	<b>9,260</b>	<b>11,451</b>
<b>Interest-bearing liabilities</b>			
<b>Deposits</b>			
<b>Personal</b>			
Canada	42	607	649
U.S.	2	1,273	1,275
<b>Banks</b>			
Canada	5	210	215
U.S.	6	71	77
<b>Business and government</b>			
Canada	79	2,386	2,465
U.S.	52	870	922
<b>Subordinated notes and debentures</b>			
	(3)	26	23
<b>Obligations related to securities sold short and under repurchase agreements</b>			
Canada	(100)	909	809
U.S.	(4)	673	669
<b>Securitization liabilities</b>			
	(10)	240	230
<b>Other liabilities</b>			
Canada	(13)	7	(6)
U.S.	36	35	71
<b>International</b>	36	794	830
<b>Total interest expense</b>	<b>128</b>	<b>8,101</b>	<b>8,229</b>
<b>Net interest income</b>	<b>\$ 2,063</b>	<b>\$ 1,159</b>	<b>\$ 3,222</b>

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

<sup>2</sup> Interest income includes loan fees earned by the Bank, which are recognized in net interest income over the life of the loan through the EIRM.

# GLOSSARY

## Financial and Banking Terms

**Adjusted Results:** Non-GAAP financial measures used to assess each of the Bank's businesses and to measure the Bank's overall performance. To arrive at adjusted results, the Bank adjusts for "items of note", from reported results. The items of note relate to items which management does not believe are indicative of underlying business performance.

**Allowance for Credit Losses:** Represent expected credit losses (ECLs) on financial assets, including any off-balance sheet exposures, at the balance sheet date. Allowance for credit losses consists of Stage 3 allowance for impaired financial assets and Stage 2 and Stage 1 allowance for performing financial assets and off-balance sheet instruments. The allowance is increased by the provision for credit losses, decreased by write-offs net of recoveries and disposals, and impacted by foreign exchange.

**Amortized Cost:** The amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization, using EIRM, of any differences between the initial amount and the maturity amount, and minus any reduction for impairment.

**Assets under Administration (AUA):** Assets that are beneficially owned by customers where the Bank provides services of an administrative nature, such as the collection of investment income and the placing of trades on behalf of the clients (where the client has made his or her own investment selection). The majority of these assets are not reported on the Bank's Consolidated Balance Sheet.

**Assets under Management (AUM):** Assets that are beneficially owned by customers, managed by the Bank, where the Bank has discretion to make investment selections on behalf of the client (in accordance with an investment policy). In addition to the TD family of mutual funds, the Bank manages assets on behalf of individuals, pension funds, corporations, institutions, endowments and foundations. These assets are not reported on the Bank's Consolidated Balance Sheet. Some assets under management that are also administered by the Bank are included in assets under administration.

**Asset-Backed Commercial Paper (ABCP):** A form of commercial paper that is collateralized by other financial assets. Institutional investors usually purchase such instruments in order to diversify their assets and generate short-term gains.

**Asset-Backed Securities (ABS):** A security whose value and income payments are derived from and collateralized (or "backed") by a specified pool of underlying assets.

**Average Common Equity:** Average common equity for the business segments reflects the average allocated capital. The Bank's methodology for allocating capital to its business segments is largely aligned with the common equity capital requirements under Basel III.

**Average Interest-Earning Assets:** A non-GAAP financial measure that depicts the Bank's financial position, and is calculated as the average carrying value of deposits with banks, loans and securities based on daily balances for the period ending October 31 in each fiscal year.

**Basic Earnings per Share (EPS):** A performance measure calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding for the period. Adjusted basic EPS is calculated in the same manner using adjusted net income.

**Basis Points (bps):** A unit equal to 1/100 of 1%. Thus, a 1% change is equal to 100 basis points.

**Book Value per Share:** A measure calculated by dividing common shareholders' equity by number of common shares at the end of the period.

**Collateralized Mortgage Obligation (CMO):** They are collateralized debt obligations consisting of mortgage-backed securities that are separated and issued as different classes of mortgage pass-through securities with different terms, interest rates, and risks. CMOs by private issuers are collectively referred to as non-agency CMOs.

**Common Equity Tier 1 (CET1) Capital:** This is a primary Basel III capital measure comprised mainly of common equity, retained earnings and qualifying non-controlling interest in subsidiaries. Regulatory deductions made to arrive at the CET1 Capital include goodwill and intangibles, unconsolidated investments in banking, financial, and insurance entities, deferred tax assets, defined benefit pension fund assets, and shortfalls in allowances.

**Common Equity Tier 1 (CET1) Capital Ratio:** CET1 Capital ratio represents the predominant measure of capital adequacy under Basel III and equals CET1 Capital divided by RWA.

**Compound Annual Growth Rate (CAGR):** A measure of growth over multiple time periods from the initial investment value to the ending investment value assuming that the investment has been compounding over the time period.

**Credit Valuation Adjustment (CVA):** CVA represents a capital charge that measures credit risk due to default of derivative counterparties. This charge requires banks to capitalize for the potential changes in counterparty credit spread for the derivative portfolios.

**Diluted EPS:** A performance measure calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding adjusting for the effect of all potentially dilutive common shares. Adjusted diluted EPS is calculated in the same manner using adjusted net income.

**Dividend Payout Ratio:** A ratio represents the percentage of Bank's earnings being paid to common shareholders in the form of dividends and is calculated by dividing common dividends by net income available to common shareholders. Adjusted dividend payout ratio is calculated in the same manner using adjusted net income.

**Dividend Yield:** A ratio calculated as the dividend per common share for the year divided by the daily average closing stock price during the year.

**Effective Income Tax Rate:** A rate and performance indicator calculated by dividing the provision for income taxes as a percentage of net income before taxes. Adjusted effective income tax rate is calculated in the same manner using adjusted results.

**Effective Interest Rate (EIR):** The rate that discounts expected future cash flows for the expected life of the financial instrument to its carrying value. The calculation takes into account the contractual interest rate, along with any fees or incremental costs that are directly attributable to the instrument and all other premiums or discounts.

**Effective Interest Rate Method (EIRM):** A technique for calculating the actual interest rate in a period based on the amount of a financial instrument's book value at the beginning of the accounting period. Under EIRM, the *effective interest rate*, which is a key component of the calculation, discounts the expected future cash inflows and outflows expected over the life of a financial instrument.

**Efficiency Ratio:** 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. Adjusted efficiency ratio is calculated in the same manner using adjusted non-interest expenses and total revenue.

**Carrying Value:** The value at which an asset or liability is carried at on the Consolidated Balance Sheet.

**Enhanced Disclosure Task Force (EDTF):** Established by the Financial Stability Board in May 2012, comprised of banks, analysts, investors, and auditors, with the goal of enhancing the risk disclosures of banks and other financial institutions.

**Expected Credit Losses (ECLs):** ECLs are the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument and considers 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.

**Fair Value:** The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions.

**Fair value through other comprehensive income (FVOCI):** Under IFRS 9, if the asset passes the contractual cash flows test (named SPPI), the business model assessment determines how the instrument is classified. If the instrument is being held to collect contractual cash flows, that is, if it is not expected to be sold, it is measured as amortized cost. If the business model for the instrument is to both collect contractual cash flows and potentially sell the asset, it is measured at FVOCI.

**Fair value through profit or loss (FVTPL):** Under IFRS 9, the classification is dependent on two tests, a contractual cash flow test (named SPPI) and a business model assessment. Unless the asset meets the requirements of both tests, it is measured at fair value with all changes in fair value reported in profit or loss.

**Federal Deposit Insurance Corporation (FDIC):** A U.S. government corporation which provides deposit insurance guaranteeing the safety of a depositor's accounts in member banks. The FDIC also examines and supervises certain financial institutions for safety and soundness, performs certain consumer-protection functions, and manages banks in receiverships (failed banks).

**Forward Contracts:** Over-the-counter contracts between two parties that oblige one party to the contract to buy and the other party to sell an asset for a fixed price at a future date.

**Futures:** Exchange-traded contracts to buy or sell a security at a predetermined price on a specified future date.

**Hedging:** A risk management technique intended to mitigate the Bank's exposure to fluctuations in interest rates, foreign currency exchange rates, or other market factors. The elimination or reduction of such exposure is accomplished by engaging in capital markets activities to establish offsetting positions.

**Impaired Loans:** Loans where, in management's opinion, there has been a deterioration of credit quality to the extent that the Bank no longer has reasonable assurance as to the timely collection of the full amount of principal and interest.

**Loss Given Default (LGD):** It is the amount of the loss the Bank would likely incur when a borrower defaults on a loan, which is expressed as a percentage of exposure at default.

**Mark-to-Market (MTM):** A valuation that reflects current market rates as at the balance sheet date for financial instruments that are carried at fair value.

**Master Netting Agreements:** Legal agreements between two parties that have multiple derivative contracts with each other that provide for the net settlement of all contracts through a single payment, in a single currency, in the event of default or termination of any one contract.

**Net Corporate Expenses:** Non-interest expenses related to corporate service and control groups which are not allocated to a business segment.

**Net Interest Margin:** A non-GAAP ratio calculated as net interest income as a percentage of average interest-earning assets to measure performance. This metric is an indicator of the profitability of the Bank's earning assets less the cost of funding. Adjusted net interest margin is calculated in the same manner using adjusted net interest income.

**Non-Viability Contingent Capital (NVCC):** Instruments (preferred shares and subordinated debt) that contain a feature or a provision that allows the financial institution to either permanently convert these instruments into common shares or fully write-down the instrument, in the event that the institution is no longer viable.

**Notional:** A reference amount on which payments for derivative financial instruments are based.

**Office of the Superintendent of Financial Institutions Canada (OSFI):** The regulator of Canadian federally chartered financial institutions and federally administered pension plans.

**Options:** Contracts in which the writer of the option grants the buyer the future right, but not the obligation, to buy or to sell a security, exchange rate, interest rate, or other financial instrument or commodity at a predetermined price at or by a specified future date.

**Price-Earnings Ratio:** A ratio calculated by dividing the closing share price by EPS based on a trailing four quarters to indicate market performance. Adjusted price-earnings ratio is calculated in the same manner using adjusted EPS.

**Probability of Default (PD):** It is the likelihood that a borrower will not be able to meet its scheduled repayments.

**Provision for Credit Losses (PCL):** Amount added to the allowance for credit losses to bring it to a level that management considers adequate to reflect expected credit-related losses on its portfolio.

**Return on Common Equity (ROE):** The consolidated Bank ROE is calculated as net income available to common shareholders as a percentage of average common shareholders' equity, utilized in assessing the Bank's use of equity. ROE for the business segments is calculated as the segment net income attributable to common shareholders as a percentage of average allocated capital. Adjusted ROE is calculated in the same manner using adjusted net income.

**Return on Risk-weighted Assets:** Net income available to common shareholders as a percentage of average risk-weighted assets.

**Return on Tangible Common Equity (ROTCE):** A non-GAAP financial measure calculated as reported net income available to common shareholders after adjusting for the after-tax amortization of acquired intangibles, which are treated as an item of note, as a percentage of average Tangible common equity. Adjusted ROTCE is calculated in the same manner using adjusted net income. Both measures can be utilized in assessing the Bank's use of equity.

**Risk-Weighted Assets (RWA):** Assets calculated by applying a regulatory risk-weight factor to on and off-balance sheet exposures. The risk-weight factors are established by the OSFI to convert on and off-balance sheet exposures to a comparable risk level.

**Securitization:** The process by which financial assets, mainly loans, are transferred to structures, which normally issue a series of asset-backed securities to investors to fund the purchase of loans.

**Solely Payments of Principal and Interest (SPPI):** IFRS 9 requires that the following criteria be met in order for a financial instrument to be classified at amortized cost:

- The entity's business model relates to managing financial assets (such as bank trading activity), and, as such, an asset is held with the intention of collecting its contractual cash flows; and
- An asset's contractual cash flows represent SPPI.

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**Swaps:** Contracts that involve the exchange of fixed and floating interest rate payment obligations and currencies on a notional principal for a specified period of time.

**Tangible common equity (TCE):** A non-GAAP financial measure calculated as common shareholders' equity less goodwill, imputed goodwill, and intangibles on an investment in Schwab and TD Ameritrade and other acquired intangible assets, net of related deferred tax liabilities. It can be utilized in assessing the Bank's use of equity.

**Taxable Equivalent Basis (TEB):** A calculation method (not defined in GAAP) that increases revenues and the provision for income taxes on certain tax-exempt securities to an equivalent before-tax basis to facilitate comparison of net interest income from both taxable and tax-exempt sources.

**Tier 1 Capital Ratio:** Tier 1 Capital represents the more permanent forms of capital, consisting primarily of common shareholders' equity, retained earnings, preferred shares and innovative instruments. Tier 1 Capital ratio is calculated as Tier 1 Capital divided by RWA.

**Total Capital Ratio:** Total Capital is defined as the total of net Tier 1 and Tier 2 Capital. Total Capital ratio is calculated as Total Capital divided by RWA.

**Total Shareholder Return (TSR):** The total return earned on an investment in TD's common shares. The return measures the change in shareholder value, assuming dividends paid are reinvested in additional shares.

**Trading-Related Revenue:** A non-GAAP financial measure that is the total of trading income (loss), net interest income on trading positions, and income from financial instruments designated at FVTPL that are managed within a trading portfolio. Trading-related revenue (TEB) in the Wholesale Banking segment is also a non-GAAP financial measure and is calculated in the same manner, including TEB adjustments. Both are used for measuring trading performance.

**Value-at-Risk (VaR):** A metric used to monitor and control overall risk levels and to calculate the regulatory capital required for market risk in trading activities. VaR measures the adverse impact that potential changes in market rates and prices could have on the value of a portfolio over a specified period of time.

# CONSOLIDATED FINANCIAL STATEMENTS

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## 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, 2022, 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, 2022, the Bank's internal control over financial reporting is effective.

The Bank's Board of Directors, acting through the Audit Committee, which is composed entirely of independent directors, oversees management's responsibilities for financial reporting. The Audit Committee reviews the Consolidated Financial Statements and recommends them to the Board for approval. Other responsibilities of the Audit Committee include monitoring the Bank's system of internal control over the financial reporting process and making recommendations to the Board and shareholders regarding the appointment of the external auditor.

The Bank's Chief Auditor, who has full and free access to the Audit Committee, conducts an extensive program of audits. This program supports the system of internal control and is carried out by a professional staff of auditors.

The Office of the Superintendent of Financial Institutions Canada, makes such examination and enquiry into the affairs of the Bank as deemed necessary to ensure that the provisions of the *Bank Act* (Canada), 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, 2022, in addition to auditing the Bank's Consolidated Financial Statements as of the same date. Their reports, which expressed an unqualified opinion, can be found on the following pages of the Consolidated Financial Statements. Ernst & Young LLP have full and free access to, and meet periodically with, the Audit Committee to discuss their audit and matters arising therefrom, such as, comments they may have on the fairness of financial reporting and the adequacy of internal controls.

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

**Kelvin Tran**  
Senior Executive Vice President and  
Chief Financial Officer

Toronto, Canada  
November 30, 2022

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### To the Shareholders and Directors of The Toronto-Dominion Bank

#### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying Consolidated Balance Sheets of The Toronto-Dominion Bank (TD) as of October 31, 2022 and 2021, the related Consolidated Statements of Income, Comprehensive Income, Changes in Equity, and Cash Flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of TD as at October 31, 2022 and 2021, its financial performance and its consolidated cash flows for the years then ended, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), TD's internal control over financial reporting as of October 31, 2022, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 30, 2022, expressed an unqualified opinion thereon.

#### **Basis for Opinion**

These consolidated financial statements are the responsibility of TD's management. Our responsibility is to express an opinion on TD's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to TD in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

#### **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements, and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

<i>Description of the Matter</i>	<p><b>Allowance for credit losses</b></p> <p>TD describes its significant accounting judgments, estimates, and assumptions in relation to the allowance for credit losses in Note 3 of the consolidated financial statements. As disclosed in Note 8 to the consolidated financial statements, TD recognized \$7,366 million in allowances for credit losses on its consolidated balance sheet using an expected credit loss model (ECL). The ECL is an unbiased and probability-weighted estimate of credit losses expected to occur in the future, which is based on the probability of default (PD), loss given default (LGD) and exposure at default (EAD) or the expected cash shortfall relating to the underlying financial asset. The ECL is determined by evaluating a range of possible outcomes incorporating the time value of money and reasonable and supportable information about past events, current conditions, and future economic forecasts. ECL allowances are measured at amounts equal to either (i) 12-month ECL; or (ii) lifetime ECL for those financial instruments that have experienced a significant increase in credit risk (SICR) since initial recognition or when there is objective evidence of impairment.</p> <p>Auditing the allowance for credit losses was complex and required the application of significant judgment and involvement of specialists because of the sophistication of the models, the forward-looking nature of the key assumptions, and the inherent interrelationship of the critical variables used in measuring the ECL. Key areas of judgment include evaluating: (i) the models and methodologies used for measuring both the 12-month and lifetime expected credit losses; (ii) the assumptions used in the ECL scenarios including forward-looking information (FLI) and assigning probability weighting; (iii) the determination of SICR; and (iv) the assessment of the qualitative component applied to the modelled ECL based on management's expert credit judgment.</p>
<i>How We Addressed the Matter in Our Audit</i>	<p>We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over the allowance for credit losses. The controls we tested included, amongst others, the development and validation of models and selection of appropriate inputs including economic forecasting, determination of non-retail borrower risk ratings, the integrity of the data used including the associated controls over relevant information technology (IT) systems, and the governance and oversight over the modelled results and the use of expert credit judgment.</p> <p>To test the allowance for credit losses, our audit procedures included, amongst others, involving our credit risk specialists to assess whether the methodology and assumptions, including management's SICR triggers, used in significant models that estimate the ECL across various portfolios are consistent with the requirements of IFRS. This included reperforming the model validation procedures for a sample of models to evaluate whether management's conclusions were appropriate. With the assistance of our economic specialists, we evaluated the models, methodology and process used by management to develop the FLI variable forecasts for each scenario and the scenario probability weights. For a sample of FLI variables, we compared management's FLI to independently derived forecasts and publicly available information. On a sample basis, we recalculated the ECL to test the mathematical accuracy of management's models. We tested the completeness and accuracy of data used in measuring the ECL by agreeing to source documents and systems and evaluated a sample of management's non-retail borrower risk ratings against TD's risk rating policy. With the assistance of our credit risk specialists, we also evaluated management's methodology and governance over the application of expert credit judgment by evaluating that the amounts recorded were reflective of underlying credit quality and macroeconomic trends. We also assessed the adequacy of disclosures related to the allowance for credit losses.</p>

<i>Description of the Matter</i>	<p><b>Fair value measurement of derivatives</b></p> <p>TD describes its significant accounting judgments, estimates, and assumptions in relation to the fair value measurement of derivatives in Note 3 of the consolidated financial statements. As disclosed in Note 5 of the consolidated financial statements, TD has derivative assets of \$103,873 million and derivative liabilities of \$91,133 million recorded at fair value. Certain of these derivatives are complex and illiquid and require valuation techniques that may include complex models and non-observable inputs, requiring management's estimation and judgment.</p>
<i>How We Addressed the Matter in Our Audit</i>	<p>Auditing the valuation of certain derivatives required the application of significant auditor judgment and involvement of valuation specialists in assessing the complex models and non-observable inputs used, including any significant valuation adjustments applied. Certain valuation inputs used to determine fair value that may be non-observable include volatilities, correlations, and credit spreads. The valuation of certain derivatives is sensitive to these inputs as they are forward-looking and could be affected by future economic and market conditions.</p> <p>We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls, including the associated controls over relevant IT systems, over the valuation of TD's derivative portfolio. The controls we tested included, amongst others, the controls over the suitability and mechanical accuracy of models used in the valuation of derivatives, controls over management's independent assessment of fair values, including the integrity of data used in the valuation such as the significant inputs noted above, and controls over the review of significant valuation adjustments applied.</p>
<i>Description of the Matter</i>	<p>To test the valuation of these derivatives, our audit procedures included, amongst others, an evaluation of the methodologies and significant inputs used by TD. With the assistance of our valuation specialists, we performed an independent valuation for a sample of derivatives to assess the modelling assumptions and significant inputs used to estimate the fair value, which involved obtaining significant inputs from independent external sources. For a sample of valuation adjustments, we utilized the assistance of our valuation specialists to evaluate the methodology applied and performed a recalculation of these adjustments. We also assessed the adequacy of the disclosures related to the fair value measurement of derivatives.</p> <p><b>Valuation of provision for unpaid claims</b></p> <p>TD describes its significant accounting judgments, estimates, and assumptions in relation to the valuation of provisions for unpaid claims in Note 3 of the consolidated financial statements. As disclosed in Note 22 to the consolidated financial statements, TD has recognized \$7,468 million in insurance-related liabilities on its consolidated balance sheet. The insurance-related liabilities include a provision for unpaid claims, which is determined in accordance with accepted actuarial practices.</p>
<i>How We Addressed the Matter in Our Audit</i>	<p>Auditing the provision for unpaid claims required the application of significant judgement and involved the use of specialists due to the complex nature of the models, methodologies and assumptions applied in the determination of the provision. Claims liabilities are determined in accordance with generally accepted actuarial practices. The main assumption underlying the estimate of the claims liability is that past claims development experience can be used to project future claims development and therefore ultimate claim costs. Actuarial methods are applied to extrapolate the development of paid and incurred losses, frequency and severity of claims based on the observed development of earlier years and expected loss ratios. Additional qualitative judgement is applied to assess the extent to which past trends may or may not apply in the future to arrive at the estimated ultimate claims costs that present the most likely outcome taking into account all the uncertainties involved.</p> <p>We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over the valuation of the provision for unpaid claims including the associated controls over relevant IT systems. The controls we tested included, amongst others, the controls related to TD's claims and actuarial processes including over the completeness and accuracy of data flow through the claims administration systems, and the overall review of the provision for unpaid claims by management.</p> <p>We evaluated the objectivity, independence and expertise of the actuarial valuator appointed by management. To test the valuation for unpaid claims, our audit procedures included, amongst others, involving our actuarial specialists to independently calculate the provision for unpaid claims on a sample basis. This included assessing the accuracy of TD's data by agreeing to source systems on a sample basis and benchmarking the assumptions against industry trends. With the assistance of our actuarial specialists, we assessed TD's actuary's methodologies and significant assumptions, including comparing the rationale for the judgments applied against generally accepted actuarial practices. We also performed data integrity testing of incurred claims, paid claims, and earned premiums used in the estimation of the provision for unpaid claims.</p>

*Description of  
the Matter*

**Measurement of provision for uncertain tax positions**

TD describes its significant accounting judgments, estimates, and assumptions in relation to income taxes in Note 3 and Note 25 of the consolidated financial statements. As a financial institution operating in multiple jurisdictions, TD is subject to complex and constantly evolving tax legislation. Uncertainty in a tax position may arise as tax laws are subject to interpretation. TD uses significant judgment in i) determining whether it is probable that TD will have to make a payment to tax authorities upon their examination of certain uncertain tax positions and ii) measuring the amount of the liability.

Auditing TD's provision for uncertain tax positions involved the application of judgment and is based on interpretation of tax legislation and jurisprudence.

*How We  
Addressed the  
Matter in Our Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over TD's provision for uncertain tax positions. The controls we tested included, amongst others, the controls over the assessment of the technical merits of tax positions and management's process to measure the provision for uncertain tax positions.

With the assistance of our tax professionals, we assessed the technical merits and the amount recorded for uncertain tax positions. Our audit procedures included, amongst others, using our knowledge of, and experience with, the application of tax laws by the relevant income tax authorities to evaluate TD's interpretations and assessment of tax laws with respect to uncertain tax positions. We assessed the implications of correspondence received by TD from the relevant tax authorities and evaluated income tax opinions or other third-party advice obtained. We also assessed the adequacy of the disclosures related to uncertain tax positions.

/s/ Ernst & Young LLP

Chartered Professional Accountants  
Licensed Public Accountants

We have served as TD's sole auditor since 2006. Prior to 2006, we or our predecessor firm have served as joint auditor with various other firms since 1955.

Toronto, Canada  
November 30, 2022



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of The Toronto-Dominion Bank

### *Opinion on Internal Control over Financial Reporting*

We have audited The Toronto-Dominion Bank's (TD) internal control over financial reporting as of October 31, 2022, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, TD maintained, in all material respects, effective internal control over financial reporting as of October 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Consolidated Balance Sheet of TD as at October 31, 2022 and 2021, and the Consolidated Statements of Income, Comprehensive Income, Changes in Equity and Cash Flows for the years then ended, and the related notes, and our report dated November 30, 2022, expressed an unqualified opinion thereon.

### *Basis for Opinion*

TD's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting contained in the accompanying Management's Discussion and Analysis. Our responsibility is to express an opinion on TD's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to TD in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### *Definition and Limitations of Internal Control over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
November 30, 2022

# Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEET

(As at and in millions of Canadian dollars)	October 31, 2022	October 31, 2021
<b>ASSETS</b>		
Cash and due from banks	\$ 8,556	\$ 5,931
Interest-bearing deposits with banks	137,294	159,962
Trading loans, securities, and other (Note 5)	143,726	147,590
Non-trading financial assets at fair value through profit or loss (Note 5)	10,946	9,390
Derivatives (Notes 5, 11)	103,873	54,427
Financial assets designated at fair value through profit or loss (Notes 5, 7)	5,039	4,564
Financial assets at fair value through other comprehensive income (Note 5)	69,675	79,066
	333,259	295,037
Debt securities at amortized cost, net of allowance for credit losses (Notes 5, 7)	342,774	268,939
Securities purchased under reverse repurchase agreements	160,167	167,284
<b>Loans (Notes 5, 8)</b>		
Residential mortgages	293,924	268,340
Consumer instalment and other personal	206,152	189,864
Credit card	36,010	30,738
Business and government	301,389	240,070
	837,475	729,012
Allowance for loan losses (Note 8)	(6,432)	(6,390)
Loans, net of allowance for loan losses	831,043	722,622
<b>Other</b>		
Customers' liability under acceptances	19,733	18,448
Investment in Schwab (Note 12)	8,088	11,112
Goodwill (Note 14)	17,656	16,232
Other intangibles (Note 14)	2,303	2,123
Land, buildings, equipment, and other depreciable assets (Note 15)	9,400	9,181
Deferred tax assets (Note 25)	2,193	2,265
Amounts receivable from brokers, dealers, and clients	19,760	32,357
Other assets (Note 16)	25,302	17,179
	104,435	108,897
<b>Total assets</b>	<b>\$ 1,917,528</b>	<b>\$ 1,728,672</b>
<b>LIABILITIES</b>		
Trading deposits (Notes 5, 17)	\$ 23,805	\$ 22,891
Derivatives (Notes 5, 11)	91,133	57,122
Securitization liabilities at fair value (Notes 5, 9)	12,612	13,505
Financial liabilities designated at fair value through profit or loss (Notes 5, 17)	162,786	113,988
	290,336	207,506
<b>Deposits (Notes 5, 17)</b>		
Personal	660,838	633,498
Banks	38,263	20,917
Business and government	530,869	470,710
	1,229,970	1,125,125
<b>Other</b>		
Acceptances	19,733	18,448
Obligations related to securities sold short (Note 5)	45,505	42,384
Obligations related to securities sold under repurchase agreements	128,024	144,097
Securitization liabilities at amortized cost (Notes 5, 9)	15,072	15,262
Amounts payable to brokers, dealers, and clients	25,195	28,993
Insurance-related liabilities (Note 22)	7,468	7,676
Other liabilities (Note 18)	33,552	28,133
	274,549	284,993
Subordinated notes and debentures (Notes 5, 19)	11,290	11,230
<b>Total liabilities</b>	<b>1,806,145</b>	<b>1,628,854</b>
<b>EQUITY</b>		
<b>Shareholders' Equity</b>		
Common shares (Note 21)	24,363	23,066
Preferred shares and other equity instruments (Note 21)	11,253	5,700
Treasury – common shares (Note 21)	(91)	(152)
Treasury – preferred shares and other equity instruments (Note 21)	(7)	(10)
Contributed surplus	179	173
Retained earnings	73,698	63,944
Accumulated other comprehensive income (loss)	1,988	7,097
<b>Total equity</b>	<b>111,383</b>	<b>99,818</b>
<b>Total liabilities and equity</b>	<b>\$ 1,917,528</b>	<b>\$ 1,728,672</b>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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

**Alan N. MacGibbon**  
Chair, Audit Committee

## CONSOLIDATED STATEMENT OF INCOME

(millions of Canadian dollars, except as noted)

	<i>For the years ended October 31</i>	
	2022	2021
<b>Interest income<sup>1</sup>(Note 30)</b>		
Loans	\$ 29,666	\$ 23,959
Securities		
Interest	7,928	3,721
Dividends	1,822	1,594
Deposits with banks	1,616	307
	<b>41,032</b>	<b>29,581</b>
<b>Interest expense (Note 30)</b>		
Deposits	9,748	3,742
Securitization liabilities	573	343
Subordinated notes and debentures	397	374
Other	2,961	991
	<b>13,679</b>	<b>5,450</b>
<b>Net interest income</b>	<b>27,353</b>	<b>24,131</b>
<b>Non-interest income</b>		
Investment and securities services	5,869	6,179
Credit fees	1,615	1,453
Trading income (loss)	(257)	313
Service charges	2,871	2,655
Card services	2,890	2,435
Insurance revenue (Note 22)	5,380	4,877
Other income (loss) (Notes 12, 13, 27)	3,311	650
	<b>21,679</b>	<b>18,562</b>
<b>Total revenue</b>	<b>49,032</b>	<b>42,693</b>
<b>Provision for (recovery of) credit losses (Note 8)</b>	<b>1,067</b>	<b>(224)</b>
<b>Insurance claims and related expenses (Note 22)</b>	<b>2,900</b>	<b>2,707</b>
<b>Non-interest expenses</b>		
Salaries and employee benefits	13,394	12,378
Occupancy, including depreciation	1,660	1,882
Technology and equipment, including depreciation	1,902	1,694
Amortization of other intangibles	599	706
Communication and marketing	1,355	1,203
Brokerage-related and sub-advisory fees	408	427
Professional, advisory and outside services	2,190	1,620
Other	3,133	3,166
	<b>24,641</b>	<b>23,076</b>
<b>Income before income taxes and share of net income from investment in Schwab</b>	<b>20,424</b>	<b>17,134</b>
<b>Provision for (recovery of) income taxes (Note 25)</b>	<b>3,986</b>	<b>3,621</b>
<b>Share of net income from investment in Schwab (Note 12)</b>	<b>991</b>	<b>785</b>
<b>Net income</b>	<b>17,429</b>	<b>14,298</b>
<b>Preferred dividends and distributions on other equity instruments</b>	<b>259</b>	<b>249</b>
<b>Net income available to common shareholders</b>	<b>\$ 17,170</b>	<b>\$ 14,049</b>
<b>Earnings per share (Canadian dollars) (Note 26)</b>		
Basic	\$ 9.48	\$ 7.73
Diluted	9.47	7.72
<b>Dividends per common share (Canadian dollars)</b>	<b>3.56</b>	<b>3.16</b>

<sup>1</sup> Includes \$35,277 million for the year ended October 31, 2022 (October 31, 2021 – \$26,706 million), which has been calculated based on the effective interest rate method (EIRM).

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(millions of Canadian dollars)

	<i>For the years ended October 31</i>	
	2022	2021
<b>Net income</b>	<b>\$ 17,429</b>	<b>\$ 14,298</b>
<b>Other comprehensive income (loss)</b>		
<b>Items that will be subsequently reclassified to net income</b>		
<b>Net change in unrealized gain/(loss) on financial assets at fair value through other comprehensive income</b>		
Change in unrealized gain/(loss)	(1,343)	27
Reclassification to earnings of net loss/(gain)	2	(75)
Changes in allowance for credit losses recognized in earnings	(5)	1
Income taxes relating to:		
Change in unrealized gain/(loss)	360	(2)
Reclassification to earnings of net loss/(gain)	-	16
	<b>(986)</b>	<b>(33)</b>
<b>Net change in unrealized foreign currency translation gain/(loss) on investments in foreign operations, net of hedging activities</b>		
Unrealized gain/(loss)	9,230	(6,082)
Reclassification to earnings of net loss/(gain)	50	-
Net gain/(loss) on hedges	(3,271)	2,649
Reclassification to earnings of net loss/(gain) on hedges	(68)	-
Income taxes relating to:		
Net gain/(loss) on hedges	859	(694)
Reclassification to earnings of net loss/(gain) on hedges	18	-
	<b>6,818</b>	<b>(4,127)</b>
<b>Net change in gain/(loss) on derivatives designated as cash flow hedges</b>		
Change in gain/(loss)	(6,179)	(3,172)
Reclassification to earnings of loss/(gain)	(4,100)	607
Income taxes relating to:		
Change in gain/(loss)	1,660	761
Reclassification to earnings of loss/(gain)	972	(92)
	<b>(7,647)</b>	<b>(1,896)</b>
<b>Share of other comprehensive income (loss) from investment in Schwab</b>	<b>(3,200)</b>	<b>(768)</b>
<b>Items that will not be subsequently reclassified to net income</b>		
<b>Remeasurement gain/(loss) on employee benefit plans</b>		
Gain/(loss)	1,105	2,422
Income taxes	(290)	(635)
	<b>815</b>	<b>1,787</b>
<b>Change in net unrealized gain/(loss) on equity securities designated at fair value through other comprehensive income</b>		
Change in net unrealized gain/(loss)	(214)	587
Income taxes	56	(154)
	<b>(158)</b>	<b>433</b>
<b>Gain/(loss) from changes in fair value due to own credit risk on financial liabilities designated at fair value through profit or loss</b>		
Gain/(loss)	87	69
Income taxes	(23)	(18)
	<b>64</b>	<b>51</b>
<b>Total other comprehensive income (loss)</b>	<b>(4,294)</b>	<b>(4,553)</b>
<b>Total comprehensive income (loss)</b>	<b>\$ 13,135</b>	<b>\$ 9,745</b>
Attributable to:		
Common shareholders	\$ 12,876	\$ 9,496
Preferred shareholders and other equity instrument holders	259	249

The accompanying Notes are an integral part of these Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(millions of Canadian dollars)

	<i>For the years ended October 31</i>	
	2022	2021
<b>Common shares (Note 21)</b>		
Balance at beginning of year	\$ 23,066	\$ 22,487
Proceeds from shares issued on exercise of stock options	120	165
Shares issued as a result of dividend reinvestment plan	1,442	414
Purchase of shares for cancellation and other	(265)	–
Balance at end of year	24,363	23,066
<b>Preferred shares and other equity instruments (Note 21)</b>		
Balance at beginning of year	5,700	5,650
Issue of shares and other equity instruments	5,553	1,750
Redemption of shares and other equity instruments	–	(1,700)
Balance at end of year	11,253	5,700
<b>Treasury – common shares (Note 21)</b>		
Balance at beginning of year	(152)	(37)
Purchase of shares	(10,852)	(10,859)
Sale of shares	10,913	10,744
Balance at end of year	(91)	(152)
<b>Treasury – preferred shares and other equity instruments (Note 21)</b>		
Balance at beginning of year	(10)	(4)
Purchase of shares and other equity instruments	(255)	(205)
Sale of shares and other equity instruments	258	199
Balance at end of year	(7)	(10)
<b>Contributed surplus</b>		
Balance at beginning of year	173	121
Net premium (discount) on sale of treasury instruments	(3)	–
Issuance of stock options, net of options exercised	18	6
Other	(9)	46
Balance at end of year	179	173
<b>Retained earnings</b>		
Balance at beginning of year	63,944	53,845
Net income attributable to equity instrument holders	17,429	14,298
Common dividends	(6,442)	(5,741)
Preferred dividends and distributions on other equity instruments	(259)	(249)
Share and other equity instrument issue expenses	(24)	(5)
Net premium on repurchase of common shares and redemption of preferred shares and other equity instruments (Note 21)	(1,930)	(1)
Remeasurement gain/(loss) on employee benefit plans	815	1,787
Realized gain/(loss) on equity securities designated at fair value through other comprehensive income	165	10
Balance at end of year	73,698	63,944
<b>Accumulated other comprehensive income (loss)</b>		
<i>Net unrealized gain/(loss) on financial assets at fair value through other comprehensive income:</i>		
Balance at beginning of year	510	543
Other comprehensive income (loss)	(981)	(34)
Allowance for credit losses	(5)	1
Balance at end of year	(476)	510
<i>Net unrealized gain/(loss) on equity securities designated at fair value through other comprehensive income:</i>		
Balance at beginning of year	181	(252)
Other comprehensive income (loss)	7	443
Reclassification of loss/(gain) to retained earnings	(165)	(10)
Balance at end of year	23	181
<i>Gain/(loss) from changes in fair value due to own credit risk on financial liabilities designated at fair value through profit or loss:</i>		
Balance at beginning of year	14	(37)
Other comprehensive income (loss)	64	51
Balance at end of year	78	14
<i>Net unrealized foreign currency translation gain/(loss) on investments in foreign operations, net of hedging activities:</i>		
Balance at beginning of year	5,230	9,357
Other comprehensive income (loss)	6,818	(4,127)
Balance at end of year	12,048	5,230
<i>Net gain/(loss) on derivatives designated as cash flow hedges:</i>		
Balance at beginning of year	1,930	3,826
Other comprehensive income (loss)	(7,647)	(1,896)
Balance at end of year	(5,717)	1,930
<i>Share of accumulated other comprehensive income (loss) from Investment in Schwab</i>	(3,968)	(768)
<b>Total accumulated other comprehensive income</b>	1,988	7,097
<b>Total equity</b>	\$ 111,383	\$ 99,818

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	
	2022	2021
<b>Cash flows from (used in) operating activities</b>		
Net income	\$ 17,429	\$ 14,298
Adjustments to determine net cash flows from (used in) operating activities		
Provision for (recovery of) credit losses (Note 8)	1,067	(224)
Depreciation (Note 15)	1,167	1,360
Amortization of other intangibles	599	706
Net securities loss/(gain) (Note 7)	(60)	(14)
Share of net income from investment in Schwab (Note 12)	(991)	(785)
Gain on sale of Schwab shares (Note 12)	(997)	-
Deferred taxes (Note 25)	502	258
Changes in operating assets and liabilities		
Interest receivable and payable (Notes 16, 18)	(412)	(288)
Securities sold under repurchase agreements	(16,073)	(44,779)
Securities purchased under reverse repurchase agreements	7,117	1,878
Securities sold short	3,121	7,030
Trading loans, securities, and other	3,864	1,177
Loans net of securitization and sales	(109,463)	(3,660)
Deposits	105,759	(6,494)
Derivatives	(15,435)	3,734
Non-trading financial assets at fair value through profit or loss	(1,556)	(842)
Financial assets and liabilities designated at fair value through profit or loss	48,323	54,498
Securitization liabilities	(1,083)	(719)
Current taxes	(4,100)	239
Brokers, dealers, and clients amounts receivable and payable	8,799	(4,592)
Other, including unrealized foreign currency translation loss/(gain)	(8,628)	27,348
Net cash from (used in) operating activities	38,949	50,129
<b>Cash flows from (used in) financing activities</b>		
Redemption or repurchase of subordinated notes and debentures	6	(7)
Common shares issued, net	108	145
Repurchase of common shares (Note 21)	(2,195)	-
Preferred shares and other equity instruments issued, net	5,529	1,745
Redemption of preferred shares and other equity instruments	(1,000)	(700)
Sale of treasury shares and other equity instruments	11,168	10,943
Purchase of treasury shares and other equity instruments (Note 21)	(11,107)	(11,064)
Dividends paid on shares and distributions paid on other equity instruments	(6,665)	(5,555)
Repayment of lease liabilities	(663)	(543)
Net cash from (used in) financing activities	(4,819)	(5,036)
<b>Cash flows from (used in) investing activities</b>		
Interest-bearing deposits with banks	30,455	(729)
Activities in financial assets at fair value through other comprehensive income		
Purchases	(31,135)	(21,056)
Proceeds from maturities	33,158	33,541
Proceeds from sales	6,723	5,363
Activities in debt securities at amortized cost		
Purchases	(149,560)	(153,896)
Proceeds from maturities	68,719	92,131
Proceeds from sales	8,720	2,365
Net purchases of land, buildings, equipment, other depreciable assets, and other intangibles	(1,454)	(1,129)
Net cash acquired from (paid for) divestitures and acquisitions (Note 12)	2,479	(1,858)
Net cash from (used in) investing activities	(31,895)	(45,268)
Effect of exchange rate changes on cash and due from banks	390	(339)
<b>Net increase (decrease) in cash and due from banks</b>	<b>2,625</b>	<b>(514)</b>
Cash and due from banks at beginning of year	5,931	6,445
<b>Cash and due from banks at end of year</b>	<b>\$ 8,556</b>	<b>\$ 5,931</b>
<b>Supplementary disclosure of cash flows from operating activities</b>		
Amount of income taxes paid (refunded) during the year	\$ 4,404	\$ 4,071
Amount of interest paid during the year	12,523	5,878
Amount of interest received during the year	37,642	28,127
Amount of dividends received during the year	1,792	1,844

The accompanying Notes are an integral part of these Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

## NOTE 1: NATURE OF OPERATIONS

### CORPORATE INFORMATION

The Toronto-Dominion Bank is a bank chartered under the *Bank Act (Canada)*. 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 (Canada)*. 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 four business segments operating in a number of locations in key financial centres around the globe: Canadian Personal and Commercial Banking, U.S. Retail, Wealth Management and Insurance, 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 revised to conform with the presentation adopted in the current period.

The preparation of the Consolidated Financial Statements requires that management make judgments, estimates, and assumptions regarding the reported amount of assets, liabilities, revenue and expenses, and disclosure of contingent assets and liabilities, as further described in Note 3. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

The accompanying Consolidated Financial Statements of the Bank were approved and authorized for issue by the Bank's Board of Directors, in accordance with a recommendation of the Audit Committee, on November 30, 2022.

The risk management policies and procedures of the Bank are provided in the Management's Discussion and Analysis (MD&A). The shaded sections of the "Managing Risk" section of the 2022 MD&A, relating to market, liquidity, and insurance risks, are an integral part of these Consolidated Financial Statements, as permitted by IFRS.

## 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's Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and events in similar circumstances. All intercompany transactions, balances, and unrealized gains and losses on transactions are eliminated on consolidation.

#### Subsidiaries

Subsidiaries are corporations or other legal entities controlled by the Bank, generally through directly holding more than half of the voting power of the entity. Control of subsidiaries is determined based on the power exercisable through ownership of voting rights and is generally aligned with the risks and/or returns (collectively referred to as "variable returns") absorbed from subsidiaries through those voting rights. As a result, the Bank controls and consolidates subsidiaries when it holds the majority of the voting rights of the subsidiary, unless there is evidence that another investor has control over the subsidiary. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Bank controls an entity. Subsidiaries are consolidated from the date the Bank obtains control and continue to be consolidated until the date when control ceases to exist.

The Bank may consolidate certain subsidiaries where it owns 50% or less of the voting rights. Most of those subsidiaries are structured entities as described in the following section.

#### Structured Entities

Structured entities are entities 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. Structured entities are consolidated when the substance of the relationship between the Bank and the structured entity indicates that the Bank controls the entity. 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 variable 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 variable 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 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;
- Changes in the financing structure of an entity; and
- Changes in the rights to exercise power over 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. Significant influence is presumed to exist where the Bank holds between 20% and 50% of the voting rights of an entity. Significant influence may also exist where the Bank holds less than 20% of the voting rights and has influence over financial and operating policy-making processes, through board representation and significant commercial arrangements. 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. The carrying amount of the investments also includes the Bank's share of the investee's other comprehensive income or loss, which is reported in the relevant section of the Consolidated Statement of Comprehensive 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.

### **CASH AND DUE FROM BANKS**

Cash and due from banks consist of cash and amounts due from banks which are issued by investment grade financial institutions. These amounts are due on demand or have an original maturity of three months or less.

### **REVENUE RECOGNITION**

Revenue is recognized at an amount that reflects the consideration the Bank expects to be entitled to in exchange for transferring services to a customer, excluding amounts collected on behalf of third parties. The Bank recognizes revenue when it transfers control of a good or a service to a customer at a point in time or over time. The determination of when performance obligations are satisfied requires the use of judgment. Refer to Note 3 for further details.

The Bank identifies contracts with customers subject to IFRS 15, *Revenue from Contracts with Customers*, which create enforceable rights and obligations. The Bank determines the performance obligations based on distinct services promised to the customers in the contracts. The Bank's contracts generally have a term of one year or less, consist of a single performance obligation, and the performance obligations generally reflect services.

For each contract, the Bank determines the transaction price, which includes estimating variable consideration and assessing whether the price is constrained. Variable consideration is included in the transaction price to the extent that it is highly probable that a significant reversal of the amount will not occur when the uncertainty associated with the amount of variable consideration is subsequently resolved. As such, the estimate of the variable consideration is constrained until the end of the invoicing period. The uncertainty is generally resolved at the end of the reporting period and as such, no significant judgment is required when recognizing variable consideration in revenues.

The Bank's receipt of payment from customers generally occurs subsequent to the satisfaction of performance obligations or a short time thereafter. As such, the Bank has not recognized any material contract assets (unbilled receivables) or contract liabilities (deferred revenues) and there is no significant financing component associated with the consideration due to the Bank.

When another party is involved in the transfer of services to a customer, an assessment is made to evaluate whether the Bank is the principal such that revenues are reported on a gross basis or the agent such that revenues are reported on a net basis. The Bank is the principal when it controls the services in the contract promised to the customer before they are transferred. Control is demonstrated by the Bank being primarily responsible for fulfilling the transfer of the services to the customer, having discretion in establishing pricing of the services, or both.

### **Investment and securities services**

Investment and securities services income includes asset management fees, administration and commission fees, and investment banking fees. The Bank recognizes asset management and administration fees based on time elapsed, which depicts the rendering of investment management and related services over time. The fees are primarily calculated based on average daily or point in time assets under management (AUM) or assets under administration (AUA) depending on the investment mandate.

Commission fees include sales, trailer and brokerage commissions. Sales and brokerage commissions are generally recognized at a point in time when the transaction is executed. Trailer commissions are recognized over time and are generally calculated based on the average daily net asset value of the fund during the period.

Investment banking fees include advisory fees and underwriting fees and are generally recognized at a point in time upon successful completion of the engagement.

### **Credit fees**

Credit fees include liquidity fees, restructuring fees, letter of credit fees, and loan syndication fees. Liquidity, restructuring, and letter of credit fees are recognized in income over the period in which the service is provided. Loan syndication fees are generally recognized at a point in time upon completion of the financing placement.

### **Service charges**

Service charges income is earned on personal and commercial deposit accounts and consists of account fees and transaction-based service charges. Account fees relate to account maintenance activities and are recognized in income over the period in which the service is provided. Transaction-based service charges are recognized as earned at a point in time when the transaction is complete.

### **Card services**

Card services income includes interchange income as well as card fees such as annual and transactional fees. Interchange income is recognized at a point in time when the transaction is authorized and funded. Card fees are recognized as earned at the transaction date with the exception of annual fees, which are recognized over a twelve-month period.



## FINANCIAL INSTRUMENTS

### Interest Rate Benchmark Reform Phase 1

The Bank adopted *Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7* (Interest Rate Benchmark Reform Phase 1), including the applicable amendments to IFRS 7 relating to hedge accounting, in the fourth quarter of 2019. Under these amendments, it is assumed that the hedged interest rate benchmark is not altered and thus hedge accounting continues through to the date of replacement of the existing interest rate benchmark with its alternative reference rate (ARR). The Bank is not required to discontinue hedge accounting if the actual results of the hedge do not meet the effectiveness requirements as a result of interbank offered rate (IBOR) reform. Refer to Note 11 for disclosures related to the Bank's hedge accounting relationships impacted by IBOR reform.

Refer to Note 3 for details of *Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16* (Interest Rate Benchmark Reform Phase 2), issued on August 27, 2020 and early adopted by the Bank on November 1, 2020.

### Classification and Measurement of Financial Assets

The Bank classifies its financial assets into the following categories:

- Amortized cost;
- Fair value through other comprehensive income (FVOCI);
- Held-for-trading;
- Non-trading fair value through profit or loss (FVTPL); and
- Designated as measured at FVTPL.

The Bank recognizes financial assets on a settlement date basis, except for derivatives and securities, which are recognized on a trade date basis.

### Debt Instruments

The classification and measurement for debt instruments is based on the Bank's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). Refer to Note 3 for judgment with respect to the determination of the Bank's business models and whether contractual cash flows represent SPPI.

The Bank has determined its business models as follows:

- Held-to-collect: the objective is to collect contractual cash flows;
- Held-to-collect-and-sell: the objective is both to collect contractual cash flows and sell the financial assets; and
- Held-for-sale and other business models: the objective is neither of the above.

The Bank performs the SPPI test for financial assets held within the held-to-collect and held-to-collect-and-sell business models. If these financial assets have contractual cash flows which are inconsistent with a basic lending arrangement that do not pass the SPPI test, they are classified as non-trading financial assets measured at FVTPL. In a basic lending arrangement, interest includes only consideration for time value of money, credit risk, other basic lending risks, and a reasonable profit margin.

#### *Debt Securities and Loans Measured at Amortized Cost*

Debt securities and loans held within a held-to-collect business model where their contractual cash flows pass the SPPI test are measured at amortized cost. The carrying amount of these financial assets is adjusted by an allowance for credit losses recognized and measured as described in the *Impairment – Expected Credit Loss Model* section of this Note, as well as any write-offs and unearned income which includes prepaid interest, loan origination fees and costs, commitment fees, loan syndication fees, and unamortized discounts or premiums. Interest income is recognized using EIRM. The effective interest rate (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. Loan origination fees and costs are considered to be adjustments to the loan yield and are recognized in interest income over the term of the loan. Commitment fees are recognized in credit fees over the commitment period when it is unlikely that the commitment will be called upon; otherwise, they are recognized in interest income over the term of the resulting loan. Loan syndication fees are recognized in credit fees upon completion of the financing placement unless the yield on any loan retained by the Bank is less than that of other comparable lenders involved in the financing syndicate. In such cases, an appropriate portion of the fee is recognized as a yield adjustment in interest income over the term of the loan.

#### *Debt Securities and Loans Measured at Fair Value through Other Comprehensive Income*

Debt securities and loans held within a held-to-collect-and-sell business model where their contractual cash flows pass the SPPI test are measured at FVOCI. Fair value changes are recognized in other comprehensive income, except for impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortized cost, which are recognized in the Consolidated Statement of Income. Interest income is recognized using EIRM. The expected credit loss (ECL) allowance is recognized and measured as described in the *Impairment – Expected Credit Loss Model* section of this Note. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to income and recognized in other income (loss).

#### *Financial Assets Held-for-Trading*

The held-for-sale business model includes financial assets held within a trading portfolio, which have been originated, acquired, or incurred principally for the purpose of selling in the near term, or if they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking. Financial assets held within this business model consist of trading securities, trading loans, as well as certain securities purchased under reverse repurchase agreements.

Trading portfolio assets are accounted for at fair value with changes in fair value recognized in trading income (loss). Transaction costs are expensed as incurred. Dividends are recognized on the ex-dividend date and interest is recognized on an accrual basis. Both dividends and interest are included in interest income.

#### *Non-Trading Financial Assets Measured at Fair Value through Profit or Loss*

Non-trading financial assets measured at FVTPL include financial assets held within the held-for-sale and other business models, for example debt securities and loans managed on a fair value basis. Financial assets held within the held-to-collect or held-to-collect-and-sell business models that do not pass the SPPI test are also classified as non-trading financial assets measured at FVTPL. Changes in fair value as well as any gains or losses realized on disposal are recognized in other income (loss). Interest income from debt instruments is included in interest income on an accrual basis.

#### *Financial Assets Designated at Fair Value through Profit or Loss*

Debt instruments in a held-to-collect or held-to-collect-and-sell business model can be designated at initial recognition as measured at FVTPL, provided the designation can eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring these financial assets on a different basis. The FVTPL designation is available only for those financial instruments for which a reliable estimate of fair value can be obtained. Once financial assets are designated at FVTPL, the designation is irrevocable. Changes in fair value as well as any gains or losses realized on disposal are recognized in other income (loss). Interest income from these financial assets is included in interest income on an accrual basis.

#### *Customers' Liability under Acceptances*

Acceptances represent a form of negotiable short-term debt issued by customers, which the Bank guarantees for a fee. Revenue is recognized on an accrual basis. The potential obligation of the Bank is reported as a liability under Acceptances on the Consolidated Balance Sheet. The Bank's recourse against the customer in the event of a call on any of these commitments is reported as an asset of the same amount.

#### *Equity Instruments*

Equity investments are required to be measured at FVTPL, except where the Bank has elected at initial recognition to irrevocably designate an equity investment, held for purposes other than trading, at FVOCI. If such an election is made, the fair value changes, including any associated foreign exchange gains or losses, are recognized in other comprehensive income and are not subsequently reclassified to net income, including upon disposal. Realized gains and losses are transferred directly to retained earnings upon disposal. Consequently, there is no review required for impairment. Dividends will normally be recognized in interest income unless the dividends represent a recovery of part of the cost of the investment. Gains and losses on trading and non-trading equity investments measured at FVTPL are included in trading income (loss) and other income (loss), respectively.

#### **Classification and Measurement for Financial Liabilities**

The Bank classifies its financial liabilities into the following categories:

- Held-for-trading;
- Designated at FVTPL; and
- Other liabilities.

#### *Financial Liabilities Held-for-Trading*

Financial liabilities are held within a trading portfolio if they have been incurred principally for the purpose of repurchasing in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Financial liabilities held-for-trading are primarily trading deposits, securitization liabilities at fair value, obligations related to securities sold short and certain obligations related to securities sold under repurchase agreements.

Trading portfolio liabilities are accounted for at fair value, with changes in fair value as well as any gains or losses realized on disposal recognized in trading income (loss). Transaction costs are expensed as incurred. Interest is recognized on an accrual basis in interest expense.

#### *Financial Liabilities Designated at Fair Value through Profit or Loss*

Certain financial liabilities may be designated at FVTPL at initial recognition. To be designated at FVTPL, financial liabilities must meet one of the following criteria: (1) the designation eliminates or significantly reduces a measurement or recognition inconsistency; (2) the financial liabilities or a group of financial assets and financial liabilities are managed, and its performance is evaluated, on a fair value basis in accordance with a documented risk management or investment strategy; or (3) the instrument contains one or more embedded derivatives unless a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract, or b) it is clear with little or no analysis that separation of the embedded derivative from the financial instrument is prohibited. In addition, the FVTPL designation is available only for those financial instruments for which a reliable estimate of fair value can be obtained. Once financial liabilities are designated at FVTPL, the designation is irrevocable.

Financial liabilities designated at FVTPL are carried at fair value on the Consolidated Balance Sheet, with changes in fair value as well as any gains or losses realized on disposal recognized in other income (loss), except for the amount of change in fair value attributable to changes in the Bank's own credit risk, which is presented in other comprehensive income. Amounts recognized in other comprehensive income are not subsequently reclassified to net income upon derecognition of the financial liability; instead, they are transferred directly to retained earnings.

Changes in fair value attributable to changes in the Bank's own credit risk are measured as the difference between: (i) the period-over-period change in the present value of the expected cash flows using an all-in discount curve reflecting both the interest rate benchmark curve and the Bank's own credit curve; and (ii) the period-over-period change in the present value of the same expected cash flows using a discount curve based solely on the interest rate benchmark curve.

For loan commitments and financial guarantee contracts that are designated at FVTPL, the full change in fair value of the liability is recognized in other income (loss).

Interest is recognized on an accrual basis in interest expense.

#### **Other Financial Liabilities**

##### *Deposits*

Deposits, other than deposits included in a trading portfolio and deposits designated at FVTPL, are accounted for at amortized cost. Accrued interest on deposits is included in Other liabilities on the Consolidated Balance Sheet. Interest, including capitalized transaction costs, is recognized on an accrual basis using EIRM as Interest expense on the Consolidated Statement of Income.

#### *Subordinated Notes and Debentures*

Subordinated notes and debentures are accounted for at amortized cost. Accrued interest on subordinated notes and debentures is included in Other liabilities on the Consolidated Balance Sheet. Interest, including capitalized transaction costs, is recognized on an accrual basis using EIRM as Interest expense on the Consolidated Statement of Income.

#### **Reclassification of Financial Assets and Financial Liabilities**

Financial assets and financial liabilities are not reclassified subsequent to their initial recognition, except for financial assets for which the Bank changes its business model for managing financial assets. Such reclassifications of financial assets are expected to be rare in practice.

#### **Impairment – Expected Credit Loss Model**

The ECL model applies to financial assets, including loans and debt securities measured at amortized cost, loans and debt securities measured at FVOCI, loan commitments, and financial guarantees that are not measured at FVTPL.

The ECL model consists of three stages: Stage 1 – Twelve-month ECLs for performing financial assets, Stage 2 – Lifetime ECLs for financial assets that have experienced a significant increase in credit risk since initial recognition, and Stage 3 – Lifetime ECLs for financial assets that are credit-impaired. ECLs are the difference between all the contractual cash flows that are due to the Bank in accordance with the contract and all the cash flows the Bank expects to receive, discounted at the original EIR. If a significant increase in credit risk has occurred since initial recognition, impairment is measured as lifetime ECLs. Otherwise, impairment is measured as twelve-month ECLs which represent the portion of lifetime ECLs that are expected to occur based on default events that are possible within twelve months after the reporting date. If credit quality improves in a subsequent period such that the increase in credit risk since initial recognition is no longer considered significant, the loss allowance reverts to being measured based on twelve-month ECLs.

#### **Significant Increase in Credit Risk**

For retail exposures, significant increase in credit risk is assessed based on changes in the twelve-month probability of default (PD) since initial recognition, using a combination of individual and collective information that incorporates borrower and account specific attributes and relevant forward-looking macroeconomic variables.

For non-retail exposures, significant increase in credit risk is assessed based on changes in the internal risk rating (borrower risk ratings (BRR)) since initial recognition. Refer to the shaded areas of the “Managing Risk” section of the 2022 MD&A for further details on the Bank’s 21-point BRR scale to risk levels.

For both retail and non-retail exposures, delinquency backstop when contractual payments are more than 30 days past due is also used in assessing significant increase in credit risk.

The Bank defines default as delinquency of 90 days or more for most retail products and BRR of 9 for non-retail exposures. Exposures are considered credit-impaired and migrate to Stage 3 when the definition of default is met or when there is objective evidence that there has been a deterioration of credit quality to the extent the Bank no longer has reasonable assurance as to the timely collection of the full amount of principal and interest.

When assessing whether there has been a significant increase in credit risk since the initial recognition of a financial asset, the Bank considers all reasonable and supportable information that is available without undue cost or effort about past events, current conditions, and forecast of future economic conditions. Refer to Note 3 for additional details.

#### **Measurement of Expected Credit Losses**

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument and consider reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions that impact the Bank’s credit risk assessment. Expected life is the maximum contractual period the Bank is exposed to credit risk, including extension options for which the borrower has unilateral right to exercise. For certain financial instruments that include both a loan and an undrawn commitment, and the Bank’s contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank’s exposure to credit losses to the contractual notice period, ECLs are measured over the period the Bank is exposed to credit risk. For example, ECLs for credit cards are measured over the borrowers’ expected behavioural life, incorporating survivorship assumptions and borrower-specific attributes.

The Bank leverages its Advanced Internal Ratings-Based (AIRB) models used for regulatory capital purposes and incorporates adjustments where appropriate to calculate ECLs.

#### **Forward-Looking Information and Expert Credit Judgment**

Forward-looking information is considered when determining significant increase in credit risk and measuring ECLs. Forward-looking macroeconomic factors are incorporated in the risk parameters as relevant.

Qualitative factors that are not already considered in the quantitative models are incorporated by applying expert credit judgment in determining the final ECLs. Refer to Note 3 for additional details.

#### **Modified Loans**

In cases where a borrower experiences financial difficulties, the Bank may grant certain modifications to the terms and conditions of a loan. Modifications may include payment deferrals, extension of amortization periods, rate reductions, principal forgiveness, debt consolidation, forbearance and other modifications intended to minimize the economic loss and to avoid foreclosure or repossession of collateral. The Bank has policies in place to determine the appropriate remediation strategy based on the individual borrower.

If the Bank determines that a modification results in expiry of cash flows, the original asset is derecognized and a new asset is recognized based on the new contractual terms. Significant increase in credit risk is assessed relative to the risk of default on the date of modification.

If the Bank determines that a modification does not result in derecognition, significant increase in credit risk is assessed based on the risk of default at initial recognition of the original asset. Expected cash flows arising from the modified contractual terms are considered when calculating ECLs for the modified asset. For loans that were modified while having lifetime ECLs, the loans can revert to having twelve-month ECLs after a period of performance and improvement in the borrower’s financial condition.

#### **Allowance for Loan Losses, Excluding Acquired Credit-Impaired Loans**

The allowance for loan losses represents management's calculation of probability-weighted ECLs in the lending portfolios, including any off-balance sheet exposures, at the balance sheet date. The allowance for loan losses for lending portfolios reported on the Consolidated Balance Sheet, which includes credit-related allowances for residential mortgages, consumer instalment and other personal, credit card, business and government loans, and customers' liability under acceptances, is deducted from Loans on the Consolidated Balance Sheet. The allowance for loan losses for loans measured at FVOCI is presented on the Consolidated Statement of Changes in Equity. The allowance for loan losses for off-balance sheet instruments, which relates to certain guarantees, letters of credit, and undrawn lines of credit, is recognized in Other liabilities on the Consolidated Balance Sheet. Allowances for lending portfolios reported on the balance sheet and off-balance sheet exposures are calculated using the same methodology. The allowance is increased by the provision for credit losses and decreased by write-offs net of recoveries and disposals. Each quarter, allowances are reassessed and adjusted based on any changes in management's estimate of ECLs. Loan losses on impaired loans in Stage 3 continue to be recognized by means of an allowance for loan losses until a loan is written off.

A loan is written off against the related allowance for loan losses when there is no realistic prospect of recovery. Non-retail loans are generally written off when all reasonable collection efforts have been exhausted, such as when a loan is sold, when all security has been realized, or when all security has been resolved with the receiver or bankruptcy court. Non-real estate retail loans are generally written off when contractual payments are 180 days past due, or when a loan is sold. Real-estate secured retail loans are generally written off when the security is realized. The time period over which the Bank performs collection activities on the contractual amount outstanding of financial assets that are written off varies from one jurisdiction to another and generally spans between less than one year to five years.

#### **Allowance for Credit Losses on Debt Securities**

The allowance for credit losses on debt securities represents management's calculation of probability-weighted ECLs. Debt securities measured at amortized cost are presented net of the allowance for credit losses on the Consolidated Balance Sheet. The allowance for credit losses on debt securities measured at FVOCI are presented on the Consolidated Statement of Changes in Equity. The allowance for credit losses is increased by the provision for credit losses and decreased by write-offs net of recoveries and disposals.

#### **Acquired Performing Loans**

Acquired performing loans are initially measured at fair value, which considers incurred and expected future credit losses estimated at the acquisition date and also reflects adjustments based on the acquired loan's interest rate in comparison to current market rates. On acquisition, twelve-month ECLs are recognized on the acquired performing loans, resulting in the carrying amount being lower than fair value. Acquired performing loans are subsequently accounted for at amortized cost based on their contractual cash flows and any acquisition related discount or premium, including credit-related discounts, is considered to be an adjustment to the loan yield and is recognized in interest income using EIRM over the term of the loan, or the expected life of the loan for acquired performing loans with revolving terms.

#### **Acquired Credit-Impaired Loans**

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, with no ECLs recognized on acquisition. ACI loans are identified as impaired at acquisition based on specific risk characteristics of the loans, including past due status, performance history, and recent borrower credit scores. ACI loans are accounted for based on the present value of expected cash flows as opposed to their contractual cash flows. The Bank determines the fair value of these loans at the acquisition date by discounting expected cash flows at a discount rate that reflects factors a market participant would use when determining fair value, including management assumptions relating to default rates, loss severities, the amount and timing of prepayments, and other factors that are reflective of current market conditions. With respect to certain individually significant ACI loans, accounting is applied individually at the loan level. The remaining ACI loans are aggregated provided they are acquired in the same fiscal quarter and have common risk characteristics. Aggregated loans are accounted for as a single asset with aggregated cash flows and a single composite interest rate. Subsequent to acquisition, the Bank regularly reassesses and updates its cash flow estimates for changes to assumptions relating to default rates, loss severities, the amount and timing of prepayments, and other factors that are reflective of current market conditions. Probable decreases in expected cash flows trigger the recognition of additional impairment, which is measured based on the present value of the revised expected cash flows discounted at the loan's EIR as compared to the carrying value of the loan. The ECL in excess of the initial credit-related discount is recorded through the provision for credit losses. Interest income on ACI loans is calculated by applying the credit-adjusted EIR to the amortized cost of ACI loans.

#### **SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS**

The Bank classifies financial instruments that it issues as either financial liabilities, equity instruments, or compound instruments.

Issued instruments that are mandatorily redeemable or convertible into a variable number of the Bank's common shares at the holder's option are classified as liabilities on the Consolidated Balance Sheet. Dividend or interest payments on these instruments are recognized in Interest expense on the Consolidated Statement of Income.

Issued instruments are classified as equity when there is no contractual obligation to transfer cash or other financial assets to redeem or convert these instruments. Such instruments, if not mandatorily redeemable or convertible into a variable number of the Bank's common shares at the holder's option, are classified as equity on the Consolidated Balance Sheet. Incremental costs directly attributable to the issue of equity instruments are included in equity as a deduction from the proceeds, net of tax. Dividends and distributions 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. The liability component is initially measured at fair value with any residual amount assigned to the equity component. Issuance costs are allocated proportionately to the liability and equity components.

Common shares, preferred shares, and other equity instruments issued and held by the Bank are classified as treasury instruments in equity, and the cost of these instruments is recorded as a reduction in equity. Upon the sale of treasury instruments, the difference between the sale proceeds and the cost of the instruments is recorded in or against contributed surplus.

#### **GUARANTEES**

The Bank issues guarantee contracts that require payments to be made to guaranteed parties based on: (1) changes in the underlying economic characteristics relating to an asset or liability of the guaranteed party; (2) failure of another party to perform under an obligating agreement; or (3) failure of another third party to pay its indebtedness when due. Guarantees are initially measured and recorded at their fair value. The fair value of a guarantee liability at initial recognition is normally equal to the present value of the guarantee fees received over the life of the 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 over-the-counter (OTC) credit derivative contracts designed to transfer the credit risk in an underlying financial instrument from one counterparty to another.

## DERIVATIVES

Derivatives are instruments that derive their value from changes in underlying interest rates, foreign exchange rates, credit spreads, commodity prices, equities, or other financial or non-financial measures. Such instruments include interest rate, foreign exchange, equity, commodity, and credit derivative contracts. The Bank uses these instruments for trading and non-trading purposes. Derivatives are carried at their fair value on the Consolidated Balance Sheet.

### **Derivatives Held for Trading Purposes**

The Bank enters into trading derivative contracts to meet the needs of its customers, to provide liquidity and market-making related activities, and in certain cases, to manage risks related to its trading portfolios. The realized and unrealized gains or losses on trading derivatives are recognized in trading income (loss).

### **Derivatives Held for Non-trading Purposes**

Non-trading derivatives are primarily used to manage interest rate, foreign exchange, and other market risks of the Bank's traditional banking activities. When derivatives are held for non-trading purposes and when the transactions meet the hedge accounting requirements of IAS 39, *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*

The Bank has an accounting policy choice to apply the hedge accounting requirements of IFRS 9, *Financial Instruments* (IFRS 9) or IAS 39. The Bank has made the decision to continue applying the IAS 39 hedge accounting requirements and complies with the revised annual hedge accounting disclosures as required by the related amendments to IFRS 7, *Financial Instruments: Disclosures* (IFRS 7).

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 highly 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 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 are recognized in Net interest income or Non-interest income, as applicable, on the Consolidated Statement of Income.

When derivatives are designated in hedge accounting relationships, the Bank classifies them either as: (1) hedges of the changes in fair value of recognized assets, liabilities or firm commitments (fair value hedges); (2) hedges of the variability in highly probable future cash flows attributable to recognized assets, liabilities or forecast transactions (cash flow hedges); or (3) hedges of net investments in foreign operations (net investment hedges).

#### *Interest Rate Benchmark Reform*

A hedging relationship is affected by IBOR reform if the reform gives rise to uncertainties about (a) the interest rate benchmark (contractually or non-contractually specified) designated as a hedged risk; and/or (b) the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument.

For such hedging relationships, the following temporary exceptions apply during the period of uncertainty:

- When assessing whether a forecast transaction is highly probable or expected to occur, it is assumed that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of IBOR reform;
- When assessing whether a hedge is expected to be highly effective, it is assumed that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of IBOR reform;
- A hedge is not required to be discontinued if the actual results of the hedge are outside of a range of 80–125 per cent as a result of IBOR reform; and
- For a hedge of a non-contractually specified benchmark portion of interest rate risk, the requirement that the risk component is separately identifiable need only be met at the inception of the hedging relationship.

#### *Fair Value Hedges*

The Bank's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate financial instruments due to movements in market interest rates.

The change in the fair value of the derivative that is designated and qualifies as a fair value hedge, as well as the change in the fair value of the hedged item attributable to the hedged risk, is recognized in net interest income to the extent that the hedging relationship is effective. 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 Net interest income on the Consolidated Statement of Income based on a recalculated EIR over the remaining expected life of the hedged item, with amortization beginning no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the hedged risk. Where the hedged item has been derecognized, the basis adjustment is immediately released to Net interest income or Non-interest income, as applicable, on the Consolidated Statement of Income.

#### *Cash Flow Hedges*

The Bank is exposed to variability in future cash flows attributable to interest rate, foreign exchange rate, and equity price risks. The amounts and timing of future cash flows are projected for each hedged exposure on the basis of their contractual terms and other relevant factors, including estimates of prepayments and defaults.

The effective portion of the change in the fair value of the derivative that is designated and qualifies as a cash flow hedge is initially recognized in other comprehensive income. The change in fair value of the derivative relating to the ineffective portion is recognized immediately in non-interest income. Amounts in accumulated other comprehensive income (AOCI) are reclassified to Net interest income or Non-interest income, as applicable, on the Consolidated Statement of Income in the same period during which the hedged item affects income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in AOCI at that time remains in AOCI until the forecast transaction impacts the Consolidated Statement of Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in AOCI is immediately reclassified to Net interest income or Non-interest income, as applicable, on the Consolidated Statement of Income.

#### *Net Investment Hedges*

Hedges of net investments in foreign operations are accounted for similar to cash flow hedges. The change in fair value on the hedging instrument relating to the effective portion is recognized in other comprehensive income. The change in fair value of the hedging instrument relating to the ineffective portion is recognized immediately in non-interest income. Gains and losses in AOCI are reclassified to the Consolidated Statement of Income upon the disposal or partial disposal of the investment in the foreign operation. The Bank designates derivatives and non-derivatives (such as foreign currency deposit liabilities) as hedging instruments in net investment hedges.

#### *Embedded Derivatives*

Derivatives may be embedded in financial liabilities or other host contracts. 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 measured at fair value with changes in fair value recognized in income, such as held-for-trading or designated at FVTPL. These embedded derivatives, which are bifurcated from the host contract, are recognized as Derivatives on the Consolidated Balance Sheet and measured at fair value with subsequent changes in fair value recognized in Non-interest income on the Consolidated Statement of Income.

#### **TRANSLATION AND PRESENTATION OF FOREIGN CURRENCIES**

The Bank's Consolidated Financial Statements are presented in Canadian dollars. Items included in the financial statements of each of the Bank's entities are measured using their functional currency, which is the currency of the primary economic environment in which they operate.

Monetary assets and liabilities denominated in a currency that differs from an entity's functional currency are translated into the functional currency of the entity at exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Income and expenses are translated into an entity's functional currency at average exchange rates for the period. Translation gains and losses are included in non-interest income except for equity investments designated at FVOCI where unrealized translation gains and losses are recorded in other comprehensive income.

Foreign operations are those with a functional currency other than Canadian dollars. For the purpose of translation into the Bank's presentation currency, all assets and liabilities are first measured in the functional currency of the foreign operation and subsequently, translated at exchange rates prevailing at the balance sheet date. Income and expenses are translated at average exchange rates for the period. Unrealized translation gains and losses relating to these foreign operations, net of gains or losses arising from net investment hedges and applicable income taxes, are included in other comprehensive income. Translation gains and losses in AOCI are recognized on the Consolidated Statement of Income upon the disposal or partial disposal of the foreign operation. The investment balance of foreign entities accounted for by the equity method, including the Bank's investment in The Charles Schwab Corporation, 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, as evidenced by the fair value of the consideration given or received. The best evidence of fair value is quoted prices in active markets. 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 instruments, without modification or repackaging, or based on a valuation technique which maximizes the use of observable market inputs.

When financial assets and liabilities have offsetting market risks or credit risks, the Bank applies a measurement exception, as described in Note 5 under Portfolio Exception. The value determined from application of the portfolio exception must be allocated to the individual financial instruments within the group to arrive at the fair value of an individual financial instrument. Balance sheet offsetting presentation requirements, as described above under the *Offsetting of Financial Instruments* section of this Note, are then applied, if applicable.

Valuation adjustments reflect the Bank's assessment of factors that market participants would use in pricing the asset or liability. The Bank recognizes various types of valuation adjustments including, but not limited to, adjustments for bid-offer spreads, adjustments for the unobservability of inputs used in pricing models, and adjustments for assumptions about risk, such as the creditworthiness of either counterparty and market implied unsecured funding costs and benefits for OTC derivatives.

If there is a difference between the initial transaction price and the value based on a valuation technique, the difference is referred to as inception profit or loss. Inception profit or loss is recognized upon initial recognition of the instrument only if the fair value is based on observable inputs. When an instrument is measured using a valuation technique that utilizes significant non-observable inputs, it is initially valued at the transaction price, which is considered the best estimate of fair value. Subsequent to initial recognition, any difference between the transaction price and the value determined by the valuation technique at initial recognition is recognized as non-observable inputs become observable.

If the fair value of a financial asset measured at fair value becomes negative, it is recognized as a financial liability until either its fair value becomes positive, at which time it is recognized as a financial asset, or until it is extinguished.

## **DERECOGNITION OF FINANCIAL INSTRUMENTS**

### ***Financial Assets***

The Bank derecognizes a financial asset when the contractual rights to that asset have expired. Derecognition may also be appropriate where the contractual right to receive future cash flows from the asset have been transferred, or where the Bank retains the rights to future cash flows from the asset, but assumes an obligation to pay those cash flows to a third party subject to certain criteria.

When the Bank transfers a financial asset, it is necessary to assess the extent to which the Bank has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards of ownership of the financial asset have been retained, the Bank continues to recognize the financial asset and also recognizes a financial liability for the consideration received. Certain transaction costs incurred are also capitalized and amortized using EIRM. If substantially all the risks and rewards of ownership of the financial asset have been transferred, the Bank will derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer. The Bank determines whether substantially all the risks and rewards have been transferred by quantitatively comparing the variability in cash flows before and after the transfer. If the variability in cash flows does not change significantly as a result of the transfer, the Bank has retained substantially all of the risks and rewards of ownership.

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Bank derecognizes the financial asset where it has relinquished control of the financial asset. The Bank is considered to have relinquished control of the financial asset where the transferee has the practical ability to sell the transferred financial asset. Where the Bank has retained control of the financial asset, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset. Under these circumstances, the Bank usually retains the rights to future cash flows relating to the asset through a residual interest and is exposed to some degree of risk associated with the financial asset.

The derecognition criteria are also applied to the transfer of part of an asset, rather than the asset as a whole, or to a group of similar financial assets in their entirety, when applicable. If transferring a part of an asset, it must be a specifically identified cash flow, a fully proportionate share of the asset, or a fully proportionate share of a specifically identified cash flow.

### ***Securitization***

Securitization is the process by which financial assets are transformed into securities. The Bank securitizes financial assets by transferring those financial assets to a third party and as part of the securitization, certain financial assets may be retained and may consist of an interest-only strip and, in some cases, a cash reserve account (collectively referred to as "retained interests"). If the transfer qualifies for derecognition, a gain or loss on sale of the financial assets is recognized immediately in other income (loss) after considering the effect of hedge accounting 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, the fair value of any financial asset received or financial liability assumed, and any cumulative gain or loss allocated to the transferred asset that had been recognized in AOCI. 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 such 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 (loss).

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 or may require counterparties to return the 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, except when they are held-for-trading or are designated at FVTPL. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is determined using EIRM and is included in Interest income and Interest expense, respectively, on the Consolidated Statement of Income. Changes in fair value on reverse repurchase agreements and repurchase agreements that are held-for-trading or are designated at FVTPL are included in Trading income (loss) or in Other income (loss) on the Consolidated Statement of Income.

In securities 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 Obligations 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. If securities are pledged as collateral, the securities 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. If the composition of a CGU or group of CGUs to which goodwill has been allocated changes as a result of the sale of a business, restructuring or other changes, the goodwill is reallocated to the units affected using a relative value approach, unless the Bank can demonstrate that some other method better reflects the goodwill associated with the units affected.

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 (7 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 indicators 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. If the CGU is not impaired, the useful life of the intangible asset is assessed with any changes applied on a prospective basis. 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 or losses on disposal are included in Non-interest income on the Consolidated Statement of Income.

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 changes in useful life or impairment on a quarterly basis. Where an impairment indicator exists and the depreciable asset does not generate separate cash flows on a stand-alone basis, impairment is assessed based on the recoverable amount of the CGU to which the depreciable asset belongs. If the CGU is not impaired, the useful life of the depreciable asset is assessed with any changes applied on a prospective basis. Any impairment loss is recognized on the Consolidated Statement of Income in the period in which the impairment is identified. Impairment losses previously recognized are assessed and reversed if the circumstances leading to their impairment are no longer present. Reversal of any impairment loss will not exceed the carrying amount of the depreciable asset that would have been determined had no impairment loss been recognized for the asset in prior periods.

#### NON-CURRENT ASSETS HELD-FOR-SALE

Individual non-current assets or disposal groups are classified as held-for-sale if they are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets or disposal groups, and their sale must be highly probable to occur within one year. For a sale to be highly probable, management must be committed to a sales plan and initiate an active program to market the sale of the non-current assets or disposal groups. Non-current assets or disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell on the Consolidated Balance Sheet. Write-downs on premises related non-current assets and write-downs on equipment on initial classification as held-for-sale are included in the line items Occupancy, including depreciation and Equipment, including depreciation, respectively; both of which are included in Non-interest expenses on the Consolidated Statement of Income. Subsequently, a non-current asset or disposal group that is held-for-sale 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 on the Consolidated Balance Sheet. 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 defined benefit plans. In periods between actuarial valuations, an extrapolation is performed based on the most recent valuation completed. All rereasurement gains and losses are recognized immediately in other comprehensive income, with cumulative gains and losses reclassified to retained earnings. Pension and post-retirement defined benefit plan expenses are determined based upon separate actuarial valuations using the projected benefit method pro-rated on service and management's best estimates of discount rate, compensation increases, health care cost trend rate, and mortality rates, which are reviewed annually with the Bank's actuaries. The discount rate used to value liabilities is determined by reference to market yields on high-quality corporate bonds with terms matching the plans' specific cash flows. The expense recognized includes the cost of benefits for employee service provided in the current year, net interest expense or income on the net defined benefit liability or asset, past service costs related to plan amendments, curtailments or settlements, and administrative costs. Plan amendment costs are recognized in the period of a plan amendment, irrespective of its vested status. Curtailments and settlements are recognized by the Bank when the curtailment or settlement occurs. A curtailment occurs when there is a significant reduction in the number of employees covered by the plan. A settlement occurs when the Bank enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan.

The fair value of plan assets and the present value of the projected benefit obligation are measured as at October 31. The net defined benefit asset or liability represents the difference between the cumulative rereasurement 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 the Consolidated Statement of Income on a straight-line basis over the contractual term of the underlying policies, usually twelve months. Such premiums are recognized net of amounts ceded for reinsurance and apply primarily to property and casualty contracts. Unearned premiums are reported in insurance-related liabilities, gross of premiums ceded to reinsurers which are recognized in other assets. Premiums from life and health insurance policies are recognized as income when earned in insurance revenue.

For property and casualty insurance, insurance claims and policy benefit liabilities represent current claims and estimates for future claims related to insurable events occurring at or before the Consolidated Balance Sheet date. These are determined by the appointed actuary in accordance with accepted actuarial practices and are reported as other liabilities. Expected claims and policy benefit liabilities are determined on a case-by-case basis and consider such variables as past loss experience, current claims trends and changes in the prevailing social, economic, and legal environment. These liabilities are continually reviewed, and as experience develops and new information becomes known, the liabilities are adjusted as necessary. In addition to reported claims information, the liabilities recognized by the Bank include a provision to account for the future development of insurance claims, including insurance claims incurred but not reported by policyholders (IBNR). IBNR liabilities are evaluated based on historical development trends and actuarial methodologies for groups of claims with similar attributes. For life and health insurance, actuarial liabilities represent the present values of future policy cash flows as determined using standard actuarial valuation practices. Actuarial liabilities are reported in insurance-related liabilities with changes reported in insurance claims and related expenses.

## PROVISIONS

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, the amount of which can be reliably estimated, and it is probable that an outflow of resources will be required to settle the obligation.

Provisions are measured based on management's best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. If the effect of the time value of money is material, provisions are measured at the present value of the expenditure expected to be required to settle the obligation, using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

## INCOME TAXES

Income tax is comprised of current and deferred tax. Income tax is recognized in the Provision for (recovery of) income taxes 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 in provision for (recovery of) income taxes in the period in which management determines they are no longer required or as determined by statute.

## LEASES

An arrangement contains a lease if there is an identified asset and the Bank has a right to control that asset for a period of time in exchange for consideration. A right-of-use (ROU) asset and lease liability is recognized for all leases except for short-term leases and low value leases, as described below. At the lease commencement date, the lease liability is initially recognized at the present value of the future lease payments over the remaining lease term and is discounted using the Bank's incremental borrowing rate. The ROU asset is recognized at cost, comprising an amount equal to the lease liability, subject to certain adjustments. Subsequently, the ROU asset is measured at cost less accumulated depreciation and impairment and adjusted for any remeasurement of lease liabilities, while the lease liability is accreted using the Bank's incremental borrowing rate. The lease liability is remeasured when there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or changes in the Bank's assumptions or strategies relating to the exercise of purchase, extension, or termination options.

The Bank's leases consist primarily of real estate, equipment and other asset leases. ROU assets are recorded in Land, Buildings, Equipment, and Other depreciable assets, and lease liabilities are included in Other liabilities on the Consolidated Balance Sheet. Interest expense on lease liabilities is included in Net interest income and depreciation expense on the ROU assets is recognized in Non-interest expenses on the Consolidated Statement of Income.

Short-term leases, which have a lease term of twelve months or less, and leases of low-value assets are exempt, and their payments are recognized in Non-interest expenses on a straight-line basis within the Bank's Consolidated Statement of Income.

## NOTE 3: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The estimates used in the Bank's accounting policies are essential to understanding its results of operations and financial condition. Some of the Bank's policies require subjective, complex judgments and estimates as they relate to matters that are inherently uncertain. Changes in these judgments or estimates and changes to accounting standards and policies could have a materially adverse impact on the Bank's Consolidated Financial Statements. The Bank has established procedures to ensure that accounting policies are applied consistently and that the processes for changing methodologies, determining estimates, and adopting new accounting standards are well-controlled and occur in an appropriate and systematic manner.

### CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

#### Business Model Assessment

The Bank determines its business models based on the objective under which its portfolios of financial assets are managed. Refer to Note 2 for details on the Bank's business models. In determining its business models, the Bank considers the following:

- Management's intent and strategic objectives and the operation of the stated policies in practice;
- The primary risks that affect the performance of the portfolio of assets and how these risks are managed;
- How the performance of the portfolio is evaluated and reported to management; and
- The frequency and significance of financial asset sales in prior periods, the reasons for such sales and the expected future sales activities.

Sales in themselves do not determine the business model and are not considered in isolation. Instead, sales provide evidence about how cash flows are realized. A held-to-collect business model will be reassessed by the Bank to determine whether any sales are consistent with an objective of collecting contractual cash flows if the sales are more than insignificant in value or more than infrequent.

#### Solely Payments of Principal and Interest Test

In assessing whether contractual cash flows represent SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that could change the timing or amount of contractual cash flows such that they would not be consistent with a basic lending arrangement. In making the assessment, the Bank considers the primary terms as follows and assesses if the contractual cash flows of the instrument continue to meet the SPPI test:

- Performance-linked features;
- Terms that limit the Bank's claim to cash flows from specified assets (non-recourse terms);
- Prepayment and extension terms;
- Leverage features; and
- Features that modify elements of the time value of money.

### IMPAIRMENT OF FINANCIAL ASSETS

#### Significant Increase in Credit Risk

For retail exposures, criteria for assessing significant increase in credit risk are defined at the appropriate product or portfolio level and vary based on the exposure's credit risk at origination. The criteria include relative changes in PD, absolute PD backstop, and delinquency changes in PD, absolute PD backstop when contractual payments are more than 30 days past due. Significant increase in credit risk since initial recognition has occurred when one of the criteria is met.

For non-retail exposures, BRR is determined on an individual borrower basis using industry and sector specific credit risk models that are based on historical data. Current and forward-looking information that is specific to the borrower, industry, and sector is considered based on expert credit judgment. Criteria for assessing significant increase in credit risk are defined at the appropriate segmentation level and vary based on the BRR of the exposure at origination. Criteria include relative changes in BRR, absolute BRR backstop, and delinquency backstop when contractual payments are more than 30 days past due. Significant increase in credit risk since initial recognition has occurred when one of the criteria is met.

### **Measurement of Expected Credit Loss**

ECLs are recognized on the initial recognition of financial assets. Allowance for credit losses represents management's unbiased estimate of the risk of default and ECLs on the financial assets, including any off-balance sheet exposures, at the balance sheet date.

For retail exposures, ECLs are calculated as the product of PD, loss given default (LGD), and exposure at default (EAD) at each time step over the remaining expected life of the financial asset and discounted to the reporting date based on the EIR. PD estimates represent the forward-looking PD, updated quarterly based on the Bank's historical experience, current conditions, and relevant forward-looking expectations over the expected life of the exposure to determine the lifetime PD curve. LGD estimates are determined based on historical charge-off events and recovery payments, current information about attributes specific to the borrower, and direct costs. Expected cash flows from collateral, guarantees, and other credit enhancements are incorporated in LGD if integral to the contractual terms. Relevant macroeconomic variables are incorporated in determining expected LGD. EAD represents the expected balance at default across the remaining expected life of the exposure. EAD incorporates forward-looking expectations about repayments of drawn balances and future draws where applicable.

For non-retail exposures, ECLs are calculated based on the present value of cash shortfalls determined as the difference between contractual cash flows and expected cash flows over the remaining expected life of the financial instrument. Lifetime PD is determined by mapping the exposure's BRR to forward-looking PD over the expected life. LGD estimates are determined by mapping the exposure's facility risk rating (FRR) to expected LGD which takes into account facility-specific characteristics such as collateral, seniority ranking of debt, and loan structure. Relevant macroeconomic variables are incorporated in determining expected PD and LGD. Expected cash flows are determined by applying the expected LGD to the contractual cash flows to calculate cash shortfalls over the expected life of the exposure.

### **Forward-Looking Information**

In calculating ECLs, the Bank employs internally developed models that utilize parameters for PD, LGD, and EAD. Forward-looking macroeconomic factors including at the regional level are incorporated in the risk parameters as relevant. Additional risk factors that are industry or segment specific are also incorporated, where relevant. Forward-looking macroeconomic forecasts are generated by TD Economics as part of the ECL process: A base economic forecast is accompanied with upside and downside estimates of realistically possible economic conditions by considering the sources of uncertainty around the base forecast. All macroeconomic forecasts are updated quarterly for each variable on a regional basis where applicable and incorporated as relevant into the quarterly modelling of base, upside and downside risk parameters used in the calculation of ECL scenarios and probability-weighted ECLs. TD Economics will apply judgment to recommend probability weights to each forecast on a quarterly basis. The proposed macroeconomic forecasts and probability weightings are subject to robust management review and challenge process by a cross-functional committee that includes representation from TD Economics, Risk, Finance, and Business. ECLs calculated under each of the three forecasts are applied against the respective probability weightings to determine the probability-weighted ECLs. Refer to Note 8 for further details on the macroeconomic variables and ECL sensitivity.

### **Expert Credit Judgment**

Management's expert credit judgment is used to determine the best estimate for the qualitative component contributing to ECLs, based on an assessment of business and economic conditions, historical loss experience, loan portfolio composition, and other relevant indicators and forward-looking information that are not fully incorporated into the model calculation.

There remains considerable uncertainty regarding the economic trajectory, and management continues to exercise expert credit judgment in assessing if an exposure has experienced significant increase in credit risk since initial recognition and in determining the amount of ECLs at each reporting date. To the extent that certain effects are not fully incorporated into the model calculations, temporary quantitative and qualitative adjustments have been applied.

### **LEASES**

The Bank applies judgment in determining the appropriate lease term on a lease-by-lease basis. All facts and circumstances that create an economic incentive to exercise a renewal option or not to exercise a termination option including investments in major leaseholds, branch performance and past business practice are considered. The periods covered by renewal or termination options are only included in the lease term if it is reasonably certain that the Bank will exercise the options; management considers "reasonably certain" to be a high threshold. Changes in the economic environment or changes in the industry may impact the Bank's assessment of lease term, and any changes in the Bank's estimate of lease terms may have a material impact on the Bank's Consolidated Balance Sheet and Consolidated Statement of Income.

In determining the carrying amount of ROU assets and lease liabilities, the Bank is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determinable. The Bank determines the incremental borrowing rate of each leased asset or portfolio of leased assets by incorporating the Bank's creditworthiness, the security, term, and value of the ROU asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change mainly due to changes in the macroeconomic environment.

### **FAIR VALUE MEASUREMENTS**

The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market prices. For all other financial instruments not traded in an active market, fair value may be based on other observable current market transactions involving the same or similar instruments, without modification or repackaging, or is based on a valuation technique which maximizes the use of observable market inputs. Observable market inputs may include interest rate yield curves, foreign exchange rates, and option volatilities. Valuation techniques include comparisons with similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants.

For certain complex or illiquid financial instruments, fair value is determined using valuation techniques in which current market transactions or observable market inputs are not available. Judgment is used when determining which valuation techniques to apply, 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 valuation adjustments to model fair values to account for system limitations or measurement uncertainty, such as when valuing complex and less actively traded financial instruments. If the market for a complex financial instrument develops, the pricing for this instrument may become more transparent, resulting in refinement of valuation models. For example, IBOR reform may also have an impact on the fair value of products that reference or use valuation models with IBOR inputs.

An analysis of the fair value of financial instruments and further details as to how they are measured are provided in Note 5.

## **DERECOGNITION OF FINANCIAL ASSETS**

Certain financial assets transferred may qualify for derecognition from the Bank's Consolidated Balance Sheet. To qualify for derecognition, certain key determinations must be made, including whether the Bank's rights to receive cash flows from the financial asset have been retained or transferred and the extent to which the risks and rewards of ownership of the financial assets have been retained or transferred. If the Bank neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, a decision must be made as to whether the Bank has retained control of the financial asset.

Upon derecognition, the Bank will record a gain or loss on sale of those assets which is calculated as the difference between the carrying amount of the asset transferred and the sum of any cash proceeds received, including any financial assets received or financial liabilities assumed, and any cumulative gains or losses allocated to the transferred asset that had been recognized in AOCI. In determining the fair value of any financial assets received, the Bank estimates future cash flows by relying on estimates of the amount of interest that will be collected on the securitized assets, the yield to be paid to investors, the portion of the securitized assets that will be prepaid before their scheduled maturity, ECLs, the cost of servicing the assets, and the rate at which to discount these expected future cash flows. Actual cash flows may differ significantly from those estimated by the Bank.

Retained interests are financial interests in transferred assets retained by the Bank. They 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 is determined by estimating the present value of future expected cash flows. Differences between the actual cash flows and the Bank's estimated future cash flows are recognized in trading income (loss). These assumptions are subject to periodic reviews and may change due to significant changes in the economic environment.

## **GOODWILL AND OTHER INTANGIBLES**

The recoverable amount of the Bank's CGUs is determined from internally developed valuation models that consider various factors and assumptions such as forecasted earnings, growth rates, discount rates, and terminal growth rates. Management is required to use judgment in estimating the recoverable amount of CGUs, and the use of different assumptions and estimates in the calculations could influence the determination of the existence of impairment and the valuation of goodwill. Management believes that the assumptions and estimates used are reasonable and supportable. Where possible, assumptions generated internally are compared to relevant market information. The carrying amounts of the Bank's CGUs are determined by management using risk-based capital models to adjust net assets and liabilities by CGU. These models consider various factors including market risk, credit risk, and operational risk, including investment capital (comprised of goodwill and other intangibles). Any capital not directly attributable to the CGUs is held within the Corporate segment. The Bank's capital oversight committees provide oversight to the Bank's capital allocation methodologies.

## **EMPLOYEE BENEFITS**

The projected benefit obligation and expense related to the Bank's pension and post-retirement defined 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 the projected benefit obligation is determined by reference to market yields on high-quality corporate bonds with terms matching the plans' specific cash flows. The other assumptions are also long-term estimates. All assumptions are subject to a degree of uncertainty. Differences between actual experiences and the assumptions, as well as changes in the assumptions resulting from changes in future expectations, result in remeasurement 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, changes in these liabilities 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 into account 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 these cases, judgment is required to establish whether the Bank has decision-making power over the key relevant activities of the entity and whether the Bank has the ability to use that power to absorb significant variable returns from the entity. If it is determined that the Bank has both decision-making power and significant variable returns from the entity, judgment is also used to determine whether any such power is exercised by the Bank as principal, on its own behalf, or as agent, on behalf of another counterparty.

Assessing whether the Bank has decision-making power includes understanding the purpose and design of the entity in order to determine its key economic activities. In this context, an entity's key economic activities are those which predominantly impact the economic performance of the entity. When the Bank has the current ability to direct the entity's key economic activities, it is considered to have decision-making power over the entity.

The Bank also evaluates its exposure to the variable returns of a structured entity in order to determine if it absorbs a significant proportion of the variable returns the entity is designed to create. As part of this evaluation, the Bank considers the purpose and design of the entity in order to determine whether it absorbs variable returns from the structured entity through its contractual holdings, which may take the form of securities issued by the entity, derivatives with the entity, or other arrangements such as guarantees, liquidity facilities, or lending commitments.

If the Bank has decision-making power over the entity and absorbs significant variable returns from the entity, it then determines if it is acting as principal or agent when exercising its decision-making power. Key factors considered include the scope of its decision-making power; the rights of other parties involved with the entity, including any rights to remove the Bank as decision-maker or rights to participate in key decisions; whether the rights of other parties are exercisable in practice; and the variable returns absorbed by the Bank and by other parties involved with the entity. When assessing consolidation, a presumption exists that the Bank exercises decision-making power as principal if it is also exposed to significant variable returns, unless an analysis of the factors above indicates otherwise.

The decisions above are made with reference to the specific facts and circumstances relevant for the structured entity and related transaction(s) under consideration.

## REVENUE FROM CONTRACTS WITH CUSTOMERS

The Bank applies judgment to determine the timing of satisfaction of performance obligations which affects the timing of revenue recognition, by evaluating the pattern in which the Bank transfers control of services promised to the customer. A performance obligation is satisfied over time when the customer simultaneously receives and consumes the benefits as the Bank performs the service. For performance obligations satisfied over time, revenue is generally recognized using the time-elapsed method which is based on time elapsed in proportion to the period over which the service is provided, for example, personal deposit account bundle fees. The time-elapsed method is a faithful depiction of the transfer of control for these services as control is transferred evenly to the customer when the Bank provides a stand-ready service or effort is expended evenly by the Bank to provide a service over the contract period. In contracts where the Bank has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Bank's performance completed to date, the Bank recognizes revenue in the amount to which it has a right to invoice.

The Bank satisfies a performance obligation at a point in time if the customer obtains control of the promised services at that date. Determining when control is transferred requires the use of judgment. For transaction-based services, the Bank determines that control is transferred to the customer at a point in time when the customer obtains substantially all of the benefits from the service rendered and the Bank has a present right to payment, which generally coincides with the moment the transaction is executed.

The Bank exercises judgment in determining whether costs incurred in connection with acquiring new revenue contracts would meet the requirement to be capitalized as incremental costs to obtain or fulfil a contract with customers.

## INTEREST RATE BENCHMARK REFORM PHASE 2

Effective November 1, 2020, the Bank early adopted the Interest Rate Benchmark Reform Phase 2 and no transitional adjustment was required.

Interest Rate Benchmark Reform Phase 2 addresses issues affecting financial reporting when changes are made to contractual cash flows of financial instruments or hedging relationships as a result of IBOR reform. The amendments permit modification to financial assets, financial liabilities and lessee lease liabilities required as a direct consequence of IBOR reform and made on an economically equivalent basis to be accounted for by updating the EIR prospectively. If the modification does not meet the practical expedient requirements, existing IFRS requirements are applied. Relief is also provided for an entity's hedge accounting relationships in circumstances where changes to hedged items and hedging instruments arise as a result of IBOR reform. The amendments enable entities to amend the formal designation and documentation of a hedging relationship to reflect these changes without discontinuing the hedging relationship or designating a new hedging relationship. Permitted changes include redefining the hedged risk to reference an ARR (contractually or non-contractually specified), amending the description of the hedged item and hedging instrument to reflect the ARR, and amending the description of how the entity will assess hedge effectiveness. Hedging relationships within the scope of Interest Rate Benchmark Reform Phase 2 are the same as those within the scope of Interest Rate Benchmark Reform Phase 1. Interest Rate Benchmark Reform Phase 2 also amended IFRS 7, introducing expanded qualitative and quantitative disclosures about the risks arising from IBOR reform, how an entity is managing those risks, its progress in completing the transition to ARRs, and how it is managing the transition.

The global benchmark rate reform initiative to transition from IBOR benchmarks (such as London Inter-Bank Offered Rate (LIBOR) and Canadian Dollar Offered Rate (CDOR)) to ARRs may result in market dislocation and have other adverse consequences to the Bank, its customers, market participants, and the financial services industry. Market risks arise because the new reference rates are likely to differ from the existing benchmark rates which could result in different financial performance for previously booked transactions, require alternative hedging strategies, or affect the Bank's capital and liquidity planning and management. In order to manage these risks, the Bank has established an enterprise-wide, cross functional initiative with senior executive oversight to evaluate and monitor the impact of the market, financial, operational, legal, technology and other risks on its products, services, systems, models, documents, processes, and risk management frameworks with the intention of managing the impact through appropriate mitigating actions, but such actions may not be sufficient to mitigate against the impact of all such risks.

Effective December 31, 2021, the publication of LIBOR settings has ceased for all sterling, Japanese yen, Swiss franc, and euro settings as well as the one-week and two-month USD LIBOR settings. The Bank is progressing on its transition plan for the remaining USD LIBOR settings (overnight, one-month, three-month, six-month and twelve-month), which will cease to be published immediately after June 30, 2023, and continues to monitor developments while incorporating global working group and regulator best practice guidance on transition activities. Global regulators have issued guidance and policy statements to supervised institutions restricting the use of USD LIBOR as a reference rate in new contracts written after December 31, 2021, subject to limited exceptions. In addition, the Bank continues to monitor the development and usage of ARR across the industry, including the Alternative Reference Rates Committee's formal recommendation of the CME Group's forward-looking Secured Overnight Financing Rate (SOFR) Term Rates. To help support the transition of legacy derivative contracts, the Bank's registered swap dealer and four additional Bank affiliates have adhered to the 2020 International Swaps and Derivatives Association IBOR Fallbacks Protocol (ISDA Protocol). The ISDA Protocol, which took effect on January 25, 2021, provides an efficient transition mechanism for mutually adhering counterparties to incorporate prescribed fallback rates into legacy derivative contracts.

The following table discloses the Bank's exposure to significant interest rate benchmarks subject to IBOR reform that have yet to transition to an ARR and mature after June 30, 2023 for USD LIBOR and after December 31, 2021 for other IBORs that were subject to transition, including certain demand loans that have no specific maturity. This also includes exposure to interest rate benchmarks subject to IBOR reform methodology enhancements that are not required to transition to an ARR.

#### Exposures to LIBOR and Other Rates Subject to Reform<sup>1,2</sup>

(millions of Canadian dollars)

	October 31 2022	As at October 31 2021
Non-derivative financial assets <sup>3</sup>	\$ 88,988	\$ 106,912
Non-derivative financial liabilities	604	519
Derivative notional amounts	4,386,899	4,380,555
Off-balance sheet commitments <sup>4</sup>	70,772	90,700

<sup>1</sup> LIBOR subject to reform or that have already ceased include the following: USD LIBOR, GBP LIBOR, JPY LIBOR, EUR LIBOR, and CHF LIBOR. Other IBORs subject to reform or that have already ceased include the following: NOK NIBOR (Norwegian Interbank Offered Rate), ZAR JIBAR (Johannesburg Interbank Average Rate), SGD SOR (Singapore Dollar Swap Offer Rate), HKD HIBOR (Hong Kong Interbank Offered Rate), SEK STIBOR (Stockholm Interbank Offered Rate), and MXN TIIE (Interbank Equilibrium Interest Rate). Other rates subject to reform or that have already ceased include the following: EUR EONIA (Euro Overnight Index Average) and CORRA (Canadian Overnight Repo Rate Average).

<sup>2</sup> Certain demand deposits with no specific maturity allow the Bank to change the benchmark reference rate at its sole discretion and are therefore excluded from the table. As at October 31, 2022, the carrying amount of demand deposits with no specific maturity was \$392 million (October 31, 2021 – \$3 billion).

<sup>3</sup> Loans reported under non-derivative financial assets represent the drawn amounts and exclude allowance for loan losses. As at October 31, 2022, non-derivative financial assets were \$89 billion, of which \$48 billion relates to Loans, \$33 billion relates to Debt securities at amortized cost, \$5 billion relates to Financial assets at FVOCI, and \$2 billion relates to demand loans with no specific maturity. As at October 31, 2021, non-derivative financial assets were \$107 billion, of which \$62 billion relates to Loans, \$37 billion relates to Debt securities at amortized cost, \$6 billion relates to Financial assets at FVOCI, and \$2 billion relates to demand loans with no specific maturity.

<sup>4</sup> Exposures reflect authorized and committed undrawn commitments. For multi-currency facilities, the currency of borrowing is often the same as the facility currency and therefore the Bank has assumed that the benchmark interest rate for its undrawn credit and liquidity commitments is in the same facility currency as the benchmark rate for that currency for the purpose of this disclosure.

On May 16, 2022, Refinitiv Benchmark Services (UK) Limited, the administrator of CDOR, announced that the calculation and publication of all tenors of CDOR will permanently cease following a final publication on June 28, 2024. CDOR is currently the primary interest rate benchmark in Canada and is widely used in Canadian dollar financial instruments including derivatives, loans, floating rate notes, and as a daily benchmark reference rate for Canadian Bankers' Acceptance (BA) borrowings. The Bank has incorporated this development into its benchmark rate reform plan to ensure an orderly transition and to manage the impact through appropriate mitigating actions. These actions include incorporating appropriate fallback language in contracts, making available new products referencing the Canadian Overnight Repo Rate Average (CORRA) or other ARRs, preparing to cease the issuance of CDOR-based financial instruments, transitioning legacy CDOR-based contracts, and preparing for overall operational readiness.

The following table discloses the Bank's exposure to financial instruments referencing CDOR that have yet to transition to an ARR and mature after June 28, 2024.

#### Exposures to CDOR Subject to Reform<sup>1,2</sup>

(millions of Canadian dollars)

	October 31 2022	As at July 31 2022
Non-derivative financial assets <sup>3</sup>	\$ 10,742	\$ 6,261
Non-derivative financial liabilities <sup>4</sup>	12,689	12,965
Derivative notional amounts	3,066,690	2,693,607
Off-balance sheet commitments <sup>5</sup>	42,022	38,643

<sup>1</sup> CDOR includes exposure to one-month, two-month, and three-month tenors for CDOR and BA rates.

<sup>2</sup> Certain demand deposits with no specific maturity allow the Bank to change the benchmark reference rate at its sole discretion and are therefore excluded from the table. As at October 31, 2022, the carrying amount of demand deposits with no specific maturity was \$8 billion (July 31, 2022 – \$7 billion).

<sup>3</sup> Loans reported under non-derivative financial assets represent the drawn amounts and exclude allowance for loan losses. As at October 31, 2022, non-derivative financial assets were \$11 billion, of which \$3 billion relates to Loans and \$5 billion relates to Debt securities at amortized cost. As at July 31, 2022, non-derivative financial assets were \$6 billion, of which \$2 billion relates to Loans and \$2 billion relates to Debt securities at amortized cost.

<sup>4</sup> As at October 31, 2022, non-derivative financial liabilities were \$13 billion, of which \$9 billion relates to Subordinated notes and debentures. As at July 31, 2022, non-derivative financial liabilities were \$13 billion, of which \$9 billion relates to Subordinated notes and debentures.

<sup>5</sup> Exposures reflect authorized and committed undrawn commitments. For multi-currency facilities, the currency of borrowing is often the same as the facility currency and therefore the Bank has assumed that the benchmark interest rate for its undrawn credit and liquidity commitments is in the same facility currency as the benchmark rate for that currency for the purpose of this disclosure. As at October 31, 2022, off-balance sheet commitments include drawn amounts of BA borrowings of \$13 billion (July 31, 2022 – \$12 billion).

## NOTE 4: CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES

### CURRENT CHANGES IN ACCOUNTING POLICIES

There were no new accounting policies that have been adopted by the Bank for the fiscal year ended October 31, 2022.

### FUTURE CHANGES IN ACCOUNTING POLICIES

The following standard has been issued, but is not yet effective on the date of issuance of the Bank's Consolidated Financial Statements.

#### **Insurance Contracts**

The IASB issued IFRS 17, *Insurance Contracts* (IFRS 17) which replaces the guidance in IFRS 4, *Insurance Contracts*, and establishes principles for recognition, measurement, presentation, and disclosure of insurance contracts. Under IFRS 17, insurance contracts are aggregated into groups which are measured at the risk adjusted present value of cash flows in fulfilling the contracts. Revenue is recognized as insurance contract services are provided over the coverage period. Losses are recognized immediately if the contract group is expected to be onerous.

The standard is effective for annual reporting periods beginning on or after January 1, 2023, which will be November 1, 2023 for the Bank. OSFI's related Advisory precludes early adoption. The standard will be applied retrospectively with restatement of comparatives unless impracticable.

The adoption of IFRS 17 is a significant initiative for the Bank and is supported by a robust governance structure. The Executive Steering Committee includes representation from the Insurance business, Finance, Actuaries, Risk, Technology, and project management teams. Updates are also provided to the TD insurance subsidiary boards, Risk Committee, and Audit Committee of the Bank.

The Bank is proceeding with implementation of a software solution, including data preparation, system testing and configuration, and other implementation efforts accordingly.

## 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, non-trading financial assets at FVTPL, financial assets and liabilities designated at FVTPL, financial assets at FVOCI, derivatives, certain securities purchased under reverse repurchase agreements, trading deposits, 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.

### (a) 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 committees. Further, the Bank has a number of additional controls in place, including an independent price verification process to ensure the accuracy of fair value measurements reported in the financial statements. The sources used for independent pricing comply with the standards set out in the approved valuation-related policies, which include consideration of the reliability, relevancy, and timeliness of data.

### (b) METHODS AND ASSUMPTIONS

The Bank calculates fair value 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. government and agency debt securities is determined by reference to recent transaction prices, broker quotes, or third-party vendor prices. Brokers or third-party vendors may use a pool-specific valuation model to value these securities. Observable market inputs to the model include to-be-announced market prices, the applicable indices, and metrics such as the coupon, maturity, and weighted-average maturity of the pool. Market inputs used in the valuation model include, but are not limited to, indexed yield curves and trading spreads.

The fair value of other Organisation for Economic Co-operation and Development (OECD) government-guaranteed debt is based on broker quotes and third-party vendor prices, or where these quotes or prices are not readily available, other valuation techniques, such as discounted cash flow models, may be used. Market inputs used in other valuation techniques or broker quotes and third-party vendor prices include government bond yield curves and trade execution data.

The fair value of residential mortgage-backed securities (MBS) is based on broker quotes, third-party vendor prices, or other valuation techniques, such as the use of option-adjusted spread models which include inputs such as prepayment rate assumptions related to the underlying collateral. Observable inputs include, but are not limited to, indexed yield curves and bid-ask spreads. Other inputs may include volatility assumptions derived using Monte Carlo simulations and take into account factors such as counterparty credit quality and liquidity.

#### **Other Debt Securities**

The fair value of corporate and other debt securities is based on broker quotes, third-party vendor prices, or other valuation techniques, such as discounted cash flow techniques. Market inputs used in the other valuation techniques or underlying third-party vendor prices or broker quotes include benchmark and government bond yield curves, credit spreads, and trade execution data.

Asset-backed securities are primarily fair valued using third-party vendor prices. The third-party vendor employs a valuation model which maximizes the use of observable inputs such as benchmark yield curves and bid-ask spreads. The model also takes into account relevant data about the underlying collateral, such as weighted-average terms to maturity and prepayment rate assumptions.

### **Equity Securities**

The fair value of equity securities is based on quoted prices in active markets, where available. Where quoted prices in active markets are not readily available, such as for private equity securities, or where there is a wide bid-ask spread, fair value is determined based on quoted market prices for similar securities or through valuation techniques, including discounted cash flow analysis, multiples of earnings before taxes, depreciation and amortization, and other relevant valuation techniques.

If there are trading restrictions on the equity security held, a valuation adjustment is recognized against available prices to reflect the nature of the restriction. However, restrictions that are not part of the security held and represent a separate contractual arrangement that has been entered into by the Bank and a third party do not impact the fair value of the original instrument.

### **Retained Interests**

Retained interests are classified as trading securities and are initially recognized at their relative fair market value. Subsequently, the fair value of retained interests recognized by the Bank is determined by estimating the present value of future expected cash flows. Differences between the actual cash flows and the Bank's estimate of future cash flows are recognized in income. These assumptions are subject to periodic review and may change due to significant changes in the economic environment.

### **Loans**

The estimated fair value of loans carried at amortized cost reflects changes in market price that have occurred since the loans were originated or purchased. For fixed-rate performing loans, estimated fair value is determined by discounting the expected future cash flows related to these loans at current market interest rates for loans with similar credit risks. For floating-rate performing loans, changes in interest rates have minimal impact on fair value since loans reprice to market frequently. On that basis, fair value is assumed to approximate carrying value. The fair value of loans is not adjusted for the value of any credit protection the Bank has purchased to mitigate credit risk.

The fair value of loans carried at FVTPL, which includes trading loans and non-trading loans at FVTPL, is determined using observable market prices, where available. Where the Bank is a market maker for loans traded in the secondary market, fair value is determined using executed prices, or prices for comparable trades. For those loans where the Bank is not a market maker, the Bank obtains broker quotes from other reputable dealers, or uses valuation techniques to determine fair value.

The fair value of loans carried at FVOCI is assumed to approximate amortized cost as they are generally floating rate performing loans that are short term in nature.

### **Commodities**

The fair value of commodities is based on quoted prices in active markets, where available. The Bank also transacts commodity derivative contracts which can be traded on an exchange or in OTC markets.

### **Derivative Financial Instruments**

The fair value of exchange-traded derivative financial instruments is based on quoted market prices. The fair value of OTC derivative financial instruments is estimated using well established valuation techniques, such as discounted cash flow techniques, the Black-Scholes model, and Monte Carlo simulation. The valuation models incorporate inputs that are observable in the market or can be derived from observable market data.

Prices derived by using models are recognized net of valuation adjustments. The inputs used in the valuation models depend on the type of derivative and the nature of the underlying instrument and are specific to the instrument being valued. Inputs can include, but are not limited to, interest rate yield curves, foreign exchange rates, dividend yield projections, commodity spot and forward prices, recovery rates, volatilities, spot prices, and correlation.

A credit valuation adjustment (CVA) is recognized against the model value of OTC derivatives to account for the uncertainty that either counterparty in a derivative transaction may not be able to fulfil its obligations under the transaction. In determining CVA, the Bank takes into account master netting agreements and collateral, and considers the creditworthiness of the counterparty and of the Bank itself, using market observed or proxy credit spreads, in assessing potential future amounts owed to, or by the Bank.

The fair value of a derivative is partly a function of collateralization. The Bank uses the relevant overnight index swap curve to discount the cash flows for collateralized derivatives as most collateral is posted in cash and can be funded at the overnight rate.

A funding valuation adjustment (FVA) is recognized against the model value of OTC derivatives to recognize the market implied unsecured funding costs and benefits considered in the pricing and fair value determination. Some of the key drivers of FVA include the market implied funding spread and the expected average exposure by counterparty.

The Bank will continue to monitor industry practice on valuation adjustments and may refine the methodology as market practices evolve.

### **Deposits**

The estimated fair value of term deposits is determined by discounting the contractual cash flows using interest rates currently offered for deposits with similar terms.

For deposits with no defined maturities, the Bank considers fair value to equal carrying value, which is equivalent to the amount payable on the balance sheet date.

For trading deposits and deposits designated at FVTPL, which is included in financial liabilities designated at FVTPL, fair value is determined using discounted cash flow valuation techniques which maximize the use of observable market inputs such as benchmark yield curves and foreign exchange rates. The Bank considers the impact of its own creditworthiness in the valuation of these deposits by reference to observable market inputs.

### **Securitization Liabilities**

The fair value of securitization liabilities is based on quoted market prices or quoted market prices for similar financial instruments, where available. Where quoted prices are not available, fair value is determined using valuation techniques, which maximize the use of observable inputs, such as Canada Mortgage Bond (CMB) curves and MBS curves.



**Obligations Related to Securities Sold Short**

The fair value of these obligations is based on the fair value of the underlying securities, which can include equity or debt securities. As these obligations are fully collateralized, the method used to determine fair value would be the same as that of the relevant underlying equity or debt securities.

**Securities Purchased Under Reverse Repurchase Agreements and Obligations Related to Securities Sold under Repurchase Agreements**

Commodities and certain bonds and equities 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 issuances or current rates offered to the Bank for debt of equivalent credit quality and remaining maturity.

**Portfolio Exception**

IFRS 13, *Fair Value Measurement* provides a measurement exception that allows an entity to determine the fair value of a group of financial assets and liabilities with offsetting risks based on the sale or transfer of its net exposure to a particular risk or risks. The Bank manages certain financial assets and financial liabilities, such as derivative assets and derivative liabilities, on the basis of net exposure to a particular risk, or risks; 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. Refer to Note 2 for further details on the use of the portfolio exception to establish fair value.

**(c) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE**

The carrying value and fair value of financial assets and liabilities not carried at fair value are disclosed in the table below. For these instruments, fair values are calculated for disclosure purposes only, using the valuation techniques used by the Bank. In addition, the Bank has determined that the carrying value of certain financial assets and liabilities approximates their fair value, which include: cash and due from banks, interest-bearing deposits with banks, customers' liability under acceptances, amounts receivable from brokers, dealers, and clients, other assets, acceptances, amounts payable to brokers, dealers, and clients, and other liabilities. Substantially all securities purchased under reverse repurchase agreements and obligations related to securities sold under repurchase agreements are measured at amortized cost where the carrying value approximates their fair value.

**Financial Assets and Liabilities not carried at Fair Value<sup>1</sup>**

(millions of Canadian dollars)

	October 31, 2022		October 31, 2021	
	Carrying value	Fair value	Carrying value	As at Fair value
<b>FINANCIAL ASSETS</b>				
Debt securities at amortized cost, net of allowance for credit losses				
Government and government-related securities	\$ 256,362	\$ 244,523	\$ 208,559	\$ 207,927
Other debt securities	86,412	81,913	60,380	60,525
Total debt securities at amortized cost, net of allowance for credit losses	342,774	326,436	268,939	268,452
Total loans, net of allowance for loan losses	831,043	810,912	722,622	725,177
Total financial assets not carried at fair value	\$ 1,173,817	\$ 1,137,348	\$ 991,561	\$ 993,629
<b>FINANCIAL LIABILITIES</b>				
Deposits	\$ 1,229,970	\$ 1,218,552	\$ 1,125,125	\$ 1,124,762
Securitization liabilities at amortized cost	15,072	14,366	15,262	15,202
Subordinated notes and debentures	11,290	10,853	11,230	11,838
Total financial liabilities not carried at fair value	\$ 1,256,332	\$ 1,243,771	\$ 1,151,617	\$ 1,151,802

<sup>1</sup> This table excludes financial assets and liabilities where the carrying value approximates their fair value.

**(d) FAIR VALUE HIERARCHY**

IFRS requires disclosure of a three-level hierarchy for fair value measurements based upon the observability of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

**Level 1:** Fair value is based on quoted market prices for identical assets or liabilities that are traded in an active exchange market or highly liquid and actively traded in OTC markets.

**Level 2:** Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar (but not identical) assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using valuation techniques with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

**Level 3:** Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Financial instruments classified within Level 3 of the fair value hierarchy are initially recognized at their transaction price, which is considered the best estimate of fair value. After initial measurement, the fair value of Level 3 assets and liabilities is determined using valuation models, discounted cash flow methodologies, or similar techniques.

**Fair Value Hierarchy for Assets and Liabilities not carried at Fair Value**

The following table presents the levels within the fair value hierarchy for each of the financial assets and liabilities not carried at fair value as at October 31, 2022 and October 31, 2021, but for which fair value is disclosed.

**Fair Value Hierarchy for Assets and Liabilities not carried at Fair Value<sup>1</sup>**

(millions of Canadian dollars)

	October 31, 2022				October 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>								
Debt securities at amortized cost, net of allowance for credit losses								
Government and government-related securities	\$ –	\$ 244,513	\$ 10	\$ 244,523	\$ 20	\$ 207,897	\$ 10	\$ 207,927
Other debt securities	–	81,912	1	81,913	–	60,524	1	60,525
Total debt securities at amortized cost, net of allowance for credit losses	–	326,425	11	326,436	20	268,421	11	268,452
Total loans, net of allowance for loan losses	–	261,618	549,294	810,912	–	251,034	474,143	725,177
Total assets with fair value disclosures	\$ –	\$ 588,043	\$ 549,305	\$ 1,137,348	\$ 20	\$ 519,455	\$ 474,154	\$ 993,629
<b>LIABILITIES</b>								
Deposits	\$ –	\$ 1,218,552	\$ –	\$ 1,218,552	\$ –	\$ 1,124,762	\$ –	\$ 1,124,762
Securitization liabilities at amortized cost	–	14,366	–	14,366	–	15,202	–	15,202
Subordinated notes and debentures	–	10,853	–	10,853	–	11,838	–	11,838
Total liabilities with fair value disclosures	\$ –	\$ 1,243,771	\$ –	\$ 1,243,771	\$ –	\$ 1,151,802	\$ –	\$ 1,151,802

<sup>1</sup> This table excludes financial assets and liabilities where the carrying amount is a reasonable approximation of fair value.

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, 2022 and October 31, 2021.

**Fair Value Hierarchy for Assets and Liabilities Measured at Fair Value on a Recurring Basis**

(millions of Canadian dollars)

	October 31, 2022				October 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS AND COMMODITIES</b>								
<b>Trading loans, securities, and other<sup>1</sup></b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	\$ 620	\$ 9,042	\$ –	\$ 9,662	\$ 294	\$ 10,902	\$ –	\$ 11,196
Provinces	–	7,706	–	7,706	–	8,326	–	8,326
U.S. federal, state, municipal governments, and agencies debt	2	23,466	–	23,468	–	13,241	–	13,241
Other OECD government-guaranteed debt	–	8,341	–	8,341	–	7,785	–	7,785
Mortgage-backed securities	–	2,109	–	2,109	–	1,500	–	1,500
<b>Other debt securities</b>								
Canadian issuers	–	6,604	–	6,604	–	5,970	–	5,970
Other issuers	–	12,344	49	12,393	–	12,389	6	12,395
<b>Equity securities</b>	<b>44,424</b>	<b>32</b>	<b>–</b>	<b>44,456</b>	<b>59,933</b>	<b>158</b>	<b>33</b>	<b>60,124</b>
<b>Trading loans</b>	<b>–</b>	<b>11,749</b>	<b>–</b>	<b>11,749</b>	<b>–</b>	<b>12,405</b>	<b>–</b>	<b>12,405</b>
<b>Commodities</b>	<b>16,084</b>	<b>1,149</b>	<b>–</b>	<b>17,233</b>	<b>13,919</b>	<b>720</b>	<b>–</b>	<b>14,639</b>
<b>Retained interests</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>9</b>	<b>–</b>	<b>9</b>
	<b>61,130</b>	<b>82,547</b>	<b>49</b>	<b>143,726</b>	<b>74,146</b>	<b>73,405</b>	<b>39</b>	<b>147,590</b>
<b>Non-trading financial assets at fair value through profit or loss</b>								
Securities	228	6,608	845	7,681	166	6,127	760	7,053
Loans	–	3,265	–	3,265	–	2,334	3	2,337
	<b>228</b>	<b>9,873</b>	<b>845</b>	<b>10,946</b>	<b>166</b>	<b>8,461</b>	<b>763</b>	<b>9,390</b>
<b>Derivatives</b>								
Interest rate contracts	167	23,699	–	23,866	12	10,277	1	10,290
Foreign exchange contracts	35	72,006	5	72,046	26	35,786	7	35,819
Credit contracts	–	56	–	56	–	57	–	57
Equity contracts	4	4,303	–	4,307	3	5,359	–	5,362
Commodity contracts	634	2,919	45	3,598	365	2,495	39	2,899
	<b>840</b>	<b>102,983</b>	<b>50</b>	<b>103,873</b>	<b>406</b>	<b>53,974</b>	<b>47</b>	<b>54,427</b>
<b>Financial assets designated at fair value through profit or loss</b>								
Securities <sup>1</sup>	–	5,039	–	5,039	–	4,564	–	4,564
	–	<b>5,039</b>	–	<b>5,039</b>	–	<b>4,564</b>	–	<b>4,564</b>
<b>Financial assets at fair value through other comprehensive income</b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	–	16,368	–	16,368	–	12,519	–	12,519
Provinces	–	20,240	–	20,240	–	18,143	–	18,143
U.S. federal, state, municipal governments, and agencies debt	–	11,559	–	11,559	–	19,300	–	19,300
Other OECD government-guaranteed debt	–	1,682	–	1,682	–	6,564	–	6,564
Mortgage-backed securities	–	1,033	–	1,033	–	1,254	–	1,254
<b>Other debt securities</b>								
Asset-backed securities	–	4,440	–	4,440	–	6,981	–	6,981
Corporate and other debt	–	8,621	60	8,681	–	8,040	64	8,104
<b>Equity securities</b>	<b>840</b>	<b>2</b>	<b>2,477</b>	<b>3,319</b>	<b>2,989</b>	<b>1</b>	<b>1,609</b>	<b>4,599</b>
<b>Loans</b>	<b>–</b>	<b>2,353</b>	<b>–</b>	<b>2,353</b>	<b>–</b>	<b>1,602</b>	<b>–</b>	<b>1,602</b>
	<b>840</b>	<b>66,298</b>	<b>2,537</b>	<b>69,675</b>	<b>2,989</b>	<b>74,404</b>	<b>1,673</b>	<b>79,066</b>
<b>Securities purchased under reverse repurchase agreements</b>	<b>–</b>	<b>7,450</b>	<b>–</b>	<b>7,450</b>	<b>–</b>	<b>7,992</b>	<b>–</b>	<b>7,992</b>
<b>FINANCIAL LIABILITIES</b>								
<b>Trading deposits</b>	<b>–</b>	<b>23,389</b>	<b>416</b>	<b>23,805</b>	<b>–</b>	<b>22,750</b>	<b>141</b>	<b>22,891</b>
<b>Derivatives</b>								
Interest rate contracts	112	19,010	156	19,278	14	11,580	89	11,683
Foreign exchange contracts	23	62,378	1	62,402	28	35,146	–	35,174
Credit contracts	–	152	–	152	–	347	–	347
Equity contracts	–	5,804	59	5,863	–	7,932	82	8,014
Commodity contracts	234	3,186	18	3,438	300	1,596	8	1,904
	<b>369</b>	<b>90,530</b>	<b>234</b>	<b>91,133</b>	<b>342</b>	<b>56,601</b>	<b>179</b>	<b>57,122</b>
<b>Securitization liabilities at fair value</b>	<b>–</b>	<b>12,612</b>	<b>–</b>	<b>12,612</b>	<b>–</b>	<b>13,505</b>	<b>–</b>	<b>13,505</b>
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>–</b>	<b>162,742</b>	<b>44</b>	<b>162,786</b>	<b>–</b>	<b>113,912</b>	<b>76</b>	<b>113,988</b>
<b>Obligations related to securities sold short<sup>1</sup></b>	<b>2,909</b>	<b>42,596</b>	<b>–</b>	<b>45,505</b>	<b>2,015</b>	<b>40,360</b>	<b>9</b>	<b>42,384</b>
<b>Obligations related to securities sold under repurchase agreements</b>	<b>–</b>	<b>9,509</b>	<b>–</b>	<b>9,509</b>	<b>–</b>	<b>5,126</b>	<b>–</b>	<b>5,126</b>

<sup>1</sup> Balances reflect the reduction of securities owned (long positions) by the amount of identical securities sold but not yet purchased (short positions).

**(e) TRANSFERS BETWEEN FAIR VALUE HIERARCHY LEVELS FOR ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS**

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 whether there is sufficient frequency and volume in an active market. During the year ended October 31, 2022, the Bank transferred \$383 million of FVOCI U.S. government debt from Level 1 to Level 2. During the year ended October 31, 2021, the Bank transferred \$400 million of FVOCI Canadian government debt from Level 2 to Level 1, which subsequently matured.

*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 unobservable 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.

There were no significant transfers between Level 2 and Level 3 during the year ended October 31, 2022. During the year ended October 31, 2021, transfers were made from Level 3 to Level 2 for trading deposits and equity contracts due to changes in the degree of observability of certain inputs in the fair value measurement of these instruments.

There were no other significant changes to the unobservable inputs and sensitivities for assets and liabilities classified as Level 3 during the years ended October 31, 2022 and October 31, 2021.

**(f) RECONCILIATION OF CHANGES IN FAIR VALUE FOR LEVEL 3 ASSETS AND LIABILITIES**

The following tables reconcile changes in fair value of all assets and liabilities measured at fair value using significant Level 3 unobservable inputs for the years ended October 31, 2022 and October 31, 2021.

**Reconciliation of Changes in Fair Value for Level 3 Assets and Liabilities**

(millions of Canadian dollars)

	Fair value as at November 1 2021	Total realized and unrealized gains (losses)		Movements			Transfers		Fair value as at October 31 2022	Change in unrealized gains (losses) on instruments still held <sup>5</sup>
		Included in income <sup>1</sup>	Included in OCI <sup>2,3</sup>	Purchases/ Issuances	Sales/ Settlements <sup>4</sup>	Into Level 3	Out of Level 3			
<b>FINANCIAL ASSETS</b>										
<b>Trading loans, securities, and other</b>										
Other debt securities	\$ 6	\$ 1	\$ –	\$ 5	\$ (15)	\$ 57	\$ (5)	\$ 49	\$ –	\$ –
Equity securities	33	–	–	24	(57)	–	–	–	–	–
	39	1	–	29	(72)	57	(5)	49	–	–
<b>Non-trading financial assets at fair value through profit or loss</b>										
Securities	760	95	–	193	(89)	–	(114)	845	8	–
Loans	3	–	–	–	(3)	–	–	–	–	–
	763	95	–	193	(92)	–	(114)	845	8	–
<b>Financial assets at fair value through other comprehensive income</b>										
Other debt securities	64	–	4	–	(8)	–	–	60	–	–
Equity securities	1,609	–	86	636	146	–	–	2,477	78	–
	\$ 1,673	\$ –	\$ 90	\$ 636	\$ 138	\$ –	\$ –	\$ 2,537	\$ 78	\$ –
<b>FINANCIAL LIABILITIES</b>										
Trading deposits <sup>6</sup>	\$ (141)	\$ 40	\$ –	\$ (324)	\$ 3	\$ (11)	\$ 17	\$ (416)	\$ 31	\$ –
<b>Derivatives<sup>7</sup></b>										
Interest rate contracts	(88)	(93)	–	–	7	–	18	(156)	(52)	–
Foreign exchange contracts	7	(4)	–	–	–	1	–	4	2	–
Equity contracts	(82)	(5)	–	–	–	3	25	(59)	23	–
Commodity contracts	31	58	–	–	(62)	–	–	27	21	–
	(132)	(44)	–	–	(55)	4	43	(184)	(6)	–
<b>Financial liabilities designated at fair value through profit or loss</b>										
	(76)	(238)	–	(337)	607	–	–	(44)	(238)	–
Obligations related to securities sold short	(9)	–	–	–	9	–	–	–	–	–

	Fair value as at November 1 2020	Total realized and unrealized gains (losses)		Movements			Transfers		Fair value as at October 31 2021	Change in unrealized gains (losses) on instruments still held <sup>5</sup>
		Included in income <sup>1</sup>	Included in OCI <sup>2,3</sup>	Purchases/ Issuances	Sales/ Settlements <sup>4</sup>	Into Level 3	Out of Level 3			
<b>FINANCIAL ASSETS</b>										
<b>Trading loans, securities, and other</b>										
Government and government-related securities	\$ 16	\$ 2	\$ –	\$ –	\$ (18)	\$ 1	\$ (1)	\$ –	\$ –	\$ –
Other debt securities	3	–	–	23	(3)	7	(24)	6	–	–
Equity securities	–	–	–	33	–	–	–	33	–	–
	19	2	–	56	(21)	8	(25)	39	–	–
<b>Non-trading financial assets at fair value through profit or loss</b>										
Securities	571	130	–	140	(81)	–	–	760	76	–
Loans	3	–	–	–	–	–	–	3	–	–
	574	130	–	140	(81)	–	–	763	76	–
<b>Financial assets at fair value through other comprehensive income</b>										
Other debt securities	20	–	4	–	–	40	–	64	4	–
Equity securities	1,579	–	32	161	(163)	–	–	1,609	20	–
	\$ 1,599	\$ –	\$ 36	\$ 161	\$ (163)	\$ 40	\$ –	\$ 1,673	\$ 24	\$ –
<b>FINANCIAL LIABILITIES</b>										
Trading deposits <sup>6</sup>	\$ (4,649)	\$ (999)	\$ –	\$ (790)	\$ 2,636	\$ (7)	\$ 3,668	\$ (141)	\$ (5)	\$ –
<b>Derivatives<sup>7</sup></b>										
Interest rate contracts	(96)	(9)	–	–	17	–	–	(88)	7	–
Foreign exchange contracts	2	5	–	–	–	1	(1)	7	6	–
Equity contracts	(707)	(729)	–	(36)	235	3	1,152	(82)	52	–
Commodity contracts	(18)	55	–	–	(6)	–	–	31	32	–
	(819)	(678)	–	(36)	246	4	1,151	(132)	97	–
<b>Financial liabilities designated at fair value through profit or loss</b>										
	(24)	(51)	–	(263)	262	–	–	(76)	(44)	–
Obligations related to securities sold short	–	–	–	(8)	(1)	(1)	1	(9)	–	–

<sup>1</sup> Gains/losses on financial assets and liabilities are recognized within Non-interest income on the Consolidated Statement of Income.

<sup>2</sup> Other comprehensive income.

<sup>3</sup> Includes realized gains/losses transferred to retained earnings on disposal of equities designated at FVOCI. Refer to Note 7 for further details.

<sup>4</sup> Includes foreign exchange.

<sup>5</sup> Changes in unrealized gains/losses on financial assets at FVOCI are recognized in AOCI.

<sup>6</sup> Issuances and repurchases of trading deposits are reported on a gross basis.

<sup>7</sup> Consists of derivative assets of \$50 million (October 31, 2021/November 1, 2021 – \$47 million; November 1, 2020 – \$381 million) and derivative liabilities of \$234 million (October 31, 2021/November 1, 2021 – \$179 million; November 1, 2020 – \$1,200 million), which have been netted in this table for presentation purposes only.

## **(g) 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. For equity securities, the price equivalent is based on a percentage of a proxy price. There may be wide ranges depending on the liquidity of the securities. New issuances of debt and equity securities are priced at 100% of the issue price.

#### *Correlation*

The movements of inputs are not necessarily independent from other inputs. Such relationships, where material to the fair value of a given instrument, are captured via correlation inputs into the pricing models. The Bank includes correlation between the asset class, as well as across asset classes. For example, price correlation is the relationship between prices of equity securities in equity basket derivatives, and quanto correlation is the relationship between instruments which settle in one currency and the underlying securities which are denominated in another currency.

#### *Implied Volatility*

Implied volatility is the value of the volatility of the underlying instrument which, when input in an option pricing model, such as Black-Scholes, will return a theoretical value equal to the current market price of the option. Implied volatility is a forward-looking and subjective measure, and differs from historical volatility because the latter is calculated from known past returns of a security.

#### *Funding ratio*

The funding ratio is a significant unobservable input required to value loan commitments issued by the Bank. The funding ratio represents an estimate of the percentage of commitments that are ultimately funded by the Bank. The funding ratio is based on a number of factors such as observed historical funding percentages within the various lending channels and the future economic outlook, considering factors including, but not limited to, competitive pricing and fixed/variable mortgage rate gap. An increase/decrease in the funding ratio will increase/decrease loan commitment liability values 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. 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.

#### *Dividend Yield*

Dividend yield is a key input for valuing equity contracts and is generally expressed as a percentage of the current price of the stock. Dividend yields can be derived from the repo or forward price of the actual stock being fair valued. Spot dividend yields can also be obtained from pricing sources, if it can be demonstrated that spot yields are a good indication of future dividends.

#### *Inflation Rate Swap Curve*

The fair value of inflation rate swap contracts is a swap between the interest rate curve and the inflation index. The inflation rate swap spread is not observable and is determined using proxy inputs such as inflation index rates and Consumer Price Index (CPI) bond yields. Generally, swap curves are observable; however, there may be instances where certain specific swap curves are not observable.

#### *Net Asset Value*

The fair value of certain private funds is based on the net asset value determined by the fund managers based on valuation methodologies, as there are no observable prices for these instruments.

### Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities

The following table presents the Bank's assets and liabilities recognized at fair value and classified as Level 3, together with the valuation techniques used to measure fair value, the significant inputs used in the valuation technique that are considered unobservable, and a range of values for those unobservable inputs. The range of values represents the highest and lowest inputs used in calculating the fair value.

#### Valuation Techniques and Inputs Used in the Fair Value Measurement of Level 3 Assets and Liabilities

			October 31, 2022		October 31, 2021		As at
	Valuation technique	Significant unobservable inputs (Level 3)	Lower range	Upper range	Lower range	Upper range	Unit
<b>Government and government-related securities</b>	Market comparable	Bond price equivalent	–	100	n/a <sup>1</sup>	n/a	points
<b>Other debt securities</b>	Market comparable	Bond price equivalent	–	102	–	102	points
<b>Equity securities<sup>2</sup></b>	Market comparable	New issue price	100	100	100	100	%
	Discounted cash flow	Discount rate	–	–	9	9	%
	Market comparable	Price equivalent	128	145	35	36	%
<b>Non-trading financial assets at fair value through profit or loss</b>	Market comparable	New issue price	100	100	100	100	%
	Discounted cash flow	Discount rates	9	9	11	13	%
	EBITDA multiple	Earnings multiple	–	20.0	2.8	20.0	times
	Price-based	Net Asset Value <sup>3</sup>	n/a	n/a	n/a	n/a	
<b>Derivatives</b>							
<b>Interest rate contracts</b>	Discounted cash flow	Inflation rate swap curve	–	3	1	3	%
	Option model	Funding ratio	65	75	60	75	%
<b>Foreign exchange contracts</b>	Option model	Currency-specific volatility	8	17	4	33	%
<b>Equity contracts</b>	Option model	Price correlation	–	95	–	93	%
		Quanto correlation	–	68	10	15	%
		Dividend yield	–	7	–	7	%
		Equity volatility	13	76	27	240	%
<b>Commodity contracts</b>	Option model	Quanto correlation	(67)	(47)	(67)	(47)	%
		Swaption correlation	n/a	n/a	n/a	n/a	%
<b>Trading deposits</b>	Option model	Price correlation	n/a	n/a	–	93	%
		Quanto correlation	n/a	n/a	n/a	n/a	%
		Dividend yield	–	5	–	2	%
		Equity volatility	99	99	22	114	%
	Swaption model	Currency-specific volatility	55	821	35	484	%
<b>Financial liabilities designated at fair value through profit or loss</b>	Option model	Funding ratio	6	65	3	89	%
<b>Obligations related to securities sold short</b>	Market comparable	Bond Price Equivalent	n/a	n/a	100	100	points
	New issue price	New issue price	n/a	n/a	100	100	%

<sup>1</sup> Not applicable.

<sup>2</sup> Common shares exclude the fair value of Federal Reserve stock and Federal Home Loan Bank stock of \$1.7 billion (October 31, 2021 – \$1.5 billion) which are redeemable by the issuer at cost which approximates fair value. These securities cannot be traded in the market, hence, these securities have not been subjected to the sensitivity analysis.

<sup>3</sup> Net asset value information for private funds has not been disclosed due to the wide range in prices for these instruments.

The following table summarizes the potential effect of using reasonably possible alternative assumptions for financial assets and financial liabilities held, that are classified in Level 3 of the fair value hierarchy as at October 31. For non-trading securities at FVTPL and equity securities at FVOCI, the sensitivity was calculated based on an upward and downward shock of the fair value reported. For trading deposits, the sensitivity was calculated by varying unobservable inputs which may include volatility, credit spreads, and correlation. For interest rate derivatives, the Bank performed a sensitivity analysis on the unobservable implied volatility. For equity derivatives, the sensitivity was calculated by using reasonably possible alternative assumptions by shocking dividends, correlation, or the price and volatility of the underlying equity instrument. For financial liabilities designated at FVTPL, the sensitivity was calculated based on an upward and downward shock of the funding ratio.

#### Sensitivity Analysis of Level 3 Financial Assets and Liabilities

(millions of Canadian dollars)

	October 31, 2022		As at October 31, 2021	
	Impact to net assets		Impact to net assets	
	Decrease in fair value	Increase in fair value	Decrease in fair value	Increase in fair value
<b>FINANCIAL ASSETS</b>				
<b>Non-trading financial assets at fair value through profit or loss</b>				
Securities	\$ 115	\$ 42	\$ 92	\$ 38
<b>Financial assets at fair value through other comprehensive income</b>				
Equity securities	22	8	16	7
<b>FINANCIAL LIABILITIES</b>				
<b>Trading deposits</b>				
Derivatives	1	1	-	-
Interest rate contracts	15	21	12	10
Equity contracts	2	2	2	1
	17	23	14	11
<b>Financial liabilities designated at fair value through profit or loss</b>				
	7	7	9	13
<b>Total</b>	<b>\$ 162</b>	<b>\$ 81</b>	<b>\$ 131</b>	<b>\$ 69</b>

The following table summarizes the aggregate difference yet to be recognized in net income due to the difference between the transaction price and the amount determined using valuation techniques with significant non-observable inputs at initial recognition.

(millions of Canadian dollars)

	For the years ended October 31	
	2022	2021
Balance as at beginning of year	\$ 32	\$ 36
New transactions	(13)	47
Recognized in the Consolidated Statement of Income during the year	(10)	(51)
<b>Balance as at end of year</b>	<b>\$ 9</b>	<b>\$ 32</b>

#### (h) FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE

##### Securities Designated at Fair Value through Profit or Loss

Certain securities supporting insurance reserves within the Bank's insurance underwriting subsidiaries have been designated at FVTPL to eliminate or significantly reduce an accounting mismatch. The actuarial valuation of the insurance reserve is measured using a discount factor which is based on the yield of the supporting invested assets, which includes the securities designated at FVTPL, with changes in the discount factor being recognized on the Consolidated Statement of Income. The unrealized gains or losses on securities designated at FVTPL are recognized on the Consolidated Statement of Income in the same period as gains or losses resulting from changes to the discount rate used to value the insurance liabilities.

In addition, certain debt securities have been designated at FVTPL as they are economically hedged with derivatives and the designation eliminates or significantly reduces an accounting mismatch.

##### Financial Liabilities Designated at Fair Value through Profit or Loss

Certain deposits have been designated at FVTPL to reduce an accounting mismatch from related economic hedges, and are included in Financial liabilities designated at FVTPL on the Consolidated Balance Sheet. In addition, certain obligations related to securities sold under repurchase agreements have been designated at FVTPL as the instruments are part of a portfolio that is managed on a fair value basis and have been included in Obligations related to securities sold under repurchase agreements on the Consolidated Balance Sheet. The fair value of obligations related to securities sold under repurchase agreements designated at FVTPL was \$5,014 million as at October 31, 2022 (October 31, 2021 – \$1,491 million).

For financial liabilities designated at FVTPL, the estimated amount that the Bank would be contractually required to pay at maturity, which is based on notional amounts, was \$288 million less than its fair value as at October 31, 2022 (October 31, 2021 – \$9 million).



**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 transactions, 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 contracts to buy and sell goods and services from various suppliers. Some of these contracts may have netting provisions that allow for the offset of various trade payables and receivables in the event of default of one of the parties. While these are not disclosed in the following table, the gross amount of all payables and receivables to and from the Bank's vendors is disclosed in Note 16 in accounts receivable and other items, and in Note 18 in accounts payable, accrued expenses, and other items.

The Bank also enters into regular way purchases and sales of stocks and bonds. Some of these transactions may have netting provisions that allow for the offset of broker payables and broker receivables related to these purchases and sales. While these are not disclosed in the following table, the amount of receivables are disclosed in amounts receivable from brokers, dealers, and clients, and payables are disclosed in amounts payable to brokers, dealers, and clients.

The following table provides a summary of the financial assets and liabilities which are subject to enforceable master netting agreements and similar arrangements, including amounts not otherwise set-off on the Consolidated Balance Sheet, as well as financial collateral received to mitigate credit exposures for these financial assets and liabilities. The gross financial assets and liabilities are reconciled to net amounts and are presented within the associated line on the Consolidated Balance Sheet, after transactions with the same counterparties have been offset. Related amounts and collateral received that are not offset on the Consolidated Balance Sheet, but are otherwise subject to the same enforceable netting agreements and similar arrangements, are then presented to arrive at a net amount.

**Offsetting Financial Assets and Financial Liabilities**

(millions of Canadian dollars)

					<i>As at</i>		
					<b>October 31, 2022</b>		
					<b>Amounts subject to an enforceable master netting arrangement or similar agreement that are not offset in the Consolidated Balance Sheet<sup>1,2</sup></b>		
	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	
<b>Financial Assets</b>							
Derivatives	\$ 121,791	\$ 17,918	\$ 103,873	\$ 60,796	\$ 18,887	\$ 24,190	
Securities purchased under reverse repurchase agreements	183,323	23,156	160,167	8,473	149,315	2,379	
<b>Total</b>	<b>305,114</b>	<b>41,074</b>	<b>264,040</b>	<b>69,269</b>	<b>168,202</b>	<b>26,569</b>	
<b>Financial Liabilities</b>							
Derivatives	109,051	17,918	91,133	60,796	28,374	1,963	
Obligations related to securities sold under repurchase agreements	151,180	23,156	128,024	8,473	118,391	1,160	
<b>Total</b>	<b>\$ 260,231</b>	<b>\$ 41,074</b>	<b>\$ 219,157</b>	<b>\$ 69,269</b>	<b>\$ 146,765</b>	<b>\$ 3,123</b>	
October 31, 2021							
<b>Financial Assets</b>							
Derivatives	\$ 60,692	\$ 6,265	\$ 54,427	\$ 34,239	\$ 9,774	\$ 10,414	
Securities purchased under reverse repurchase agreements	191,818	24,534	167,284	10,130	156,505	649	
<b>Total</b>	<b>252,510</b>	<b>30,799</b>	<b>221,711</b>	<b>44,369</b>	<b>166,279</b>	<b>11,063</b>	
<b>Financial Liabilities</b>							
Derivatives	63,387	6,265	57,122	34,239	21,660	1,223	
Obligations related to securities sold under repurchase agreements	168,631	24,534	144,097	10,130	133,626	341	
<b>Total</b>	<b>\$ 232,018</b>	<b>\$ 30,799</b>	<b>\$ 201,219</b>	<b>\$ 44,369</b>	<b>\$ 155,286</b>	<b>\$ 1,564</b>	

<sup>1</sup> Excess collateral as a result of overcollateralization has not been reflected in the table.

<sup>2</sup> Includes amounts where the contractual set-off rights are subject to uncertainty under the laws of the relevant jurisdiction.

**NOTE 7: SECURITIES**

Securities are held by the Bank for both trading and non-trading activities. Trading securities are included in Trading loans, securities, and other on the Consolidated Balance Sheet. Non-trading securities are included in Non-trading financial assets at FVTPL, Financial assets designated at FVTPL, Financial assets at FVOCI, or Debt securities at amortized cost, net of allowance for credit losses on the Consolidated Balance Sheet.

**(a) 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)

	Remaining terms to maturities <sup>1</sup>						October 31 2022	As at October 31 2021
	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
<b>Trading securities</b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	\$ 4,849	\$ 1,530	\$ 1,366	\$ 850	\$ 1,067	\$ –	\$ 9,662	\$ 11,196
Provinces	1,366	1,610	1,040	1,511	2,179	–	7,706	8,326
U.S. federal, state, municipal governments, and agencies debt	5,077	7,152	2,326	2,254	6,659	–	23,468	13,241
Other OECD government-guaranteed debt	5,545	970	722	832	272	–	8,341	7,785
Mortgage-backed securities								
Residential	430	699	757	–	–	–	1,886	1,346
Commercial	40	84	57	42	–	–	223	154
	17,307	12,045	6,268	5,489	10,177	–	51,286	42,048
<b>Other debt securities</b>								
Canadian issuers	1,023	1,858	1,376	1,456	891	–	6,604	5,970
Other issuers	3,426	4,666	2,811	1,318	172	–	12,393	12,395
	4,449	6,524	4,187	2,774	1,063	–	18,997	18,365
<b>Equity securities</b>								
Common shares	–	–	–	–	–	44,423	44,423	60,074
Preferred shares	–	–	–	–	–	33	33	50
	–	–	–	–	–	44,456	44,456	60,124
<b>Retained interests</b>								
	–	2	–	3	–	–	5	9
<b>Total trading securities</b>	<b>\$ 21,756</b>	<b>\$ 18,571</b>	<b>\$ 10,455</b>	<b>\$ 8,266</b>	<b>\$ 11,240</b>	<b>\$ 44,456</b>	<b>\$ 114,744</b>	<b>\$ 120,546</b>
<b>Non-trading financial assets at fair value through profit or loss</b>								
<b>Government and government-related securities</b>								
U.S. federal, state, municipal governments, and agencies debt								
	\$ –	\$ 2	\$ 17	\$ –	\$ 268	\$ –	\$ 287	\$ 155
	–	2	17	–	268	–	287	155
<b>Other debt securities</b>								
Canadian issuers	–	20	224	2	–	464	710	638
Asset-backed securities	1	3,501	825	1,261	312	–	5,900	5,615
Other issuers	–	–	–	–	–	35	35	67
	1	3,521	1,049	1,263	312	499	6,645	6,320
<b>Equity securities</b>								
Common shares	–	–	–	–	–	698	698	561
Preferred shares	–	–	–	–	–	51	51	17
	–	–	–	–	–	749	749	578
<b>Total non-trading financial assets at fair value through profit or loss</b>	<b>\$ 1</b>	<b>\$ 3,523</b>	<b>\$ 1,066</b>	<b>\$ 1,263</b>	<b>\$ 580</b>	<b>\$ 1,248</b>	<b>\$ 7,681</b>	<b>\$ 7,053</b>
<b>Financial assets designated at fair value through profit or loss</b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	\$ 203	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 203	\$ 247
Provinces	728	101	–	797	10	–	1,636	1,525
U.S. federal, state, municipal governments, and agencies debt	–	–	8	–	–	–	8	22
Other OECD government-guaranteed debt	516	4	55	–	–	–	575	367
	1,447	105	63	797	10	–	2,422	2,161
<b>Other debt securities</b>								
Canadian issuers	386	795	752	332	70	–	2,335	2,318
Other issuers	42	220	20	–	–	–	282	85
	428	1,015	772	332	70	–	2,617	2,403
<b>Total financial assets designated at fair value through profit or loss</b>	<b>\$ 1,875</b>	<b>\$ 1,120</b>	<b>\$ 835</b>	<b>\$ 1,129</b>	<b>\$ 80</b>	<b>\$ –</b>	<b>\$ 5,039</b>	<b>\$ 4,564</b>

<sup>1</sup> Represents contractual maturities. Actual maturities may differ due to prepayment privileges in the applicable contract.

**Securities Maturity Schedule (Continued)**

(millions of Canadian dollars)

							October 31 2022	October 31 2021
	Remaining terms to maturities <sup>1</sup>							
	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
<b>Securities at fair value through other comprehensive income</b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	\$ 1,349	\$ 5,728	\$ 1,147	\$ 7,826	\$ 318	\$ –	\$ 16,368	\$ 12,519
Provinces	1,279	4,077	2,624	11,917	343	–	20,240	18,143
U.S. federal, state, municipal governments, and agencies debt	3,079	2,042	3,074	629	2,735	–	11,559	19,300
Other OECD government-guaranteed debt	268	982	326	106	–	–	1,682	6,564
Mortgage-backed securities	24	–	1,009	–	–	–	1,033	1,254
	5,999	12,829	8,180	20,478	3,396	–	50,882	57,780
<b>Other debt securities</b>								
Asset-backed securities	1,682	91	264	146	2,257	–	4,440	6,981
Corporate and other debt	1,076	2,933	2,228	1,414	1,030	–	8,681	8,104
	2,758	3,024	2,492	1,560	3,287	–	13,121	15,085
<b>Equity securities</b>								
Common shares	–	–	–	–	–	2,221	2,221	4,117
Preferred shares	–	–	–	–	–	1,098	1,098	482
	–	–	–	–	–	3,319	3,319	4,599
<b>Total securities at fair value through other comprehensive income</b>	<b>\$ 8,757</b>	<b>\$ 15,853</b>	<b>\$ 10,672</b>	<b>\$ 22,038</b>	<b>\$ 6,683</b>	<b>\$ 3,319</b>	<b>\$ 67,322</b>	<b>\$ 77,464</b>
<b>Debt securities at amortized cost, net of allowance for credit losses</b>								
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	\$ 3,189	\$ 2,503	\$ 11,020	\$ 1,629	\$ 1,412	\$ –	\$ 19,753	\$ 22,593
Provinces	239	2,253	2,373	11,789	–	–	16,654	10,930
U.S. federal, state, municipal governments, and agencies debt	16,155	27,687	23,329	54,114	51,098	–	172,383	135,303
Other OECD government-guaranteed debt	10,423	15,582	16,711	4,856	–	–	47,572	39,733
	30,006	48,025	53,433	72,388	52,510	–	256,362	208,559
<b>Other debt securities</b>								
Asset-backed securities	180	7,174	13,938	9,557	19,044	–	49,893	33,172
Non-agency collateralized mortgage obligation portfolio	–	–	167	108	16,967	–	17,242	16,214
Canadian issuers	45	351	2,689	1,211	–	–	4,296	2,133
Other issuers	1,873	3,319	5,163	4,626	–	–	14,981	8,861
	2,098	10,844	21,957	15,502	36,011	–	86,412	60,380
<b>Total debt securities at amortized cost, net of allowance for credit losses</b>	<b>32,104</b>	<b>58,869</b>	<b>75,390</b>	<b>87,890</b>	<b>88,521</b>	<b>–</b>	<b>342,774</b>	<b>268,939</b>
<b>Total securities</b>	<b>\$ 64,493</b>	<b>\$ 97,936</b>	<b>\$ 98,418</b>	<b>\$ 120,586</b>	<b>\$ 107,104</b>	<b>\$ 49,023</b>	<b>\$ 537,560</b>	<b>\$ 478,566</b>

<sup>1</sup> Represents contractual maturities. Actual maturities may differ due to prepayment privileges in the applicable contract.

**(b) UNREALIZED SECURITIES GAINS (LOSSES)**

The following table summarizes the unrealized gains and losses as at October 31, 2022 and October 31, 2021.

**Unrealized Securities Gains (Losses) for Securities at Fair Value Through Other Comprehensive Income**

(millions of Canadian dollars)

	October 31, 2022				October 31, 2021			
	Cost/ amortized cost <sup>1</sup>	Gross unrealized gains	Gross unrealized (losses)	Fair value	Cost/ amortized cost <sup>1</sup>	Gross unrealized gains	Gross unrealized (losses)	Fair value
<b>Government and government-related securities</b>								
Canadian government debt								
Federal	\$ 16,420	\$ 69	\$ (121)	\$ 16,368	\$ 12,428	\$ 98	\$ (7)	\$ 12,519
Provinces	20,279	99	(138)	20,240	17,935	218	(10)	18,143
U.S. federal, state, municipal governments, and agencies debt	11,855	22	(318)	11,559	19,232	83	(15)	19,300
Other OECD government-guaranteed debt	1,715	1	(34)	1,682	6,551	13	–	6,564
Mortgage-backed securities	1,035	1	(3)	1,033	1,251	3	–	1,254
	51,304	192	(614)	50,882	57,397	415	(32)	57,780
<b>Other debt securities</b>								
Asset-backed securities	4,511	–	(71)	4,440	6,957	30	(6)	6,981
Corporate and other debt	8,820	23	(162)	8,681	8,054	68	(18)	8,104
	13,331	23	(233)	13,121	15,011	98	(24)	15,085
<b>Total debt securities</b>	<b>64,635</b>	<b>215</b>	<b>(847)</b>	<b>64,003</b>	<b>72,408</b>	<b>513</b>	<b>(56)</b>	<b>72,865</b>
<b>Equity securities</b>								
Common shares	2,191	63	(33)	2,221	3,887	310	(80)	4,117
Preferred shares	1,100	71	(73)	1,098	470	43	(31)	482
	3,291	134	(106)	3,319	4,357	353	(111)	4,599
<b>Total securities at fair value through other comprehensive income</b>	<b>\$ 67,926</b>	<b>\$ 349</b>	<b>\$ (953)</b>	<b>\$ 67,322</b>	<b>\$ 76,765</b>	<b>\$ 866</b>	<b>\$ (167)</b>	<b>\$ 77,464</b>

<sup>1</sup> Includes the foreign exchange translation of amortized cost balances at the period-end spot rate.

**(c) EQUITY SECURITIES DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

The Bank designated certain equity securities at FVOCI. The following table summarizes the fair value and dividend income recognized on equity securities designated at FVOCI as at and for the years ended October 31, 2022 and October 31, 2021.

**Equity Securities Designated at Fair Value Through Other Comprehensive Income**

(millions of Canadian dollars)

	As at		For the years ended	
	October 31, 2022	October 31, 2021	October 31, 2022	October 31, 2021
		Fair value		Dividend income recognized
Common shares	\$ 2,221	\$ 4,117	\$ 171	\$ 143
Preferred shares	1,098	482	42	18
<b>Total</b>	<b>\$ 3,319</b>	<b>\$ 4,599</b>	<b>\$ 213</b>	<b>\$ 161</b>

The Bank disposed of certain equity securities in line with the Bank's investment strategy with a fair value of \$2,345 million during the year ended October 31, 2022 (October 31, 2021 – \$146 million). The Bank realized a cumulative gain of \$224 million during the year ended October 31, 2022 (October 31, 2021 – \$15 million) on disposal of these equity securities and recognized dividend income of \$14 million during the year ended October 31, 2022 (October 31, 2021 – \$2 million).

**(d) DEBT SECURITIES NET REALIZED GAINS (LOSSES)**

The Bank disposed of certain debt securities measured at amortized cost and FVOCI during the year. The following table summarizes the net realized gains and losses on securities disposed of during the years ended October 31, 2022 and October 31, 2021, which are included in Other income (loss) on the Consolidated Statement of Income.

**Debt Securities Net Realized Gains (Losses)**

(millions of Canadian dollars)

	For the years ended	
	October 31, 2022	October 31, 2021
Debt securities at amortized cost	\$ 62	\$ (61)
Debt securities at fair value through other comprehensive income	(2)	75
<b>Total</b>	<b>\$ 60</b>	<b>\$ 14</b>

**(e) CREDIT QUALITY OF DEBT SECURITIES**

The Bank evaluates non-retail credit risk on an individual borrower basis, using both a BRR and FRR, as detailed in the shaded area of the "Managing Risk" section of the 2022 MD&A. This system is used to assess all non-retail exposures, including debt securities.

The following table provides the gross carrying amounts of debt securities measured at amortized cost and debt securities at FVOCI by internal risk ratings for credit risk management purposes, presenting separately those debt securities that are subject to Stage 1, Stage 2, and Stage 3 allowances. Refer to the "Allowance for Credit Losses" table in Note 8 for details regarding the allowance and provision for credit losses on debt securities.

**Debt Securities by Risk Ratings**

(millions of Canadian dollars)

	October 31, 2022				October 31, 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Debt securities<sup>1</sup></b>								
Investment grade	\$ 404,620	\$ –	\$ n/a	\$ 404,620	\$ 339,426	\$ –	\$ n/a	\$ 339,426
Non-investment grade	1,964	155	n/a	2,119	2,235	83	n/a	2,318
Watch and classified	n/a	39	n/a	39	n/a	62	n/a	62
Default	n/a	n/a	–	–	n/a	n/a	–	–
<b>Total debt securities</b>	<b>406,584</b>	<b>194</b>	<b>–</b>	<b>406,778</b>	<b>341,661</b>	<b>145</b>	<b>–</b>	<b>341,806</b>
<b>Allowance for credit losses on debt securities at amortized cost</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>2</b>
<b>Total debt securities, net of allowance</b>	<b>406,583</b>	<b>194</b>	<b>–</b>	<b>406,777</b>	<b>341,659</b>	<b>145</b>	<b>–</b>	<b>341,804</b>

<sup>1</sup> Includes debt securities backed by government-guaranteed loans of \$192 million (October 31, 2021 – \$1 million), which are reported in Non-investment grade or a lower risk rating based on the issuer's credit risk.

As at October 31, 2022, total debt securities, net of allowance, in the table above, include debt securities measured at amortized cost, net of allowance, of \$342,774 million (October 31, 2021 – \$268,939 million), and debt securities measured at FVOCI of \$64,003 million (October 31, 2021 – \$72,865 million).

The difference between probability-weighted ECLs and base ECLs on debt securities at FVOCI and at amortized cost as at both October 31, 2022 and October 31, 2021, was insignificant. Refer to Note 3 for further details.

**NOTE 8: LOANS, IMPAIRED LOANS, AND ALLOWANCE FOR CREDIT LOSSES****(a) LOANS AND ACCEPTANCES**

The following table provides details regarding the Bank's loans and acceptances as at October 31, 2022 and October 31, 2021.

**Loans and Acceptances**

(millions of Canadian dollars)

	As at October 31	
	2022	2021
Residential mortgages	\$ 293,924	\$ 268,340
Consumer instalment and other personal	206,152	189,864
Credit card	36,010	30,738
Business and government	301,389	240,070
	837,475	729,012
Customers' liability under acceptances	19,733	18,448
Loans at FVOCI (Note 5)	2,353	1,602
<b>Total loans and acceptances</b>	<b>859,561</b>	<b>749,062</b>
<b>Total allowance for loan losses</b>	<b>6,432</b>	<b>6,390</b>
<b>Total loans and acceptances, net of allowance</b>	<b>853,129</b>	<b>742,672</b>

Business and government loans (including loans at FVOCI) and customers' liability under acceptances are grouped together as reflected below for presentation in the "Loans and Acceptances by Risk Ratings" table.

**Loans and Acceptances – Business and Government**

(millions of Canadian dollars)

	As at October 31	
	2022	2021
Loans at amortized cost	\$ 301,389	\$ 240,070
Customers' liability under acceptances	19,733	18,448
Loans at FVOCI (Note 5)	2,353	1,602
<b>Loans and acceptances</b>	<b>323,475</b>	<b>260,120</b>
<b>Allowance for loan and acceptances losses</b>	<b>2,739</b>	<b>2,751</b>
<b>Loans and acceptances, net of allowance</b>	<b>320,736</b>	<b>257,369</b>

**(b) CREDIT QUALITY OF LOANS**

In the retail portfolio, including individuals and small businesses, the Bank manages exposures on a pooled basis, using predictive credit scoring techniques. For non-retail exposures, each borrower is assigned a BRR that reflects the PD of the borrower using proprietary industry and sector specific risk models and expert judgment. Refer to the shaded areas of the "Managing Risk" section of the 2022 MD&A for further details, including the mapping of PD ranges to risk levels for retail exposures as well as the Bank's 21-point BRR scale to risk levels and external ratings for non-retail exposures.

The following tables provide the gross carrying amounts of loans, acceptances, and credit risk exposures on loan commitments and financial guarantee contracts by internal risk ratings for credit risk management purposes, presenting separately those that are subject to Stage 1, Stage 2, and Stage 3 allowances.

**Loans and Acceptances by Risk Ratings**

(millions of Canadian dollars)

	October 31, 2022				As at October 31, 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Residential mortgages<sup>1,2,3</sup></b>								
Low Risk	\$ 208,450	\$ 59	\$ n/a	\$ 208,509	\$ 208,030	\$ 4,113	\$ n/a	\$ 212,143
Normal Risk	67,280	6,767	n/a	74,047	38,922	9,768	n/a	48,690
Medium Risk	418	8,132	n/a	8,550	–	4,405	n/a	4,405
High Risk	10	2,096	350	2,456	–	2,380	266	2,646
Default	n/a	n/a	362	362	n/a	n/a	456	456
<b>Total loans</b>	<b>276,158</b>	<b>17,054</b>	<b>712</b>	<b>293,924</b>	<b>246,952</b>	<b>20,666</b>	<b>722</b>	<b>268,340</b>
<b>Allowance for loan losses</b>	<b>127</b>	<b>140</b>	<b>56</b>	<b>323</b>	<b>35</b>	<b>175</b>	<b>51</b>	<b>261</b>
<b>Loans, net of allowance</b>	<b>276,031</b>	<b>16,914</b>	<b>656</b>	<b>293,601</b>	<b>246,917</b>	<b>20,491</b>	<b>671</b>	<b>268,079</b>
<b>Consumer instalment and other personal<sup>4</sup></b>								
Low Risk	92,653	2,127	n/a	94,780	94,425	1,397	n/a	95,822
Normal Risk	61,508	13,799	n/a	75,307	62,484	1,255	n/a	63,739
Medium Risk	21,990	6,350	n/a	28,340	18,201	3,917	n/a	22,118
High Risk	2,202	4,793	335	7,330	1,073	6,346	379	7,798
Default	n/a	n/a	395	395	n/a	n/a	387	387
<b>Total loans</b>	<b>178,353</b>	<b>27,069</b>	<b>730</b>	<b>206,152</b>	<b>176,183</b>	<b>12,915</b>	<b>766</b>	<b>189,864</b>
<b>Allowance for loan losses</b>	<b>619</b>	<b>850</b>	<b>154</b>	<b>1,623</b>	<b>520</b>	<b>914</b>	<b>139</b>	<b>1,573</b>
<b>Loans, net of allowance</b>	<b>177,734</b>	<b>26,219</b>	<b>576</b>	<b>204,529</b>	<b>175,663</b>	<b>12,001</b>	<b>627</b>	<b>188,291</b>
<b>Credit card</b>								
Low Risk	6,532	11	n/a	6,543	5,467	7	n/a	5,474
Normal Risk	10,760	137	n/a	10,897	10,109	68	n/a	10,177
Medium Risk	10,794	1,184	n/a	11,978	8,909	1,158	n/a	10,067
High Risk	2,590	3,653	265	6,508	476	4,319	149	4,944
Default	n/a	n/a	84	84	n/a	n/a	76	76
<b>Total loans</b>	<b>30,676</b>	<b>4,985</b>	<b>349</b>	<b>36,010</b>	<b>24,961</b>	<b>5,552</b>	<b>225</b>	<b>30,738</b>
<b>Allowance for loan losses</b>	<b>685</b>	<b>855</b>	<b>207</b>	<b>1,747</b>	<b>671</b>	<b>996</b>	<b>138</b>	<b>1,805</b>
<b>Loans, net of allowance</b>	<b>29,991</b>	<b>4,130</b>	<b>142</b>	<b>34,263</b>	<b>24,290</b>	<b>4,556</b>	<b>87</b>	<b>28,933</b>
<b>Business and government<sup>1,2,3,5</sup></b>								
Investment grade or Low/Normal Risk	144,994	596	n/a	145,590	110,129	699	n/a	110,828
Non-investment grade or Medium Risk	156,749	10,057	n/a	166,806	125,638	12,149	n/a	137,787
Watch and classified or High Risk	507	9,745	83	10,335	108	10,547	70	10,725
Default	n/a	n/a	744	744	n/a	n/a	780	780
<b>Total loans and acceptances</b>	<b>302,250</b>	<b>20,398</b>	<b>827</b>	<b>323,475</b>	<b>235,875</b>	<b>23,395</b>	<b>850</b>	<b>260,120</b>
<b>Allowance for loan and acceptances losses</b>	<b>1,091</b>	<b>1,304</b>	<b>344</b>	<b>2,739</b>	<b>1,037</b>	<b>1,407</b>	<b>307</b>	<b>2,751</b>
<b>Loans and acceptances, net of allowance</b>	<b>301,159</b>	<b>19,094</b>	<b>483</b>	<b>320,736</b>	<b>234,838</b>	<b>21,988</b>	<b>543</b>	<b>257,369</b>
<b>Total loans and acceptances<sup>6</sup></b>	<b>787,437</b>	<b>69,506</b>	<b>2,618</b>	<b>859,561</b>	<b>683,971</b>	<b>62,528</b>	<b>2,563</b>	<b>749,062</b>
<b>Total allowance for loan losses<sup>6,7</sup></b>	<b>2,522</b>	<b>3,149</b>	<b>761</b>	<b>6,432</b>	<b>2,263</b>	<b>3,492</b>	<b>635</b>	<b>6,390</b>
<b>Total loans and acceptances, net of allowance<sup>6</sup></b>	<b>\$ 784,915</b>	<b>\$ 66,357</b>	<b>\$ 1,857</b>	<b>\$ 853,129</b>	<b>\$ 681,708</b>	<b>\$ 59,036</b>	<b>\$ 1,928</b>	<b>\$ 742,672</b>

- <sup>1</sup> Includes impaired loans with a balance of \$110 million (October 31, 2021 – \$86 million) which did not have a related allowance for loan losses as the realizable value of the collateral exceeded the loan amount.  
<sup>2</sup> Excludes trading loans and non-trading loans at FVTPL with a fair value of \$12 billion (October 31, 2021 – \$12 billion) and \$3 billion (October 31, 2021 – \$2 billion), respectively.  
<sup>3</sup> Includes insured mortgages of \$77 billion (October 31, 2021 – \$82 billion).  
<sup>4</sup> Includes Canadian government-insured real estate personal loans of \$9 billion (October 31, 2021 – \$10 billion).  
<sup>5</sup> Includes loans guaranteed by government agencies of \$28 billion (October 31, 2021 – \$26 billion), which are primarily reported in Non-investment grade or a lower risk rating based on the borrowers' credit risk.  
<sup>6</sup> Stage 3 includes ACI loans of \$115 million (October 31, 2021 – \$152 million) and a related allowance for loan losses of \$4 million (October 31, 2021 – \$6 million), which have been included in the "Default" risk rating category as they were impaired at acquisition.  
<sup>7</sup> Includes allowance for loan losses related to loans that are measured at FVOCI of nil (October 31, 2021 – nil).

**Loans and Acceptances by Risk Ratings (Continued) – Off-Balance Sheet Credit Instruments<sup>1</sup>**

(millions of Canadian dollars)

	October 31, 2022								As at October 31, 2021	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
	<b>Retail Exposures<sup>2</sup></b>									
Low Risk	\$ 240,203	\$ 1,174	\$ n/a	\$ 241,377	\$ 222,348	\$ 232	\$ n/a	\$ 222,580		
Normal Risk	87,113	1,178	n/a	88,291	80,529	501	n/a	81,030		
Medium Risk	21,914	1,015	n/a	22,929	13,993	551	n/a	14,544		
High Risk	1,272	1,374	–	2,646	890	1,004	–	1,894		
Default	n/a	n/a	–	–	n/a	n/a	–	–		
<b>Non-Retail Exposures<sup>3</sup></b>										
Investment grade	229,592	–	n/a	229,592	195,293	–	n/a	195,293		
Non-investment grade	84,301	3,642	n/a	87,943	80,076	5,329	n/a	85,405		
Watch and classified	237	4,265	–	4,502	38	5,097	–	5,135		
Default	n/a	n/a	116	116	n/a	n/a	86	86		
<b>Total off-balance sheet credit instruments</b>	<b>664,632</b>	<b>12,648</b>	<b>116</b>	<b>677,396</b>	<b>593,167</b>	<b>12,714</b>	<b>86</b>	<b>605,967</b>		
<b>Allowance for off-balance sheet credit instruments</b>	<b>433</b>	<b>495</b>	<b>3</b>	<b>931</b>	<b>386</b>	<b>467</b>	<b>3</b>	<b>856</b>		
<b>Total off-balance sheet credit instruments, net of allowance</b>	<b>\$ 664,199</b>	<b>\$ 12,153</b>	<b>\$ 113</b>	<b>\$ 676,465</b>	<b>\$ 592,781</b>	<b>\$ 12,247</b>	<b>\$ 83</b>	<b>\$ 605,111</b>		

<sup>1</sup> Exclude mortgage commitments.

<sup>2</sup> Includes \$352 billion (October 31, 2021 – \$318 billion) of personal lines of credit and credit card lines, which are unconditionally cancellable at the Bank's discretion at any time.

<sup>3</sup> Includes \$51 billion (October 31, 2021 – \$48 billion) of the undrawn component of uncommitted credit and liquidity facilities.

**(c) IMPAIRED LOANS**

The following table presents information related to the Bank's impaired loans as at October 31, 2022 and October 31, 2021.

**Impaired Loans<sup>1</sup>**

(millions of Canadian dollars)

	October 31, 2022				As at October 31, 2021			
	Unpaid principal balance <sup>2</sup>	Carrying value	Related allowance for credit losses	Average gross impaired loans	Unpaid principal balance <sup>2</sup>	Carrying value	Related allowance for credit losses	Average gross impaired loans
Residential mortgages	\$ 688	\$ 640	\$ 56	\$ 656	\$ 681	\$ 630	\$ 51	\$ 717
Consumer instalment and other personal	736	713	154	733	799	746	139	850
Credit card	349	349	207	277	224	225	138	258
Business and government	849	801	340	775	912	810	301	968
<b>Total</b>	<b>\$ 2,622</b>	<b>\$ 2,503</b>	<b>\$ 757</b>	<b>\$ 2,441</b>	<b>\$ 2,616</b>	<b>\$ 2,411</b>	<b>\$ 629</b>	<b>\$ 2,793</b>

<sup>1</sup> Balances exclude ACI loans.

<sup>2</sup> Represents contractual amount of principal owed.

**(d) ALLOWANCE FOR CREDIT LOSSES**

The following table provides details on the Bank's allowance for credit losses as at and for the years ended October 31, 2022 and October 31, 2021, including allowance for off-balance sheet instruments in the applicable categories.

**Allowance for Credit Losses**

(millions of Canadian dollars)

	Balance at beginning of year	Provision for credit losses	Write-offs, net of recoveries	Foreign exchange, disposals, and other adjustments	Balance at end of year	Balance at beginning of year	Provision for credit losses	Write-offs, net of recoveries	Foreign exchange, disposals, and other adjustments	Balance at end of year		
	2022					For the years ended October 31 2021						
Residential mortgages	\$ 261	\$ 56	\$ (2)	\$ 8	\$ 323	\$ 302	\$ (26)	\$ (10)	\$ (5)	\$ 261		
Consumer instalment and other personal	1,649	549	(553)	59	1,704	2,112	135	(531)	(67)	1,649		
Credit card	2,314	582	(684)	140	2,352	3,184	(14)	(708)	(148)	2,314		
Business and government	3,022	(114)	(88)	164	2,984	3,779	(320)	(249)	(188)	3,022		
<b>Total allowance for loan losses, including off-balance sheet instruments</b>	<b>7,246</b>	<b>1,073</b>	<b>(1,327)</b>	<b>371</b>	<b>7,363</b>	<b>9,377</b>	<b>(225)</b>	<b>(1,498)</b>	<b>(408)</b>	<b>7,246</b>		
Debt securities at amortized cost	2	(1)	—	—	1	2	—	—	—	2		
Debt securities at FVOCI	7	(5)	—	—	2	5	1	—	1	7		
<b>Total allowance for credit losses on debt securities</b>	<b>9</b>	<b>(6)</b>	<b>—</b>	<b>—</b>	<b>3</b>	<b>7</b>	<b>1</b>	<b>—</b>	<b>1</b>	<b>9</b>		
<b>Total allowance for credit losses</b>	<b>\$ 7,255</b>	<b>\$ 1,067</b>	<b>\$ (1,327)</b>	<b>\$ 371</b>	<b>\$ 7,366</b>	<b>\$ 9,384</b>	<b>\$ (224)</b>	<b>\$ (1,498)</b>	<b>\$ (407)</b>	<b>\$ 7,255</b>		
Comprising:												
Allowance for credit losses on loans at amortized cost	\$ 6,390					\$ 6,432	\$ 8,289					\$ 6,390
Allowance for credit losses on loans at FVOCI	—					—	1					—
<b>Allowance for loan losses</b>	<b>6,390</b>					<b>6,432</b>	<b>8,290</b>					<b>6,390</b>
<b>Allowance for off-balance sheet instruments</b>	<b>856</b>					<b>931</b>	<b>1,087</b>					<b>856</b>
<b>Allowance for credit losses on debt securities</b>	<b>9</b>					<b>3</b>	<b>7</b>					<b>9</b>



**(e) ALLOWANCE FOR LOAN LOSSES BY STAGE**

The following table provides details on the Bank's allowance for loan losses by stage as at and for the years ended October 31, 2022 and October 31, 2021.

**Allowance for Loan Losses by Stage**

(millions of Canadian dollars)

	2022				For the years ended October 31			
	Stage 1	Stage 2	Stage 3 <sup>1</sup>	Total	Stage 1	Stage 2	Stage 3 <sup>1</sup>	Total
<b>Residential Mortgages</b>								
Balance at beginning of period	\$ 35	\$ 175	\$ 51	\$ 261	\$ 32	\$ 205	\$ 65	\$ 302
Provision for credit losses								
Transfer to Stage 1 <sup>2</sup>	109	(106)	(3)	—	126	(123)	(3)	—
Transfer to Stage 2	(23)	34	(11)	—	(38)	56	(18)	—
Transfer to Stage 3	(2)	(15)	17	—	—	(14)	14	—
Net remeasurement due to transfers into stage <sup>3</sup>	(18)	13	1	(4)	(20)	12	—	(8)
New originations or purchases <sup>4</sup>	40	n/a	n/a	40	21	n/a	n/a	21
Net repayments <sup>5</sup>	(4)	(4)	—	(8)	(4)	(4)	—	(8)
Derecognition of financial assets (excluding disposals and write-offs) <sup>6</sup>	(7)	(19)	(28)	(54)	(6)	(35)	(55)	(96)
Changes to risk, parameters, and models <sup>7</sup>	(7)	59	30	82	(74)	83	56	65
Disposals	—	—	—	—	—	—	—	—
Write-offs	—	—	(33)	(33)	—	—	(16)	(16)
Recoveries	—	—	31	31	—	—	6	6
Foreign exchange and other adjustments	4	3	1	8	(2)	(5)	2	(5)
Balance at end of period	\$ 127	\$ 140	\$ 56	\$ 323	\$ 35	\$ 175	\$ 51	\$ 261
<b>Consumer Instalment and Other Personal</b>								
Balance, including off-balance sheet instruments, at beginning of period	\$ 550	\$ 960	\$ 139	\$ 1,649	\$ 595	\$ 1,330	\$ 187	\$ 2,112
Provision for credit losses								
Transfer to Stage 1 <sup>2</sup>	613	(603)	(10)	—	1,154	(1,143)	(11)	—
Transfer to Stage 2	(188)	248	(60)	—	(145)	201	(56)	—
Transfer to Stage 3	(9)	(203)	212	—	(7)	(195)	202	—
Net remeasurement due to transfers into stage <sup>3</sup>	(167)	178	8	19	(332)	157	8	(167)
New originations or purchases <sup>4</sup>	330	n/a	n/a	330	221	n/a	n/a	221
Net repayments <sup>5</sup>	(74)	(78)	(13)	(165)	(96)	(96)	(14)	(206)
Derecognition of financial assets (excluding disposals and write-offs) <sup>6</sup>	(93)	(167)	(52)	(312)	(93)	(159)	(41)	(293)
Changes to risk, parameters, and models <sup>7</sup>	(329)	528	478	677	(727)	901	406	580
Disposals	—	—	—	—	—	—	—	—
Write-offs	—	—	(846)	(846)	—	—	(848)	(848)
Recoveries	—	—	293	293	—	—	317	317
Foreign exchange and other adjustments	21	33	5	59	(20)	(36)	(11)	(67)
Balance, including off-balance sheet instruments, at end of period	654	896	154	1,704	550	960	139	1,649
Less: Allowance for off-balance sheet instruments <sup>8</sup>	35	46	—	81	30	46	—	76
Balance at end of period	\$ 619	\$ 850	\$ 154	\$ 1,623	\$ 520	\$ 914	\$ 139	\$ 1,573
<b>Credit Card<sup>9</sup></b>								
Balance, including off-balance sheet instruments, at beginning of period	\$ 878	\$ 1,298	\$ 138	\$ 2,314	\$ 799	\$ 2,181	\$ 204	\$ 3,184
Provision for credit losses								
Transfer to Stage 1 <sup>2</sup>	1,208	(1,189)	(19)	—	1,509	(1,488)	(21)	—
Transfer to Stage 2	(310)	350	(40)	—	(180)	232	(52)	—
Transfer to Stage 3	(19)	(623)	642	—	(8)	(632)	640	—
Net remeasurement due to transfers into stage <sup>3</sup>	(367)	474	19	126	(478)	277	10	(191)
New originations or purchases <sup>4</sup>	207	n/a	n/a	207	122	n/a	n/a	122
Net repayments <sup>5</sup>	2	4	26	32	(98)	(20)	20	(98)
Derecognition of financial assets (excluding disposals and write-offs) <sup>6</sup>	(56)	(118)	(171)	(345)	(50)	(131)	(219)	(400)
Changes to risk, parameters, and models <sup>7</sup>	(647)	927	282	562	(696)	973	276	553
Disposals	—	—	—	—	—	—	—	—
Write-offs	—	—	(975)	(975)	—	—	(1,011)	(1,011)
Recoveries	—	—	291	291	—	—	303	303
Foreign exchange and other adjustments	58	68	14	140	(42)	(94)	(12)	(148)
Balance, including off-balance sheet instruments, at end of period	954	1,191	207	2,352	878	1,298	138	2,314
Less: Allowance for off-balance sheet instruments <sup>8</sup>	269	336	—	605	207	302	—	509
Balance at end of period	\$ 685	\$ 855	\$ 207	\$ 1,747	\$ 671	\$ 996	\$ 138	\$ 1,805

<sup>1</sup> Includes allowance for loan losses related to ACI loans.

<sup>2</sup> Transfers represent stage transfer movements prior to ECL remeasurement.

<sup>3</sup> Represents the mechanical remeasurement between twelve-month (i.e., Stage 1) and lifetime ECLs (i.e., Stage 2 or 3) due to stage transfers necessitated by credit risk migration, as described in the "Significant Increase in Credit Risk" section of Note 2 and Note 3, holding all other factors impacting the change in ECLs constant.

<sup>4</sup> Represents the increase in the allowance resulting from loans that were newly originated, purchased, or renewed.

<sup>5</sup> Represents the changes in the allowance related to cash flow changes associated with new draws or repayments on loans outstanding.

<sup>6</sup> Represents the decrease in the allowance resulting from loans that were fully repaid and excludes the decrease associated with loans that were disposed or fully written off.

<sup>7</sup> Represents the changes in the allowance related to current period changes in risk (e.g., PD) caused by changes to macroeconomic factors, level of risk, parameters, and/or models, subsequent to stage migration. Refer to the "Measurement of Expected Credit Losses", "Forward-Looking Information" and "Expert Credit Judgment" sections of Note 2 and Note 3 for further details.

<sup>8</sup> The allowance for loan losses for off-balance sheet instruments is recorded in Other liabilities on the Consolidated Balance Sheet.

<sup>9</sup> Credit cards are considered impaired and migrate to Stage 3 when they are 90 days past due and written off at 180 days past due. Refer to Note 2 for further details.

**Allowance for Loan Losses by Stage (Continued)**

(millions of Canadian dollars)

	2022				For the years ended October 31			
	Stage 1	Stage 2	Stage 3 <sup>1</sup>	Total	Stage 1	Stage 2	Stage 3 <sup>1</sup>	Total
<b>Business and Government<sup>2</sup></b>								
Balance, including off-balance sheet instruments, as beginning of period	\$ 1,186	\$ 1,526	\$ 310	\$ 3,022	\$ 1,499	\$ 1,858	\$ 422	\$ 3,779
Provision for credit losses								
Transfer to Stage 1 <sup>3</sup>	359	(352)	(7)	–	476	(471)	(5)	–
Transfer to Stage 2	(409)	423	(14)	–	(497)	508	(11)	–
Transfer to Stage 3	(7)	(99)	106	–	(5)	(103)	108	–
Net remeasurement due to transfers into stage <sup>3</sup>	(83)	93	–	10	(117)	122	(2)	3
New originations or purchases <sup>3</sup>	1,098	n/a	n/a	1,098	1,123	n/a	n/a	1,123
Net repayments <sup>3</sup>	20	(33)	(49)	(62)	(24)	(122)	(92)	(238)
Derecognition of financial assets (excluding disposals and write-offs) <sup>3</sup>	(773)	(624)	(386)	(1,783)	(813)	(758)	(358)	(1,929)
Changes to risk, parameters, and models <sup>3</sup>	(250)	394	479	623	(384)	578	527	721
Disposals	–	–	–	–	–	–	(4)	(4)
Write-offs	–	–	(140)	(140)	–	–	(298)	(298)
Recoveries	–	–	52	52	–	–	49	49
Foreign exchange and other adjustments	79	89	(4)	164	(72)	(86)	(26)	(184)
Balance, including off-balance sheet instruments, at end of period	1,220	1,417	347	2,984	1,186	1,526	310	3,022
Less: Allowance for off-balance sheet instruments <sup>4</sup>	129	113	3	245	149	119	3	271
Balance at end of period	1,091	1,304	344	2,739	1,037	1,407	307	2,751
<b>Total Allowance, including off-balance sheet instruments, at end of period</b>	<b>2,955</b>	<b>3,644</b>	<b>764</b>	<b>7,363</b>	<b>2,649</b>	<b>3,959</b>	<b>638</b>	<b>7,246</b>
Less: Total Allowance for off-balance sheet instruments <sup>4</sup>	433	495	3	931	386	467	3	856
<b>Total Allowance for Loan Losses at end of period</b>	<b>\$ 2,522</b>	<b>\$ 3,149</b>	<b>\$ 761</b>	<b>\$ 6,432</b>	<b>\$ 2,263</b>	<b>\$ 3,492</b>	<b>\$ 635</b>	<b>\$ 6,390</b>

<sup>1</sup> Includes allowance for loan losses related to ACI loans.

<sup>2</sup> Includes allowance for loan losses related to customers' liability under acceptances.

<sup>3</sup> For explanations regarding this line item, refer to the "Allowance for Loan Losses by Stage" table on the previous page in this Note.

<sup>4</sup> The allowance for loan losses for off-balance sheet instruments is recorded in Other liabilities on the Consolidated Balance Sheet.

The allowance for credit losses on all remaining financial assets is not significant.

**(f) FORWARD-LOOKING INFORMATION**

Relevant macroeconomic factors are incorporated in risk parameters as appropriate. Additional risk factors that are industry or segment specific are also incorporated, where relevant. The key macroeconomic variables used in determining ECLs include regional unemployment rates for all retail exposures and regional housing price indices for residential mortgages and home equity lines of credit. For business and government loans, the key macroeconomic variables include gross domestic product (GDP), unemployment rates, interest rates, and credit spreads. Refer to Note 3 for a discussion of how forward-looking information is generated and considered in determining whether there has been a significant increase in credit risk and in measuring ECLs.

**Macroeconomic Variables**

Select macroeconomic variables are projected over the forecast period. The following table represents the average values of the macroeconomic variables over the four calendar quarters starting with the current quarter, and the remaining 4-year forecast period for the base forecast and upside and downside scenarios used in determining the Bank's ECLs as at October 31, 2022. As the forecast period increases, information about the future becomes less readily available and projections are anchored on assumptions around structural relationships between economic parameters that are inherently much less certain. Ongoing geopolitical tensions, and heightened inflationary pressures, which have led to a rapid tightening in monetary policy continue to contribute to elevated economic uncertainty, leading to deterioration in our economic forecasts.

**Macroeconomic Variables**

	As at					
	October 31, 2022					
	Base Forecast		Upside Scenario		Downside Scenario	
	Average Q4 2022-Q3 2023 <sup>1</sup>	Remaining 4-year period <sup>1</sup>	Average Q4 2022-Q3 2023 <sup>1</sup>	Remaining 4-year period <sup>1</sup>	Average Q4 2022-Q3 2023 <sup>1</sup>	Remaining 4-year period <sup>1</sup>
Unemployment rate						
Canada	5.9 %	6.2 %	5.6 %	5.8 %	7.5 %	6.7 %
United States	4.0	4.5	3.7	3.9	5.7	5.1
Real GDP						
Canada	1.3	1.4	2.3	1.4	-1.0	2.0
United States	0.5	1.5	1.5	1.5	-2.0	2.1
Home prices						
Canada (average existing price) <sup>2</sup>	-14.1	4.1	-6.1	3.0	-30.0	9.1
United States (CoreLogic HPI) <sup>3</sup>	-2.1	1.7	4.1	1.8	-17.4	6.6
Central bank policy interest rate						
Canada	4.00	2.23	4.25	3.92	3.44	1.61
United States	4.00	2.38	4.50	4.17	3.44	1.72
U.S. 10-year treasury yield	3.45	2.77	3.68	3.11	2.72	2.66
U.S. 10-year BBB spread (%-pts)	1.96	1.80	1.82	1.65	2.48	1.77
Exchange rate (U.S. dollar/Canadian dollar)	\$ 0.77	\$ 0.79	\$ 0.79	\$ 0.80	\$ 0.72	\$ 0.76

**Macroeconomic Variables**

	As at					
	October 31, 2021					
	Base Forecast		Upside Scenario		Downside Scenario	
	Average Q4 2021-Q3 2022 <sup>1</sup>	Remaining 4-year period <sup>1</sup>	Average Q4 2021-Q3 2022 <sup>1</sup>	Remaining 4-year period <sup>1</sup>	Average Q4 2021-Q3 2022 <sup>1</sup>	Remaining 4-year period <sup>1</sup>
Unemployment rate						
Canada	6.3 %	5.7 %	6.3 %	5.4 %	8.0 %	7.3 %
United States	4.3	3.5	4.3	3.2	5.7	4.8
Real GDP						
Canada	4.0	2.1	5.1	2.1	(0.1)	2.5
United States	4.5	2.1	5.6	2.0	1.3	2.4
Home prices						
Canada (average existing price) <sup>2</sup>	4.7	1.0	6.4	2.0	1.0	(0.4)
United States (CoreLogic HPI) <sup>3</sup>	10.6	3.1	13.5	3.2	7.4	1.9
Central bank policy interest rate						
Canada	0.25	1.52	0.44	1.84	0.25	0.86
United States	0.25	1.67	0.44	2.02	0.25	1.02
U.S. 10-year treasury yield	1.93	2.24	2.14	2.33	1.33	2.06
U.S. 10-year BBB spread (%-pts)	1.45	1.79	1.39	1.71	1.73	1.79
Exchange rate (U.S. dollar/Canadian dollar)	\$ 0.78	\$ 0.79	\$ 0.79	\$ 0.80	\$ 0.76	\$ 0.77

<sup>1</sup> The numbers represent average values for the quoted periods, and average of year-on-year growth for real GDP and home prices.

<sup>2</sup> The average home price is the average transacted sale price of homes sold via the Multiple Listing Service; data is collected by the Canadian Real Estate Association.

<sup>3</sup> The CoreLogic home price index (HPI) is a repeat-sales index which tracks increases and decreases in the same home's sales price over time.

**(g) SENSITIVITY OF ALLOWANCE FOR CREDIT LOSSES**

ECLs are sensitive to the inputs used in internally developed models, the macroeconomic variables in the forward-looking forecasts and respective probability weightings in determining the probability-weighted ECLs, and other factors considered when applying expert credit judgment. Changes in these inputs, assumptions, models, and judgments would affect the assessment of significant increase in credit risk and the measurement of ECLs.

The following table presents the base ECL scenario compared to the probability-weighted ECLs, with the latter derived from three ECL scenarios for performing loans and off-balance sheet instruments. The difference reflects the impact of deriving multiple scenarios around the base ECLs and resultant change in ECLs due to non-linearity and sensitivity to using macroeconomic forecasts.

**Change from Base to Probability-Weighted ECLs**

(millions of Canadian dollars, except as noted)

	As at	
	October 31, 2022	October 31, 2021
Probability-weighted ECLs	\$ 6,599	\$ 6,608
Base ECLs	6,095	6,412
Difference – in amount	\$ 504	\$ 196
Difference – in percentage	8.3 %	3.1 %

ECLs for performing loans and off-balance sheet instruments consist of an aggregate amount of Stage 1 and Stage 2 probability-weighted ECLs which are twelve-month ECLs and lifetime ECLs, respectively. Transfers from Stage 1 to Stage 2 ECLs result from a significant increase in credit risk since initial recognition of the loan. The following table shows the estimated impact of staging on ECLs by presenting all performing loans and off-balance sheet instruments calculated using twelve-month ECLs compared to the current aggregate probability-weighted ECLs, holding all risk profiles constant.

**Incremental Lifetime ECLs Impact**

(millions of Canadian dollars)

	As at	
	October 31, 2022	October 31, 2021
Probability-weighted ECLs	\$ 6,599	\$ 6,608
All performing loans and off-balance sheet instruments using 12-month ECLs	4,819	4,903
Incremental lifetime ECLs impact	\$ 1,780	\$ 1,705

**(h) 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 \$51 million as at October 31, 2022 (October 31, 2021 – \$53 million), and were recorded in Other assets on the Consolidated Balance Sheet.

**(i) 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 past due but not impaired. Loans less than 31 days contractually past due are excluded as they do not generally reflect a borrower's ability to meet their payment obligations.

**Loans Past Due but not Impaired<sup>1</sup>**

(millions of Canadian dollars)

	As at					
	October 31, 2022			October 31, 2021		
	31-60 days	61-89 days	Total	31-60 days	61-89 days	Total
Residential mortgages	\$ 230	\$ 69	\$ 299	\$ 229	\$ 62	\$ 291
Consumer instalment and other personal	668	204	872	512	156	668
Credit card	271	172	443	186	113	299
Business and government	654	162	816	785	139	924
<b>Total</b>	<b>\$ 1,823</b>	<b>\$ 607</b>	<b>\$ 2,430</b>	<b>\$ 1,712</b>	<b>\$ 470</b>	<b>\$ 2,182</b>

<sup>1</sup> Includes loans that are measured at FVOCI.**(j) MODIFIED FINANCIAL ASSETS**

The amortized cost of financial assets with lifetime allowance that were modified during the year ended October 31, 2022, was \$296 million (October 31, 2021 – \$489 million) before modification, with insignificant modification gain or loss. The gross carrying amount of modified financial assets for which the loss allowance changed from lifetime to twelve-month ECLs during the year ended October 31, 2022 was \$686 million (October 31, 2021 – \$1.1 billion).

**(k) COLLATERAL**

As at October 31, 2022, the collateral held against total gross impaired loans represents 78% (October 31, 2021 – 83%) of total gross impaired loans. The fair value of non-financial collateral is determined at the origination date of the loan. A revaluation of non-financial collateral is performed if there has been a significant change in the terms and conditions of the loan and/or the loan is considered impaired. Management considers the nature of the collateral, seniority ranking of the debt, and loan structure in assessing the value of collateral. These estimated cash flows are reviewed at least annually, or more frequently when new information indicates a change in the timing or amount expected to be received.

**NOTE 9: TRANSFERS OF FINANCIAL ASSETS**

**LOAN SECURITIZATIONS**

The Bank securitizes loans through structured entity or non-structured entity third parties. Most loan securitizations do not qualify for derecognition since in most circumstances, the Bank continues to be exposed to substantially all of the prepayment, interest rate, and/or credit risk associated with the securitized financial assets and has not transferred substantially all of the risk and rewards of ownership of the securitized assets. Where loans do not qualify for derecognition, they are not derecognized from the Bank's Consolidated Balance Sheet, retained interests are not recognized, and a securitization liability is recognized for the cash proceeds received. Certain transaction costs incurred are also capitalized and amortized using EIRM.

The Bank securitizes insured residential mortgages under the National Housing Act Mortgage-Backed Securities (NHA MBS) program sponsored by the Canada Mortgage and Housing Corporation (CMHC). The MBS that are created through the NHA MBS program are sold to the Canada Housing Trust (CHT) as part of the CMB program, sold to third-party investors, or are held by the Bank. The CHT issues CMB to third-party investors and uses resulting proceeds to purchase NHA MBS from the Bank and other mortgage issuers in the Canadian market. Assets purchased by the CHT are comingled in a single trust from which CMB are issued. The Bank continues to be exposed to substantially all of the risks of the underlying mortgages, through the retention of a seller swap which transfers principal and interest payment risk on the NHA MBS back to the Bank in return for coupon paid on the CMB issuance and as such, the sales do not qualify for derecognition.

The Bank securitizes U.S. originated residential mortgages with U.S. government agencies which qualify for derecognition from the Bank's Consolidated Balance Sheet. As part of the securitization, the Bank retains the right to service the transferred mortgage loans. The MBS that are created through the securitization are typically sold to third-party investors.

The Bank also securitizes 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 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, 2022 and October 31, 2021.

**Financial Assets Not Qualifying for Derecognition Treatment as Part of the Bank's Securitization Programs**

(millions of Canadian dollars)

Nature of transaction	October 31, 2022		October 31, 2021	
	Fair value	Carrying amount	Fair value	Carrying amount
	Securitization of residential mortgage loans	\$ 22,043	\$ 22,684	\$ 24,428
Other financial assets transferred related to securitization <sup>1</sup>	5,199	5,285	4,209	4,207
<b>Total</b>	<b>27,242</b>	<b>27,969</b>	<b>28,637</b>	<b>28,574</b>
<b>Associated liabilities<sup>2</sup></b>	<b>\$ 26,978</b>	<b>\$ 27,684</b>	<b>\$ 28,707</b>	<b>\$ 28,767</b>

<sup>1</sup> Includes asset-backed securities, asset-backed commercial paper (ABCP), cash, repurchase agreements, and Government of Canada securities used to fulfil funding requirements of the Bank's securitization structures after the initial securitization of mortgage loans.

<sup>2</sup> Includes securitization liabilities carried at amortized cost of \$15 billion as at October 31, 2022 (October 31, 2021 – \$15 billion), and securitization liabilities carried at fair value of \$13 billion as at October 31, 2022 (October 31, 2021 – \$14 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, 2022 and October 31, 2021.

**Other Financial Assets Not Qualifying for Derecognition**

(millions of Canadian dollars)

Carrying amount of assets	As at	
	October 31, 2022	October 31, 2021
Nature of transaction		
Repurchase agreements <sup>1,2</sup>	\$ 26,104	\$ 20,849
Securities lending agreements	45,667	44,234
<b>Total</b>	<b>71,771</b>	<b>65,083</b>
<b>Carrying amount of associated liabilities<sup>2</sup></b>	<b>\$ 26,609</b>	<b>\$ 20,871</b>

<sup>1</sup> Includes \$3.5 billion, as at October 31, 2022 (October 31, 2021 – \$2.0 billion) of assets related to repurchase agreements or swaps that are collateralized by physical precious metals.

<sup>2</sup> Associated liabilities are all related to repurchase agreements.

## TRANSFERS OF FINANCIAL ASSETS QUALIFYING FOR DERECOGNITION

### ***Transferred financial assets that are derecognized in their entirety where the Bank has a continuing involvement***

Continuing involvement may arise if the Bank retains any contractual rights or obligations subsequent to the transfer of financial assets. Certain business and government loans securitized by the Bank are derecognized from the Bank's Consolidated Balance Sheet. In instances where the Bank fully derecognizes business and government loans, the Bank may be exposed to the risks of transferred loans through a retained interest. As at October 31, 2022, the fair value of retained interests was \$5 million (October 31, 2021 – \$9 million). A gain or loss on sale of the loans is recognized immediately in other income (loss) 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, 2022, the trading income recognized on the retained interest was nil (October 31, 2021 – nil).

Certain portfolios of U.S. residential mortgages originated by the Bank are sold and derecognized from the Bank's Consolidated Balance Sheet. In certain instances, the Bank has a continuing involvement to service those loans. As at October 31, 2022, the carrying value of these servicing rights was \$103 million (October 31, 2021 – \$87 million) and the fair value was \$155 million (October 31, 2021 – \$93 million). A gain or loss on sale of the loans is recognized immediately in other income (loss). The gain (loss) on sale of the loans for the year ended October 31, 2022 was (\$68) million (October 31, 2021 – \$66 million).

### ***Canada Emergency Business Account Program***

Under the Canada Emergency Business Account (CEBA) Program, which was funded by the Government of Canada and Export Development Canada as the Government of Canada's agent, the Bank provided eligible business banking customers with an interest-free, partially forgivable loan of up to \$60,000. On January 12, 2022, it was announced that the repayment deadline for CEBA loans to qualify for partial loan forgiveness was extended from December 31, 2022 to December 31, 2023, for all eligible borrowers in good standing. If the loan is not repaid by December 31, 2023, it will be extended for an additional 2-year term bearing an interest rate of 5% per annum. The application window for new CEBA loans and expansion requests closed on June 30, 2021. The funding provided to the Bank by the Government of Canada in respect of the CEBA Program represents an obligation to pass-through collections on the CEBA loans and is otherwise non-recourse to the Bank. Accordingly, the Bank is required to remit all collections of principal and interest on the CEBA loans to the Government of Canada but is not required to repay amounts that its customers fail to pay or that have been forgiven. The Bank receives an administration fee to recover the costs to administer the program for the Government of Canada. Loans issued under the program are not recognized on the Bank's Consolidated Balance Sheet, as the Bank transfers substantially all risks and rewards in respect of the loans to the Government of Canada.

## 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, asset manager, 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.

### **(a) SPONSORED STRUCTURED ENTITIES**

The following section outlines the Bank's involvement with key sponsored structured entities.

#### ***Securitizations***

The Bank securitizes its own assets and facilitates the securitization of client assets through structured entities, such as conduits, which issue ABCP or other securitization entities which issue longer-dated term securities. Securitizations are an important source of liquidity for the Bank, allowing it to diversify its funding sources and to optimize its balance sheet management approach.

The Bank 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 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 entity. If an entity experiences difficulty issuing ABCP due to illiquidity in the commercial market, the entity may draw on the loan facility, and use the proceeds to pay maturing ABCP. The ABCP issued by each multi-seller conduit is in the conduit's own name with recourse to the financial assets owned by the multi-seller conduit, and is non-recourse to the Bank except through our participation in liquidity facilities. 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 sellers with alternate sources of financing through the securitization of their assets. These conduits are similar to single-seller conduits except that financial assets are purchased from more than one seller and commingled into a single portfolio of assets. Each transaction is structured with transaction-specific first loss protection provided by the third-party seller. This enhancement can take various forms, including but not limited to overcollateralization, excess spread, subordinated classes of financial assets, guarantees or letters of credit. 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. 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. Where the Bank has power over multi-seller conduits, but is not exposed to significant variable returns it does not consolidate such entities. Where the Bank is exposed to variable returns of a multi-seller conduit from provision of liquidity facilities, together with power over the entity as well as the ability to use its power to influence significant variable returns, the Bank consolidates the conduit.

### **Investment Funds and Other Asset Management Entities**

As part of its asset management business, the Bank creates investment funds and trusts (including mutual funds), enabling it to provide its clients with a broad range of diversified exposure to different risk profiles, in accordance with the client's risk appetite. Such entities may be actively managed or may be passively directed, for example, through the tracking of a specified index, depending on the entity's investment strategy. Financing for these entities is obtained through the issuance of securities to investors, typically in the form of fund units. Based on each entity's specific strategy and risk profile, the proceeds from this issuance are used by the entity to purchase a portfolio of assets. An entity's portfolio may contain investments in securities, derivatives, or other assets, including cash. At the inception of a new investment fund or trust, the Bank will typically invest an amount of seed capital in the entity, allowing it to establish a performance history in the market. Over time, the Bank sells its seed capital holdings to third-party investors, as the entity's AUM increases. As a result, the Bank's holding of seed capital investment in its own sponsored investment funds and trusts is typically not significant to the Consolidated Financial Statements. Aside from any seed capital investments, the Bank's interest in these entities is generally limited to fees earned for the provision of asset management services. The Bank does not typically provide guarantees over the performance of these funds.

The Bank is typically considered to have power over the key economic decisions of sponsored asset management entities; however, it does not consolidate an entity unless it is also exposed to significant variable returns of the entity. This determination is made on a case-by-case basis, in accordance with the Bank's consolidation policy.

### **Financing Vehicles**

The Bank may use structured entities to provide a cost-effective means of financing its operations, including raising capital or obtaining funding. These structured entities include TD Covered Bond (Legislative) Guarantor Limited Partnership (the "Covered Bond Entity"). Previously, these structured entities also included TD Capital Trust IV ("Trust IV").

Trust IV issued innovative capital securities which counted as Tier 1 Capital of the Bank. The proceeds from these issuances were invested in bank deposit notes which generated income for distribution to investors. Trust IV held assets which were only exposed to the Bank's own credit risk. The Bank was considered to have decision-making power over the key economic activities of Trust IV; however, the Bank did not consolidate the trust because it did not absorb significant variable returns of the trust as it was ultimately exposed only to its own credit risk. On November 1, 2021, Trust IV redeemed all of the outstanding \$450 million TD Capital Trust IV Notes – Series 2. On December 8, 2021, Trust IV was dissolved. 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.

### **(b) 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 these 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.

**(c) INVOLVEMENT WITH CONSOLIDATED STRUCTURED ENTITIES****Securitizations**

The Bank securitizes credit card receivables 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.

**(d) 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)

	October 31, 2022				October 31, 2021			
	Securitizations	Investment funds and trusts	Other	Total	Securitizations	Investment funds and trusts	Other	Total
<b>FINANCIAL ASSETS</b>								
Trading loans, securities, and other	\$ 10,046	\$ 976	\$ –	\$ 11,022	\$ 10,060	\$ 1,083	\$ –	\$ 11,143
Non-trading financial assets at fair value through profit or loss	6,167	806	51	7,024	5,770	665	64	6,499
Derivatives <sup>1</sup>	–	608	–	608	–	95	–	95
Financial assets designated at fair value through profit or loss	–	18	–	18	–	6	–	6
Financial assets at fair value through other comprehensive income	23,795	3,667	–	27,462	23,446	2,247	3	25,696
Debt securities at amortized cost, net of allowance for credit losses	155,178	568	–	155,746	117,246	424	–	117,670
Loans	4,550	4	–	4,554	2,399	4	–	2,403
Other	5	–	3,488	3,493	4	–	3,021	3,025
<b>Total assets</b>	<b>199,741</b>	<b>6,647</b>	<b>3,539</b>	<b>209,927</b>	<b>158,925</b>	<b>4,524</b>	<b>3,088</b>	<b>166,537</b>
<b>FINANCIAL LIABILITIES</b>								
Derivatives <sup>1</sup>	–	270	–	270	–	513	–	513
Obligations related to securities sold short	2,172	332	–	2,504	2,199	365	–	2,564
<b>Total liabilities</b>	<b>2,172</b>	<b>602</b>	<b>–</b>	<b>2,774</b>	<b>2,199</b>	<b>878</b>	<b>–</b>	<b>3,077</b>
Off-balance sheet exposure <sup>2</sup>	16,083	4,983	1,972	23,038	13,372	5,962	1,299	20,633
Maximum exposure to loss from involvement with unconsolidated structured entities	\$ 213,652	\$ 11,028	\$ 5,511	\$ 230,191	\$ 170,098	\$ 9,608	\$ 4,387	\$ 184,093
Size of sponsored unconsolidated structured entities <sup>3</sup>	\$ 11,515	\$ 33,800	\$ –	\$ 45,315	\$ 10,266	\$ 42,834	\$ 450	\$ 53,550

<sup>1</sup> Derivatives primarily subject to vanilla interest rate or foreign exchange risk are not included in these amounts as those derivatives are designed to align the structured entity's cash flows with risks absorbed by investors and are not predominantly designed to expose the Bank to variable returns created by the entity.

<sup>2</sup> For the purposes of this disclosure, off-balance sheet exposure represents the notional value of liquidity facilities, guarantees, or other off-balance sheet commitments without considering the effect of collateral or other credit enhancements.

<sup>3</sup> The size of sponsored unconsolidated structured entities is provided based on the most appropriate measure of size for the type of entity: (1) The par value of notes issued by securitization conduits and similar liability issuers; (2) the total AUM of investment funds and trusts; and (3) the total fair value of partnership or equity shares in issue for partnerships and similar equity issuers.

**Sponsored Unconsolidated Structured Entities in which the Bank has no Significant Investment at the End of the Period**

Sponsored unconsolidated structured entities in which the Bank has no significant investment at the end of the period are predominantly investment funds and trusts created for the asset management business. The Bank would not typically hold investments, with the exception of seed capital, in these structured entities. However, the Bank continues to earn fees from asset management services provided to these entities, some of which could be based on the performance of the fund. Fees payable are generally senior in the entity's priority of payment and would also be backed by collateral, limiting the Bank's exposure to loss from these entities. The Bank earned non-interest income of \$2.3 billion (October 31, 2021 – \$2.3 billion) from its involvement with these asset management entities for the year ended October 31, 2022, of which \$2.0 billion (October 31, 2021 – \$2.0 billion) was received directly from these entities. The total AUM in these entities as at October 31, 2022 was \$251.7 billion (October 31, 2021 – \$286.8 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

### (a) 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 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, and other structural market risk 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.

Where hedge accounting is applied, only 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. 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 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;
- CVA on the hedging derivatives; and
- Mismatch in critical terms such as tenor and timing of cash flows between hedging instruments and hedged items.

To mitigate a portion of the ineffectiveness, the Bank designates the benchmark risk component of contractual cash flows of hedged items and executes hedging derivatives with high-quality counterparties. The majority of the Bank's hedging derivatives are collateralized.

#### **Interest Rate Derivatives**

Interest rate swaps are OTC contracts in which two counterparties agree to exchange cash flows over a period of time based on rates applied to a specified notional amount. This includes interest rate swaps that are transacted and settled through a clearing house which acts as a central counterparty. 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.

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, with interest bearing instruments as the underlying reference assets. 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 forecast assets and liabilities, including funding and investment activities. These swaps are designated in either fair value hedges against fixed rate assets/liabilities or cash flow hedges against floating rate assets/liabilities. 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. For cash flow hedges, the Bank uses a 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.

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. For net investment hedges, the Bank assesses and measures the hedge effectiveness based on the change in the fair value of the hedging instrument relative to the translation gains and losses on the net investment in the foreign operation. For 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 foreign currency denominated asset/liability attributable to foreign exchange risk, using the hypothetical derivative method.

#### **Credit Derivatives**

The Bank uses credit derivatives such as credit default swaps (CDS) and total return swaps to manage risks in the Bank's corporate loan portfolio and other cash instruments, as well as managing counterparty credit risk on derivatives. 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, which include contracts transacted through clearing houses, and total return swaps. In CDS contracts, the CDS purchaser acquires credit protection on a reference asset or group of assets from a writer of CDS in exchange for a premium. The purchaser may pay the agreed premium at inception or over a period of time. The credit protection compensates the 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 CDS writer. In total return 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 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 a 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.

Equity forwards are OTC contracts in which one counterparty contracts with another to buy or sell a single stock or stock index, or to settle the contract in cash based on changes in the value of a reference asset, at a future date.

Commodity contracts include commodity forwards, futures, swaps, and options, such as precious metals and energy-related products in both OTC and exchange markets.

The Bank applies hedge accounting on certain equity forwards and/or total return swaps to hedge 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, 2022		October 31, 2021	
	Fair value as at balance sheet date		Fair value as at balance sheet date	
	Positive	Negative	Positive	Negative
<b>Derivatives held or issued for trading purposes</b>				
Interest rate contracts <sup>1</sup>				
Forward rate agreements	\$ 359	\$ 57	\$ 37	\$ 68
Swaps	17,535	11,200	7,430	9,450
Options written	–	1,941	–	698
Options purchased	1,840	–	774	–
<b>Total interest rate contracts</b>	<b>19,734</b>	<b>13,198</b>	<b>8,241</b>	<b>10,216</b>
Foreign exchange contracts <sup>1</sup>				
Forward contracts	1,455	3,625	9	1,849
Swaps	32,931	28,794	16,638	14,947
Cross-currency interest rate swaps	30,242	25,841	16,279	15,061
Options written	–	610	–	238
Options purchased	531	–	172	–
<b>Total foreign exchange contracts</b>	<b>65,159</b>	<b>58,870</b>	<b>33,098</b>	<b>32,095</b>
Credit derivative contracts				
Credit default swaps – protection purchased	8	66	1	207
Credit default swaps – protection sold	45	7	67	–
<b>Total credit derivative contracts</b>	<b>53</b>	<b>73</b>	<b>68</b>	<b>207</b>
Other contracts				
Equity contracts	3,140	4,702	3,752	6,223
Commodity contracts	3,599	3,439	2,891	1,904
<b>Total other contracts</b>	<b>6,739</b>	<b>8,141</b>	<b>6,643</b>	<b>8,127</b>
<b>Fair value – trading</b>	<b>91,685</b>	<b>80,282</b>	<b>48,050</b>	<b>50,645</b>
<b>Derivatives held or issued for non-trading purposes</b>				
Interest rate contracts				
Forward rate agreements	4	–	2	1
Swaps	4,126	6,080	2,000	1,465
Options written	–	–	1	1
Options purchased	2	–	38	–
<b>Total interest rate contracts</b>	<b>4,132</b>	<b>6,080</b>	<b>2,041</b>	<b>1,467</b>
Foreign exchange contracts				
Forward contracts	2,559	202	1,475	267
Swaps	16	10	5	1
Cross-currency interest rate swaps	4,315	3,320	1,238	2,812
<b>Total foreign exchange contracts</b>	<b>6,890</b>	<b>3,532</b>	<b>2,718</b>	<b>3,080</b>
Credit derivative contracts				
Credit default swaps – protection purchased	3	78	2	138
<b>Total credit derivative contracts</b>	<b>3</b>	<b>78</b>	<b>2</b>	<b>138</b>
Other contracts				
Equity contracts	1,163	1,161	1,616	1,792
<b>Total other contracts</b>	<b>1,163</b>	<b>1,161</b>	<b>1,616</b>	<b>1,792</b>
<b>Fair value – non-trading</b>	<b>12,188</b>	<b>10,851</b>	<b>6,377</b>	<b>6,477</b>
<b>Total fair value</b>	<b>\$ 103,873</b>	<b>\$ 91,133</b>	<b>\$ 54,427</b>	<b>\$ 57,122</b>

<sup>1</sup> The fair values of interest rate futures and foreign exchange futures are immaterial and therefore excluded from this table.

The following table distinguishes derivatives held or issued for non-trading purposes between those that have been designated in qualifying hedge accounting relationships and those which have not been designated in qualifying hedge accounting relationships as at October 31, 2022 and October 31, 2021.

#### Fair Value of Non-Trading Derivatives<sup>1</sup>

(millions of Canadian dollars)

	As at									
	October 31, 2022									
	Derivative Assets					Derivative Liabilities				
	Derivatives in qualifying hedging relationships			Derivatives not in qualifying hedging relationships		Derivatives in qualifying hedging relationships			Derivatives not in qualifying hedging relationships	
Fair value	Cash flow	Net investment	relationships	Total	Fair value	Cash flow	investment	Net	relationships	Total
<b>Derivatives held or issued for non-trading purposes</b>										
Interest rate contracts	\$ 1,676	\$ (95)	\$ –	\$ 2,551	\$ 4,132	\$ 1,092	\$ 2,572	\$ –	\$ 2,416	\$ 6,080
Foreign exchange contracts	–	6,310	–	580	6,890	–	3,482	–	50	3,532
Credit derivative contracts	–	–	–	3	3	–	–	–	78	78
Other contracts	–	702	–	461	1,163	–	44	–	1,117	1,161
<b>Fair value – non-trading</b>	<b>\$ 1,676</b>	<b>\$ 6,917</b>	<b>\$ –</b>	<b>\$ 3,595</b>	<b>\$ 12,188</b>	<b>\$ 1,092</b>	<b>\$ 6,098</b>	<b>\$ –</b>	<b>\$ 3,661</b>	<b>\$ 10,851</b>
October 31, 2021										
<b>Derivatives held or issued for non-trading purposes</b>										
Interest rate contracts	\$ 548	\$ 148	\$ –	\$ 1,345	\$ 2,041	\$ 346	\$ 213	\$ –	\$ 908	\$ 1,467
Foreign exchange contracts	–	2,631	–	87	2,718	–	2,887	–	193	3,080
Credit derivative contracts	–	–	–	2	2	–	–	–	138	138
Other contracts	–	927	–	689	1,616	–	–	–	1,792	1,792
<b>Fair value – non-trading</b>	<b>\$ 548</b>	<b>\$ 3,706</b>	<b>\$ –</b>	<b>\$ 2,123</b>	<b>\$ 6,377</b>	<b>\$ 346</b>	<b>\$ 3,100</b>	<b>\$ –</b>	<b>\$ 3,031</b>	<b>\$ 6,477</b>

<sup>1</sup> Certain derivative assets qualify to be offset with certain derivative liabilities on the Consolidated Balance Sheet. Refer to Note 6 for further details.

#### Fair Value Hedges

The following table presents the effects of fair value hedges on the Consolidated Balance Sheet and the Consolidated Statement of Income.

#### Fair Value Hedges

(millions of Canadian dollars)

	For the years ended or as at October 31					
	2022					
	Change in value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Hedge ineffectiveness	Carrying amounts for hedged items	Accumulated amount of fair value hedge adjustments on hedged items <sup>1,2</sup>	Accumulated amount of fair value hedge adjustments on de-designated hedged items
<b>Assets</b>						
<b>Interest rate risk</b>						
Debt securities at amortized cost	\$ (19,268)	\$ 19,346	\$ 78	\$ 85,654	\$ (14,684)	\$ (3,102)
Financial assets at fair value through other comprehensive income	(3,236)	3,236	–	40,990	(3,459)	(56)
Loans	(1,843)	1,828	(15)	23,863	(1,270)	23
<b>Total assets</b>	<b>(24,347)</b>	<b>24,410</b>	<b>63</b>	<b>150,507</b>	<b>(19,413)</b>	<b>(3,135)</b>
<b>Liabilities</b>						
<b>Interest rate risk</b>						
Deposits	11,492	(11,526)	(34)	127,396	(10,532)	(84)
Securitization liabilities at amortized cost	51	(51)	–	1,549	39	–
Subordinated notes and debentures	102	(101)	1	1,230	(110)	(8)
<b>Total liabilities</b>	<b>11,645</b>	<b>(11,678)</b>	<b>(33)</b>	<b>130,175</b>	<b>(10,603)</b>	<b>(92)</b>
<b>Total</b>	<b>\$ (12,702)</b>	<b>\$ 12,732</b>	<b>\$ 30</b>			
2021						
<b>Assets</b>						
<b>Interest rate risk</b>						
Debt securities at amortized cost	\$ (2,039)	\$ 2,065	\$ 26	\$ 86,716	\$ 466	\$ 58
Financial assets at fair value through other comprehensive income	(1,952)	1,981	29	47,306	(277)	30
Loans	(1,603)	1,661	58	61,346	(95)	25
<b>Total assets</b>	<b>(5,594)</b>	<b>5,707</b>	<b>113</b>	<b>195,368</b>	<b>94</b>	<b>113</b>
<b>Liabilities</b>						
<b>Interest rate risk</b>						
Deposits	2,529	(2,569)	(40)	123,765	638	20
Securitization liabilities at amortized cost	20	(20)	–	1,536	147	–
Subordinated notes and debentures	91	(92)	(1)	1,326	(16)	11
<b>Total liabilities</b>	<b>2,640</b>	<b>(2,681)</b>	<b>(41)</b>	<b>126,627</b>	<b>769</b>	<b>31</b>
<b>Total</b>	<b>\$ (2,954)</b>	<b>\$ 3,026</b>	<b>\$ 72</b>			

<sup>1</sup> The Bank has portfolios of fixed rate financial assets and liabilities whereby the principal amount changes frequently due to originations, issuances, maturities and prepayments. The interest rate risk hedges on these portfolios are rebalanced dynamically.

<sup>2</sup> Reported balances represent adjustments to the carrying values of hedged items as included in the "Carrying amounts for hedged items" column in this table.

## Cash Flow Hedges and Net Investment Hedges

The following table presents the effects of cash flow hedges and net investment hedges on the Bank's Consolidated Statement of Income and the Consolidated Statement of Comprehensive Income.

### Cash Flow and Net Investment Hedges

(millions of Canadian dollars)

	For the years ended October 31						
	2022						
	Change in value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Hedge ineffectiveness	Hedging gains (losses) recognized in comprehensive income <sup>1</sup>	Amount reclassified from accumulated other comprehensive income (loss) to earnings <sup>1</sup>	Net change in other comprehensive income (loss) <sup>1</sup>	
<b>Cash flow hedges<sup>2</sup></b>							
Interest rate risk <sup>3</sup>	\$ 8,023	\$ (8,032)	\$ (9)	\$ (7,842)	\$ 512	\$ (8,354)	
Foreign exchange risk <sup>4,5,6</sup>	(2,129)	2,123	(6)	1,607	3,477	(1,870)	
Equity price risk	(56)	56	—	56	111	(55)	
<b>Total cash flow hedges</b>	<b>\$ 5,838</b>	<b>\$ (5,853)</b>	<b>\$ (15)</b>	<b>\$ (6,179)</b>	<b>\$ 4,100</b>	<b>\$ (10,279)</b>	
<b>Net investment hedges</b>	<b>\$ 3,271</b>	<b>\$ (3,271)</b>	<b>\$ —</b>	<b>\$ (3,271)</b>	<b>\$ 68</b>	<b>\$ (3,339)</b>	
							2021
<b>Cash flow hedges<sup>2</sup></b>							
Interest rate risk <sup>3</sup>	\$ 2,084	\$ (2,087)	\$ (3)	\$ (1,682)	\$ 1,162	\$ (2,844)	
Foreign exchange risk <sup>4,5,6</sup>	1,962	(1,962)	—	(2,441)	(2,604)	163	
Equity price risk	(952)	952	—	952	836	116	
<b>Total cash flow hedges</b>	<b>\$ 3,094</b>	<b>\$ (3,097)</b>	<b>\$ (3)</b>	<b>\$ (3,171)</b>	<b>\$ (606)</b>	<b>\$ (2,565)</b>	
<b>Net investment hedges</b>	<b>\$ (2,649)</b>	<b>\$ 2,649</b>	<b>\$ —</b>	<b>\$ 2,649</b>	<b>\$ —</b>	<b>\$ 2,649</b>	

<sup>1</sup> Effects on other comprehensive income are presented on a pre-tax basis.

<sup>2</sup> During the years ended October 31, 2022 and October 31, 2021, there were no instances where forecast hedged transactions failed to occur.

<sup>3</sup> Hedged items include forecast interest cash flows on loans, deposits, and securitization liabilities.

<sup>4</sup> For non-derivative instruments designated as hedging foreign exchange risk, fair value change is measured as the gains and losses due to spot foreign exchange movements.

<sup>5</sup> Cross-currency swaps may be used to hedge 1) foreign exchange risk, or 2) a combination of interest rate risk and foreign exchange risk in a single hedge relationship. Cross-currency swaps in both types of hedge relationships are disclosed in the above risk category (foreign exchange risk).

<sup>6</sup> Hedged items include principal and interest cash flows on foreign denominated securities, loans, deposits, other liabilities, and subordinated notes and debentures.

### Reconciliation of Accumulated Other Comprehensive Income (Loss)<sup>1</sup>

(millions of Canadian dollars)

	For the years ended October 31				
	2022				
	Accumulated other comprehensive income (loss) at beginning of year	Net changes in other comprehensive income (loss)	Accumulated other comprehensive income (loss) at end of year	Accumulated other comprehensive income (loss) on designated hedges	Accumulated other comprehensive income (loss) on de-designated hedges
<b>Cash flow hedges</b>					
Interest rate risk	\$ 2,372	\$ (8,354)	\$ (5,982)	\$ (4,843)	\$ (1,139)
Foreign exchange risk	123	(1,870)	(1,747)	(1,747)	—
Equity price risk	71	(55)	16	16	—
<b>Total cash flow hedges</b>	<b>\$ 2,566</b>	<b>\$ (10,279)</b>	<b>\$ (7,713)</b>	<b>\$ (6,574)</b>	<b>\$ (1,139)</b>
<b>Net investment hedges</b>					
Foreign translation risk	\$ (1,177)	\$ (3,339)	\$ (4,516)	\$ (4,516)	\$ —
					2021
<b>Cash flow hedges</b>					
Interest rate risk	\$ 5,216	\$ (2,844)	\$ 2,372	\$ (1,063)	\$ 3,435
Foreign exchange risk	(40)	163	123	123	—
Equity price risk	(45)	116	71	71	—
<b>Total cash flow hedges</b>	<b>\$ 5,131</b>	<b>\$ (2,565)</b>	<b>\$ 2,566</b>	<b>\$ (869)</b>	<b>\$ 3,435</b>
<b>Net investment hedges</b>					
Foreign translation risk	\$ (3,826)	\$ 2,649	\$ (1,177)	\$ (1,177)	\$ —

<sup>1</sup> Presented on a pre-tax basis.

**(b) NOTIONAL AMOUNTS**

The notional amounts are not recorded as assets or liabilities as they represent the face amount of the contract to which a rate or price is applied to determine the amount of cash flows to be exchanged. Notional amounts do not represent the potential gain or loss associated with the market risk nor are they indicative of the credit risk associated with derivative financial instruments.

The following table discloses the notional amount of OTC and exchange-traded derivatives.

**Over-the-Counter and Exchange-Traded Derivatives**

(millions of Canadian dollars)

							<i>As at</i>	
							October 31 2022	October 31 2021
	Over-the-Counter <sup>1</sup>			Trading				
	Clearing house <sup>2</sup>	Non clearing house	Exchange- traded	Total	Non- trading <sup>3</sup>	Total	Total	
<b>Notional</b>								
<b>Interest rate contracts</b>								
Futures	\$ –	\$ –	\$ 1,191,392	\$ 1,191,392	\$ –	\$ 1,191,392	\$ 896,396	
Forward rate agreements	525,542	10,788	–	536,330	501	536,831	519,326	
Swaps	14,156,659	418,241	–	14,574,900	1,955,639	16,530,539	12,520,674	
Options written	–	78,984	117,942	196,926	34	196,960	108,958	
Options purchased	–	83,202	125,056	208,258	967	209,225	118,950	
Total interest rate contracts	14,682,201	591,215	1,434,390	16,707,806	1,957,141	18,664,947	14,164,304	
<b>Foreign exchange contracts</b>								
Forward contracts	–	234,747	–	234,747	29,562	264,309	221,596	
Swaps	912	1,912,924	–	1,913,836	2,049	1,915,885	2,367,090	
Cross-currency interest rate swaps	–	1,099,221	–	1,099,221	104,988	1,204,209	1,039,960	
Options written	–	35,501	84	35,585	–	35,585	19,173	
Options purchased	–	26,559	10	26,569	–	26,569	16,758	
Total foreign exchange contracts	912	3,308,952	94	3,309,958	136,599	3,446,557	3,664,577	
<b>Credit derivative contracts</b>								
Credit default swaps – protection purchased	9,735	91	–	9,826	3,378	13,204	11,664	
Credit default swaps – protection sold	2,843	211	–	3,054	–	3,054	2,963	
Total credit derivative contracts	12,578	302	–	12,880	3,378	16,258	14,627	
<b>Other contracts</b>								
Equity contracts	–	74,652	89,202	163,854	27,620	191,474	215,716	
Commodity contracts	363	74,724	60,070	135,157	–	135,157	103,343	
Total other contracts	363	149,376	149,272	299,011	27,620	326,631	319,059	
<b>Total</b>	<b>\$ 14,696,054</b>	<b>\$ 4,049,845</b>	<b>\$ 1,583,756</b>	<b>\$ 20,329,655</b>	<b>\$ 2,124,738</b>	<b>\$ 22,454,393</b>	<b>\$ 18,162,567</b>	

<sup>1</sup> Collateral held under a Credit Support Annex to help reduce counterparty credit risk is in the form of high-quality and liquid assets such as cash and high-quality government securities. Acceptable collateral is governed by the Collateralized Trading Policy.

<sup>2</sup> Derivatives executed through a central clearing house reduce settlement risk due to the ability to net settle offsetting positions for capital purposes and therefore receive preferential capital treatment compared to those settled with non-central clearing house counterparties.

<sup>3</sup> Includes \$1,772 billion of OTC derivatives that are transacted with clearing houses (October 31, 2021 – \$1,442 billion) and \$352 billion of OTC derivatives that are transacted with non-clearing houses (October 31, 2021 – \$284 billion). There were no exchange-traded derivatives both as at October 31, 2022 and October 31, 2021.

The following table distinguishes the notional amount of derivatives held or issued for non-trading purposes between those that have been designated in qualifying hedge accounting relationships and those which have not been designated in qualifying hedge accounting relationships.

**Notional of Non-Trading Derivatives**

(millions of Canadian dollars)

						<i>As at</i>	
						October 31, 2022	
	Derivatives in qualifying hedging relationships			Derivatives not in qualifying hedging relationships		Total	
	Fair value	Cash flow <sup>1</sup>	Net Investment <sup>1</sup>				
<b>Derivatives held or issued for hedging (non-trading) purposes</b>							
Interest rate contracts	\$ 324,283	\$ 296,017	\$ –	\$ –	\$ 1,336,841	\$ 1,957,141	
Foreign exchange contracts	–	123,986	–	–	12,613	136,599	
Credit derivative contracts	–	–	–	–	3,378	3,378	
Other contracts	–	1,793	–	–	25,827	27,620	
<b>Total notional non-trading</b>	<b>\$ 324,283</b>	<b>\$ 421,796</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 1,378,659</b>	<b>\$ 2,124,738</b>	
October 31, 2021							
Interest rate contracts	\$ 343,266	\$ 196,272	\$ –	\$ –	1,051,364	\$ 1,590,902	
Foreign exchange contracts	–	93,518	–	–	12,234	105,752	
Credit derivative contracts	–	–	–	–	3,563	3,563	
Other contracts	–	1,655	–	–	24,061	25,716	
<b>Total notional non-trading</b>	<b>\$ 343,266</b>	<b>\$ 291,445</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 1,091,222</b>	<b>\$ 1,725,933</b>	

<sup>1</sup> Certain cross-currency swaps are executed using multiple derivatives, including interest rate swaps. These derivatives are used to hedge foreign exchange rate risk in cash flow hedges and net investment hedges.

The following table discloses the notional principal amount of OTC derivatives and exchange-traded derivatives based on their contractual terms to maturity.

#### Derivatives by Remaining Term-to-Maturity

(millions of Canadian dollars)

					As at	
					October 31 2022	October 31 2021
	Within 1 year	Over 1 year to 5 years	Over 5 years	Total	Total	Total
<b>Notional Principal</b>						
<b>Interest rate contracts</b>						
Futures	\$ 950,012	\$ 241,380	\$ –	\$ 1,191,392	\$ 896,396	\$ 896,396
Forward rate agreements	488,057	46,378	2,396	536,831	519,326	519,326
Swaps	5,478,701	7,509,535	3,542,303	16,530,539	12,520,674	12,520,674
Options written	141,333	51,708	3,919	196,960	108,958	108,958
Options purchased	150,137	55,030	4,058	209,225	118,950	118,950
<b>Total interest rate contracts</b>	<b>7,208,240</b>	<b>7,904,031</b>	<b>3,552,676</b>	<b>18,664,947</b>	<b>14,164,304</b>	<b>14,164,304</b>
<b>Foreign exchange contracts</b>						
Forward contracts	249,672	13,572	1,065	264,309	221,596	221,596
Swaps	1,871,824	41,663	2,398	1,915,885	2,367,090	2,367,090
Cross-currency interest rate swaps	268,366	668,957	266,886	1,204,209	1,039,960	1,039,960
Options written	31,476	4,109	–	35,585	19,173	19,173
Options purchased	23,519	3,050	–	26,569	16,758	16,758
<b>Total foreign exchange contracts</b>	<b>2,444,857</b>	<b>731,351</b>	<b>270,349</b>	<b>3,446,557</b>	<b>3,664,577</b>	<b>3,664,577</b>
<b>Credit derivative contracts</b>						
Credit default swaps – protection purchased	2,128	3,737	7,339	13,204	11,664	11,664
Credit default swaps – protection sold	707	1,471	876	3,054	2,963	2,963
<b>Total credit derivative contracts</b>	<b>2,835</b>	<b>5,208</b>	<b>8,215</b>	<b>16,258</b>	<b>14,627</b>	<b>14,627</b>
<b>Other contracts</b>						
Equity contracts	128,216	62,686	572	191,474	215,716	215,716
Commodity contracts	113,086	21,860	211	135,157	103,343	103,343
<b>Total other contracts</b>	<b>241,302</b>	<b>84,546</b>	<b>783</b>	<b>326,631</b>	<b>319,059</b>	<b>319,059</b>
<b>Total</b>	<b>\$ 9,897,234</b>	<b>\$ 8,725,136</b>	<b>\$ 3,832,023</b>	<b>\$ 22,454,393</b>	<b>\$ 18,162,567</b>	<b>\$ 18,162,567</b>

The following table discloses the notional amount and average price of derivative instruments designated in qualifying hedge accounting relationships.

#### Hedging Instruments by Remaining Term-to-Maturity

(millions of Canadian dollars, except as noted)

					As at	
					October 31 2022	October 31 2021
	Within 1 year	Over 1 year to 5 years	Over 5 years	Total	Total	Total
<b>Notional</b>						
<b>Interest rate risk</b>						
<b>Interest rate swaps</b>						
<b>Notional – pay fixed</b>	\$ 21,162	\$ 42,159	\$ 112,240	\$ 175,561	\$ 204,788	\$ 204,788
Average fixed interest rate %	2.96	1.97	2.00			
<b>Notional – received fixed</b>	79,947	185,864	25,287	291,098	248,641	248,641
Average fixed interest rate %	3.03	2.13	2.35			
<b>Total notional – interest rate risk</b>	<b>101,109</b>	<b>228,023</b>	<b>137,527</b>	<b>466,659</b>	<b>453,429</b>	<b>453,429</b>
<b>Foreign exchange risk<sup>1</sup></b>						
<b>Forward contracts</b>						
Notional – USD/CAD	906	5,533	214	6,653	2,880	2,880
Average FX forward rate	1.29	1.29	1.30			
Notional – EUR/CAD	3,638	9,428	571	13,637	14,072	14,072
Average FX forward rate	1.63	1.62	1.54			
Notional – other	2	160	–	162	–	–
<b>Cross-currency swaps<sup>2,3</sup></b>						
Notional – USD/CAD	13,875	32,239	6,915	53,029	40,330	40,330
Average FX rate	1.31	1.29	1.27			
Notional – EUR/CAD	5,052	22,666	4,013	31,731	18,289	18,289
Average FX rate	1.53	1.43	1.37			
Notional – GBP/CAD	781	3,126	308	4,215	3,298	3,298
Average FX rate	1.72	1.64	1.71			
Notional – other currency pairs <sup>4</sup>	4,580	9,761	220	14,561	14,664	14,664
<b>Total notional – foreign exchange risk</b>	<b>28,834</b>	<b>82,913</b>	<b>12,241</b>	<b>123,988</b>	<b>93,533</b>	<b>93,533</b>
<b>Equity Price Risk</b>						
Notional – equity contracts	1,793	–	–	1,793	1,655	1,655
<b>Total notional</b>	<b>\$ 131,736</b>	<b>\$ 310,936</b>	<b>\$ 149,768</b>	<b>\$ 592,440</b>	<b>\$ 548,617</b>	<b>\$ 548,617</b>

<sup>1</sup> Foreign currency denominated deposit liabilities are also used to hedge foreign exchange risk. Includes \$30.5 billion (October 31, 2021 – \$32.4 billion) of the carrying value of these non-derivative hedging instruments designated under net investment hedges.

<sup>2</sup> Cross-currency swaps may be used to hedge 1) foreign exchange risk, or 2) a combination of interest rate risk and foreign exchange risk in a single hedge relationship. Cross-currency swaps in both types of hedge relationships are disclosed in the above risk category (foreign exchange risk).

<sup>3</sup> Certain cross-currency swaps are executed using multiple derivatives, including interest rate swaps. The notional amount of these interest rate swaps, excluded from the above, is \$153.6 billion as at October 31, 2022 (October 31, 2021 – \$86.1 billion).

<sup>4</sup> Includes derivatives executed to manage non-trading foreign currency exposures, when more than one currency is involved prior to hedging to the Canadian dollar, or when the currency pair is not a significant exposure for the Bank.

### Interest Rate Benchmark Reform

The Bank's hedging relationships have significant exposure to US LIBOR and CDOR benchmark rates. As a result of IBOR reform, these benchmark rates are subject to discontinuance, or may become illiquid after the adoption of ARR as established benchmark rates. Judgment may be required in determining whether certain hedging relationships that involve hedging changes in fair value or variability of cash flows attributable to interest rate or foreign exchange risk continue to qualify for hedge accounting.

Impacted hedging relationships will continue to be monitored for each significant benchmark rate subject to ARR transition. As the new ARRs are likely to differ from the prior benchmark rates, new or revised hedging strategies may be required to better align derivative hedging instruments with hedged items. Given ongoing market developments, the assessment of the impact on the Bank's hedging strategies and its mitigation plans is progressing.

The following table discloses the notional amount of derivative instruments designated in qualifying hedge accounting relationships referencing US LIBOR that have yet to transition to an ARR and mature after June 30, 2023. The table also discloses the notional amount of derivative instruments designated in qualifying hedge accounting relationships referencing GBP LIBOR in the comparative fiscal period that were transitioning to an ARR and were maturing after December 31, 2021.

#### Derivative Instruments Designated in Qualifying Hedge Accounting Relationships<sup>1</sup>

(millions of Canadian dollars)

	As at	
	October 31, 2022	October 31, 2021
<b>Notional</b>	<b>Hedging derivatives maturing after June 30, 2023 (for US LIBOR) and December 31, 2021 (for GBP LIBOR)</b>	
<b>Interest rate risk</b>		
Interest rate swaps		
US LIBOR	\$ 113,385	\$ 183,399
<b>Foreign exchange risk</b>		
Interest rate swaps		
US LIBOR	14,694	13,347
GBP LIBOR	n/a	1,694
Cross-currency swaps <sup>2</sup>		
US LIBOR	20,043	18,288
GBP LIBOR	n/a	1,694
<b>Total</b>	<b>\$ 148,122</b>	<b>\$ 218,422</b>

<sup>1</sup> US LIBOR transitioning to SOFR. GBP LIBOR transitioning to Sterling Overnight Index Average (SONIA).

<sup>2</sup> Cross-currency swaps may be used to hedge foreign exchange risk or a combination of interest rate risk and foreign exchange risk in a single hedge relationship. Both these types of hedges are disclosed under the Foreign exchange risk as the risk category.

The following table discloses the notional amount of derivative instruments designated in qualifying hedge accounting relationships referencing CDOR that have yet to transition to an ARR and mature after June 28, 2024.

#### Derivative Instruments Designated in Qualifying Hedge Accounting Relationships<sup>1</sup>

(millions of Canadian dollars)

	As at	
	October 31, 2022	July 31, 2022
<b>Notional</b>	<b>Hedging derivatives maturing after June 28, 2024 (for CDOR)</b>	
<b>Interest rate risk</b>		
Interest rate swaps	\$ 135,732	\$ 124,403
<b>Foreign exchange risk</b>		
Interest rate swaps	54,810	49,196
Cross-currency swaps <sup>2</sup>	56,335	48,242
<b>Total</b>	<b>\$ 246,877</b>	<b>\$ 221,841</b>

<sup>1</sup> CDOR transitioning to CORRA.

<sup>2</sup> Cross-currency swaps may be used to hedge foreign exchange risk or a combination of interest rate risk and foreign exchange risk in a single hedge relationship. Both these types of hedges are disclosed under the Foreign exchange risk as the risk category.

### (c) 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.

#### 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.

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 current replacement cost and credit equivalent amount shown in the following table are based on the standardized approach for counterparty credit risk. According to this approach, the current replacement cost accounts for the fair value of the positions, posted and

received collateral, and master netting agreement clauses. The credit equivalent amount is the sum of the current replacement cost and the potential future exposure, which is calculated by applying factors determined by OSFI to the notional principal amount of the derivatives. The risk-weighted amount is determined by applying the adequate risk weights to the credit equivalent amount.

#### Credit Exposure of Derivatives

(millions of Canadian dollars)

	October 31, 2022			October 31, 2021		
	Current replacement cost	Credit equivalent amount	Risk-weighted amount	Current replacement cost	Credit equivalent amount	Risk-weighted amount
<b>Interest rate contracts</b>						
Forward rate agreements	\$ 21	\$ 90	\$ 30	\$ 15	\$ 275	\$ 164
Swaps	7,328	14,424	920	2,117	7,817	1,710
Options written	4	84	18	4	71	18
Options purchased	20	101	40	33	114	31
<b>Total interest rate contracts</b>	<b>7,373</b>	<b>14,699</b>	<b>1,008</b>	<b>2,169</b>	<b>8,277</b>	<b>1,923</b>
<b>Foreign exchange contracts</b>						
Forward contracts	1,467	4,446	695	558	2,799	465
Swaps	5,583	19,930	2,265	2,799	18,649	1,975
Cross-currency interest rate swaps	6,372	18,019	1,599	1,490	10,075	1,170
Options written	35	349	183	7	145	52
Options purchased	102	271	135	22	132	64
<b>Total foreign exchange contracts</b>	<b>13,559</b>	<b>43,015</b>	<b>4,877</b>	<b>4,876</b>	<b>31,800</b>	<b>3,726</b>
<b>Other contracts</b>						
Credit derivatives	1	449	83	3	426	88
Equity contracts	513	7,456	1,662	252	7,129	1,390
Commodity contracts	1,104	5,101	1,055	1,524	5,176	1,340
<b>Total other contracts</b>	<b>1,618</b>	<b>13,006</b>	<b>2,800</b>	<b>1,779</b>	<b>12,731</b>	<b>2,818</b>
<b>Total derivatives</b>	<b>22,550</b>	<b>70,720</b>	<b>8,685</b>	<b>8,824</b>	<b>52,808</b>	<b>8,467</b>
Qualifying Central Counterparty Contracts	7,468	28,230	941	5,937	20,945	611
<b>Total</b>	<b>\$ 30,018</b>	<b>\$ 98,950</b>	<b>\$ 9,626</b>	<b>\$ 14,761</b>	<b>\$ 73,753</b>	<b>\$ 9,078</b>

#### Current Replacement Cost of Derivatives

(millions of Canadian dollars, except as noted)

By sector	Canada <sup>1</sup>		United States <sup>1</sup>		Other international <sup>1</sup>		As at Total	
	October 31 2022	October 31 2021	October 31 2022	October 31 2021	October 31 2022	October 31 2021	October 31 2022	October 31 2021
Financial	\$ 5,636	\$ 2,962	\$ 19	\$ 64	\$ 551	\$ 223	\$ 6,206	\$ 3,249
Government	6,185	1,389	66	13	5,388	180	11,639	1,582
Other	1,940	2,202	737	1,228	2,028	563	4,705	3,993
<b>Total current replacement cost</b>	<b>\$ 13,761</b>	<b>\$ 6,553</b>	<b>\$ 822</b>	<b>\$ 1,305</b>	<b>\$ 7,967</b>	<b>\$ 966</b>	<b>\$ 22,550</b>	<b>\$ 8,824</b>

By location of risk	October 31 2022	October 31 2021	October 31 2022 % mix	October 31 2021 % mix
Canada	\$ 4,411	\$ 2,419	19.6 %	27.4 %
United States	8,036	3,336	35.6	37.8
Other international				
United Kingdom	1,224	656	5.4	7.4
Europe – other	4,257	1,243	18.9	14.1
Other	4,622	1,170	20.5	13.3
<b>Total Other international</b>	<b>10,103</b>	<b>3,069</b>	<b>44.8</b>	<b>34.8</b>
<b>Total current replacement cost</b>	<b>\$ 22,550</b>	<b>\$ 8,824</b>	<b>100.0 %</b>	<b>100.0 %</b>

<sup>1</sup> Based on geographic location of unit responsible for recording revenue.

Certain of the Bank's derivative contracts are governed by master derivative agreements having provisions that may permit the Bank's counterparties to require, upon the occurrence of a certain contingent event: (1) the posting of collateral or other acceptable remedy such as assignment of the affected contracts to an acceptable counterparty; or (2) settlement of outstanding derivative contracts. Most often, these contingent events are in the form of a downgrade of the senior debt rating of the Bank, either as counterparty or as guarantor of one of the Bank's subsidiaries. At October 31, 2022, the aggregate net liability position of those contracts would require: (1) the posting of collateral or other acceptable remedy totalling \$392 million (October 31, 2021 – \$73 million) in the event of a one-notch or two-notch downgrade in the Bank's senior debt rating; and (2) funding totalling nil (October 31, 2021 – 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, 2022, the fair value of all derivative instruments with credit risk related contingent features in a net liability position was \$19 billion (October 31, 2021 – \$12 billion). The Bank has posted \$18 billion (October 31, 2021 – \$15 billion) of collateral for this exposure in the normal course of business. As at October 31, 2022, the impact of a one-notch downgrade in the Bank's credit rating would require the Bank to post an additional \$174 million (October 31, 2021 – \$182 million) of collateral to that posted in the normal course of business. A two-notch downgrade in the Bank's credit rating would require the Bank to post an additional \$269 million (October 31, 2021 – \$266 million) of collateral to that posted in the normal course of business.

## NOTE 12: INVESTMENT IN ASSOCIATES AND JOINT VENTURES

### INVESTMENT IN THE CHARLES SCHWAB CORPORATION

The Bank has significant influence over The Charles Schwab Corporation ("Schwab") and the ability to participate in the financial and operating policy-making decisions of Schwab through a combination of the Bank's ownership, board representation and the insured deposit account agreement between the Bank and Schwab (the "Schwab IDA Agreement"). As such, the Bank accounts for its investment in Schwab using the equity method. The Bank's share of Schwab's earnings available to common shareholders is reported with a one-month lag. The Bank takes into account changes in the one-month lag period that would significantly affect the results.

On August 1, 2022, in order to provide the capital required for the acquisition of Cowen Inc. ("Cowen"), the Bank sold 28.4 million non-voting common shares of Schwab at a price of US\$66.53 per share for proceeds of \$2.5 billion (US\$1.9 billion). Approximately 15 million shares were sold to Schwab pursuant to a repurchase agreement at a price equal to the price obtained in the sale of 13.4 million shares sold to a broker dealer pursuant to Rule 144 of the *Securities Act of 1933*. All shares sold automatically converted into shares of Schwab voting common stock and the shares acquired by Schwab are no longer outstanding. The sales reduced the Bank's ownership interest in Schwab from approximately 13.4% to 12.0%. The Bank recognized \$997 million as other income (net of \$368 million loss from AOCI reclassified to earnings), in the fourth quarter of fiscal 2022.

As at October 31, 2022, the Bank's reported investment in Schwab was approximately 12.1% (October 31, 2021 – 13.4%), consisting of 9.6% of the outstanding voting common shares and the remainder in non-voting common shares of Schwab with a fair value of \$24 billion (US\$18 billion) (October 31, 2021 – \$26 billion (US\$21 billion)) based on the closing price of US\$79.67 (October 31, 2021 – US\$82.03) on the New York Stock Exchange.

The Bank and Schwab are party to a stockholder agreement (the "Stockholder Agreement") under which the Bank has the right to designate two members of Schwab's Board of Directors and has representation on two Board Committees, subject to the Bank meeting certain conditions. The Bank's designated directors currently are the Bank's Group President and Chief Executive Officer and the Bank's Chair of the Board. Under the Stockholder Agreement, the Bank is not permitted to own more than 9.9% voting common shares of Schwab, and the Bank is subject to customary standstill restrictions and, subject to certain exceptions, transfer restrictions. In addition, the Schwab IDA Agreement has an initial expiration date of July 1, 2031. Refer to Note 28 for further details on the Schwab IDA Agreement.

The carrying value of the Bank's investment in Schwab of \$8.1 billion as at October 31, 2022 (October 31, 2021 – \$11.1 billion) represents the Bank's share of Schwab's stockholders' equity, adjusted for goodwill, other intangibles, and cumulative translation adjustment. The Bank's share of net income from its investment in Schwab of \$991 million during the year ended October 31, 2022 (October 31, 2021 – \$785 million), reflects net income after adjustments for amortization of certain intangibles net of tax. The following tables represent the gross amount of Schwab's total assets, liabilities, net revenues, net income available to common stockholders, other comprehensive income (loss), and comprehensive income (loss).

#### Summarized Financial Information

(millions of Canadian dollars)

	<i>As at</i>	
	September 30 2022	September 30 2021
Total assets	\$ 797,759	\$ 751,901
Total liabilities	746,596	680,811

(millions of Canadian dollars)

	<i>For the years ended September 30</i>	
	2022	2021
Total net revenues	\$ 25,533	\$ 22,731
Total net income available to common stockholders	8,014	6,267
Total other comprehensive income (loss)	(31,223)	(5,676)
Total comprehensive income (loss)	(23,209)	591

### INVESTMENT IN OTHER ASSOCIATES OR JOINT VENTURES

Except for Schwab as disclosed above, the Bank did not have investments in associates or joint ventures which were individually material as of October 31, 2022, or October 31, 2021. The carrying amount of the Bank's investment in other associates and joint ventures as at October 31, 2022 was \$3.8 billion (October 31, 2021 – \$3.3 billion).

Other 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 OR PENDING ACQUISITIONS****Acquisition of Cowen Inc.**

On August 2, 2022, the Bank and Cowen announced a definitive agreement for TD to acquire Cowen in an all-cash transaction valued at US\$1.3 billion, or US\$39.00 for each share of Cowen common stock. The Bank is currently planning to close the transaction in the first calendar quarter of 2023, subject to customary closing conditions, including approvals from certain U.S., Canadian, and foreign regulatory authorities. Regulatory approvals are not within the Bank's control. The results of the acquired business will be consolidated by the Bank from the closing date and reported in the Wholesale Banking segment.

**Acquisition of First Horizon Corporation**

On February 28, 2022, the Bank and First Horizon Corporation ("First Horizon") announced a definitive agreement for the Bank to acquire First Horizon in an all-cash transaction valued at US\$13.4 billion, or US\$25.00 for each common share of First Horizon. In connection with this transaction, the Bank has invested US\$494 million in non-voting First Horizon preferred stock (convertible in certain circumstances into up to 4.9% of First Horizon's common stock). The Bank is currently planning to close the transaction in the first half of fiscal 2023, subject to customary closing conditions, including approvals from U.S. and Canadian regulatory authorities. Regulatory approvals are not within the Bank's control. The results of the acquired business will be consolidated by the Bank from the closing date and reported in the U.S. Retail segment.

First Horizon shareholders will receive, at closing, an additional US\$0.65 per share on an annualized basis for the period from November 27, 2022 through the day immediately prior to the closing. Either party will have the right to terminate the agreement if the transaction has not closed by February 27, 2023 (the "outside date"), subject to the right of either party (under certain conditions) to extend the outside date to May 27, 2023.

During the year, the Bank implemented a strategy to mitigate interest rate volatility to capital on closing of the acquisition.

The fair value of First Horizon's fixed rate financial assets and liabilities and certain intangible assets are sensitive to interest rate changes. The fair value of net assets will determine the amount of goodwill to be recognized on closing of the acquisition. Increases in goodwill and intangibles will negatively impact capital ratios because they are deducted from capital under OSFI Basel III rules. In order to mitigate this volatility to closing capital, the Bank de-designated certain interest rate swaps hedging fixed income investments in fair value hedge accounting relationships.

After the de-designation, mark-to-market gains (losses) on these swaps are recognized in earnings, without any corresponding offset from the previously hedged investments. Such gains (losses) will mitigate the capital impact from changes in the amount of goodwill recognized on closing of the acquisition. The de-designation also triggered the amortization of the investments' basis adjustment to net interest income over the remaining expected life of the investments.

For the year ended October 31, 2022, the Bank reported \$1,487 million in non-interest income related to the mark-to-market on the swaps, and \$154 million in net interest income related to the basis adjustment amortization. In addition, for the year ended October 31, 2022, the Bank reported \$121 million in non-interest income related to the net interest earned on the swaps since the de-designation of the hedge accounting relationships.

**Acquisition of Wells Fargo & Company's Canadian Direct Equipment Finance Business**

On May 1, 2021, the Bank acquired the Canadian Direct Equipment Finance business of Wells Fargo & Company. The results of the acquired business have been consolidated from the acquisition date and included in the Canadian Personal and Commercial Banking segment. This acquisition was accounted for as a business combination under the purchase method. The excess of accounting consideration over the fair value of tangible net assets acquired was allocated to other intangibles and goodwill.

**Acquisition of Headlands Tech Global Markets, LLC**

On July 1, 2021, the Bank acquired Headlands Tech Global Markets, LLC, a Chicago based quantitative fixed income trading company. The results of the acquired business have been consolidated from the acquisition date and included in the Wholesale segment. This acquisition was accounted for as a business combination under the purchase method. The excess of accounting consideration over the fair value of tangible net assets acquired was allocated to other intangibles and goodwill.

**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, discount rates, and terminal growth rates. Management is required to use judgment in estimating the recoverable amount of CGUs, and the use of different assumptions and estimates in the calculations could influence the determination of the existence of impairment and the valuation of goodwill. Management believes that the assumptions and estimates used are reasonable and supportable. Where possible, assumptions generated internally are compared to relevant market information. The carrying amounts of the Bank's CGUs are determined by management using risk-based capital models to adjust net assets and liabilities by CGU. These models consider various factors including market risk, credit risk, and operational risk, including investment capital (comprised of goodwill and other intangibles). Any capital not directly attributable to the CGUs is held within the Corporate segment. As at the date of the last impairment test, the amount of capital was approximately \$21.8 billion and primarily related to treasury assets and excess capital managed within the Corporate segment. The Bank's capital oversight committees provide oversight to the Bank's capital allocation methodologies.

**Key Assumptions**

The recoverable amount of each CGU or group of CGUs has been determined based on its estimated value-in-use. In assessing value-in-use, estimated future cash flows based on the Bank's internal forecast are discounted using an appropriate pre-tax discount rate.

The following were the key assumptions applied in the goodwill impairment testing:

**Discount Rate**

The pre-tax discount rates used reflect current market assessments of the risks specific to each group of CGUs and are dependent on the risk profile and capital requirements of each group of CGUs.

### Terminal Value

The earnings included in the goodwill impairment testing for each operating segment were based on the Bank's internal forecast, which projects expected cash flows over the next five years. Beyond the Bank's internal forecast, cash flows were assumed to grow at a steady terminal growth rate. Terminal growth rates were based on the expected long-term growth of gross domestic product and inflation and ranged from 2.0% to 3.9% (2021 – 2.0% to 3.8%).

In considering the sensitivity of the key assumptions discussed above, management determined that a reasonable change in any of the above would not result in the recoverable amount of any of the groups of CGUs to be less than their carrying amount.

### Goodwill by Segment

(millions of Canadian dollars)

	Canadian Personal and Commercial Banking	U.S. Retail <sup>1</sup>	Wealth Management and Insurance	Wholesale Banking	Total
Carrying amount of goodwill as at November 1, 2020	\$ 859	\$ 14,142	\$ 1,987	\$ 160	\$ 17,148
Additions (disposals)	43	–	(3)	116	156
Foreign currency translation adjustments and other	(2)	(1,008)	(60)	(2)	(1,072)
Carrying amount of goodwill as at October 31, 2021 <sup>2</sup>	\$ 900	\$ 13,134	\$ 1,924	\$ 274	\$ 16,232
Additions (disposals)	–	–	–	–	–
Foreign currency translation adjustments and other	2	1,329	80	13	1,424
<b>Carrying amount of goodwill as at October 31, 2022<sup>2</sup></b>	<b>\$ 902</b>	<b>\$ 14,463</b>	<b>\$ 2,004</b>	<b>\$ 287</b>	<b>\$ 17,656</b>

### Pre-tax discount rates

2021	9.7 %	9.4–10.0 %	9.6–11.0 %	13.3 %
2022	9.7	9.7–10.0	9.6–11.0	13.3

<sup>1</sup> Goodwill predominantly relates to U.S. personal and commercial banking.

<sup>2</sup> Accumulated impairment as at October 31, 2022 and October 31, 2021 was nil.

### OTHER INTANGIBLES

The following table presents details of other intangibles as at October 31, 2022 and October 31, 2021.

#### Other Intangibles

(millions of Canadian dollars)

	Core deposit intangibles	Credit card related intangibles	Internally generated software	Other software	Other intangibles	Total
<b>Cost</b>						
As at November 1, 2020	\$ 2,606	\$ 844	\$ 2,834	\$ 278	\$ 790	\$ 7,352
Additions	–	–	401	58	310	769
Disposals	–	–	(275)	(5)	–	(280)
Fully amortized intangibles	–	–	(251)	(75)	–	(326)
Foreign currency translation adjustments and other	(186)	(10)	(84)	(11)	(41)	(332)
As at October 31, 2021	\$ 2,420	\$ 834	\$ 2,625	\$ 245	\$ 1,059	\$ 7,183
Additions	–	–	651	62	17	730
Disposals	–	–	–	–	–	–
Fully amortized intangibles	–	–	(448)	(72)	8	(512)
Foreign currency translation adjustments and other	244	14	90	(2)	81	427
<b>As at October 31, 2022</b>	<b>\$ 2,664</b>	<b>\$ 848</b>	<b>\$ 2,918</b>	<b>\$ 233</b>	<b>\$ 1,165</b>	<b>\$ 7,828</b>
<b>Amortization and impairment</b>						
As at November 1, 2020	\$ 2,563	\$ 690	\$ 1,275	\$ 204	\$ 495	\$ 5,227
Disposals	–	–	(272)	(5)	–	(277)
Impairment losses (reversals)	–	–	–	–	(4)	(4)
Amortization charge for the year	29	61	487	53	76	706
Fully amortized intangibles	–	–	(251)	(75)	–	(326)
Foreign currency translation adjustments and other	(184)	(11)	(32)	(12)	(27)	(266)
As at October 31, 2021	\$ 2,408	\$ 740	\$ 1,207	\$ 165	\$ 540	\$ 5,060
Disposals	–	–	(1)	–	–	(1)
Impairment losses (reversals)	–	–	–	(1)	–	(1)
Amortization charge for the year	10	17	443	50	79	599
Fully amortized intangibles	–	–	(446)	(72)	3	(515)
Foreign currency translation adjustments and other	244	14	53	11	61	383
<b>As at October 31, 2022</b>	<b>\$ 2,662</b>	<b>\$ 771</b>	<b>\$ 1,256</b>	<b>\$ 153</b>	<b>\$ 683</b>	<b>\$ 5,525</b>
<b>Net Book Value:</b>						
As at October 31, 2021	\$ 12	\$ 94	\$ 1,418	\$ 80	\$ 519	\$ 2,123
<b>As at October 31, 2022</b>	<b>2</b>	<b>77</b>	<b>1,662</b>	<b>80</b>	<b>482</b>	<b>2,303</b>

**NOTE 15: LAND, BUILDINGS, EQUIPMENT, AND OTHER DEPRECIABLE ASSETS**

The following table presents details of the Bank's land, buildings, equipment, and other depreciable assets as at October 31, 2022 and October 31, 2021.

**Land, Buildings, Equipment, and Other Depreciable Assets**

(millions of Canadian dollars)

	Land	Buildings	Computer equipment	Furniture, fixtures, and other depreciable assets	Leasehold improvements	Total
<b>Cost</b>						
As at November 1, 2020	\$ 968	\$ 2,495	\$ 803	\$ 1,396	\$ 3,310	\$ 8,972
Additions	2	144	179	131	235	691
Disposals	(1)	(87)	(31)	(67)	(137)	(323)
Fully depreciated assets	–	(27)	(126)	(68)	(108)	(329)
Foreign currency translation adjustments and other <sup>1</sup>	(93)	(171)	(7)	(50)	(143)	(464)
<b>As at October 31, 2021</b>	<b>876</b>	<b>2,354</b>	<b>818</b>	<b>1,342</b>	<b>3,157</b>	<b>8,547</b>
Additions	1	136	168	152	316	773
Disposals	(1)	(44)	(18)	(23)	(8)	(94)
Fully depreciated assets	–	(28)	(167)	(114)	(178)	(487)
Foreign currency translation adjustments and other <sup>1</sup>	73	146	16	58	174	467
<b>As at October 31, 2022</b>	<b>\$ 949</b>	<b>\$ 2,564</b>	<b>\$ 817</b>	<b>\$ 1,415</b>	<b>\$ 3,461</b>	<b>\$ 9,206</b>
<b>Accumulated depreciation and impairment losses</b>						
As at November 1, 2020	\$ –	\$ 976	\$ 374	\$ 719	\$ 1,586	\$ 3,655
Depreciation charge for the year	–	103	157	153	256	669
Disposals	–	(84)	(28)	(66)	(135)	(313)
Impairment losses	–	54	–	–	–	54
Fully depreciated assets	–	(27)	(126)	(68)	(108)	(329)
Foreign currency translation adjustments and other <sup>1</sup>	–	(115)	(2)	(17)	(66)	(200)
<b>As at October 31, 2021</b>	<b>–</b>	<b>907</b>	<b>375</b>	<b>721</b>	<b>1,533</b>	<b>3,536</b>
Depreciation charge for the year	–	80	160	151	256	647
Disposals	–	(38)	(14)	(23)	(5)	(80)
Impairment losses	–	1	3	–	–	4
Fully depreciated assets	–	(28)	(167)	(114)	(178)	(487)
Foreign currency translation adjustments and other <sup>1</sup>	–	61	8	50	96	215
<b>As at October 31, 2022</b>	<b>\$ –</b>	<b>\$ 983</b>	<b>\$ 365</b>	<b>\$ 785</b>	<b>\$ 1,702</b>	<b>\$ 3,835</b>
<b>Net Book Value Excluding Right-of-Use Assets:</b>						
As at October 31, 2021	\$ 876	\$ 1,447	\$ 443	\$ 621	\$ 1,624	\$ 5,011
<b>As at October 31, 2022</b>	<b>949</b>	<b>1,581</b>	<b>452</b>	<b>630</b>	<b>1,759</b>	<b>5,371</b>

<sup>1</sup> Includes adjustments to reclassify premises related non-current assets held-for-sale to other assets.

The following table presents details of the Bank's ROU assets as recorded in accordance with IFRS 16, *Leases*. Refer to Note 18 and Note 27 for the related lease liabilities details.

**Right-of-Use Assets Net Book Value**

(millions of Canadian dollars)

	Land	Buildings	Computer equipment	Total
As at November 1, 2020	\$ 956	\$ 3,821	\$ 42	\$ 4,819
Additions	–	119	52	171
Depreciation	(87)	(534)	(16)	(637)
Reassessments, modifications, and variable lease payment adjustments	19	84	–	103
Terminations and impairment	(38)	(83)	(24)	(145)
Foreign currency translation adjustments and other	(70)	(71)	–	(141)
<b>As at October 31, 2021</b>	<b>\$ 780</b>	<b>\$ 3,336</b>	<b>\$ 54</b>	<b>\$ 4,170</b>
Additions	–	132	5	137
Depreciation	(89)	(424)	(14)	(527)
Reassessments, modifications, and variable lease payment adjustments	13	(6)	(1)	6
Terminations and impairment	–	11	–	11
Foreign currency translation adjustments and other	73	159	–	232
<b>As at October 31, 2022</b>	<b>\$ 777</b>	<b>\$ 3,208</b>	<b>\$ 44</b>	<b>\$ 4,029</b>

**Total Land, Buildings, Equipment, and Other Depreciable Assets Net Book Value**

(millions of Canadian dollars)

	Land	Buildings	Computer equipment	Furniture, fixtures, and other depreciable assets	Leasehold improvements	Total
As at October 31, 2021	\$ 1,656	\$ 4,783	\$ 497	\$ 621	\$ 1,624	\$ 9,181
<b>As at October 31, 2022</b>	<b>1,726</b>	<b>4,789</b>	<b>496</b>	<b>630</b>	<b>1,759</b>	<b>9,400</b>

**NOTE 16: OTHER ASSETS**
**Other Assets**

(millions of Canadian dollars)

	<i>As at</i>	
	October 31 2022	October 31 2021
Accounts receivable and other items	\$ 10,769	\$ 9,144
Accrued interest	3,765	2,196
Current income tax receivable	6,031	1,862
Defined benefit asset	1,406	637
Insurance-related assets, excluding investments	2,008	2,040
Prepaid expenses	1,323	1,300
<b>Total</b>	<b>\$ 25,302</b>	<b>\$ 17,179</b>

**NOTE 17: DEPOSITS**

Demand deposits are those for which the Bank does not have the right to require notice prior to withdrawal and are in general chequing accounts. Notice deposits are those for which the Bank can legally require notice prior to withdrawal and are in general savings accounts. Term deposits are payable on a given date of maturity and are purchased by customers to earn interest over a fixed period, with terms ranging from one day to ten years and generally include fixed 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, 2022 was \$436 billion (October 31, 2021 – \$283 billion).

**Deposits**

(millions of Canadian dollars)

							<i>As at</i>	
	By Type			By Country			October 31 2022	October 31 2021
	Demand	Notice	Term <sup>1</sup>	Canada	United States	International	Total	Total
Personal	\$ 21,745	\$ 569,432	\$ 69,661	\$ 315,516	\$ 345,322	\$ –	\$ 660,838	\$ 633,498
Banks	15,331	256	22,676	25,021	9,769	3,473	38,263	20,917
Business and government <sup>2</sup>	134,170	206,563	190,136	365,172	160,218	5,479	530,869	470,710
	171,246	776,251	282,473	705,709	515,309	8,952	1,229,970	1,125,125
Trading	–	–	23,805	13,564	2,225	8,016	23,805	22,891
Designated at fair value through profit or loss <sup>3</sup>	–	–	162,645	43,796	67,235	51,614	162,645	113,905
<b>Total</b>	<b>\$ 171,246</b>	<b>\$ 776,251</b>	<b>\$ 468,923</b>	<b>\$ 763,069</b>	<b>\$ 584,769</b>	<b>\$ 68,582</b>	<b>\$ 1,416,420</b>	<b>\$ 1,261,921</b>
<b>Non-interest-bearing deposits included above</b>								
In domestic offices							\$ 76,551	\$ 72,705
In foreign offices							91,175	82,756
<b>Interest-bearing deposits included above</b>								
In domestic offices							686,518	626,562
In foreign offices							552,678	479,890
U.S. federal funds deposited							9,498	8
<b>Total<sup>2,4</sup></b>							<b>\$ 1,416,420</b>	<b>\$ 1,261,921</b>

<sup>1</sup> Includes \$89.4 billion (October 31, 2021 – \$43.1 billion) of senior debt which is subject to the bank recapitalization "bail-in" regime. This regime provides certain statutory powers to the Canada Deposit Insurance Corporation, including the ability to convert specified eligible shares and liabilities into common shares in the event that the Bank becomes non-viable.

<sup>2</sup> Includes \$34 billion relating to covered bondholders (October 31, 2021 – \$25.1 billion) and nil (October 31, 2021 – \$0.5 billion) due to Trust IV.

<sup>3</sup> Financial liabilities designated at FVTPL on the Consolidated Balance Sheet also includes \$140.5 million (October 31, 2021 – \$83.3 million) of loan commitments and financial guarantees designated at FVTPL.

<sup>4</sup> Includes deposits of \$814.9 billion (October 31, 2021 – \$719.8 billion) denominated in U.S. dollars and \$84.4 billion (October 31, 2021 – \$43.6 billion) denominated in other foreign currencies.

**Term Deposits by Remaining Term-to-Maturity**

(millions of Canadian dollars)

							<i>As at</i>	
							October 31 2022	October 31 2021
	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	\$ 43,791	\$ 12,801	\$ 6,187	\$ 6,772	\$ 79	\$ 31	\$ 69,661	\$ 51,081
Banks	22,670	–	–	–	3	3	22,676	9,409
Business and government	87,517	26,060	27,588	11,093	24,711	13,167	190,136	115,101
Trading	14,153	4,181	1,917	1,039	1,180	1,335	23,805	22,891
Designated at fair value through profit or loss	161,745	804	96	–	–	–	162,645	113,905
<b>Total</b>	<b>\$ 329,876</b>	<b>\$ 43,846</b>	<b>\$ 35,788</b>	<b>\$ 18,904</b>	<b>\$ 25,973</b>	<b>\$ 14,536</b>	<b>\$ 468,923</b>	<b>\$ 312,387</b>

**Term Deposits due within a Year**

(millions of Canadian dollars)

				As at	
				October 31 2022	October 31 2021
	Within 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Total	Total
Personal	\$ 11,423	\$ 10,173	\$ 22,195	\$ 43,791	\$ 36,187
Banks	22,606	51	13	22,670	9,401
Business and government	52,015	10,095	25,407	87,517	42,887
Trading	6,265	4,390	3,498	14,153	16,086
Designated at fair value through profit or loss	40,474	52,497	68,774	161,745	112,778
<b>Total</b>	<b>\$132,783</b>	<b>\$ 77,206</b>	<b>\$ 119,887</b>	<b>\$ 329,876</b>	<b>\$ 217,339</b>

**NOTE 18: OTHER LIABILITIES****Other Liabilities**

(millions of Canadian dollars)

	As at	
	October 31 2022	October 31 2021
Accounts payable, accrued expenses, and other items <sup>1</sup>	\$ 5,040	\$ 7,499
Accrued interest	1,870	714
Accrued salaries and employee benefits	4,100	4,151
Cheques and other items in transit	2,116	2,667
Current income tax payable	151	82
Deferred tax liabilities	236	244
Defined benefit liability	1,286	1,592
Lease liabilities <sup>2</sup>	5,313	5,473
Liabilities related to structured entities	12,120	4,407
Provisions	1,320	1,304
<b>Total</b>	<b>\$ 33,552</b>	<b>\$ 28,133</b>

<sup>1</sup> Includes dividends and distributions payable of nil as of October 31, 2022 (October 31, 2021 – \$1,404 million).<sup>2</sup> Refer to Note 27 for lease liability maturity and lease payment details.**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	As at	
				October 31 2022	October 31 2021
May 26, 2025	9.150	n/a	–	\$ 200	\$ 200
September 14, 2028 <sup>1</sup>	3.589 <sup>2</sup>	1.060 <sup>2</sup>	September 14, 2023	1,750	1,749
July 25, 2029 <sup>1</sup>	3.224 <sup>2</sup>	1.250 <sup>2</sup>	July 25, 2024	1,505	1,550
April 22, 2030 <sup>1</sup>	3.105 <sup>2</sup>	2.160 <sup>2</sup>	April 22, 2025	3,001	2,952
March 4, 2031 <sup>1</sup>	4.859 <sup>2</sup>	3.490 <sup>2</sup>	March 4, 2026	1,247	1,271
September 15, 2031 <sup>1</sup>	3.625 <sup>3</sup>	2.205 <sup>3</sup>	September 15, 2026	1,940	1,765
January 26, 2032 <sup>1</sup>	3.060 <sup>2</sup>	1.330 <sup>2</sup>	January 26, 2027	1,647	1,743
<b>Total</b>				<b>\$ 11,290</b>	<b>\$ 11,230</b>

<sup>1</sup> The subordinated notes and debentures include non-viability contingent capital (NVCC) provisions and qualify as regulatory capital under OSFI's Capital Adequacy Requirements (CAR) guideline. Refer to Note 21 for further details.<sup>2</sup> Interest rate is for the period to but excluding the earliest par redemption date, and thereafter, it will be reset at a rate of three-month Bankers' Acceptance rate (as such term is defined in the applicable offering document) plus the reset spread noted.<sup>3</sup> Interest rate is for the period to but excluding the earliest par redemption date, and thereafter, it will be reset at a rate of 5-year Mid-Swap Rate plus the reset spread noted.

The total change in subordinated notes and debentures for the year ended October 31, 2022 primarily relates to foreign exchange translation and the basis adjustment for fair value hedges.

**NOTE 20: CAPITAL TRUST SECURITIES**

In 2009, the Bank issued innovative capital securities through Trust IV. On November 1, 2021, Trust IV redeemed all of the outstanding TD Capital Trust IV Notes – Series 2. The proceeds from the issuance of TD Capital Trust IV Notes – Series 2 were invested in bank deposit notes which were also redeemed on November 1, 2021. On December 8, 2021, Trust IV was dissolved. Refer to Notes 10 and 17 for further details.

**Capital Trust Securities**

(millions of Canadian dollars, except as noted)

	Thousands of units	Distribution/Interest payment dates	Annual yield	Redemption date	As at	
				At the option of the issuer	October 31 2022	October 31 2021
<b>TD Capital Trust Notes issued by Trust IV</b>						
TD Capital Trust IV Notes – Series 2	450	June 30, Dec. 31	10.000%	June 30, 2014	\$ –	\$ 450

**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 AND OTHER EQUITY INSTRUMENTS****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 either quarterly or semi-annually in accordance with applicable terms, as and when declared by the Board of Directors of the Bank. All preferred shares issued by the Bank currently 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 impacted instruments into a variable number of common shares upon the occurrence of a Trigger Event. A Trigger Event is currently defined in the CAR Guideline as an event where OSFI determines that the Bank is, or is about to become, non-viable and that after conversion of all non-common capital instruments and consideration of any other relevant factors or circumstances, the viability of the Bank is expected to be restored, or where the Bank has accepted or agreed to accept a capital injection or equivalent support from a federal or provincial government of Canada without which the Bank would have been determined by OSFI to be non-viable.

**Limited Recourse Capital Notes**

The Bank has issued Limited Recourse Capital Notes (the "LRCNs") with recourse limited to assets held in a trust consolidated by the Bank (the "Limited Recourse Trust"). The Limited Recourse Trust's assets consist of Class A First Preferred Shares of the Bank, each series which is issued concurrently with the LRCNs (the "LRCN Preferred Shares"). The LRCN Preferred Shares are eliminated on the Bank's consolidated financial statements.

In the event of (i) non-payment of interest following any interest payment date, (ii) non-payment of the redemption price in case of a redemption of the LRCNs, (iii) non-payment of principal plus accrued and unpaid interest at the maturity of the LRCNs, (iv) an event of default on the LRCNs, or (v) a Trigger Event, the recourse of each LRCN holder will be limited to that holder's pro rata share of the Limited Recourse Trust's assets.

The LRCNs, by virtue of the recourse to the LRCN Preferred Shares, include standard NVCC provisions necessary for them to qualify as Additional Tier 1 Capital under OSFI's CAR guideline. NVCC provisions require the conversion of the instrument into a variable number of common shares upon the occurrence of a Trigger Event. In such an event, each LRCN Preferred Share will automatically and immediately be converted into a variable number of common shares which will be delivered to LRCN holders in satisfaction of the principal amount of, and accrued and unpaid interest on, the LRCNs. The number of common shares issued will be determined based on the conversion formula set out in the terms of the respective series of LRCN Preferred Shares.

The LRCNs are compound instruments with both equity and liability features. Non-payment of interest and principal in cash does not constitute an event of default and will trigger the delivery of the LRCN Preferred Shares. The liability component has a nominal value and, therefore, the proceeds received upon issuance have been presented as equity, and any interest payments are accounted for as distributions on other equity instruments.

The following table summarizes the changes to the shares and other equity instruments issued and outstanding and treasury instruments held as at and for the years ended October 31, 2022 and October 31, 2021.

**Shares and Other Equity Instruments Issued and Outstanding and Treasury Instruments Held**

(millions of shares or other equity instruments and millions of Canadian dollars)

	October 31, 2022		October 31, 2021	
	Number of shares	Amount	Number of shares	Amount
<b>Common Shares</b>				
Balance as at beginning of year	1,823.9	\$ 23,066	1,816.1	\$ 22,487
Proceeds from shares issued on exercise of stock options	1.8	120	2.8	165
Shares issued as a result of dividend reinvestment plan	17.0	1,442	5.0	414
Purchase of shares for cancellation and other	(21.0)	(265)	–	–
<b>Balance as at end of year – common shares</b>	<b>1,821.7</b>	<b>\$ 24,363</b>	<b>1,823.9</b>	<b>\$ 23,066</b>
<b>Preferred Shares and Other Equity Instruments</b>				
<b>Preferred Shares – Class A</b>				
Series 1	20.0	\$ 500	20.0	\$ 500
Series 3	20.0	500	20.0	500
Series 5	20.0	500	20.0	500
Series 7	14.0	350	14.0	350
Series 9	8.0	200	8.0	200
Series 16	14.0	350	14.0	350
Series 18	14.0	350	14.0	350
Series 20	16.0	400	16.0	400
Series 22	14.0	350	14.0	350
Series 24	18.0	450	18.0	450
Series 27	0.8	850	–	–
Series 28	0.8	800	–	–
	<b>159.6</b>	<b>\$ 5,600</b>	<b>158.0</b>	<b>\$ 3,950</b>
<b>Other Equity Instruments<sup>1</sup></b>				
Limited Recourse Capital Notes – Series 1	1.8	\$ 1,750	1.8	\$ 1,750
Limited Recourse Capital Notes – Series 2	1.5	1,500	–	–
Limited Recourse Capital Notes – Series 3 <sup>2</sup>	1.7	2,403	–	–
	<b>5.0</b>	<b>5,653</b>	<b>1.8</b>	<b>1,750</b>
<b>Balance as at end of year – preferred shares and other equity instruments</b>	<b>164.6</b>	<b>\$ 11,253</b>	<b>159.8</b>	<b>\$ 5,700</b>
<b>Treasury – common shares<sup>3</sup></b>				
Balance as at beginning of year	1.9	\$ (152)	0.5	\$ (37)
Purchase of shares	116.6	(10,852)	136.8	(10,859)
Sale of shares	(117.5)	10,913	(135.4)	10,744
<b>Balance as at end of year – treasury – common shares</b>	<b>1.0</b>	<b>\$ (91)</b>	<b>1.9</b>	<b>\$ (152)</b>
<b>Treasury – preferred shares and other equity instruments<sup>3</sup></b>				
Balance as at beginning of year	0.1	\$ (10)	0.1	\$ (4)
Purchase of shares and other equity instruments	3.0	(255)	5.3	(205)
Sale of shares and other equity instruments	(3.0)	258	(5.3)	199
<b>Balance as at end of year – treasury – preferred shares and other equity instruments</b>	<b>0.1</b>	<b>\$ (7)</b>	<b>0.1</b>	<b>\$ (10)</b>

<sup>1</sup> For LRCNs, the number of shares represents the number of notes issued.

<sup>2</sup> For LRCNs – Series 3, the amount represents the Canadian dollar equivalent of the US dollar notional amount. Refer to "Preferred Shares and Other Equity Instruments – Significant Terms and Conditions" table for further details.

<sup>3</sup> When the Bank purchases its own equity instruments as part of its trading business, they are classified as treasury instruments and the cost of these instruments is recorded as a reduction in equity.



## Preferred Shares and Other Equity Instruments – Significant Terms and Conditions

(millions of Canadian dollars)

	Issue date	Annual yield (%) <sup>1</sup>	Dividend frequency <sup>1</sup>	Reset spread (%) <sup>1</sup>	Next redemption/ conversion date <sup>1,2</sup>	Convertible into <sup>1,2</sup>
<b>NVCC Rate Reset Preferred Shares</b>						
Series 1	June 4, 2014	3.662	Quarterly	2.24	October 31, 2024	Series 2
Series 3	July 31, 2014	3.681	Quarterly	2.27	July 31, 2024	Series 4
Series 5	December 16, 2014	3.876	Quarterly	2.25	January 31, 2025	Series 6
Series 7	March 10, 2015	3.201	Quarterly	2.79	July 31, 2025	Series 8
Series 9	April 24, 2015	3.242	Quarterly	2.87	October 31, 2025	Series 10
Series 16 <sup>3</sup>	July 14, 2017	6.301	Quarterly	3.01	October 31, 2027	Series 17
Series 18	March 14, 2018	4.70	Quarterly	2.70	April 30, 2023	Series 19
Series 20	September 13, 2018	4.75	Quarterly	2.59	October 31, 2023	Series 21
Series 22	January 28, 2019	5.20	Quarterly	3.27	April 30, 2024	Series 23
Series 24	June 4, 2019	5.10	Quarterly	3.56	July 31, 2024	Series 25
Series 27	April 4, 2022	5.75	Semi-annual	3.317	October 31, 2027	–
Series 28	July 25, 2022	7.232	Semi-annual	4.20	October 31, 2027	–
	Issue date	Annual yield (%)	Coupon frequency	Reset spread (%)	Next redemption date	Recourse to Preferred Shares <sup>4</sup>
<b>Other Equity Instruments</b>						
<i>NVCC Limited Recourse Capital Notes<sup>5</sup></i>						
Series 1	July 29, 2021	3.6	Semi-annual	2.747	October 31, 2026	Series 26
Series 2	September 14, 2022	7.283	Semi-annual	4.10	October 31, 2027	Series 29
Series 3 <sup>6</sup>	October 17, 2022	8.125	Quarterly	4.08	October 31, 2027	Series 30

<sup>1</sup> Non-cumulative preferred dividends for each series are payable as and when declared by the Board of Directors. The dividend rate of the Rate Reset Preferred Shares will reset on the next earliest optional redemption/conversion date and every 5 years thereafter to equal the then 5-year Government of Canada bond yield plus the noted reset spread. 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 noted reset spread unless otherwise stated.

<sup>2</sup> Subject to regulatory consent and unless otherwise stated, preferred shares are redeemable on the next earliest optional redemption date as noted and every 5 years thereafter. Preferred Shares, except Series 27 and Series 28, are convertible into the corresponding series of floating rate preferred shares on the conversion date noted and every 5 years thereafter if not redeemed. If converted, the holders have the option to convert back to the original series of preferred shares every 5 years.

<sup>3</sup> On October 19, 2022, the Bank announced that none of its 14 million Non-Cumulative 5-Year Rate Reset Preferred Shares NVCC, Series 16 ("Series 16 Shares") would be converted on October 31, 2022 into Non-Cumulative Floating Rate Preferred Shares NVCC, Series 17 ("Series 17 Shares"). As had been previously announced on October 3, 2022, the dividend rate for the Series 16 Shares for the 5-year period from and including October 31, 2022 to but excluding October 31, 2027, if declared, is payable at a per annum rate of 6.301%.

<sup>4</sup> LRCN Preferred Share Series 26 and Series 29 were issued at a price of \$1,000 per share and LRCN Preferred Share Series 30 was issued at a price of US\$1,000 per share. The LRCN Preferred Shares are eliminated on the Bank's consolidated balance sheet.

<sup>5</sup> LRCNs may be redeemed at the option of the Bank, with the prior written approval of OSFI, in whole or in part on prior notice by the Bank as of the earliest redemption date and each optional redemption date thereafter. Unless otherwise stated, the interest rate on the LRCNs will reset on the next earliest optional redemption date and every 5 years thereafter to equal the then 5-year Government of Canada bond yield plus the noted reset spread.

<sup>6</sup> LRCN Series 3 is denominated in US dollars. The interest rate on LRCN Series 3 will reset on the next interest reset date and every 5 years thereafter to equal the then 5-year US Treasury yield plus the noted reset spread.

### NVCC PROVISION

If an NVCC trigger event were to occur, for all series of Class A First Preferred Shares excluding the LRCN Preferred Shares, the maximum number of common shares that could be issued, assuming there are no declared and unpaid dividends on the respective series of preferred shares at the time of conversion, would be 1.1 billion in aggregate.

The LRCNs, by virtue of the recourse to the LRCN Preferred Shares, include NVCC provisions. For LRCNs, if an NVCC trigger were to occur, the maximum number of common shares that could be issued, assuming there are no declared and unpaid dividends on the respective series of LRCN Preferred Shares, would be 1.1 billion in aggregate.

For NVCC subordinated notes and debentures, if an NVCC trigger event were to occur, the maximum number of common shares that could be issued, assuming there is no accrued and unpaid interest on the respective subordinated notes and debentures, would be 3.2 billion in aggregate.

### DIVIDEND RESTRICTIONS

The Bank is prohibited by the *Bank Act (Canada)* 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 (Canada)* or directions of OSFI. The Bank does not anticipate that this condition will restrict it from paying dividends in the normal course of business. 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.

On March 13, 2020, OSFI issued a news release announcing a series of measures to support the resilience of financial institutions in response to challenges posed by COVID-19. These measures included the expectation that all federally regulated financial institutions halt dividend increases and share buybacks. On November 4, 2021, OSFI lifted the temporary expectation that financial institutions refrain from increasing regular dividends or undertaking share repurchases, effective immediately.

### DIVIDENDS

On November 30, 2022, the Board approved a dividend in an amount of ninety-six cents (96 cents) per fully paid common share in the capital stock of the Bank for the quarter ending January 31, 2023, payable on and after January 31, 2023, to shareholders of record at the close of business on January 6, 2023.

## 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 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 purchased from the open market at market price. The Bank had determined that, beginning with the dividend approved on May 25, 2022 for the quarter ending July 31, 2022, and until further announcement, the Bank will issue the common shares from treasury and will apply a 2% discount to the average market price of such common shares.

During the year ended October 31, 2022, under the dividend reinvestment plan, the Bank issued 2.5 million common shares from treasury with no discount and 14.5 million common shares with a 2% discount. During the year ended October 31, 2021, under the dividend reinvestment plan, the Bank issued 5.1 million common shares from treasury with no discount.

## NORMAL COURSE ISSUER BID

On January 7, 2022, the Bank announced that the Toronto Stock Exchange and OSFI had approved the Bank's previously announced normal course issuer bid (NCIB) to repurchase for cancellation up to 50 million of its common shares.

Concurrent with the announcement of the Bank's acquisition of First Horizon on February 28, 2022, the Bank's automatic share purchase plan established under its NCIB automatically terminated pursuant to its terms.

During the six months ended April 30, 2022, the Bank repurchased 21 million common shares under the NCIB, at an average price of \$104.50 per share, for a total amount of \$2.2 billion, which represents a \$1.9 billion premium over the share capital amount. No common shares were repurchased during the balance of the year ended October 31, 2022.

## 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. This includes the results of property and casualty insurance, life and health insurance, as well as reinsurance assumed and ceded in Canada and internationally.

#### Insurance Revenue and Insurance Claims and Related Expenses

(millions of Canadian dollars)

	For the years ended October 31	
	2022	2021
<b>Insurance Revenue</b>		
Earned Premiums		
Gross	\$ 5,740	\$ 5,186
Reinsurance ceded	713	652
<b>Net earned premiums</b>	<b>5,027</b>	<b>4,534</b>
Fee income and other revenue <sup>1</sup>	353	343
<b>Insurance Revenue</b>	<b>5,380</b>	<b>4,877</b>
<b>Insurance Claims and Related Expenses</b>		
Gross	3,094	2,841
Reinsurance ceded	194	134
<b>Insurance Claims and Related Expenses</b>	<b>\$ 2,900</b>	<b>\$ 2,707</b>

<sup>1</sup> Ceding commissions received and paid are included within fee income and other revenue. Ceding commissions paid and netted against fee income in 2022 were \$97 million (2021 – \$85 million).

### RECONCILIATION OF CHANGES IN INSURANCE LIABILITIES

Insurance-related liabilities are comprised of gross amounts related to provision for unpaid claims (section (a) below), unearned premiums (section (b) below) and other insurance 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, 2022			October 31, 2021		
	Gross	Reinsurance/ Other recoverable	Net	Gross	Reinsurance/ Other recoverable	Net
<b>Balance as at beginning of year</b>	\$ 5,096	\$ 217	\$ 4,879	\$ 5,142	\$ 246	\$ 4,896
Claims costs for current accident year	3,292	50	3,242	2,629	100	2,529
Prior accident years claims development (favourable) unfavourable	(446)	44	(490)	(354)	(13)	(341)
Increase (decrease) due to changes in assumptions:						
Discount rate	(340)	(5)	(335)	(84)	(1)	(83)
Provision for adverse deviation	(35)	–	(35)	(3)	(1)	(2)
<b>Claims and related expenses</b>	<b>2,471</b>	<b>89</b>	<b>2,382</b>	<b>2,188</b>	<b>85</b>	<b>2,103</b>
Claims paid during the year for:						
Current accident year	(1,449)	–	(1,449)	(1,085)	(33)	(1,052)
Prior accident years	(1,218)	(92)	(1,126)	(1,136)	(68)	(1,068)
	(2,667)	(92)	(2,575)	(2,221)	(101)	(2,120)
Increase (decrease) in reinsurance/other recoverables	(21)	(21)	–	(13)	(13)	–
<b>Balance as at end of year</b>	<b>\$ 4,879</b>	<b>\$ 193</b>	<b>\$ 4,686</b>	<b>\$ 5,096</b>	<b>\$ 217</b>	<b>\$ 4,879</b>

**(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, 2022			October 31, 2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Balance as at beginning of year</b>	\$ 2,343	\$ 25	\$ 2,318	\$ 2,123	\$ 24	\$ 2,099
Written premiums	4,517	171	4,346	4,044	146	3,898
Earned premiums	(4,376)	(165)	(4,211)	(3,824)	(145)	(3,679)
<b>Balance as at end of year</b>	\$ 2,484	\$ 31	\$ 2,453	\$ 2,343	\$ 25	\$ 2,318

**(c) Movements in other insurance liabilities**

Other insurance liabilities were \$105 million as at October 31, 2022 (October 31, 2021 – \$237 million). The decrease of \$132 million (2021 – decrease of \$88 million) was driven by payments of insurance liabilities in the property and casualty business and by interest rate movements, actuarial assumption changes, and the direct underwriting of a product that was previously underwritten on an assumed basis in the life and health business.

**PROPERTY AND CASUALTY CLAIMS DEVELOPMENT**

The following table shows the estimates of cumulative claims incurred, including IBNR, with subsequent developments during the periods and together with cumulative payments to date. The original reserve estimates are evaluated monthly for redundancy or deficiency. The evaluation is based on actual payments in full or partial settlement of claims and current estimates of claims liabilities for claims still open or claims still unreported.

**Incurred Claims by Accident Year**

(millions of Canadian dollars)

	Accident Year										Total
	2013 and prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	
<b>Net ultimate claims cost at end of accident year</b>	\$ 5,569	\$ 2,465	\$ 2,409	\$ 2,438	\$ 2,425	\$ 2,631	\$ 2,727	\$ 2,646	\$ 2,529	\$ 3,242	
<b>Revised estimates</b>											
One year later	5,476	2,334	2,367	2,421	2,307	2,615	2,684	2,499	2,367		
Two years later	5,433	2,280	2,310	2,334	2,258	2,573	2,654	2,412			
Three years later	5,281	2,225	2,234	2,264	2,201	2,522	2,575				
Four years later	5,091	2,147	2,162	2,200	2,151	2,465					
Five years later	4,996	2,084	2,115	2,159	2,108						
Six years later	4,857	2,044	2,100	2,143							
Seven years later	4,801	2,037	2,086								
Eight years later	4,802	2,030									
Nine years later	4,777										
<b>Current estimates of cumulative claims</b>	4,777	2,030	2,086	2,143	2,108	2,465	2,575	2,412	2,367	3,242	
Cumulative payments to date	(4,639)	(1,973)	(1,986)	(2,000)	(1,901)	(2,091)	(2,017)	(1,730)	(1,513)	(1,449)	
Net undiscounted provision for unpaid claims	138	57	100	143	207	374	558	682	854	1,793	\$ 4,906
Effect of discounting											(612)
Provision for adverse deviation											392
<b>Net provision for unpaid claims</b>											\$ 4,686

**SENSITIVITY TO INSURANCE RISK**

A variety of assumptions are made related to the future level of claims, policyholder behaviour, expenses and sales levels when products are designed and priced, as well as when actuarial liabilities are determined. Such assumptions require a significant amount of professional judgment. The insurance claims provision is sensitive to certain assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. Actual experience may differ from the assumptions made by the Bank.

For property and casualty insurance, the main assumption underlying the claims liability estimates is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim, and claim numbers based on the observed development of earlier years and expected loss ratios. Claims liabilities estimates are based on various quantitative and qualitative factors including the discount rate, the margin for adverse deviation, reinsurance, trends in claims severity and frequency, and other external drivers.

Qualitative and other unforeseen factors could negatively impact the Bank's ability to accurately assess the risk of the insurance policies that the Bank underwrites. In addition, there may be significant lags between the occurrence of an insured event and the time it is actually reported to the Bank and additional lags between the time of reporting and final settlements of claims.

The following table outlines the sensitivity of the Bank's property and casualty insurance claims liabilities to reasonably possible movements in the discount rate, the margin for adverse deviation, and the frequency and severity of claims, with all other assumptions held constant. Movements in the assumptions may be non-linear.

**Sensitivity of Critical Assumptions – Property and Casualty Insurance Contract Liabilities**

(millions of Canadian dollars)

	October 31, 2022		As at October 31, 2021	
	Impact on net income (loss) before income taxes	Impact on equity	Impact on net income (loss) before income taxes	Impact on equity
<b>Impact of a 1% change in key assumptions</b>				
Discount rate				
Increase in assumption	\$ 101	\$ 75	\$ 126	\$ 93
Decrease in assumption	(107)	(79)	(135)	(100)
Margin for adverse deviation				
Increase in assumption	(44)	(33)	(47)	(35)
Decrease in assumption	44	33	47	35
<b>Impact of a 5% change in key assumptions</b>				
Frequency of claims				
Increase in assumption	\$ (64)	\$ (47)	\$ (56)	\$ (42)
Decrease in assumption	64	47	56	42
Severity of claims				
Increase in assumption	(222)	(165)	(226)	(167)
Decrease in assumption	222	165	226	167

For life and health insurance, the processes used to determine critical assumptions are as follows:

- Mortality, morbidity, and lapse assumptions are based on industry and historical company data.
- Expense assumptions are based on an annually updated expense study that is used to determine expected expenses for future years.
- Asset reinvestment rates are based on projected earned rates, and liabilities are calculated using the Canadian Asset Liability Method (CALM).

A sensitivity analysis for possible movements in the life and health insurance business assumptions was performed and the impact is not significant to the Bank's Consolidated Financial Statements.

**CONCENTRATION OF INSURANCE RISK**

Concentration risk is the risk resulting from large exposures to similar risks that are positively correlated.

Risk associated with automobile, residential and other products may vary in relation to the geographical area of the risk insured. Exposure to concentrations of insurance risk, by type of risk, is mitigated by ceding these risks through reinsurance contracts, as well as careful selection and implementation of underwriting strategies, which 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, 2022, for the property and casualty insurance business, 68.1% of net written premiums were derived from automobile policies (October 31, 2021 – 65.8%) followed by residential with 31.6% (October 31, 2021 – 33.8%). The distribution by provinces show that business is mostly concentrated in Ontario with 51.2% of net written premiums (October 31, 2021 – 49.8%). The Western provinces represented 31.7% (October 31, 2021 – 32.5%), followed by the Atlantic provinces with 10.8% (October 31, 2021 – 10.8%), and Québec at 6.3% (October 31, 2021 – 6.9%).

Concentration risk is not a major concern for the life and health insurance business as it does not have a material level of regional specific characteristics like those exhibited in the property and casualty insurance business. Reinsurance is used to limit the liability on a single claim. Concentration risk is further limited by diversification across uncorrelated risks. This limits the impact of a regional pandemic and other concentration risks. To improve understanding of exposure to this risk, a pandemic scenario is tested annually.

## NOTE 23: SHARE-BASED COMPENSATION

### STOCK OPTION PLAN

The Bank maintains a stock option program for certain key employees. Options on common shares are 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 TSX on the day prior to the date the options were issued. Under this plan, 9.9 million common shares have been reserved for future issuance (October 31, 2021 – 12 million). The outstanding options expire on various dates to December 12, 2031. The following table summarizes the Bank's stock option activity and related information, adjusted to reflect the impact of the 2014 stock dividend on a retrospective basis, for the years ended October 31, 2022 and October 31, 2021.

#### Stock Option Activity

(millions of shares and Canadian dollars)

	2022		2021	
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
Number outstanding, beginning of year	12.2	\$ 65.36	13.1	\$ 61.27
Granted	2.5	95.33	2.2	71.88
Exercised	(1.8)	57.65	(2.8)	50.67
Forfeited/expired	(0.1)	80.75	(0.3)	71.50
<b>Number outstanding, end of year</b>	<b>12.8</b>	<b>\$ 72.05</b>	<b>12.2</b>	<b>\$ 65.36</b>
Exercisable, end of year	4.4	\$ 60.16	4.4	\$ 54.36

The weighted-average share price for the options exercised in 2022 was \$95.47 (2021 – \$80.95).

The following table summarizes information relating to stock options outstanding and exercisable as at October 31, 2022.

#### Range of Exercise Prices

(millions of shares and Canadian dollars)

	Options outstanding		Options exercisable	
	Number of shares outstanding	Weighted-average remaining contractual life (years)	Number of shares exercisable	Weighted-average exercise price
\$40.54 – \$47.59	0.7	0.8	0.7	46.28
\$52.46 – \$53.15	1.5	2.6	1.5	52.84
\$65.75 – \$69.39	3.0	5.3	1.0	65.75
\$71.88 – \$72.64	3.3	6.9	1.2	72.64
<b>\$72.84 – \$95.33</b>	<b>4.3</b>	<b>8.1</b>	<b>–</b>	<b>–</b>

For the year ended October 31, 2022, the Bank recognized compensation expense for stock option awards of \$30.5 million (October 31, 2021 – \$25.6 million). For the year ended October 31, 2022, 2.5 million (October 31, 2021 – 2.2 million) options were granted by the Bank at a weighted-average fair value of \$12.41 per option (2021 – \$8.90 per option) estimated using a binomial tree-based valuation option pricing model.

The following table summarizes the assumptions used for estimating the fair value of options for the years ended October 31, 2022 and October 31, 2021.

#### Assumptions Used for Estimating the Fair Value of Options

(in Canadian dollars, except as noted)

	2022	2021
Risk-free interest rate	1.47 %	0.71 %
Option contractual life	10 years	10 years
Expected volatility <sup>1</sup>	17.89 %	18.50 %
Expected dividend yield	3.66 %	3.61 %
Exercise price/share price	\$ 95.33	\$ 71.88

<sup>1</sup> Expected volatility is calculated based on the average daily volatility measured over a historical period.

### OTHER SHARE-BASED COMPENSATION PLANS

The Bank operates restricted share unit and performance share unit plans which are offered to certain employees of the Bank. Under these plans, participants are awarded share units equivalent to the Bank's common shares that generally vest over three years. During the vesting period, dividend equivalents accrue to the participants in the form of additional share units. At the maturity date, the participant receives cash representing the value of the share units. The final number of performance share units will typically vary from 80% to 120% of the number of units outstanding at maturity (consisting of initial units awarded plus additional units in lieu of dividends) based on the Bank's total shareholder return relative to the average of a peer group of large Canadian financial institutions. For the year ended October 31, 2022, the Bank awarded 6.9 million of such share units at a weighted-average price of \$95.07 (2021 – 7.3 million units at a weighted-average price of \$72.81). The number of such share units outstanding under these plans as at October 31, 2022 was 21.6 million (October 31, 2021 – 22.4 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. For the year ended October 31, 2022, the Bank awarded 0.2 million deferred share units at a weighted-average price of \$94.80 (2021 – 0.2 million units at a weighted-average price of \$73.41). As at October 31, 2022, 6.8 million deferred share units were outstanding (October 31, 2021 – 6.5 million).

Compensation expense for these plans is recorded in the year the incentive award is earned by the plan participant. Changes in the value of these plans are recorded, net of the effects of related hedges, on the Consolidated Statement of Income. For the year ended October 31, 2022, the Bank recognized compensation expense, net of the effects of hedges, for these plans of \$657 million (2021 – \$511 million). The compensation expense recognized before the effects of hedges was \$768 million (2021 – \$1.3 billion). The carrying amount of the liability relating to these plans, based on the closing share price, was \$2.3 billion at October 31, 2022 (October 31, 2021 – \$2.4 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 up to 10% of their annual eligible earnings (net of source deductions) 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, 2022, the Bank's contributions totalled \$85 million (2021 – \$81 million) and were expensed as salaries and employee benefits. As at October 31, 2022, an aggregate of 23 million (October 31, 2021 – 22 million) common shares were held under the Employee Ownership Plan. 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

#### PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

The Bank sponsors a number of pension and post-retirement benefit plans for current eligible and former employees. Pension arrangements include defined benefit pension plans, defined contribution pension plans and supplementary arrangements that provide pension benefits in excess of statutory limits. The Bank also provides certain post-retirement benefits.

The Bank's principal defined benefit pension plans, consisting of The Pension Fund Society of The Toronto-Dominion Bank (the "Society") and the defined benefit portion of the TD Pension Plan (Canada) (the "TDPP DB"), are for eligible Canadian Bank employees who elected to join the Society or the TDPP DB. The Society was closed to new members on January 30, 2009, and the TDPP DB commenced on March 1, 2009. Effective December 31, 2018, the TDPP DB was closed to new employees hired after that date. All new permanent employees hired in Canada on or after January 1, 2019 are eligible to join the defined contribution portion of the TDPP (the "TDPP DC") after one year of service. Benefits under the principal defined benefit 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. Benefits under the TDPP DC are funded from the balance of the accumulated contributions of the member and the Bank plus the member's investment earnings. Annual expense for the TDPP DC is equal to the Bank's contributions to the plan.

Funding for the Bank's principal defined benefit pension plans is provided by contributions from the Bank and members of the plans through a separate trust. In accordance with legislation, the Bank contributes amounts, as determined on an actuarial basis, to the plans and has the ultimate responsibility for ensuring that the liabilities of the plans are adequately funded over time. Any deficits determined in the funding valuations must generally be funded over a period not exceeding fifteen years. The Bank's funding policy is to make at least the minimum annual contributions required by legislation. Any contributions in excess of the minimum requirements are discretionary. The principal defined benefit pension plans are registered with OSFI and the Canada Revenue Agency and are subject to the acts and regulations that govern federally regulated pension plans. The 2022 and 2021 contributions were made in accordance with the actuarial valuation reports for funding purposes as at October 31, 2021 and October 31, 2020, respectively. Valuations for funding purposes are being prepared as of October 31, 2022.

Post-retirement defined benefit plans are unfunded and, where offered, generally include health care and dental benefits or, to assist with the cost, a benefits subsidy to be used to reduce the cost of coverage. Employees must meet certain age and service requirements to be eligible for post-retirement benefits and are generally required to pay a portion of the cost of the benefits. Effective June 1, 2017, the Bank's principal post-retirement defined benefit plan, covering eligible Canadian employees, was closed to new employees hired on or after that date.

#### (a) INVESTMENT STRATEGY AND ASSET ALLOCATION

The principal defined benefit pension plans are expected to each 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 are managed with the primary objective of providing reasonable rates of return, consistent with available market opportunities, economic conditions, consideration of plan liabilities, prudent portfolio management, and the target risk profiles for the plans.

The asset allocations by asset category for the principal defined benefit pension plans are as follows:

#### Plan Asset Allocation

(millions of Canadian dollars except as noted)

	Target range	% of total	Society <sup>1</sup>				TDPP DB <sup>1</sup>	
			Fair value		Target range	% of total	Fair value	
			Quoted	Unquoted			Quoted	Unquoted
<b>As at October 31, 2022</b>								
Debt	50-80 %	67 %	\$ –	\$ 4,039	55-75 %	74 %	\$ –	\$ 2,814
Equity	0-25	8	171	318	0-30	9	126	212
Alternative investments <sup>2</sup>	6-35	25	–	1,513	5-38	17	–	641
Other <sup>3</sup>	n/a	n/a	–	(335)	n/a	n/a	–	(1,018)
<b>Total</b>		<b>100 %</b>	<b>\$ 171</b>	<b>\$ 5,535</b>		<b>100 %</b>	<b>\$ 126</b>	<b>\$ 2,649</b>
<b>As at October 31, 2021</b>								
Debt	40-70 %	56 %	\$ –	\$ 3,877	20-50 %	34 %	\$ –	\$ 1,023
Equity	19-45	26	589	1,238	30-60	51	461	1,055
Alternative investments <sup>2</sup>	1-30	18	–	1,279	5-40	15	–	431
Other <sup>3</sup>	n/a	n/a	–	(532)	n/a	n/a	–	(79)
<b>Total</b>		<b>100 %</b>	<b>\$ 589</b>	<b>\$ 5,862</b>		<b>100 %</b>	<b>\$ 461</b>	<b>\$ 2,430</b>

<sup>1</sup> The principal defined benefit pension plans invest in investment vehicles which may hold shares or debt issued by the Bank.

<sup>2</sup> The principal defined benefit pension plans' alternative investments are primarily private equity, infrastructure, and real estate funds.

<sup>3</sup> Consists mainly of amounts due to and due from brokers for securities traded but not yet settled, bond repurchase agreements, interest and dividends receivable, and Pension Enhancement Account assets, which are invested at the members' discretion in certain mutual and pooled funds.

Public debt instruments of the Bank's principal defined benefit pension plans must meet or exceed a credit rating of BBB- at the time of purchase.

The equity portfolios of the principal defined benefit pension plans are broadly diversified primarily across medium to large capitalization quality companies with no individual holding exceeding 10% of the equity portfolio or 10% of the outstanding shares of any one company. Foreign equities are included to further diversify the portfolio. A maximum of 10% of the equity portfolio can be invested in emerging market equities.

Derivatives can be utilized by the principal defined benefit pension plans provided they are not used to create financial leverage, unless the financial leverage is for risk management purposes. The principal defined benefit pension plans are permitted to invest in alternative investments, such as private equity, infrastructure equity, and real estate.

**(b) RISK MANAGEMENT PRACTICES**

The Bank's principal defined benefit 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.

The principal defined benefit pension plans' investments include financial instruments which are exposed to various risks. These risks include market risk (including foreign currency, interest rate, inflation, equity price, and credit spread risks), credit risk, and liquidity risk. Key material risks faced by defined benefit plans are a decline in interest rates or credit spreads, which could increase the present value of the projected benefit obligation by more than the change in the value of plan assets, and from longevity risk (that is, lower mortality rates).

Asset-liability matching strategies are employed to focus on obtaining an appropriate balance between earning an adequate return and having changes in liability values hedged by changes in asset values.

The principal defined benefit pension plans manage these financial risks in accordance with the *Pension Benefits Standards Act, 1985*, applicable regulations, as well as the plans' written investment policies. Specific risk management practices monitored for the principal defined benefit pension plans include performance, credit exposure, and asset mix.

**(c) OTHER SIGNIFICANT PENSION AND POST-RETIREMENT BENEFIT PLANS**

**Canada Trust (CT) Pension Plan**

As a result of the acquisition of CT Financial Services Inc., the Bank sponsors a defined benefit pension plan, which is closed to new members, but for which active members continue to accrue benefits. Funding for the plan is provided by contributions from the Bank and members of the plan.

**TD Bank, N.A. Retirement Plans**

TD Bank, N.A. and its subsidiaries maintain a defined contribution 401(k) plan covering all employees. Annual expense is equal to the Bank's contributions to the plan.

TD Bank, N.A. also has frozen defined benefit pension plans covering certain legacy TD Banknorth and TD Auto Finance (legacy Chrysler Financial) employees. TD Bank, N.A. also has closed post-retirement benefit plans, which include limited medical coverage and life insurance benefits, covering certain groups of employees from legacy organizations.

**Government Pension Plans**

The Bank also makes contributions to government pension plans, including the Canada Pension Plan, Quebec Pension Plan and Social Security under the U.S. *Federal Insurance Contribution Act*.

**(d) DEFINED CONTRIBUTION PLAN EXPENSE**

The following table summarizes expenses for the Bank's defined contribution plans.

**Defined Contribution Plan Expenses**

(millions of Canadian dollars)

	For the years ended October 31	
	2022	2021
Defined contribution pension plans <sup>1</sup>	\$ 195	\$ 178
Government pension plans <sup>2</sup>	412	355
<b>Total</b>	<b>\$ 607</b>	<b>\$ 533</b>

<sup>1</sup> Includes the TDPP DC and the TD Bank, N.A. defined contribution 401(k) plan.

<sup>2</sup> Includes Canada Pension Plan, Quebec Pension Plan, and Social Security under the U.S. *Federal Insurance Contributions Act*.

**(e) DEFINED BENEFIT PLAN FINANCIAL INFORMATION**

The following table presents the financial position of the Bank's principal pension and post-retirement defined benefit plans and the Bank's other material defined benefit pension and post-retirement benefit plans for the years ended October 31, 2022 and October 31, 2021. Other employee defined benefit plans operated by the Bank and certain of its subsidiaries are not considered material for disclosure purposes.

**Employee Defined Benefit Plans' Obligations, Assets, Funded Status, and Expense**

(millions of Canadian dollars, except as noted)

	Principal pension plans		Principal post-retirement benefit plan <sup>1</sup>		Other pension and post-retirement benefit plans <sup>2</sup>	
	2022	2021	2022	2021	2022	2021
<b>Change in projected benefit obligation</b>						
Projected benefit obligation at beginning of year	\$ 8,788	\$ 9,668	\$ 466	\$ 506	\$ 2,691	\$ 2,967
Obligations included due to the TD Auto Finance (Canada) plan merger <sup>3</sup>	–	–	–	–	43	–
Service cost – benefits earned	417	522	8	9	5	8
Interest cost on projected benefit obligation	252	210	13	11	67	56
Remeasurement (gain) loss – financial	(2,610)	(1,460)	(105)	(45)	(695)	(86)
Remeasurement (gain) loss – demographic	25	–	6	–	(8)	5
Remeasurement (gain) loss – experience	194	137	(1)	(1)	22	(1)
Members' contributions	108	107	–	–	–	–
Benefits paid	(411)	(396)	(15)	(14)	(145)	(139)
Change in foreign currency exchange rate	–	–	–	–	165	(130)
Past service cost (credit)	–	–	–	–	–	11
<b>Projected benefit obligation as at October 31</b>	<b>6,763</b>	<b>8,788</b>	<b>372</b>	<b>466</b>	<b>2,145</b>	<b>2,691</b>
Wholly or partially funded projected benefit obligation	6,763	8,788	–	–	1,499	1,879
Unfunded projected benefit obligation	–	–	372	466	646	812
<b>Total projected benefit obligation as at October 31</b>	<b>6,763</b>	<b>8,788</b>	<b>372</b>	<b>466</b>	<b>2,145</b>	<b>2,691</b>
<b>Change in plan assets</b>						
Plan assets at fair value at beginning of year	9,342	8,240	–	–	1,967	2,046
Assets included due to the TD Auto Finance (Canada) plan merger <sup>3</sup>	–	–	–	–	48	–
Interest income on plan assets	276	186	–	–	46	37
Remeasurement gain (loss) – return on plan assets less interest income	(1,200)	740	–	–	(533)	106
Members' contributions	108	107	–	–	–	–
Employer's contributions	375	474	15	14	36	38
Benefits paid	(411)	(396)	(15)	(14)	(145)	(139)
Change in foreign currency exchange rate	–	–	–	–	163	(118)
Defined benefit administrative expenses	(9)	(9)	–	–	(2)	(3)
<b>Plan assets at fair value as at October 31</b>	<b>8,481</b>	<b>9,342</b>	<b>–</b>	<b>–</b>	<b>1,580</b>	<b>1,967</b>
Excess (deficit) of plan assets at fair value over projected benefit obligation	1,718	554	(372)	(466)	(565)	(724)
Effect of asset limitation and minimum funding requirement	(384)	–	–	–	(16)	(12)
<b>Net defined benefit asset (liability)</b>	<b>1,334</b>	<b>554</b>	<b>(372)</b>	<b>(466)</b>	<b>(581)</b>	<b>(736)</b>
Recorded in						
Other assets in the Bank's Consolidated Balance Sheet	1,334	554	–	–	72	79
Other liabilities in the Bank's Consolidated Balance Sheet	–	–	(372)	(466)	(653)	(815)
<b>Net defined benefit asset (liability)</b>	<b>1,334</b>	<b>554</b>	<b>(372)</b>	<b>(466)</b>	<b>(581)</b>	<b>(736)</b>
<b>Annual expense</b>						
Net employee benefits expense includes the following:						
Service cost – benefits earned	417	522	8	9	5	8
Net interest cost (income) on net defined benefit liability (asset)	(24)	24	13	11	21	19
Past service cost (credit)	–	–	–	–	–	11
Defined benefit administrative expenses	9	11	–	–	3	3
<b>Total</b>	<b>\$ 402</b>	<b>\$ 557</b>	<b>\$ 21</b>	<b>\$ 20</b>	<b>\$ 29</b>	<b>\$ 41</b>
<b>Actuarial assumptions used to determine the annual expense</b>						
Weighted-average discount rate for projected benefit obligation	3.50 %	2.85 %	3.43 %	2.76 %	2.99 %	2.74 %
Weighted-average rate of compensation increase	2.46 %	2.53 %	2.80 %	3.00 %	0.98 %	1.03 %
Assumed life expectancy at age 65, in years						
Male aged 65	23.5	23.4	23.5	23.4	21.6	21.5
Female aged 65	24.2	24.2	24.2	24.2	23.1	23.1
Male aged 45	24.4	24.4	24.4	24.4	22.3	22.2
Female aged 45	25.1	25.1	25.1	25.1	24.0	23.9
<b>Actuarial assumptions used to determine the projected benefit obligation as at October 31</b>						
Weighted-average discount rate for projected benefit obligation	5.44 %	3.50 %	5.45 %	3.43 %	5.58 %	2.99 %
Weighted-average rate of compensation increase	2.88 %	2.46 %	3.25 %	2.80 %	1.14 %	0.98 %
Assumed life expectancy at age 65, in years						
Male aged 65	23.2	23.5	23.2	23.5	21.7	21.6
Female aged 65	24.3	24.2	24.3	24.2	23.3	23.1
Male aged 45	24.1	24.4	24.1	24.4	22.3	22.3
Female aged 45	25.2	25.1	25.2	25.1	24.1	24.0

<sup>1</sup> The rate of increase for health care costs for the next year used to measure the expected cost of benefits covered for the principal post-retirement defined benefit plan is 2.99%. The rate is assumed to decrease gradually to 1.08% by the year 2040 and remain at that level thereafter (2021 – 3.13% grading to 1.08% by the year 2040 and remain at that level thereafter).

<sup>2</sup> Includes CT defined benefit pension plan, TD Banknorth defined benefit pension plan, TD Auto Finance defined benefit pension and post-retirement benefit plans, and supplemental employee defined benefit pension plans.

<sup>3</sup> During 2022, the TD Auto Finance (Canada) pension plan ("TDAF Canada") was deemed to be merged with the CT defined benefit pension plan and previously undisclosed obligations and assets of TDAF Canada are now included in the fiscal 2022 disclosure.



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 2022	October 31 2021
<b>Other assets</b>		
Principal defined benefit pension plans	\$ 1,334	\$ 554
Other defined benefit pension and post-retirement benefit plans	72	79
Other employee benefit plans <sup>1</sup>	–	4
<b>Total</b>	<b>1,406</b>	<b>637</b>
<b>Other liabilities</b>		
Principal post-retirement defined benefit plan	372	466
Other defined benefit pension and post-retirement benefit plans	653	815
Other employee benefit plans <sup>1</sup>	261	311
<b>Total</b>	<b>1,286</b>	<b>1,592</b>
<b>Net amount recognized</b>	<b>\$ 120</b>	<b>\$ (955)</b>

<sup>1</sup> Consists of other pension and other post-retirement benefit plans operated by the Bank and its subsidiaries that are not considered material for disclosure purposes.

The following table summarizes the remeasurements recognized in OCI for the Bank's principal pension and post-retirement defined benefit plans and the Bank's other pension and post-retirement benefit plans.

**Amounts Recognized in Other Comprehensive Income for Remeasurement of Defined Benefit Plans<sup>1,2</sup>**

(millions of Canadian dollars)

	Principal pension plans		Principal post-retirement benefit plan		Other pension and post-retirement benefit plans	
	For the years ended October 31					
	2022	2021	2022	2021	2022	2021
Remeasurement gains (losses) – financial	\$ 2,610	\$ 1,460	\$ 105	\$ 45	\$ 695	\$ 86
Remeasurement gains (losses) – demographic	(25)	–	(6)	–	8	(5)
Remeasurement gains (losses) – experience	(194)	(137)	1	1	(22)	1
Remeasurement gains (losses) – return on plan assets less interest income	(1,200)	742	–	–	(532)	106
Changes in asset limitation and minimum funding requirement	(384)	–	–	–	(4)	2
<b>Total</b>	<b>\$ 807</b>	<b>\$ 2,065</b>	<b>\$ 100</b>	<b>\$ 46</b>	<b>\$ 145</b>	<b>\$ 190</b>

<sup>1</sup> Amounts are presented on a pre-tax basis.

<sup>2</sup> Excludes net remeasurement gains (losses) recognized in OCI in respect of other employee defined benefit plans operated by the Bank and certain of its subsidiaries not considered material for disclosure purposes totaling \$53 million (2021 – \$121 million).

**(f) CASH FLOWS**

During the year ended October 31, 2023, the Bank expects to contribute \$214 million to its principal defined benefit pension plans, \$20 million to its principal post-retirement defined benefit plan, and \$47 million to its other defined benefit pension and post-retirement benefit plans. Future contribution amounts may change upon the Bank's review of its contribution levels during the year.

The following table summarizes the expected future benefit payments for the next 10 years.

**Expected Future Benefit Payments**

(millions of Canadian dollars)

	Principal pension plans	Principal post-retirement benefit plan	Other pension and post-retirement benefit plans
<b>Benefit payments expected to be paid in:</b>			
2023	\$ 360	\$ 20	\$ 157
2024	380	21	159
2025	400	22	161
2026	421	23	162
2027	441	24	163
2028-2032	2,486	133	804
<b>Total</b>	<b>\$ 4,488</b>	<b>\$ 243</b>	<b>\$ 1,606</b>

**(g) MATURITY PROFILE**

The breakdown of the projected benefit obligations between active, deferred, and retired members is as follows:

**Disaggregation of Projected Benefit Obligation**

(millions of Canadian dollars)

	Principal pension plans		Principal post-retirement benefit plan		Other pension and post-retirement benefit plans	
	As at October 31					
	2022	2021	2022	2021	2022	2021
Active members	\$ 4,427	\$ 6,048	\$ 143	\$ 191	\$ 272	\$ 375
Deferred members	466	596	–	–	349	497
Retired members	1,870	2,144	229	275	1,524	1,819
<b>Total</b>	<b>\$ 6,763</b>	<b>\$ 8,788</b>	<b>\$ 372</b>	<b>\$ 466</b>	<b>\$ 2,145</b>	<b>\$ 2,691</b>

The weighted-average duration of the projected benefit obligations is as follows:

**Duration of Projected Benefit Obligation**

(number of years)

	Principal pension plans		Principal post-retirement benefit plan		Other pension and post-retirement benefit plans	
	As at October 31					
	2022	2021	2022	2021	2022	2021
<b>Weighted-average duration</b>	<b>14</b>	<b>15</b>	<b>12</b>	<b>14</b>	<b>10</b>	<b>12</b>

**(h) SENSITIVITY ANALYSIS**

The following table provides the sensitivity of the projected benefit obligation for the Bank's principal defined benefit pension plans, the principal post-retirement defined benefit plan, and the Bank's significant other defined benefit pension and post-retirement benefit plans to actuarial assumptions considered significant by the Bank. These include discount rate, rates of compensation increase, life expectancy, and health care cost initial trend rates, as applicable. The sensitivity analysis provided in the table should be used with caution, as it is hypothetical and the impact of changes in each significant assumption may not be linear. For each sensitivity test, the impact of a reasonably possible change in a single factor is shown with other assumptions left unchanged. Actual experience may result in simultaneous changes in a number of key assumptions, which could magnify or diminish certain sensitivities.

**Sensitivity of Significant Defined Benefit Plan Actuarial Assumptions**

(millions of Canadian dollars, except as noted)

	As at		
	October 31, 2022		
	Obligation Increase (Decrease)		
	Principal pension plans	Principal post-retirement benefit plan	Other pension and post-retirement benefit plans
<b>Impact of an absolute change in significant actuarial assumptions</b>			
Discount rate			
1% decrease in assumption	\$ 996	\$ 47	\$ 225
1% increase in assumption	(790)	(38)	(190)
Rates of compensation increase			
1% decrease in assumption	(199)	–1	–1
1% increase in assumption	183	–1	–1
Life expectancy			
1 year decrease in assumption	(117)	(9)	(63)
1 year increase in assumption	114	9	62
Health care cost initial trend rate			
1% decrease in assumption	n/a	(6)	–1
1% increase in assumption	n/a	7	–1

<sup>1</sup> An absolute change in this assumption is immaterial.

**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)

	<i>For the years ended October 31</i>	
	2022	2021
<b>Provision for (recovery of) income taxes – Consolidated Statement of Income</b>		
<b>Current income taxes</b>		
Provision for (recovery of) income taxes for the current period	\$ 3,793	\$ 3,370
Adjustments in respect of prior years and other	(309)	(7)
<b>Total current income taxes</b>	<b>3,484</b>	<b>3,363</b>
<b>Deferred income taxes</b>		
Provision for (recovery of) deferred income taxes related to the origination and reversal of temporary differences	213	332
Effect of changes in tax rates	43	2
Adjustments in respect of prior years and other	246	(76)
<b>Total deferred income taxes</b>	<b>502</b>	<b>258</b>
<b>Total provision for (recovery of) income taxes – Consolidated Statement of Income</b>	<b>3,986</b>	<b>3,621</b>
<b>Provision for (recovery of) income taxes – Statement of Other Comprehensive Income</b>		
Current income taxes	(3,189)	916
Deferred income taxes	(423)	(99)
<b>Total provision for (recovery of) income taxes – Statement of Other Comprehensive Income</b>	<b>(3,612)</b>	<b>817</b>
<b>Income taxes – other non-income related items including business combinations and other adjustments</b>		
Current income taxes	31	(13)
Deferred income taxes	(15)	(20)
	16	(33)
<b>Total provision for (recovery of) income taxes</b>	<b>390</b>	<b>4,405</b>
<b>Current income taxes</b>		
Federal	(129)	2,226
Provincial	(36)	1,548
Foreign	491	492
	326	4,266
<b>Deferred income taxes</b>		
Federal	395	232
Provincial	263	160
Foreign	(594)	(253)
	64	139
<b>Total provision for (recovery of) income taxes</b>	<b>\$ 390</b>	<b>\$ 4,405</b>

The Bank's statutory and effective tax rate is outlined in the following table.

**Reconciliation to Statutory Income Tax Rate**

(millions of Canadian dollars, except as noted)

	2022		2021	
Income taxes at Canadian statutory income tax rate	\$ 5,363	26.3 %	\$ 4,498	26.3 %
Increase (decrease) resulting from:				
Dividends received	(123)	(0.6)	(120)	(0.7)
Rate differentials on international operations	(1,117)	(5.5)	(787)	(4.6)
Other – net	(137)	(0.7)	30	0.1
<b>Provision for income taxes and effective income tax rate</b>	<b>\$ 3,986</b>	<b>19.5 %</b>	<b>\$ 3,621</b>	<b>21.1 %</b>

The Canada Revenue Agency (CRA), Revenu Québec Agency (RQA) and Alberta Tax and Revenue Administration (ATRA) are denying certain dividend and interest deductions claimed by the Bank. During the year ended October 31, 2022, the CRA reassessed the Bank for \$614 million of additional income tax and interest in respect of its 2016 and 2017 taxation years, and the ATRA reassessed the Bank for \$20 million of additional income tax and interest in respect of its 2016 taxation year. As at October 31, 2022, the CRA has reassessed the Bank for \$1,646 million of income tax and interest for the years 2011 to 2017, the RQA has reassessed the Bank for \$34 million for the years 2011 to 2015, and the ATRA has reassessed the Bank for \$54 million for the years 2011 to 2016. In total, the Bank has been reassessed for \$1,734 million of income tax and interest. The Bank expects to continue to be reassessed for open years. The Bank is of the view that its tax filing positions were appropriate and intends to challenge all reassessments.

**Proposed Tax Measures in the Canadian Federal Budget**

The Canadian Federal budget presented on April 7, 2022, proposed to introduce a one-time tax on bank and life insurer groups, referred to as the Canada Recovery Dividend (CRD), and an additional permanent tax. On November 22, 2022, the legislation to implement the CRD and the additional permanent tax completed second reading in the House of Commons.

The legislation proposes the CRD to be a 15% tax on an average of 2020 and 2021 taxable income above \$1 billion, paid in equal instalments over five years. The additional permanent tax is proposed to be 1.5% of taxable income above \$100 million. It would be prorated for the first taxation year that ends after April 7, 2022, and will result in revaluation adjustments to the deferred tax assets and liabilities.

These taxes, if enacted as proposed, will result in higher amounts of taxes payable in each of the impacted years. The Bank is continuing to monitor the status of the legislation and will recognize the impact of the legislation when it is substantively enacted.

Deferred tax assets and liabilities comprise of the following:

**Deferred Tax Assets and Liabilities**

(millions of Canadian dollars)

	October 31 2022	As at October 31 2021
<b>Deferred tax assets</b>		
Allowance for credit losses	\$ 1,339	\$ 1,371
Trading loans	28	35
Employee benefits	757	863
Losses available for carry forward	62	69
Tax credits	41	35
Land, buildings, equipment, and other depreciable assets	280	146
Intangibles	-	182
Other	257	230
<b>Total deferred tax assets</b>	<b>2,764</b>	<b>2,931</b>
<b>Deferred tax liabilities</b>		
Securities	195	657
Pensions	184	75
Deferred (income) expense	227	48
Intangibles	47	-
Goodwill	154	130
<b>Total deferred tax liabilities</b>	<b>807</b>	<b>910</b>
<b>Net deferred tax assets</b>	<b>1,957</b>	<b>2,021</b>
<b>Reflected on the Consolidated Balance Sheet as follows:</b>		
Deferred tax assets	2,193	2,265
Deferred tax liabilities <sup>1</sup>	236	244
<b>Net deferred tax assets</b>	<b>\$ 1,957</b>	<b>\$ 2,021</b>

<sup>1</sup> Included in Other liabilities on the Consolidated Balance Sheet.

The amount of temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognized on the Consolidated Balance Sheet was \$594 million as at October 31, 2022 (October 31, 2021 – \$668 million), of which \$9 million (October 31, 2021 – \$25 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, 2022. The total amount of these temporary differences was \$98 billion as at October 31, 2022 (October 31, 2021 – \$80 billion).

The movement in the net deferred tax asset for the years ended October 31, 2022 and October 31, 2021, was as follows:

**Deferred Income Tax Expense (Recovery)**

(millions of Canadian dollars)

	2022				For the years ended October 31			
	Consolidated statement of income	Other comprehensive income	Business combinations and other	Total	Consolidated statement of income	Other comprehensive income	Business combinations and other	Total
<b>Deferred income tax expense (recovery)</b>								
Allowance for credit losses	\$ 32	\$ -	\$ -	\$ 32	\$ 335	\$ -	\$ -	\$ 335
Trading loans	7	-	-	7	9	-	-	9
Employee benefits	55	51	-	106	(46)	17	-	(29)
Losses available for carry forward	7	-	-	7	27	-	-	27
Tax credits	(6)	-	-	(6)	98	-	-	98
Land, buildings, equipment, and other depreciable assets	(134)	-	-	(134)	(35)	-	-	(35)
Other deferred tax assets	(12)	-	(15)	(27)	25	-	(20)	5
Securities	251	(713)	-	(462)	(14)	(733)	-	(747)
Pensions	(130)	239	-	109	(26)	617	-	591
Deferred (income) expense	179	-	-	179	(25)	-	-	(25)
Intangibles	229	-	-	229	(95)	-	-	(95)
Goodwill	24	-	-	24	5	-	-	5
<b>Total deferred income tax expense (recovery)</b>	<b>\$ 502</b>	<b>\$ (423)</b>	<b>\$ (15)</b>	<b>\$ 64</b>	<b>\$ 258</b>	<b>\$ (99)</b>	<b>\$ (20)</b>	<b>\$ 139</b>

**NOTE 26: EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted earnings per share is calculated using the same method as basic earnings per share except that certain adjustments are made to net income attributable to common shareholders and the weighted-average number of shares outstanding for the effects of all dilutive potential common shares that are assumed to be issued by the Bank.

The following table presents the Bank's basic and diluted earnings per share for the years ended October 31, 2022 and October 31, 2021.

**Basic and Diluted Earnings Per Share**

(millions of Canadian dollars, except as noted)

	For the years ended October 31	
	2022	2021
<b>Basic earnings per share</b>		
Net income attributable to common shareholders	\$ 17,170	\$ 14,049
Weighted-average number of common shares outstanding (millions)	1,810.5	1,817.7
<b>Basic earnings per share (Canadian dollars)</b>	<b>\$ 9.48</b>	<b>\$ 7.73</b>
<b>Diluted earnings per share</b>		
Net income attributable to common shareholders	\$ 17,170	\$ 14,049
Net income available to common shareholders including impact of dilutive securities	17,170	14,049
Weighted-average number of common shares outstanding (millions)	1,810.5	1,817.7
Effect of dilutive securities		
Stock options potentially exercisable (millions) <sup>1</sup>	3.1	2.5
Weighted-average number of common shares outstanding – diluted (millions)	1,813.6	1,820.2
<b>Diluted earnings per share (Canadian dollars)<sup>1</sup></b>	<b>\$ 9.47</b>	<b>\$ 7.72</b>

<sup>1</sup> For the year ended October 31, 2022, the computation of diluted earnings per share excluded average options outstanding of 2.1 million with an exercise price of \$95.33, as the option price was greater than the average market price of the Bank's common shares. For the year ended October 31, 2021, no outstanding options were excluded from the computation of diluted earnings per share.

**NOTE 27: PROVISIONS, CONTINGENT LIABILITIES, COMMITMENTS, GUARANTEES, PLEDGED ASSETS, AND COLLATERAL****(a) PROVISIONS**

The following table summarizes the Bank's provisions recorded in other liabilities.

**Provisions**

(millions of Canadian dollars)

	Restructuring	Litigation and Other <sup>1</sup>	Total
Balance as at November 1, 2021	\$ 57	\$ 391	\$ 448
Additions	3	167	170
Amounts used	(23)	(163)	(186)
Release of unused amounts	(32)	(35)	(67)
Foreign currency translation adjustments and other	2	22	24
<b>Balance as at October 31, 2022, before allowance for credit losses for off-balance sheet instruments</b>	<b>\$ 7</b>	<b>\$ 382</b>	<b>\$ 389</b>
Add: Allowance for credit losses for off-balance sheet instruments <sup>2</sup>			931
<b>Balance as at October 31, 2022</b>			<b>\$ 1,320</b>

<sup>1</sup> Includes onerous contracts for non-lease payments including taxes and estimated operating expenses which are included in Occupancy, including depreciation on the Consolidated Statement of Income.

<sup>2</sup> Refer to Note 8 for further details.

**(b) LEGAL AND REGULATORY MATTERS****LITIGATION**

In the ordinary course of business, the Bank and its subsidiaries are involved in various legal and regulatory actions, including but not limited to civil claims and lawsuits, regulatory examinations, investigations, audits and requests for information by governmental, regulatory and self-regulatory agencies and law enforcement authorities in various jurisdictions. The Bank establishes 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, 2022, the Bank's RPL is from zero to approximately \$1.26 billion (October 31, 2021 – from zero to approximately \$1.45 billion). 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 RPL. For example, the Bank's estimates involve significant judgment due to the varying stages of the proceedings, the existence of multiple defendants in many proceedings whose share of liability has yet to be determined, the numerous yet-unresolved issues in many of the proceedings, some of which are beyond the Bank's control and/or involve novel legal theories and interpretations, the attendant uncertainty of the various potential outcomes of such proceedings, and the fact that the underlying matters will change from time to time. In addition, some actions seek very large or indeterminate damages.

In management's opinion, based on its current knowledge and after consultation with counsel, the ultimate disposition of these actions, individually or in the aggregate, will not have a material adverse effect on the consolidated financial condition or the consolidated cash flows of the Bank. However, because of the factors listed above, as well as other uncertainties inherent in litigation and regulatory matters, there is a possibility that the ultimate resolution of legal or regulatory actions may be material to the Bank's consolidated results of operations for any particular reporting period.

**Stanford Litigation** – The Bank was named as a defendant in *Rotstain v. Trustmark National Bank, et al.*, a putative class action lawsuit in the United States District Court for the Northern District of Texas related to a US\$7.2 billion Ponzi scheme perpetrated by R. Allen Stanford, the owner of Stanford International Bank, Limited (SIBL), an offshore bank based in Antigua. Plaintiffs purport to represent a class of investors in SIBL issued certificates of deposit. The Bank provided certain correspondent banking services to SIBL. Plaintiffs allege that the Bank and four other banks aided and abetted or conspired with Mr. Stanford to commit fraud and that the bank defendants received fraudulent transfers from SIBL by collecting fees for providing certain services.

The Official Stanford Investors Committee (OSIC), a court-approved committee representing investors, received permission to intervene in the lawsuit and has brought similar claims against all the bank defendants.

The court denied in part and granted in part the Bank's motion to dismiss the lawsuit on April 21, 2015. The court also entered a class certification scheduling order requiring the parties to conduct discovery and submit briefing regarding class certification. The class certification motion was fully submitted on October 26, 2015. The class plaintiffs filed an amended complaint asserting certain additional state law claims against the Bank on June 23, 2015. The Bank's motion to dismiss the newly amended complaint in its entirety was fully submitted on August 18, 2015. On April 22, 2016, the Bank filed a motion to reconsider the court's April 2015 dismissal decision with respect to certain claims by OSIC under the *Texas Uniform Fraudulent Transfer Act* based on an intervening change in the law announced by the Texas Supreme Court on April 1, 2016. On July 28, 2016, the court issued a decision denying defendants' motions to dismiss the class plaintiffs' complaint and to reconsider with respect to OSIC's complaint. The Bank filed its answer to the class plaintiffs' complaint on August 26, 2016. OSIC filed an amended intervenor complaint against the Bank on November 4, 2016 and the Bank filed its answer to this amended complaint on December 19, 2016.

On November 7, 2017, the Court issued a decision denying the class certification motion. The court found that the plaintiffs failed to show that common issues of fact would predominate given the varying sales presentations they allegedly received.

On November 21, 2017, the class plaintiffs filed a Rule 23(f) petition seeking permission to appeal the District Court's denial of class certification to the United States Court of Appeals for the Fifth Circuit. The Bank filed an opposition to the class plaintiffs' petition on December 4, 2017. The Fifth Circuit denied the class plaintiffs' petition on April 20, 2018.

On February 28, 2019, the Bank, along with the other bank defendants, filed a motion for judgment on the pleadings in OSIC's case seeking dismissal of three claims (aiding and abetting fraud, aiding and abetting conversion, and aiding and abetting breach of fiduciary duty). The motion was fully briefed as of April 4, 2019. On September 10, 2019, OSIC filed a motion for leave to amend its intervenor complaints against the Bank and the other bank defendants to insert additional factual allegations. The motion was fully briefed as of October 15, 2019. On June 15, 2020, the Northern District of Texas (N.D. Tex.) court granted OSIC's motion for leave to amend its intervenor complaints against the Bank and the other bank defendants, and OSIC's Second Amended Intervenor Complaint against the Bank and certain other bank defendants was filed on that same date. On July 10, 2020, the N.D. Tex. court so-ordered the parties' agreed motion extending the Bank's time to respond to the Second Amended Intervenor Complaint until July 31, 2020. On July 31, 2020, the Bank filed its answer to the Second Amended Intervenor Complaint. On July 7, 2020, the Bank, along with the other defendants, requested to withdraw the motion for judgment on the pleadings, and the court issued an order finding the motion moot on August 14, 2020.

On May 3, 2019, two groups of plaintiffs comprising more than 950 investors in certificates of deposit issued by SIBL, and those who purchased one or more of such investors' claims, filed motions to intervene in OSIC's case against the Bank and the other bank defendants. On September 18, 2019, the Court denied the motions to intervene. On October 14, 2019, one group of plaintiffs (comprising 147 investors) filed a notice of appeal to the Fifth Circuit, and briefing was complete on the appeal as of April 8, 2020. On October 7, 2020, the Fifth Circuit heard oral argument on the appeal. On February 3, 2021, the Fifth Circuit affirmed the Court's denial of intervention. On February 17, 2021, the Bank and the other bank appellees filed a petition for rehearing of the Fifth Circuit's decision regarding OSIC's standing to pursue the intervenors' claims. On March 12, 2021, the Fifth Circuit denied the petition for rehearing, but clarified its prior holding regarding OSIC's standing to pursue the intervenors' claims.

On November 1, 2019, a second group of plaintiffs (comprising 1,286 investors) filed a petition in Texas state court against the Bank and other bank defendants, captioned *Smith v. Independent Bank, et al.*, alleging claims similar to those alleged in the *Rotstain v. Trustmark National Bank, et al.* action. On November 26, 2019, the U.S. Receiver for the Stanford Receivership Estate filed a motion to enjoin the Texas state court action in the United States District Court for the N.D. Tex. On January 15, 2020, the Court granted the U.S. Receiver's motion to enjoin the Texas state court action. On February 26, 2020, another defendant bank removed the Texas state court action to the United States District Court for the Southern District of Texas (S.D. Tex.). On April 13, 2020, the removing bank defendant and plaintiffs requested that the S.D. Tex. court stay the action for an initial period of 120 days. On April 20, 2020, the S.D. Tex. court stayed all case deadlines until August 14, 2020. On July 14, 2020, the removing bank defendant and plaintiffs requested that the S.D. Tex. court extend the stay of the action for an additional period of 90 days. On July 19, 2020, the S.D. Tex. court extended the stay until November 14, 2020. On October 30, 2020, the removing bank defendant and plaintiffs requested that the S.D. Tex. court extend the stay of the action for an additional period of 60 days. On November 30, 2020, the S.D. Tex. court stayed and administratively closed *Smith v. Independent Bank, et al.*, subject to reinstatement on the parties' motion. On January 29, 2021, the removing bank defendant and plaintiffs requested that the S.D. Tex. Court extend the current stay and administrative closure for an additional period of 60 days. On February 1, 2021, the S.D. Tex. court granted the request. On April 2, 2021, the S.D. Tex. court granted a further stay until July 31, 2021, and the case remains administratively closed. A joint status report was filed in the *Smith* action on January 31, 2022. In the report, the removing bank defendant requested a status conference to address how to resolve the overlapping issues with the *Rotstain* litigation. Plaintiffs requested that the *Smith* matter should continue to be stayed. On August 8, 2022, the Court issued an order keeping the *Smith* action administratively closed and directing the parties to continue to file biannual reports.

On February 12, 2021, the Bank and the other bank defendants filed motions for summary judgment in *Rotstain v. Trustmark National Bank, et al.*, and briefing was complete on the motions as of April 9, 2021.

On March 19, 2021, plaintiffs in *Rotstain v. Trustmark National Bank, et al.* filed a notice abandoning four of the seven claims asserted against the Bank: (i) aiding, abetting, or participation in fraudulent transfers; (ii) aiding, abetting or participation in a fraudulent scheme; (iii) aiding, abetting or participation in conversion; and (iv) civil conspiracy. On March 25, 2021, the N.D. Tex. court struck the May 6, 2021 ready-for-trial date to allow the trial court to set appropriate deadlines after remand.

On August 9, 2021, the Bank filed a motion for leave to file a second motion for summary judgment on the grounds that the remaining claims asserted by OSIC are precluded by the Ontario Superior Court of Justice's June 8, 2021 judgment. The motion was fully briefed as of September 13, 2021.

On January 20, 2022, the Court issued an order granting in part and denying in part the Bank's motion for summary judgment. Also on January 20, 2022, the Rotstain Court issued a Suggestion of Remand that recommended to the Judicial Panel on Multidistrict Litigation (JPML) that the Rotstain matter be remanded for further proceedings to the Southern District of Texas. That day, the JPML issued a Conditional Remand Order, which took effect on January 27, 2022. On March 10, 2022, the Rotstain matter was transferred to the Southern District of Texas.

On April 29, 2022, the bank defendants, including the Bank, moved to dismiss certain of plaintiffs' claims for lack of jurisdiction and lack of standing. Briefing on the bank defendants' motion to dismiss was completed on May 27, 2022.

On May 23, 2022, the Bank also filed a motion for summary judgment on the grounds that all of the claims asserted by the OSIC are precluded by the Ontario Superior Court of Justice's June 8, 2021 judgment. On June 13, 2022, OSIC filed an opposition to the Bank's summary judgment motion and cross-moved for summary judgment on the Bank's affirmative defenses of res judicata and collateral estoppel. Briefing on the motions was completed on July 12, 2022.

On June 9, 2022, the Court entered an order setting the Rotstain matter for trial beginning on February 27, 2023.

On October 3, 2022, the Court entered orders denying the bank defendants', including the Bank's, motions to exclude the testimony of Plaintiffs' expert witnesses. On October 20-21, 2022, the Court entered orders granting in part and denying in part Plaintiffs' motions to exclude the testimony of certain of the bank defendants' expert witnesses.

The Bank was also a defendant in two cases filed in the Ontario Superior Court of Justice: (1) *McDonald 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 asserted that the Bank acted negligently and provided knowing assistance to SIBL's fraud. The trial of both actions took place from January 11, 2021 to April 29, 2021. On June 8, 2021, the Superior Court rendered judgment dismissing both actions. On July 8, 2021, the Joint Liquidators filed an appeal of their action in the Court of Appeal for Ontario. There is no appeal in the Dynasty Furniture action. The hearing of the appeal in the Joint Liquidators' action took place on April 20-21, 2022. The Court of Appeal for Ontario has taken the matter under reserve and will issue a written decision in due course.

**TD Ameritrade Stockholder Litigation** – On May 12, 2020, a stockholder of TD Ameritrade Holding Corporation ("Ameritrade") filed a class action complaint captioned *Hawkes v. Bettino, et al.*, CA No. 2020-0360-PAF, in the Delaware Court of Chancery challenging the transaction between Ameritrade and The Charles Schwab Corporation ("Schwab"). Among other claims, the initial complaint alleged that the merger was subject to Delaware's interested stockholder statute but violated that statute because it had not been conditioned on approval of 66 2/3% of Ameritrade's shares, excluding those held by the Bank and Schwab. On June 4, 2020, a sufficient percentage of Ameritrade's shares were voted to approve the transaction and the plaintiff thereafter dismissed that claim. On February 5, 2021, the plaintiff filed an amended complaint naming as defendants the Bank, certain TD Bank-affiliated entities, the five former Ameritrade directors designated by the Bank, certain other former officers and directors of Ameritrade, and Schwab. The amended complaint alleges that the Bank was a controlling stockholder of Ameritrade and breached its fiduciary duties by negotiating an amended Insured Deposit Account Agreement with Schwab that improperly diverted merger consideration from Ameritrade's other stockholders. The amended complaint further asserts breach of fiduciary duty claims against the Bank-designated directors and the other individual defendants based on the same allegations. Finally, the amended complaint alleges that Schwab aided and abetted the breaches by the other defendants. On April 29, 2021, all defendants moved to dismiss the complaint for failure to state a claim. The motion to dismiss hearing occurred on November 18, 2021.

On January 20, 2022, the parties (i.e., plaintiff and all defendants) informed the Court that they had reached an agreement in principle to resolve the action subject to the parties' ability to satisfy certain conditions and their submission of a stipulation memorializing the settlement within 45 days. On March 25, 2022, the parties (i.e., plaintiff and all defendants) filed their stipulation and agreement of settlement, compromise and release. The Court held a settlement hearing on September 21, 2022. The Court approved the settlement and all claims were dismissed with prejudice.

**Credit Card Fees** – Between 2011 and 2013, seven proposed class actions were commenced, five of which remain in British Columbia, Alberta, Saskatchewan, Ontario and Québec: *Coburn and Watson's Metropolitan Home v. Bank of America Corporation, et al.*; *Macaronies Hair Club v. BOFA Canada Bank, et al.*; *Hello Baby Equipment Inc. v. BOFA Canada Bank, et al.*; *Bancroft-Snell, et al. v. Visa Canada Corporation, et al.*; and *9085-4886 Québec Inc. v. Visa Canada Corporation, et al.*

The plaintiff class members are Canadian merchants who accept payment for products and services by Visa Canada Corporation (Visa) and/or MasterCard International Incorporated (MasterCard) (collectively, the "Networks"). While there is some variance, in most of the actions it is alleged that, from March 2001 to the present, the Networks conspired with their issuing banks and acquirers to fix excessive fees and that certain rules have the effect of increasing the merchant fees. The Bank, together with the remaining bank defendants, have collectively entered into a national settlement with the class. They will collectively pay a total of \$120 million in exchange for the dismissal of the Credit Card Actions and other related litigation.

On December 10, 2021, after a joint settlement approval hearing on December 6, 2021, the national settlement was approved by the five courts in which the actions were filed.

**Rothstein Litigation** – During the second quarter of 2022, the Bank reached a settlement in *TD Bank, N.A. v. Lloyd's Underwriters et al.*, in Canada, pursuant to which the Bank recovered losses resulting from the previous resolution by the Bank of multiple proceedings in the U.S. related to an alleged Ponzi scheme perpetrated by, among others, Scott Rothstein. The \$224 million amount was recovered in the second quarter of 2022 and was recorded in Other income (loss) on the Consolidated Statement of Income.

**Consumer Class Actions** – The Bank, along with several other Canadian financial institutions, is a defendant in a number of matters brought by consumers alleging provincial claims in connection with various fees, interest rate calculations, and credit decisions. The cases are in various stages of maturity.

## (c) COMMITMENTS

### **Credit-related Arrangements**

In the normal course of business, the Bank enters into various commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of customers. The Bank's policy for requiring collateral security with respect to these contracts and the types of collateral security held is generally the same as for loans made by the Bank.

Financial and performance standby letters of credit represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties and they carry the same credit risk, recourse, and collateral security requirements as loans extended to customers. Performance standby letters of credit are considered non-financial guarantees as payment does not depend on the occurrence of a credit event and is generally related to a non-financial trigger event.

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)

	October 31 2022	As at October 31 2021
<b>Financial and performance standby letters of credit</b>	<b>\$ 35,675</b>	<b>\$ 31,153</b>
<b>Documentary and commercial letters of credit</b>	<b>193</b>	<b>209</b>
<b>Commitments to extend credit<sup>1</sup></b>		
Original term-to-maturity of one year or less	56,700	54,563
Original term-to-maturity of more than one year	199,588	173,489
<b>Total</b>	<b>\$ 292,156</b>	<b>\$ 259,414</b>

<sup>1</sup> Commitments to extend credit exclude personal lines of credit and credit card lines, which are unconditionally cancellable at the Bank's discretion at any time.

In addition, as at October 31, 2022, the Bank is committed to fund \$502 million (October 31, 2021 – \$326 million) of private equity investments.

#### Long-term Commitments or Leases

The Bank has obligations under long-term non-cancellable leases for premises and equipment. The maturity profile for undiscounted lease liabilities is \$14 million for 2023, \$60 million for 2024, \$131 million for 2025, \$283 million for 2026, \$374 million for 2027, \$6,350 million for 2028, and thereafter. Total lease payments, including \$9 million (October 31, 2021 – \$14 million) paid for short-term and low-value asset leases, for the year ended October 31, 2022 were \$798 million (October 31, 2021 – \$746 million).

#### (d) 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.

#### (e) GUARANTEES

In addition to financial and performance standby letters of credit, the following types of transactions represent the principal guarantees that the Bank has entered into.

##### Credit Enhancements

The Bank guarantees payments to counterparties in the event that third-party credit enhancements supporting asset pools are insufficient.

##### Indemnification Agreements

In the normal course of operations, the Bank provides indemnification agreements to various counterparties in transactions such as service agreements, leasing transactions, and agreements relating to acquisitions and dispositions. Under these agreements, the Bank is required to compensate counterparties for costs incurred as a result of various contingencies such as changes in laws and regulations and litigation claims. The nature of certain indemnification agreements prevent the Bank from making a reasonable estimate of the maximum potential amount that the Bank would be required to pay such counterparties.

The Bank also indemnifies directors, officers, and other persons, to the extent permitted by law, against certain claims that may be made against them as a result of their services to the Bank or, at the Bank's request, to another entity.



**(f) 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**

(millions of Canadian dollars)

	<i>As at</i>	
	October 31 2022	October 31 2021
<b>Sources of pledged assets and collateral</b>		
Bank assets		
Cash and due from banks	\$ –	\$ 223
Interest-bearing deposits with banks	8,916	6,580
Loans	95,961	81,468
Securities	107,739	98,200
Other assets	1,032	475
	<b>213,648</b>	<b>186,946</b>
Third-party assets <sup>1</sup>		
Collateral received and available for sale or repledging	396,998	354,873
Less: Collateral not repledged	(122,079)	(85,248)
	<b>274,919</b>	<b>269,625</b>
	<b>488,567</b>	<b>456,571</b>
<b>Uses of pledged assets and collateral<sup>2</sup></b>		
Derivatives		
Obligations related to securities sold under repurchase agreements	19,815	14,864
Securities borrowing and lending	154,772	170,314
Obligations related to securities sold short	129,721	119,915
Securitization	41,556	34,424
Covered bond	28,278	29,030
Clearing systems, payment systems, and depositories	36,425	26,924
Foreign governments and central banks	11,201	9,261
Other	934	1,010
<b>Total</b>	<b>\$ 65,865</b>	<b>\$ 50,829</b>
	<b>\$ 488,567</b>	<b>\$ 456,571</b>

<sup>1</sup> Includes collateral received from reverse repurchase agreements, securities borrowing, margin loans, and other client activity.

<sup>2</sup> Includes \$55.9 billion of on-balance sheet assets that the Bank has pledged and that the counterparty can subsequently repledge as at October 31, 2022 (October 31, 2021 – \$48.7 billion).

**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, 2022, \$112 million (October 31, 2021 – \$150 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)

	<i>For the years ended October 31</i>	
	2022	2021
Short-term employee benefits	\$ 40	\$ 31
Post-employment benefits	1	1
Share-based payments	40	39
<b>Total</b>	<b>\$ 81</b>	<b>\$ 71</b>

In addition, the Bank offers deferred share and other plans to non-employee directors, executives, and certain other key employees. Refer to Note 23 for further details.

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

#### **TRANSACTIONS WITH SUBSIDIARIES, SCHWAB, 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, Schwab, and Symcor Inc. (Symcor) also qualify as related party transactions. There were no significant transactions between the Bank, Schwab, and Symcor during the year ended October 31, 2022, other than as described in the following sections and in Note 12.

##### *j) TRANSACTIONS WITH SCHWAB*

A description of significant transactions between the Bank and its affiliates with Schwab is set forth below.

##### ***Insured Deposit Account Agreement***

The Bank is party to the Schwab IDA Agreement which became effective on the completion of the Schwab transaction on October 6, 2020 and has an initial expiration date of July 1, 2031. Pursuant to the Schwab IDA Agreement, the Bank makes sweep deposit accounts available to clients of Schwab. Schwab provides recordkeeping and support services with respect to the Schwab IDA Agreement. The servicing fee under the Schwab IDA Agreement is set at 15 basis points per annum on the aggregate average daily balance in the sweep deposit accounts. As at October 31, 2022, deposits under the Schwab IDA Agreement were \$174 billion (US\$128 billion) (October 31, 2021 – \$176 billion (US\$142 billion)). Starting July 1, 2021, deposits can be reduced at Schwab's option by up to US\$10 billion in a year (subject to certain adjustments), with a floor of US\$50 billion. The Bank paid fees of \$1.7 billion during the year ended October 31, 2022 (October 31, 2021 – \$1.6 billion) to Schwab related to sweep deposit accounts. The amount paid by the Bank is based on the average insured deposit balance of \$182 billion for the year ended October 31, 2022 (October 31, 2021 – \$186 billion) and yields based on agreed upon market benchmarks, less the actual interest paid to clients of Schwab.

As at October 31, 2022, amounts receivable from Schwab were \$31 million (October 31, 2021 – \$26 million). As at October 31, 2022, amounts payable to Schwab were \$152 million (October 31, 2021 – \$195 million).

The Bank and other financial institutions provided Schwab and its subsidiaries with unsecured revolving loan facilities. As at October 31, 2022, there was no loan commitment provided by the Bank to Schwab (October 31, 2021 – \$95 million undrawn).

##### *ij) 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, 2022, the Bank paid \$77 million (October 31, 2021 – \$76 million) for these services. As at October 31, 2022, the amount payable to Symcor was \$12 million (October 31, 2021 – \$12 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, 2022, and October 31, 2021.

#### **NOTE 29: SEGMENTED INFORMATION**

For management reporting purposes, commencing the fourth quarter of fiscal 2022, the Bank reports its results under four key business segments: Canadian Personal and Commercial Banking, U.S. Retail, Wealth Management and Insurance, and Wholesale Banking. The Bank's other activities are grouped into the Corporate segment. The comparative period information has been adjusted to reflect the new segment alignment.

Canadian Personal and Commercial Banking provides financial products and services to personal, small business and commercial customers, and includes TD Auto Finance Canada. U.S. Retail is comprised of personal and business banking 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, TD Auto Finance U.S., and the U.S. wealth business, including Epoch and the Bank's equity investment in Schwab. Wealth Management and Insurance includes the Canadian wealth business which provides investment products and services to institutional and retail investors, and the insurance business which provides property and casualty insurance, as well as life and health insurance products to customers across Canada. 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 Corporate segment includes the effects of certain asset securitization programs, treasury management, 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. Intersegment revenue is negotiated between each business segment and approximates the fair value of the services provided. Income tax provision or recovery is generally applied to each segment based on a statutory tax rate and may be adjusted for items and activities unique to each segment. Amortization of intangibles acquired as a result of business combinations is included in the Corporate segment. Accordingly, net income for business segments is presented before amortization of these intangibles.

Non-interest income is earned by the Bank primarily through investment and securities services, credit fees, trading income, service charges, card services, and insurance revenues. Revenues from investment and securities services are earned predominantly in the Wealth Management and Insurance segment. Revenues from credit fees are primarily earned in the Wholesale Banking and Canadian Personal and Commercial Banking segments. Trading income is earned within Wholesale Banking. Both service charges and card services revenue are mainly earned in the U.S. Retail and Canadian Personal and Commercial Banking segments. Insurance revenue is earned in the Wealth Management and Insurance segment.

Net interest income within Wholesale Banking is calculated on a taxable equivalent basis (TEB), which means that the value of non-taxable or tax-exempt income, primarily 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 following table summarizes the segment results for the years ended October 31, 2022 and October 31, 2021.

#### Results by Business Segment<sup>1</sup>

(millions of Canadian dollars)

	<i>For the years ended October 31</i>					
	<b>2022</b>					
	Canadian Personal and Commercial Banking	U.S. Retail	Wealth Management and Insurance	Wholesale Banking <sup>2</sup>	Corporate <sup>2</sup>	Total
Net interest income (loss)	\$ 12,396	\$ 9,604	\$ 945	\$ 2,937	\$ 1,471	\$ 27,353
Non-interest income (loss)	4,190	2,821	9,915	1,894	2,859	21,679
<b>Total revenue</b>	<b>16,586</b>	<b>12,425</b>	<b>10,860</b>	<b>4,831</b>	<b>4,330</b>	<b>49,032</b>
Provision for (recovery of) credit losses	491	335	1	37	203	1,067
Insurance claims and related expenses	-	-	2,900	-	-	2,900
Non-interest expenses	7,176	6,920	4,711	3,033	2,801	24,641
<b>Income (loss) before income taxes and share of net income from investment in Schwab</b>	<b>8,919</b>	<b>5,170</b>	<b>3,248</b>	<b>1,761</b>	<b>1,326</b>	<b>20,424</b>
Provision for (recovery of) income taxes	2,361	625	853	436	(289)	3,986
Share of net income from investment in Schwab <sup>3,4</sup>	-	1,075	-	-	(84)	991
<b>Net income (loss)</b>	<b>\$ 6,558</b>	<b>\$ 5,620</b>	<b>\$ 2,395</b>	<b>\$ 1,325</b>	<b>\$ 1,531</b>	<b>\$ 17,429</b>
						2021
Net interest income (loss)	\$ 11,195	\$ 8,074	\$ 762	\$ 2,630	\$ 1,470	\$ 24,131
Non-interest income (loss)	3,722	2,684	9,827	2,070	259	18,562
<b>Total revenue</b>	<b>14,917</b>	<b>10,758</b>	<b>10,589</b>	<b>4,700</b>	<b>1,729</b>	<b>42,693</b>
Provision for (recovery of) credit losses	256	(250)	2	(118)	(114)	(224)
Insurance claims and related expenses	-	-	2,707	-	-	2,707
Non-interest expenses	6,648	6,417	4,355	2,709	2,947	23,076
<b>Income (loss) before income taxes and share of net income from investment in Schwab</b>	<b>8,013</b>	<b>4,591</b>	<b>3,525</b>	<b>2,109</b>	<b>(1,104)</b>	<b>17,134</b>
Provision for (recovery of) income taxes	2,128	504	929	539	(479)	3,621
Share of net income from investment in Schwab <sup>3,4</sup>	-	898	-	-	(113)	785
<b>Net income (loss)</b>	<b>\$ 5,885</b>	<b>\$ 4,985</b>	<b>\$ 2,596</b>	<b>\$ 1,570</b>	<b>\$ (738)</b>	<b>\$ 14,298</b>

<sup>1</sup> The retailer program partners' share of revenues and credit losses is presented in the Corporate segment, with an offsetting amount (representing the partners' net share) recorded in Non-interest expenses, resulting in no impact to Corporate reported Net income (loss). The Net income (loss) included in the U.S. Retail segment includes only the portion of revenue and credit losses attributable to the Bank under the agreements.

<sup>2</sup> Net interest income within Wholesale Banking is calculated on a TEB. The TEB adjustment reflected in Wholesale Banking is reversed in the Corporate segment.

<sup>3</sup> The after-tax amounts for amortization of acquired intangibles and the Bank's share of acquisition and integration charges associated with Schwab's acquisition of TD Ameritrade are recorded in the Corporate segment.

<sup>4</sup> The Bank's share of Schwab's earnings is reported with a one-month lag. Refer to Note 12 for further details.

#### Total Assets by Business Segment

(millions of Canadian dollars)

	Canadian Personal and Commercial Banking	U.S. Retail	Wealth Management and Insurance	Wholesale Banking	Corporate	Total
						<i>As at October 31, 2022</i>
<b>Total assets</b>	<b>\$ 526,374</b>	<b>\$ 585,297</b>	<b>\$ 23,721</b>	<b>\$ 635,094</b>	<b>\$ 147,042</b>	<b>\$ 1,917,528</b>
						<i>As at October 31, 2021</i>
<b>Total assets</b>	<b>\$ 484,857</b>	<b>\$ 559,503</b>	<b>\$ 24,579</b>	<b>\$ 514,681</b>	<b>\$ 145,052</b>	<b>\$ 1,728,672</b>

## 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.

### Results by Geography

(millions of Canadian dollars)

	For the years ended		As at
	October 31		October 31
	2022	2021	2022
	<b>Total revenue</b>		<b>Total assets</b>
Canada	\$ 29,244	\$ 26,664	\$ 1,014,344
United States	18,442	14,091	760,700
Other international	1,346	1,938	142,484
<b>Total</b>	<b>\$ 49,032</b>	<b>\$ 42,693</b>	<b>\$ 1,917,528</b>

## NOTE 30: INTEREST INCOME AND EXPENSE

The following tables present interest income and interest expense by basis of accounting measurement.

### Interest Income

(millions of Canadian dollars)

	For the years ended October 31	
	2022	2021
Measured at amortized cost <sup>1</sup>	\$ 34,304	\$ 26,106
Measured at FVOCI – Debt instruments <sup>1</sup>	973	600
Measured or designated at FVTPL	5,542	2,714
Measured at FVOCI – Equity instruments	213	161
<b>Total</b>	<b>\$ 41,032</b>	<b>\$ 29,581</b>

<sup>1</sup> Interest income is calculated using EIRM.

### Interest Expense

(millions of Canadian dollars)

	For the years ended October 31	
	2022	2021
Measured at amortized cost <sup>1,2</sup>	\$ 10,162	\$ 3,570
Measured or designated at FVTPL	3,517	1,880
<b>Total</b>	<b>\$ 13,679</b>	<b>\$ 5,450</b>

<sup>1</sup> Interest expense is calculated using EIRM.

<sup>2</sup> Includes interest expense on lease liabilities for the year ended October 31, 2022 of \$135 million (October 31, 2021 – \$144 million).

**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)

	Loans and customers' liability under acceptances <sup>1,2</sup>				Credit Instruments <sup>3,4</sup>		Derivative financial instruments <sup>5,6</sup>	
	October 31		October 31		October 31		October 31	
	2022	2021	2022	2021	2022	2021	2022	2021
Canada	66 %	70 %	32 %	36 %	22 %	25 %		
United States	32	29	64	59	33	34		
United Kingdom	–	–	1	1	11	13		
Europe – other	–	–	2	3	21	18		
Other international	2	1	1	1	13	10		
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>		
	<b>\$ 853,129</b>	<b>\$ 742,672</b>	<b>\$ 292,156</b>	<b>\$ 259,414</b>	<b>\$ 96,795</b>	<b>\$ 49,929</b>		

<sup>1</sup> Of the total loans and customers' liability under acceptances, the only industry segment which equalled or exceeded 5% of the total concentration as at October 31, 2022 was real estate 10% (October 31, 2021 – 10%).

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

<sup>3</sup> As at October 31, 2022, the Bank had commitments and contingent liability contracts in the amount of \$292 billion (October 31, 2021 – \$259 billion). Included are commitments to extend credit totalling \$256 billion (October 31, 2021 – \$228 billion), of which the credit risk is dispersed as detailed in the table above.

<sup>4</sup> Of the commitments to extend credit, industry segments which equalled or exceeded 5% of the total concentration were as follows as at October 31, 2022: financial institutions 22% (October 31, 2021 – 21%); power and utilities 10% (October 31, 2021 – 10%); automotive 8% (October 31, 2021 – 9%); professional and other services 8% (October 31, 2021 – 7%); sundry manufacturing and wholesale 7% (October 31, 2021 – 7%); Non-residential-real estate development 7% (October 31, 2021 – 5%); telecommunications, cable, and media 5% (October 31, 2021 – 6%); oil and gas 5% (October 31, 2021 – 5%).

<sup>5</sup> As at October 31, 2022, the current replacement cost of derivative financial instruments, excluding the impact of master netting agreements and collateral, amounted to \$97 billion (October 31, 2021 – \$50 billion). Based on the location of the ultimate counterparty, the credit risk was allocated as detailed in the table above. The table excludes the fair value of exchange traded derivatives.

<sup>6</sup> The largest concentration by counterparty type was with financial institutions (including non-banking financial institutions), which accounted for 63% of the total as at October 31, 2022 (October 31, 2021 – 70%). The second largest concentration was with governments, which accounted for 30% of the total as at October 31, 2022 (October 31, 2021 – 19%). No other industry segment exceeded 5% of the total.

The following table presents the maximum exposure to credit risk of financial instruments, before taking account of any collateral held or other credit enhancements.

**Gross Maximum Credit Risk Exposure**

(millions of Canadian dollars)

	<i>As at</i>	
	October 31 2022	October 31 2021
Cash and due from banks	\$ 8,556	\$ 5,931
Interest-bearing deposits with banks	137,294	159,962
Securities <sup>1</sup>		
Financial assets designated at fair value through profit or loss		
Government and government-insured securities	2,422	2,161
Other debt securities	2,617	2,403
Trading		
Government and government-insured securities	51,285	42,048
Other debt securities	18,997	18,365
Retained interest	5	9
Non-trading securities at fair value through profit or loss		
Government and government-insured securities	287	155
Other debt securities	6,644	6,320
Securities at fair value through other comprehensive income		
Government and government-insured securities	50,882	57,780
Other debt securities	13,121	15,085
Debt securities at amortized cost		
Government and government-insured securities	256,362	208,559
Other debt securities	86,412	60,380
Securities purchased under reverse purchase agreements	160,167	167,284
Derivatives <sup>2</sup>	103,873	54,427
Loans		
Residential mortgages	293,601	268,079
Consumer instalment and other personal	204,529	188,291
Credit card	34,263	28,933
Business and government	298,650	237,319
Trading loans	11,749	12,405
Non-trading loans at fair value through profit or loss	3,265	2,337
Loans at fair value through other comprehensive income	2,353	1,602
Customers' liability under acceptances	19,733	18,448
Amounts receivable from brokers, dealers, and clients	19,760	32,357
Other assets	8,461	5,927
<b>Total assets</b>	<b>1,795,288</b>	<b>1,596,567</b>
Credit instruments <sup>3</sup>	292,156	259,414
Unconditionally cancellable commitments to extend credit relating to personal lines of credit and credit card lines	352,342	318,025
<b>Total credit exposure</b>	<b>\$ 2,439,786</b>	<b>\$ 2,174,006</b>

<sup>1</sup> Excludes equity securities.

<sup>2</sup> The carrying amount of the derivative assets represents the maximum credit risk exposure related to derivative contracts.

<sup>3</sup> The balance represents the maximum amount of additional funds that the Bank could be obligated to extend should the contracts be fully utilized. The actual maximum exposure may differ from the amount reported above. Refer to Note 27 for further details.

**NOTE 32: REGULATORY CAPITAL**

The Bank manages its capital under guidelines established by OSFI. The regulatory capital guidelines measure capital in relation to credit, trading market, and operational risks. The Bank has various capital policies, procedures, and controls which it utilizes to achieve its goals and objectives.

The Bank's capital management objectives are:

- To be an appropriately capitalized financial institution as determined by:
  - the Bank's Risk Appetite Statement;
  - capital requirements defined by relevant regulatory authorities; and
  - the Bank's internal assessment of capital requirements, including stress test analysis, consistent with the Bank's risk profile and risk tolerance levels.
- To have the most economic weighted-average cost of capital achievable, while 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 loss 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 access to required funding.

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

### Basel III Capital Framework

Capital requirements of the Basel Committee on Banking Supervision 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 risk-weighted assets (RWA), inclusive of any minimum requirements outlined under the regulatory floor. In 2015, Basel III also implemented a non-risk sensitive leverage ratio to act as a supplementary measure to the risk-sensitive capital requirements. The objective of the leverage ratio is to constrain the build-up of excess leverage in the banking sector. The leverage ratio is calculated by dividing Tier 1 Capital by leverage exposure which is primarily comprised of on-balance sheet assets with adjustments made to derivative and securities financing transaction exposures, and credit equivalent amounts of off-balance sheet exposures.

### Capital Position and Capital Ratios

The Basel framework allows qualifying banks to determine capital levels consistent with the way they measure, manage, and mitigate risks. It specifies methodologies for the measurement of credit, trading market, and operational risks. The Bank uses the AIRB approach to credit risk for all material portfolios.

For accounting purposes, IFRS is followed for consolidation of subsidiaries and joint ventures. For regulatory capital purposes, all subsidiaries of the Bank are consolidated except for insurance subsidiaries which are deconsolidated and follow prescribed treatment per OSFI's CAR guidelines. Insurance subsidiaries are subject to their own capital adequacy reporting, such as OSFI's Life Insurance Capital Adequacy Test.

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

On November 22, 2019, the Bank was designated a global systemically important bank (G-SIB). During the year ended October 31, 2022, the Bank complied with the OSFI Basel III guidelines related to risk-based and leverage capital ratios. Effective January 1, 2016, OSFI's target CET1, Tier 1, and Total Capital ratios for Canadian banks designated as domestic systemically important banks (D-SIBs) includes a 1% common equity capital surcharge bringing the targets to 8%, 9.5%, and 11.5%, respectively. On June 25, 2018, OSFI provided greater transparency related to previously undisclosed Pillar 2 CET1 capital buffers through the introduction of the public Domestic Stability Buffer (DSB) which is held by D-SIBs against Pillar 2 risks. The current published buffer is set at 2.5% of total RWA and must be met with CET1 Capital, effectively raising OSFI's published CET1, Tier 1, and Total Capital minimum target ratios to 10.5%, 12.0%, and 14.0%, respectively. The OSFI target includes the greater of the D-SIB or G-SIB surcharge, both of which are currently 1%.

On September 23, 2018, the Canadian Bail-in regime came into effect, including OSFI's Total Loss Absorbing Capacity (TLAC) guideline. Under this guideline, the Bank was required to meet a supervisory risk-based TLAC target of 24.0% of RWA, inclusive of the 2.50% DSB, and a TLAC leverage ratio target of 6.75% by November 1, 2021. Changes to the DSB will result in corresponding changes to the risk-based TLAC target ratio.

The following table summarizes the Bank's regulatory capital position as at October 31, 2022 and October 31, 2021.

### Regulatory Capital Position

(millions of Canadian dollars, except as noted)

	As at	
	October 31 2022	October 31 2021
<b>Capital</b>		
Common Equity Tier 1 Capital	\$ 83,671	\$ 69,937
Tier 1 Capital	94,445	75,716
Total Capital	107,175	87,987
<b>Risk-weighted assets used in the calculation of capital ratios</b>	<b>517,048</b>	<b>460,270</b>
<b>Capital and leverage ratios</b>		
Common Equity Tier 1 Capital ratio	16.2 %	15.2 %
Tier 1 Capital ratio	18.3	16.5
Total Capital ratio	20.7	19.1
Leverage ratio	4.9	4.8
TLAC Ratio	35.2	28.3
TLAC Leverage Ratio	9.4	8.2

**NOTE 33: INFORMATION ON SUBSIDIARIES**

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

**SIGNIFICANT SUBSIDIARIES<sup>1</sup>**

(millions of Canadian dollars)

		<b>October 31, 2022</b>
	<b>Address of Head or Principal Office<sup>2</sup></b>	<b>Carrying value of shares owned by the Bank<sup>3</sup></b>
<b>North America</b>		
Meloche Monnex Inc.	Montreal, Québec	\$ 2,370
Security National Insurance Company	Montreal, Québec	
Primum Insurance Company	Toronto, Ontario	
TD Direct Insurance Inc.	Toronto, Ontario	
TD General Insurance Company	Toronto, Ontario	
TD Home and Auto Insurance Company	Toronto, Ontario	
TD Wealth Holdings Canada Limited	Toronto, Ontario	5,963
TD Asset Management Inc.	Toronto, Ontario	
GMI Servicing Inc.	Winnipeg, Manitoba	
TD Waterhouse Private Investment Counsel Inc.	Toronto, Ontario	
TD Waterhouse Canada Inc.	Toronto, Ontario	
TD Auto Finance (Canada) Inc.	Toronto, Ontario	3,721
TD Group US Holdings LLC	Wilmington, Delaware	71,879
Toronto Dominion Holdings (U.S.A.), Inc.	New York, New York	
TD Prime Services LLC	New York, New York	
TD Securities Automated Trading LLC	Chicago, Illinois	
TD Securities (USA) LLC	New York, New York	
Toronto Dominion (Texas) LLC	New York, New York	
Toronto Dominion (New York) LLC	New York, New York	
Toronto Dominion Capital (U.S.A.), Inc.	New York, New York	
Toronto Dominion Investments, Inc.	New York, New York	
TD Bank US Holding Company	Cherry Hill, New Jersey	
Epoch Investment Partners, Inc.	New York, New York	
TD Bank USA, National Association	Cherry Hill, New Jersey	
TD Bank, National Association	Cherry Hill, New Jersey	
TD Equipment Finance, Inc.	Cherry Hill, New Jersey	
TD Private Client Wealth LLC	New York, New York	
TD Wealth Management Services Inc.	Mt. Laurel, New Jersey	
TD Investment Services Inc.	Toronto, Ontario	38
TD Life Insurance Company	Toronto, Ontario	115
TD Mortgage Corporation	Toronto, Ontario	11,737
TD Pacific Mortgage Corporation	Vancouver, British Columbia	
The Canada Trust Company	Toronto, Ontario	
TD Securities Inc.	Toronto, Ontario	2,713
TD Vermillion Holdings Limited	Toronto, Ontario	28,723
TD Financial International Ltd.	Hamilton, Bermuda	
TD Reinsurance (Barbados) Inc.	St. James, Barbados	
<b>International</b>		
TD Ireland Unlimited Company	Dublin, Ireland	2,057
TD Global Finance Unlimited Company	Dublin, Ireland	
TD Securities (Japan) Co. Ltd.	Tokyo, Japan	11
Toronto Dominion Australia Limited	Sydney, Australia	94
Toronto Dominion Investments B.V.	London, England	1,174
TD Bank Europe Limited	London, England	
Toronto Dominion (South East Asia) Limited	Singapore, Singapore	1,225

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

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

<sup>3</sup> Carrying amounts are prepared for purposes of meeting the disclosure requirements of Section 308 (3)(a)(ii) of the *Bank Act* (Canada). Intercompany transactions may be included herein which are eliminated for consolidated financial reporting purposes.



#### **SUBSIDIARIES WITH RESTRICTIONS TO TRANSFER FUNDS**

Certain of the Bank's subsidiaries have regulatory requirements to fulfil, in accordance with applicable law, in order to transfer funds, including paying dividends to, repaying loans to, or redeeming subordinated debentures issued to, the Bank. These customary requirements include, but are not limited to:

- Local regulatory capital and/or surplus adequacy requirements;
- Basel requirements under Pillar 1 and Pillar 2;
- Local regulatory approval requirements; and
- Local corporate and/or securities laws.

As at October 31, 2022, the net assets of subsidiaries subject to regulatory or CAR was approximately \$82 billion (October 31, 2021 – \$91 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.

<b>RETURN ON ASSETS, DIVIDEND PAYOUTS, AND EQUITY TO ASSETS RATIOS<sup>1,2</sup></b>
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	<i>For the three months ended</i>				<i>For the year ended</i>		
	<b>October 31 2022</b>	July 31 2022	April 30 2022	January 31 2022	<b>October 31 2022</b>	October 31 2021	October 31 2020
Return on Assets—reported <sup>3</sup>	<b>1.38 %</b>	0.69 %	0.86 %	0.83 %	<b>0.95 %</b>	0.81 %	0.72 %
Return on Assets—adjusted <sup>4</sup>	<b>0.83</b>	0.83	0.84	0.85	<b>0.84</b>	0.83	0.60
Dividend Payout Ratio—reported <sup>5</sup>	<b>24.6</b>	50.6	42.9	43.9	<b>37.5</b>	40.9	48.4
Dividend Payout Ratio—adjusted <sup>6</sup>	<b>40.7</b>	42.6	44.0	42.8	<b>42.5</b>	39.9	57.9
Equity to Asset Ratio <sup>7</sup>	<b>5.6</b>	5.5	5.6	5.7	<b>5.6</b>	5.6	5.7

<sup>1</sup> Calculated pursuant to the U.S. Securities and Exchange Commission Industry Guide 3.

<sup>2</sup> The Bank prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), the current generally accepted accounting principles (GAAP), and refers to results prepared in accordance with IFRS as the "reported" results. The Bank also utilizes non-GAAP financial measures such as "adjusted" results (i.e. reported results excluding "items of note") and non-GAAP ratios to assess each of its businesses and measure overall Bank performance. The Bank believes that non-GAAP financial measures and non-GAAP ratios provide the reader with a better understanding of how management views the Bank's performance. Non-GAAP financial measures and ratios used in this presentation are not defined terms under IFRS and, therefore, may not be comparable to similar terms used by other issuers. See "Financial Results Overview" in the Bank's 2022 MD&A (available at [www.td.com/investor](http://www.td.com/investor) and [www.sedar.com](http://www.sedar.com)), which is incorporated by reference, for further explanation, reported basis results, a list of the items of note, and a reconciliation of adjusted to reported results.

<sup>3</sup> Calculated as reported net income available to common shareholders divided by average total assets.

<sup>4</sup> Calculated as adjusted net income available to common shareholders divided by average total assets.

<sup>5</sup> Calculated as dividends declared per common share divided by reported basic earnings per share.

<sup>6</sup> Calculated as dividends declared per common share divided by adjusted basic earnings per share.

<sup>7</sup> Calculated as average total equity divided by average total assets.

**Code of Ethics**

[The amended \*Code of Conduct and Ethics for Employees and Directors\* is incorporated by reference to the Form 6-K filed with the SEC on February 7, 2022.](#)

**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 30, 2022, with respect to the consolidated balance sheet of The Toronto-Dominion Bank (the “Bank”) as at October 31, 2022 and 2021, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended October 31, 2022, and the effectiveness of internal control over financial reporting of the Bank as at October 31, 2022.

We also consent to the incorporation by reference of our reports dated November 30, 2022 in the following Registration Statements of the Bank:

- 1) Registration Statement (Form F-3 No. 333-83232),
- 2) Registration Statement (Form F-3 No. 333-262557),
- 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),
- 8) Registration Statement (Form S-8 No. 333-169721), and
- 9) Registration Statement (Form S-8 No. 333-263318).

**/s/Ernst & Young LLP**  
Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
December 1, 2022

**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: December 1, 2022

*/s/ Bharat Masrani*

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Bharat Masrani

Group President and Chief Executive Officer

**Certification Pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002**

I, Kelvin Tran, 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: December 1, 2022

/s/ Kelvin Tran

Kelvin Tran  
Senior Executive Vice President and Chief Financial  
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, 2022 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: December 1, 2022

/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, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kelvin Tran, Senior Executive Vice President 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: December 1, 2022

*/s/ Kelvin Tran*

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Kelvin Tran  
Senior Executive Vice President and Chief Financial  
Officer